



Effect of Capability Management Strategies on Organizational Effectiveness of Money Deposit Banks in Delta State

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Abstract

The study examines the effect of capability management strategies (knowledge management capabilities and technological capabilities) on organizational effectiveness in selected banks in Delta State, Nigeria. The study adopted the descriptive survey research. The population of the study consists of two hundred (200) employees of Zenith Bank, Access Bank and First Bank. The sample size of one hundred (100) was obtained using Taro Yamani sample size formula. A simple random sampling technique was used. A structured questionnaire was used in data collection, while multiple regression was used in testing hypotheses. Findings revealed that knowledge management capabilities has positive and significant effect on organizational effectiveness with ($\beta = 0.316, p = 0.000 < 0.05$), while technological capabilities has positive and significant effect on organizational effectiveness with ($\beta = 0.478, p = 0.000 < 0.05$). The study concludes that knowledge management capabilities and technological capabilities leads to organizational effectiveness. The study recommends that banks should adopt knowledge management competencies and technological competencies through training from experts.

Keyword: Knowledge capabilities, Technological capabilities, Organizational capabilities, Organizational effectiveness

I. Introduction

The present day business environment is characterized by a high degree of uncertainty, and organizational managers face increasingly dynamic, complex and unpredictable environment, where technology, globalization, knowledge and changing

competitive approaches impact on overall firm performance. Thus, Okwemba, (2019) observes that due to this complex and changing environment, managers in both small and large firms are ever in the process of seeking new ways of conducting business to create wealth and increase shareholders' value.

Employment of organizational capabilities effectively leads to organizational performance (Okwemba, 2019). Building capabilities through capability management strategies (CMS) enables the business to stand out from the competition and satisfy customers. They are very important, especially in dynamic business environment with volatile markets and the environmental uncertainties. The capacity for change, harness and develop new organizational capabilities to counter and control the dynamic business environment form the basis for sustainable competitive advantage for firms (Okwemba, 2019). The capabilities allow the managers to cost effectively exploit the available opportunities in the market and to neutralize the external environmental risks. Similarly, the firm capabilities enable the firm to readjust its competencies to adapt to the environmental changes (Teece, Pisano & Shuen, 2017). CMS encompass a range of organizational capabilities, including information, communications, and technology capabilities; innovative capabilities; leadership skills; human capabilities; and reputational capabilities (Kamaku, Ndegwa, Kamau & Mbugua, 2021).

Organizational effectiveness (OE) encompasses three specific areas of organizational outcomes: financial performance, employee performance and market performance. Organizations should institute both financial and non-financial performance metrics to have a holistic approach to performance measurements, besides considering



structural relations (Kamaku et al, 2021). The peculiarity of the Nigerian context, which is characterized by several underdeveloped organizations (Iyayi, 2002) has necessitated the examination of issues relating to CMS. Thus, this study explored the relationship between organizational effectiveness and capability management strategies in selected banks in Delta State, Nigeria.

II. Literature Review

Capability Management Strategies

A basic assumption of the 'capability view' is that companies have ways of doing things and dealing with organizational problems that show strong elements of continuity (Dosi, Faillo & Marengo, 2003). Companies exhibit heterogeneity and use distinct organizational practices despite sharing a common industry and producing comparable products. Firm-specific ways of acting are based on CMS that have been gradually accumulated and shaped within firms. CMS enable firms to deal effectively in a firm-specific way with key organizational problems (Dosi, Nelson & Winter, 2000).

CMS are identified with the know-how of a firm of performing particular problem-specific activities (Dosi et al, 2000). Core capacities are comprised of proprietary knowledge that is exclusive to a given company and better than that of its primary rivals. It is generally acknowledged that the development of a small number of core capacities is what determines a firm's competitiveness. Businesses that succeed in only a few capability clusters are able to maintain their competitive advantage (Dosi et al., 2003).

Knowledge Management capabilities

Knowledge management (KM) is the process of developing, transferring, transmitting, storing, identifying, acquisition, and implementing knowledge in an organization (Okwemba, 2019). Darroch and McNaughton (2013) suggest that KM is a process that creates or locates knowledge and manages the sharing, dissemination and use of knowledge in the organization. Knowledge is acknowledged as a vital resource for businesses in the modern business environment, which supports the necessity of procedures that enable the production, sharing, and use of both individual and group knowledge. The degree of firm performance is influenced by the ability to articulate knowledge and procedures (Okwemba, 2019). Vaccaro, Parente, and Veloso (2010) stress that a company's expertise, experience, and knowledge can lead to better

performance if they are used to provide value in a productive way.

Cao, Duan, and Cadden (2019), reiterate that the superior firm performance is associated with capability-based advantages that are derived from superior access to and integration of knowledge. KM capabilities enhances dynamic capability leading to increase in organization performance. According to Tseng & Lee (2014), a company's performance is improved by good knowledge management when it comes to innovation, teamwork, launching new products, and adapting to challenges and shifts in the market. Superior performance is achieved through innovation, which is based on knowledge and knowledge development. Individual generated knowledge especially by employees may be shared within the organization's context to become institutionalized as organizations artifacts, which may steer the organization into elevated levels of performance (Protogerou, Caloghirou, & Lioukas, 2011). According to Tseng and Lee (2014), dynamic capabilities are a crucial organizational intermediate mechanism that translates the advantages of knowledge capabilities into performance consequences.

KM is a system for generating intelligence, disseminating intelligence and responding to intelligence. Organizations are realizing how important it is to know who knows what and to be able to make maximum use of knowledge. The creation, transfer, transmission, storing, identification, acquisition, and use of knowledge within an organization is known as KM (Gholami, Asli, Nazari-Shirkouhi & Noruzy, 2013). KM is viewed as a strategic organizational asset (Bollinger & Smith, 2005). Darroch and McNaughton (2013) suggest that KM is a process that creates or locates knowledge and manages the sharing, dissemination and use of organizational knowledge. The contemporary corporate environment has recognized knowledge as a critical resource for organizations, which validates the necessity of systems that enable knowledge generation, transfer, and utilization on both an individual and group level. KM capabilities were measured by the accumulation of knowledge, knowledge protection and knowledge leverage.

Technological Capabilities

Technological capabilities (TC) have been an integral strategic resources used by organizations to achieve competitive advantage in the industry over the past era (Ahmad, Lazim, Shamsuddin, Wahab, & Seman (2019). Additionally, companies with greater technological expertise seem to operate at peak efficiency and exhibit greater creativity and



innovation. By developing process innovations, they increase efficiency significantly (Terjesen, Patel, & Covin, 2011), and pursue a high differentiation strategy by developing products that adapt to the changing needs of the market. Terjesen et al. (2011) describe TC as the capacity to carry out any pertinent technical function or volume operation within the company, including the creation of new goods and processes and the efficient operation of facilities.

Porter and Millar (1985) note that the ability of an organization to employ and develop a high technology for its product goes a long way in determining the strategic position to adopt whether it is that of the differentiation position or the cost leadership position. Furthermore, he contends that an organization's capacity to drive and sustain technological advancement in the sector will ultimately provide it a legitimate competitive edge over rivals. The organization's ability to control its TC should be a step in the right direction toward gaining a competitive advantage over rivals. For example, a business that implements the cost leadership strategy may benefit from a positive and enjoyable relationship between performance and the adopted strategy provided it possesses substantial TC. This suggests that the company's economies of scale will be improved by using technology to effectively create more goods at the lowest possible cost (Obembe, Ojo & Ilori, 2014). Accordingly, a higher TC aid in gaining a competitive edge when implementing the differentiation strategy by enhancing the product's quality, adding new features and values, and enhancing the organization's economies of scale (Jerab & Mabrouk, 2023).

Organizational Effectiveness

Organizational effectiveness (OE) is when a firm realizes proper coordination through effective communication, scheduling and task management (Protogerou, Caloghirou & Lioukas, 2011). Theodosiou, Kehagias and Katsikea (2012) also argues that OE can be realized through proper

coordination of tasks that increase the efficiency and effectiveness of firm performance. Vaccaro Parente and Veloso (2010) worked at OE as regards cost and profitability, while Wu and Lin (2009) looked at OE as regards improving coordination efforts. Almulhim, Almubarak, and Aljabr (2023) argued that firm performance is based on three dimensions: effectiveness (success of procedures such as changes of sales growth and market share), efficiency (ratio of input to output such as investment return and pre-tax profit), adaptability (responsiveness to opportunities afforded by changes in the business environment, for example, number of new products that succeed during particular time).

Okwemba, (2019) argued that organizational effectiveness outcomes result from market successes or when market positions are achieved and fundamental changes occur over time. Tran and Tian (2013) identified three factors that determine organizational effectiveness: environmental-characteristic of industry, average profit and technological change, organizational factors-organization structure, company structure and company size, human factor-which includes firm chairman and management.

Ganeshkumar and Nambirajan (2013) organizational effectiveness can be measured by the following factors: Market share, Sales growth, Profit margin, Overall product quality, Overall competitive position, Average selling price, Return on investment and the Return on sales. The approach in measuring firm performance can be divided into two categories, which are financial measures and non-financial measures. Alternative, firm performance can be measured by financial measures and strategic measures. Non-financial measures include aspects such as customer satisfaction, employee satisfaction, environmental performance, social performance, efficiency, effectiveness and relevance. The conceptual framework for the investigation is shown in Figure 1.

Independent Variables

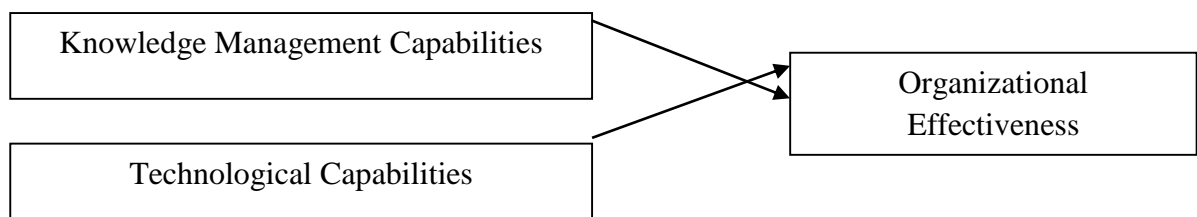


Figure 1: Conceptual Framework

Source: Researcher's model



Theoretical Review

Penrose (1959) coined resource Based View of the Firm Theory. RBV regards the firm as a bundle of resources and capabilities that are heterogeneously distributed across firms that persist over time (Ambrosine & Bowman, 2009). Researchers suggest that when a firm has resources, which are valuable, rare, inimitable and non-substitutable, they can use them to implement value creation strategies that provide a sustainable competitive advantage (Dahir & Paul, 2019). RBV originates in the strategy literature, which provides a useful framework for examining the development of management. This can be achieved by having critical resources that are firm specific, valuable to customers, non –substitutable and difficult to imitate (Rugman & Verbeke, 2002).

RBV theory was employed with a major focus on how firm's resources and knowledge development affects performance (Kanyabi & Devi, 2012). It assumes that organization to achieve competitive advantage; it has to develop its resources. RBV emphasized resources and capabilities as the origin of competitive advantage. The RBV approach sees firms with superior system and structures being profitable not because they engage in strategic investments but because they have markedly lower cost to offer. It focuses on the rents according to the owners of scarce firm-specific resources rather than the economic profits from market positioning. It puts vertical integration and diversification into a new strategic light (Ambrosine & Bowman, 2009). Firms also require complementary capabilities to be able to deploy available resources to match market conditions to drive firm performance (Teece et al, 2017). This theory was deemed relevant to this study since it informed the dependent variable, which is organizational effectiveness. The theory sought to explain organizational effectiveness from effective employment of organizational resources.

Empirical Review

Mwashuiya and Mbamba (2019) studied the relationship between information communication technology (ICT) adoption in microfinance institutions (MFI) and access to financial services in Tanzania. The research adopted a cross-sectional survey design with questionnaires employed in data collection. The study relied on exploratory factor analysis and regression analysis. The path analysis indicated that increased ICT adoption within the firms was positively related to access to financial services within the MFI. The study showed that increased electronic delivery channels increased service reach, efficiency in service provision and

geographical coverage. The research does not examine how technology usage affects MFI performance, which was considered within this research. Njihia (2019) examined the perceived information technology integration and MFI performance in Kenya. It was limited to microfinance banks regulated by the Central bank, and questionnaires were applied in the data collection. Findings revealed that integration of information technology significantly led to better MFI performance. Thus, enhancing the use of information technology in finance, marketing and human resource department improved institutional efficiency and market share. The findings also indicated that improved skills to effectively use IT resources and availability of effective IT solutions were vital to MFI market share, efficiency and increased profitability. The study was limited to microfinance banks while this research reviews performance of all MFIs in Kenya.

Mwai (2019) conducted a study on the effect of technological, financial innovations on the financial performance of microfinance institutions in Kenya. The study relied on both primary and secondary data sources with panel data extracted for the period 2014-2018. The study applied regression analysis, and findings showed that technological, financial innovation significantly influenced the financial performance of the firms. The study showed a strong link between financial innovation and the liquidity and firm size of MFI, while there was a weak effect on return on assets and a negative effect on credit risk. The study focuses on the financial performance of the firm while this research reviews organization capabilities and MFI performance measured by non-financial indicators. Chengecha (2016) also aimed to ascertain how Kenyan banking industry firms generate, handle, and disseminate knowledge, as well as if knowledge management capability is associated with firms' competitiveness. This study used descriptive survey design. The study's population comprised all of Kenya's commercial banks. Primary data from questionnaires were used in the study. The survey found that most Kenyan banks have a strong knowledge base and that their use of technology helps them to improve their client relations to a considerable degree.

Onyango (2016) study sought to examine the influence of KM capabilities on performance of international humanitarian organizations in Kenya. The study employed a descriptive survey design. There was no sampling in this study since there are



not many international humanitarian organizations in Kenya; therefore, this study adopted a census approach since the population was not large. Primary data was sought from management using a self-administered semi structured questionnaire. The study then concluded that KM capabilities affect the performance of international humanitarian organizations in Kenya. Obembe, Ojo, and Ilori (2014) assessed how TC and innovations affected the performance of furniture-making companies in southwest Nigeria. The random sampling method was used from the furniture makers. Primary data was obtained using structured and unstructured questionnaires. Three hundred and sixty (360) questionnaires were administered to the furniture makers. The outcome demonstrated that TC and innovations had a favorable effect on the firms' performance with regard to new furniture products.

Mararo (2013) studied how Kenyan insurance businesses used knowledge management techniques as a competitive advantage. Descriptive statistics technique was used to analyze the quantitative data. Coding was done in SPSS, analyzed thematic technique was applied in analysis of qualitative data. KM techniques significantly and favorably impact competitive advantage, according to the study. Another study was conducted by Zawislak, Cherubini Alves, Tello-Gamarra, Barbieux and Reichert (2012) investigated the relationship between investments in technological capability and economic performance in Brazilian firms. The study analyzed 133 Brazilian industrial firms that were listed in the major national stock market between 2008 and 2010. The study collected secondary data through these companies' annual reports and profit and loss statements, their websites. The relationship between investments in technological capability and firm performance was found to be positive and significant.

From these empirical reviews, the study proposes that:

- H1: Knowledge management capabilities do not significantly affect the organizational effectiveness.
- H2: Technological capabilities have no significant effect on the organizational effectiveness.

III. Methods

The descriptive survey design was adopted in the study in which the population consisted of two hundred (200) employees drawn from three selected

banks (Zenith Bank, Access Bank and First Bank), in Delta State, Nigeria. Taro Yamani formula yielded a sample size of 100, and participants were selected using the simple random sampling technique.

Measurement of Variables:

A structured questionnaire was used to assess the variables in this study. Items in the questionnaire were adopted from Okwemba, (2019). Ten items measured knowledge management capabilities and a sample item was 'In my organization knowledge is shared across units'. On the other hand, nine items measured technological capabilities and a sample item was 'Adoption of technology has cultivated organizational capabilities that enable our firm to outperform its competitors'. Furthermore, ten items measured organizational effectiveness and a sample item was 'Coordination of tasks has increased the effectiveness in work deliveries'. Respondents were to answer using a five point likert scale ranging from strongly agree to strongly disagree. Finally, background information (such as gender, age, marital status, and work experience) of the respondents were also measured.

Model Specification

The following model guided the study.

$$\text{ORGEF} = f(\text{OC}) \quad 1$$

$$\text{ORGEF} = \beta_0 + \beta_1\text{KMC} + \beta_2\text{TC} + \mu \quad 2$$

Where, ORGEF = Organizational effectiveness; OC = Organizational capabilities; KMC = Knowledge management capabilities; TC = Technological capabilities; β_1 , β_2 = Regression coefficients; β_0 = Constant terms; μ = Error term

IV. Results

Demographic Profile of Respondents

Table 1 shows that 40 of the respondents representing 40% of the sample were males while 60 being 60% were females. The age bracket of the respondents show that 20 of the respondents being 20% were below 30 years; 40 of the respondents representing 40% falls within the age bracket of 31-40 years; lastly, 20 of the respondents representing 20% were above 41 years. The marital status of the respondents indicate that 40 of the respondents were single (40%), while 60 of the respondents being 60% were married. On work experience, 30 (30%) of the respondents have below 5 years work experience; 50 (50%) of the respondents have 6-10years work experience; while 20 (20%) of the respondents have above 11 years work experience.



Table 1: Demographic of Respondent Profile

Characteristics of the Respondents		Frequency		Percentage (%)	
Gender:	Male				
	Female	40	60	40	60
		100		100	
Age:	Below 30		20	20	40
	31-40		40	20	100
	40	Above			
		Total	20	100	
Marital Status:	Single		40		40
	Married	60	100	60	100
	Total				
Work Experience:	1-5 years	30	50		30
	6-10 years	20	100		50
	Above 11 years				20
	Total				100

Source: Field Survey, 2024

Descriptive Statistics of capability management strategies on organizational effectiveness

From the Table 2, knowledge management capabilities have the mean of 4.630 and standard deviation of 1.7676. Technological capabilities have mean of 3.940 and standard deviation of 1.5816. Finally, organizational effectiveness has mean of 3.300 and standard deviation of 2.0962. Furthermore,

Cronbach alpha was used to test for the reliability coefficient. A reliability coefficient of 0.7 and above, are high and is acceptable while a reliability coefficient 0.6 and below shows poor reliability (Olannye, 2017). As shown in Table 2, Cronbach alpha coefficient (α) range from 0.745 to 0.831, which exceeded the cut-off criteria recommended by Olannye, 2017).

Table 2: Descriptive Statistics of capability management strategies on organizational effectiveness

Variables	Mean	Standard Deviation	α	N
Knowledge management capabilities	4.631	1.765	0.745	100
Technological capabilities	3.946	1.582	0.831	100
Organizational effectiveness	3.372	1.096	0.783	100

Correlation Matrix

The result in Table 3 shows that the study variables indicate an overwhelming positive correlation ranging from (0.242 to 0.478). This implying that, there is a significant positive association between the variables of effective capability management strategies and organizational effectiveness.

Table 3: Correlation matrix of capability management strategies on organizational effectiveness
Correlations

		Knowledge management capabilities	Technological capabilities	Organizational effectiveness
Knowledge management capabilities	Pearson Correlation	1	.322**	.242**
	Sig. (2-tailed)		.000	.000
	N	100	100	100
Technological capabilities	Pearson Correlation	.322**	1	.478**
	Sig. (2-tailed)	.000		.000
	N	100	100	100
Organizational effectiveness	Pearson Correlation	.242**	.478**	1



	Sig. (2-tailed)	.000	.000	
	N	100	100	100

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

Hypotheses Testing and Discussion

Multiple regression analysis was used in testing the proposed hypotheses. As shown in Table 4, the F-ratio in the ANOVA Table assessed weather the overall regression model is a good fit for the data. Table 4 shows that the independent variables

(technological capabilities, knowledge management capabilities) significantly predict the dependent variable (organizational effectiveness), since $F(2, 99) = 14.364, p < 0.05$. Thus, the regression model is good for the data.

Table 4: ANOVA Analysis of Coefficients ^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	99.392	2	49.696	14.364	.000 ^b
Residual	335.608	97	3.460		
Total	435.000	99			

a. Dependent Variable: organizational effectiveness

b. Predictors: (Constant), technological capabilities, knowledge management capabilities

From Table 5, the Adjusted R-Squared reported 0.213 (21.3%) of the change in organizational effectiveness is explained by knowledge management capabilities and technological capabilities.

Table 5: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.478 ^a	.228	.213	1.8601

a. Predictors: (Constant), technological capabilities, knowledge management capabilities

Table 5 shows the extent to which knowledge management capabilities positively affects organizational effectiveness (H1). Given that $\beta = 0.316, p < 0.05$, therefore the null hypothesis (H1) rejected and the alternate hypothesis which states that knowledge management capabilities have a positive and significant effect on organizational effectiveness is accepted. This indicates that a unit increase in knowledge management capabilities will lead to 31.6% increase in organizational effectiveness. This finding is in agreement with that of Chengecha (2016); Onyango (2016); and Marara (2013) who showed that knowledge capabilities have a positive influence on the effectiveness of a firm.

Table 5 shows the extent to which technological capabilities positively affects organizational effectiveness (H2). Given that $\beta =$

0.478, $p < 0.05$, therefore the null hypothesis (H2) rejected and the alternate hypothesis which states that technological capabilities have a positive and significant effect on organizational effectiveness is accepted. This indicates that a unit increase in technological capabilities will lead to 47.8% increase in organizational effectiveness. These findings concur with various other findings by previous scholars who investigated the effect of technological capabilities on performance in different firms and found a positive and significant relationship between technological capabilities and firms performance (Mwashiuya & Mbamba, 2019; Njihia, 2019; Obembe et al, 2014; and Zawislak et al, 2012). The study found that firms that had adopted new technologies had been able to outperform their competitors.

Table 5: Multiple Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		



1	(Constant)	6.877	2.635		2.610	0.859
	knowledge management capabilities	0.442	0.106	0.316	1.178	0.000
	technological capabilities	0.634	0.118	0.478	5.360	0.000

a. Dependent Variable: Organizational effectiveness

V. Conclusion

The study concludes that the organization gives orientation towards the development, transfer and protection of strategic knowledge. It also explicitly identifies strategic knowledge as a key element in our planning and acquires the knowledge from external sources for developing new products. It was concluded that adoption of technology leads to the development of new services, new functions, and formation of new alliances, which in turn helps the organization to be more effective.

VI. Recommendations

The study makes the following recommendations:

1. Banks should strive and adopt new technologies by arranging for trainings from their experts.
2. Banks should support knowledge capabilities acquisition to employees through on the job trainings, mentorship programs, coaching, attending workshops and supporting them.

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