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

DOI: 10.4018/jeco.2009070103
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 communications 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 duties 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 coordinates 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 being 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 discussed 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 organizations 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 hierarchical 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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