Impact of Digital Revolution on the Structure of Nigerian Banks

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ABSTRACT

The study examined the extent to which digital revolution has affected the organizational structure of Nigerian banks. Twenty-five banks were selected for the study in south-western Nigeria. Interview was conducted for middle and top level managers and questionnaire was developed and administered to the other staff using a five-point Likert scale to determine the attitudes and opinions of the staff on the effects of digital revolution on the organizational structure of the banks. The mean was used as an indicator of central tendency for quantitative variables that have frequency distributions in the study.

Keywords: Digital Revolution, E-Commerce, ICT, Nigerian Banks, Organizational Structure

INTRODUCTION

Digital revolution has transformed the nature and content of banking leaving behind far reaching effects and implications on both the organizational and industrial structure (Wikipedia, 2007). It has utilized developments in information and communication technology to usher in the era of information economy where the productivity and competitiveness of units or agents in the economy (be they firms, regions or nations) depend mainly on their capacity to generate, process, and apply knowledge-based information efficiently (Castells, 1996) It is an economy where information is both the currency and the product.

Dwyer (1999) confirmed that Information Technology has had more impact on more fundamentals, more quickly, than virtually any other external change in the history of the banking industry. It is transforming every aspect of a bank’s business, from its management information to the nature of the products and services it offers. It fundamentally affects many of the key drivers of both cost and revenue, which increasingly determine a bank’s overall profitability and competitive positions. Darlington (2000) noted that the revolution has changed the very nature of banking. Though money is still being handled, information, not money, is now the lifeblood of the banking industry. He claims further that from what was essentially a transaction-based business, where customers came to the bank (or didn’t), banking has made
the leap into what is essentially a sale-and-
marketing culture. In the new culture, a bank
is defined almost solely by its ability to add
value to the customer relationship, which breaks
down into acquiring, analyzing, integrating, and
leveraging of information about, from, and for
the benefit of each individual customer.

A pervasive use of information and commu-
nications technology is necessary because the
relative standing of staff within each bank and
that of banks within the industry is influenced
by the ability to utilize the various opportunities
provided by the digital revolution. Differential
rate of utilization often leads to digital divide.
Digital divide separates the information-rich
and the information-poor within or between
different organizations in the industry. The
Organization for Economic Co-operation and
Development defines the digital divide as the
difference between individuals, households,
businesses and geographic areas with regard to
their opportunities to access ICTs and their use
of the Internet for a wide variety of activities. It
is the gap between those who have real access
to information and communications technology
and who are able to use it effectively, and those
who don’t have such access (Bridges 2002). This
‘digital divide’ has implications on the relative
positioning of individuals as well as firms in
the banking industry and eventually influences
organizational structure of the industry.

ORGANIZATIONAL
STRUCTURE

Organization is a process of dividing work into
convenient tasks or duties, of grouping such du-
ties in the form of posts, of delegating authority
to each post, and of appointing qualified staff
to be responsible that the work is carried out as
planned (Hall, 1979) An organization coordi-
nates work through a structured hierarchy and
formal, standard operating procedures. This
structure reveals a clear-cut division of labour
where experts are employed and trained for
different functions and arranged in a pyramid
of rising authority and responsibility. Structural
characteristics of Organizations include:

i. Clear cut division of labor or
specialization

ii. Hierarchy (arrangement of specialists in
hierarchy of authority) with everyone be-
ing accountable to someone and authority
is limited to specific functions

iii. Explicit rules and procedures that limit
authority

iv. Impartial judgments based on rules

v. Technical qualifications and positions as
basis for recruitment and promotion

vi. Maximum organizational efficiency that
results in maximization of output with
limited resources

These structural principles (See Appendix
1 for more detailed discussion) have been dis-
cussed by various scholars. Lucey (1997) states
the main traditional principles of organization
as principles of correspondence, specialization
and division of work, unit of command, span
of control or span of supervision and scalar or
hierarchical principle. Adeshina (2001) also
identifies the structural principles of organiza-
tions as division of work, unity of direction,
centralization, authority and responsibility and
scalar chain.

Generally speaking, organizations are
arranged via line or functional structure or a
variant of the two. In the line organizational
structure, authority is embedded in the hier-
archical structure, and it flows in a direct line
from the top of managerial hierarchy down to
different levels of managers and subordinates
and to the operative level of workers (Chandan,
2004) The lines of authority and responsibility
are direct between the senior and subordinate
at each level within the organizational structure
(Hall, 1979). Organizational structure identifies
authority, responsibility and accountability at
each level and connects positions and tasks to
those below it. There is a clear unity of command
in this system. In a pure line set-up, all similar
activities are performed at any one level. Each
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