

# MANAGEMENT PRACTICES AND LEADERSHIP COMPETENCE IN FINANCIAL SECTOR: THE CASE OF PRIVET COMMERCIAL BANKS IN ADDIS ABABA, ETHIOPIA

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## ABSTRACT

*The major purpose of this study was to investigate the Management practices and leadership competence in financial sector: the case of privet commercial Banks in addis ababa, Ethiopia. The main issues considered factors that affect the Management practices and leadership competence in financial sector of privet commercial Banks. To this end, descriptive survey method was employed. The data collected by Questionnaires from selected Bank employer and managers. The target population of this study was from selected four top two and bottom two privet commercial bank from 2021 working year by using purposive sampling techniques. The total number of participants in this study was 4x25(N=100) employers and managers. The research applied for this study was a quantitative approach in nature. After data were collected, the raw data were entered into the computer and were analysed by SPSS Software (Version 20). Descriptive and inferential statistics were used to analyse the data depending on the nature of the basic research questions, appropriate statistical techniques such as Kolmogorov-Smirnov test and Shapiro-Wilk test was used to test the normality of data distribution, mean, standard deviation, ANOVA (analysis of variance) were used for data analysis. The level of significance is set at 0.05 alpha levels. The researcher assumption/hypothesis of this study was: There is no significant difference between Management Practices and Leadership competence in financial sector employer indices Privet commercial Bank in Ethiopia. Finally, the study findings were indicated that: there is significant difference between Management Practices and Leadership competence in financial sector employer indices Privet commercial Bank in Ethiopia, There is no significant difference between Management Practices and Leadership competence in financial sector employer their Age, Educational level and Experience indices Privet commercial Bank in Ethiopia. Finally there was is positive correlation between the variables of Management Practices and Leadership competence of employer indices Privet commercial Bank in Ethiopia.*

**Keywords:** Management Practice, Leadership Competence, Privet Bank.

## INTRODUCTION

Bank management refers to the process of managing the Bank's statutory activity. Bank management is characterized by the specific object of management-financial relations connected with banking activities and other relations, also connected with implementation of management functions in banking. More than 75 years ago, the Glass–Steagall Act created three separate lines of business within the financial services industry commercial banking, investment banking, and insurance Koch & MacDonald (2014). The Act's primary purpose was to separate commerce from banking in order to reduce conflicts of interest among business managers and encourage the smooth functioning of markets. At that time, commercial banks primarily accepted demand

deposits and made loans to businesses. Investment banks were largely involved in underwriting securities, which helped governments and businesses sell newly issued bonds and stocks to the public, facilitated mergers and acquisitions among companies, and helped individuals buy and sell securities. Insurance companies, in turn, accepted premiums and underwrote insurance policies for individuals and businesses. The McFadden Act let states write their own rules regarding the extent to which a commercial bank could branch within and outside its home state, and the Bank Holding Company Act of 1956 limited banks to specific types of business activities. Commercial banks have long been one of the most highly regulated businesses in the United States (Koch & MacDonald (2014)). States in order to start a bank, investors must select an experienced management team and board of directors and have a business plan that explains the bank's business strategy and justifies why a new bank is needed. The group must then present its plan to bank regulators for approval. A newly formed commercial bank can choose to obtain a charter from either its home-state bank regulator or the federal government via the Office of Comptroller of the Currency (OCC). This dual chartering process fosters competition among regulators in terms of how much regulation they impose on a commercial bank. To the extent that one regulator is perceived to be more lenient than another, groups will gravitate to the one with the more "lax" oversight. Having a large number of banks to regulate, in turn, better justifies the regulator's existence. Thus, the chartering process has created a system of many small banks that operate in limited geographic markets and only a few large institutions that operate across the United States and globally (Koch & MacDonald (2014)).

The banking sector is the fulcrum around which the Ethiopia economy revolves (Kuye et al., 2013). The Ethiopian banking sector accounts for a sizable proportion of the nation's gross domestic product (GDP), and drives the stock exchange market by volume and value of shares traded on a daily basis (Kuye et al., 2013). Recently, many banks in Ethiopia have recorded cases of unethical banking practices, financial distresses, and outright liquidation. These scandals and failures may be results of ineffective management practices. The Ethiopian banking industry has witnessed many corporate scandals, stemming largely from poor leadership, and has struggled to regain the confidence and trust of customers and other stakeholders. Scholars have written extensively on the Ethiopian banking crisis, the on-going reforms in the sector, and how to stem future banking crises in Ethiopia (Kuye, et al., 2013). The motivation for this study was thus to contribute to management practice by exploring bank leaders' effective leadership practices to sustain growth and prevent bank failures. This study addressing management practices and leadership competence in private commercial banks is timely for a number of reasons. First, it offers a synthesis of diverse information from numerous experts in the field. Second, it brings this information to a wider audience of practitioners and organizations. Finally, the information might be used by organizations to embed effective management practice and leadership competence, develop a managers and leaders, and in the process, sustain growth in Ethiopian private commercial banks.

Leadership Competence in private commercial bank manifested through concrete actions, in the ability to act effectively in a certain situation. To put your competence into action is important. There is a big difference between knowing, understanding and applying. Only when you are able to apply something in practice, you do own a certain competence (Bass & Avolio, 1994). Leadership Competence in private commercial bank is the output of a learning process. Competence is not a part of your personality or personal trait. Leadership Competence in private commercial bank is something that humans can train and develop. Some of the competencies can be unconscious. The person doesn't necessarily always know that she possesses a certain

competence. In practice Leadership Competence in private commercial bank is seen as an ability to act and apply knowledge, skills, attitudes and experiences by using Visioning, Achieving Goals, Empowerment, Network building, Communication.

A good competence leads to high performance which leads to excellent outcomes in the bank performance. Competence must always be seen in relation to outputs of management practices like human resource management, risk management practice, managing Change practice, Coordinating Team work building, customer service management practice (Bass & Avolio, 1994). Leadership continues to draw interest of academics and practitioners in many fields, including financial sector of commercial bank management.

Many leadership scholars have debated that bank leadership is a critical component to organizational effectiveness, performance, trust, and commitment (Bass & Avolio, 1994). Fiedler & Garcia (1987) noted that *“the quality of leadership competence is one of the most important factors in determining the success and survival of organizational culture”*. Weese (1995) said that *“the successful organization has one major attribute that sets it apart from unsuccessful organizations: dynamic and effective leadership”*. Another area gaining momentum in the organizational behaviour literature is organizational culture which is present throughout an organization at all times. Organizational culture can be defined as the deep-rooted beliefs, values, and assumptions widely shared by the members of organization and strongly shape the identity and behavioural norms for the group (Lim & Cromartie, 2001). Organizational culture provides insight into the inner workings and belief system of the unit and offers behaviour codes for managing employees.

Management practices and Leadership competence have been studied and examined by many scholars to solidify the relationship between these two constructs. Some scholars believe that management practices and leadership competence are intertwined and are best examined as if they were two sides of one coin (Schein, 1992). Founders of organizations and/or leaders create and shape the cultural characteristics of the organization. At the same time, as the organization develops and time passes, the created culture of the organization exerts an influence on the manager or leader and shapes his or her actions and style (Ogbonna & Harris, 2000).

Management practice in Organizational culture is wide-spread in an organization. Ogbonna & Harris, (2000) explained *“culture affects people, their beliefs, their relationships in and outside the organization, their views of the organization’s product or service, their views of competitors, and much more”*.

The implicitness dimension is about how veteran employees often take the core values of the organization’s culture for granted. Sometimes veteran employees assume that everyone knows the core values; therefore they do not think it necessary to explain those core values to newcomers. The imprinting dimension is about culture having deep roots in the bank organizational history, so the values and beliefs are imprinted on the members of the culture so strongly, making it hard to change.

Therefore, this study will be providing management practices and leadership competence for better awareness of the effects of financial sector of private commercial bank to determine which effective for bank organizational performance.

## OBJECTIVES

To investigate management practices and leadership competence in financial sector the case of private commercial Bank in Ethiopia.

## MATERIALS AND METHODS

The main purpose of this study was to investigate the Management Practices and Leadership competence in financial sector: the case of Privet commercial Bank in Ethiopia. This study, based on the quantitative research approach and design, where descriptive research methodology is employed. The survey was cross-sectional in nature and a standardized and self-administered questionnaire was used to collect the data from the respondents. The measurement scale on each variable is adopted from the different study, modified to suit the research objectives; and measured on 5 points Likert scale. The quantitative study design has an advantage of explaining the social life of the participants, theory testing, objective approach high levels of representativeness and general is the ability of the findings (Sarantakos, 2000). The total population of this study ( $N=16 \times 100=400$ ) privet commercial bank purposive sampling technique were selected 4(28.5%) banks from the 16 privet commercial banks from top 1-2, and Bottom 15-16. All four selected banks management staff and employers were incorporated in the study ( $N=4 \times 25=100$ ). The total number of participants in this study was ( $N=100$ ).

After the data were collected, the raw data were entered into computer and were analysed by SPSS Software (Version 26). Descriptive and inferential statistics were used to analyse the data by using mean, standard deviation and ANOVA (analysis of variance) used for data analysis were employed in the study to explore the deference between the variables. To conduct this research, collect data and information about the variables of the standardized and self-made questionnaires were used as follows: 1. Management practices 2. Leadership competence. The level of significance is set at 0.05.level .The reliability of the questionnaire in the present investigation: Cronbach's alpha for the questionnaire was a (.831) for management practices, (.712) for perceive leadership competence (.834,) respectively.

## RESULTS

<b>Management Practice</b>	<b>N</b>	<b>M</b>	<b>SD</b>
Human Resource Management Practices	100	36.36	6.94
Customer Services management practice	100	28.85	4.07
Risk Management Practices	100	32.22	5.32
Coordinating Team work practice	100	19.41	4.75
Managing Change practice	100	33.3	5.83
<b>Leadership Competence</b>	<b>N</b>	<b>M</b>	<b>SD</b>
Visioning	100	24.02	7.882
Achieving Goals	100	20.47	4.477
Empowerments	100	19.47	3.394
Network Building	100	19	3.162
Communication	100	20.04	4.211

**Source:** primary data

The results of the mean and standard deviations which indicated that employer were management practice more with Human Resource Management Practices ( $M=36.36$  and  $SD=6.94$ ) and less with Coordinating Team work practice ( $M=19.41$  and  $SD=4.75$ ) than other

management practices and under leadership competence more Visioning (M=24.02 and SD=7.88) and less Network Building (M=19.00 and SD (3.16) than other Leadership competence Table 1.

Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	21508	3	7169.32	49.189	0
Within Groups	13992.1	96	145.751		
Total	35500	99			

**Source:** primary data

The above Table 2 reveals that the mean score for observed management practice One way ANOVA shows that statistically significant difference between selected commercial privet bank and management practice at  $F=(3,96)=49.18$ ,  $P=0.000$  is less than 0.05 level of tolerance. Hence, the hypothesis that there is no significant difference between management practices of employer's indices in Ethiopian selected commercial privet bank is hereby rejected.

(I) Name of the bank	(J) Name of the bank	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Awash bank	Deshin bank	-6.16000	3.41468	.278	-15.0881	2.7681
	Debub Gilobal bank	16.88000*	3.41468	.000	7.9519	25.8081
	Wegagen bank	31.28000*	3.41468	.000	22.3519	40.2081
Deshin bank	Awash bank	6.16000	3.41468	.278	-2.7681	15.0881
	Debub Gilobal bank	23.04000*	3.41468	.000	14.1119	31.9681
	Wegagen bank	37.44000*	3.41468	.000	28.5119	46.3681
Debub Gilobal bank	Awash bank	-16.88000*	3.41468	.000	-25.8081	-7.9519
	Deshin bank	-23.04000*	3.41468	.000	-31.9681	-14.1119
	Wegagen bank	14.40000*	3.41468	.000	5.4719	23.3281
Wegagen bank	Awash bank	-31.28000*	3.41468	.000	-40.2081	-22.3519
	Deshin bank	-37.44000*	3.41468	.000	-46.3681	-28.5119
	Debub Gilobal bank	-14.40000*	3.41468	.000	-23.3281	-5.4719

\*The mean difference is significant at the 0.05 level.

Based on the multiple comparisons the mean of four selected privet bank showed that there is no significant difference between the mean of Awash bank and that of Deshin bank as reflected by the ( $P=0.278$ ) which is more than 0.05 level of tolerance. And there is the significant difference between the mean of Deshin bank and that of Debub Gelobal bank and Wegagen bank as indicated by the ( $P=0.000$ ) which is less than 0.05 level of tolerance. However, there is the significant difference between the mean of Debub Gelobal and that of Awash bank, Deshin bank and Wegagen bank as indicated by ( $P=0.000$ ) which is less than 0.05 level of tolerance Table 3.

Finally, the post hoc test revealed there is statistically significant difference between Wegagen bank and Awash bank, Deshin bank and debub global bank as indicated by the ( $P=0.000$ ) which is more than 0.05 level of tolerance.

Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	11677.1	3	3892.37	27.087	0
Within Groups	13794.9	96	143.697		
Total	25472	99			

**Source:** primary data

The above Table 4 reveals that the mean score for observed leadership competence One way ANOVA shows that statistically significant difference between selected privet commercial bank and leadership competence at  $F(3,96)=27.087$ ,  $P=0.000$  is less than 0.05 level of tolerance. Hence, the hypothesis that there is no significant difference between in leadership competence of employer indices in Ethiopian privet commercial bank is hereby rejected.

(I) Name of the bank	(J) Name of the bank	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
Awash bank	Deshin bank	-17.12000*	3.39054	.000	-25.9849	-8.2551
	Debut Gilobal bank	7.60000	3.39054	.120	-1.2649	16.4649
	Wegagen bank	10.80000*	3.39054	.010	1.9351	19.6649
Deshin bank	Awash bank	17.12000*	3.39054	.000	8.2551	25.9849
	Debut Gilobal bank	24.72000*	3.39054	.000	15.8551	33.5849
	Wegagen bank	27.92000*	3.39054	.000	19.0551	36.7849
Debut Gilobal bank	Awash bank	-7.60000	3.39054	.120	-16.4649	1.2649
	Deshin bank	-24.72000*	3.39054	.000	-33.5849	-15.8551
	Wegagen bank	3.20000	3.39054	.781	-5.6649	12.0649
Wegagen bank	Awash bank	-10.80000*	3.39054	.010	-19.6649	-1.9351
	Deshin bank	-27.92000*	3.39054	.000	-36.7849	-19.0551
	Debut Gilobal bank	-3.20000	3.39054	.781	-12.0649	5.6649

\*The mean difference is significant at the 0.05 level.

Based on the multiple comparisons of the mean of the selected four privet commercial bank employer in leadership competence showed that there is significant difference between the mean of Awash bank and that of Deshin bank as reflected by the ( $P=0.000$ ) which is less than 0.05 level of tolerance. And there is no significant difference between the means of Awash bank and that of Debut global bank as indicated by the ( $P=0.120$ ) which is more than 0.05 level of tolerance. And there is significant difference between the mean of Awash bank and that of Wegagen bank as reflected by the ( $P=0.000$ ) which is less than 0.05 level of tolerance. However, there is significant difference between the means of Deshin bank and that of Awash bank, Debut global bank and Wegagen bank as indicated by ( $P=0.000$ ) which is more than 0.05 level of tolerance Table 5.

Finally, the post hoc test revealed that there is no statistically significant difference between the mean of debut global bank and Wegagen bank as indicated by the ( $P=0.781$ ) which is more than 0.05 level of tolerance.

## DISCUSSION

The purpose of this study was to investigate the management practice and coaching leadership competence of privet commercial bank in Ethiopia. This chapter provides a brief

discussion of the results of the study. The chapter also provides a general conversation related to the objectives, hypotheses, and basic research questions and the study was made in terms of management practice of Human Resource Management practice, Customer service Management practice, Risk Management practice, Coordinating team work, Management practice, Managing change practice and Leadership competence which is discussed Visioning, Achieving Goal, Empowerment, Network Building, Communication.

In the same study, Scott (2000) contended “*a strong positive culture is what separates the most effective organizations from those that are less effective and that leadership has a stout impact on the bank within an organization*”.

Based on the multiple comparisons the mean of four selected private bank showed that there is no significant difference between the mean of Awash bank and that of Deshin bank. And there is the significant difference between the mean of Deshin bank and that of Debu Gelobal bank and Wegagen bank. However, there is the significant difference between the mean of Debu Gelobal and that of Awash bank, Deshin bank and Wegagen bank.

The results reveal that the mean score for observed leadership competence statistically significant difference between selected private commercial bank management practices and leadership competence. Based on the multiple comparisons of the mean of the selected four private commercial bank employer in leadership competence showed that there is significant difference between the mean of Awash bank and that of Deshin bank. And there is no significant difference between the means of Awash bank and that of Debu global bank. And there is significant difference between the mean of Awash bank and that of Wegagen bank. However, there is significant difference between the means of Deshin bank and that of Awash bank, Debu global bank and Wegagen bank.

The mean score for management practice one way ANOVA showed that statistically there is no significant difference between employer in overall management practice variables and the mean score for Leadership competence one way ANOVA showed that statistically there is no significant difference between employer and selected variables.

Management practices and leadership competence employer opinion showed the statistically significant difference in financial sector of selected private commercial bank. Among consistent researches having similar results to this hypothesis, the followings can be cited to Research findings by showed that there were showed the statistically significant difference in management practice and financial sector of private commercial bank. This has implication in enable to management practice and bank management practices for improved employer and bank manager performance and better management/ leadership provision. The privilege that if a bank employer and management body tries to do everything by himself without linkage of including management practices and other leadership activates, he would leave with nothing to show as achievements. The regular communication will allow the technical body to give their contributions to the policies and objectives of the financial sector of private bank. Pertaining to the employer relationship in between bank management staff, the more private bank enhance the employer relationship with the management staff, there would be more possibilities of increases the bank and employer performance when employer and management establish a good relationship with their management staff and there would be financial sector of organizational commitment that leads to bank activities.

The findings suggest that management practices in the selected bank involves recruiting, supporting, and developing people who are able to contribute in a meaningful way to the team's

functioning in the bank . In terms of staff development pathways, the data suggests that although privet commercial bank management practice should provide continuing education for employer through the medium of clinics, publications, and national conferences (Stotlar & Wonders, 2006), they should also invest in the provision of international work placements and bespoke task-specific support for their staff. In order to enhance lines of communication, the findings emphasize the importance not only of multidirectional interaction between employer and managers, but also the inclusion of external organizations, the executive board, and the administrative and supportive staff. For privet commercial bank that are non-centralized, it is important to employ a wide range of communication methods and facilitate and organized like Human resource management, customer service management, risk management, coordinating team work, and managing change. Armstrong & Baron (1998) emphasized that performance of privet commercial bank systems should be closely aligned to the prevailing organizational culture; therefore, the feedback mechanisms used in privet bank should be compatible with the bank culture. In the present study, the process of managing people, both in bank and in the business world, is a complex task and requires a complete appreciation of the multidimensional roles required. Traditionally, a manager has a pre-established number of roles, which generally includes a planned, coordinated, and integrated training program for employer). In contrast, the current bank manager must identify the status of his role from a commercial or financial perspective (Perry, 2000).

## CONCLUSION

The main purpose of this study was to investigate the Management Practices and Leadership competence in financial sector: the case of Privet commercial Bank in Ethiopia. This study, based on the quantitative research approach and design, where descriptive research methodology is employed. The survey was cross-sectional in nature and a standardized and self-administered questionnaire was used to collect the data from the respondents. The measurement scale on each variable is adopted from the different study, modified to suit the research objectives; and measured on 5 points Likert scale. The internal consistency of the measures is assessed and passed the reliability test. According to literature Tergerson & King (2002), this study design was a worthy one to use in data collection from a large number of the study population. For this study, the design was used to identify the relationship between Management Practices and Leadership competence in financial sector around the selected banks. The quantitative study design has an advantage of explaining the social life of the participants, theory testing, objective approach high levels of representativeness and general is the ability of the findings (Sarantakos, 2000).

## IMPLICATIONS

In the bright of the findings of the study, the following recommendations were forwarded:- The management staff and bank employer should be made the positive linkage and improvent between management practices and leadership competence by preparing Workshops and short-term training can be held for all of management staff and employer on the improvements and application of management practices and leadership competence in order to that they may be able to identify their privet bank gaps and should be made aware in the problems. Develop management practices and leadership with high commitment and strategies could achieve the success of employer performance and bank results, quality, and financial

capability it is advisable for the top bank management to assign and share committed leadership in each private bank in works hope or training in order to make the formation of clubs more effective and efficient. And further studies should also focus on the challenges faced in implementation of the change management practices and leadership competence the possible mechanisms that could be employed to overcome these challenges and gaps.

### CONTRIBUTION

This study contributes positive development and relationship between management practices and leadership competence for management staff and employer in selected private commercial bank in Ethiopia. The study covered top two and bottom two private commercial banks depending on 2021 performance.

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**Received:** 30-May-2023, Manuscript No. JIBR-23- 13642; **Editor assigned:** 02-Jun -2023, Pre QC No. JIBR-23- 13642(PQ); **Reviewed:** 16-Jun-2023, QC No. JIBR-23- 13642; **Revised:** 26-Jun -2023, Manuscript No. JIBR-23-13642(R) **Published:** 03-Jul-2023