

# STRATEGIC IMPLEMENTATION APPROACH AND ORGANISATIONAL PERFORMANCE OF SELECTED DEPOSIT MONEY BANKS IN LAGOS STATE NIGERIA

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## Abstract

*Deposit money banks in Nigeria are being confronted with strategy related challenges, cumulating to questionable performance. Thus, this study is focused on strategy implementation approach and organization performance of selected deposit money banks in Lagos State, Nigeria. The study used survey research design, and five money deposit banks were selected in Lagos State. Simple random sampling method was used for the study and the table of sample size determination developed by Krejcie and Morgan (1970) was engaged to determine the sample size of 641. A well-structured questionnaire was adapted. The Cronbach's Alpha reliability coefficients for the constructs ranged from 0.861 and 0.934. The response rate was 91.7%. Data were analyzed using descriptive and inferential (simple regression analysis) statistics. Findings revealed that strategy implementation had significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria ( $\beta = 1.537$ ,  $t = 57.088$ ,  $p < 0.05$ ). The study concluded that strategy implementation had significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria. Based on the findings, it was recommended that deposit money banks in Lagos State should implement strategy devotedly so that competitive advantage over rival banks could be secured.*

**Key words:** Banks, Implementation Approach, Lagos, Organizational Performance, Strategic Management

## Introduction

Deposit money banks in Nigeria are bound to conform with regulating policies as provided by the Central Bank of Nigeria (CBN). Drawing from the CBN's reports from 2015 to 2018, Monetary Policy Rate (MPR) has ranged between fourteen percent (14%) and fifteen percent (15%); with the asymmetric corridor of +200/-500 basis points; the Cash Reserve Requirement (CRR) has ranged between twenty-two percent (22%) and twenty-three percent (23%) and the liquidity ratios ranged between twenty-nine percent (29%) and thirty-one percent (31%). While the policies might never be subjected to the control of deposit money banks, the deposit money banks have at their disposal, the choice to embark on the implementation of appropriate strategies to gain reasonable market share within the industry and consequently improve net profit. Therefore, the objective of this study was to investigate the relationship between strategic implementation approach and organizational performance of selected deposit money banks in Lagos State, Nigeria.

## Statement of the Problem

In the recent times, there have been worries in the financial sector in Nigeria. The deposit money banks' operating environment has been characterized with survival of the fittest competition. Notable

frustrations include poor strategic implementation, deteriorating interest margins, monetary predicament, exchange rate instability, increased rivalry from banks and non-banks institutions and technological changes which in turn have run down deposit money bank performance (Ifionu & Keremah, 2016). More so, deposit money banks have been made to rigidly conform with policies by the Central Bank of Nigeria (CBN). Scholars such as Ifionu & Keremah (2016), and Sanusi (2018) among others, delved into the bank reforms and deposit money banks performance in Nigeria; and the effect of monetary policy on the financial performance of deposit money banks in Nigeria, respectively.

However, extant researchers (the foregoing inclusive), recommended that future study should investigate other strategic management variables that affect deposit money banks in Nigeria, in order to further illuminate and provide clearer understanding on strategic process and organizational performance. In the light of the foregoing, strategic implementation approach and organizational performance of selected deposit money banks in Nigeria, remained available for new studies by intending researchers. That was the gap which motivated this study.

### **Research Question**

What is the effect of strategic implementation approach on organizational performance of selected deposit money banks in Lagos State, Nigeria?

### **Hypothesis Statement**

H<sub>0</sub>: Strategic implementation approach has no significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria.

### **Literature Review**

#### **Conceptual Review**

According to Ludwig & Pemberton (2011) strategic implementation refers to the manner in which an organization develops, utilizes, and amalgamates organizational structure; while Jousté and Fourie (2017) in a study conducted in South Africa, projected strategic implementation to mean the directional roles that precedes organization performance. In an investigation carried out on monetary policy and financial performance of deposit money banks in Nigeria by Sanusi (2018), strategic implementation was likened to careful adaptation to Central Bank Rates such as reserve ratio requirement, deposit and credit creation.

Ogunbiyi & Ihejirika (2014) in their study that centered on interest rates and profitability of deposit money banks in Nigeria viewed organizational performance in the light of calculated dispositions that facilitate improvement in return on assets and return on equity of money deposit banks in Nigeria. Ekpung, Udude & Uwalaka (2015) in their investigation on monetary policy and banking sector performance in Nigeria defined performance as the realization of favourable exchange rate, deposit rate and minimum discount rate. Which as such, minimize the liability of deposit money banks. In a research conducted on monetary policy and commercial banks' performance in Nigeria by Akomolafe, Danladi, Babalola & Abah (2015), performance was synonymous with profit before tax. Therefore, a commercial bank with good performance is the one that reports huge profit before tax. Ifionu & Keremah (2016) worked on banking reforms and performance of deposit money banks in Nigeria. In that study, the authors interpreted performance to mean nothing else, but, return on equity and return on assets. Hence, for a deposit money bank to be regarded as performing, the bank's return on equity and return on assets must be encouraging.

### **Theoretical Review**

This study titled "strategic implementation approach and organization performance of selected deposit money banks in Lagos State, Nigeria, is underpinned by General Systems Theory (GST). Relationships and interdependencies among various units, departments and divisions precede the

attainment of pre-determined objectives in an organization (Chen & Stroup, 2013). Corporate organizations operate functionally, that is there are different units, departments and divisions that function toward attaining the predetermined objectives. Within an organization as a system, there exist subsystems like human resource, administrative, management information systems, social, technical, structural and others (Chen & Stroup, 2013). In the light of the foregoing, General Systems Theory (GST) propounded by Ludwig von Bertalanffy in 1930 became relevant. GST anchored this study because strategic implementation drives across the various departments and divisions working toward attaining the selected deposit money banks' objective of increasing market share and profit growth.

### **Empirical Review**

Ekpong, Udude & Uwalaka (2015) longitudinally investigated monetary policy and Banking sector performance in Nigeria. The investigation spanned the period of 36 years, Findings showed that a calculated implementation of monetary policy has a significant effect on the banks deposit liabilities. Akomolafe, Danladi, Babalola & Abah (2015) examined monetary policy and commercial banks' performance in Nigeria. Interest rate and money supply were used as proxies for monetary policy, while profit before tax was used to signify commercial banks' performance. Results revealed that there was a positive significant relationship between banks' profits and monetary policies as represented by money supply and interest rate. It was recommended that interest rate policy should be strategically implemented by the monetary authority in a way that is encouraging to loan progression in Nigeria.

Ifionu & Keremah (2016) conducted an investigation on banking reforms and performance of deposit money banks in Nigeria. The report disclosed that return on equity and banks profitability had a significant variance. The authors recommended that banks ought to strategically streamline action toward asset turnover and diversify to earn more income. (2018) carried out a study on monetary policy and financial performance of deposit money banks in Nigeria. Results indicated that monetary policy has significant relationship with performance of deposit money banks. It was recommended that banks should strategically implement cost minimization ideas to ensure better financial performance.

### **Methodology**

#### **Research Design**

This study employed survey research design to examine the effect of strategic implementation approach on performance of selected deposit money banks in Lagos State, Nigeria. Questionnaire was the data collection instrument used, while employees of the selected deposit money banks were the respondents.

#### **Population**

The study population encompasses the senior and middle management staff of five deposit money banks licensed by the Central Bank of Nigeria (CBN). Selected banks for this study include; Access bank, Diamond bank, Fidelity bank, First bank and Guarantee Trust bank. These banks were selected because they consist of first generational banks and second generational banks, they have also contributed positively to the financial and economic development of Nigeria in terms of employment generation, financial intermediation and payment of taxes to the appropriate government agencies. These banks have also existed over the past two (2) decades and they have been rivals in the industry. CBN Bulletin 2019, put the staff population of the selected banks at 2,950.

#### **Sample Size and Sampling Technique**

The sample size for this study was determined as 641 using sample determination table at 3.5% error margin, 95% confidence interval against population size of 2,950. To determine the sample size from individual banks, Bowley's proportional allocation statistical techniques used to express a finite population as described by Krejcie & Morgan (1970) was applied as follows:

$$\text{Sample size} = \frac{\text{Number of bank staff} \times \text{Total sample size}}{\text{Population size}}$$

$$\text{Access Bank} = \frac{326 \times 641}{2950} = 71$$

$$\text{Polaris Bank} = \frac{693 \times 641}{2950} = 151$$

$$\text{Diamond Bank} = \frac{488 \times 641}{2950} = 106$$

$$\text{First Bank} = \frac{756 \times 641}{2950} = 164$$

$$\text{Guarantee Trust Bank} = \frac{687 \times 641}{2950} = 149$$

### **Sampling Techniques**

A multi-stage sampling technique was adopted in selecting the sample from the working population of this study. This sampling technique enabled the researcher to choose the samples in stages until the required sample is arrived at using the most appropriate method of estimate at each stage. First, the proportional distribution was employed as a mean of representing and identifying an accurate representation of some characteristics of the study population. Second, this involved the use of random sampling method in selecting the final respondents for each of the selected deposit money banks in Nigeria. Random sampling method was adopted in order to give potential respondents in the study equal chance of being selected.

### **Method of Data Collection**

This study adopts the primary source of data collection (questionnaire) in gathering data from both the senior and middle management staff of the selected deposit money banks in Lagos State. The primary source of data collection measures construct originality, opinions and perceptions of respondents under study. Data were collected through the administration of a structured questionnaire to six hundred and forty-one (641) both the senior and junior employee of the respective selected deposit money banks under study in Lagos State. Copies of the questionnaire were administered by trained research assistants for administration and collection of instruments at the respective deposit money banks.

### **Research Instrument**

The data collection instrument used for this study was a well-structured questionnaire. Items on the research instrument were adapted from literatures on related studies. The study utilized close-ended questions with six (6) point scale (6= Very high, 5 points = High, 4 points = Moderately high, 3 points = Moderately low, 2 points = low and 1 point = Very low). The questionnaire was divided into sections (A and B). Section A was on demographic data, while section B attracted question items on strategy implementation and organizational performance.



### Pilot Study

A pre-test of the questionnaire was conducted in order to evaluate the relevance and proper understanding of the research questions. 10% of sample size (641) which was 65 of respondents who correspond to our sample were assessed in UBA Bank and Eco Bank in Lagos State to see if the questionnaire has to be modified. The pilot study was considered necessary in order to establish the reliability and validity of the statements in order to identify deficiencies in the design of questionnaire.

### Validity and Reliability of Research Instrument

According to Venkatraman & Ramanujam (2014) if the KMO is greater than 0.7 and p-value <0.05, it means the instrument is valid. Results obtained were 0.751 for strategy implementation and 0.823 for organization performance, hence, the questionnaire items were valid, and the questionnaire was suitable to measure the objective of the study. The reliability was statistically determined by instrumentation of Cronbach's alpha. The Cronbach's alpha for strategy implementation and organizational performance of selected deposit money banks were 0.924 and 0.861 respectively, the values exceeded 0.5 benchmark.

Table 1: Validity and Reliability of Research Instrument				
S/N	Variables	Number of items	KMO Measure of Sampling Adequacy	Cronbach's Alpha
1	Strategic Implementation	5	0.751	0.934
2	Organization Performance	12	0.823	0.861

Source: Authors' Computation, 2019

### Method of Data Analysis

The data was analyzed with the use of both descriptive and inferential statistical methods. Descriptive statistics analysis was used to present demographic data while inferential statistical technique was used to evaluate the effects between the variables. Linear regressions analysis was used to analyze the effect between the two variables: strategy formulation and organizational performance. The  $R^2$  value and the Beta coefficient were obtained, through (SPSS) 21.0 software.

### Results

#### Response Rate

The researcher issued 641 copies of the questionnaire to senior and middle management staff of five deposit money banks in Lagos State, out of which 588 were received back. Fifty-three copies of the questionnaire were disqualified due to incompleteness; thus 588 copies of questionnaire were considered as suitable for the analysis. This translated to 91.7% response rate of the targeted total of 641 copies of questionnaire. The response rate achieved was adequate for drawing conclusions on the study objectives.

#### Data Analysis

The values assigned to the likert were 1=strongly disagree, 2=disagree, 3=partially disagree, 4=partially agree, 5=agree and 6=strongly agree. Average mean scores of the respondents were interpreted as follows: 1.00-1.49 = Strongly Disagree, 1.50-2.49 = Disagree, 2.50-3.49 = Partially Disagree, 3.50-4.49 = Partially Agree, 4.50-5.49= Agree, 5.50-6.00 = Strongly Agree. Standard deviation (Std. Dev.) of less than one (<1.00) indicates that there were no significant variations in response while that greater than one (>1.00) implies that there were significant variations in responses. From the responses, percentages mean and standard deviations are used for interpretation and generalization of findings. These enabled the tabulation and interpretation of the responses from the research instrument.

<b>Table 2</b> <b>Descriptive statistics of respondents' perception of strategy implementation and organization performance of selected deposit money banks in Lagos State, Nigeria</b>				
Variable	Description	N	Mean	Standard Deviation
Strategic implementation approach	My organization implement its strategies as planned	641	3.71	1.020
	Stakeholders are cooperative and supportive	641	4.14	1.128
	The performance of strategy implementation is highly rated in my organization	641	4.27	0.934
	Organization has adequate resources (physical, human and financial) to implement strategy	641	4.00	1.368
	Within short interval, my company's short-term plans and goals are implemented	641	3.91	1.144
Organisation performance of selected deposit money banks in Lagos State, Nigeria	P1 Our market share has increased because of our product distribution process	641	3.71	1.020
	We improved efficiency in product delivery	641	4.14	1.128
	We Improved efficiency in resource utilization	641	4.27	0.934
	Increased accountability for results	641	4.00	1.368
	Institutionalization of a result-oriented culture	641	3.91	1.144
	Ability to effectively measure and evaluate performance and link rewards to performance	641	3.71	1.020
	Changes in profit or loss affected work performance	641	4.14	1.128
	Performance indicators and targets are clearly defined and communicated within the organization	641	4.27	0.934
	P9 Net profit in our company is well above the industry average	641	4.00	1.368
	Growth in number of employees is increasing periodically	641	3.91	1.144

**Source:** Authors' Computation, 2019

### Parameters for organization performance

In Table 2, the prime parameters for performance were indicated as p1 and p9. Which are "Market share" and "Net profit" respectively.

Table 2 presents the results of descriptive statistics of strategy implementation and organization performance. The study investigated how Strategy Formulation items were engaged in the selected banks. It was revealed that there were five (5) constructs under Strategic Implementation. The constructs are: My organization implements its strategies as planned; Stakeholders are cooperative and supportive; The performance of strategy implementation is highly rated in my organization; Organization has adequate resources (physical, human and financial) to implement strategy, and Within short interval my company's short-term plans and goals are implemented. The mean obtained were 3.71, 4.14, 4.27, 4.00 and 3.91 respectively. In addition, the constructs under Strategy formulation obtained standard deviation of 1.020, 1.128, 0.934, 1.368 and 1.144 respectively. The average score of the constructs was 4.01 for the mean and 1.122 for standard deviation which implies that on average the respondents indicated that engagement in strategy implementation was high.

As for Organization Performance, from Table 2, it was revealed that there were ten (10) constructs. The constructs were presented thus: Our market share has increased because of our product distribution process; We improved efficiency in product delivery; We Improved efficiency in resource

utilization; Increased accountability for results; Institutionalization of a result-oriented culture; Ability to effectively measure and evaluate performance and link to rewards to performance; Changes in profit or loss affected work performance; Performance indicators and targets are clearly defined and communicated within the organization; Net profit in our company is well above the industry average and Growth in number of employees is increasing periodically. The mean obtained are 3.71, 4.14, 4.27, 4.00, 3.91, 3.71, 4.14, 4.27, 4.00 and 3.91 respectively. Also, the items under organization performance had standard deviation of 1.020, 1.128, 0.934, 1.368, 1.144, 1.020, 1.128, 0.934, 1.368 and 1.144 respectively. The average score obtained from the constructs was 3.92 for the mean and 0.279 for the standard deviation which was taken as a proof that, on average, the respondents indicated that their organizations attained an encouraging degree of performance. Further, the mean scores for respondents' perception of organization performance, suggested that they generally witnessed performance in their organizations.

In recognition of the foregoing, strategic implementation and organization performance of selected deposit money banks in Lagos State, Nigeria, had similar pattern of response as indicated by their average scores. Hence, the findings suggested that strategic implementation could generate a reasonable effect on organizational performance of selected deposit money banks in Lagos State, Nigeria.

Table 3						
Regression test for Strategic Implementation and Organizational Performance of Selected Deposit Money Banks in Lagos State, Nigeria						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.310	.553		15.021	.000
	Strategy Implementation	1.537	.027	.922	57.088	.000
a. Dependent Variable: Organizational Performance						

**Source:** SPSS Outputs (2019)

Table 3 presents regression results on effect of strategic implementation on organizational performance of selected deposit money banks in Lagos State, Nigeria. According to the results in Table 3, strategy implementation has a significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria ( $\beta = 1.537$ ,  $t = 57.088$ ,  $p < 0.05$ ). The results show R-squared of 0.850 indicating that the model explains 85% of variation in organizational performance and the rest is explained by the variables that are not fitted in the model. This is supported by correlation coefficient of 0.922 which shows that there is a high positive relationship between strategic implementation and organizational performance of selected deposit money banks. The established regression equation is:

$$OP = 8.310 + 1.537SI$$

Where: OP = Organizational Performance (The parameters are: Market share & Net profit)

SI = Strategy Implementation

In Table 2, the prime parameters for performance were indicated as p1 and p9. Which are "Market share" and "Net profit" respectively.

The regression equation shows that strategic implementation has a positive relationship with organizational performance of selected deposit money banks in Lagos State, Nigeria. Taking strategic implementation constant at zero (0); organizational performance of selected deposit would be realized at

8.310. According to the regression equation, a change in strategic implementation will lead to change in organizational performance of selected deposit money banks by 1.537. This infers that strategic implementation affects organizational performance of selected deposit money banks. The p-value which was less than 5% imply that strategy implementation was significant. The t value is  $> 1.96$  hence the value is significant. Therefore, the null hypothesis two ( $H_{02}$ ) which states that strategic implementation does not have a significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria was rejected.

## **Discussion**

Regression analysis was used to compute the effect of strategic implementation on organizational performance of selected deposit money banks in Lagos State, Nigeria. The results indicated that strategy implementation have a significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria ( $\beta = 1.537$ ,  $t = 57.088$ ,  $p < 0.05$ ). The result is consistent with that of Sanusi (2018) who found that deposit money bank policy implementation has significant effect on organizational performance of in the banking industry. Jouste and Fourie (2017) conducted a study on the role of strategy implementation in effective strategic management practice with a focus on the perceptions of South African strategic leaders. The introduction of new strategy for production brings reduction in sales in the firm as a result of less attention on how the strategy was implemented. The study concluded that if the firm focuses more on the implementation of the strategy drawn for the products in a regular basis, then it will have an overall positive effect in its sales volume which aligned with the results of this study.

The findings of this study agreed with the results of the study carried out by Ifionu and Keremah (2016) which revealed that return on equity and banks profitability have a significant difference in the pre and post bank reform implementation era in Nigeria. Similarly, this study consented with the works of Akomolafe, Danladi, Babalola and Abah (2015) which revealed that there is a significant positive interaction between banks' profits and the implementation of monetary strategies.

## **Summary**

The investigation examined the effect of strategic implementation on organizational performance of selected deposit money banks in Lagos State, Nigeria. Relevant literatures were reviewed on the variables of the study. Survey research design was used, more so, suitable methods were adopted for the study. Analysis was carried out; hypothesis was tested and results were obtained. The results showed that strategic implementation had significant effect on organizational performance of selected deposit money banks in Lagos State, Nigeria ( $\beta = 1.537$ ,  $t = 57.088$ ,  $p < 0.05$ ).

## **Conclusion**

The study examined the effect of strategic implementation on organizational performance of selected deposit money banks in Lagos State, Nigeria. From the data analyzed, the study concluded that dutiful implementation of strategy is necessary for achieving organizational performance in the selected deposit money banks in Lagos, Nigeria.

## **Recommendations**

The recommendation that arose from this study was that the management of the selected deposit money banks in Lagos State should ensure a dutiful implantation of formulated strategies in order for the selected banks to realize their respective performance (market share and net profit) objectives.

## **Contribution to Knowledge**

From the perspective of concept, this study has added to the body of knowledge both in academic and professional standings. There is also empirical contribution to literature, more so, with a concentration on strategic implementation as well as organizational performance. Mainly, the results of