



DIGITAL TRANSFORMATION AND STRATEGIC MANAGEMENT PRACTICES OF DEPOSIT MONEY BANKS IN RIVERS STATE

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Abstract

Article history:	Abstract:
Received: 8 th June 2024	<p><i>This study investigated the impact of digital transformation on the strategic management practices of deposit money banks in Rivers State, Nigeria. The problem of strategic management of deposit money banks not substantially undergoing changes to keep pace with technological advancement to optimize operational efficiencies and remain competitive in an increasingly digital market place necessitated this research in order to provide knowledgeable insight on the importance of incorporating digital transformation in their strategic decision making process. As a consequence, four research hypotheses were formulated. Using a sample of 170 employees from five major banks, the research examined the relationships between technological advancement, changing customer expectations, enhanced decision-making, and agile strategy development. Data was collected via structured questionnaire and analyzed using Pearson's Product-Moment Correlation Coefficient. The findings revealed that changing customer expectations significantly impact enhanced decision-making and agile strategy development, while technological advancement does not show a significant effect on these variables. The study highlights the importance of aligning strategic management practices with evolving customer expectations to achieve better decision-making and agility. Recommendations include investing in customer-focused digital strategies and fostering a culture of continuous improvement and flexibility within banks.</i></p>
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1.0 INTRODUCTION

Digital transformation is an influential trend reshaping various industries globally, and the banking sector in Nigeria is no exception. The adoption of digital technologies such as mobile banking, internet banking, block chain, and artificial intelligence (AI) is significantly altering how banks operate and deliver services. This shift is driven by the need to enhance customer experiences, optimize operational efficiencies, and remain competitive in an increasingly digital marketplace. In this context, strategic management practices within Nigerian deposit money banks are undergoing substantial changes to keep pace with these advancements. The integration of digital technologies into banking operations is transforming the strategic landscape for Nigerian banks. These technologies enable real-time data processing and decision-making, which are critical for modern banking functions. For instance, mobile banking and internet banking have become essential for providing convenient and accessible services to customers, while AI and big data analytics offer deep insights into customer behavior and market trends, informing more strategic decision-making processes (Akinbami & Aransiola, 2019).

Changing customer expectations are another major driver of digital transformation. Nigerian bank customers now demand faster, more personalized, and seamless banking experiences across digital platforms. The rise of fin tech companies and digital-only banks has set new benchmarks for customer service, compelling traditional banks to rethink and adapt their strategic approaches to meet these heightened expectations (Chukwuemeka & Agwu, 2020). This shift requires banks to not only adopt new technologies but also to cultivate a customer-centric culture that prioritizes digital engagement. Regulatory changes also play a crucial role in driving digital transformation. The Central Bank of Nigeria (CBN) has been actively promoting digital financial services to enhance financial inclusion and stability. Policies aimed at encouraging cashless transactions and digital banking solutions have pushed banks to innovate and integrate digital technologies into their strategic frameworks (Central Bank of Nigeria, 2021). These regulatory initiatives are designed to modernize the banking sector, making it more efficient and accessible to a broader population.

Moreover, the competitive pressure from fintech companies and digital-native banks has forced traditional Nigerian banks to accelerate their digital transformation efforts. These new entrants leverage advanced digital technologies to offer innovative and cost-effective banking solutions, posing a significant threat to the market share of established banks. As a result, strategic management within these banks must now focus on digital innovation and agility to stay competitive and relevant in the rapidly evolving financial landscape (GTBank, 2022).

The banking sector in Nigeria is currently facing a significant transformation driven by the rapid adoption of digital technologies. However, this transition is not without its challenges. Nigerian deposit money banks are struggling to fully integrate digital technologies into their strategic management practices due to several critical issues. These challenges include cultural resistance within organizations, cybersecurity threats, insufficient digital infrastructure, and a shortage of skilled personnel (Adewoye & Omoregie, 2018). Addressing these issues is essential for banks to remain competitive and meet the evolving expectations of their customers in a digital era. Cultural resistance is a major barrier to the successful implementation of digital transformation strategies. Many employees in traditional Nigerian banks are accustomed to legacy systems and processes. This resistance to change can hinder the adoption of new technologies and the reengineering of business processes required for digital transformation. Effective change management strategies, including comprehensive training and clear communication from leadership, are crucial to overcoming this resistance (Oluwaseun, 2019).

Cybersecurity is another significant concern. As banks adopt digital platforms and services, they become more vulnerable to cyberattacks. Nigerian banks have been targets of various cyber threats, including data breaches and financial fraud. Ensuring robust cybersecurity measures and developing a culture of security awareness among employees and customers is critical to safeguarding digital banking operations (Ejoro, 2020). The issue of insufficient digital infrastructure cannot be overlooked. Despite the advances in digital technology, many regions in Nigeria still suffer from poor internet connectivity and unreliable power supply. These infrastructural challenges impede the seamless operation of digital banking services and limit the reach of these services to rural and underserved areas. Investments in infrastructure improvements are necessary to support the widespread adoption of digital banking (Adeola & Evans, 2019). Furthermore, the shortage of skilled personnel in the areas of data science, artificial intelligence, and cybersecurity poses a significant challenge for Nigerian banks. The successful implementation of digital strategies requires a workforce proficient in modern digital technologies. However, there is a noticeable skills gap in the industry, which banks need to address through targeted recruitment, reskilling programs, and partnerships with educational institutions (Chukwu & Eke, 2020).

1.1 Purpose of the study

The main purpose of the study was to investigate the relationship between digital transformation and strategic decision making of deposit money banks in Rivers State.

1.2 Research Hypotheses

- H01 Technological advancement does not affect enhanced decision making in deposit money banks in Rivers state
- H02 Technological advancement does not affect agile strategy development in deposit money banks in Rivers state
- H03 Changing customer expectation does not affect enhanced decision making in deposit money banks in Rivers state
- H04 Changing customer expectation does not affect agile strategy development in deposit money banks in Rivers state

1.3 Significance of the study

The significance of the study will describe the fact that consideration of transformational technology focused on customer digital strategies in strategic decision making process of deposit money banks in Rivers State enhances operational efficiency and gaining competitive advantage.

1.4 Unit of Analysis

The research solicited information from respondents who occupied managerial positions in the studied five major money deposit banks in Rivers State.

REVIEW OF LITERATURE

2.0 Theoretical Framework

2.1 Agile Strategy Development

Agile strategy development is a responsive and iterative approach to strategic management that emphasizes flexibility, experimentation, and continuous learning (Teece, 2018). Traditional strategic planning processes often rely on long-term forecasts and rigid implementation plans, which can be ill-suited for dynamic and uncertain environments. Agile strategy development, on the other hand, enables organizations to adapt quickly to changing circumstances and seize emerging opportunities.

In agile strategy development, strategic goals and initiatives are broken down into smaller, more manageable components or "sprints." Cross-functional teams work collaboratively to develop and test hypotheses, experiment with new approaches, and iterate based on feedback (Teece, 2018). This iterative process allows organizations to learn quickly, pivot as needed, and course-correct based on real-time insights.

Moreover, agile strategy development fosters a culture of innovation and adaptability within the organization. By encouraging experimentation and empowering employees to take calculated risks, organizations can uncover new opportunities, identify potential threats, and stay ahead of the competition (Teece, 2018). Additionally, agile strategy development enables organizations to respond more effectively to external shocks, such as changes in market conditions or disruptive technologies, by enabling rapid adjustments to strategic priorities and resource allocation.

Enhanced decision-making capabilities and agile strategy development are essential components of effective strategic management practices. By leveraging data-driven insights and embracing a flexible and iterative approach to strategy development, organizations can adapt to changing environments, capitalize on emerging opportunities, and achieve sustainable competitive advantage.

2.1.1 Customer Expectations

In today's digital age, customer expectations are evolving rapidly, driven by the seamless experiences provided by digital-native companies such as Amazon, Google, and Uber. Customers expect convenience, personalization, and real-time interactions across all digital and physical touchpoints (Fitzgerald et al., 2013). As a result, businesses are under pressure to adapt their strategies and offerings to meet these heightened expectations.

Digital transformation enables organizations to better understand and anticipate customer needs through data analytics, AI, and machine learning. By leveraging customer data and insights, businesses can personalize marketing messages, tailor products and services, and optimize the overall customer journey (Fitzgerald et al., 2013). Additionally, digital channels such as mobile apps, social media, and e-commerce platforms provide new opportunities for customer engagement and interaction.

Digital transformation is a strategic imperative for organizations looking to thrive in today's digital economy. By embracing technological advancements and adapting to changing customer expectations, businesses can drive innovation, improve operational efficiency, and deliver exceptional experiences to customers.

2.1.2 Decision-Making Capabilities

Enhanced decision-making capabilities are a key outcome of effective strategic management practices. In today's complex and fast-paced business environment, organizations are inundated with data and faced with myriad decisions daily. Strategic management practices leverage data analytics, business intelligence tools, and strategic frameworks to enhance decision-making processes (Makadok, 2017).

By leveraging data-driven insights, organizations can make more informed and timely decisions, reducing uncertainty and improving outcomes. For example, predictive analytics can help forecast market trends, anticipate customer needs, and identify potential risks, enabling proactive decision-making (Makadok, 2017). Additionally, strategic management practices facilitate the alignment of decisions with organizational goals and objectives, ensuring that resources are allocated to initiatives that drive strategic value.

Furthermore, strategic management practices empower decision-makers to consider a range of factors, including market dynamics, competitive positioning, and organizational capabilities, in their decision-making process. This holistic approach enables organizations to assess trade-offs, evaluate alternative courses of action, and make decisions that are aligned with long-term strategic objectives (Makadok, 2017).

2.1.3 Concept of Digital Transformation

Digital transformation is a comprehensive process that involves the integration of digital technologies into all aspects of an organization's operations, culture, and business models to fundamentally change how it operates and delivers value to customers (Westerman et al., 2014). It goes beyond simply adopting new technologies; instead, it requires a strategic and holistic approach to leverage digital tools to improve efficiency, innovation, and customer experiences.

At its core, digital transformation entails reimagining traditional processes and embracing digital solutions to drive organizational growth and competitiveness. This may include digitizing manual processes, implementing data-driven decision-making, adopting cloud computing and artificial intelligence (AI), and enhancing digital channels for customer engagement (Westerman et al., 2014).

Digital transformation is driven by the recognition that digital technologies have the potential to revolutionize industries, disrupt traditional business models, and create new opportunities for innovation and growth. Organizations across various sectors, including banking, retail, healthcare, and manufacturing, are undergoing digital transformation to stay relevant in an increasingly digital and interconnected world.

2.1.4 Concept of Strategic Management Practices

Strategic management practices encompass the formulation, implementation, and monitoring of long-term goals and initiatives by an organization's top management to achieve sustainable competitive advantage and organizational success (David, 2017). It involves assessing the organization's internal and external environments, setting objectives, and developing strategies to allocate resources effectively and pursue opportunities while mitigating risks.

At its core, strategic management is about making choices that position the organization for success in the face of dynamic and uncertain environments. It requires a systematic approach to analyzing the competitive landscape, identifying key drivers of performance, and aligning the organization's resources and capabilities with its strategic goals (David, 2017).

Strategic management practices provide a framework for decision-making at all levels of the organization, guiding resource allocation, prioritization of initiatives, and performance evaluation. By fostering a clear sense of direction and purpose, strategic management practices help organizations adapt to changes in the market, seize emerging opportunities, and respond to competitive threats effectively.

2.1.5 The Technological Acceptance Model

The Technology Acceptance Model (TAM), developed by Davis in 1989, is a widely recognized theory that explains user acceptance and adoption of technology. At its core, TAM suggests that an individual's intention to use a new technology is influenced by two main factors: perceived usefulness and perceived ease of use (Davis, 1989). Perceived usefulness refers to the degree to which an individual believes that using a particular technology would enhance their job performance or productivity. On the other hand, perceived ease of use refers to the extent to which an individual perceives the technology as easy to use or learn.

In the context of organizational settings, TAM has been applied to understand and predict the acceptance of various information systems and technologies, including digital banking platforms in the banking sector. For example, research by Al-Qeisi, Dennis, and Hegazy (2014) applied TAM to investigate the factors influencing the adoption of internet banking services among customers in Jordanian banks. The study found that perceived usefulness and perceived ease of use significantly influenced customers' intention to adopt internet banking. Moreover, TAM has been instrumental in guiding the design and implementation of digital banking solutions to ensure user acceptance and adoption. Banks utilize insights from TAM to develop user-friendly interfaces, intuitive navigation systems, and personalized features that enhance the perceived usefulness and ease of use of their digital platforms (Suki & Suki, 2018). By focusing on these factors, banks can increase customer satisfaction, drive engagement, and ultimately, achieve higher adoption rates of their digital banking services.

Furthermore, TAM has implications for strategic management practices within banks, particularly in terms of decision-making related to technology investments and resource allocation. Banks that understand the importance of perceived usefulness and ease of use are better equipped to prioritize investments in technologies that align with customer needs and preferences. Strategic management teams can use TAM as a framework for evaluating the potential impact of new technologies on customer satisfaction and organizational performance, thereby guiding strategic decision-making processes (Al-Qeisi et al., 2014). The Technology Acceptance Model (TAM) provides valuable insights into the factors influencing the acceptance and adoption of technology, including digital banking platforms in the banking sector. By considering perceived usefulness and ease of use, banks can design and implement digital solutions that meet customer expectations and drive organizational success.

2.1.6 Technological Advancements

Technological advancements play a pivotal role in driving digital transformation. Innovations in areas such as artificial intelligence (AI), big data analytics, cloud computing, the Internet of Things (IoT), and blockchain have transformed how businesses operate and interact with customers (Bharadwaj et al., 2013). These technologies enable organizations to collect, analyze, and leverage vast amounts of data to gain insights, automate processes, and personalize customer experiences.

For example, AI-powered chatbots and virtual assistants are revolutionizing customer service by providing instant support and personalized recommendations. Big data analytics allows businesses to derive actionable insights from large datasets, informing strategic decision-making and enabling predictive analytics. Cloud computing provides scalable and cost-effective infrastructure for storing and processing data, facilitating collaboration and innovation (Bharadwaj et al., 2013).

2.1.6 Digital Transformation and Strategic Management Practices of Deposit Money Banks in Rivers State

Digital transformation is a critical driver of change in the banking industry, fundamentally altering how banks operate and deliver services. In the context of deposit money banks in Rivers State, Nigeria, digital transformation involves the integration of advanced digital technologies such as mobile banking, online banking platforms, data analytics, and artificial intelligence (AI) into traditional banking processes (Westerman et al., 2014). These technologies enable banks to improve operational efficiency, enhance customer experiences, and offer innovative financial products and services.

One of the primary impacts of digital transformation on strategic management practices is the enhancement of decision-making capabilities. With the advent of big data analytics and AI, banks can now process vast amounts of data to gain insights into customer behavior, market trends, and operational performance (Bharadwaj et al., 2013). This data-driven approach allows banks to make more informed and timely decisions, reducing uncertainty and enhancing strategic planning processes. For instance, predictive analytics can help banks forecast future financial trends and identify potential risks, enabling proactive decision-making and better resource allocation.

Additionally, digital transformation fosters agile strategy development, allowing banks to respond swiftly to changing market conditions and customer expectations. The dynamic nature of the digital landscape requires banks to be flexible and adaptable in their strategic planning. Agile strategy development involves iterative planning, continuous feedback, and rapid adjustment of strategies to meet emerging challenges and opportunities (Teece, 2018). This approach contrasts with traditional, rigid strategic planning methods, providing banks with the agility needed to stay competitive in a fast-paced environment.

Moreover, the rise of digital banking has significantly altered customer expectations. Customers now demand seamless, convenient, and personalized banking experiences across multiple digital channels (Fitzgerald et al., 2013). In response, banks in Rivers State are investing in digital platforms that offer 24/7 access to banking services, real-time transactions, and personalized financial advice. Meeting these expectations not only enhances customer satisfaction but also drives customer loyalty and retention.

Digital transformation is reshaping the strategic management practices of deposit money banks in Rivers State by enhancing decision-making capabilities and fostering agile strategy development. By embracing digital technologies and adapting to changing customer expectations, these banks can achieve sustainable growth and maintain a competitive edge in the digital age.

3.0 METHODOLOGY

3.1 Research Design

This study employs a quantitative research design to investigate the impact of digital transformation on strategic management practices in Nigerian deposit money banks,

3.1.1 Population for the study

The sampled population for the study was made up of a sample of 170 employees randomly selected from three branches of five major banks.

3.1.2 Sampling Method

The sampling methodology ensured a representative sample through stratified random sampling which prioritized ethical considerations by ensuring informed consent and confidentiality.

3.1.3 Data collection method

Data was collected via administered copies of structured questionnaire which included information on demographic information, digital transformation, and strategic management practices.

3.1.4 Data Analyses

The data collected was analyzed using Pearson's Product-Moment Correlation Coefficient to determine the relationship between the variables studied.

		Correlations			
		Technological_ Adv	Changing_cusctomer_Expect	Enhanced_Decision_making	Agile_strategy_dev
Technological_Adv	Pearson Correlation	1	.128	-.104	.040
	Sig. (2-tailed)		.097	.177	.607
	N	170	170	170	170
Changing_customer_Expect	Pearson Correlation	.128	1	.640**	.448**
	Sig. (2-tailed)	.097		.000	.000
	N	170	170	170	170
Enhanced_Decision_making	Pearson Correlation	-.104	.640**	1	.705**
	Sig. (2-tailed)	.177	.000		.000
	N	170	170	170	170
Agile_strategy_dev	Pearson Correlation	.040	.448**	.705**	1
	Sig. (2-tailed)	.607	.000	.000	
	N	170	170	170	170

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Spss 21

The table presents Pearson correlation coefficients, which measured the strength and direction of the linear relationships between technological advancement, changing customer expectations, enhanced decision-making, and agile strategy development in deposit money banks in Rivers State, Nigeria. The sample size for each variable pair is 170.

The correlation between technological advancement and changing customer expectations is positive ($r = 0.128$), but not statistically significant ($p = 0.097$). This suggested a weak, non-significant relationship, indicating that technological advancements are not strongly associated with changes in customer expectations in this context. The correlation between technological advancement and enhanced decision-making is negative ($r = -0.104$) and also not significant ($p = 0.177$), indicating a weak and non-significant inverse relationship. Lastly, the correlation between technological advancement and agile strategy development is very weak ($r = 0.040$) and not significant ($p = 0.607$), suggesting little to no relationship between these variables.

The correlation between changing customer expectations and enhanced decision-making is strong and positive ($r = 0.640^{**}$), and statistically significant at the 0.01 level ($p = 0.000$). This indicates that as customer expectations change, enhanced decision-making processes in the banks improve significantly. Similarly, changing customer expectations have a moderate, positive, and significant correlation with agile strategy development ($r = 0.448^{**}$, $p = 0.000$), suggesting that changes in customer expectations significantly contribute to the agility of strategic development processes.

Enhanced decision-making is strongly and positively correlated with agile strategy development ($r = 0.705^{**}$), with a statistically significant p-value (0.000). This strong relationship indicates that improvements in decision-making processes are closely associated with more agile and responsive strategy development practices in the banks.

4.0 SUMMARY OF FINDINGS

The correlation analysis reveals that while technological advancement does not have significant relationships with enhanced decision-making or agile strategy development in deposit money banks in Rivers State, changing customer expectations significantly impact both enhanced decision-making and agile strategy development. Enhanced decision-making and agile strategy development are also strongly correlated, indicating that improvements in decision-making processes lead to more agile strategy development in these banks. These findings suggest that adapting to customer expectations is crucial for improving strategic management practices in the banking sector.

5.0 CONCLUSION

This study concludes that digital transformation, particularly through changing customer expectations, plays a crucial role in shaping the strategic management practices of deposit money banks in Rivers State, Nigeria. While technological advancements alone do not significantly influence enhanced decision-making or agile strategy development, adapting to customer expectations is essential for improving these strategic processes. Enhanced decision-making is strongly linked to agile strategy development, indicating that effective decision-making processes are fundamental to developing responsive and flexible strategies in the banking sector. Therefore, banks must prioritize understanding and meeting customer needs to enhance their strategic management practices and maintain a competitive edge in the digital era.

5.1 Recommendations

1. **Technological advancement** Management of deposit money banks in Rivers State should be concerned with technological advancement that will enhance decisions on customer-focused digital strategies, prioritize investments in technologies that enhance customer experiences and meet evolving customer expectations. This includes developing user-friendly digital platforms, leveraging data analytics to understand customer behavior, and personalizing services to improve customer satisfaction and loyalty.
2. **Agile strategy development:** Management of deposit money banks in Rivers State should adapt the use of technological advancement to enhance decisions on agile strategy development making process to enhance customer expectations and improve market conditions.
3. **Customer Expectations;** Management of money deposit banks needs to invest in technology advancement to enhance decision making that will satisfy customer expectations and enhance operational efficiency.
4. **Utilize Data-Driven Decision Making:** Implementing data analytics and business intelligence tools can enhance agile strategy development involving customer expectation.

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