

Innovation Management and Organization Development in the Nigerian Banking System

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Abstract

Innovation management is a new concept that is given priority by all companies and countries nowadays. However, it took longer than expected for the developing countries, especially in Africa, to acknowledge the importance of innovation to the growth of a company and to the development of an economy. It has been argued that innovation is the engine room of all economies, and this has propelled the researcher to look at the importance of innovation by conducting a research study on "innovation management and organizational development", using Guarantee Trust Bank and Unity Bank Plc. as case study. The researcher has selected and tested three research questions using the Pearson Product Moment Correlation Statistics and the t test statistics and the study revealed that for any organization to remain a market leader, such a company must be able to introduce innovation and effectively manage the changes that occur in their business environment. The findings have propelled the researcher to recommend that banking industries should maintain a continuous, effective R & D and allow its entire staff to act as agents of change by giving them a free hand to operate in an organization.

Key words: *innovation, management, development, modern technology and product movement correlation analysis*

JEL Classification: *M19, O31, O32*

Introduction

In nowadays environment, there is the added pressure to be more socially and environmentally responsible and there are risks which need to be mitigated and managed before an organization can be successful and remain the market leader in their operations. The survival of any organization, depends on the ability of such an organisation to manage and build in the concept of innovations. Many firms did explorations in the past but their negligence to the change that occurred in their environment favoured their disappearance.

Companies that have established themselves as technical and market leaders showed ability to develop successful new products and properly manage change(Oloyede,B.2009). In virtually

every industry from aerospace to pharmaceutical and from banking to computer, the dominant companies have demonstrated an ability to innovate.

Even a brief analysis of economic history, especially in Nigeria, will show that industrial technological innovation has led to substantial economic benefit for the innovating company and the innovating country. Indeed, the industrial revolution of the nineteenth century was fuelled by technological innovation. Technological innovation has also been an important component in the progress of human societies.

The ability of a firm to manage innovation and absorb change will determine the extent to which such a firm will go in the industry and in economy. Innovation to be managed include: organisation innovation, management innovation, commercial/marketing innovation and service innovation. (Fakokunde, 2009).

Any organization that will successfully manage its innovations and change satisfy the demand of its customers, want to achieve survival and set itself as a leader of its industry must have its management skills and horizons broadened.

Literature Review

There are many arguments and debates in virtually all fields of management. It seems that this is particularly the case of innovative management. Innovation itself is a broad concept that can be understood in a variety of ways. "*Innovation is the management of all the activities involved in the process of idea generation, technology development, manufacturing and marketing of new (or improved) product or manufacturing process or equipment*" (Trott 1998). He furthered his explanation with a simple equation that shows the *relationship* between the two terms:

$$\text{Innovation} = \text{theoretical conception} + \text{technical invention} + \text{commercial exploitation}$$

Models of innovation

Traditional arguments about innovation have centered on two schools of thought. On the one hand, the social deterministic school argued that innovation was the result of a combination of external social factors and influences, such as demographic change, economic influences and cultural changes. The argument was that when the conditions were right innovations would occur. On the other hand, the individualistic school argued that innovation was the result of unique individual talents and such innovators are born. Closely linked to the individualistic theory is the important role played by serendipity.

Linear Model

The recognition that innovation occurs through the interaction of the science base (dominated by industry) and the need of the market was a significant step forward. The explanation of the interaction of these activities derives from the basis of nowadays innovation models. There is a great deal of debate and disagreement about precisely what activities influence innovation and more importantly, the internal processes that affect a company's ability to innovate.

There are two basic variations of this model for product innovation. First and most crudely, there is the technology driven model (often referred to as 'technology push') where it is assumed that scientists make unexpected discoveries, technologists apply them to develop product ideas and engineers and designers turn them into prototypes for testing. The manufacturers are left to devise a way of producing the product efficiently. Moreover, the marketing and sales departments will promote the product to the potential consumer.

Simultaneous Coupling Model

Whether it is thought that innovations are stimulated by technology, customer need, manufacturing or a host of other factors, including competition, we miss the point. The above model concentrates on what is driving the downstream effort rather than on how innovation occurs (Galbraith, 1982). The simultaneous coupling model suggests that it is the result of the knowledge within all three functions that will foster innovation.

Interaction Model

The interactive model further explained the linkage between technology – push and market – pull models. It emphasizes that innovations occur as the result of the interaction of the market place, the science base and the organisation’s capabilities. Like the coupling model, there is no explicit starting point. The use of information flows explains how innovation transpires and that they can arise from a wide variety of points.

This model is a more comprehensive representation of the innovation process. It can be regarded as logically sequential, though not necessarily continuous process that can be divided into a series of functionally distinct but interacting and inter-dependent stages according to Rothwell and Zegveld (1985).

A Framework for the Management of Innovation

Industrial innovation and organisation development have to be taken seriously, for they determine the growth and future of an organisation. Innovation is extremely complex and involves the effective management of a variety of different activities. It is precisely how the process is managed that needs to be examined.

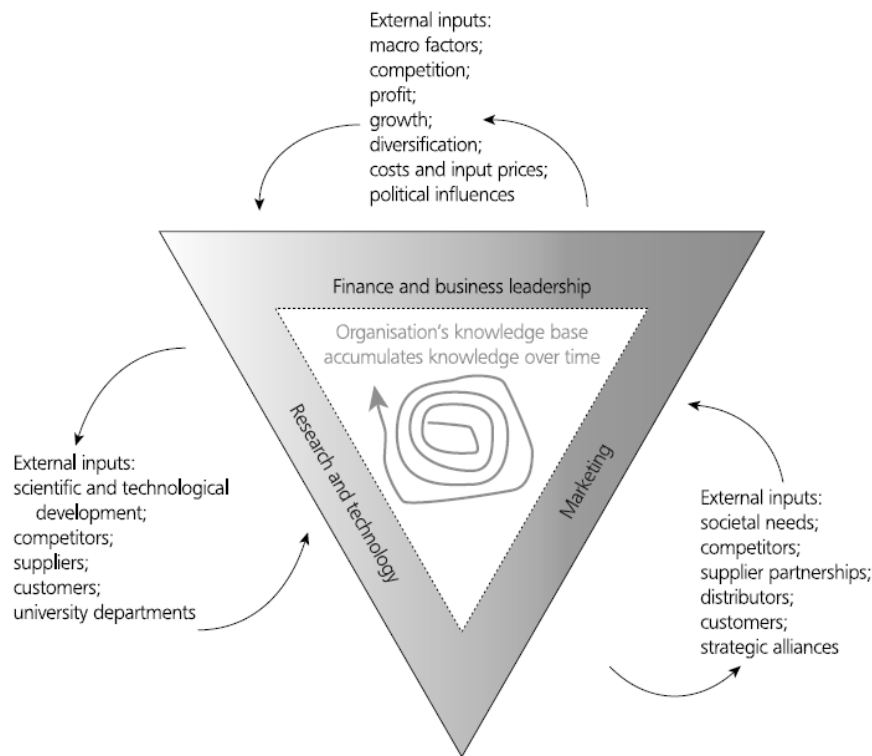


Fig. 1. Innovation Management Framework Diagram

Source: Trott, P (1998), Innovation Management and new product development.

Organisational Characteristics that Facilitate the Innovation Process

Each organisational requirement is *characterised* as follows:

1. Growth orientation - A commitment to long-term growth rather than short-term profit;
2. Vigilance - The ability of the organisation to be aware of its threats and opportunities;
3. Commitment to technology - The wiliness to invest in the long-term development of technology;
4. Acceptance of risks - The willingness to include risky opportunity in a balanced portfolio;
5. Gross function co-operation - Mutual respect among individual and willingness to work together across functions;
6. Receptivity - The ability to become aware and identify the external development technology;
7. Slack - An ability to manage the innovation dilemma and provide room for creativity;
8. Adaptability - A readiness to accept change;
9. Diverse range of skills - A combination of specialization and diversity of knowledge and skills.

Methodology

This study adopted the descriptive research design using a correlation survey method to investigate possible relationships between innovation management and organization development in banking industry.

Population for Study

The target population for this study consists of all banks in Nigeria including the micro finance banks.

Sample and Sampling Technique

Due to the large population, a stratified random sampling technique was used to make a selection of the population as samples for the study. Guarantee Trust Bank and Unity Bank of Nigeria were selected from the southwest region.

Instrumentation

The instruments used for data collection were two sets of researcher's self-designed questionnaire titled "Innovation Management Assessment Scale" (IMAS) and "Organisation growth Scale Rate" (OGSR). These scales are described below.

This instrument was used to collect information with respect to the innovation management level of these organisations. It consisted of two sections; A and B. Section A is structured to elicit information that relates to the respondent bio data in respect to the industry. Section B contains 20 structured questionnaires to evaluate the nexus between innovation management and organization development. These items are measured on a four-point Likert scale namely: Strongly Agree (SA), Agree (A), Disagree (D) and Strongly Disagree (SD). It focused precisely on innovation management variables.

Organisation Growth Scale Rate (OGSR)

This scale, which can be described as both process and end-result assessment is designed to assess the effect, impact and contribution of strategic innovation management and the end-result of the strategy (the level of organization development).

Validation of the Instrument

This has to do with the degree to which an instrument measures what it has been design to measure. The instruments were distributed to experts in questionnaire construction. The experts’ suggestions and corrections were incorporated into the final draft of the questionnaire.

However, in order to ensure that the instruments for this study are reliable in terms of consistency and stability of scores or answers from one administration of the instruments to another and one set of items to another a co-efficient alpha method was used to estimate the extent to which items of IMAS and OGRS correlate with the total score. Using the pilot tests, Cronbach reliability co-efficient of 0.87 and 0.89 were obtained respectively which were considered very high. Thus, the IMAS and OGSR were consequently accepted as reliable instruments for the study.

Administration of Instruments

Prior to the administration of research instruments, the questionnaires were explained to the respondents by the researcher. The researcher guaranteed the anonymity of the respondents and the confidentiality of their responses. The researcher assisted by two trained research assistants administered the questionnaires within four weeks duration. Out of 300 copies of the administered questionnaire, the 224 were duly completed and returned.

Method of Data Analysis

The Pearson Product Moment Correlation Statistics was used to test the second research question, while the t test statistics was utilized to test the third research question all the research questions were tested at 0.05 level of significance.

Results

In this section, the results and findings of the research were presented on the basis of the research questions generated for the study.

Research Question 1: Does the strategic innovation management bring about market growth and organization development?

Table 1. Innovation management as Predictors of organization development

R = 0.453 R square = 0.205 Adjusted R square = 0.202 Standard Error = 8.728					
Sum of Squares	Df	Mean Square	F	Sig.	Remarks
4363.395	1	4363.395	57.275	.000 ^a	*
16912.565	222	76.183			
21275.960	223				

Source: Analysis data. * Significant (P<0.05)

The result in this table indicates that innovation management predicts organization development among Nigeria banking industry. Innovation management accounts for 20.5% of the total variance of organization development. Therefore, innovation management plays a significant role in the organization’s development.

Research Question 2: Will the Organisation that is able to introduce new innovation and manage change increase their market growth and gain customers’ trust?

Table 2. Innovation management as Predictors of market growth and customer's trust

	Introduction of new innovation	Market growth
New innovation management	1.000	0.453
Perceived market growth and customer's trust	0.453	1.000

Source: Analysis data. Significant ($P < 0.05$)

In Table 2 above, there is a moderately positive significant relationship between introduction of new innovation and market growth in the banking industry ($r = 0.453$, $P < 0.05$).

Research Question 3: Is there any significant difference between the level of response to innovation management in Nigeria banking industry?

Table 3. Comparison of Guarantee trust Bank and Unity bank of Nigeria

	Banks	N	Mean	Std. Deviation	Std.Err or Mean	df	T	P	Remarks
Rapid response to innovation management	GTB	119	70.2269	9.49080	.87002	222	2.177	0.031	Sig
	Unity	105	67.3524	10.26287	1.00155				

Source: Analysis data Significant ($P < 0.05$)

Table 3 shows that there is a significant difference in the level of banking innovation management between the two banking industries. The level of innovation management in Guarantee trust Bank is different from the Unity Bank.

Findings

The finding revealed that the innovation management has a significant role to play and contribute to the rapid organization development in Nigerian banking industry. This shows that the more strategically the organisation deals with innovation the higher the rate of the organization development. From the conducted research, it was found out that innovation management predicts the organization development within Nigerian banking industry. The innovation management accounts for 20.5 % of the total variance of organization development. This means that the innovation management contributes positively to the organization development in Nigeria Banking industry.

The finding of the study revealed that there is a positive significant relationship between innovation management and market growth. The finding of the study also revealed that there is a significant difference in the level of banking innovation management between the two bank industries. The level of innovation management in Guarantee trust Bank is different from the Unity Bank. This could occur as a result of the new products packages introduced for the consumption of customers such as the debit master card.

Conclusion

The findings of the study have established that the innovation management has significantly contributed to the organization development in Nigeria Banking industry. This implies that the banking organization should consider it as reliable strategy that can help them survive in the face of strong competition and economic crisis. In addition, acquisition of modern technology will help an organisation to boost its market growth and hence, increase its market share. Any

organisation that desires to mount or maintain its leadership position in the industry must be able to respond and adapt to the changes that occur in the industry and the market environment.

Recommendations

Based on the findings of the study, the following *recommendations* were made:

- The organisation should maintain a continuous and effective research and development, and allow its entire staff to act as agents of change by giving them equal and free hands to operate. This will increase the level of innovatory and organization growth.
- The organisation should strictly adhere to the innovation management policy to achieve their vision since it has been revealed that a company's market growth is a measure of its innovativeness.
- The organisation should create adequate environment and social responsibilities as one their objectives.
- All firms in the industry should consider the acquisition of modern technology a priority so as to improve their operation. It is revealed that an average customer will like to bank with innovative banks. If any company wants to achieve the purpose of its establishment it must be updated on technology and innovation.
- All firms in the industry should form an alliance and embark on a Research and Development project that will help improve and widen their operation in the industry.
- Finally, the government should provide the conducive and enabling environment for these organizations by supplying them with basic amenities and infrastructure that will support their operation and enhance high productivity.

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Managementul inovării și dezvoltarea organizațională în sistemul bancar din Nigeria

Rezumat

Managementul inovației este un concept nou ce constituie o prioritate pentru toate companiile și țările zilelor noastre. Însă a durat mai mult decât se aștepta ca țările în curs de dezvoltare - în special din Africa - să recunoască importanța inovării în dezvoltarea unei companii și în dezvoltarea economiei. S-a susținut faptul că inovarea constituie motorul tuturor economiilor și acest lucru l-a impulsionat pe cercetător să analizeze importanța inovării, realizând un studiu de cercetare despre „managementul inovației și dezvoltarea organizațională”, folosind drept studiu de caz Guarantee Trust Bank și Unity Bank Plc. Cercetătorul a selectat și a testat trei ipoteze folosind metoda de corelare Pearson și testul „t”, iar studiul a condus la ideea că, pentru ca o organizație să se mențină lider de piață, o astfel de companie trebuie să fie capabilă să introducă inovarea și să administreze eficient schimbările care au loc în mediul de afaceri. Rezultatele l-au impulsionat pe cercetător să recomande sectorului bancar să mențină o activitate de cercetare și dezvoltare continuă și eficientă și să permită tuturor angajaților să acționeze drept agenți ai schimbării dându-le mâna liberă să acționeze în cadrul organizației.