

Chapter 15

Customer Orientation and Ethiopian Bank Performance With Mediation of Competitive Advantage

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ABSTRACT

The impact of competitive advantage in mitigating the detrimental impacts of customer orientation on business performance was examined in this chapter. Few research have examined the relationship between competitive advantage and customer orientation and how it influences business success in emerging economies, particularly in sub-Saharan Africa. This article attempted to investigate the matter from an Ethiopian perspective in order to bridge that gap. A response obtained from the 383 Commercial Bank of Ethiopia (CBE) customers in the Dilla area of southern Ethiopia using a survey questionnaire. Employing SPSS and AMOS edition 26 together with the Structure Equation Model (SEM) technique, the collected

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data was analysed to see if the two proposed variables were related. The results showed that customer orientation has a positive, significant influence on business performance through the competitive advantage negotiating process. The results of this study suggest that commercial banks should use client orientation to obtain a competitive advantage.

1. INTRODUCTION

Customers are a limited resource in the competitive circumstances of today. The banking industry's performance depends on its ability to recognize the regular changes in the needs and wishes of its consumers. Typically, banks must also be aware of their competitors as their products and services are more likely to appeal to customers' preferences and choices (Aqmala & Putra, 2021).

According to certain research customer orientation is a strategy that attempts to provide the banking sector with a clear objective and unique viewpoint while also increasing knowledge and accessibility (Gonu et al., 2023; Rahman et al., 2021). It is the clients, and it is thought to result in services that offer greater value to the client and help the banking sector outperform (Muis & Isyanto, 2021; Puspaningrum, 2020). A competitive advantage that the banking industry may use is client orientation in customer knowledge (Bankole et al., 2022; Yuliantari & Pramuki, 2022). For this reason, it is anticipated that client orientation would be advantageous for bank sectors as well as other business kinds.

The tactic and practice of consistently evaluating the needs and preferences of customers in order to attract and satisfy them is known as customer orientation. If client orientation is used, the business sector will function more efficiently (Domi & Musabelliu, 2020). Studying and investigating this subject is essential as customer orientation is a critical topic of discussion that will determine competitive advantage and produces high performance (Aqmala & Putra, 2021; Gontur et al., 2022). An operational concept known as "customer orientation" centers all business activities around the needs and wants of the customer.

Customer orientation is also significant since it is linked to company performance, as it generates a critical performance element for business performance (Domi & Musabelliu, 2020; Dos Santos et al., 2020). Thus, the ability of the industry to service its consumers is ultimately what determines a business's performance, meaning that in order to become more competitive, the sector needs to adopt more strategies like client orientation (Muis & Isyanto, 2021). If businesses in the banking industry can get a competitive advantage, their performance will improve (Bankole et al., 2022). A competitive advantage makes a company operate more efficiently and performance fully (Hendi & Arafah, 2022; Priyanto & Murwaningsari, 2022). According to

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