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Research Article

Influence of Managerial Skills on Organizational Performance in Private Banks in Harar City

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Abstract

This study investigates the influence of managerial skills on organizational performance in private banks operating in Harar City, Ethiopia. The research was motivated by the growing recognition that managerial competence plays a decisive role in shaping employee effectiveness and overall institutional success. The objective was to determine whether specific managerial skills-namely technical, communication, human relation, conceptual, and supervisory skills-contribute significantly to the performance of banks. A mixed-methods approach was employed, combining quantitative surveys with qualitative interviews and focus group discussions. Data were collected from 286 participants across 12 branches, including both employees and clients. Statistical analysis revealed that all five categories of managerial skills positively affect organizational performance, with communication ($r = 0.72$, $p < 0.01$), human relation ($r = 0.68$, $p < 0.01$), and technical skills ($r = 0.65$, $p < 0.01$) exerting the strongest influence. The findings highlight that effective managerial practices foster improved employee commitment, customer satisfaction, and operational efficiency, thereby enhancing the competitive position of banks. The study concludes that managerial skills are not merely supportive attributes but essential drivers of organizational success. It recommends that bank managers prioritize continuous development in communication, interpersonal relations, and technical expertise to sustain growth and performance. By emphasizing skill development, private banks can strengthen their resilience in a dynamic business environment and achieve long-term strategic objectives. Managers should prioritize continuous development in communication, interpersonal relations, and technical expertise.

Keywords

Managerial Skills, Organizational Performance, Private Banks, Harar City, Communication Skills, Human Relation Skills, Technical Skills, Supervisory Skills

1. Introduction

1.1. Background of the Study

Organizational performance is a central concern for financial institutions, particularly banks, which operate in highly competitive and dynamic environments [8]. Effective managerial skills are widely recognized as essential drivers of employee productivity, customer satisfaction, and institutional success [6]. Managers influence organizational culture, communication, and motivation, thereby shaping the overall efficiency of operations [9]. Leadership literature emphasizes that effective leaders are facilitators rather than mere bosses, guiding institutions toward success [3].

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Previous studies highlight that managerial competence, covering technical expertise, interpersonal relations, communication, conceptual thinking, and supervisory ability plays a decisive role in achieving organizational goals [14]. Leadership styles have also been shown to directly influence organizational performance [5]. Recent studies in African banking contexts reinforce this view. Yozi and Mbokota [21] show that adaptive leadership competencies, particularly communication and interpersonal skills, are critical for sustaining performance in South African banks. Similarly, Akor et al. [22] demonstrate that supervisory and technical skills directly enhance employee performance in Nigerian commercial banks. Closer to Ethiopia, Tolesa [23] highlights that strategic leadership and conceptual skills significantly influence profitability in Ethiopian banks, underscoring the relevance of managerial skills in Harar City's private banks. In the context of private banks in Harar City, Ethiopia, the relevance of these skills is heightened by rapid changes in the financial sector, including technological innovation, customer expectations, and regulatory pressures.

1.2. Statement of the Problem

Despite the acknowledged importance of managerial skills, many banks in Ethiopia have faced challenges in sustaining financial performance. Banks in Ethiopia face challenges such as limited technological infrastructure, high regulatory compliance costs, and customer retention difficulties [17], similar to credit risk issues observed in Nigerian banks [1]. Stakeholders often question the competence of managers when institutions struggle with inefficiency, weak employee commitment, or declining profitability [12]. While global literature emphasizes the role of managerial skills in organizational success, limited empirical evidence exists regarding their specific influence on private banks in Harar City. This gap in knowledge raises critical questions about which skills are most impactful and how they contribute to performance outcomes.

1.3. Objectives of the Study

General Objective To examine the influence of managerial skills on organizational performance in private banks operating in Harar City.

Specific Objectives

1) To identify the managerial skills practiced in private banks.
2) To analyze the extent to which these skills influence organizational performance.
3) To determine which managerial skills, exert the greatest impact on bank success.

1.4. Research Questions

1) What types of managerial skills are most relevant to bank performance?
2) How do managerial skills influence organizational outcomes in private banks?
3) Which specific skills have the strongest effect on performance indicators?

1.5. Scope of the Study

The study focuses on selected private banks in Harar City. Conceptually, it examines five categories of managerial skills: communication, human relation, supervisory, conceptual, and technical. Methodologically, the research employs descriptive and explanatory designs, using surveys, interviews, and focus group discussions to gather data from employees and clients. This study focuses on selected private banks in Harar City, excluding state-owned institutions.

1.6. Significance of the Study

This research provides new insights into the relationship between managerial skills and organizational performance in Ethiopian banking. The findings are expected to guide managers in prioritizing skill development, inform policy decisions within financial institutions, and contribute to academic literature on management effectiveness. By identifying the skills most critical to success, the study offers practical recommendations for enhancing employee productivity, customer satisfaction, and institutional resilience.

2. Materials and Methods

2.1. Description of the Study Area

The study was conducted in Harar City, located in eastern Ethiopia, where several private banks operate across multiple branches. Harar is a major commercial hub in the region, making it an appropriate setting for examining managerial practices and their influence on organizational performance.

2.2. Research Design

A descriptive and explanatory research design was adopted to capture both the current state of managerial skills and their impact on organizational outcomes. Descriptive design captures current practices, while explanatory design identifies causal relationships [19]. This design allowed for the integration of quantitative and qualitative approaches, ensuring a comprehensive understanding of the subject matter [2].

2.3. Sampling Technique and Population

The target population consisted of employees and clients from 12 selected branches of private banks in Harar City. Branches were selected based on size, customer base, and accessibility. A total of 286 respondents were included in the study, representing a diverse mix of staff categories and customer groups. Stratified random sampling was employed to ensure proportional representation across different groups.

2.4. Research Tools

Data collection relied on multiple instruments to enhance validity and reliability:

1) *Questionnaire*: Structured questionnaires were distributed to employees and clients to gather quantitative data on managerial skills and performance indicators. The questionnaire was pre-tested with 20 respondents; Cronbach's Alpha > 0.7 confirmed reliability.
2) *Key Informant Interviews (KIIs)*: In-depth interviews were conducted with selected managers and senior staff to capture qualitative insights.
3) *Focus Group Discussions (FGDs)*: Group discussions were organized with employees and clients to explore perceptions and experiences related to managerial practices.

2.5. Data Analysis Method

Quantitative data were analyzed using the Statistical Package for Social Sciences (SPSS). Descriptive statistics, correlation analysis, and reliability tests were applied to examine relationships between variables. Qualitative data from interviews and focus groups were thematically analyzed to complement and enrich the quantitative findings.

3. Results

3.1. Demographic Characteristics of Respondents

The study included 286 participants drawn from employees and clients of private banks in Harar City. Respondents represented diverse age groups, levels of experience, and job categories. This diversity provided a balanced perspective on managerial practices and organizational performance.

1) *Age Distribution*: Respondents ranged from young professionals to senior staff, ensuring generational representation.
2) *Experience*: Participants had varying years of service, from less than five years to more than fifteen years, reflecting both new entrants and seasoned employees.
3) *Job Categories*: Respondents included managers, clerical staff, and customer service representatives, as well as clients, thereby capturing multiple viewpoints.

Table 1. *Demographic Characteristics of Respondents.*

Variable	Category	Frequency	Percentage
Age	20–29 years	92	32.2
	30–39 years	108	37.8
	40–49 years	58	20.3
	50+ years	28	9.7
Gender	Male	162	56.6
	Female	124	43.4
Experience		74	25.9
	5–10 years	112	39.2
	11–15 years	64	22.4
	> 15 years	36	12.5

3.2. Reliability Analysis

Reliability tests were conducted using Cronbach's Alpha to ensure internal consistency of the measurement instruments. All constructs exceeded the commonly accepted threshold of *0.70*, confirming internal consistency of the measurement instruments. For example, communication skills ($\alpha = 0.82$), human relation skills ($\alpha = 0.79$), and technical skills ($\alpha = 0.81$) demonstrated strong reliability.

3.3. Correlation Analysis

Correlation analysis revealed significant positive relationships between managerial skills and organizational performance. The strongest correlations were observed for communication skills (*$r = 0.72, p < 0.01$*), human relation skills (*$r = 0.68, p < 0.01$*), and technical skills (*$r = 0.65, p < 0.01$*). Supervisory skills (*$r = 0.58, p < 0.05$*) and conceptual skills (*$r = 0.54, p < 0.05$*) also showed positive but relatively weaker associations.

3.4. Descriptive Analysis

Descriptive statistics highlighted the extent to which managerial skills were practiced and perceived as effective. Respondents rated communication skills highest (mean = 4.3 on a 5-point scale), followed by human relation skills (mean = 4.1) and technical skills (mean = 4.0). Supervisory skills (mean = 3.8) and conceptual skills (mean = 3.7) were also positively evaluated. Overall, *78% of respondents agreed or strongly agreed* that managerial skills significantly influence organizational performance.

3.5. Qualitative Insights

Key informant interviews and focus group discussions provided additional depth to the findings. Participants emphasized that effective communication fosters trust and collaboration, while strong human relation skills improve employee morale and customer satisfaction [13]. Technical competence was viewed as critical for operational efficiency and service delivery.

Qualitative data from interviews and focus group discussions reinforced the quantitative findings. Three key themes emerged:

1) *Trust:* Effective communication was consistently linked to building trust between managers, employees, and clients.
2) *Morale:* Strong human relation skills were reported to improve employee morale, motivation, and teamwork.
3) *Efficiency:* Technical competence was emphasized as critical for operational efficiency, service delivery, and customer satisfaction [18].

4. Discussion

The findings of this study confirm that managerial skills significantly influence organizational performance in private banks in Harar City. Communication, human relation, and technical skills emerged as the most impactful, aligning with prior research that emphasizes their role in fostering employee commitment, customer satisfaction, and operational efficiency. These results support the argument that managerial competence is a critical determinant of institutional success in dynamic business environments [4].

The strong correlation between communication skills and performance underscores the importance of clear information exchange in building trust, reducing misunderstandings, and enhancing collaboration [20]. Transformational leadership has similarly been linked to stronger organizational commitment [7]. Similarly, human relation skills improve employee morale and strengthen customer relationships, while technical skills ensure efficiency and competitive advantage. Although the sample is limited to Harar City and the cross-sectional design restricts causal inference, the findings nonetheless provide useful insights for bank management practices. Other leadership styles, such as autocratic approaches, have been found to negatively affect job performance [10].

Conceptual and supervisory skills, while positively associated with performance, showed relatively weaker influence compared to communication and technical competencies. This aligns with classical leadership studies, such as Lewin's foundational work, which emphasized the varying impact of leadership styles [15] and resonates with Lewin's foundational leadership studies, which highlighted the enduring impact of leadership style on group dynamics [16]. This suggests that while strategic thinking and oversight are important, the immediate drivers of performance in banking institutions are practical skills that directly affect daily operations and customer interactions.

Overall, the study contributes to the literature by providing empirical evidence from Ethiopia and highlights the need for continuous training and development programs that prioritize communication, interpersonal relations, and technical expertise [11]. Integrating managerial skill assessment into performance management systems can help ensure sustained growth and resilience.

Future research could expand the scope by including comparative studies across different regions or sectors, exploring how cultural and organizational contexts shape the relevance of specific managerial skills. Evidence from Kenya also confirms that leadership styles affect employee performance [16]. Longitudinal studies may also provide deeper insights into how skill development over time impacts organizational outcomes.

5. Conclusions

This study examined the influence of managerial skills on organizational performance in private banks in Harar City. The results demonstrated that managerial skills are critical determinants of institutional success, with communication, human relation, and technical skills exerting the strongest impact. Conceptual and supervisory skills also contributed positively, though to a lesser extent.

The findings highlight that effective communication fosters collaboration and trust, interpersonal skills strengthen employee morale and customer satisfaction, and technical expertise ensures operational efficiency. Together, these competencies enhance productivity, service quality, and overall organizational resilience.

The study concludes that Managerial skills are essential drivers of organizational success. Continuous development in communication, human relation, and technical expertise is critical for sustaining growth. It recommends that managers prioritize continuous development in communication, interpersonal relations, and technical proficiency to sustain growth and competitiveness. By investing in skill development, private banks can strengthen their adaptability in a rapidly changing financial environment and achieve long-term strategic objectives.

Abbreviations

PBHT	Private Banks in Harar City
FGD	Focus Group Discussion
SPSS	Statistical Package for Social Sciences
KIIs	Key Informant Interviews

Author Contributions

Alemseged Zewdu Mengiste is the sole author. The author read and approved the final manuscript.

Conflicts of Interest

The author declares no conflicts of interest.

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