

## Employees Competency And Innovation In Nigerian Banking Industry

Ismaila Oladoja [Oladojaismaila@gmail.Com](mailto:Oladojaismaila@gmail.com)

Basaura Institute Of Comprehensive Education Birnin Kebbi Kebbi State, Nigeria

### Abstract :

This paper examines employee's responses to innovation, and its effects on the performance of the Nigerian banks. First bank plc branches in Kebbi were selected for the research. Data were gathered using quantitative method 400 questionnaires were distributed to the employees of first bank of Nigeria plc 254 questionnaires were returned and 242 were usable. The result shows that there are significant relationships between leadership, recognition and skills with significance of .001, 0.4 and 0.02. All the three hypotheses were summarized. The thesis recommends increase in training recruitment of qualified staff as well as good package

**Keywords :** Banks Competence Employees Innovation Performance Nigeria

### 1.0 Introduction :

Banking sector in Nigeria are not performing toward the expectation of the masses compare with their counterparts in developed world where there are constant of innovative in an attempt to secure competitive advantage. For instance, most of the banks in developed world have deposit machines, hereby reducing queues for customers and ease their deposits, while some banks as part of innovation introduces 24 hours banking service. In today's rapid changing environment the ability of a business to gain competitive advantage is partly dependent on the capability of a business to innovate. In order to innovate the innovative behaviors of employees are of crucial importance, employees that carry out innovations that otherwise would not be developed. Therefore, the study was conducted in order to research on how managers can enhance innovative work behavior in Nigerian banking sector. The innovative behavior of individuals is at least partly determined by the interaction with others. Within the context of a business, employees are in particular depended on their leaders for the information, resources and support that are needed to innovate. The leader is therefore a driving force behind individual innovation. Literatures have shown that there is significant relationship between the qualities of leaders and his influence on his subordinates to innovate in banking sector. But in Nigeria reverse is the case where employee innovation suffers discouragement from their leaders which is affecting development of banks in Nigeria. Studies such as Scott & Bruce (2014) and Janssen (2005) retreated that lack of employee recognition for innovation is a major problem of banking sector in Nigeria. Their studies confirm that lack of honoring employee for better performance contributed to lack of innovation in banking sector. In addition to the above, the skills required to foster innovation are lacking in Banking sector in Nigeria, that is why our banking sector could not compete with their counterpart in developed world. Therefore, this study was conducted in order to research on how managers can enhance innovative work behavior of the employees in Nigerian banking sector. It shall examine employee's responses to innovation, and its effects on the performance of the Nigerian banks. The study shall address the gap between the innovation and the competency which is increasing due to lack of skills that promotes innovation.

### 2.0 Literature Review :

The literature revealed that innovation-stimulating leadership can enhance the innovative behavior of employees. However, based on the literature review it could also be argued that this relationship would be strengthened if employees believe that their innovative behavior will benefit their work. In academic literature, it is widely recognized that organizations in the present market are facing an increasing demand from the environment to innovate in order to gain sustainable competitive advantage (Johnson et al., 2008). To meet this demand, enterprises nowadays rely increasingly on individual innovation by employees to

innovate their products, process, methods and operations (Ramamurthy et al., 2005). As it is demonstrated that innovative behaviors of employees have a positive effect on the innovativeness of an organization, theory suggest that employees have to engage in innovation in order to promote aims and objectives in which the organization was set up (e.g. Scott & Bruce, 1994, 1998; De Jong & Den Hartog, 2010). Businesses are according to Barney (1993) more likely to gain sustainable competitive advantage over their competitors when the firm uses its internal strengths in exploiting environmental opportunities and neutralizing environmental threats, while avoiding internal weaknesses. Organizations that operate in the present fast changing competitive world face an increasing demand to engage in innovative behaviors to create and deliver new products to gain sustainable competitive advantage. In order to accomplish this task successfully organizations nowadays rely increasingly on their employees to innovate (Ramamoorthy et al., 2005). For instance, Getz and Robinson (2003) demonstrate that eighty percent of the ideas in an organization are initiated by employees. However, employees are rarely formally prescribed to innovate. In other words, innovative behaviors do formally rarely belong to the work of most employees. Therefore, employees are rarely directly or explicitly rewarded for innovative behaviors (George & Brief, 1992; Katz, 1964). For this reason individual innovation can be identified as a purely discretionary behavior which is in scientific literature regarded as extra role behavior (Katz, & Kahn, 1978). Nevertheless, stimulating individual innovation can benefit an employee. An employee may gain intrinsic rewards for his or her behavior, like recognition or the possibility to expand their skills. This may result in feelings of enhanced personal control and morale and therefore a greater commitment to self and ones job (Schuler & Jackson, 1987). Innovative work behavior is, drawing on De Jong (2007), defined as ‘individuals’ behaviors directed towards the initiation and intentional introduction (within a work role, group or organization) of new and useful ideas, processes, products or procedures. The concept implies that individuals generate, promote and realize innovative ideas for improvements to for example products or processes Scott and Bruce (1994), Janssen (2000). As it is suggested that human behavior is partly guided by outcome expectations, also innovative behavior will be influenced by the expectations regarding the benefits and costs of the behavior (Yuan, 2005). Following the efficiency-oriented perspective in understanding innovation it can be argued that in particular the expectations regarding the potential influence of innovative behavior on job performance will effect individual innovation. The efficiency-oriented perspective assumes that individuals in organizations make rational decisions in adopting innovation to maximize the organization’s efficiency gains (Yuan & Woodman, 2010). A full rational individual carefully collects the information and knowledge of all alternatives and their consequences. In practice, however, individuals do not take completely rational decisions but rather seek for a satisfactory solution (Simon, 1957). Nevertheless, it is suggested that one major reason for employees to engage in innovative behavior is because they expect it to bring performance gains. For instance, new technologies are introduced because these are expected to bring performance improvements and efficiency gains and new work methods are applied since these are considered to be better than existing ones. Expected performance outcomes are positive when employees believe that their behavior will bring performance improvements or efficiency gains for their work roles or work units. Efficiency is in this case broadly defined and used synonymously with performance to describe objective or actual task performance. Naturally, relevant performance dimensions vary across different work roles, and employees weight various aspects of performance in distinct ways. Therefore, positive performance outcomes are subjectively defined by each particular employee. Although, Yuan and Woodman (2010) demonstrated a significant positive effect of expected positive performance outcomes on individual innovation and prior research has suggested that expected payoffs or outcomes of innovative behavior can be important psychological considerations behind individual innovation, studies that directly theorize and test the effects of these outcome expectations are still scarce (Yuan, 2005; Yuan & Woodman, 2010). For example, Scott and Bruce (1994) studied the impact of various factors on individual innovation through the perceptions of organizational climate which was suggested to influence employee’s innovative behaviors as it signals potential outcomes of behavior. However, the authors did not examine the nature of these outcome expectations and their impact on organizational climate or individual innovation (Yuan, 2005; Yuan & Woodman, 2010). Innovative work behavior is assumed to ultimately lead to an increase of the innovativeness of an enterprise. A few scholars explicitly studied the relation between IWB and innovative outcome and found a significant positive relationship. For example, Scott and Bruce (1994; 1998) reported significant correlations between independently rated count of invention disclosures and individual innovation of employees in R&D departments in two independent studies. Also, De Jong and Den Hartog

(2010) found a significant relationship between self-rated innovative outcome and IWB among knowledge workers. However, the relationship is not specifically researched with employees from one or more manufacturing enterprises.

**3.1 Methodology :**

This research employs Quantitative method that is use of numerical data. Qualitative research is the method of inquiry that employed used of words to analyses and interpret phenomenon of inquiry. While quantitative research is the method of inquiry that premise on use of numbers to analyses and interpret data. The study used Krojcie and Morgan to determine the sample size. In order to measure the effect of competency and innovation in banking industry in Nigeria a survey, in the form of a self-administered questionnaire, is used. The main reason for this choice is that a survey allows for an effective and cost-efficient way to obtain information (Zikmund, 1997). For this research the self-administered questionnaire as developed by Hartjes (2010) is predominantly used. The questions are short closed-ended items with five point Likert-scales. The Data collected were analyzed using simple regression analysis of the OLS in SPSS version 19.

**3.2 Research Hypotheses :**

The following hypotheses shall be tested.

H1 There is positive relationship between leadership and Innovation

H2 There is positiverelationship between recognition and Innovation

H3 There is positiverelationship between Skills and Innovation

**Data Analysis And Discussion :**

**4.1 Introduction :**

In this study, a total of 400 questionnaires were distributed to the employees of First Bank of Nigeria in Kebbi State. Out of 400 questionnaires that were distributed to the target respondents, 252 questionnaires were duely completed. This gives a response rate of 53% which were used for further analysis. This response rate of 53% is considered adequate for the analysis in this study because Sekaran (2003) suggested that a response rate of 30% is sufficient for surveys.

**4.2 Regression Results :**

**Table 4.1 Regressions analysis- leadership**

| Model      | Unstandardized Coefficients | Beta       |      |        |      |             | 95.0% Confidence Interval for B |
|------------|-----------------------------|------------|------|--------|------|-------------|---------------------------------|
| Constant   | B                           | STD. Error | Beta | T      | Sg   | Lower Bound | Upper Bound                     |
| 1 Constant | 8.742                       | .615       |      | 14.221 | .000 | 7.531       | 9.953                           |
| Leadership | .032                        | .068       | .30  | .464   | .001 | .103        | .166                            |

From the table above, it is clear that leadership has relationship with innovation with standard error of .615, Beta .30, t .464 and significant level of .001

**Recognition :**

The second variable that is recognition was analyses and the table below shows that regression result:-

**Table 4.2 Regression analysis- Recognition**

| Model       | Unstandardized Coefficients | Beta       |      |        |      |             | 95.0% Confidence Interval for B |
|-------------|-----------------------------|------------|------|--------|------|-------------|---------------------------------|
| Constant    | B                           | STD. Error | Beta | T      | Sg   | Lower Bound | Upper Bound                     |
| 1 Constant  | 8.903                       | .615       |      | 14.474 | .000 | 7.692       | 10.115                          |
| Recognition | .015                        | .072       | .013 | .201   | .04  | .128        | .157                            |

From the table above, it is clear that Recognition has relationship with innovation with standard error of .072, Beta .013, t .201 and significant level of .040

**Skills :**

The third variable that is Skills was analysis and the table below shows that regression result:-

**Table 4.3 Regression Analysis- Skills**

| Model      | Unstandardized Coefficients | Beta       |      |       |      |             | 95.0% Confidence Interval for B |
|------------|-----------------------------|------------|------|-------|------|-------------|---------------------------------|
| Constant   | B                           | STD. Error | Beta | T     | Sg   | Lower Bound | Upper Bound                     |
| 1 Constant | 9.742                       | 63.918     |      | 2.958 | .003 | 314.973     | 63.149                          |
| Skills     | 21.771                      | 7.025      | .196 | 3.099 | .002 | 7.933       | 35.610                          |

From the table above, it is clear that Skills has relationship with innovation with standard error of 7.025, Beta .196, t 3.099 and significant level of .002.

**4.3 Test Of Hypotheses :**

From the previous chapters, three hypotheses were formulated which are as follows:-

- There is relationship between leadership and innovation
- There is relationship between recognition and innovation
- There is relationship between skills and innovation.

The analysis revealed the following:-

**Table 4.4 Test Of Hypothesis**

| Independent Variable | Dependent variable | Test      |
|----------------------|--------------------|-----------|
| Leadership           | Innovation         | Supported |
| Recognition          |                    | Supported |
| Skills               |                    | Supported |

**4.4 Discussion :**

This section discusses the study’s findings in the light of relevant theories and findings of previous research. The subheadings of discussion section are structured according to the research questions.

**4.4.1 Relationship Between Leadership And Innovation :**

The objective of the study is to examine the relationship between leadership and innovation in first bank of nigeria plc. The finding of the study shows that leadership contribute greatly to innovation in the sense that, leaders that gives followers opportunities to make valuable contribution to innovation promotes organizational goals. The finding is in line with previous researchers such as de jong (2007).

**4.4.2 Relationship Between Recognition And Innovation :**

The objective of the study is to examine the relationship between recognition and innovation in first bank of nigeria plc. The findings of the study shows that recognition contribute greatly to innovation in the sense that, if their capabilities are recognized it contributes greatly in promoting organizational goals. The finding is in line with previous researchers such as (field, 2009).

**4.4.3 Relationship Between Skills And Innovation :**

The objective of the study is to examine the relationship between skills and innovation in first bank of nigeria plc. The findings of the study shows that skills contribute greatly to innovation in the sense that, if their skills are recognized it contributes greatly in promoting organizational goals. From the study it was confirmed that the banking sector do give them proper orientation immediately after recruitment and from

time to time do send them for training on the latest innovation in banking sector in order to improve their skills. The finding is in line with previous researchers such as de jong (2007).

#### **4.5 Conclusion And Recommendation :**

Taken together, the present study has provided additional evidence to the growing body of knowledge concerning the employee innovation in banking industry using first bank of Nigeria as a unit of analysis. Results from this study lend support to the key theoretical propositions. In particular, the current study has successfully achieved the research objectives despite some of its limitations. While there have been many studies examining the underlying causes of innovation, the present study addressed the theoretical gap by skill as variable. The findings reveal that innovation has influenced Nigerian banking industry performance and employees competency. The introduction of ICT has influenced customer satisfactions. ICT has increased banks return on equity and profitability. It is therefore recommended that investment in ICT should form an important component in the overall strategy of banking operation. Top management should establish the right roles and processes, set clear goals and relevant measures and review progress at every stage. Innovation experience and opportunities may occur through unexpected occurrence, ingenuities, process needs, industry and market changes, demographic changes, changes in perception and new knowledge. All these when properly understood and managed promote innovation. It is imperative for managers to employ human resource management theories, concepts and practices for the progress and development of their organizations and nations. They should plan, staff, organize, control and lead their human resources in the most appropriate manner. They should also acquire, train, appraise, reward and compensate them to get the best from them. These to Dessler (2008) will enable organization to hire the right employee, place them on the right job, experience low turnover and motivate their employee to work efficiently and effectively and to motivate their employees to innovate.

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