ORGANIZATIONAL MANAGEMENT PRACTICES AND PERFORMANCE OF COMMERCIAL BANKS IN NIGERIA

BY

ADEGOKE YETUNDE OLURANTI

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A THESIS SUBMITTED TO THE DEPARTMENT OF MANAGEMENT AND ACCOUNTING, FACULTY OFADMINISTRATION, OBAFEMI AWOLOWO UNIVERSITY, ILE-IFE, NIGERIA.

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CERTIFICATION

We hereby certify that this study was prepared by ADEGOKE, Yetunde Oluranti in the Department of Management and Accounting. Faculty of Administration, Obafemi Awolowo University, Ile-Ife, Nigeria

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Supervisor

Dr. R. I. Akindele

Department of Management and Accounting

Obafemi Awolowo University

Ile-Ife, Nigeria

....

Prof. A. A. Agboola

Head,

Department of Management and Accounting

Obafemi Awolowo University Ile-Ife, Nigeria

AUTHORIZATION TO COPY

Author: Adegoke, Yetunde Oluranti

Title: Organizational Management Practices and Performance of Commercial Banks in Nigeria.

Degree: M.Sc. (Business Administration)

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DEDICATION

I dedicate this thesis to God Almighty, the author and finisher of my faith

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ABSTRACT

The study examined organizational management practices among commercial banks in Nigeria; and investigated the interactive effect of management by objective and total quality management on performance of the banks. It also examined the challenges facing the use of management by objective and total quality management in the Nigerian banking industry. These were with a view to providing information on the combinational effect of total quality management and management by objective as organizational management practice on performance of the Nigerian banking sector.

The study employed primary and secondary data. Primary data were sourced with the use of structured questionnaire. The population for the study comprised employees at the headquarters of 20 out of the 21 consolidated banks in Nigeria. The study was purposively conducted in Lagos because 20 out of 21 consolidated banks in Nigeria have their headquarters based in Lagos. Purposive sampling technique was used in selecting seven banks with the highest profit after tax in the Nigerian Stock Exchange (NSE) Factsbook (2013). Stratified random sampling technique was also adopted for the study; the employees were stratified using top, middle and low level classifications for stratification. Simple random sampling technique was used in selecting respondents from each stratum with a sample fraction of 30%. Data on variables such as total quality management (TQM), management by objective (MBO) as measures of organizational management practices and challenges facing the use of TQM and MBO were sourced from the respondents. Secondary data were sourced from the Annual Reports and Accounts of the selected banks and NSE Factsbook. Data collected were analysed using descriptive and inferential statistics.

The study discovered that business process re-engineering with the highest mean score of eight was the most prominent organizational management practice among commercial banks in Nigeria. The result also showed that the combination of management by objective and total quality management had significant impact on organizational performance among banks in the country with a correlation coefficient of $r = 0.0583$; $p < 0.05$ and $r = 0.402$; $p < 0.05$ respectively. Finally, the study identified non-participation of employees in setting goals, lack of autonomy in choosing the means to achieve target and inability of the organization to review employee’s performance with the mean score of (13, 12, and 9) respectively as the challenges facing the use of total quality management and management by objective among the banks.

The study concluded that the combination of TQM and MBO as organizational management practices had a positive effect on performance among banks in the country.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Organisational Management refers to the art of getting people together on a common platform to make them work towards a common predefined goal. Organisational Management enables the optimum use of resources through meticulous planning and control at the work place; it gives a sense of direction to the employees which ensure profitability for the organisation. The features of organisational management include; planning, organizing, staffing, leading, control, time management and motivation. Organisational Management is a systematic process for improving organizational performance by developing the performance of individuals and teams; it is a mean of getting better results from the organisation, teams and individuals by understanding and managing performance within an agreed framework of planned goals, standards and competence requirements. (Armstrong, 2006). It includes an approach to creating a shared vision of the organisational goals and objectives, aiding employees to understand and know their part in contributing to them and implementing linkage between performance and reward

Performance can be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of an organisation, customer satisfaction and economic contributions.

The Organizational Management programmes in the banking industry can be described as one of the practices that assist organisation to link organisational goals to individual goals. It focuses on ways to motivate employees to improve their performance (DeNisi and Pritchard, 2006).

Organisational Management according to (Amstrong, 2006) aims to;

- Empower, motivate and reward employees to do their best.
- Focus employees' tasks on the right things and doing them right; align every one's individual goals to the goals of the organisation.
- Proactively manage and resource performance against agreed accountabilities and objectives.
- Align personal / individual objectives with team, department and corporate plan.
- Make individuals clear about what they need to achieve and expected standards, and how that contributes to overall success of the organisation.
- Provide regular, fair, accurate feedback and coaching to stretch and motivate employees to achieve their best.
- Maximize the potential of individuals and teams to benefit themselves and organisation.

Several organisational management systems that could ensure performance are in use today and each has its own group of supporters, performance prism ,Cambridge performance measurement process, TPM Process, Total Measurement Development Method (TMDM), Business Re-engineering Process(BRP) (TQM) Total Quality Management, (MBO)Management by Objectives.(BSC) Balanced Score Card Among the identified Organisational Management strategies, TQM, and MBO will be used in this study to appraise the performance of the Nigerian banking industry, especially when the banks are regarded as been in distress. Distress in the banking industry, generally occurs when banks are either illiquid and or insolvent and depositors fear the loss of their deposits and so there is a breakdown of contractual obligations (Ebodaghe, 1997).

Distress can also be seen as a situation, whereby a bank is adjudged deficient in a number of performance criteria. These include the following; gross under capitalisation in relation to the level of operation; illiquidity, reflected in the inability to meet customers' cash withdrawals; low earnings, resulting from huge operational losses; and weak management, reflected in poor credit quality, inadequate internal controls, high rate of frauds and forgeries. The TQM and MBO are therefore recognised as tools that can capture the performance of the employees and the banks in general The Nigerian banking sector has witnessed a lot of programme, which ought to have reformed and restructured the sector for a better performance, The unhealthy nature of Nigerian banks has resulted in poor performance of the sector, before, the recapitalization era, only ten (10) banks out of the eighty-nine (89) in operation in the country accounted for 51.9% of total assets, 55.4% total deposit liabilities and 42.8% of total credit (CBN), 2004. The rating of the licensed banks in operation, using the "CAMEL" parameters, revealed that ten banks were "sound", fifty-one (51) were satisfactory, sixteen were rated marginal and ten banks were rated unsound in 2004, (CBN), 2004. in Nigeria, the recapitalization policy was introduced in 2004 as a tool for the survival of the failed banks. Under the recapitalization programme licensed banks were expected to meet up with the new minimum capitalization of N25 billion. Soludo, (2004), opined that recapitalization of the Nigerian banking sector is necessary because of high concentration of the sector by small banks with capitalization of less than $10 million, each with expensive headquarters, separate investment in software and hardware, heavy fixed cost and operating expenses and with bunching of branches in few commercial centres leading to very high average cost for the industry. The post-recapitalization performance of all Nigerian banks was overcast in 2008 by the global financial and economic crises. Ogudunka, (2005), pointed out that other countries reformed their banking sector for a number of reasons, for instance, structural recapitalization and ownership issues, The merger and acquisition of banks has reduced the number of Nigerian banks to about (21), twenty-one.

The performance of an organisation can determine its viability, sustainability and suitability. If an organisation by the measure of performance criteria is found not to be