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Research Paper

From Customer Orientation to Competitive Edge: Unpacking Bank Performance Dynamics.

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ABSTRACT

In this research, a focus was made on competitive advantage to act as a mediator of customers' consequences about company performances. A lack of research exists on the degree to which orientation towards customers influences bank performance through competitive gain in emerging economies of eastern Africa. The present investigation tried to close the above-mentioned gap from an Ethiopian perspective. An answer was collected by administering a survey questionnaire on the 392 CBE consumers drawn in the sampled southern Ethiopia region of Dilla District. Based on the Structural Model Evaluation using SEM with software support SPSS and AMOS edition 26, the collected data were checked for the supposed correlation of the two variables mentioned in the hypotheses. The result depicted that, by competitive advantage negotiation, a business's customer orientation had a positive and significant effect on its performance. Closely related, client orientation should be implemented by commercial banks to enhance competitive advantage according to the findings obtained in this research study is client orientation.

Keywords: Customer Orientation; Performance of Business; Competitive Advantage; Commercial Bank

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1. INTRODUCTION

In today's competitive environments, customers are a scarce resource. To survive, the banking industry needed to attend and attract a sufficient number of customers who were willing to purchase their products and services at a price that at least covers the costs involved. The needs and wants of customers are usually changing from time to time, and recognizing this change is necessary for the banking industry's success. Commonly, banks also need to pay attention to rivals because rivals good and amenities are probable to likings and picks (Puspaningrum, 2020). Orientation toward customers is an approach that claims to give the banking industry a unified goal and distinct perspective that will improve the availability of expertise and comprehension aimed at improving the experience of clients and the banking industry (Bankole et al., 2022; Rahman et al., 2021). Banking industry is customer-oriented oriented and it is believed to lead to the service of better value for customer and contributes to the banking industry's ability to outperform (Muis & Isyanto, 2021; Aqmala & Putra, 2021). Banking industries have an advantage that can apply customer orientation in customer knowledge, which can be a competitive advantage (Gonu et al., 2023 ;Yuliantari & Pramuki, 2022). Thus, customer orientation is expected to be beneficial for highly bank industries and other types of business.

Customer orientation is the strategy and action of continuously assessing the demands and desires of consumers in order to acquire and delight them. The business sector will operate better if client orientation is used (Domi & Musabelliu, 2020). Customer orientation is a key factor that influences competitive advantage and achieves high performance thus, studying and researching this topic is crucial (Gontur et al., 2022; Aqmala & Putra, 2021). Customer orientation is an operational philosophy that places the customer at the center of all corporate operations.

Another reason that makes customer orientation important is its tie to the performance of the business because customer orientation creates a crucial victory factor for the performance of the business (Yang et al., 2022). Consequently, the final success of any business lies within the industry's talent to serve its customers, which means that the industry should implement more competitive advantage (Muis & Isyanto, 2021), such as customer orientation, to advance its competitiveness (Muis & Isyanto, 2021). Businesses will perform better in the banking sector if

they can get a competitive edge (Bankole et al., 2022). Having a competitive edge helps businesses function better and more effectively (Hendi et al., 2022; Priyanto & Murwaningsari, 2022). Additionally, the influence of client orientation on company efficiency might be mediated by competitive advantage (Sampaio & Régio, 2022).

Additionally, several outcomes are anticipated from this investigation in mandate to promote development at Ethiopia's banks; this research first examines several business characteristics. Furthermore, this investigation aims to fill in any gaps in prior research findings about the impact of customer orientation on company success. Last but not least, this investigation intends to demonstrate a mediation competitive advantage that focuses on customers to enhance the performance of the business of the chosen study area.

2. LITERATURE REVIEW

2.1. Performance of business

The performance of a business may be thought of as a multifaceted idea that includes factors other than just revenue (Abuzid & Abbas , 2017). Ghlichlee and Bayat (2021) stated that the performance of the business is a collected end result of business processes and activity. Meanwhile, Domi and Musabelliu (2020) defined outcomes of business as the extent to which industries achieve their business goal. State customer orientation as a customer's description of performance differentials among businesses. Customer orientation improves a business's performance by providing a competitive advantage.

There is significant empirical evidence that has tied orientation towards the customer with the presentation of business. It is manifest from previous research that there is a direct association (Sampaio & Régio, 2022.; between Hanafi & Yahia, 2022 ; Amegavie et al., 2019); or an indirect (Kelvin, 2019; Abuzid & Abbas, 2017) or dual effect (Rahman et al., 2021 Ghlichlee & Bayat (2021) among orientation towards customer and performance of business.

Ghlichlee & Bayat (2021) described company performance as the extent to which the sector manages to meet its needs in its quest for survival and the desire of the consumers. According to Rahman et al. (2021), operationalization is the way the researcher of this study would define company performance. Companies monetary and non-monetary success may be measured by market share and the return on investment (ROI), sales growth as postulated by Enad & Gerinda (2022). Indices of company performance, as described by Rahman et al. (2021), are used in his

study. In the same fashion, one more study used market share for non-financial performance and sale growth for financial performance, as stated by Enad & Gerinda (2022). Hence, the orientation with the customer is one of the official benchmarks in the banking sphere for measuring business success.

2.2. Competitive Advantage

Islam & Qamari (2021) stated gain in competitive terms as an improvement attained by an industry in a rivalry by offering extra significant benefits than opponents. An industry is supposed to have engaged an advantage in a competitive situation if it has an advantage in competitive terms in resources that can produce greater worth at an inferior cost. Advantage in competitive terms comprehension needs an inclusive image of the performance of business and rivals (Yang et al., 2022 Abdigolbaghi & Sehhat (2018) because advantage in competitive terms comes from numerous assorted activities, like merchandise worth (Raewf et al., 2021), quality of service (Hanaysha & Mehmood, 2022; Puspaningrum, 2020), Technology proficiency (Yuliantari & Pramuki, 2022), and Period (Al-dulaimi, 2019). The advantage in competitive terms can be calculated in a lot of customs (Yang et al., 2022 Aqmala & Putra, 2021 and Tarabieh, 2015), Time of delivery and cost leadership (Cakir et al., 2022; Kimiti et al., 2021; G. Kimiti et al., 2020 and Mishra, 2017). According to Bankole et al. (2022), Park et al. (2021) banking industries get an advantage in competitive terms can be seen from the exceptionality of their merchandise quality, service quality, technology capability, and lowest costs. Hanaysha & Mehmood, 2022) Designates competitiveness terms as the outcome of customer orientation.

2.3. Customer Orientation

A fundamental subsidiary idea of orientation towards the market is customer orientation. Generally speaking, it is a significant concern for all businesses, but especially for those in the service sector. The notion of "customer orientation" emphasizes the buyer, the staff member, and the marketplace to collect data on the market, believe subsequent years' desires of customers, and delight demands by adding value while boosting business efficiency (Nyoman et al., 2020; Muis & Isyanto, 2021). Likewise, purchasers need focused conduct to augment a constructive connection between companies providing services and consumers, resulting in enhanced business outcomes (Islam & Qamari, 2021).

In the business world, a focus on customers results in the production and preservation of buyer worth, which is then transformed into preference among clients, contentment, and engagement

(Sampaio & Régio, 2022; Abuzid & Abbas, 2017). Thus, customer orientation's main dimensions, which are product, fondness, retention, and gratification, are considered significant strategic orientations. Presently, a firm's capacity to survive in a cutthroat market depends on how focused it is on its customers. In the same fashion, maintaining consumer preferences while offering the uppermost product quality are the end goals of maintaining and performing a business or sector (Mosa, 2022; Digidowiseiso & Lestari, 2021 and Abdigolbaghi & Sehat, 2018).

Customer orientation is excellence in customer service (Gonu et al., 2023b), satisfaction for the customer (Mistrear, 2021), products with unique features (Murerwa et al., 2022), and preferences (Islam & Zhe, 2022). Thus, depicts that customer orientation is essential in the banking industry.

3. EMPIRICAL LITERATURE AND HYPOTHESIS DEVELOPMENT

3.1 Customer Orientation and Firm Performance

Each sector has a fascination with recognizing how to evaluate the success of the services or goods being customers. Therefore, firm sustainability is a unique metric used to analyze the accomplishments of the sector's approach (Sampaio & Régio, 2022). The effectiveness of the banks in fostering a client orientation determines the profitability of the firm (Puspaningrum, 2020). Gonu et al. (2023a), Mokhtaran & Komeilian (2016), prove that customer orientation contributes to improving the performance of the business.

A company with a strong focus on the demands of the client should be equipped to foresee modifications to these demands and create new goods and services (Hanaysha & Mehmood, 2022). Therefore, implementing a customer-oriented strategy should enhance a company's capacity to adapt operational procedures in response to the adjustments (Amegavie et al., 2019). A corporation's "customer orientation" strategy prioritizes the client's needs over those of the company (Rahman et al., 2021). Companies need to focus on Product (Sampaio & Régio, 2022) Preference (Bankole et al., 2022) and Retention and Satisfaction (Puspaningrum, 2020) to understand the mindset of consumers towards consumption. It is a type of ideological thinking that aligns a company's performance based on user need satisfaction (Kelvin, 2019). Based on the results of past studies, the first hypothesis is:

H1: Customer orientation significantly affects the performance of the business.

3.2 Orientation towards Customer and Competitive Advantage

Additionally, a corporation is better equipped to create a competitive advantage through creativity and industry distinction, the more customer-oriented (Mosa, 2022). On the other hand, a rival orientation has a detrimental influence on a firm's superiority in differentiation in the marketplace. Satisfaction with customers is the main goal of customer orientation, which is thought to result in the creation of higher value for consumers and help the company outperform the competition, giving it a competitive advantage (Digdowiseiso & Lestari, 2021). Focus on the market might sporadically brand recognized shopper demands, which is simply moreover costly or impractical to execute to gain a competitive edge over rivals (Abdigolbaghi & Sehhat, 2018). Three primary aspects make up the market orientation: a customer orientation, through which a company aims to comprehend its target clients; an opponent orientation, through which a company aims to comprehend what its rivals are expecting in an ever-shifting marketplace (Yuliantari & Pramuki, 2022).

H2: Customer orientation significantly affects Competitive Advantage.

3.3 Competitive Advantage and Firm Performance

A point of differentiation is the ability of a company to produce goods or services quicker, with greater efficiency, or at a lower cost than its competitors (Puspaningrum, 2020). These factors allow the manufacturing unit to beat its rivals when it comes to earnings margins (Dos Santos et al., 2020). According to research by Al-Sulaiman (2019), there is a big connection between competitive edge and corporate performance. Companies with competitive advantages can increase their profitability since they are distinctive and difficult for rivals to copy. Corporations are forced by fierce competition in the marketplace to improve their offerings, which are subsequently offered to clients as more customized, efficient, and more effective options (Raewf et al., 2021).

The users' most obvious gains from rivalry are reduced costs and greater purchasing power. Due to being able to offer clients lower pricing, the business has an advantage over rivals (Yang et al., 2022). 2. Variation Lead: A corporation gains an edge over its competitors when it provides clients with distinctive or outstanding goods or services that are deemed to be more valuable than those provided by its rivals (Aqmala & Putra, 2021). A firm can expand its reach in the marketplace, improve its revenue, and, with the help of an edge in competition, enter novel markets (Kimiti et al., 2020; Tarabieh, 2015). Additionally, it might assist in protecting a

company against the possibility of rivals gaining access to its profession. Frequencies of delivery, along with cost dominance, are the ways that a company may get an edge over its rivals (Cakir et al., 2022; Mishra, 2017).

H3: Competitive Gain significantly affects the performance of the business.

3.4 Competitive Advantage Mediation Customer Orientation and Business Performance

Customer orientation established by the industry can make the industry tough in getting an advantage in competitive terms. Puspaningrum (2020) describe that the industry customer orientation effectiveness affects growing competitive advantage. Islam & Zhe (2022) and Abuzid & Abbas (2017) concluded that orientation about customers adds to the accomplishment of the performance of the business, such as sales growth and market share. In line with the outcomes of a study conducted by Puspaningrum (2020), El Saghier (2021), Milani & Salavati (2018), and , the competitive gain has a positive effect on improving the performance of business.

Competitor utilization can either have an immediate effect on company efficiency or act as a mediator amid orientation toward customer and operations success (Hendi et al., 2022; Priyanto & Murwaningsari, 2022; Sampaio & Régio, 2022; Suandi & Yulihastri, 2022; Bhandari & Amponstira, 2021; Puspaningrum, 2020; Daengs GS et al. According to Elhassen & Chemseddine (2017), customer focus helps boost company revenue through competitive advantage. According to the findings of earlier research, the hypothesis is:

H4: Mediation of Competitive advantage affects the customer orientation on the performance of the business.

Empirical explanation based investigate replica is as presented in Figure 1:

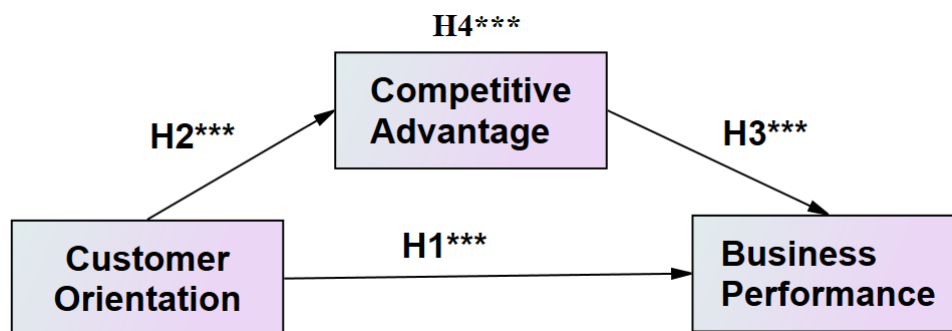


Figure 1. Research Framework

4. MATERIAL AND METHOD

4.1 Method of Sample Selection

The population under inquiry is 198,246 banking service users of the Banks working in Ethiopia in the Dilla area. This geographical area has six commercial bank branches. In this study, the amount of sample is measured using an arithmetic approach suggested by Dillaman (2000), a formula for measurement of sampling.

$$n = [N * (1-p) (p)] / [(N - 1) (B / C)^2 + P * (1-P)],$$
$$N = 198,246, P = .7, B = 0.07, C = 2.01$$
$$n = [(198,246) (.7) (1-0.7)] / [(198,246 - 1) (0.07/2.01)^2 + (0.7) (1-0.7)]$$
$$n = 392$$

The specimen technique stands crucial to decrease the possibility of prejudices in the trial progression and minimize the chance of systematic mistakes. Additionally, it is preferable to identify a representative sample from which generalizable inferences can be made about the population. As a result, the proportional stratified method's sample size for each stratum corresponds to that stratum's population size in the branches of the selected bank. Then, the sample size is minimized to 381; the next stage is to take samples using convenience sampling techniques. Participants of the population being studied who fulfill certain practical requirements, such as simple access, geographic nearness, and being able to be involved at a particular point in the period, are involved in the examination using convenience sampling, which is a sort of non-probability (Bhardwaj, 2019).

4.2 Operational Definition of Variable

1. Customer orientation (X1). Orientation towards the customer is the procedure and actions conceded by a business associated with creating customer preference, retention, and satisfaction.
2. Competitive advantage (X2) reflects the industry offerings' superiority, client facility, know-how competency, and price leadership over rivals.
3. Performance of business (X3). The performance of the business is a measure of an industry's success in business, its products, and services, reflected in sales growth and market share.

The observed variable as proxies related to each construct was depicted in Table 1 in the form of Meta-analysis.

Table 1. Meta-Analysis

Construct	Observed Variable	Source
Orientation towards Customer	Product	(Sampaio & Régio, 2022; Bankole et al., 2022 and Puspaningrum, 2020)
	Preference	
	Retention	
	Satisfaction	
Competitive_Advantage	Quality of Product	(Yang et al., 2022; Aqmala & Putra, 2021; G. Kimiti et al., 2020 and Mishra, 2017)
	Client service	
	Capable Technology	
	Less Price	
performance of business	Sale growth	(Enad & Gerinda, 2022 and Hanaysha & Mehmood, 2022)
	Market share	

4.3 Method for Data Analysis

Structural Equation Modelling (SEM) is the data-driven approach used in this study. The existence or the lack of direct effect is assessed using the t-test, with a relevance level of 5%. The specifications for embracing or denying hypothesis evaluation are as outlined below: if the significance worth is 5%, formerly Hypothesis H0 is failed, or H1 has acknowledged if the likelihood point is > 5%, then H0 is acknowledged, or H1 is refused. Competent advantage acts as a mediation test is carried out employing full or partial mediation.

4.4 Data adequacy test

The KMO, as depicted in Table 2, determines the amount of data sufficiency that has to exceed more than 0.5 for an analysis of factors to be considered satisfactory.

Table 2. Data Sufficiency Test

“Kaiser-Meyer-Olkin” estimate		.810
“Bartlett's investigation”	CMIN	1036.271
	Df	21
	Sig. Level	.000

The fact that the KMO value in Table 2 established was 0.810, which is in the range of 0.6 to 1, depicts that correlation structures are relatively tight and the data exhibited sphericity, causing factor analysis to create distinct and reliable dimensions. The KMO evaluates the adequacy of

the sample, and for an appropriate factor evaluation to be recognized, it must be more than 0.5. Employee rewards consider both incentives and recognition. Data sphericity was measured using KMO and Bartlett's Test, which revealed that KMO=0.810 was the result. As a consequence, KMO results depicted that the data were adequate. The overall variation in the explained result is depicted in Table 3 below.

Table 3. Average Elucidated Variance

constituent	“Eigen-values”			Loading Square			Squared Loadings (Rotated)		
	sum	Discrepancy (%)	Collective %	Sum	Discrepancy %	collective %	Sum	% of inconsistency	collective %
1	3.619	51.698	51.698	3.619	51.698	51.698	1.918	27.404	27.404
2	1.040	14.850	66.548	1.040	14.850	66.548	1.835	26.214	53.619
3	1.001	9.859	76.407	.690	9.859	76.407	1.595	22.788	76.407
4	.610	8.719	85.127						

The total variance acknowledged in Table 3 is the sum of variances that establish three different primary principle constructs. The fraction of discrepancy captured by a major constituent is 76.407%, which is comparable to the ratio of the main component's discrepancy to the total variability. Divide the total deviation by the aggregate of the primary variances. The Eigenvalues reflected the total amount of variance that could be clarified through each of the three primary sections. In conceptual terms, it can be either favorable or adverse, but in behavior, they always account for encouraging variance. The combined adjustment was consequent as the summation of the Eigen-worth’s extracted three major components.

4.5 Enquiry for factor confirmatory

Confirmatory factor analysis (CFA) is a type of statistic that confirms the arrangement of factors of an ensemble of observed variables. CFA can be used by researchers to test hypotheses based on parallels amongst observed items and the manifestation structure, as well as to test the notion that there is an interaction across the observed variables alongside the un-observed variable that underpins them (Luong & Flake, 2022). CFA presented in the form of figure 2 manifested that

all covariances values are less in nature that indicated that there is no muticollinearity among the constucts. Aslo in figure 2 all factot loading are above the acceptable threshold level of 0.5.

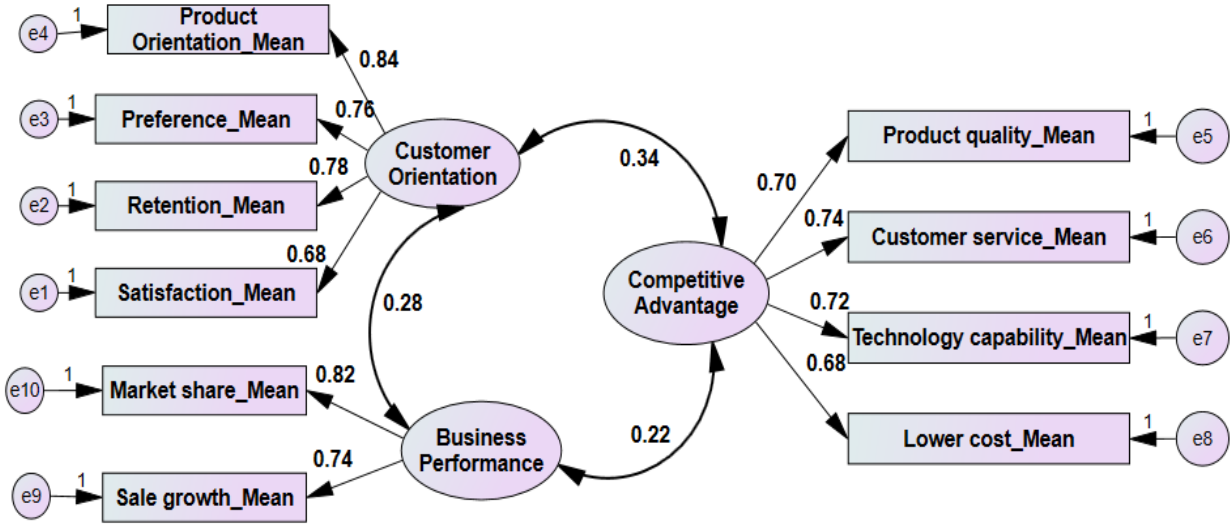


Figure 2. Factor Analysis (Confirmatory)

Source: AMOS result, 2023

Table 4. Co-variances

Co-variance	Estimate	S.E.	C.R.	P	Hy.
Competitive_Advantage <--> Customer_Orientation	.299	.036	8.390	***	H2
Competitive_Advantage <--> Business_Performance	.265	.035	7.507	***	H3
Customer_Orientation <--> Business_Performance	.281	.037	7.876	***	H1

As per the outcomes of table 4, Customer orientation and competitive advantage are estimated to have a connection of 0.299 percent. The Estimate for Co-variance's precision error, 0.299, is approximately 0.036; $Z = 0.299 / 0.036$ equals to 8.390. It is calculated by scaling the score of Co-variance by the estimated precision error. The Estimate for Co-variance is 8.39 precision errors beyond zero. There is a low as compared to 0.001% possibility of getting a key ratio with an absolute magnitude of 8.39. In the same fashion, two-tailed, linking amongst advantage in terms of competition and orientation towards customer is not related to zero.

The computed Co-variance over advantage in competitive terms and firm performance is 0.265. The Estimate for Co-variance's precision error, 0.265, is about 0.035; $Z = 0.265 / 0.035 = 7.507$ is calculated by scaling the coefficient of variation evaluation by the anticipated value of its precision error. Also, the computed association amid orientation towards customer and firm

success is 0.281. $Z = 0.281$ divided by 0.037 manifested equal to 7.876, which is around 0.037. The Co-variance value is consequently 7.507 precision errors greater than zero. In low as compared to 0.001 percent of the cases, a critical ratio of up to 7.507 will be reached. In this regard, at the threshold level, the connection between advantage in competitive terms and business achievement differs significantly from zero.

4.6 Validation

Validation that measures of traits that theoretically should not be significantly connected to one another don't turn out to be substantially linked with each other provides evidence of discriminant validity. In truth, convergent indices of validity should be far bigger than coefficients of discriminant validity.

Table 5. Validation

	C R	A V E	M S V	MaxR (H)	<i>CusOri</i>	<i>ComAdv</i>	OrgPer
<i>CusOri</i>	0.819	0.639	0.122	0.832	0.674		
<i>ComAdv</i>	0.758	0.613	0.031	0.786	0.157	0.656	
OrgPer	0.816	0.641	0.127	0.829	0.353	0.160	0.659

Annotation: CusOri= Customer_Orientation; ComAdv= Competitive_Advantage; OrgPer = Business_Performance

As the validation outcomes of Table 5, the convergence validity was achieved because AVE for the performance of a business exceeds 0.50, and discriminant legitimacy remained recognized because AVE square root is superior to all related corresponding values of correlation. Also, convergence legitimacy is attained when the AVE for orientation towards the customer is greater as compared to 0.50.

4.7 Mediation inquiry

Mediation analysis was conducted with the help of the equation of structural path presented in Figure 3. Figure 3 depicts the structure equation model (SEM) that was the outcome of AMOS software mediation analysis. SEM was used to calculate the total effect as the summation of direct effect and indirect effect to find the mediation effect. As per Figure 3, the direct path customer orientation and organization performance have a coefficient of 0.36. The indirect relation between customer orientation and organization performance through competitive advantage has a coefficient of 0.176 that, is a resultant of 0.44 and 0.40. That way, the total effect was 0.536. Mediation inquiry manifested that because of the mediation of competitive

advantage, the customer orientation effect on organization performance was strengthened from 36% to 53.6%.

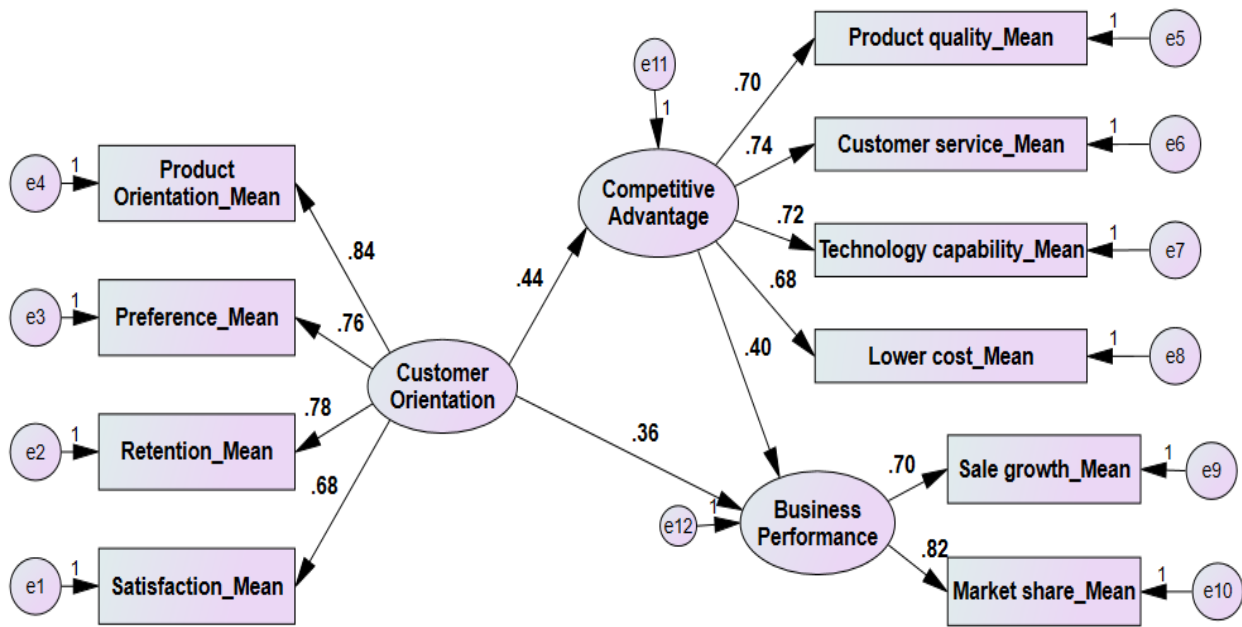


Figure 3. Equation of Structural Path

Figure 3 of the structure equation model manifested a partial mediation of competitive advantage in the association between customer orientation and organizational performance.

4.8 Model fit indices

The outcomes of Table 6 overhead, as illustrated, CMIN/DF worth is 1.983, which is below the threshold of three, indicating an exceptional fit model. Furthermore, the RMR of the remaining data is 0.019 points lower than the 0.05 criterion, and the goodness and relative fit indices are both larger than 0.90. As a consequence, the model has an excellent overall fit. The GFI for the conventional design is the most important value, consequently, which was the focus of our work. GFI values is 0.981, greater than the threshold value of 0.90, and it manifested a better fitness of the theoretical proposed model with a worth of 0.981.

Table 6. Model Fitness

Sig.	Chi-Sq	RMR	GFI	CFI	TLI	RMSEA
0.07	1.983	.019	0.981	0.938	0.972	.019

Table 7. Regression Test

	Relation	Approx.	S.E.	C.R.	P	Ass.
Competitive_Advantage	<--- Customer_Orientation	.977	.104	9.373	***	H2
Business_Performance	<--- Competitive_Advantage	.285	.136	2.366	***	H3
Business_Performance	<--- Customer_Orientation	1.143	.197	5.793	***	H1

As per Table 7 manifested outcomes, the advantage in terms of competition progresses by 0.977 while orientation towards customer increases by one. The normative deviation of the logistic weight estimate is around 0.977. A critical ratio of 9.373 was smaller as compared to 0.001 percentage point of the time. When competitive advantage is enhanced by one, corporate performance rises by 0.285. The company's profitability improves by 1.173 for each increase in client orientation. The deterioration mass assessment has a precision error of 1.143, which is roughly 197. The logistic regression weight estimate is consequently 5.793 precision errors higher than zero. There is a low, as compared to 0.001%, possibility of getting a key ratio having an absolute value of 5.793. Hence, the probability resulting constant indicating orientation towards the customer in the prediction of firm performance deviates significantly from 0.

Table 8. Mediation Investigation

	Customer_Orientation	Competitive_Advantage
Competitive_Advantage	.876	.000
Business_Performance	.589	.286

As Table 8 demonstrates outcomes, customer orientation has an estimated 0.589 total impact both directly and indirectly on business success. It suggests that if orientation towards customers extends by one, company performance rises by 0.589 due to the combined effects of orientation towards the customer on the performance of Business with mediation of advantage in terms of competition. Competitive edge has a 0.286 total contribution to business performance. The truth is whenever competitive advantage (CA) is increased by one; company performance improves by 0.286. It happens due to competitive advantage affects company performance both directly (unmediated) and indirectly (mediated). Customer orientation generates a total (direct and indirect) effect of 0.876. Orientation towards customers improves by one; CA rises by 0.876 due to the partial mediation effect of Competitive advantage.

5. DISCUSSION

The present research has demonstrated that both customer orientation and competitive advantage are positively related to business performance, supported by numerous theoretical concepts in marketing and management. The fact that customer orientation has a total effect equal to 0.592 points to the paramount of the customer knowledge and satisfaction investigation. This aligns with the theoretical underpinnings of the study that POS emphasis on the customer contributes to improved customer loyalty, customer satisfaction, and, therefore, performance. This underlines that the effects of customer orientation, both direct and indirect, mean organizations can use the concept as a means for obtaining tangible benefits in the short term and building capabilities that provide the basis of long-term competitive advantage. The validity of this finding mirrors the proposition of the Service-Dominant Logic (SDL) theory of value creation and co-creation between firms and customers. Customer orientation can help businesses improve their existing service delivery standards and ultimately boost the recorded results, including profitability and market share.

The theoretically incorporated competitive advantage of 0.285 on the business performance also signifies the relevance of the subject in the strategic management literature. Based on this finding, it could be deduced that though competitive advantage is important, it does not play a significantly more influential role than that played by customer orientation. This could mean that while competitive advantage is an important and tangible resource, it may, by itself, be the key ingredient to the success of a business proposition, which has to be built on a firm customer orientation. The “Resource-Based View (RBV)” favors this interpretation, implying that firms with certain resources (for instance, improved customer satisfaction and better products) acquire competitive advantages that boost performance. However, all these advantages depend on how well the firm understands its customer needs and demands.

This study also confirms that customer orientation affects competitive advantage significantly (0.877). This sample result essentially implies that the constructs underpin these focuses and simple customer orientation must be improved for a competitive advantage to be achieved. It means that when firms try to invest time and money to learn about the customers, they are enhancing the value of their offerings and consequently achieving a strategic location relative to their competitors. The above relationship provides support to the ‘Theory of market orientation,’ which correlates business strategies with customer trends and tastes in the market. This implies that the increased customer orientation implies firms are likely to develop a competitive advantage of superior performance.

5.1 Theoretical inferences

The theoretical contribution of this study is also substantial, as it adds to the growing literature on the relationship between customer orientation, competitive advantage, and business performance. Firstly, a unification of these constructs allows for a more comprehensive analysis of the role of customer-oriented

approaches in achieving improved performance consequences. This proves that it is not wise for organizations to consider customer orientation a strictly operational strategy but a strategic one that defines competitiveness. Also, the study validates theoretical frameworks like the Service-Dominant Logic (SDL), which underlines the creation of customer value through interaction, and the Resource-Based View (RBV), which discusses resource heterogeneity for attaining superior competitive advantage. Since the study forms an empirical model that supports the hypothesis that customer orientation leads to competitive advantage, the research proposes ideas on how the constructs under consideration relate to each other in other contexts and fields. This is in line with a need to undertake fine-grained studies of the dynamics of customer relations and strategic management – which in turn would enhance theoretical debates and inform empirical inquiry in the future.

5.2 Practical implications

The conceptual contributions of this study are important for organizations, particularly those focusing on improving their performance in a competitive environment. In this paper, strategies that need to be adopted by organizations are as follows: Customer orientation and appreciation must always be accorded high priority by organizations. This entails working on CRM processes and socializing employees to focus on the customers; their needs and wants are the core business. Also, there is the importance of capturing information from customers to create niche marketing propositions that can help firms create a competitive advantage. When tuned towards the needs of the customers, both the products and services a business offers will ensure consumers are loyal, leading to increased competitiveness. In addition, the creation of ongoing communication channels enables the firms to correct their MIS products and enhance customers' experiences continually. Besides, this approach contributes not only to maintaining competitive advantage over the years but also to behaving quickly in response to market shifts.

6. CONCLUSION

Finally, this study's findings have critical implications for understanding the importance of customer orientation and competitive advantage as predictors of corporate performance. The study shows that client orientation has a substantial overbearing index of 0.592 on company performance, implying that not only does stronger customer focus give immediate tangible rewards, but it also lays the road for superior long-term advantages in terms of improved positioning against competitors. This has accepted the idea that identifying and addressing the requirements of clients is not a strategic method but rather a strategic sensitivity that may catapult a business to new heights. Furthermore, the study found that competitive advantage had a cumulative effect of 0.285 on firm performance. This suggests that competitive advantage is

significant and that its worth is primarily determined by the link between consumer orientation and its core purpose. Firms that invest in creating customer connections have the correct approach to capitalize on their unique competitive strengths, resulting in enhanced performance. The study also manifested a resilient association amid customer orientation and advantage over the competitors, with a significance value of 0.877. This relationship emphasizes that customer orientation helps firms to make valuable propositions to consumers, resulting in a competitive advantage. As a result, when a business invests in customer orientation, it not only develops a competitive advantage but also ensures that any competitive advantages developed are economically exploited.

6.1 Limitations of study

While contributing to enhancing the understanding of the existence of competitive advantage as a moderator that links customer orientation to company performance, the following sources of methodological limitation need to be acknowledged in this study. First, the research was conducted among 392 customers of the Cooperative Bank of Ethiopia in the Southern part of the country, Dilla, which may not perhaps provide a proper representation of several other different regions or sectors of the banking industry in Ethiopia. This limitation was particularly worrisome because it brought into question the applicability of the results obtained in other settings within the region's diverse sub-Saharan African economies. In addition, the study adopted a cross-sectional research design that collected data at a single point only means that it was not possible to analyze causal effects or to look at changes in customer orientation and performance over time. Even though the Statistical Evaluation Method (SEM) was conducted in the SPSS and AMOS edition 26, it can be noted that the methodology did not consider external factors that existed in the economic environment, such as economic shifts or new regulations in the banking sector. At last, this study mainly targeted measurable parameters, and there is partiality in appreciating exists in one or more non-measurable parameters that could have given a better understanding of customers' perception as well as a better understanding of customer orientation in the Ethiopian banking industry.

6.2 Suggestions for future studies

It is important to look at several future directions regarding future studies on top of the results of this research, as presented below. Firstly, increasing the participants' sample and encompassing participants from different regions and branches of different banks in Ethiopia will increase the generalization of the results, which will provide more general information about customer orientation and competitive advantage in this or that environment. Further, having access to the knowledge of changes within these relationships from a longitudinal study design could help demystify these causals and establish the

dynamics at play. Qualitative research studies may also incorporate the use of concomitant quantitative surveys to quantitative interviews or focus group discussions that offer a hurried and deeper understanding of customer experience and impression. Also, exploring the effects of the external environment on the subject, like economic conditions, technological innovation, regulatory setting, and many others, might have offered important background information concerning the relationship of these variables with customer orientation and competitive superiority. Clearly, research focusing on other industries besides banking could provide comparative lessons throughout the emergent world.

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