

INNOVATION CAPABILITY AND FINANCIAL PERFORMANCE IN PORT HARCOURT'S COMMERCIAL BANKS

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Abstract:

This study investigates the relationship between corporate entrepreneurship initiatives and organizational performance in deposit money banks in Port Harcourt. Using a cross-sectional survey design, questionnaires were distributed to 126 respondents from 21 deposit money banks. The research instrument was validated and tested for reliability. Five hypotheses were tested using Spearman Rank Correlation Analysis via SPSS version 20. Results revealed a low positive relationship between corporate entrepreneurship initiatives and organizational performance, significantly moderated by organizational culture. The study concludes that while entrepreneurship initiatives contribute to performance, their effectiveness depends heavily on the prevailing banking culture. Based on these findings, it is recommended that banks regularly update their strategies, foster an innovative spirit among management, and reform banking culture to align with international commercial banking standards for enhanced performance.

Keywords: Corporate Entrepreneurship, Organizational Performance, Banking Culture, Innovation

Introduction

Nurturing entrepreneurship skills orientation has become policy precedence in most countries of the world and has resulted in countries taking measures to slip in entrepreneurship into different policy frame work. Policy-makers in most countries have paid attention to entrepreneurship enlightenment as a means of empowering existing and future generations of entrepreneurs in the hopes of creating jobs and enhance economic growth and development. This has led to a sudden large volume of intellectual works existing in writing in relation to performance in work organizations. The fundamental issue that sparkled off these scholarly works is however, not implausible. The focal point of best possible performance has heightened the need greater than before for the search for approaches to attain most advantageous aspiration (Locks and James, 2003; Cenala *et al* 2005;

Phillips *et al*, 2009). It is of the essence to note the fact that, concerted effort has been made on the performance of organization bearing in mind the amplified level of competitiveness resulting from economic transformation, subterfuge linked with some individuality, such as prolonged business set-up, changing technologies etc. Simply put, organizational environments are becoming more and more convoluted than ever before, thus, requiring strategic advances that will significantly sharpen efforts at improving the performance of organizations (Ganaere, 2007).

There is concern for an improved performance of firms, especially among developing economies which are principally personified with multifarious and turbulent business environment, more especially amongst the banking sector of the Nigerian economy. It is imperative to note the fact that, firms in most developing economies are fraught with unpredictable dynamics, and this has likewise heightened up

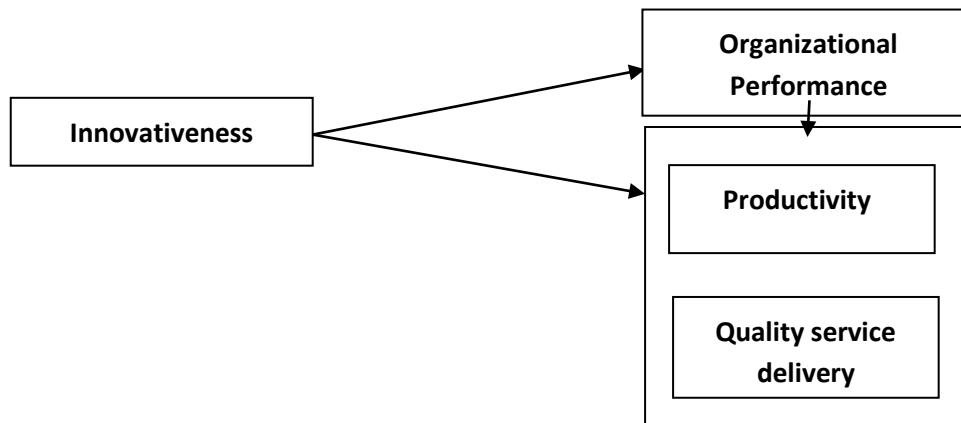
the discussion on upbeat innovativeness, strategizing, learning and restructuring with the primary objective of enhancing performance through effectively Managing their circumstances,

Secondly, the budding past history in the economy require that they have a vigorous product and service quality that is capable of meeting customers ever changing needs. Of course, this requires change in operational processes for just in time production as well as timely service delivery. Initiating transformed effort at economic growth through some strategic organizational action which Cache and Mile, (2002) described as corporate entrepreneurship has been largely noted. Their insight is that strategic capitalist practices will basically disclose a holistic endeavor at improving performance. Stupendously, studies exist to affirm their scholarly position (Daft and Wieck, 2000; Floyd & Lane, 2000; Sheinkar and Zeira, 2005; Nadler & Tushman, 2007). In all of these, there is a common compromise that shows an association between entrepreneurial practices at the individual level and the performance of firms within some defined economy.

Thirdly, it is not unusual to uncover organizations that are deficient in venturing, encouraging, leading, invigorating and unremitting learning ambiance that inspire technological, as well as structural revolution that will ensure operational competence and performance. Fourthly, there is yet an organizational level approach which is emphasized as the major driver of change for growth. Zahra and Nelson, (2004) work on entrepreneurial performance of firms was carried out to offer an in-depth appreciation of many variables that are related to the performance crises of public firms with profit orientation. Though their findings were reputable in discovering a positive relationship between strategic alteration programs which are routinely entrepreneurial and performance driven, this might not be the case in private business firms, banks and non-profit oriented organizations.

Scholars like Palpean and Dennis, (2003), Hoskinson & Ireland (2006), Nixon and Harback, (2007) have also researched comprehensively on performance in organizations through their studies in fast-paced competitive environments and have accentuated entrepreneurial strategy. However, an important aspect in these studies and palpable gap in literature is their lack of ability to bring to the fore, the role of some moderating variable which may play alongside with organizational adaptation. This study therefore, is an attempt at investigating the influence of corporate entrepreneurship on performance of deposit money banks in the Nigerian financial sector.

The focus of performance, no qualm, has taken a most important position on the face of the sprouting level of competitiveness among business institutions. The purpose of this study, therefore, was to find out the degree to which entrepreneurship initiatives affect corporate performance of money deposit banks in Nigeria. Distinctively, the objectives sought were as To find out the extent to which Corporate Entrepreneurial initiatives relates with organizational performance of deposit money Banks in Port Harcourt.



This conceptual framework depicts the relationship that exists among the variable

Literature Review

Concept of Innovativeness

Throughout the discourse on creativity, the place of innovation is easily found but with suitable short of uniqueness that contend a lesser frontier connection involving ingenuity and novelty. Sternberg and Lubart (1999), posits that creativity (ingenuity) is the capacity to bring into being work that is both imaginative and constructive. On the other hand, novelty is about a course of action that buds improvement and implementation of new idea (Van de Ven & Angle, 1989). It has been acknowledged, that novelty is the process of birthing any new ideas towards unraveling problem into use, and this entails generating, accepting, and implementing of novel thoughts, course of action, goods, or services. This progression can occur in many diverse spheres; it can be operational, company-wide or even quality sphere (Kanter, 1983). The focus here, particularly in the context of an organization, is on taking a creative idea and bringing it to fruition. It is known that, in the organizational practice, a number of excellent ideas never see the light of the day. To bring an ideal concept to market, it must be accepted for its credibility; it must receive financial support in an atmosphere of inadequate or slightest contending resources; and it must surmount possible impediment such as technological challenges, competitive difficulty, and a variety of other obstacles. The course of action that brings this into fruition is nothing other than innovation and it is an essential process when talking about creativity in the perspective of organizations.

Innovation typically occurs through four stages, idea creation, selection, viability and execution. Cook (1998) considered innovation as an element of competitive advantage for organizations. Innovation and creativity benefit companies beyond direct sales performance or efficiency improvements. A firm that develops a successful resourcefulness and innovation procedure is also probable to grasp social profit that take place from team working and employee inspiration (Cook, 1998).

Organizational Performance

Organization performance has been the most important issue for every organization be it a profit or non- profit oriented. It has been very important for managers to know which factors influence an organization's performance in order for them to take appropriate steps to initiate them. While there are a wide variety of perspectives on controlling and measuring performance, each more or less appropriate depending on the objectives and industry of the organization, a few key measures exists thus: Effectiveness, Efficiency, Quality, market share, and productivity, etc.

Organizational performance is imperative towards meeting the demands of an increasingly complex and dynamic environment. Knowledge and evidence-informed decision making are instrumental in organizational performance, and entails getting focus on important goals, and involving others in achieving them. The present day organizations initiatives are more complex than in the past, and involve connecting, networking and integrating. Organizational performance is in fact, used as one

indicator of effectiveness for small businesses and is a fundamental concern of many practicing managers. Performance strive, is something for which most compared strive, regardless of their seize. Indeed, companies have to grow at least a bit every year in order to accommodate the increased expenses develop over with passage of time, balance increase and the cost of employment benefits rise as well. Even if no other company expenses rise, those cost areas increase over time. It is not always possible to pass along these increased costs to customers and clients in the form of higher prices. Consequently, performance must occur if the business wishes to keep it.

Productivity

The economic factors of productivity are progressive changes in work organization, production and management. These include: improving the structure of the management and control systems in manufacturing, the widespread introduction and development of automated control systems, improved financial, technical and personnel training of production, improvement of production and ancillary units, improve the distribution and labor cooperation, expansion of combining jobs and functions introduction of advanced methods and techniques work to improve organization and service jobs, the introduction of progressive standards and norms of labor, improving working conditions and rest, improve systems of financial incentives.

Productivity is operationalized as a ratio of firm operating revenue to total number of employees. Productivity is an indicator of total output to labor input (Samuelson & Nordhaus, 1989), and thus it captures the efficiency of workforce to produce output. Because firm productivity is closely related to HR systems and human capital, productivity is well thought-out as an important workforce performance metric (Crook et al., 2011; Delery & Shaw, 2001)

It has been observed that internal performance is viewed in terms of productivity and external performance is viewed in terms of profit. Productivity is the efficiency of a firm's workforce to produce output. Most managers emphasize productivity because it is closely tied to employee performance and human capital while being less influenced by factors external to the firm. External performance is considered in terms of profit, which in this study is the widely reported accounting metric of earnings before interest and taxes Profit is rooted in performance and is the ultimate criterion for the firm, and growing profit is one of the most important strategic goals for organizations

Productivity is a particularly important internal determinant of performance and profit; both are also affected by environmental factors (Crook *et al.*, 2011; Curtis *et al.*, 1995). Nevertheless, a firm may be highly productive but fail to generate profitability given intense market competition, a decrease in consumer demand, or powerful stakeholders that extract positive effects of resources (Crook, Ketchen, Combs, & Todd, 2008; Peteraf & Barney, 2003).

Service Quality Delivery

Delivering quality service is a well thought-out action plans essential for accomplishment of set goals in today's aggressive business locale (Reichheld and Sasser, 1990; Zeithaml *et al.*, 1996). Recently, the conception of service quality has fascinated a lot of interest in the academic research studies. This has led to many scholars describing the theory from unstable viewpoints. According to Gronoos (1982), service quality is the customer's sensitivity of variation between the anticipated service and perceived service. However, Asubanteng *et al.*, (1996), posited that service quality is the difference between customers hope for service performance prior to the service encounter and their perceptions of service offered to them. Gefan (2002), advanced that service quality is the subjective comparison that customers make between the quality of service that they want to receive and what they actually get. According to Grönroos (1988), service quality is commonly defined as an incongruity between the service quality that is dispersed by the organization and the service performance that workforce expect. Hypothetically, service quality is defined as global decision or attitude concerning the whole attribute or supremacy of the service (Parasuraman *et al.*, 1988). Parasuraman *et al.*, (1985) developed the framework for measuring service quality, the gap theory.

Relationship between Innovativeness and organizational performance

As per Ahmed (1998) innovation is the bedrock of change and in today's competitive environment, opposing change is hazardous because alteration while it brings improbability and threat also generate prospect. Culture is a most important measure of innovation and the culture of innovation need to be harmonized against suitable organizational perspective. The senses of the organization replicate both its culture and ambiance. The ambiance of the organization is contingent by its members through the organizational performance actions and compensation scheme set up and are pinpointing of the business runs itself on daily and routine basis.

According to Tong (2000), innovation is not presently inventiveness but also about accomplishment therefore, it is a social occurrence. It occurs when people think about novel thoughts, acknowledge these and work together to appreciate these ideas. Industrial accomplishment is obvious when trademark or comprehension stand work increases, strain and sprain abolished, enhancing quality work-life balance and substantial savings are apparent (Man, 2001).

Conceptual model of EO performance relationship posits that the five dimensions (innovativeness, risk taking, pro-activeness, competitive aggressiveness and autonomy) affect financial performance of the firms (Lumpkin and Dess 1996). For the purpose of this study we will be focusing on this dimension as basis for corporate entrepreneurship performance in the banking sector. It has been very important for managers to know which factors influence an organization's performance in order for them to take appropriate steps to initiate them. While there are a wide variety of perspectives on controlling and measuring performance, each more or less appropriate depending on the objectives and industry of the organization, a few key measures exists thus: Effectiveness, Efficiency, Quality, market share, and productivity. Roberts (2004), added that establishing and improving standard practices is often a key element of organizational performance as well. Indeed, a small organization which has undergone a significant increase in performance will find its operations transformed in many number of ways. And often, it will be the owner's advance planning and management skills that will determine whether the performance is sustained or whether internal constraints rein in that performance prematurely; this performance is usually boosted through entrepreneurial activities. Most entrepreneurs who are fortunate enough to experience performance soon discover that success as a business owner doesn't mean you have arrived and can now sleep.

Methodology

This study adopted the cross sectional research design approach this is because it allows a researcher to collect data once at a time for the study. The population of this study will be drawn from 21 (Twenty one) deposit money banks in Rivers state.

Hypotheses of the study

Based on the objective of the study and from the research questions, the following hypotheses emerged.

H₀₁: There is no significant relationship between innovativeness and productivity

H₀₂: There is no significant relationship between innovativeness and quality service delivery

It is observed that 126 copies of the questionnaire were distributed to the respondents from the 21 deposits money banks in Port Harcourt.

Table 1: Presentation response rate to the research instrument

S/No	Copies Of Questionnaires	Frequency	Percentage
1	Copies of questionnaires distributed	126	100%
2.	Copies of questionnaires retrieved	126	100%
3	Copies of questionnaires used for analysis	120	95%
4	Response rate	120	95%

Source: researcher's desk, 2017(SPSS output version 20.0) The table equally shows that 120 copies of questionnaires were used for the analyses.

Table 2: Mean Score of Respondents to Innovativeness

S/N	Items On The Questionnaire	Mean	S.D
	The bank is flexible enough to ensure that innovation is encouraged at all levels	4.065	0.923
	The bank emphasizes technological innovative ways for evangelizing	3.868	0.764
	The bank is putting in much to product to ensure market sustainability	3.812	0.924
	The bank has pioneered many new products	3.642	0.876
	qualitatively to meet customers need	3.735	0.234
	The bank have a motivating team that they rely on to ensure that these are new satisfying products		

Source: researcher's desk, 2017(SPSS output version 20.0)

The table above presents the mean score of respondents to innovativeness with a mean score of 4.06 the respondents strongly agreed with the statement that the bank is flexible enough to ensure that innovation is encouraged at all levels.

Table 3: Mean score of responses to Productivity

Productivity	Mean	S.D
Our processes enhance improvement of individual and team results.	3.765	0.976
We have the basic knowledge, skill and ability that make us to be more productive.	3.653	0.654
The goals we are required to achieve is made clear to all members of staff.	3.876	0.875
We are adequately trained to be more resourceful in carrying out tasks at all time	3.987	0.876
The culture of team spirits motivates us to ensure our team results are amplified to meet desired goals.	3.874	0.654

Source: researcher's desk, 2017(SPSS output version 20.0)

The table above presented the mean score of respondents to productivity as a measure organizational performance. With a mean score of 3.76, it is believed that the respondents agreed with the statement the banks processes enhances improvement of individual team and result.

Table 4: Mean Score of Respondents to service delivery quality

Service Delivery Quality	Mean	S.D
Our process gives us edge in enhancing quality delivery to meet client's expectations.	3.765	0.987

The flexibility of our structure enhance our ability to emphasize on sticking with organizational best practices	3.823	0.342
Our operations enhance speedy and frequent delivery of valued products and services to customers	3.873	0.765
Creation of special teams facilitates improved quality delivery to customers	4.056	0.876
Exchanges and relationships facilitate improved quality delivery.	3.964	0.876

Source: researcher's desk, 2017(SPSS output version 20.0)

The table above presented the mean score of respondents to quality service delivery. With a mean score of 3,76, the respondents agreed that the banks process gives edge in enhancing quality delivery to meet clients expectation.

Discussion of Findings

Results have shown that there is a positive and significant relationship that determined the extent to which innovation relates with the performance of deposit money banks in Port Harcourt. Also, in line with a priori expectations, this study found that innovations are positively related with the performance of deposit money banks in Port Harcourt. The correlation coefficient of 0.031 shows a positive but weak correlation between innovation and performance. This study is also in agreement with the studies of Lubart (1999) and McAdam *et al.*, (2000) but contrary to the findings of Wang and Ahmed (2002) who found a very strong correlation coefficient. However, the weak correlations coefficient discovered in the work could be due to the peculiarity of the study area and the lack of strong competition in the banking industry especially in Nigeria where the masses are constrained to patronize only the available banks in an area.

Summary, Conclusion and Recommendations

This study focused on innovativeness and organizational performance of deposit money banks in Port Harcourt, Rivers state.

The study further observed that there is a positive significant relationship between innovation and productivity of deposit money Banks in Port Harcourt and that innovativeness positively relates to quality service delivery. Deriving from the findings of this study and as a result of tested hypotheses, the researcher concludes that there is a positive relationship between innovativeness and the performance of the deposit money banks in Port Harcourt and that innovative spirit should be imbibed by the management of the Banks.

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