# THE EFFECT OF COMPETENCY OF MIDDLE-LEVEL MANAGERS ON THE OVERALL PERFORMANCES OF COMMERCIAL BANKS IN ETHIOPIA

**By:**

**MIKIAS TADESSE (ID: GSE/1038/09)**

**THESIS SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS DEGREE IN MANAGEMENT SCEINCE, COLLEGE OF BUSINESS AND ECONOMICS, ADDIS ABABA UNIVERSITY**

**SUPERVISOR: DR SALEHU ANTENEH**

**2019**

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# DECLARATION

I, the undersigned, Mikias Tadesse Betemariam (GSE/1038/09), hereby declare that this thesis with the research topic entitled “The impact of competency of middle level managers on the overall performance of Commercial Banks in Ethiopia” is my own original work. And where ideas, thoughts or sentences were adopted, the necessary acknowledgement was done by means of referencing the source. The document has never been submitted before and will not be presented at any other University for a similar or any other degree award.

Signature Date

**Addis Ababa University**
**School of Graduate Studies**

This is to certify that the thesis prepared by Mikias Tadesse Betemariam, entitled: The Impact of 1competency of Middle Level Managers in the Overall Performances of Commercial Banks in Ethiopia and submitted in partial fulfillment of the requirements for the Degree of Master of Science in Management Science complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the examining committee:

Examiner: Dr Tilahun T. Signature ______________ Date __________________

Examiner: Dr Worku M. Signature _____________ Date __________________

Advisor: Dr Salehu Anteneh Signature ______________ Date _________________

______________________________________________________________________

Chair of Department of Graduate Program Coordinator.

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# *ABSTRACT*

*This study paper has attempted to find out the impact of competency of middle level managers in the overall performances of commercial Banks operating in Ethiopia by assuming other influencing factors being constant. It has also attempted to address the related specific objectives. Such specific objectives have to do with determining the distinctive managerial competencies and their respective effects on the performance of the Banks. These distinctive competencies include intrapersonal, interpersonal, leadership, functional, career, and coaching/mentoring competencies. In relation to the objectives, seven hypotheses were developed and tested. In so doing, related theories and models were referred and adopted. The study targeted 42 HR managers from all of the 17 commercial Banks operating in the country. The data analysis was carried out using descriptive statistics and inferential statistics. Accordingly, the study findings established that competency of middle level managers has a positive and significant impact on the overall performances of the reviewed Banks. Similarly, all the distinctive managerial competencies were also found to have a positive and significant impact. The findings of this research also found to correspond with the related theories, and are believed to contribute by somehow filling the research gap of this specific body of knowledge in the Banking industry of the country. In the end, the study has propounded some recommendations one of which says that higher level managers shall as much as possible take managerial competency in to due consideration when deciding on cases of promotion, demotion, and transfer of middle managers..*

Key words: Competency, middle level managers, performance, Commercial Banks of Ethiopia

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## ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| AMO | Ability Motivation Opportunity |
| BSC | Balanced Scorecard |
| HR | Human Resource |
| HRM | Human Resource Management |
| HRD | Human Resource Development |
| KBV | Knowledge Based View |
| RBV | Resource Based View |
| ROA | Return on Assets |
| ROE | Return on Equity |

# CHAPTER ONE
# INTRODUCTION

## 1.1 Background of the Study

According to Horton (2000), real competition in the business world is the competition over competencies. Besides, Horton (2000) states that the latest thinking on competencies is that a company's ability to learn and acquire new capabilities and competencies may be a more important determinant of the company's competitive position than the current endowment of its unique resources or the industry structure it currently faces.

As part of the overall competency requirements of organizations, competencies of middle level managers in the continuously and rapidly changing business environment is pivotal for successful performances. Managerial competence is one of the factors that influence the performance of companies (Almajali, Alamro, & Al-Soub, 2012). In order that companies attain satisfactory levels of performance, they must equip their managers with the required competencies. In this regard, it is possible to understand that management competence is a necessary condition for superior company performance. As confirmed by Tutar, Altinoz and Cakiroglun (2011), only competent individuals who find their jobs meaningful could contribute to organizational performance because competence makes management jobs meaningful.

According to McMahon & Walsh (2013), Middle-level managers, or middle managers, are those in the levels below top managers. Middle managers' job titles include: General Manager, Plant manager, Regional manager or District manager, Divisional manager and Branch manager. Middle-level managers are responsible for carrying out the goals set by top management. They do so by setting goals for their departments and other business units. Middle managers can motivate and assist first-line supervisors to be able to achieve business objectives. Middle managers may also communicate upward, by offering suggestions and feedback to top managers. Because middle managers are more involved in the day-to-day workings of a company, they may provide valuable information to top managers to help improve the company's performance. In the Banks which this study focuses on, most of the captioned posts are available also.

With respect to organizational performance, it has been defined in different ways by various scholars. Daft (2000) states that organizational performance is the organization’s ability to realize its goals by using resources in an efficient and effective manner. According to Lebans and Euske (2006), organizational performance is a set of financial and non-financial measures which provide information on the degree to which corporate objectives have been achieved. Measures of organizational performance can be conducted in many ways but for the purpose of this study, the balanced scorecard (BSC) was found to be appropriate. This is because BSC enables to measure very dimension of performance.

### 1.2 Contextual Overview of Commercial Banks

Modern banking in Ethiopia begun in year 1905 with the establishment of Bank of Abyssinia, which was based on a fifty year franchise given to the British-owned National Bank of Egypt. This establishment had landmark significance in introducing financial services, which were hitherto unknown in the country (Alemayehu, 2006). According to the same author, before 1974, there hardly was any banking competitive environment, as the banking industry was dominated largely by a single government owned bank, State Bank of Ethiopia. During the Derge regime, after 1974, there was one commercial bank, whose overriding objective was to accelerate development so as to improve the standard of living of the broad masses rather than maximization of profit. Thus, competition among banks was not taking place during this regime as it was characterized as command economy, instead of market oriented.

According to Geda (2006), since 1992, Ethiopia has been engaged in liberalizing its financial sector. During the last 20 years, Ethiopia adopted a cautious approach for introducing reform measures in the Ethiopian banking sector by not making it open to foreigners. The principal objective of the reforms process was to improve the performance of public banks in their operations and to inculcate a competitive spirit in them. Nonetheless, currently, according to the National Bank of Ethiopia annual report (June, 2017), there are 17 commercial banks and one Development bank in Ethiopia; namely, the Commercial Bank of Ethiopia, Awash Bank, Dashen Bank, Bank of Abysinya, United Bank, Enat Bank, Abay Bank, Zemen Bank, Wogagen Bank, Oromiya International Bank, Cooperative Bank of Oromiya, Addis International Bank, Anbesa International Bank, Buna International Bank, Birhan International Bank, NIB International Bank, and Debub Global Bank.

According to NBE report (2017), throughout the years up to the first quarter of year 2017/18, these banks have opened a total of 4,461 branches. Therefore, currently one branch serves 21,651 people on average. Of the total bank branches, about 34.4 percent were located in Addis Ababa. Private Banks accounted for about 67.5 percent of the total bank branches in the country. Total capital of the banking system reached Birr 80.2 billion, depicting 72.8 percent annual growth. Of the total capital, private banks accounted for 26.2 percent while that of public banks, namely Commercial Bank of Ethiopia and Development Bank of Ethiopia, stood at 64.2 percent and 9.6 percent, respectively. Total outstanding credit of the banking system (excluding credit to government) increased to Birr 330.6 billion, showing a 23 percent year-on-year expansion. About 99.8 percent of the private banks' and 50 percent of public banks' loan went to finance the private sector. Total deposit liabilities of the banking system reached Birr 598.6 billion by the close of the first quarter of 2017/18, indicating a 31.5 percent annual growth. The share of public banks in deposits outstanding was 64.2 percent and that of private banks 35.8 percent. The industry's return on equity (ROE) and return on assets (ROA) were 39.7 and 3.0 percent, respectively, in 2017/18.

The Banks in the industry are competing in terms of service quality and efficiency (including use of technological advances), branch network expansions, advertising and prices, put in the order of their significance (Zerayehu, Kagnew, Teshome, 2013). Sustained competitive advantage is the result of an enduring value differential between the products or services of one organization and those of its competitors in the minds of customers (Jack et al., 1998). In order to do so, organizations need to first identify its internal capabilities. Liu et al (2010) tried to study the resource-based performance determinants for commercial banks in Tanzania and they found managerial competency, risk management capability, service delivery capability, innovation capability and market-sensing capability as important internal resources of the commercial banks.

The future seems to hold additional challenges in terms of competition for the Banking industry in the country. According to Kiyota (2008), Ethiopia's membership issue to the WTO, has been raised since January 13, 2003. When this becomes a reality, it is expected that foreign banks will enter the country with a better technology and know-how. The foreign Banks' better know-how and technology are presumed to have impacts on the performance of domestic banking sector in terms of attracting qualified staffs, reducing local banks market and reducing local bank total growth. Hence getting a better understanding on the internal resources and capabilities including managerial competencies of the Banking industry in the country of Ethiopia seems to be crucial among others for increasing competitive advantages.

The vision statements of these Banks in general connotes that they all aspire to become the most preferred Bank by customers. And, in an endeavor to continue to stay in business and realize their respective visions, they seem to be in a situation of competition as mentioned above over many business and management tools. Not to mention that they all are also facing challenge from the business environment especially in terms of the changing rules and regulations. In such respects, it is understandable that roles of their respective mangers are crucial to be able to effectively manage and lead. This study therefore, has attempted to examine the existing level of competency that middle managers of the Banks have in the context of the overall performance of the Banking industry in the country.

## 1.3 Statement of the Problem

The current business environment is facing so many challenges. These challenges have compelled companies to find out factors that influence their performance so as to take appropriate actions to withstand them (Abu- Jarad, Yusof & Nikbin, 2010). Some of the challenges are: difficult economic conditions, enlightened and demanding customers, lack of competent experts in the financial sector and changing rules and regulations (Massele, Jonathan, Darroux, & Fengju 2015). Hence, for companies to survive in a challenging environment, they have to meet stakeholders' expectations by maintaining high standards of performance in their business transactions. They are also supposed to adhere to strict guidelines from regulating government bodies. Moreover, changes are taking place everywhere in the world in a rapid manner in terms of such environmental factors of an organization as technology, information systems, and composition of the skill and knowledge of the workforce, culture, political dynamics, and more importantly competition among companies in the industry. Due to globalization influences, it is obvious that these changes are affecting most corporate businesses in this country in one or the other way. Needless to mention that Banks operating in the country are also not exceptions either in this respect.

It was mentioned earlier that satisfactory company performance is contingent on management competence (Tutar et al., 2011). This suggests that managers should possess competencies required for effective performance of their duties. By the same token, companies must equip their managers with the required competencies in order to attain a satisfactory level of performance.

Nevertheless, there are some ambiguities in the practical applications in regards to the handling of middle level managers in the Banks under review, according to the observation made thereon. Since recent times, it has become a customary practice to see replacement of middle managers, who have relatively longer service experiences, by those people with quite lesser or even no managerial experiences. In this regard, some senior managers, interviewed in the preliminary assessment, argued that this kind of practice would not cause a significant problem in the Banking environment in Ethiopia due to the reason that, according to them, the Bank's long-established organizational systems are more important determinant factors than the managers under discussion.

Notwithstanding, as is described in the forgoing, there exists some kind of anomaly between the different views of the managers including those at the top management positions, versus the related theories and literature so far developed by various scholars over the years. Taking such matters in to account, it became quite important to empirically verify whether or not the middle managers have influences on performances of the Banks.

Therefore this research attempted to delve in to this ambiguous practice, and investigated the impact of competency of middle level managers on the overall performances of the Banks in Ethiopia. In this respect, although it is possible to find other literature works on similar subject matters, researches conducted on the specific geographic location and industry are very limited. Therefore, this research tried to partially fill the gap in literature by investigating the competencies required for favorable performances of middle level managers in the context of overall performances of Commercial Banks in the country of Ethiopia.

### 1.4 The Research Questions

The main research question was:

- What is the effect of competency of middle level managers in the overall performances of Commercial Banks in Ethiopia?

To make the research more specific and narrowly focused, the following questions were raised and tried to be answered:

- Which competencies are essential for middle level managers of the Banks?
- To what extent are middle managers of the Banks competent?

- What are the significances of each of the essential managerial competencies on the overall performances of Commercial banks in Ethiopia?

## 1.5 The Research Objectives

As it has been slightly discussed in the foregoing paragraphs, it is understandable that in order to ensure profitability and overall success of a company in today's business environment, it is vital to identify and use competencies required by managers. Managers, who have proven competencies, are in general believed to lead effectively and efficiently towards achievements of company's goals and targets. Bearing this importance in mind, the research tries to review, discuss, and analyze the existing competencies of middle level managers of Ethiopian Banks in terms of impacts on the Banks performances. Hence; the main objective is:

- To be able to determine the effect of competency of middle level managers in general in the overall performances of commercial Banks operating in Ethiopia.

The specific objectives are:

- To identify each competency required for the middle managers for successful executions of their managerial functions.
- To determine the effect of each essential competencies of the managers in the overall performances of the Banks under review.

## 1.6 Limitations to the Study

The study report might contain some flaws due to the reason that researcher could not found, previous research works conducted on a similar topic within the targeted geographic location though utmost effort were exerted in the search.

## 1.7 Scope of the Study

In terms of subject, the study focused on such managerial competencies as intrapersonal, interpersonal, leadership, technical/functional, and coaching/mentoring of middle managers, and the relationship that they have with performances of the Commercial Banks in Ethiopia.

Furthermore, in terms of geographic location, it was confined to Addis Ababa due to the reason that head quarters of all of the Banks are located in this city. The researcher collected almost all of the relevant data from human resource managers working in the head quarters of the Banks.

### 1.8 Significance of the Study

Presently the practices in human resource management put emphasis on the development and application of the term competency; in particular about the significance it has in enhancing organizational performances, which in turn enables to improve organizational competitiveness. If competency management is successfully implemented it can bring about a lot of advantages for an organization (Becker and Huselid, 1999). Bearing this general importance of competency in mind, therefore, the research is expected to contribute in the following manner:

- ✓ The study could become an additional perspective in the decision making activity of higher management and major stake holders of the Banks in respect of middle level managers as well as performance issues.
- ✓ The results of this study could help the banks and other stake holders to increase their understanding level on which of the managerial competencies that have a relative significant impact on performances of the Banks.
- ✓ The findings could be of use for Human Resource Managers as they might be able to adopt some of the recommendations that are forwarded in this study.
- ✓ It could be used as a resource in the academia by providing solutions to identified problems and highlighting areas for further research. And;
- ✓ It could also be used as a spring board for other advanced researchers.

### 1.9 Ethical Consideration

The researcher warrants anonymity all the respondents who have willingly participated in the data collection activities. Besides, all ethical principles were followed in the entire process of the research project. Accordingly, the researcher as much as possible disclosed the objectives and characteristics of the study to all participants of the research and avoided dishonesty in any means.

### 1.10 Organization of the Study

This thesis paper is organized into five chapters. Accordingly, the first chapter contains background of the study, statement of the problem, objective of the study, basic research questions, related theories and model, scope of the study, ethical consideration and organization of the paper. The second chapter presents review of literature with respect to the subject matter of the study. The third chapter discusses the detailed methodology of the research. The fourth chapter contains data analysis, findings and discussion of the data gathered. And, the fifth chapter winded up the research by providing conclusions and recommendations.

# CHAPTER TWO
# LITERATURE REVIEW

## 2.1 Introduction

This chapter presents a thorough insight into the concepts of competency in general and competency of managers in particular, covers conceptual model of the research and empirical literature review with a view of creating a clear understanding of the relationship between middle managers competence and performances of companies. The chapter also covers summary of knowledge gaps, and the research hypotheses.

## 2.2 Concept of Competency

The term competency has been defined in various ways by many published literature which makes it difficult to identify a standard definition. The lack of consensus is not surprising, given the prevalence of the term across multiple domains.

The foundational work in relation with competency can be attributed to Drucker's work (1959) in which he coined the term "knowledge worker" as one who works primarily with information or develops and uses knowledge in the workplace. Knowledge is increasingly regarded as the sure source of lasting competitive advantage in an environment where markets shift, technologies proliferate, competitors multiply, and products become obsolete overnight.

In the 1970s the need to improve economic competitiveness led to attention being turned towards competencies (Horton, 2000). Furthermore, in 1973 McClelland used the term competency to illustrate the major key factor to affect individual learning (Yang, 2006).

The concept of competency originated in the United States. It was followed by the separate development in the UK of the concept of competence (Armstrong, 2003). The US approach was made by McClelland in 1973. He advocated the use of criterion referenced assessment. Criterion referencing or validation is the process of analyzing the key aspects of behavior that differentiate between effective and less effective performance (Armstrong, 2003). Although the competency movement originated in the US, it soon became an international phenomenon and has begun to be practiced increasingly by many companies outside of the US (Horton, 2000).

The person who did most to popularize the concept of competency in general was Boyatzis, which he did in 1982 with his book "The Competent Manager". Subsequently, many scholars have used the term competency by giving a variety of contextual meanings; some of the definitions as given by the scholars are summarized in Table 2.1 below.

Table 2.1 Definitions of Competency as given by some published scholars

| **Author** | **Definition** |
|---|---|
| Boyatzis (2008) | A job competency is an underlying characteristic of a person in that it may be a motive, a trait, a skill, an aspect of one's self-image or social role, or a body of knowledge which he or she uses." |
| Marrelli (1998), | Competencies are measurable human capabilities that are required for effective work performance demands |
| Dubois (1998) | Competencies are those characteristics- knowledge, skills, mindsets, thought patterns, and the like-that, when used either singularly or in various combinations, result in successful performance. |
| Straka (2005) | Competency comprises the entire body of knowledge and abilities or personal traits developed through learning that cannot be immediately observed, but could be upgraded by intervening in due course of time. |
| (Özçelik and Ferman, 2006). | A cluster of related knowledge, skills, and attitudes that affects a major part of one's job (a role or responsibility), that correlates with performance on the job, that can be measured against well-accepted standards, and that can be improved via training and development. |
| Draganidis and Mentzas (2006) | A competency is a combination of tacit and explicit knowledge, behavior and skills that gives someone the potential for effectiveness in task performance. |
| Boyatzis (2008) | Competency is an underlying characteristic of a person that could be a motive, trait, skill, aspect of one's self-image, social role, or a body of knowledge which he or she uses. These characteristics are revealed in observable and identifiable |

| | |
|---|---|
| | patterns of behavior, related to job performance and usually include knowledge, skill and abilities. |
| (Baker 2009). | Competency is a combination of tacit and explicit, individual and collective knowledge, capability, behavior and skills that results in effectiveness, efficiency and superior performance. In other words it is the true applied knowledge and utilized capacity of an individual or an organization. |

As can be referred in table 2.1 above, definitions given before year 2005 imply the concept that competency has got to do with a person's internal or implicit knowledge, skill and mindsets, and behaviors that gives him/her the potential to become efficient and effective in performance. And, the definitions given after year 2005 do have the concept that competency has got to do with both implicit and explicit knowledge, skill, experience, capability and behavior of a person which enables him/her for superior performance. Because this study is aiming at middle level managers, the research will focus on the definitions given by the latest authors for they are more comprehensive and cover the area of this particular research. This is due to the fact that competencies of middle level managers are discerned to be wide and complex in accordance with the findings propounded in the paragraphs to be ensued.

## 2.3 Middle Managers and Their Roles

In every hierarchical organization, the middle management acts as important link and interface between the top management and the operating core, and also as central contact point for supporting service departments. This unit is horizontally and vertically placed in the heart of an organization being responsible to interpret and later transmit the defined strategies into management decisions and corporate actions among other functions.

### 2.3.1 Who are Middle Level Managers?

So far it appears, no unique definition could be found to explain, what middle management consists of. The spectrum being way too large and different in separate industries and businesses affected by economy and business needs, only very specific descriptions for particular situations yet have been established. Some of the definitions as given by different scholars are described the following paragraphs.

According to Floyd & Woodridge (1997) middle managers are the group in an organization that is able to link vertical and horizontal levels. And hence, they can make decisions in order to achieve goals and understand and implement decision from a higher level within the business. They are able to accomplish goals through other people. Herzing & Jimmieson (2006) adds on this as saying that these are individuals that operates below the senior management team. These senior executives develop and lead the strategy of an organization, and the middle management adopts and operates these strategies.

According to Samuel (2010), middle management implements the decisions taken by the company executives. They provide feedback and are a soundboard for the senior management team to gauge the temperature of the workforce. Middle management turns the executive's vision into reality. Woodridge, Schmid & Floyd (2008) make an interesting point, by pointing to the fact it is not very important where they are in the organizational chart. They argue what is important is that they have a unique position to access both their direct report and how to influence their actions. They also have direct access to the senior executives. This enables them to function as mediators between the organizations strategy and the day to day activities.

Mollick (2013) proposes that middle managers are a vital cog in the business machine. They can perform in the traditional role of task managers but they can also support and encourage innovation. Mollick (2013) adds that the act as facilitators, nurturers and selectors of creativity. He continued by stating they are the ones that firm's count on to get excited about projects and motivate the team to deliver objectives. Good middle managers will have developed interpersonal relationships with their team and can manage conflict and resolve differences to mould a high performance culture.

In the past, middle management was not considered when planning or executing a company strategy. They had a limited informal input into the strategy shaping (Floyd and Woodridge, 1997). Samuel (2000) states that middle managers typically do not create policies, but instead interpret and implement. Balogun (2003) argues that the traditional view of a middle manager has changed. They are now expected to manage change as well as the day to day business as usual activities.

It appears from the literature that, now middle management has an active participation in the success of a business organization. Their role has developed over the years as the business now recognizes the benefits they can bring to the process. They are considered to be key contributors to the business as they have relationships with the workforce than the senior management or executives do not. This is obviously important to deliver on business as usual activities to achieve goals and targets for their teams. But it appears that it is now being recognized as an integral part of delivering a successful change program. They are able to support the employees within their team in change and strategy implementations.

### 2.3.2 Roles of Middle Level Managers

Research on the role of middle managers is limited, despite their function in linking top management and employees. In some cases, interviews with employees have revealed that their CEOs meant nothing to them, because it is the middle managers who are the heroes in their eyes (Brubakk & Wilkinson, 1996).

It is known that in order to successfully accomplish organizational objectives, different levels of management are involved with different degrees of power, authority, and responsibility. Authority and responsibility in an organization depends on a clear definition of management level. However, in terms of roles all managers irrespective of their type of organization or hierarchical level i.e. be it top level managers, middle level managers, or lower level mangers perform similar activities and hence can be said that they have the same roles. In this respect, Mintzberg (1975) states that managers of all levels of hierarchy behave in the same way, carry into effect similar activities and therefore fulfill similar roles'.

However, as can be referred in the previous paragraphs, there is lack of consistency in the definition of middle management which means that there is also inconsistency defining their roles, The lacks of consistency in a holistic typology of middle management roles are evident and there is a considerable overlap between elements of roles. An earlier articulations of the roles of middle level managers was given by Minitzbegh According to Minitzbegh (1975), all managers have basically ten roles which can in turn be grouped in to three namely interpersonal, informational and decisional roles. The ten managerial roles according to same literature are articulated below:

- Figurehead role: - the manager in this role represents the business organization in all matters of formality, legally and socially to those inside and outside of the organization depending on his position in the enterprise's structure and he is like a company symbol for external environment.

- Leader role:- the manager in this role attains the organization's aims by using specified type of motivation oriented on employees needs satisfaction,
- Liaison role: - the manger communicates with peers and persons outside the organization, he enters into agreements, contracts, gain the orders and therefore perform activity essential for the company.
- Monitor role: - the manager in this role explores for information concerned with the company's activity for instance issues concerning selling, taxes, production, and the likes, which are necessary for making decisions. She/he continuously updates her/him self from the all available media in connection with specificity and selling market of his enterprise.
- Disseminator role:- the manager in this role transmits and propagate special information into the organization; he works up and sends reports, letters, etc,
- Spokesperson: - the manager disseminates the organization's information into its environment such as customers, stakeholders, central government, local government, different offices, media, and into the company for instance labor unions.
- Entrepreneur role:- the manager analyzes possibilities of organizational developments and implements systematic changes, initiates different programs and scientific research, encourages employees to make contribution and present individual ideas for developing the organization,
- Disturbance handler role:- the manager in this enhances the company's structures, responds to conflicts, all types of criticism and complaints that appear in the company, solves them and counteracts new ones, eliminates disturbances and negative events in the enterprise,
- Resource allocator role:- the manager selects where the organization will expand its efforts, distribute limited resources such as finance, technical, human, and so on in the company, regulate their usage in work, prioritizes tasks and procedures,
- Negotiator role: - He/she bargains on behalf of the company in any individual or group, external or internal negotiations.

Apart from the roles described in the forgoing, additional roles of the managers have also been identified by different authors in later times.

Middle managers have strategic roles in that such roles encompass championing, synthesizing, facilitating and implementing of strategies (Floyd, 2000). In the championing role, middle managers present innovative ideas and business opportunities to top management. Categorizing and blending both strategic and hands-on information as well as selling issues to top management are activities for carrying the synthesizing role (Woodridge, 2008). The direction of communication in these roles is upward, while facilitating and implementing roles have downward direction. In the facilitating role, middle managers nourish divergent adaptability to strategy and changes.

Communication and cooperation is another essential role of middle management that consists of interacting with outsiders, interpretation and translation of strategy, filtering the information, and networking. Their particular positions in social network contribute to both inter-organizational collaborative relationship and intra-organizational relationship. In addition, they interact with top management, as well as front-line managers; consequently, they influence both upwards and downwards and horizontal (Rouleau, 2011). Therefore, they have a potential for interaction and multilevel or even better network influences.

According to Herzing & Jimmieson (2006), middle managers have administrative roles. They perform administrative roles such as assigning activities, budgeting, scheduling, hiring and firing, at the same time; they should have enough knowledge about technical issues in their units.  Middle managers are highly experienced segment of the organization. While supervisors are required to have good technical skills they require less managerial skills. The senior managers on the other hand, perform managerial roles, while they are far from technical skills. Middle managers require both technical and managerial roles.

The other essential role of middle managers is leadership which involves such sub roles as supervision, motivation, reinforcement support, monitor, control, and mediator. These managers exhibit both transformational and transactional leadership. They use transformational leadership style by reinforcement, monitoring, and controlling to strengthen their subordinates, and they use transactional leadership in order to be able to get the support of their subordinates for example by motivating, mediating, or making rewards on performance basis (Rainey, 2007).

Middle managers have also a role of managing change.  In this regard Prosci (2012) argues that Middle managers are crucial allies in times of change. They are the closest to the employees who are impacted by the change. A manager who is equipped to be a great change leader can positively influence the speed at which employees adopt the change, the amount of employees who buy into the change, and how proficient employees are in performing in their new roles. It is undeniable that middle managers play a valuable role in the overall success of change initiatives.  McMahon & Walsh (2013) also state that the importance of middle management has grown over the years, although their own fear about the safety of their roles has grown too. Notwithstanding, they are considered the driving force behind operational functions as well as change responsibilities.  However, when the necessary power and tasks are removed from middle managers or when they perceive the top leadership negatively, they can create significant challenge on the change process.

Taking in to account to the foregoing literature review, it is possible to conclude that middle managers are so much important in an organization as they perform multiple roles. The middle management seems to be invisible but yet they are the most important central point within an organization, which networks top management, operating core, supporting units and external players while it requires to be staffed with the most emotionally and socially intelligent people having leadership skills and being able to multitask in order to adapt rapidly to any new challenge and to be able to communicate with and to all people within and directly related to an organization.

However, given their importance in an organization as described above, they seem to be facing some serious challenges. A very recent study conducted on middle level managers revealed that middle managers face the challenge of increasing expectations of their involvement in organizational processes while their added value is simultaneously being called into question (Anicich & Hirsh, 2017). The burden on middle managers even translates into emotional and physiological tolls on their well-being. By virtue of their being trapped between sometimes conflicting expectations of top- and lower-levels, middle managers experience higher levels of stress, anxiety, depression, hypertension, heart disease, and disruptions in cognitive performance and focus (Vuori & Huy, 2016). According to the same study, if this toll is left unaddressed, it can also become counterproductive for companies, undermining crucial organizational processes such as adaptation and strategy implementation. Therefore, it would be crucial especially nowadays to clearly know the impacts that middle managers have towards overall performances of companies as they might lack the essential competencies to perform their roles or they might even be reluctant in executing their roles due to the captioned reasons.  In order to do so, companies or other concerned bodies shall measure or check the level of competencies of middle managers as well as their engagement level.

## 2.4 Theories

In relation with the theme of this study, the following theories have so far been developed by different scholars who are coated below. The theories by and large show managerial competency as the independent variable used to explain business success as the dependent variable. The manager's competence level is hence can be measured against the Banks' performance in terms of financial and non-financial measures. Such theories has considered underlying characteristics of managers such as behavior, skills, knowledge and experiences to represent their innovativeness, networking, capacity building, competitiveness, persistence among others which in turn explains managerial competencies that could lead to business success.

### 2.4.1 Knowledge Space Theory

A person's knowledge state is the subset of test items this person can solve. To enrich knowledge space theory, Korossy (1999) focused on competence performance approach by modeling not only the observable behaviors but also the underlying latent skills or competencies. The benefit of using the competence performance approach is that competencies help to predict performance outcomes and provide an explanation for discrepancies in performance (Korrosy, 1999). The Knowledge Space theory suggests that, in addition to the set of problems, one should look at the set of knowledge, skills and abilities needed to solve the problems. Similar to the set of problems, competencies are also structured in a competence space, which results from a relation on the set of competencies. The basic idea of knowledge space theory is that an individual's knowledge in a particular domain is the set of problems this individual is able to solve. Thus, determining a set of problems and identifying a set of corresponding competencies can significantly help companies to improve their performance. Therefore, this theory addresses the effect of management competence on company performance. Thus determining a set of problems and identifying a set of corresponding competencies can significantly help companies to improve their performances. For this reason, it is possible to say that this theory addresses the effect of management competence on company performance.

### 2.4.2 Resource - Based View

The Resource Based View or RBV of the firm focuses particularly on the firm's internal environment, its resources and capabilities, to explain the creation of profit and value by the organization (Barney, 1991). The resources and capabilities can be used to generate economic benefits to the firm. The Resource-Based View (RBV) analyzes and identifies an organization's strategic advantages based on examining its unique set of resources and capabilities as a firm (Pearce & Robinson, 2009). The RBV of the firm arose from a diversion since the early 1980's towards considering internal resources and competencies as the major source of competitive advantage (Barney, 1991). A company's capabilities or competencies and management's ability to marshal the resources and their deployment patterns to produce superior performance is a source of competitive advantage. The RBV focuses on firm's internal environment, organizational morale, technical knowledge and the firm's capabilities that are, the skills-the management's ability and ways of combining resources that a company uses to transform inputs into outputs (Pearce & Robinson, 2009). A firm's internal environment can refer to firm-level institutions whereas technical knowledge, skills and experience refer to management competence.

Utilizing HRM, leadership style, organizational policies, organizational structures and a culture of competence can lead to the achievement of employee skills, abilities, expertise and morale. The RBV Theory has given rise to the Knowledge Based View (KBV), which advances the critical role of internal resources and competencies by focusing on differentiated knowledge to create competitive advantage (Hoskisson, Madsen, & Walker, 1999). A firm's knowledge about routines and processes that define the unique way of doing things inside the organization and the knowledge of customer needs and suppliers' strengths are critical to superior performance. Knowledge resources are of particular importance to make sure that the organization sustains competitive advantages, as these resources are in-imitable and form the foundation for sustainable differentiation (Wiklund & Shepherd, 2003). According to the Resource-Based View, management competence is a resource relevant for competitive advantage since it supports competitive advantage as it mainly fulfills the requirements of being valuable, rare, imperfectly imitable, and substitutable (Barney, 1991).

### 2.4.3 Ability-Motivation-Opportunity Theory

This theory is developed from basic concepts of Psychology: an ability that is, skills and capabilities requisite to the performance of behavior; motivation - the impetus toward a behavior and opportunity - contextual and situational factors relevant to the fulfillment of the behavior (Hughes, 2007). The AMO theory explains the relationship between HRM and job performance. This theory implies that HR practices and policies can be used to influence the individual's ability, motivation and opportunity to perform, which leads to an improvement of an individuals' job performance outcome. It also focuses on firm-level institutions which constitute the contextual and situational factors which facilitate employee performance. The AMO Theory focuses on making employees and managers able to perform by ensuring that they acquire necessary skills, abilities, and knowledge. Organizations can apply the AMO Theory by making use of skill- motivation - empowerment HR bundles to influence company performance.

## 2.5 Managerial Competency Models

Earlier on in this reviewing of literature, it was mentioned that managers of all levels of hierarchy behave in the same way, carry into effect similar activities and therefore fulfill similar roles Mintzberg (1975). This implies that the competency that may also be required by all managers irrespective of their level is by and large similar. For this reason, this research also uses 'managerial competency' to refer competency of middle level managers.

As can be understood, a managerial competence model is useful for assessing, identifying, and describing the knowledge, skills and behaviors deemed essential to undertake a role effectively in an organization so as to be able to achieve the goals and objectives of a company. In other words it helps to determine effectiveness of managers, and the required professional development (Boyatsiz, 2008; Church &Rotolo, 2013). This review attempts to look in to some of the developments that have taken place thus far on managerial competency model.

Models focusing on job related behaviors are known to be behavioral models of managerial competence (McCleland, 1998). The various behaviors that are identified to be determinant of successful managerial performances include: achievement orientation; analytical thinking; conceptual / inductive thinking; developing others; flexibility; impact and influence; information seeking; initiative; interpersonal understanding; organizational awareness; self confidence; and team leadership. However, this approach ignores other potential factors such as knowledge, skills, abilities, attitudes, personal characteristics, and managerial functions (Mathis & Jackson, 1997).

Models focusing on the ability to be able to perform as per the required standards in a particular job are known to be functional models of managerial competence (Knasel & Meed, 1994). This model is relevant in that it focuses on the competence required for actual managerial performance. Notwithstanding, it does not state specific skills, knowledge abilities or capabilities required, for jobs. Such gap however seems to have been addressed by another model known to as the job competence model (Mansfield & Mathews, 1985). According to this model, competence consist three main elements; namely, tasks; task management; and the role/job environment. Tasks involve skills that are consistently needed to accomplish particular job results. Task management consist the application of skills needed by the time when two or more tasks are required to be performed together. Role/job environment involves skills that are necessary to adapt with a certain work environment or challenging conditions. The model tries to show how such components are interacting with one another.

In an attempt to improve on the captioned models a holistic model of managerial competency was introduced (Cheetham & Chivers, 1998). This model integrates the main components emphasized by the behavioral, functional and job competency models, and it also brings forth other new components. The main elements incorporated by this model are cognitive competence, functional competence, personal or behavioral competence, values/ethical competence, and meta-competencies which are concerned with communication, self-development, creativity, analytic and problem solving. Extending the Holistic Model, Le Deist et al. (2005) argued for the usefulness of a holistic typology in understanding the combination of knowledge, skills and social competencies that are necessary for particular occupations and accordingly proposed a multi dimensional and holistic model of competencies. The model identifies four main components of competencies as: conceptual/cognitive, operational, social dimension/attitudes and meta-competencies. A conceptual/cognitive component of competence comprises the underlying knowledge and understanding a person may have and apply to his/her work. The operational component is the functional aspect of competence, whereas the social component is about the appropriate social behaviors and work attitudes dimension of competence. Consistent with (Cheetham & Chivers, 1998), the meta component is related to the facilitation and the acquisition of other substantive competencies. The model posits that cognitive, operational and social competencies are universal, that is generic which a person must have in order to be effective at work, but emphasizes that all the four components are essential dimensions of competency. The other model that was later developed is known as Domain competency model for managers. This model involves such four components as intrapersonal skill, interpersonal skill, business/technical skills, and leadership skills (Hogan & Warrenfeltz, 2003).

On the basis of the aforementioned models Maxwell and Asumeng (2014) have proposed a new model; namely, holistic-domain model of managerial competency. The main components of this proposed model consists such six elements as intrapersonal skills, interpersonal skills, leadership skills, technical/functional skills, career skills and mentoring skills. The concepts of each of the components of this model are described below in accordance with some published literature.

Intrapersonal competencies deal with feelings, thoughts and emotions that are stirred up within an individual. They are known to be the basic conclusions or bottom line evaluations that individuals hold about themselves. Also, intrapersonal skills form the foundation on which management careers are built in with respect to successful managers because they are the skills that managers require to possess and perfect in order to manage themselves. Intrapersonal skills are the prerequisite to interpersonal skills. (Hogan&Warrenfeltz, 2003; Boyatsiz, 2008; Kaiser & Hogan, 2010). Some of the main traits comprising the constructs of intrapersonal competence according to the captioned literature are, emotional stability, self control, core self-esteem, self-efficacy, self-awareness, courage, willingness to take a stand, career ambition, hardworking, achievement –orientation, perseverance, resilience, integrity, trustworthiness, patience, creativity, adaptability.

Interpersonal skills are very much noticeable to others and they are the competence of an individual to interpret and manage his/her own feelings. Such skills are concerned with initiating, building and maintaining relationships with different people such as subordinates, peers and superiors. They are basic managerial skills and predictor of managerial performance and effectiveness (Hogan & Hogan, 2001). The importance of interpersonal skills for managerial effectiveness is grounded in the Leader-Member-Exchange (LMX) theories of leadership. The LMX theories focus on the quality of exchanges and inter personal relationships between a manager and a subordinate as primary determinant of managerial effectiveness. Effectiveness of managers depends on the extent to which they develop high quality interpersonal relationship with their subordinates. Those who develop good interpersonal relationship with their subordinates are considered as effective whereas those who are unable to develop high quality interpersonal relationships are considered ineffective. High quality interpersonal relationships with subordinates are important because they enhance their well being, job satisfaction, organizational commitment, organizational citizenship and performance (Gerstner & Day, 1997). Some of the main traits comprising the constructs of interpersonal competence according to the captioned literature are Building relationships, empathy communication skills, team building, networking, feedback seeking, sensitive to employees' concerns, listens to and understands others ideas and interests, modest, warm/friendly, sympathetic., conflict management.

Functional/Technical Competencies are practical skill that allows mangers to work confidently, effectively and independently in life. Functional skills are not simply about knowledge in these subjects but about knowing when and how to use this knowledge and these skills in real-life contexts. They are the cognitive abilities and technical knowledge needed for the job (Reio & Sutton, 2006). Some of the main skills comprising the constructs of functional competence according to the captioned literature are planning, monitoring budgets, forecasting costs and revenues, cutting costs, mapping strategies, evaluating performance, running meetings, organizing report, quality decision making, intellectual capability, analytic thinking, problem solving, managing human, resources, managing information and material resources, innovation, administration, developing effective business strategy, and delegating.

Leadership Competencies are concerned with the ability to influence, motivate and direct individuals and groups to achieve organizational goals, mission or vision. It is about interpersonal influence, persuasiveness, goal setting and team building, and is central to the success or failure of organizations. Leadership behaviour and effectiveness have important implications for employee well being, work attitudes and performance. Managers need to demonstrate leadership skills and qualities as there is the tendency for most organizations to be over-managed and under-led. A manager with leadership abilities is described as first class manager or leader-manager, in contrast with a routine manager who is more concerned with technical competencies (Korterman, 2006). The term leadership has been defined by the famous scholar Warren Bennis as a function of knowing yourself, having a vision that is well communicated, building trust among colleagues, and taking effective action to realize your own leadership potential. In addition Hersey & Blanchard (1988) defined leadership as, the process of influencing the activities of an individual or a group in efforts toward goal achievement in a given situation. Some of the skills comprising the constructs of leadership competence according to the captioned literature are providing direction, support and standards for accomplishment for goals and targets, communicating compelling vision, motivating others, inspiring, empowering, resolving conflicts/negotiating, hiring and staffing strategically, teamwork, managing diversity, and innovation.

Career competencies are conceptualized in terms of career success. Career success can be defined as the real or perceived achievements individuals have accumulated as a result of their work experiences (Judge, 1995). Seibet and Kraimer (2001) defined it as the accumulated positive work and psychological outcomes resulting from one's work experiences. Some of the skills comprising the constructs of career competence according to the captioned literature are hardworking, goal achievement orientation, work capability/efficacy, work commitment/perseverance, investing extra/maximum inputs, socially astute, influential, interactive, socially networked, number of promotions, attainment of high occupational status, power and authority, current job satisfaction, and career satisfaction

Mentoring competencies is about an interactive process where a manager serves as a role model, and provides support and direction for the younger employee regarding career plans and development. Specifically, managers help and oversee the lesser skilled or experienced employees acquire and develop job-specific skills and competencies and more importantly, career skills for professional development and for future job requirements. Also, managers offer psychological and emotional support to mentees/protégé (Hogan&Warrenfeltz, 2003; Boyatsiz, 2008; Kaiser & Hogan, 2010). Some of the skills comprising the constructs of career competence according to the captioned literature are intrapersonal, interpersonal, communication skills, approachable, empathy, desire to help others, supportive, Professional-career, development skills, teaching/instructional, coaching, counseling, facilitating, supervisory, knowledge and experience of the mentee's area of work, knows organizational routines, procedures and policies, empowers the mentee, leadership skills,

Apart from types of competencies there are certain levels as well identified in the competency management literature. There are five levels of competencies discussed in the iceberg model (Spencer and Spencer 2008). They are motives, traits, self-concept (self-role and self-image) knowledge and skills (Spencer and Spencer 2008, Boyatzis, 2008). The model represents visible and hidden components of an individual's competencies. On the basis of knowledge, skills, traits, motives and self concept etc. competence developed which when comes into behavior gives above average performance and called as competency. In order to understand and improve the current level of competencies in managers, it is relatively easier to develop the visible components shown in above model than the hidden one, but it is said to be most cost effective if could be worked (Sanghi, 2004).

Those competency models concerned with managerial success are termed to be known as generic competency models (Lucia & Lepsinger, 1999). Thus far, these models have encompassed such models known to be as behavioral models, functional models, the job competency models, holistic model, multidimensional holistic model, domain model, extended domain model, and holistic-domain model. According to Maxwell (2014), of among the captioned models, it is the holistic-domain model that comprises a comprehensive list of skills required for a competent manager. Accordingly, managerial competencies can broadly be categorized as intrapersonal, interpersonal, leadership, technical, career, and mentoring skills. Hence, for the purpose of letting this study become more complete, the holistic-domain model is fully adopted.

The depicted management competence model in the picture below is known as Holistic-Domain model according to Maxwell (2014).

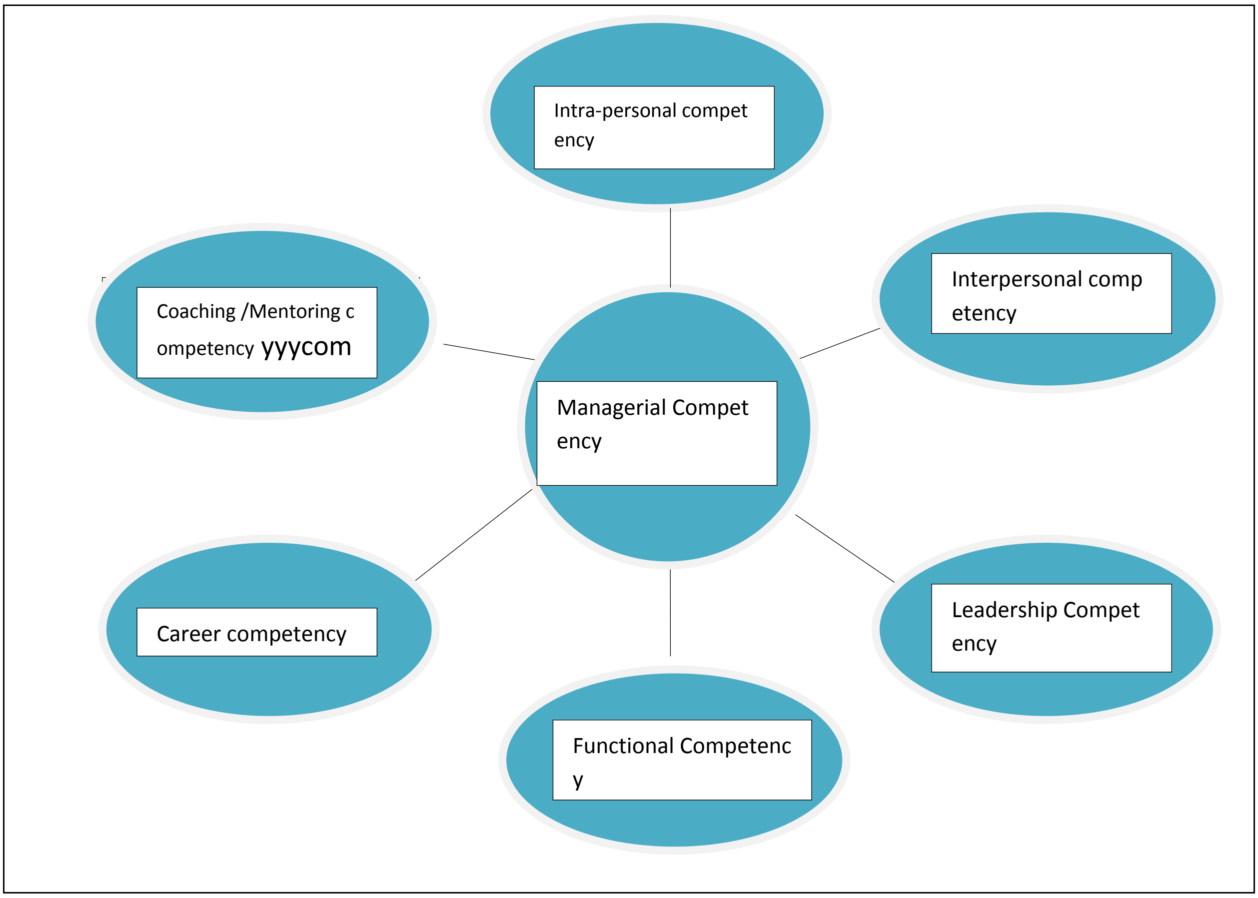

Figure 2.1 Model of Managerial Competency (Maxwell, 2014)

Table 2.2.Summary of the adopted Model of Managerial Competencies according to Maxwell (2014)

| **Competence Assessment** | **Sample Competencies Behavioral indicators** | **Assessors** |
|---|---|---|
| Intra-personal **(**Personal) | Emotional stability, self control, core self-esteem, self-efficacy, self-awareness, courage, willingness to take a stand, career ambition, hardworking, achievement–orientation, perseverance, resilience, integrity, trustworthiness, patience, creativity, adaptability. | Self and others-subordinates, Colleagues, superiors. |
| Interpersonal (Managerial, people domain) | Building relationships, empathy communication skills, team building, Net-working, feedback seeking, sensitive to employees' concerns, listens to and understands others ideas and interests, modest, warm/friendly, sympathetic. Conflict management. | Subordinates, peers and superiors |
| Leadership **(**Managerial, people domain**)** | Providing direction, support and standards for accomplishment, communicating compelling vision, motivating others, inspiring, empowering, resolving conflicts/negotiating, hiring and staffing strategically, teamwork, managing diversity, innovation, | Evaluated by subordinates |
| Career **(**Personal) | Hardworking; goal achievement orientation, work capability/efficacy, work commitment/perseverance, investing extra/maximum Inputs. Organizational support: political; socially astute, influential, interactive, Socially networked. Objective: pay, upward progression/upward mobility, number of promotions, attainment of high occupational status, power and authority, prestigious jobs. Subjective/intrinsic: current job satisfaction, career satisfaction | Objective- Evaluated by others superiors, Colleagues. Subjective self<br><br>Evaluation. -360 degrees Feedback. |
| Mentoring **(**organizational citizenship behavior) | Personal- intrapersonal skills, interpersonal and communication skills, approachable, empathy, desire to help others, supportive, Mentoring | Colleagues.-360 degrees feedback |

| | | |
|---|---|---|
| | efficacy. Professional- mentees, superiors,<br><br>Professional- career development skills, teaching/instructional, coaching, counseling, facilitating, supervisory, knowledge and experience of the mentee's area of work, knows organizational routines, procedures and policies, empowers the mentee, leadership skills, | |
| Technical/Business/Management (Managerial, task domain) | Business acumen, quality decision making, intellectual capability, analytic thinking, problem solving, functional/technical skills, planning, organizing ability, priority setting, performance enhancing, managing human resources, managing information and material resources, innovation, administration, developing effective business strategy, delegating. | Self evaluation, evaluated by others- superiors, Colleagues. - 360-degree feedback/multi-system-multi-rater assessment |

## 2.6 Overview of Performance Measurements

Organizational performance is an organization's ability to realize its goals by using resources in an efficient and effective manner (Daft, 2000). According to Lebans and Euske (2006), organizational performance is a set of financial and non-financial measures which provide information on the degree to which corporate objectives have been achieved. Hence, it is understood that performances are measurable. Neely (2005) define performance measurement as a set of financial and/or non-financial metrics that supports management in their course of decision-making processes of an organization by gathering, processing and analyzing quantified data about its performance and presenting it in the form of a concise summary.

Measures of organizational performance can be conducted in many ways but for the purpose of this study, the balanced scorecard (BSC) is found to be appropriate. This is because BSC is a multi dimensional approach, which does not leave any essential dimensional area in an organization unmeasured. In the early 1990s, the business world brought a holistic approach to the concept of performance. This concept is recognized as the balanced scorecard and it was an important turning point for performance management. The balanced scorecard is a worldwide accepted management accounting tool which proposed that non-financial performance measurements should also be measured with financial performance measurements, so institutional performance is measured in a multi-dimensional way which results in a better focusing on the institution's strategies. This tool considers the value of intangible assets along with tangible ones and enables performance management system to reach its aims (Kaplan and Norton, 2004).

In BSC, the performance criteria associated with each other are grouped using multiple dimensions. The BSC should include financial and non-financial criteria in a single report and in a balanced way. Therefore, when measuring corporate performance, a balanced weight is given to performance criteria in all the dimensions of Balanced Scorecards (Horngren, Datar & Foster, 2003). The BSC developed by Kaplan and Norton (1992), has four main performance perspectives. Those performance perspectives are financial perspective, process perspective, customer perspective, and learning and growth perspective. These four perspectives of the BSC are used in most organizations.

Some studies indicate that there are increasing interests on implementation of Balanced Scorecard in companies (Biker, 2010). This new trend is especially popular for performance management process in banks. (Zhang et al., 2009) studied the balanced scorecard in a commercial bank in the performance management system and they stated the Balanced Scorecard raises the value of performance management appraisal system based on the introduction of customer factors, internal business processes, employee learning and growth and financial factors. The following figure indicates the four indicators of commercial banks evaluation index system

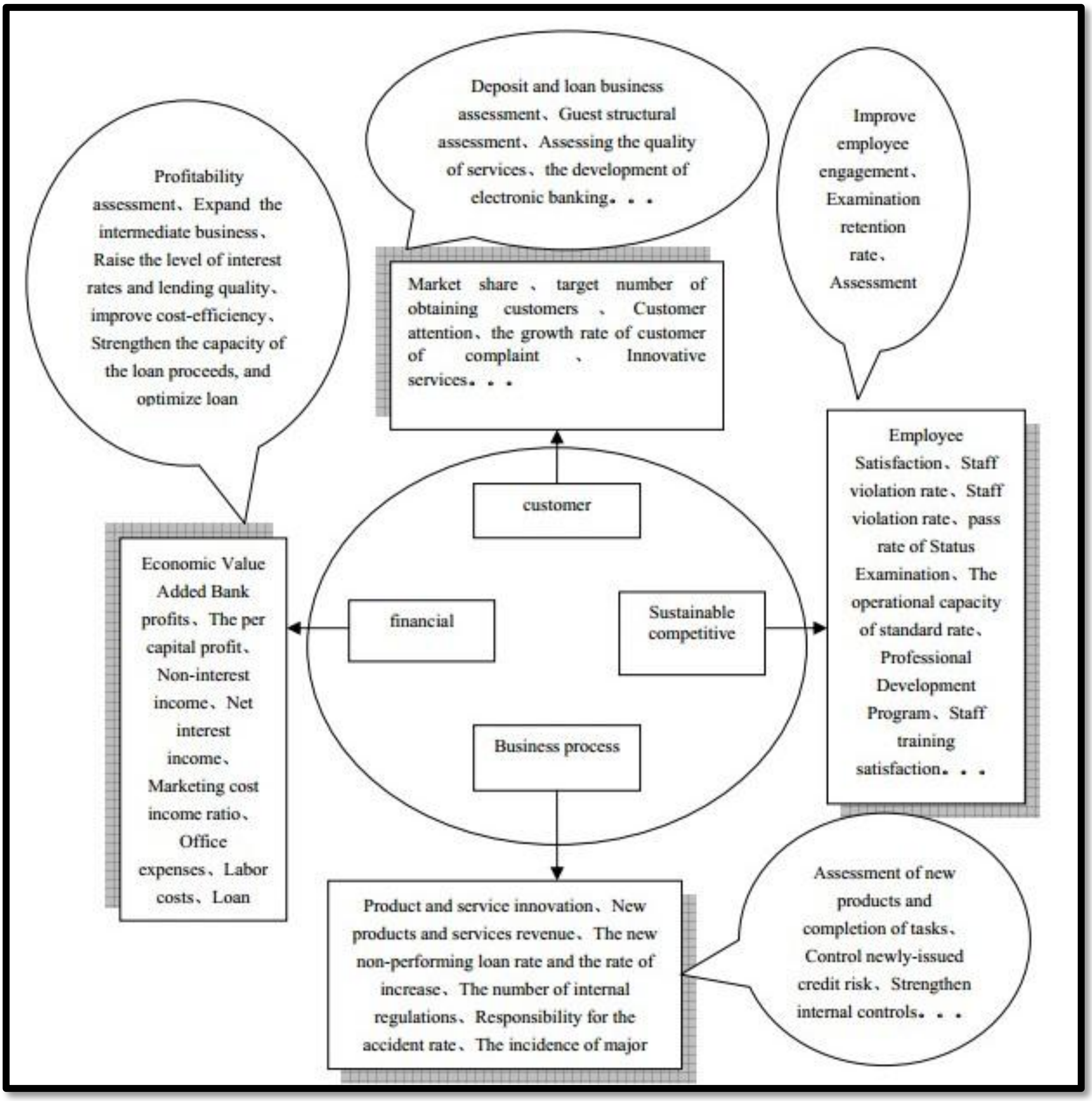


Figure 2.2: The four indicators of commercial bank of evaluation index system

Source: Zhang and Li, 2009

As it is stated in the figure, commercial banks implemented all aspects of the balanced scorecard. The structures of commercial banks are comprehensive that aims to get profit by operating financial assets in terms of the service they offer. As it is seen from the figure there should be a comprehensive approach for performance measurement that is implemented in commercial bank.

Performance measurement system should be designed to work with organizational structures and activities within the hierarchy. If performance measurement systems are going to be successful, managers should consider that as an essential part of their obligation. It should not be forgotten that the main goal of measuring performance is to increase performance. Parker (2000) states that performance criteria should be clear, reliable and healthy, as well as easily understood by everyone. So, the system must be designed clearly and simply, so it can be understood easily to see if the targeted performance is reached or not.

It is however known that performances of companies in general could be determined by factors in the internal and external environments. In relation to this, studies conducted by Athanasoglou et al. (2008) and Wanzenried (2011, 2014), indicated that several internal and external factors such as quality of management, efficiency, size, liquidity, market share, and inflation are known to have affected Bank performances. As the focus of this study is on trying to know only the impact of managerial competency on performance of Banks, it assumes all the other factors as being constant. According to Boyatsiz (2008) competencies predict effectiveness in managerial performance in organizations. Hence, on the basis of the above mentioned theories and models, it is possible to develop a conceptual model which could depict the relationship between the explained and explanatory variables of this research. At this point, it would be important to refer to the aforementioned RBV theory and knowledge space theory as they both establish a link between managerial competency and organizational performance. Tripathi & Agrawal (2014) have further strengthened this by saying that implementation of managerial competencies model will enhance, improve, and promote organizations performance effectively. Accordingly, the following conceptual model is developed for this study.

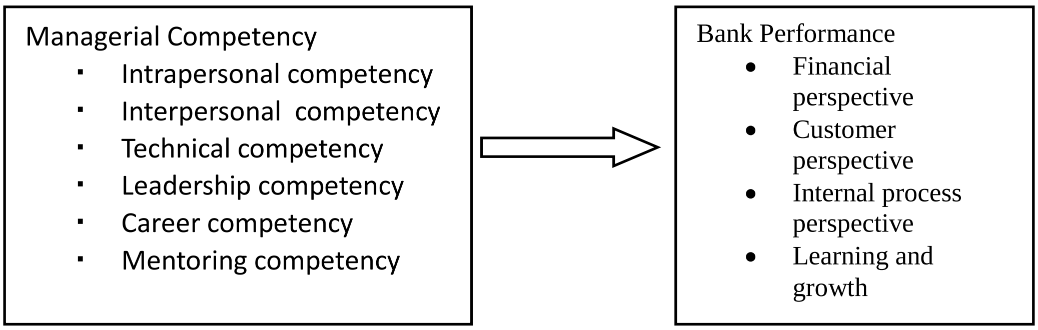


Figure2.3: Conceptual Model (Adopted from Maxwell (2014); and Zhang and Li (2009))

The followings general research hypotheses about the determinants are formulated based on the models and past empirical studies related to the theme of this research.

**H1**: Intrapersonal competence of middle level managers has significant effect on performances of the Banks.

**H2**: Interpersonal competence of middle level managers has a significant effect on performances of the Banks.

**H3**: Functional competence of middle level managers has a significant effect on performances of the Banks.

**H4**: Leadership competence of middle level managers has a significant effect on performances of the Banks.

**H5**: Career competence of middle level managers has a significant effect on performances of the Banks.

**H6**: Mentoring competence of middle level managers has a significant effect on performances of the Banks.

**H7**: Competency of middle level managers in general has a significant effect on performances of the Banks.

## 2.7 Empirical Studies on Impact of Managerial Competency on Organizational Performance

Management competency influences managers' performance, which in turn contributes to company performance. Competencies are factors that contribute to superior individual and organizational performance (Armstrong, 2009). A study by Monari (2013) which focused on employee attributes, organizational factors, time management tendencies and employee performance in Chartered Universities in Kenya', established a relationship among employee attributes of satisfaction, empowerment, motivation, commitment, competence and employee performance as exhibited by effectiveness and efficiency.

Social competence influences performance in academic institutions. In the Nooraie and Arsi (2012) study on emotional intelligence and faculties' academic performance, it was found that social competence and individual competence had a positive effect on academic performance of faculty members. Financial performance is a function of management competence as per the study findings by Almajali et al. (2012). The cited studies did not show which competencies managers require in enhancing the performance of their organizations. Using cognitive, functional, and social dimensions of employee competence, Ismail and Abidin (2010) investigated the impact of workers competence on their performance in the Malaysian Private Sector', and the outcome of the study showed that employees' competence had a positive influence on their performance.

Interpersonal skills are the best single predictor of job performance ratings (Wayne, Liden, Graf, & Ferris, 1997). Similarly, Ferris, Witt, and Hochwarter (2001) reported social skills as the single strongest predictor of performance rating dimensions of task performance, job dedication, and interpersonal facilitation, as well as for an overall rating of return. Results of an investigation conducted by Payne (2005) indicated that high performing employees were more skilled at communicating empathy, adapting their communication and managing interactions with others than lower performing employees. Similar findings of another research showed that possession of social competence led to a good prediction of job performance (Riggo & Tylor, 2000).

Further results of research indicated that among all individual factors, social skill had the strongest contribution in explaining the extension workers performance (Thach, Ismail, Jegak, & Idris, 2008). Sharing of knowledge among employees influences organizational performance. Hsu's (2008) study on the relationship between the organizations human capitals and performance concluded that organizational performance could be improved through sharing of knowledge. In Carter and Gray's (2007) study on the relationship between internal market orientations, relational competence and employee performance, it emerged that relational competence facilitated relational behavior, intra-firm performance and inter-organizational performance. In this way, enhancement of both employee and organizational performance through improving organizations human resource management and internal market orientation becomes possible.

Functional competency affects performance in organizations. Boyd (2003) established that successful extension workers should have strong technical knowledge and skill, meaning that employees are successful due to their competence in their work. In a study done by Tiraieyari et al. (2009) to establish the relationship between technical competence and job performance, the results showed that job performance of extension workers was positively related to the technical aspects of their job (R- Squared = 0.356, p = 0.001). Similarly, the result of regression analysis in the study of analysis of the job performance of the agricultural extension experts of Iran conducted by Rezaie, Alambeigi, and Rezvanfar (2008) revealed that competence contributed 48.6% of the variance in job performance of extension workers. The cited studies showed a positive and significant effect of competence on performance.

# CHAPTER THREE
# RESEARCH METHODOLOGY

## 3.1 Introduction

This chapter contains the methodology which was pursued in the course of doing the research. So, it discusses on the research design, population of the study, data collection, reliability and validity of data collection instrument, the placement of the study variables in to operation, data analysis and a summary of research objectives, study hypotheses and analytical methods used in the study.

## 3.2 Research Design

A research design constitutes the blueprint for data collection, measurement, and analysis. Research design aids the researcher in the allocation of limited resources by posing critical choices in methodology (Saunders et al., 2009). In furtherance, research design consists of the plan and structure of investigation so conceived to obtain answers to research questions. The same authors further states that the survey design expresses both the structure of the research problem - the framework, organization or configuration of the relationships among variables of the study and the plan of inquiry used to obtain empirical evidence on those relationships.

As Zikmund (2003) states, a research design can be classified according to some perspectives. Such perspectives on which research designs are categorized are; the purpose of the study, method of data collection and the time horizon of the survey. The purpose of the survey may be descriptive or causal. The method of data collection may be cross-sectional or longitudinal (Zikmund, 2003). The objectives of the study, the available data sources, and the urgency of the decision and the cost of obtaining the data determine the research design chosen (Zikmund, 2003). Descriptive studies are those studies concerned with description of the characteristics of a particular individual, or of a group (Kothari, 2010). The same author also states that a survey is an attempt to collect data from members of a population to determine the current status of that population on one or more variables. According to Zikmund (2003), surveys provide quick and accurate means of assessing information if properly carried out.

This research found descripto-explanatory approach to be appropriate for the reason that it provided the researcher the opportunity to capture a population's characteristics and test hypotheses quantitatively. A descriptive survey design entails collecting data across many research units at one point in time predominantly by use of questionnaires (Kothari, 2010). Further, it was preferred because of the need to collect data from all commercial Banks currently operating in the country at one point in time and the results generalized to represent the entire population of the study. In consequence, the researcher had no control of variables in the sense of being able to manipulate them. The researcher only reported what had happened as descriptive survey with no bias.

## 3.3 Population of the Study

The target population for the research was 42 Human Resource Managers working within the 17 Commercial Banks in the country. This was because of the fact that most of the relevant data pertaining to this study could be obtained in relatively complete form as Human Resource Departments in general handle competency related issues. Out of the distributed 42 number of questionnaires, 34 HR managers filled out and returned, and all these filled out questionnaires were used for making the data analysis. There is the availability of objective and reliable data on the Bank's financial as well as other performance measures as they appear in the published audited annual reports of the Banks themselves.

## 3.4 Data Collection

The data for the research was obtained from primary and secondary sources. Primary data collection employed a structured questionnaire. The advantage of using questionnaires is that they obtain data more efficiently in terms of time, energy and cost; hence it is commonly used as an instrument for collecting data from the respondents (Sekaran, 2011).

The designed questionnaire for the study aimed at measuring the perceptions of the respondents of the existence and magnitude of the research variables: competencies of middle level managers and over all organizational performances of the Banks. The study used closed-ended questions on a Likert-type scale ranging from (1) not at all to (5) very large extent. Closed-ended questions are chosen because they assist the respondents in making quick decisions to choose among the set of available alternatives and also make it easier to code the information for subsequent analysis (Sekaran, 2011).

Some of the questionnaire items used to develop the questionnaire were adapted from previous studies: management competence (Joanneum, Rene, Gesellschaft, Frech , & Beinhauer, 2011). The administration of the questionnaires targeted the human resource managers or similar person from each of the 17 Commercial Banks because it was found out that they had the needed information for the study in more comprehensive form than other employees working in other functional units. Secondary data on financial and other measures for three years (2016-2018) was obtained from published annual reports of the Banks themselves and of the National Bank of Ethiopia. The financial perspective in the BSC was made to be operational by profitability whose indicator was return on assets (ROA). Return on assets is a measure of the rate of return on total assets after interest expense and taxes. Return on Assets, as a financial ratio is a tool used to measure the degree to which the assets generate profits. The greater the return on assets, the better is the company's performance (Eugene & Joel, 2009).

### 3.5 Validity of Data Collection Instruments

According to Kothari (2010), a real data collection instrument should be valid. Validity is the extent to which differences found with a measuring instrument reflects true differences among those being tested. Content validity addresses how well the items developed to make operational a construct so as to provide an adequate and representative sample of all the elements that might measure the construct of interest whereas criterion-related validity relates to one’s ability to predict some outcome or estimate the existence of some current condition (Kothari, 2010). In this research, face validity confirmed the coverage of all the areas of investigation by checking the questionnaire and by adopting already tested instruments used by similar studies. This was used to complement the validity tests done by previous studies from which the research instruments were adapted. Face validity is defined as the subjective judgment of an individual on making operational of a construct (Kimberlin & Winterstein, 2008) and was ensured through researcher’s own judgment. According to the same author, construct validity refers to the degree to which an instrument measures the trait or theoretical construct that it is intended to measure; and, Construct validity was ensured through making the variables operational.

Table 3.1: Making the variables Operational

| Variable | | Indicator | Measurement | Questionnaire item |
|---|---|---|---|---|
| Competency of middle managers | Intrapersonal competence | Integrity, adaptability, innovativeness, resilience perseverance, hard working, being achievement oriented, and emotional stability | 5-point Likert-type | 10 |
| | Interpersonal competence | Communication ability, networking ability with customers, friendliness and sympathy | 5-point Likert-type | 7 |
| | Leadership competence | motivating and inspiring of employees, managing diversity of employees, giving direction and support to employees , and ability to build effective teams | 5-point Likert-type | 10 |
| | Functional competence | Ability to enhance performance, ability to develop business and operational plans, ability to manage material and human resources and ability to use information technologies | 5-point Likert-type | 14 |
| | Career competence | Knowledge of the work, being achievement oriented, commitment for the work, and career satisfaction. | 5-point Likert-type | 4 |
| | Coaching/mentoring competence | Supporting subordinates, knowledge and experience of the mentees area of work, knowledge of organizational routines, ability to provide coaching and counseling, and approachability | 5-point Likert-type | 5 |
| Overall performance of Banks | Financial Perspective | Accomplishments of targets in terms of profit, mobilized deposit, loan disbursement, loan collection, and foreign currency earning | 5-point Likert-type | 5 |
| | Customer perspective | Customer base expansion, customer satisfaction, resolving customer complaints, and customer retention | 5-point Likert-type | 4 |
| | Internal process perspective | Introduction of new products, operational efficiency, and quality of products and services. | 5-point Likert-type | 3 |
| | Learning and growth perspective | Developing competency of employees, employee satisfaction, reducing employee turnover, an d entering new markets | 5-point Likert-type | 4 |

### 3.6 Reliability of Data Collection Instruments

Reliability indicates the accuracy or precision of the measuring instrument (Cooper & Schindler, 2003). A pre- test is the final step toward enhancing survey results and it entails the evaluation of questions prior the study. It seeks to ensure that the questionnaire consistently measures whatever it is intended to measure. A reliability test was performed to test the reliability of the data collection instrument. In so doing, a pre-testing of the questionnaire was done on four human resource managers from two Banks; namely, Commercial Bank of Ethiopia and Awash Bank. And after making some improvements on the questionnaire accordingly, the final draft was prepared for the purpose of collecting data from the 17 Commercial Banks.

The current research employed Cronbach's Alpha, which is the most common measure of internal consistency that indicates the extent to which a set of items can be treated as measuring a single latent variable (Cronbach & Shavelson, 2004). Cronbach Alpha measured the reliability of the questionnaire prior to data analysis. Cronbach Alpha reliability coefficients normally range between zero and one. High Alpha coefficients values are more reliable. The reliability coefficient of 0.70 or greater is considered acceptable reliability, and more than 0.80 indicates a high degree of reliability (Mugenda, 2008).

The results of the analysis are depicted in Table 3.2 below

Table 3.2: Overall Reliability Statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | No. of Variables | Comment |
|---|---|---|---|
| 0.895 | 0.949 | 7 | Reliable |

**Cronbach's Alpha Coefficients for the Measurement Scales for the Constructs**

| Variable | Alpha | No. of Items | Comment |
|---|---|---|---|
| Banks performance | 0.734 | 17 | Reliable |
| Intrapersonal Competence | 0.876 | 10 | Reliable |
| Interpersonal competence | 0.932 | 8 | Reliable |
| Leadership Competence | 0.920 | 13 | Reliable |
| Functional Competence | 0.852 | 14 | Reliable |
| Career Competence | 0.825 | 4 | Reliable |
| Mentoring/Coaching competence | 0.884 | 5 | Reliable |

As depicted in Table 3.2 above, the overall Alpha coefficient for un-standardized scale items was 0.895, and 0.949 for the standardized. The Cronbach alpha coefficients for the variables of the study were as follows: performance had 0.734, intrapersonal competence had 0.876, interpersonal competence had 0.932, leadership competence had 0.920, functional competence had 0.852, career competence had .825, and mentoring competence had 0.884. All the constructs were reliable since their Cronbach alpha was above 0.70, which was used as a cut-off point for reliability (Nunnally & Bernstein, 1994).

## 3.7 Data Analysis

The data was analyzed with the help of SPSS using descriptive statistics and inferential statistics. Forms of regression analysis used were simple linear regression analysis, and multiple regression analysis. Correlation analysis were done as a precursor to regression analysis. After running regressions, hypotheses were tested at a significance level of 0.05.

The interpretation of the regression output was facilitated by the coefficient of determination (R2) and p-values. The results are presented using tables. The findings were reduced from the tables on the predictive power of the model by evaluating R2. Also, from the ANOVA table, the study ascertained the significance of the whole model. And, from the coefficient table, the regression beta coefficients provided results on the nature of the relationship between each independent variable and the dependent variable; the beta values provided information on the significance of each of the predictors in explaining variations in the dependent variable. Accordingly, a positive beta sign meant a positive relationship between the independent variable and the dependent variable whereas a negative beta sign meant a negative correlation between the predictor factor and the outcome.

As for performing the regression analysis, the responses from the Likert-scale for each independent variable were summed up in order to make a composite index. For the dependent variable, the responses from the financial measures (scale) were standardized and summed up together with the non-financial scale to form a composite index for the aggregate Banks performance. Then, the composite indices for competency of middle managers, and the Banks performance were applied in performing the regression analysis.

The testing of hypothesis H1 which predicted that intrapersonal competency of middle managers has a significant impact on the performance of commercial Banks in Ethiopia was performed using simple regression analysis. The following simple linear regression model was used:

$Y = \alpha 0 + \beta 1X1 + \boldsymbol{\varepsilon}$ …………………………………………………………… (3.1)

Where,

**Y** is Banks Performance,
**α** is alpha
**β 1** is the beta coefficient
**X1** is intrapersonal competence
**E** is error term.

The testing of hypothesis H2 which predicted that interpersonal competency of middle managers has a significant impact on the performance of commercial Banks in Ethiopia was performed using simple regression analysis. The following simple linear regression model was used:

$Y = \alpha 0 + \beta 2X2 + \boldsymbol{\varepsilon}$ ………………………………………………………… (3.2)

Where,

**Y** is Banks Performance,

**α** is alpha

**β 2** is the beta coefficient

**X2** is interpersonal competence

**E** is error term.

The testing of hypothesis H3 which predicted that leadership competency of middle managers has a significant impact on the performance of commercial Banks in Ethiopia was performed using simple regression analysis. The following simple linear regression model was used:

$$Y = \alpha 0 + \beta 3X3 + \boldsymbol{\varepsilon} \quad \ldots\ldots \quad (3.3)$$

Where,

**Y** is Banks Performance,

**α** is alpha

**β 3** is the beta coefficient

**X3** is leadership competence

**E** is error term.

The testing of hypothesis H4 which predicted that functional competency of middle managers has a significant impact on the performance of commercial Banks in Ethiopia was performed using simple regression analysis. The following simple linear regression model was used:

$$Y = \alpha 0 + \beta 4X4 + \boldsymbol{\varepsilon} \quad \ldots\ldots \quad (3.4)$$

Where,

**Y** is Banks Performance,

**α** is alpha

**β 4** is the beta coefficient

**X4** is functional competence

**E** is error term.

The testing of hypothesis H5 which predicted that career competency of middle managers has a significant impact on the performance of commercial Banks in Ethiopia was performed using simple regression analysis. The following simple linear regression model was used:

$$Y = \alpha 0 + \beta 5X5 + \boldsymbol{\varepsilon} \quad \ldots\ldots \quad (3.5)$$

Where,

**Y** is Banks Performance,

**α** is alpha

**β 5** is the beta coefficient

**X5** is career competence

**E** is error term.

The testing of hypothesis H6 which predicted that functional competency of middle managers has a significant impact on the performance of commercial Banks in Ethiopia was performed using simple regression analysis. The following simple linear regression model was used:

$$Y= \alpha 0+ \beta 6X6 + \varepsilon \quad (3.6)$$

Where,

**Y** is Banks Performance,

**α** is alpha

**β6** is the beta coefficient

**X 6** is coaching/mentoring competence

**E** is error term.

In testing hypothesis H7**,** which predicted that the combined effect of intrapersonal competence, interpersonal competence, leadership competence, functional competence, career competence coaching/mentoring competence on the performance of Banks in Ethiopia was performed using multiple linear regression analysis. The following multiple linear regression model was used:

$$Y= \alpha 0+ \beta 1X1 + \beta 2X2 + + \beta 3X 3+ \beta 4X4 + \beta 5X5 + \beta 6X 6+ \varepsilon \quad (3.7)$$

Where,

Y is Banks Performance

**α** is alpha

β1- β6 are beta coefficients

X1 is independent variable (intrapersonal competence)

X2 is independent variable (interpersonal competence)

X3 is independent variable (leadership competence)

X1 is independent variable (functional competence)

X2 is independent variable (career competence)

X3 is independent variable (coaching/mentoring competence)

**ε** = regression error term

# CHAPTER FOUR:
# DATA ANALYSIS AND INTERPRETATION

## 4.1 Introduction

As can be referred from the previous chapter, the implemented research methodology has tried to fulfill the objectives of this study by being somehow detailed, inclusive of the study population, the research boundaries and scope, data collection method, and the data analysis criterion. This chapter presents the study findings and contains the following parts: the first part presents demographic characteristics. The second part presents the response rate. The third part presents tests for the assumption of regression analysis. The fourth part depicts results of descriptive statistics of the variables used in the study. And the last one discusses the results of tests of the hypotheses from the angle of the objective of the research.

## 4.2 Demographic Characteristics

In this part of the paper, characteristic of the demography covered by the study is presented using frequencies and percentages.

Accordingly, Table 4.1 below presents frequency and percentage distributions of the respondents for this study.

Table: 4.1 Distributions by ownership, gender, job position, and education level

| **Ownership type** | **Frequency** | **Percentages** |
|---|---|---|
| State-owned Bank | 8 | 23.53 % |
| Privately-Owned Banks | 26 | 76.47 % |
| Total | 34 | 100 |
| **Gender** | **Frequency** | **Percentages** |
| Male | 18 | 52.94 % |
| Female | 16 | 47.06 % |
| Total | 34 | 100 |
| **Job Position** | **Frequency** | **Percentages** |
| Manager-HRM | 14 | 41.17 % |
| Manager-HRD | 20 | 58.83 % |
| Total | 34 | 100 |
| **Education Level** | **Frequency** | **Percentages** |
| Masters Degree | 31 | 91.18 % |
| Bachelors Degree | 3 | 8.82 % |
| Total | 34 | 100 |

The distribution in Table 4.1 above shows that 23.53% of the respondents were from the only state owned Bank i.e. the Commercial Bank of Ethiopia, and 76.47% were from the remaining 16 private Banks. In addition, the distribution shows 47.06% of the respondents were female. So, it can be said that the representation of both genders is nearly proportional. Moreover, it also indicates that empowerment of women in the industry has grown from the level in the recent past. Table 4.1 also indicates that all the respondents were managers who were in charge of managing either HRM or HRD aspects of the human resource function. Hence, the fact that all the respondents were HR managers enables to reduce doubt on the resourcefulness of the respondents on the subject matter of this study. Furthermore, as can be seen in the table, 91.18% of the respondents are also Masters Degree, and the remaining 8.82% are Bachelor Degree holders. Hence, it is believed that almost all of the respondents have the essential knowledge to be able to provide relevant information for the study.

### 4.3 Study Response Rate

The study targeted a population of all of the 17 commercial banks presently operating in the industry of Banking in the country. Out of the 42 questionnaires distributed to Human

Resource Managers, 34 were filled and returned in a suitable manner for doing the analysis. This constituted a response rate of 80.95 %. Table 4.2 shows a summary of the response rate.

Table 4.2: Response Rate

| **Items** | **Frequency** | **Percentage** |
|---|---|---|
| Filled and returned | 34 | 80.95 |
| Not returned | 8 | 19.05 |
| Total | 42 | 100 |

## 4.4 Descriptive Statistics for Management Competence

In this research, competency of the managers was measured using six dimensions namely; intrapersonal competence, interpersonal competence, leadership competence, functional competence, career competence and coaching/mentoring competence. Respondents were asked to indicate the extent to which they agreed that the items of managerial competency dimensions are possessed by the middle level managers in their respective Banks. Each dimension had a 5-point Likert-type scale, ranging from “not at all” (1) to “a large extent” (5). The responses were analyzed using mean scores, standard deviations and coefficients of variation. High mean values indicated a strong agreement on the item and lower values mean implied strong disagreement on the item. The descriptive statistics for each dimension of managerial competency are shown in Table 4.3.

Table 4.3 Means, Standard Deviations and Coefficients of Variation for Measures of Managerial competencies

| **Dimension** | **N** | **Mean(M)** | **Standard Deviation (SD)** | **Coefficient of Variation (CV) %** |
|---|---|---|---|---|
| Intrapersonal Competence | 34 | 4.17 | 0.623 | 15.24 |
| Interpersonal competence | 34 | 4.18 | 0.644 | 15.41 |
| Leadership competence | 34 | 3.17 | 0.523 | 13.34 |
| Functional competence | 34 | 3.16 | 0.511 | 13.26 |
| Career competence | 34 | 3.43 | 0.597 | 13.84 |
| Coaching/mentoring competence | 34 | 3.04 | 0.502 | 13.07 |
| Total | 34 | | | |
| Overall scores | 34 | 3.53 | 0.566 | 14.03 |

As depicted in Table 4.3 above, the average mean for measures of interpersonal competence was 4.17 and that of interpersonal competence was 4.07. This implies that the respondents agreed to a large extent that middle managers in the Banks have intrapersonal as well as interpersonal competence in their respective Banks. The standard deviations (SDs) were 0.623 and 0.644 respectively, a measure of how concentrated or dispersed the data were around the mean, reflects the amount of variation. Leadership competence, functional competence, career competence, and mentoring competence had a mean score of 3.17, 3.16, 3.43, and 3.04 respectively, their respective SDs were 0.523, 0.511, 0.597, and 0.502. This implies that the respondents agreed to a moderate extent that such competencies are exhibited among the middle managers in their respective Banks. And, the overall mean for competency of the managers was 3.53, which means that 70.60 % of the respondents agreed to a moderate extent that middle managers in their respective Banks have the required managerial competency.

In terms of coefficients of variation; interpersonal competence had 14.24 %, interpersonal competence had 15.41 %, leadership competence had 13.34%, functional competence had 13.26%, career competence had 13.84% and mentoring competence had 13.07%. The lower the coefficient of variation, the smaller is the variation between the actual outcomes and expected values that is, the smaller the residuals relative to the predicted value. The higher the coefficient of variation, the greater is the dispersion in the variable. The coefficients of variation for all managerial competency dimensions were low, meaning that the model was fit in terms of the relative sizes of squared residuals and outcome values.

### 4.5 Descriptive Statistics for Overall Banks Performance

The overall Banks performance consists of non- financial and financial performance. For non- financial performance, respondents were required to rate the extent to which their companies used some key performance indicators for the last three years (2016-2018). For financial performance, ratios for ROA were calculated for the three years (2016-2018). They were then fitted in a 5- point Likert scale and their mean generated. Table 4.4 presents the results of the analysis.

Table 4.4 Means, Standard Deviations and Coefficients of Variation for Measures of Bank Performance

| Domain | Dimension | N | Mean(M) | Standard Deviation(SD) | Coefficient of Variation (CV) % |
|---|---|---|---|---|---|
| **Overall performance of the Banks** | Non-Financial Performance | 34 | 4.18 | .509 | 12.15 |
| | Financial Performance | 34 | 4.23 . | .501 | 12.08 |
| | Valid N (list-wise)Total | 34 | | | |
| | Overall Mean | | 4.205 | .505 | 12.115 |

As can be seen in Table 4.4 above, the mean scores of 4.18 and 4.23 for non- financial performance and financial performance approximates to a score of 4 on the 5- point Likert scale adopted by the study. This implies that the respondents agreed largely to each of the statements listed in the dimensions under performance in the structured questionnaire. A mean of 4.18 for non- financial performance implies that 83.6 % of the respondents agreed to a large extent that the dimensions of non-financial performance applied in their respective Banks. Similarly, a mean of 4.23 for financial performance implies that 84.6 % of the respondents agreed to a large extent that the dimensions of financial performance are true in their respective Banks. The variability scores for non- financial and financial performance were as low as 12.15 % and 12.08% respectively. Such result indicates that the variation between the actual outcome and expected values were small. That is, the residuals were smaller relative to the predicted values.

## 4.6 Correlation Analysis

A correlation matrix was produced in order to ascertain the nature and strength of the relationship between values of the study variables. In addition, the correlation matrix communicates how the independent factors of the study influence one another and their effect on the dependent variable and further whether the associations meet the minimum threshold for multiple regression. Correlation analysis was done using Pearson-Product Moment Correlation. Multicollinearity becomes a problem if the correlations are in excess of 0.9 (Field, 2009). Table 4.5 shows the correlation coefficients for intrapersonal competence, interpersonal competence, leadership competence, functional competence, career competence, and coaching/mentoring competence, and Banks overall performance.

Table 4.5 Correlation Matrix for all Variables

| Correlation | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Variables | | Intrapersonal Competence | Interpersonal Competence | Leadership competence Competence | Leadership competence | Career competence | Coaching/mentoring competence | Banks Performance |
| Intrapersonal competence | p.correlation | 1 | | | | | | |
| | sig | | | | | | | |
| Interpersonal Competence | p.correlation | .815 | 1 | | | | | |
| | sig | .000 | | | | | | |
| Leadership Competence | p.correlation | .701 | .735 | 1 | | | | |
| | sig | .000 | .000 | | | | | |
| Functional Competence | p.correlation | .768 | .783 | .635 | 1 | | | |
| | sig | .000 | .0000 | .000 | | | | |
| Career Competence | p.correlation | .647 | .639 | .804 | .697 | 1 | | |
| | sig | .000 | .000 | .000 | .000 | | | |
| Coaching/mentoring Competence | p.correlation | .714 | .727 | .726 | .717 | .801 | 1 | |
| | sig | .000 | .000 | .000 | .000 | .000 | .000 | |
| Banks Performance | P.correlation | .818 | .824 | .713 | .792 | .714 | .696 | 1 |
| | Sig | .000 | .000 | .000 | .000 | .000 | .000 | .000 |

The correlation results in table 4.5 above, shows positive and significant relationship between Intrapersonal competence and Bank performance (r = 0.818, p <0.01), interpersonal competence and Bank performance (r =0.824, p<0.01), Leadership competence and Bank performance (r =0.713, p<0.01), functional competence and Bank performance (r = 0.792, p<0.01 ), career competence and Bank performance ( r = 0.714, p<0.01 ), and coaching/mentoring competence and Bank performance (r= 0.696, p<0.01). In addition, as can be seen in the same table, all the correlation coefficients between and among the independent variables are below 0.9. Hence, it is possible to say that the study variables are not as strongly correlated as to cause multicollinearity. At this point, it is worth mentioning that correlation values of at least 0.9 are sometimes interpreted as indicating a multicollinearity problem (Hair et al., 1998). Such correlation results indicate that the use of regression analysis for testing of hypotheses is found to be reasonable.

## 4.7 Tests of Hypotheses

The research has established seven hypotheses which could correspond with the main objective. An index was computed for each variable to facilitate hypotheses testing. As for the dependent variable, the responses from the non-financial measures were summed together with the financial responses to form a composite score for the aggregate Banks performance.

In this research, it was attempted to determine the effect of competency of middle level managers on the overall performance of commercial banks in Ethiopia. This was achieved by performing simple linear regression analysis to test hypothesis**.** The study tested the individual effect of each dimension of management competence and the composite of the six dimensions, on the overall performance of the Banks in the commercial Banking Industry in the country. Tables 4.6 to 4.12 present the findings of the analysis.

**Hypothesis H1: Intrapersonal competency has a significant effect on the overall Performance of Commercial Banks.**

Table 4.6 Simple Linear Regression Results for the Effect of intrapersonal Competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .768 | .59 | .576 | 8.17767 |

**ANOVA**

| Model | | Sum of squares | df | Mean square | F | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 3068.41 | 1 | 3068.41 | 45.879 | .000[b] |
| | Residual | 2139.977 | 32 | 66.874 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 39.325 | 9.470 | | 4.152 | .000 |
| | Intrapersonal Competence | 15.256 | 2.252 | .768 | 6.773 | .000 |

Dependent Variable: Bank Performance
Predictor: Intrapersonal Competence

The results in Table 4.6 show that r =0.768, implying a strong correlation between the independent variable (intrapersonal competence) and the dependent variable (Overall Bank performance). The R-squared was 0.589; meaning that 58.9 % of the variation in Bank performance was explained by variation in intrapersonal competence. Other factors explained 41.1 %. The ANOVA results indicated that the model was statistically significant (F= 45.879, $p<0.05$). The standardized coefficients showed that the effect of Intrapersonal competence on Bank performance was positive and significant ($\beta$=0.768, t=6.773, $p<0.05$). The beta value implied that for one unit increase in intrapersonal competence, performance increased by 0.768. The findings, therefore, confirm that intrapersonal competence was significantly related to the overall performance of commercial banks in the country.

**Hypothesis H2: Interpersonal competency has a significant effect on the overall Performance of Commercial Banks**

Table 4.7 Simple Linear Regression Results for the Effect of interpersonal Competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .791 | .626 | .636 | 7.09352 |

**ANOVA**

| Model | | Sum of squares | df | Mean square | F | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 3098.448 | 1 | 3098.448 | 47.117 | .000[b] |
| | Residual | 2109.67 | 32 | 64.52 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 38.118 | 9.291 | | 4.216 | .000 |
| | Interpersonal Competence | 15.553 | 2.291 | .791 | 6.332 | .000 |

Dependent Variable: Bank Performance
Predictor: Interpersonal Competence

The results in Table 4.7 show that r =0.791, implying a strong correlation between the independent variable (interpersonal competence) and the dependent variable (Overall Bank performance). The R-squared was 0.626; meaning that 62.6 % of the variation in Bank performance was explained by variation in interpersonal competence. Other factors explained 37.4 %. The ANOVA results indicated that the model was statistically significant ($F= 47.117$, $p<0.05$). The standardized coefficients showed that the effect of Interpersonal competence on Bank performance was positive and significant ($\beta=0.791$, $t=6.332$, $p<0.05$). The beta value implied that for one unit increase in interpersonal competence, performance increased by 0.791. The findings, therefore, confirm that interpersonal competence was significantly related to the overall performance of commercial banks in the country.

**Hypothesis H3: Leadership competency has a significant effect on the overall Performance of Commercial Banks**

Table 4.8 Simple Linear Regression Results for the Effect of leadership Competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .618 | .382 | .363 | 10.03016 |

**ANOVA**

| Model | | Sum of squares | df | Mean square | F | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 1988.786 | 1 | 1988.786 | 19.768 | .000[b] |
| | Residual | 3219.332 | 32 | 100.604 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 49.732 | 12.051 | | 4.127 | .000 |
| | Leadership Competence | 12.749 | 2.867 | .618 | 4.446 | .000 |

Dependent Variable: Bank Performance
Predictor: Leadership Competence

The results in Table 4.8 show that r =0.618, implying a strong correlation between the independent variable (leadership competence) and the dependent variable (Overall Bank performance). The R-squared was 0.382; meaning that 38.2 % of the variation in Bank performance was explained by variation in leadership competence. Other factors explained 61.8 %. The ANOVA results indicated that the model was statistically significant (F= 19.768, $p<0.05$). The standardized coefficients showed that the effect of Leadership competence on Bank performance was positive and significant ($\beta=0.618$, t=6.332, $p<0.05$). The beta value implied that for one unit increase in leadership competence, performance increased by 0.618. The findings, therefore, confirm that leadership competence was significantly related to the overall performance of commercial banks in the country.

**Hypothesis H4: Functional competency has a significant effect on the overall Performance of Commercial Banks**

Table 4.9 Simple Linear Regression Results for the Effect of functional Competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .664 | .441 | .423 | 9.82781 |

**ANOVA**

| Model | | Sum of df squares | | Mean F square | | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 2016.515 | 1 | 2016.515 | 23.269 | .000[b] |
| | Residual | 3191.603 | 32 | 91.543 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 42.844 | 10.174 | | 3.926 | .000 |
| | Functional Competence | 14.749 | 2.967 | .664 | 4.286 | .000 |

Dependent Variable: Bank Performance
Predictor: Functional Competence

The results in table 4.9 show that r =0.664, implying a strong correlation between the independent variable (functional competence) and the dependent variable (Overall Bank performance). The R-squared was 0.441; meaning that 44.1 % of the variation in Bank performance was explained by variation in functional competence. Other factors explained 55.9 %. The ANOVA results indicated that the model was statistically significant ($F= 23.269$, $p<0.05$). The standardized coefficients showed that the effect of functional competence on Bank performance was positive and significant ($\beta=0.664$, $t=4.286$, $p<0.05$). The beta value implied that for one unit increase in functional competence, performance increased by 0.664. The findings, therefore, confirm that functional competence was significantly related to the overall performance of commercial banks in the country.

**Hypothesis H5: Career competency has a significant effect on the overall Performance of Commercial Banks**

Table 4.10 Simple Linear Regression Results for the Effect of Career Competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .759 | .576 | .522 | 9.22147 |

**ANOVA**

| Model | | Sum of squares | df | Mean square | F | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 3026.33 | 1 | 3026.33 | 43.128 | .000[b] |
| | Residual | 2181.788 | 32 | 59.492 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 33.948 | 9.141 | | 4.112 | .000 |
| | Career Competence | 14.743 | 2.212 | .759 | 5.992 | .000 |

Dependent Variable: Bank Performance
Predictor: Career Competence

The results in Table 4.10 show that r =0.759, implying a strong correlation between the independent variable (career competence) and the dependent variable (Overall Bank performance). The R-squared was 0.576; meaning that 57.6 % of the variation in Bank performance was explained by variation in functional competence. Other factors explained 42.4 %. The ANOVA results indicated that the model was statistically significant ($F= 43.128$, $p<0.05$). The standardized coefficients showed that the effect of career competence on Bank performance was positive and significant ($\beta=0.759$, $t=5.992$, $p<0.05$). The beta value implied that for one unit increase in career competence, performance increased by 0.759. The findings, therefore, confirm that career competence was significantly related to the overall performance of commercial banks in the country.

**Hypothesis H6: Couching/mentoring competency has a significant effect on the overall Performance of Commercial Banks**

Table 4.11 Simple Linear Regression Results for the Effect of Coaching and Mentoring Competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .629 | .395 | .378 | 10.07102 |

**ANOVA**

| Model | | Sum of squares | df | Mean square | F | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 1998.144 | 1 | 1998.144 | 21.517 | $.000^b$ |
| | Residual | 3209.974 | 32 | 96.993 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 51.134 | 12.141 | | 4.146 | .000 |
| | Coaching/mentoring Competence | 13.216 | 2.198 | .629 | 4.613 | .000 |

Dependent Variable: Bank Performance
Predictor: Coaching/mentoring Competence

The results in Table 4.11 show that r =0.629, implying a strong correlation between the independent variable (coaching/mentoring competence) and the dependent variable (Overall Bank performance). The R-squared was 0.395; meaning that 39.5 % of the variation in Bank performance was explained by variation in coaching/mentoring competence. Other factors explained 60.5 %. The ANOVA results indicated that the model was statistically significant ($F= 21.517$, $p<0.05$). The standardized coefficients showed that the effect of Leadership competence on Bank performance was positive and significant ($\beta=0.629$, $t=4.613$, $p<0.05$). The beta value implied that for one unit increase in coaching/mentoring competence, performance increased by 0.629. The findings, therefore, confirm that leadership competence was significantly related to the overall performance of commercial banks in the country.

**Hypothesis H7: competency of middle managers has a significant effect on the overall Performance of Commercial Banks**

Table 4.12 Simple Linear Regression Results for the Effect of Management competence on Bank Performance

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .765 | .585 | .572 | 8.21530 |

**ANOVA**

| Model | | Sum of squares | df | Mean square | F | Sig |
|---|---|---|---|---|---|---|
| 1 | Regression | 3048.399 | 1 | 3048.399 | 45.167 | .000 |
| | Residual | 2159.718 | 32 | 67.491 | | |
| | Total | 5208.118 | 33 | | | |

**Coefficients**

| Model | | Unstandardized coefficients | | Standardized coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Standard error | Beta | | |
| 1 | Constant | 28.725 | 11.107 | | 2.586 | .014 |
| | Management Competence | .584 | .087 | .765 | 6.721 | .000 |

Dependent Variable: Bank Performance
Predictor: Management Competence

The results in Table 4.12 show that r =0.765, implying a strong correlation between the independent variable (management competence) and the dependent variable (Overall Bank performance). The R-squared was 0.585; meaning that 58.5 % of the variation in Bank performance was explained by variation in coaching/mentoring competence. Other factors that are not part of the study explained 41.95 %. The ANOVA results indicated that the model was statistically significant (F= 45.167, p<0.05). The standardized coefficients showed that the effect of management competence on Bank performance was positive and significant (β=0.765, t=6.721, p<0.05). The beta value implied that for one unit increase in management competence, performance increased by 0.765. The findings, therefore, confirm the hypothesis that competency of middle level managers has a significant and positive impact on the overall performance of Commercial Banks in Ethiopia.

### 4.8 Discussion on the Implications

In this part of the report, the study has given an explanation of the research findings from the perspective of the main research objectives and the corresponding hypotheses. Moreover, it has also attempted to compare the results with those of similar studies done in the past.

Accordingly, of among the components of managerial competencies, the research findings indicated that interpersonal and intrapersonal competencies of the middle managers are found to be relatively the highest predictors of overall performances of Banks. The study results in regards to interpersonal competency was ($R^2$ =0.59, F=45.879, β=.768, t=6.773, $p < 0.05$), and that of intrapersonal competency was ($R^2$ =0.626, F=47.117, β=.791, t=6.332, $p < 0.05$). This could be interpreted in such a way that it is such competencies that the Banks' middle managers are believed to possess more of, and are relatively better contributors for successful performances of the Banks. In this respect, it is also to be remembered from chapter two of this study report that some studies indicated that it is the social skill of managers which is most important in relative terms than the other skills for successful performances in organizations.

The study also indicated that all the rest of the variables considered in this study i.e. Leadership competency, functional competency, career competency, and coaching/mentoring competency are somehow positive and significant in predicting overall performances of the Banks reviewed. However, this shouldn't connote that these competencies are less important for the managers than interpersonal and intrapersonal competencies as the main focus of this study is not about determining the relative importance of such competencies for managers; but rather to be able to indicate whether competencies of the managers have significant impact on performances of the Banks.

In general however, as captioned in the first chapter, the primary objective of the research was to try to find out the impact of competency of middle level mangers on the overall performance of the commercial Banks. The hypothesis arising from such objective was that competency of middle managers has a significant effect on Banks performance. The testing of the hypothesis was conducted by use of simple linear regression analysis. Accordingly, the results indicated that competency of middle managers has a positive and significant effect on the Banks performance ($R^2$ =0.585, F=45.167, β=.765, t=6.721, $p < 0.05$). This study findings consents with the result of a study by Rezaie et al. (2008) who established that employee competence contributed 48.6 % of the variance performance of organizations. Moreover, the study finding is also in agreement with the findings of a survey carried out by Ismail and Abidin, (2010) on the impact of workers competence on the performance of Malaysian private service sector, which established that employee competence, had a significant influence on performance of the private sector. In the study, workers competence caused 0.323 or 32.3% of the variation in performance.

The findings of this study also have correspondence with earlier theories. In this respect, hypothesis (H7) which says that competency of middle level managers has significant effect on overall performance of the commercial Banks in Ethiopia confirms the RBV theory whose focus is on among other things, resources that are rare, valuable, imperfectly imitable and substitutable. Management competence is a resource that is valuable and to some extent not easy to find, copy or even substitute. Management competence, as a resource qualified by the RBV theory was confirmed by Makhija (2003), who established that it creates profit and value for firms. In this regard, the concept of profit and value for companies implies organizational performance. For this reason, it can be said that the findings of this study corresponds with RBV theory. In addition, it also corresponds with the AMO theory, ability to perform, as the ability to perform exists when employees can do their jobs because they have the necessary knowledge and skills (Boxall & Purcell, 2008). Moreover, the hypothesis also corresponds with Knowledge Space Theory, which in turn states on how a competency enables to predict discrepancies in performance (Korossy, 2005). The theory promotes identification of problems existing in an organization and determining the corresponding competencies to solve the problems.

Hence, on the basis of the captioned findings and analysis made by this study, it is possible to say that competency of middle level managers has a positive and significant impact on overall performances of Commercial Banks in the country of Ethiopia.

# CHAPTER FIVE
# CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This final chapter incorporates conclusions and recommendations of the study which are drawn based on the research findings. In so doing, it discusses a summary of findings on research objectives, hypotheses and conclusions of the research. And lastly, the chapter presents implications of the study to theory and practice, limitations of the study and tries to give some hints for future research.

## 5.2 Summary of Findings

As described in the forgoing, the study attempted to examine the impact of competency of middle level managers in the overall performance of Commercial Banks in Ethiopia. The study collected data from almost all human resource managers of the Banks. Accordingly, it was found out that the middle managers posses more of interpersonal competency, intrapersonal competency, and career competency among others. And, they are also to a certain extent believed to possess all the other distinctive managerial competencies; namely, leadership competency, functional competency and coaching/mentoring competency.

In terms of intrapersonal competency, the middle managers for the most part are believed to have integrity, resilience, emotional stability, achievement-oriented mentality, self-esteem, and self-awareness. Based on the descriptive statistics for intrapersonal competency, the overall mean score was 4.17 (83.6%) which hints that the middle managers practice intrapersonal competency to a large extent.

With respect to interpersonal competency, the middle managers are believed to have the ability to communicate well with employees and customers, build relationship with employees and customers, listen and understand the ideas of others, and empathetic communications. And, on the basis of the descriptive statistics for interpersonal competency, the mean score was 4.18 (83.4%) implying that the middle managers working in the Banks exhibit interpersonal competency to a large extent.

Regarding leadership competency, the middle managers are somehow believed to motivate and inspire employees, provide empowerment, direction and support to employees, build and manage effective teams, manage diversity of the employees at workplace, and also have strategic thinking on the job. Based on the descriptive statistics for leadership competency, the mean score was 3.17 (63.4%) indicating that the middle managers show leadership competency to a certain extent.

As for functional competency, the middle managers are believed to have the ability to develop operational, business, and strategic plans in relation to his/her work environment, organize resource prioritize activities, manage human, material and information resources, make effective negotiations with customers, and enhance performances, monitor and control performances. And, on the basis of the descriptive statistics for functional competency, the mean score was 3.16 (63.2%) implying that the middle managers exhibit functional competency to some extent.

The mean scores of the remaining competencies i.e. career, and coaching/mentoring competencies are 3.43 (68.6%) and 3.04 (60.8%) respectively. This means that the middle managers again to some extent practice the captioned competencies which in turn means that the managers are somehow achievement oriented, have knowledge of their respective work, knows organizational routines and procedures, demonstrate commitment for the work, and provide coaching and counseling to their respective subordinates.

Furthermore, in terms of competency of the managers in general, the overall mean score was 3.53 (70.60%) meaning that the middle managers by and large are believed to have the managerial competency to a moderate extent so as to perform their job. Moreover, the mean for aggregate Banks performance was 4.2, which means that the respondents to large extent (84%) agreed in relation with the fact that the main performance indicators employed in this study are applicable in their Banks.

The primary objective of this research was to be able to determine the impact of competency of middle managers on the overall performance the Banks operating in Ethiopia. As per the linear regression used to test the hypothesis, competency of the managers has a positive and significant effect on the performances of the reviewed Banks. The study results showed a positive effect of management competence on performance ($R^2$ =0.585, F=45.167, β=.765, t=6.721, $p < 0.05$). Hence it can be said that hypothesis one (H7) was supported.

The other objective was to be able to determine the effect of each of such distinctive competencies in the overall performances of the Banks under review. Accordingly, the research findings have come out with results that interpersonal and intrapersonal competencies of the middle managers are found to be relatively the highest predictor of overall performances of Banks. The study results in regards to interpersonal competency was ($R^2$ =0.59, F=45.879, β=.768, t=6.773, $p < 0.05$), and that of intrapersonal competency was ($R^2$ =0.626, F=47.117, β=.791, t=6.332, $p < 0.05$). For this reason, it can be said that hypothesis one (H2) and hypothesis two (H1) were supported. Although to a moderate extent, all the other distinctive managerial competencies which are leadership competency, functional competency, career competency, and coaching/mentoring competency have also predicted overall performance of the Banks as the study results in such respects can be referred in the data analysis part of this paper.

### 5.3 Conclusions

On the whole and more importantly, the results of this study indicated that middle level managers of the Banking industry in Ethiopia by and large have the required competency to perform their job, and the competency that they possess have significant and positive impact on the overall performances of the Banks. However, this does not mean that there are no other factors that could have an impact on the performances of the Banks under review; this in itself requires an intensive study to be conducted on the same geographic location. Nevertheless, as cited in the literature, another study conducted another geographic location had come out with a finding which concludes that some internal and external factors such as quality of management, efficiency, size, liquidity, market share, and inflation are known to have affected Bank performances.

In addition, the middle managers exhibited to have also all such distinctive managerial competencies as intrapersonal, interpersonal, leadership, functional, career, and coaching/mentoring competencies. And, all of these competencies of the managers have a positive and significant impact, although with a varying magnitude as stated in the forgoing, on the performances of the Banks. Hence, the study finding confirms that competency of middle level managers in general is important in improving performances of the Banks; in other words, possession of the captioned distinctive managerial competencies could enable the Banks to have a higher levels of organizational performance.

Furthermore, in terms of correspondence with earlier theories, hypothesis (H7) that competency of middle level managers has significant effect on overall performance of the commercial Banks in Ethiopia confirms the RBV theory whose focus is on among other things, resources that are rare, valuable, imperfectly imitable and substitutable. Management competence is a resource that is valuable and to some extent not easy to find, copy or even substitute. Management competence, as a resource qualified by the RBV theory was confirmed by Makhija (2003), who established that it creates profit and value for firms. In this regard, the concept of profit and value for companies implies organizational performance. For this reason, it can be said that the findings of this study corresponds with RBV theory.

The hypothesis also corresponds with the AMO theory, ability to perform, as the ability to perform exists when employees can do their jobs because they have the necessary knowledge and skills (Boxall & Purcell, 2008). Finally, it also corresponds with Knowledge Space Theory, which in turn states on how a competency enables to predict discrepancies in performance (Korossy, 2005). The theory advocates identification of problems existing in an organization and determining the corresponding competencies to solve the problems.

## 5.4 Recommendations

The study gives the following recommendations in accordance with the findings and its subsequent conclusions:

- As competency of middle level managers has been found to have an impact on the performance of the Banks in Ethiopia, those Banks, that might have not yet formulated policies and procedures which enables them to enhance intrapersonal, interpersonal, leadership, functional, career, coaching/mentoring competencies of their respective middle level managers shall do as such. Besides, they shall also make sure that the formulated policies and procedures are put in to practice as expected accordingly.

- As this study revealed, the middle managers of the Banks have more of interpersonal and intrapersonal competencies rather than leadership competency. However, leadership competency is quite essential for the managers to a larger extent too, according to the previously-done empirical researches cited in this paper. This hints that there is a little bit of competency gap in leadership area among the managers. Hence, the Banks shall focus on efforts to increase leadership competency of their respective managers.

- Higher level managers shall as much as possible take managerial competency in to due consideration when deciding on cases of promotion, demotion, and transfer of middle managers.

- As the future seems to hold additional challenges, those Banks that have not yet established management succession system, or with no properly functioning system though they have, shall establish a new one, or strengthen the existing system respectively in such a way that enables them to develop and retain competent managers. This is because, by the time when foreign Banks start to operate in the country, it is expected that they will have had competitive advantages over the local Banks by applying better know-how and technology; in relation to this, it is understandable that they will also attract and hire competent managers from the local ones, which in turn reduces their internal resources and capabilities.

- It might also be important to conduct a similar study on the impact of competency of top level managers on the overall performances of the same Banks. Moreover, further investigations shall also be conducted on the variables of this study in respect of their applicability in other industry sectors in order to come out with a generalized conclusion in the country as a whole.

- Last but not least, other related researches shall be conducted for instance, on all factors that have impacts on the overall performances of the Banking industry in Ethiopia. In addition, a research shall also be made on the issue of competition on competent managers between and among the Banks in the industry.

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## Appendices

### Appendix 1: QUESTIONNAIRE

Dear Respondent,

My name is **Mikias Tadesse**, a Masters candidate in Management at the Addis Ababa University, College of Business and Economics. I am undertaking a research on the topic of The **Impact of Competency of middle level managers in the Overall Performances of Commercial Banks in Ethiopia.** By virtue of being a Human Resource Manager in your company, you form part of the respondents for this research. Kindly accept my invitation to participate in this research by sparing some time to fill this questionnaire. The questionnaire is being administered for research purposes and the information provided will be used purely for academic purposes and will be treated with confidentiality.

**PART I DEMOGRAPHICS**

Please provide the following information regarding your Bank.

1. Bank name ________________________________
2. job position ________________________________
3. Educational level ______________________________
4. Service years in the Bank_________________________
5. Gender________________________

## PART 11: COMPETENCY OF MANAGERS

Please rate the extent to which each of the statements listed in the matrix presented below applies to Middle Level Managers in your organization by ticking on the appropriate box. /Middle Level Managers may include branch managers, head office managers, and directors/

| | **Competency Dimension** | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| **1** | **Inra-personal Competence /level of skill/** | Not at all | Small extent | Moderate extent | Large extent | Very large extent |
| a | Have integrity. | | | | | |
| b | Are innovative. | | | | | |
| c | Are adaptable. | | | | | |
| d | Shows resilience. | | | | | |
| e | Shows perseverance. | | | | | |
| f | Are hard working. | | | | | |
| g | Are achievement-oriented. | | | | | |
| h | Have emotional stability. | | | | | |
| i | Have self-esteem. | | | | | |
| j | Shows self-awareness and self-control. | | | | | |
| **2** | **Interpersonal competence /level of skill/** | | | | | |
| a | Able to communicate with employees and customers. | | | | | |
| b | Able to build relationships with employees and customers. | | | | | |
| c | Able to build networks with customers. | | | | | |
| d | Able to listen and understand ideas of others. | | | | | |
| e | Abel to make empathetic communication | | | | | |
| f | Show sympathy | | | | | |
| g | Show friendliness | | | | | |
| **3** | **Leadership competence /Level of Skill/** | | | | | |
| a | Motivate employees | | | | | |
| b | Inspire employees | | | | | |
| c | Provide directions to employees for their accomplishment of given job targets | | | | | |
| d | Provide support to employees for their accomplishment of given job targets | | | | | |
| e | Empower subordinates | | | | | |
| f | Show strategic thinking on the job | | | | | |
| g | Show innovativeness | | | | | |
| h | Have compelling vision | | | | | |
| i | Manage diversity of employees at work place | | | | | |
| j | Build and manage effective teams at work place | | | | | |
| k | Negotiate with employees and customers | | | | | |
| l | Manage conflicts | | | | | |
| **4** | **Technical Competence /Level of skill/** | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| A | Able to develop business plans | | | | | |
| B | Able to develop operational plans | | | | | |
| C | Able to develop strategic plans in relation with his/her work environment | | | | | |
| D | Able to organize resources | | | | | |
| E | Able to prioritize activities | | | | | |
| F | Able to manage human resource | | | | | |
| G | Able to manage material resources | | | | | |
| H | Able to manage information resources | | | | | |
| I | Demonstrates intellectual capability | | | | | |
| J | Able to use information technology tools | | | | | |
| J | Able to give quality decisions | | | | | |
| K | Make effective negotiations with customers | | | | | |
| l | Monitors and controls performances | | | | | |
| l | Able to enhance performances | | | | | |
| **5** | **Career Competence /Level of skill/** | | | | | |
| A | Are goal achievement oriented | | | | | |
| B | Have knowledge of the work | | | | | |
| C | Demonstrate commitment for the work | | | | | |
| d | Have career satisfaction | | | | | |
| **6** | **Mentoring Competence /Level of skill/** | | | | | |
| a | Show desire to help and support subordinates | | | | | |
| b | Have knowledge and experience of the mentee’s area of work | | | | | |
| c | Know organizational routines, procedures and policies. | | | | | |
| e | Have approachable personality | | | | | |
| f | Provides coaching and counseling | | | | | |

**PART III: PERFORMANCE OF BANKS**

Please rate the extent to which your Bank has accomplished according to the following key Performance indicators for the last three years (2015/16 – 2017/18) by ticking on the appropriate box.

| | **Key performance indicator** | Not at all | Small extent | Moderate extent | Large extent | Very large extent |
|---|---|---|---|---|---|---|
| **1** | **Financial perspective** | | | | | |
| a | The Bank has been able to successively accomplish its targets in terms of profit. | | | | | |
| b | The Bank has been able to successively accomplish its targets in terms deposit mobilization. | | | | | |
| c | The Bank has been able to successively accomplish its targets in terms of foreign currency mobilization. | | | | | |
| d | The Bank has been able to successfully accomplish its targets in terms of loan disbursement. | | | | | |
| f | The Bank has been able to successfully accomplish its targets in terms of loan collection. | | | | | |
| **2** | **Customer Perspective** | | | | | |
| a | The Bank has been able to satisfy its customers. | | | | | |
| b | The Bank has been able to resolve customer complaints. | | | | | |
| c | The bank has been able to retain its customers. | | | | | |
| d | The Bank has been able to successfully accomplish its targets in terms of customer base expansion. | | | | | |
| **3** | **Internal Business Process Perspective** | | | | | |
| a | The Bank has shown high operational efficiency. | | | | | |
| b | The Bank has increased the quality of its products and services. | | | | | |
| c | The Bank has introduced new products. | | | | | |
| **4** | **Learning and Growth Perspective** | | | | | |
| a | The Bank has achieved employee satisfaction. | | | | | |
| b | The Bank has been able to develop competency of employees. | | | | | |
| c | Bank has reduced employees' turnover. | | | | | |
| e | The Bank has managed to enter new markets. | | | | | |

## Appendix 2 Letter of Request for Assistance

Addis Ababa University
(Since 1950)

**College of Business and Economics** — የቢዝነስና ኢኮኖሚክስ ኮሌጅ

Department of Management, Graduate Programs Coordination Office — የሥራ አመራር ትምህርት ክፍል የድኅረ ምረቃ ፕሮግራሞች ማስተባበሪያ ቢሮ

Date: ______________

**To:** Whom It may concern
**Addis Ababa,**
**Ethiopia**

**Subject: Request for Assistance**

Dear Sir/ Madam:

As you may be aware, the department of Management at Addis Ababa University offers M.Sc. in Management. We at the department believe that this program will have significant contribution towards meeting the demand for highly trained managers in organizations like yours.

Our students take a number of carefully selected courses over a period of 2 years before their graduation. However, since we believe that course work alone will not be enough to produce business graduates of high caliber, we also require our students to identify specific local organizations and work on their real and possible problems.

In this spirit, Mikias Tadesse Betemariam, who is one of our **M.Sc. in Management** students, has selected your organization and plans to research on the topic of; Impact of Competency of Middle Level Managers on the Overall performance of Commercial Bank

This is, therefore, to kindly request you to provide the student with the necessary cooperation to realize his/her objective. At the culmination of the investigation, we will send you a copy of the student's report for your files, if needed.

We are confident that you will appreciate the merit of such an approach in training our M.Sc. in Management students some of whom may eventually work for your organization.

With Best Regards,

Getachew Dinsa
Coordinator, Graduate Programs of Department of Management
Addis Ababa University

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