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Article

Do competencies matter for bank performance? Evidence from Palestinian banking managers

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Abstract: Despite the global recognition of competencies as fundamental enablers and vital drivers of organizational performance, banks in Palestine operate under persistent and ongoing political and economic instability, regulatory constraints linked to limited sovereignty and a lack of a unified competency framework. These contextual pressures restrict their ability to fully capitalize on competency-based management to support strategic financial objectives. Understanding how competencies relate to managers' assessments of business performance in this fragile environment is therefore essential. This study examines the relationship between quality-management, behavioral and contextual competencies and senior managers' perceptions of business performance in the Palestinian banking sector. The study draws on questionnaire responses from 65 of the 66 eligible managers in human resources, credit and facilities and marketing departments, using a census approach. Data were analyzed using multiple linear regression in SPSS. Published financial reports covering five consecutive years were also examined separately from the regression analysis to provide historical context, focusing on profit before tax, return on assets and return on equity. The regression results revealed a positive and statistically significant association between contextual competencies and perceived business performance ($p = .001$), while quality-management ($p = .440$) and behavioral competencies ($p = .553$) showed no statistically significant independent associations. The model explained 67.3% of the variation in the questionnaire-based outcome ($R^2 = .673$; adjusted $R^2 = .657$). The findings suggest that contextual competencies, particularly those concerning regulatory requirements, stakeholder interests and organizational culture deserve greater attention when examining managerial assessments of bank performance.

Keywords: Human Resource Management; Competency-Based Management; Quality-Management Competencies; Behavioral Competencies; Contextual Competencies; Perceived Business Performance; Palestinian Banking Sector.

1. Introduction

The concept of competencies and their practical applications is relatively recent within academic and scientific disciplines, particularly at the applied and implementation levels. Increased attention to this area has emerged from the growing need to enhance organizational value. Competencies are seen as key enablers for meeting customer needs and responding effectively to dynamic environmental changes. These developments necessitate a reassessment of organizational structures, functions, and strategic objectives to ensure alignment with evolving external demands. Competencies experience global attention widely in the business sector [1], because of the opportunities and tools which competencies provide which in turn serve selection [2], training and development [3], performance management [4] and career paths and succession planning

decisions [5], and the determination of compensation and benefits [6] in an integrated academic and practical approach and framework.

Numerous studies worldwide have examined the relationship between competencies and organizational performance [7], highlighting their critical role in enhancing efficiency [7] and effectiveness [8] across sectors. The topic has gained substantial attention among researchers and practitioners, particularly within the broader framework of human resource management (HRM) [8]. While competencies are increasingly recognized as a core component of HRM globally, the context in Palestine remains underexplored. Although previous studies have examined competency-based human resource development [9] and broader HRM challenges in Palestine [10], limited attention has been given in the published literature to how different competency dimensions relate to managerial assessments of bank performance. Earlier research by Nazzal [11] examined the relationship between competencies and profitability. Drawing on that original research, the present study places particular emphasis on the differing associations of quality-management, behavioral and contextual competencies with perceived business performance, within the unique constraining political, economic, and regulatory conditions facing Palestinian banks.

Thi Nong et al. [12] found that employee competence has positive effect on employee performance and job satisfaction. Susanti et al. [13] addressed the impact of competence and motivation on employee performance. The review's findings suggest that motivation and competence work together to significantly impact employee performance [14]. The findings demonstrated that employee performance was positively and significantly impacted by competency and motivation factors [13]. Sabuhari et al. [15] found that adapting organizational culture did not have a significant direct effect on employee performance while factors such as employee competencies, job satisfaction, and human resource flexibility showed a strong positive impact on performance. As a result, organizational culture adaptation could not weaken or influence the effect of human resource flexibility on employee performance. However, job satisfaction played a partial mediating role in the relationship between employee competencies and performance [15].

Fettouh [16] concluded that there is a statistically significant impact for developing competencies, wages and incentives on job performance. Jabir et al. [17] found that there is a significant impact of competency management in improving institutional performance. Bersin [18] found that competency-based performance management varies widely by industry, market maturity and phase of growth. Growth-oriented organizations focus on strategic competencies to drive leadership behavior, while organizations in lower-growth markets focus on general management behaviors. High-performance organizations value competencies that build organizational capabilities, while lower performing organizations focus on competencies that build individual capabilities [19]. A focus on the right competencies for a particular organization will impact business performance, retention, employee engagement, resilience and profitability. Suta [20] and Krishnan [21] confirmed that organizations which are performing well are more likely to adopt competencies and that organizations which build core competencies often stand out from others and do better in the market. Zongyuan et al. [22] report that companies with competent workforce who know how to grow the business often do better than their rivals. This might also be interpreted as meaning that organizations which adopt competencies demonstrate superior performance compared to those who don't.

The Palestinian banking sector has witnessed over the past two decades radical changes and developments at various levels as a result of the so-called transitional phase in all areas, and the speed and dynamics of these changes have

a significant impact on the banks operating in the Palestinian territories as they became active in the open global system which is distinguished by profound and rapid transformations [23]. This in turn imposed on banks the need to find capabilities and potential resources which enable them to compete with their rivals and allow them to survive and continue in an unstable environment where uncertainty prevails.

Martin et al. [24] note that although research on quality management has received attention for decades by different scholars and academicians like Shewhart, Deming and Juran in the 1930s, few of them can be classified as empirical studies which elaborate on the real practices of quality management and its experts and specialists [25]. Moreover, fewer have acknowledged the need for a competency framework, explaining what is required to achieve quality. A main contribution by [26] appears to be a real attempt within the field of quality management to empirically derive a more complete and inclusive understanding of quality manager competencies. Lepistö et al. [27] stated that quality management is defined as the process by which an organization's products, whether goods or services, are ensured to meet the standards and expectations of its customers and stakeholders. From this definition, quality is viewed as a joint concern and interest for managers and specialists in all areas; and considered as a priority for seniors and contemporary organizations aimed at achieving high and superior levels of performance given that the success of many organizations at the international level has been attributed to adopting quality as an approach and philosophy, especially as organizations realized that quality responsibility lies at everyone's responsibility and is not limited to a department or a person or a specific level.

Quality is not only a philosophy and an approach, but also a core competency that serves as a foundational pillar in the successful implementation of quality initiatives. Banks and financial institutions are characterized by a high degree of privacy and uniqueness in the nature of their work, a high degree of sensitivity in handling data and information, and a low margin of error. These characteristics make it necessary, even inevitable, to adopt quality management practices and effectively implement their systems due to the sensitivity of institutional operations and their low margin for error which highlight the critical need for adopting structured quality assurance systems. This serves the improvement of operational efficiency, enhances reliability, and ensures the provision of high-quality services that meet the growing aspirations and needs of beneficiaries. Implementing institutional quality also contributes to reducing repetition, minimizing errors, and enhancing transparency and accountability in performance. This has become a critical requirement in light of the complexity of modern environments and the increasing demands of good governance [28,29,30].

Susan et al. [31] and Haouimi [32] state that banks and financial institutions have unique privacy, given the high degree of sensitivity and low tolerance for errors or mistakes at organizational level, the application of comprehensive quality management systems becomes essential to ensure accuracy, transparency, and operational excellence, this requires capabilities, methods and tools in order to help them detect errors promptly, address them and avoid repetition by identifying the root cause of any mistake, and take the necessary corrective action to eliminate these reasons by controlling all internal processes. Quality tools, competencies, systems and methods can help banks and financial institutions continuously develop and improve their performance. This is needed in today's tough competition where everyone wants to be the best.

Quality is not a concept that can be viewed as a sole unit but a multidimensional concept which has many aspects; these dimensions must be first identified and analyzed to ensure that they exist to achieve the best service to

avoid neglection that may have any negative impact on the banks or financial institutions and their performance [33].

Banks and financial institutions like any other organizations, by adopting quality as a competency are better equipped to address quality-related challenges, fulfil customer expectations, and drive continuous improvement. Several studies have demonstrated that the failure of many organizations to successfully implement and apply quality initiatives can be attributed to a range of factors. Among the most critical are the prevailing values, beliefs, and behaviors within the organization, which often require a fundamental shift in mindset among its members. This transformation is essential for embracing modern and contemporary approaches that support the development and enhancement of organizational performance [34].

This study examines the extent to which banks operating in Palestine adopt quality-management, behavioral and contextual competencies, and investigates the relationship between these competency dimensions and senior managers' perceptions of business performance. Particular attention is given to the different associations of these dimensions with perceived performance within the Palestinian banking environment. This study answers the following questions:

To what extent do banks adopt service quality competency in terms of quality-management-related dimensions (quality planning, continuous improvement and development, quality systems implementation, quality assurance)?

To what extent do banks adopt quality competency in terms of the behavioral dimensions (Knowledge, Teamwork, Leadership)?

To what extent do banks adopt quality competency, in terms of the contextual dimensions (Organizational culture, stakeholders interests, laws and regulations)?

What is the relationship between quality-management, behavioral and contextual competencies and perceived profitability-related business performance in the Palestinian banking sector?

2. The literature review

2.1 Theory and Literature Review

While many research studies have traditionally focused on linking organizational profitability with external environmental variables, research has also examined how internal resources contribute to competitive advantage [35]. Strategic analysis increasingly highlights the critical importance of internal resources in driving profitability. In particular, optimal utilization of internal capabilities has proven essential for organizations especially those in service-oriented sectors operating within the global knowledge-based economy [36]. Within this context, the strategic significance of competencies has become increasingly evident.

Among the models that served as a reference for this selection was the European Excellence Model (EFQM) in general and the Chartered Quality Institute's (CQI) model in particular, which focuses on enablers such as quality management related constructs (quality planning, continuous improvement, systems implementation and quality assurance), behavioral-related constructs (knowledge, leadership, teamwork) and contextual-related constructs (organizational culture, stakeholders' interest, laws and regulations). The researchers also relied on Juran's principles, which emphasize planning, improvement, and the role of management in achieving quality. They also incorporated elements from the Feigenbaum model regarding comprehensive control and integration between departments, and Deming's principles regarding continuous improvement and effective leadership [37,38,39].

Competencies represent a vital dimension introduced by evolving market dynamics, playing a key role in addressing the complex challenges faced by modern organizations. This is particularly relevant to human resource management practices, where organizations aiming to enhance profitability are compelled to invest in human capital. By attracting, developing, and retaining skilled and competent employees, organizations may strengthen their competitive advantage and support long-term organizational performance [40,41,42,43].

Drawing on the literature on competencies and organizational performance [41,44], this article examines how quality-management, behavioral and contextual competencies are associated with senior managers' perceptions of business performance in Palestinian banks. Particular attention is given to the separate associations of these competency dimensions within the institutional and regulatory environment of the Palestinian banking sector. Historical financial indicators are examined separately to provide context for interpreting the survey findings, rather than as direct measures of the regression outcome.

Yu et al. [44] state that human resources are the basic element in any organization due to their importance in creating value, flexibility, performance, and formulating the efficiency and flexibility of the organization. Employees play their role as professional human resources depending on their place of work, the culture of the organization in which they work, the type of business, certain requirements from senior management, and the skills and values they carry. In performing this role, the employee is required to be competent. Competence is an essential element for the success of human resources in achieving the organization's goals [45]. Son et al. [46] found that Knowledge sharing contributes to the relationship between leadership and organizational performance. Furthermore, transformational leadership has a greater impact on financial performance, while knowledge sharing is more closely linked to operational performance. Therefore, these are deemed necessary for organizational performance. Furthermore, [47] found out that efficient communication, trust, leadership and accountability have a significant impact on employee performance. Furthermore, [48] determined that practicing leadership, communication, and teamwork skills creates a significant and positive impact on employee trust in the workplace in the banking sector in Bangladesh. Adomako et al. [49] showed that teamwork has a significant and positive effect on performance. Kavalić et al. [50] found that high levels of knowledge management positively influence business performance, quality and competitiveness and that knowledge management has a slightly greater impact on financial performance in foreign enterprises (operating in Serbia) compared to local Serbian enterprises. Also, [51] confirmed that CEO's competence has a significant impact on enterprise financial performance.

Contextual competencies are not just environmental factors, but are true enablers of the successful implementation of individual and professional competencies within organizations. They create the necessary environment in which competencies develop and are directed toward achieving organizational and financial goals. Therefore, it is recommended that these competencies be integrated into an integrated competency model when evaluating organizational performance. In this context, [52] confirmed that organizational culture has a significant impact on organizational performance. Similarly, [53] stressed on the importance of stakeholder analysis in the improvement of organization performance and also asserts that the achievement of an organization's set objectives is dependent on how well the organization can represent the interest of its key stakeholders. Remisha and Keerthi [54] report that organizations with strong compliance systems have increases in worker satisfaction and productivity. Ståhl et al. [55] found that legislation functions as an external pressure on

employers to develop routines to establish a good work environment. Karnsomdee [56] found that government policy has a significant influence on organizational performance.

While competencies are globally recognized as critical drivers of organizational performance, the banking sector in Palestine faces unique challenges in effectively adopting and leveraging competencies. Factors such as political and economic instability, regulatory constraints due to compromised sovereignty [57], and a lack of unified and consistent competency frameworks hinder their alignment with financial goals. These challenges highlight the importance of examining how competencies relate to organizational performance in the Palestinian banking sector. Competency-based management provides a framework for aligning human capabilities with organizational objectives [58], even though its contribution to financial profitability requires careful empirical examination.

Considering the various models of quality management reviewed by the researchers such as [37,59] who investigated Juran's excellence model, Armand V. Feigenbaum model which was studied in [38], Philip B. Crosby's principles, which were covered by [39] The European Foundation for Quality Management (EFQM) excellence model investigated by [60] and the Chartered Quality Institute (CQI) Competency Framework which was studied thoroughly by the researchers, the researchers decided to select a set of dimensions, constructs and components that align with the study's objectives and focus on understanding the relationship between competency dimensions and senior managers' perceptions of profitability-related business performance. This selection was based on the models' comprehensiveness, their suitability for the study context, and their ability to integrate human competencies within the quality system.

2.2 Literature Review and Hypotheses

Previous studies have examined the relationship between competencies and organizational performance across different institutional settings. In the Palestinian banking sector, earlier research investigated the relationship between competencies and profitability from the perspective of senior management [11]. Building on this research, the present article examines the associations of quality-management, behavioral, and contextual competencies with managers' perceptions of profitability-related business performance, considering the institutional and regulatory conditions under which Palestinian banks operate.

The study examines whether quality-management, behavioral and contextual competencies are positively associated with senior managers' perceptions of profitability-related business performance. Quality-management competencies encompass quality planning, continuous improvement and development, systems implementation and quality assurance. Behavioral competencies include knowledge, teamwork and leadership, while contextual competencies comprise organizational culture, stakeholder interests and laws and regulations. The relationships are examined using questionnaire-based measures, whereas profit before tax, return on assets, and return on equity are considered separately to provide historical financial context. **Figure 1** presents the study's conceptual model, identifying quality-management, behavioral and contextual competencies as independent variables and perceived profitability-related business performance as the dependent variable.

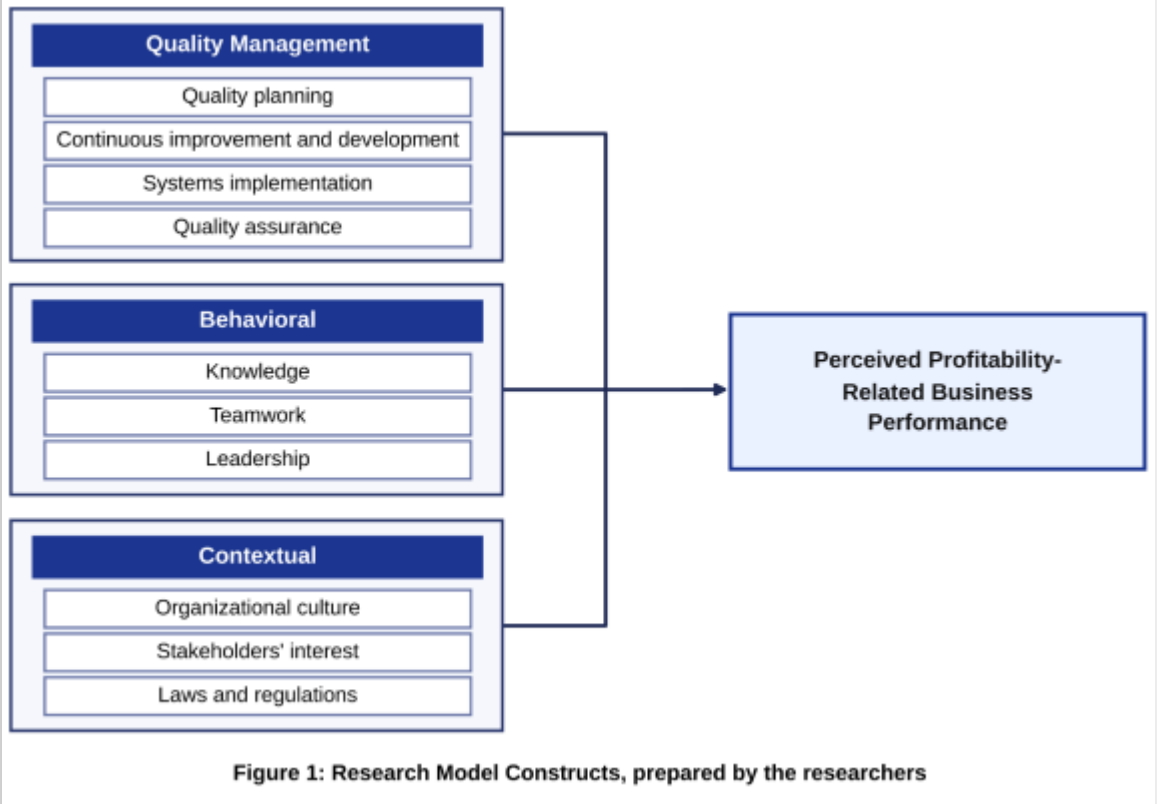


Figure 1: Research Model Constructs, prepared by the researchers

2.2.1 Quality Management and Profitability

Recent decades have witnessed increasing interest from researchers and practitioners alike in the concepts of quality management and competencies, given their direct impact on improving organizational performance, increasing customer satisfaction, and enhancing organizations' competitiveness which in turn have an impact on financial performance and profitability. Studies in this field have varied in terms of theoretical frameworks and methodologies. Some have focused on the role of leadership and managerial competencies in promoting a culture of quality within organizations, while others have highlighted the relationship between functional competencies and the application of quality management tools. Many studies have also addressed how to align human resource management strategies with the requirements of quality systems, ensuring the sustainability of continuous improvement within organizations. **Table 1** provides a summary of prominent studies that have addressed the relationship between quality management competencies and profitability. This study investigates the quality management related competency area including quality planning, continuous improvement and development, systems Implementation, and quality assurance.

H1: Quality-management competencies are positively associated with perceived profitability-related business performance

Table 1: The summary of existing works on quality management-related competencies

Authors	Sample	Independent Variables	Dependent Variables	Remarks
Hussein et al. [61]	90 respondents from 10 commercial banks in Kurdistan Region (including directors, deputy directors, department heads, staff, and experts)	Total Quality Management (TQM) includes continuous improvement, customer focus, quality strategic planning, process-based management, management by participation rather than competition, and data driven decision-making	Banks Financial Performance including operational efficiency, customer attraction, profitability and cost reduction	There is a significant positive relationship between TQM principles and the banks financial performance

Continued table:

Authors	Sample	Independent Variables	Dependent Variables	Remarks
Belwakes & Lakhal [62]	122 firms in Tunisia	Quality Management Practices, Management Practices. Infrastructure Practices, Fundamental Practices.	Financial Performance: Financial results and market indexation. Operational Performance: Internal process quality. Customer satisfaction.	Internal process mediatizes both relationships between management practices and information management with financial results. operational performance acts as a partial mediator between research and development and financial results.
Namoura [63]	(19) companies, (12) were industrial companies and (7) service Companies a quantitative analysis approach based on cross-sectional time series (panel data) was used	Quality costs (Prevention Costs, Appraisal Costs, Internal Failure Costs, External Failure Costs)	Financial performance (Return on Assets, Economic Value-added, Earnings Per Share, Return on Equity)	There is a statistically significant effect of quality costs on financial performance
Abulaila & Aloudat [64]	12 banks in Jordan (2009–2015), representing 48% of 25 total banks	Preventive costs, Appraisal costs, Internal failure costs, External failure costs (Quality cost)	Financial performance	Statistically significant effect of quality cost on financial performance. Appraisal costs positively affect return on assets (ROA) and Tobin Q. Bank size is the most important variable affecting performance.
Elvina et al. [65]	100 companies in Indonesia	Total Quality Management, Quality Cost Efficiency (QCE), Managerial Performance	Company Performance	TQM, QCE, and Managerial Performance have significant positive effects on Company Performance.
Hiasat and Alamaedeh [66]	A random sample of 140 financial managers, heads of accounting departments, quality control officers, and cost accountants in the selected 35 industrial companies listed on the Amman Stock Exchange	Quality Costs: (Prevention Costs, Appraisal (Evaluation) Costs, Internal Failure Costs, External Failure Costs)	Profitability	There is a significant effect of quality costs (both combined and individually) on profitability
Abdallah & Hamad [67]	150 department managers, branch managers, section heads, and supervisors	Total Quality Management (Customer Focus)	Financial Performance	There is a statistically significant relationship between customer focus and the financial performance of Al Baraka Bank in Sudan

2.2.2 Behavioral and Contextual Competencies and Perceived Business Performance

Table 2 summarizes previous studies examining the relationships between behavioral and contextual competencies and organizational and financial performance. Behavioral competencies include knowledge, teamwork and leadership, while contextual competencies encompass organizational culture, stakeholder interests and laws and regulations. Previous research has examined these competencies in relation to different performance outcomes, providing a basis for investigating their associations with perceived profitability-related business performance in the Palestinian banking sector. Accordingly, the study proposes two hypotheses addressing behavioral and contextual competencies separately.

H2: Behavioral competencies are positively associated with perceived profitability-related business performance.

H3: Contextual competencies are positively associated with perceived

profitability-related business performance.

Table 2: A summary of existing works on behavioral and contextual competencies

Authors	Sample	Independent Variables (IV)	Dependent Variables (DV)	Result
Arshad et al. [68]	269 middle managers from Jordanian commercial banks based in Jordan	Competencies (leadership, communication, customer service orientation, problem solving)	Employee Performance	There is a strong positive relationship between competencies (leadership, communication, customer service orientation, problem solving) and employee performance in Jordanian commercial banks based in Jordan
Naa [69]	58 financial managers from Local Government Organizations (OPD) (Regional Government Work Unit) in Sorong Regency (Indonesia)	Accountability; Integrity; Moderating Variable: Competence (skills, knowledge, and abilities of Human Resources)	Financial Performance	Accountability and integrity have a positive influence on financial performance. Competence significantly moderates this relationship, especially strengthening the effect of integrity on financial performance.
Candraningrum [70]	Not applicable –literature review	Talent Management, Competence, and Placement	Employee Performance	Competency has an impact on employee performance, talent management and placement have as well.
Oktarini [71]	Not applicable –literature review	Leadership style	Performance	Leadership style affects performance either directly or indirectly through work motivation. In addition to the two exogenous variables that affect performance, many other variables influence it, including competence.
Zulkifli et al. [72]	273 Shariah Bank employees in Pekanbaru, Riau, Indonesia	Competency involves knowledge, skills and attitude and Organizational Citizenship Behavior including altruism, courtesy, sportsmanship, civic virtue, and conscientiousness.	Employee Performance including Working Quantity, Quality of Work, Utilization of Time, Attendance Level, and Cooperation.	competency has a strong beneficial impact on performance, and Organizational Citizenship Behavior has a considerable favorable impact on performance.
Wijayanti & Sari [1]	Not applicable –literature review	Competency	Employee Performance	Competent employees perform their jobs efficiently, effectively and competitively. Organizations need adopt systematic competency mapping.
Salman et al. [73]	325 managerial and non-managerial employees working in Indian public and private sector banks	Self-competence, team competence, communication competence, and social competence	Organizational performance	competencies have positive and significant impact on organizational performance except for self-competence, which showed an insignificant and negative effect.
Saptiowati [74]	100 field agricultural mentors / officers of the Yapen Islands Regency	Knowledge, Training, Competency	Performance	Knowledge, training, and competency had a significant effect on the performance

Continued table:

Authors	Sample	Independent Variables (IV)	Dependent Variables (DV)	Result
Fettouh [16]	102 employees from institutions in Tlemcen (Directorate of Water Resources, Algerian Water Company, Electricity and Gas Distribution Company branch) in Tlemcen Province.	Competency based Management including competency-based recruitment, competency-based development, competency-based evaluation, and competency-based compensation	Performance	There is a statistically significant Impact for the competency-based development and competency-based compensation on job performance.

3. Methodology

The study employed a quantitative, cross-sectional research design to examine the relationships between quality-management, behavioral and contextual competencies and perceived profitability-related business performance in the Palestinian banking sector. Primary data were obtained through a structured questionnaire administered to managers responsible for human resources, credit and facilities, and marketing. The questionnaire responses were analyzed using the Statistical Package for the Social Sciences (SPSS), with multiple linear regression employed to assess the associations between the three competency dimensions and the questionnaire-based performance measure.

The quantitative analysis was complemented by a descriptive examination of published financial data covering five consecutive years (2008–2012), focusing on profit before tax, return on assets (ROA), and return on equity (ROE). Drawing on published banking reports and financial disclosures, this examination provided a broader financial context for interpreting the survey findings. The financial indicators were analyzed separately and did not constitute the dependent variable in the regression model. Relevant academic literature and regulatory documents were also reviewed to support the interpretation of the findings within the institutional environment of the Palestinian banking sector.

3.1 Population and Sampling Strategy

The study adopted a census approach targeting all 66 eligible managers at the general or regional management levels of 17 banks operating in Palestine based on institutional records for 2014. The target population comprised managers responsible for human resources, credit and facilities, and marketing functions, selected for their involvement in adopting and implementing service-quality competencies. Given differences in organizational structures, respondents were classified according to their functional responsibilities rather than formal departmental titles. Accordingly, personnel functions were included under human resources, service-quality functions under marketing, and business-development functions under credit and facilities, where applicable. Of the 66 eligible managers, 65 completed the questionnaire during May–June 2014, representing a response rate of 98.5%. Participation ranged from two to nine managers per bank. The individual manager constituted the unit of analysis and the regression results therefore reflect managerial assessments rather than bank-level financial observations. The survey dataset and regression findings originate from the first author's earlier master's research [11]. **Table 3** presents the distribution of respondents across the three functional areas.

Table 3: Distribution of Respondents by Functional Department

Department	Frequency	Percentage%
Personnel and Human Resources	16	24.62%
Credit and Facilities	26	40.00%
Marketing	23	35.38%
Total	65	100.0

Note: Across the 17 participating banks, three banks contributed two respondents each, eight contributed three, one contributed four, three contributed five, one contributed seven, and one contributed nine.

3.2 Questionnaire Design and Model Constructs

Based on the literature review and relevant theoretical frameworks, the authors utilized the Chartered Quality Institute's (CQI) Competency Framework and the European Foundation for Quality Management (EFQM) Model. Additionally, the researchers drew on established quality-management frameworks [75] and classical quality-management principles associated with Juran, Feigenbaum and Deming, including quality planning, organization-wide quality control, and continuous improvement [76,77]. Benefiting from and utilizing this, a comprehensive questionnaire was developed to capture the study's key variables: competencies (contextual, quality-related, and behavioral) and perceived profitability-related business performance. The instrument was designed to cover the study dimensions and capture managers' assessments of the independent and dependent variables in accordance with the study's objectives and theoretical foundations. The integration of the CQI and EFQM perspectives provided a conceptual basis for assessing competency adoption and examining its relationship with perceived profitability-related business performance.

To ensure the appropriateness of the questionnaire, the researchers relied on content validation by a panel of experts. The questionnaire was presented to a group of 14 experts with academic and practical experience in the fields of statistics, strategic management, quality management, the banking sector, human resource management, and scientific research, from Palestinian universities, the Palestine Monetary Authority, the Palestine Banking Institute, local banks, and economic research centers. This diversity contributed to a comprehensive evaluation of the questionnaire's items in terms of clarity of wording, relevance to the fields of study, and accuracy in measuring theoretical concepts. The reported level of agreement among the experts was 85%, reflecting a high level of accuracy and objectivity. The questionnaire's initial version contained 145 questionnaire items. However, the researchers deleted some items, particularly those related to demographic data, and reworded and rearranged others based on the experts' comments and feedback, bringing the final number to 120 items. These revisions, together with the experts' assessment provided evidence relevant to the questionnaire's face and content validity [78]. These revisions improved the questionnaire's suitability for examining competency adoption and perceived profitability-related business performance in the Palestinian banking environment.

To examine the relationships between competency adoption and perceived profitability-related business performance, the questionnaire consists of two parts: (1) preliminary data about respondents, including the bank and the department in which the respondent works; (2) the measurements.

As presented in **Table 4**, the questionnaire comprised 120 items, including 107 items measuring competency adoption and 13 items assessing perceived profitability-related business performance. The scale was designed based on Likert five- level scale, and paragraphs were developed based on a positive direction, and the response scale was designed as follows: strongly agree (5),

agree (4), neutral (3), disagree (2), strongly disagree (1). **Figure 1** shows the constructs of the model.

Table 4: Distribution of the study dimensions and constructs.

Dimension	Constructs	Number of Items	Source
The quality management area	Quality Planning	10	[76], The Chartered Quality Institute [79], [80]
	Continuous improvement and development	10	[76], The Chartered Quality Institute [79], [80]
	Systems implementation	10	[76], The Chartered Quality Institute [79], [80]
	Quality assurance	12	[76], [80]
The behavioral area	Knowledge	10	[81], The Chartered Quality Institute [79], [82]
	Teamwork	8	The Chartered Quality Institute [79], [82], Manzoor et al. [83]
	Leadership	13	The Chartered Quality Institute [79], Cedefop [84], [85], [86]
Contextual area	Organizational culture	12	[87], The Chartered Quality Institute [79], [86]
	Stakeholders' interest	11	[88], The Chartered Quality Institute [79], [60]
	Laws and regulations	11	The Chartered Quality Institute [79], Basel III [89], [90]
Perceived profitability-related business performance	Managerial assessments of performance-related practices and business outcomes	13	[11], [87], [91], [92]

The study employed composite scores derived from responses to a five-point Likert scale. The three independent variables were operationalized through the arithmetic means of their constituent questionnaire items, comprising 42 quality-management items, 31 behavioral items and 34 contextual items. The dependent variable was calculated from 13 items assessing managers' perceptions of performance-related practices and business outcomes. Higher scores indicated more favorable assessments of the respective constructs. These questionnaire-based measures were used in the regression analysis, while accounting profitability indicators were examined separately for descriptive purposes.

3.3 Ethics and Informed Consent

Before completing the questionnaire, participants were informed of the study's purpose, the voluntary nature of participation and the intended use and confidentiality of their responses. Informed consent was indicated through voluntary completion and submission of the questionnaire. The survey was conducted with authorization from the participating banks. Formal ethics committee approval was not required for this study. No direct personal identifiers were collected and individual responses were treated confidentially with findings reported in aggregate form.

3.4 Research Model and Analysis

The collected questionnaire data were coded, tabulated and analyzed using the Statistical Package for the Social Sciences (SPSS). The statistical analysis included arithmetic means, standard deviations, frequencies and percentages to describe respondents' assessments of the study variables. Cronbach's alpha was used to assess the internal consistency of the questionnaire scales. For

descriptive reporting, percentage scores were calculated by dividing the mean ratings by the maximum Likert-scale score (5) and multiplying by 100. Multiple linear regression analysis was employed to examine the associations between the three independent variables encompassing quality-management, behavioral and contextual competencies, and the dependent variable, perceived profitability-related business performance.

The multiple linear regression model was evaluated for multicollinearity and relevant residual assumptions as part of the statistical analysis. These diagnostic assessments informed the evaluation of the model's suitability for examining the relationships among the study variables.

3.5 Reliability of the Tools of the Study

To assess the internal consistency of the questionnaire scales, Cronbach's alpha coefficients were calculated. **Table 5** presents the reliability coefficients for the questionnaire's dimensions and areas.

Table 5: Internal reliability Cronbach's alpha coefficients for the questionnaire's dimensions and areas.

Dimension	No.	Area	Reliability Coefficient
Quality management	1	Quality Planning	0.902
	2	Continuous improvement and development	0.901
	3	Systems Implementation	0.928
	4	Quality assurance	0.932
Behavioral	1	Knowledge	0.886
	2	Teamwork	0.929
	3	Leadership	0.857
Contextual	1	Organizational culture (the culture of the bank)	0.917
	2	The Stakeholders' Interest	0.918
	3	Laws and regulations	0.889
Perceived profitability-related business performance		The reliability of the measurement scale for profitability-related indicators	0.888

As presented in **Table 5**, Cronbach's alpha coefficients ranged from 0.857 to 0.932, indicating high internal consistency across the questionnaire scales, including the measure of perceived profitability-related business performance.

4. Results and Discussion

This study examined the relationships between competency adoption and perceived profitability-related business performance from the perspective of senior bank management in Palestine. The results of using some descriptive statistical methods generated by the questionnaire are presented below, by analyzing the opinions of the study population. After collecting the data, it was statistically processed using SPSS. The following is a presentation of the study's findings.

4.1 Adoption of Competencies in Terms of Service Quality Management-Related Dimensions in the Palestinian Banking Sector

To explore the extent of adoption and answer the related main question and its sub-questions, and the remaining study questions, arithmetic means, percentages, and adoption estimates were used. To estimate the respondents' responses to the extent of adoption of service quality competency in the bank, the researchers used the following criteria in **Table 6**.

Table 6: Criteria for estimating respondents' responses to the extent of adoption of quality competency, prepared by the researchers

Percentage	Extent of Adoption Rating
From 20%—39.9%	Low Adoption
From 40%—59.9%	Moderate Adoption
From 60%—79.9%	High Adoption
80% and Above	Very high Adoption

In order to provide a structured and meaningful interpretation of the survey data, the researchers adopted a percentage-based scale to estimate the respondents' perceptions of the extent to which quality competencies are adopted. This approach aligns with conventional practices used in survey research where quantitative responses are categorized into ordinal levels to facilitate interpretation and analysis [78,93], Hair et al. [94]. By adapting this scale, the researchers endeavor to provide a clear and transparent framework for interpreting the levels of adoption reported by respondents and ensures consistency across the study's analysis of various dimensions of competency adoption.

The reported percentages were calculated by dividing the arithmetic mean by the maximum Likert-scale score of five and multiplying by 100. Hence, these values represent percentages of the maximum possible scale score rather than percentages of respondents or independently verified competency adoption rates.

4.1.1 The Extent of Adoption of the Quality Management-Related Competencies Dimensions

Table 7 demonstrates areas rating and ranking and the total score of the extent of adoption of the quality management-related dimensions.

Table 7: The extent of adoption of the quality management-related constructs, ranking and rating

Constructs	Arithmetic Mean	The standard deviation	Percentage	The extent of adoption	Ranking
Continuous improvement and development	3.99	0.62	79.8	High	1
Quality assurance	3.97	0.67	79.4	High	2
Quality Planning	3.96	0.66	79.2	High	3
Systems Implementation	3.86	0.67	77.2	High	4
Total score of the extent of adoption of the quality management related areas	**3.95**	**0.61**	**79.0**	**High**	

Table 7 reveals that the overall score for the Service Quality management-related adoption dimension was high, with the total percentage of respondents' average responses to all items across all constructs reaching (79.0). Within this dimension, the constructs are ranked according to their overall scores, whereby Continuous improvement and development recorded the highest rank, followed by Quality Assurance, Quality Planning and Systems Implementation.

4.1.2 The Extent of Adoption of the Behavioral Dimensions

Table 8 demonstrates the rating and the total score of the behavioral areas. **Table 8** reveals that the overall score for the behavioral area was high, with the total percentage of the average responses of the respondents to all items across all constructs reaching (79.0). Within this dimension, the constructs are ranked according to their overall scores. The first ranked is knowledge, followed by teamwork and leadership respectively.

Table 8: Ranking, rating and the total score of the behavioral constructs.

Ranking	Constructs	Arithmetic Mean	The standard deviation	Percentage	The extent of adoption
1	Knowledge	4.08	0.53	81.6	Very high
2	Teamwork	3.91	0.68	78.2	High
3	Leadership	3.88	0.55	77.6	High
Total score of the behavioral		**3.95**	**0.52**	**79.0**	**High**

4.1.3 The Extent of Adoption of the Contextual Dimensions

Table 9 reveals the rating and the total score of the contextual areas. It demonstrates that the overall score for the contextual constructs was very high, with the total percentage of respondents' average responses to all items across all constructs achieved 81.4 The constructs are ranked according to their overall scores, which Laws and regulations recorded as first ranked, followed by Stakeholders interests and Organizational culture respectively.

Table 9: Ranking, Rating and the total score of the contextual constructs.

Ranking	Area	Arithmetic Mean	The standard deviation	Percentage	The extent of adoption
1	Laws and regulations	4.14	0.57	82.8	Very high
2	Stakeholders' Interests	4.04	0.59	80.8	Very high
3	Organizational culture	4.02	0.58	80.4	Very high
Total score of the contextual		**4.07**	**0.54**	**81.4**	**Very high**

4.1.4 The Order of Areas and the Total Score of the Extent of the Adoption of the Competencies in the Banks

Table 10 demonstrates the order of areas and the total score of the extent of the adoption of the competencies in the banks. The overall assessment of the extent to which banks adopted the quality competency framework was high. The overall competency-adoption score was 3.99 out of 5 (79.8% of the maximum possible scale score), indicating a high level of competency adoption as perceived by respondents. The contextual domain recorded the highest mean (4.07), while quality-management and behavioral competencies had identical reported means (3.95) indicating comparable levels of adoption. This pattern may reflect a strong awareness by banks of the importance of the regulatory, legislative, and cultural environment surrounding them as the foundation upon which sustainable quality practices are based. Possible contextual explanations for this pattern include increased local and international banking competition, regulatory pressures represented by the Palestine Monetary Authority's regulations and compliance with international standards such as the Basel Committee on Banking Supervision (BCBS), and the need for banks to expand their services and products to comply with international trade agreements such as the General Agreement on Trade in Services (GATS) and the General Agreement on Tariffs and Trade (GATT). This requires adherence to stakeholder expectations [53,54,55,56].

Table 10. Ranking and overall adoption of the quality competency framework in banks

Rank	Dimension	Mean	SD	Percentage (%)	Extent of adoption
1	Context-related	4.07	0.54	81.4	Very high

Table 10. Continued

Rank	Dimension	Mean	SD	Percentage (%)	Extent of adoption
2	Quality-related areas	3.95	0.61	79.0	High
2	Behavior-related areas	3.95	0.52	79.0	High
	Overall adoption	**3.99**	**0.53**	**79.8**	**High**

Note. SD = standard deviation. Rankings are based on means reported to two decimal places.

Contextual competencies include three main dimensions: laws and regulations, stakeholder interests, and organizational culture. This area received the highest rating among the three, reflecting Palestinian banks' awareness of the importance of institutional and organizational factors as a fundamental pillar for enhancing performance quality. This is consistent with what [53,54,55,56] indicated, stating that organizations that take into account contextual dynamics, including compliance with regulations and interaction with stakeholders, are better able to manage quality effectively. The high ranking in this area also demonstrates banks' awareness of the sensitivity of the legal and regulatory environment in Palestine, particularly in light of the Palestine Monetary Authority's (PMA) regulations regarding non-performing loans, market ethics, and job appointments.

Quality management-related competencies had a mean score of 3.95, encompassing four dimensions: quality planning, quality assurance, continuous improvement, and the implementation of quality systems. This ranking reflects banks' efforts to develop internal systems that support the concepts of continuous improvement based on the TQM approach. Recent literature indicates that adopting these dimensions directly contributes to achieving institutional performance linked to operational efficiency and meeting customer expectations which have a positive impact on financial performance [7,61,62,63,64,65,66,67], The comparatively lower mean for quality-management competencies may reflect infrastructure constraints or limited investment in quality measurement systems.

Behavioral competencies, encompassing knowledge, teamwork and leadership also recorded a mean score of 3.95, comparable to that of quality-management competencies. This is likely because these competencies are built at the individual level and require more time to be embedded within the banking work culture. However, their importance remains pivotal; multiple studies have shown that individual behaviors, particularly empowering leadership and collaboration, directly contribute to the effectiveness of quality management programs and enhanced institutional performance which has a positive impact on financial performance [1,16,68,69,70,71,72,73,74].

4.1.5 Variation in Respondents' Assessments

The relatively low standard deviations indicate limited variation in respondents' assessments of the adoption of competencies.

4.2 Perceived Profitability-Related Business Performance in Palestinian Banking

Table 11 presents senior managers' assessments of profitability-related business performance, with an overall mean score of 3.80 (76.0% of the maximum possible scale score), indicating a high assessment level. The highest-rated items concerned the use of periodic reports to monitor the achievement of bank objectives ($M = 4.18$) and growth in customer accounts ($M = 4.17$). The lowest-rated items concerned a reported decline in customer departures over the preceding five years ($M = 3.40$) and the possession of resources perceived as difficult for competitors to imitate ($M = 3.28$).

Table 11: Means, standard deviations and percentages of the Senior managers' assessments of perceived profitability-related business performance in descending order according to assessment extent of achievement.

Sequence	Number in Area	Paragraph	Mean	The standard deviation	Percentage(%)	Assessment Level
1	1	The use of periodic reports that measure the level of achievement of the objectives of the bank through the use of indicators	4.18	0.73	83.6	Very high
2	12	Growth in the number of customer accounts	4.17	0.84	83.4	Very high
3	7	There was a growth in the market share of the bank as a result of targeting new sectors	3.97	0.83	79.4	High
4	6	New Automated Teller Machines (ATMs) for the bank were introduced targeting new geographic regions based on studies	3.95	0.87	79.0	High
5	2	Objective Key Performance Indicators are used to measure the performance of objectives	3.89	0.77	77.8	High
6	9	The Bank provides incentives based on sales volume achieved	3.86	0.95	77.2	High
7	11	New branches for the bank were opened aimed at and targeting new geographical areas based on studies and surveys	3.86	1.09	77.2	High
8	5	New products which constitute a competitive advantage and elevate the performance level were introduced better than competitors	3.78	0.93	75.6	High
9	8	The Bank works on the formulation and alignment of individual performance objectives with the strategic plan by developing performance plan for each employee	3.78	0.86	75.6	High
10	4	The bank rented new locations which are considered better than competitors' sites	3.74	0.89	74.8	High
11	3	There is a use of Balanced Scorecards to measure the performance of the bank	3.52	0.89	70.4	High
12	13	The average number of customers leaving the bank has declined over the past five years	3.40	1.01	68.0	High
13	10	The bank has the resources which are difficult to imitate by competitors	3.28	1.01	65.6	High
Overall perceived profitability-related business performance			**3.80**	**0.59**	**76.0**	**High**

4.3 The Financial Performance of The Banks

The researchers conducted a descriptive analysis of published financial data for banks operating in Palestine to contextualize the questionnaire findings and provide a broader understanding of the banking sector's profitability dynamics. The analysis covered five consecutive years (2008–2012), drawing on published banking-sector financial data reported by the Palestine Monetary Authority (PMA)

annual reports. The analysis examined profit before tax, return on assets (ROA), and return on equity (ROE) to describe historical financial performance trends across banks. These indicators provided descriptive context for interpreting banking-sector performance and were not incorporated into the regression model or used as independent evidence of the effects of competency adoption on financial profitability.

4.4 Interpretation of Contextual Competencies

Adopting contextual competencies in the Palestinian banking sector is a fundamental pillar, as they are particularly relevant because of the regulatory, institutional and competitive conditions under which they operate. This type of competency encompasses three main domains encompassing laws and regulations, stakeholders' interests, and organizational culture.

Given the specific nature of the Palestinian banking sector, resulting from the complex political situation and limited sovereignty, the importance of these competencies is compounded as banks face exceptional challenges related to international oversight, restrictions on financial movement and economic pressures resulting from political instability. In this context, compliance with local and international laws and regulations, such as the instructions of the Palestine Monetary Authority and the decisions of the Basel Committee becomes a pivotal element for reducing regulatory risks and enhancing trust in global markets [89].

Furthermore, meeting the expectations of stakeholders, such as customers, investors, and regulators, is a key factor in building a strong reputation for banks and maintaining their competitive position. Agwu [53] found that adopting strategies focused on the interests of stakeholders contributes to organizational performance.

Organizational culture represents the internal framework that guides employee behavior, supports innovation and improves decision-making quality. Cameron and Quinn [80] explained that building a strong culture within organizations contributes to establishing quality practices and continuous improvement.

The descriptive findings indicated that contextual competencies received the highest mean adoption score among the three competency dimensions. However, the level of reported adoption should be distinguished from the strength of its association with perceived business performance. The regression findings separately identified contextual competencies as the only statistically significant independent predictor, suggesting that regulatory compliance, stakeholder relationships and organizational culture may be particularly relevant to managerial assessments of performance within the Palestinian banking sector's distinctive institutional environment

Accordingly, contextual competencies represent an important component of the institutional environment within which quality-management and behavioral competencies operate. Belwakes and Lakhal [62] found that quality-management practices are associated with operational and financial performance with operational performance playing a mediating role in these relationships.

4.5 The Relationship Between Competencies and Perceived Profitability-Related Business Performance

Multiple linear regression analysis was employed to examine the associations between quality-management, behavioral and contextual competencies as independent variables and perceived profitability-related business performance as the dependent variable. **Table 12** presents the regression results.

Table 12. Multiple linear regression results

Variable	B	SE	t	p	Interpretation
Constant	0.071	0.337	0.209	0.835	—
Quality management	0.094	0.121	0.777	0.440	Not significant
Behavioral	0.135	0.226	0.597	0.553	Not significant
Contextual	0.695	0.195	3.565	0.001	Significant

Model summary: $R = 0.821$; $R^2 = 0.673$; adjusted $R^2 = 0.657$.
Note. B = unstandardized regression coefficient; SE = standard error.

The estimated regression equation describing the relationship between the three competency dimensions and perceived profitability-related business performance is expressed as follows:

Perceived profitability-related business performance = 0.071 + 0.094 (quality management competencies) + 0.135 (behavioral competencies) + 0.695 (contextual competencies)

Contextual competencies exhibited a positive and statistically significant association with perceived profitability-related business performance (B = 0.695, p = .001). In contrast, quality-management competencies (B = 0.094, p = .440) and behavioral competencies (B = 0.135, p = .553) did not demonstrate statistically significant independent associations with the dependent variable. These findings identify contextual competencies as the only statistically significant independent predictor among the three competency dimensions examined. The overall regression model was statistically significant, $F(3, 61) \approx 41.85$, $p < .001$, accounting for 67.3% of the variance in respondents' assessments of profitability-related business performance ($R^2 = .673$; adjusted $R^2 = .657$).

5. Contributions

This study contributes empirical evidence to the literature on organizational competencies and perceived business performance within the Palestinian banking sector. By examining quality-management, behavioral and contextual competencies simultaneously, the findings identify contextual competencies as the only statistically significant independent predictor of perceived profitability-related business performance. From a practical perspective, the findings highlight the relevance of contextual competencies to managerial assessments of banking performance and provide a basis for further examining how competency-related practices may inform human resource management and organizational decision-making.

The study also offers a contextual contribution by examining organizational competencies within the Palestinian banking sector, which operates under distinctive political, economic and institutional conditions. Its findings provide historical evidence of managerial perceptions within this setting and may inform subsequent research on competency-related performance in similarly constrained environments. However, the findings should be interpreted within the study's cross-sectional design and specific institutional context.

6. Conclusions

This study examined the relationships between quality-management, behavioral and contextual competencies and perceived profitability-related business performance in the Palestinian banking sector. The descriptive findings indicated generally favorable managerial assessments of the adoption of the three competency dimensions. However, the multiple regression analysis revealed that contextual competencies were the only statistically significant independent predictor of perceived profitability-related business performance (B = 0.695, p = .001), whereas quality-management and behavioral competencies did not exhibit

statistically significant independent associations. The regression model explained 67.3% of the variance in respondents' assessments of profitability-related business performance.

These findings suggest that contextual competencies warrant particular attention when examining competency-related performance within Palestinian banks. Nevertheless, the results should not be interpreted as evidence that competency adoption directly increases banks' financial profitability. The cross-sectional design, reliance on managerial perceptions and specific institutional context limit causal interpretation and generalizability.

6.1 Study Limitations

The findings are subject to several limitations. Although the study achieved near-complete coverage of its target population, the analysis was based on 65 senior managers across 17 banks. The cross-sectional design and reliance on self-reported assessments limit causal interpretation, while respondents within the same banks may share organizational characteristics that influence their responses. Furthermore, the dependent variable reflects perceived profitability-related business performance rather than independently verified financial profitability. These considerations may limit the generalizability of the findings beyond the study's managerial population and institutional context.

7. Future Work

The field of study is broad and complex, offering numerous perspectives for exploration; therefore, the researchers propose several related topics that could serve as potential titles for future research:

•Conducting the study in other sectors.

•Repeating the study as a comparative analysis between two different banks, such as local versus foreign, commercial versus Islamic or banks with differing levels of profitability.

•A study examining the relationship between organizational competencies and banks' market share.

•A study examining the relationship between organizational competencies and banking efficiency.

•A study on the impact or extent of competencies' contribution to the adoption of the Balanced Scorecard in banks.

•A study on the feasibility of adopting competencies in human resource management practices within public sector institutions under the Civil Service Law.

•A comparative study examining organizational competencies and banking performance in two different countries.

•Future studies should examine the relationships between organizational competencies and objective financial performance indicators, including return on assets (ROA), return on equity (ROE) using larger samples and longitudinal research designs where feasible.

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Ethical approval: The study employed a non-intrusive quantitative design based on a questionnaire administered to adult employees and did not involve experimental intervention or the collection of medical data or direct personal identification. The necessary administrative arrangements and permissions were obtained to access the banks included in the study and distribute the questionnaire to eligible employees. The role of the participating banks was limited to facilitating access to eligible employees and questionnaire distribution. Institutional officials were not given access to individual responses and employees retained the freedom to participate or decline. Formal ethics committee approval was not required for this study.

Informed consent statement: The questionnaire explained the study's purpose, data use, confidentiality and voluntary participation. Respondents could skip questions or withdraw before returning it without professional consequences. Voluntary completion and return of the questionnaire indicated informed consent.

Data Availability: The data supporting the findings of this study are available from the authors upon reasonable request.

Conflict of Interest: All authors declare that there is no conflict of interest.

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