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## EMOTIONAL INTELLIGENCE AND SUCCESSFUL CHANGE MANAGEMENT IN THE NIGERIAN BANKING INDUSTRY

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### ABSTRACT

*Successful organizational change requires a supportive culture and competence development driven by exceptional leadership that can influence business strategy in allocating financial, human and material resources, processes and systems that focus on collaborative imperatives. Change management is the lubricant that oils the wheels of organizations in the race for competitive advantage. Many organizational change efforts face resistance mainly because of the method of implementation. Change Management involves the ability to communicate, influence, collaborate and work in harmony with colleagues. Emotional intelligence competencies allow organizational members to acknowledge the need for change, remove barriers, and enlist others in pursuit of new initiatives aimed at organizational success. Beginning in the late 1990s, banks in Nigeria embarked on change management through BPR that involved emotional intelligence competencies which saw the banking industry's shareholders' funds rising from minus N792m in 1996 to N1,935bn in 2011. The survey research design was used for the study, and data were analyzed to demonstrate the relationship between emotional intelligence and successful change management. It was found that EI has strong positive relationship with successful change management in the Nigerian banking industry.*



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**Keywords:** *Leadership, Change catalyst, Business process reengineering, Emotional competencies, Successful change management*

## 1. INTRODUCTION

An organization is an open system and it depends on the environment in which it operates for growth and survival. For example, for a bank to achieve its objectives, it will be affected by the economy, labour, technology, culture, competition, laws, including international factors that put banks around the world in a state of continuous change. Between 1986 and 1996, the Nigerian banking industry experienced more changes than it did in the first 90 years of banking in the country.

According to Muo (1999) the changes were complex and they were continuous. He posits that the structural changes were interrelated with the Structural Adjustment Programme (SAP) introduced by the Babangida administration in 1986.

SAP was anchored on the enthronement of market forces, export promotion and self-reliance, public sector efficiency, and increased private sector participation, realistic exchange rate and cost consciousness, all to be achieved through deregulation, privatization, commercialization, liberalization, and subsidy removal. This brought about the liberalization of bank licensing, leading to almost 300 percent increase in the number of banks within five years.

The banking boom soon gave way to banking doom. Consequently, distress crept into the Nigerian banking industry. By 1999, many banks failed, some were distressed and others taken over by the regulatory authorities. The scenario made change in the Nigerian banking industry more urgent than ever before. As at 1996, 47 out of the 115 banks in Nigeria were distressed, while 3 were potentially distressed.

The liquidity ratios of banks were 0.49 percent against the prescribed prudential minimum of 30 percent in 1996. The liquidity ratio of the distressed banks was minus 120 percent, indicating that depositors funds of N38,061,592, were in jeopardy. In the same period, adjusted shareholders' funds decreased from negative N8,791.1m in 1995 to negative N791.2m in 1996 (NDIC, 1996).

By this time, the Nigerian banking industry was not short of leaders, but possibly short of core banking professionals and change catalysts, whose leadership



role was necessary for bank profitability. Leadership plays key roles in organizational change process because it is linked to efficiency, to creating a vision of what the organization wants to be, galvanizing support and getting people to share the vision and enthusiasm, initiatives and mission (MORRELL et al., 2004; MUO, 1999; AGBATO, 1990).

According to Olasinde (2016) the banking industry is the oil that greases the wealth of the economy, by providing financial resources needed for the production of goods and services. And for it to play its role successfully there must be core professionals in the industry and other financial institutions because they are all in the process of financial intermediation.

Change catalyst, leadership, empathy are among emotional intelligence factors recognized to have profound positive relationship with successful organizational change management. Salovey and Mayer (1990) describe the term emotional intelligence (EI) as the ability to perceive and express emotions, assimilate emotions in thought, understand and reason with emotions, and regulate emotions in the self and others.

In another proposal, Goleman (1995) suggests that emotional intelligence involves four key competencies of self awareness, self-management, social-awareness and relationship management; and that these together with other competencies are critical for workplace excellence. Goleman (1995) hypothesizes that emotional intelligence can be as “powerful and at times more powerful”, than intelligence quotient, (IQ) in predicting success at a variety of life tasks.

The term emotional quotient (EQ) first coined by Bar-On (1997) as a counterpart to IQ was concerned with cognitive ability. He thought of EQ as representative of a set of social and emotional skills and abilities that help individuals to cope with the demands of daily life. On the other hand, Goleman (1998) sees emotional intelligence as a bundle of skills and competencies that distinguish star performers from average ones in the work arena.

He makes a distinction between emotional intelligence and emotional competence. According to him, emotional intelligence provides the bedrock for the development of a large number of competencies that help people perform more effectively. Different instruments have been used by the major contributors to the

emotional intelligence theory to compare the effect of emotional intelligence and intelligent quotient to work excellence.

For example, early studies of the correlation between IQ and EI show a range from 0 to .36. Goleman (1998) insists that IQ will be more “powerful predictor” than EI in terms of career choice because it sorts people out before they embark on a career, determining which fields or profession they enter, but within a job or profession, and to know which individuals rise to the top and which plateau or fail, EI provides the greatest influence.

For example, in Boyatzis’s (1982) classic study of more than two thousand supervisors, middle-managers, and executives at twelve organizations, all but two of the sixteen competencies; such as: emotional self-awareness, accurate self-assessment, self-confidence, self-control, visionary leadership; among others; that distinguish between high and low performers were emotional intelligence competencies.

This work validates Goleman’s (1995) view, suggesting also that an underlying emotional intelligence ability is necessary to changing value systems, as well as rapid technological advancement through the information super-high way. Those who will contribute to organizational excellence are individuals who are change agents, adaptable, flexible, creative, resilient, self-reliant, service-oriented, sensitive, optimistic, compassionate, team champions, and self-motivated. Relationship management is key to organizational change.

Ability to collaborate with bosses, peers, subordinates and the environment is an important competence for organizational change. Goleman and Cherniss (2001) did a sample study of 515 managers from Japan, Germany, and Latin America, and discovered that EI alone accounted for 74 percent of performance success, and 24 percent for failure in organizational performance. Change is an inherent aspect of human existence.

Great social and technological feasts have been achieved all through history as a result of innovative efforts driven by the constant desire for something better. Technological discoveries and inventions such as the wheel, electricity, penicillin, telephones, the internal combustion engine, radio, and television broadcasting,

aeroplanes, the computer, the internet, etc are all products of innovation, which have had a fundamental impact on human existence.

Also, concepts such as democracy, the rule of law, human rights, limited liability companies, etc are the products of important economic changes that visionary leaders brought about that have created permanent change. Guest (1964) believes that successful leadership is critical to organizational change. Among the major objectives of innovation is to bring about change by fostering an organizational culture that enables harnessing innovative efforts within the organization in such a manner that ensures that they deliver the expected results.

Change sometimes refers to external changes in technology, customers, competitions, market structures, or the social and political environments. Change also refers to internal changes involving how an organization adapts to changes in the environments. The concern is whether these internal changes in practices, views and strategies will match the external changes, and frequently, it is the concerns over the quantum and pace of internal changes that lead organizations to embark on change programmes.

Exceptional product quality and change takes a supportive organizational culture, competence development and focused action to happen. It is driven by leadership, a collaborative environment, a continuous learning process that allows people to experiment with new ideas.

Emotionally intelligent organizations are able to leverage the talent of their members to meet challenges more effectively because it is easier to create virtual teams when team members are able to focus on solving problems, creating new ideas, serving customers and adapting to change management in the work environment.

Organizations are concerned about change because it is capable of creating opportunities and threats. The consequences of change may present viable business opportunities. According to Akanwa and Agu (2005) change can also render current business practices, products or services obsolete and consequently increase business and risks.

The phenomenon of change is seen as a common feature of business organizations and new ideas are considered strategic in responding to major



changes. They posit that the presence of new skill or lack of it makes a major difference in the management process. In the business world, change in tastes and preferences of customers is common. The trends and choices of today easily become obsolete and outdated.

The phenomenon of change itself and its dynamism are complex and cannot be fully estimated. Globalization has integrated Nigeria into the one large world economy, and many organizations are changing so as to have a competitive edge. Among the organizations in the forefront of the change process is the banking industry.

The banking industry in Nigeria is credited with successful reengineering efforts to meet the needs of customers in the 21<sup>st</sup> century banking environment. Among the processes reengineered in the banking sector include credit transfers, withdrawal and deposit operations, credit appraisal and interbank operations. Business Process Reengineering (BPR) project in the banking industry has greatly facilitated expansion in their information and communication technology (ICT) capacity through on-line computerization.

This change process has given rise to the current banking buzzwords as online real-time system, networking, electronic cash transfers, internet banking, among others. Compared to what was obtainable in the 1990s, it is important to state that BPR and the corresponding human skills, capabilities and competencies have revolutionized the banking sector in Nigeria with radical improvements in customer service delivery, overall profitability, size of customer deposits, loan asset quality, costs and capital base.

According to Hammer (1990) BPR is a fundamental rethinking and radical redesigning of business processes to bring about dramatic changes in performance. It is a radical breakaway from the outdated rules, traditions and foundations underlying business operations. (HAMMER; CHAMPY, 1993; HAMMER; STATON, 1995; POVEY 1996; GOLEMAN, et al, 2000).

Change enhances productivity or the productive potential of economic, human and material resources. In recent history, great attention has been paid to change management in the Nigerian banking industry, because of the distress experience in the industry in the late 1980s through 2010.



### **1.1. Statement of the problem**

Since the advent of banking in Nigeria over 120 years ago, the industry has been battling with the issues of bank failures and currently with how to manage change so as to remain competitive and productive in a constantly changing global environment.

Service productivity is more problematic than manufacturing productivity, and in many situations more difficult to measure and hard to manage because it involves intellectual activities and a high degree of variability because service provision particularly in the banking industry has become largely important in the economy. Nigerian banks beginning from the late 1990s and the early 2000s ventured into strategic changes including computerization of operations, through BPR.

This was based on the theory that much productivity gains in the developed world have come from technological improvements. There is also the commonly held view that knowledge workers are the main determinants of productivity. According to that approach, the route to productivity gains involves getting employees to think and work better. Most of the banks that engaged in BPR started to lay off employees as a change management process. But this posed more challenges in terms of turnover and its adverse effects on productivity.

According to Bogue, et al (1999) chief executive officers (CEOs) in unsuccessful reengineering applications where those more involved in reductions of managers and employees and less engaged in activities surrounding business changes (BARLETT; GHOSHAL, 1995), Layoffs often affect productivity, the effect can be positive and negative. Initially, productivity may increase after layoffs, the workload remains the same but fewer workers do the work.

However as time goes by, the remaining workers may experience an increased risk of 'burnout' and they may fear additional job cuts and the most capable workers may decide to leave (MARGRETTA, 1998; ROACH, 1998; STALK, et al, 1992).

Obviously the unsuccessful CEOs might have been oblivious of the caution. Today, banks in Nigeria still have the challenges of high cost of doing business, characterized by high administrative and contract costs, poor service delivery, with



malfunctioning automatic teller machines (ATMs). These suggest that the challenges in the banking industry include how to manage change for competitive advantage in the years ahead. (DAVENPORT, 1993; HAMMER, 1996; 1993; 1999; ROHLER; SILVER, 1997; OVIA, 2003; DRUCKER, 1998; 1999; ROACH, 1998)

## **1.2. Objective of the study**

The study was designed to evaluate the relationship of emotional intelligence and change management in the Nigerian banking industry.

## **1.3. Delimitation**

The study was delimited to banks in Nigeria.

## **1.4. Significance of the study**

The study will be useful to students, banks, the regulatory authorities, academics and the general public interested in the areas of emotional intelligence change management in the banking industry.

## **1.5. Limitations of the study**

The study was limited by lack of research grant, distance within Nigeria because of its vast nature, and lack of relevant literature in the areas of interest. However, these constraints did not affect the quality of the study.

## **1.6. Hypotheses**

To guide the study, the following hypotheses were formulated and tested at 0.01 level of significance.

Ho: Emotional intelligence is not powerful in successful change management in the Nigerian industry banking.

Ho: Emotional intelligence is powerful in successful change management in the Nigerian industry banking.

## **2. LITERATURE REVIEW**

Organizations embark on change management to improve service quality and maintain competitive advantage. In many organizations, the generation of ideas is not the problem, but the leadership to communicate such ideas in such ways that



would lead to successful change. Often, people do not resist change management, but what they do resist is the method of the change process.

This places high responsibility on leadership. Leadership and the role of leaders are important in any change management process. According to Omiyi (2008) great leaders are mindful of limiting factors and they put in place actions to address them. Successful change leaders spend about 80 to 90 percent of their time anticipating and addressing possible limiting factors.

To achieve a successful change in organizations, the importance of communication with key stakeholders is very necessary. Most of the critical competencies needed for successful change management in organizations are embedded in Goleman's (2001) emotional intelligence competencies.

The organization of the competencies under the various constructs is not random, they appear in synergistic clusters that support and facilitate each other to bring about successful change in organizations. According to Goleman (2001) an emotional competence is a learned capability based on emotional intelligence that results in outstanding work performance. It shows how much of EI that is translated into the change management process (COOPER, 1997).

## **2.1. Emotional Intelligence Clusters**

Emotional Intelligence competencies seem to operate most effectively in synergistic groupings, with the evidence suggesting that mastery of a critical mass or cluster of competencies is a necessary prelude arousing the competencies in the other clusters, but when both are demonstrated, the person is typically more effective in professional and management positions (GOLEMAN, 2001).

The first cluster of emotional competencies within the personal competences domain is Self-Awareness. Self-Awareness is characterized by a deep understanding of one's emotions, strengths, and weaknesses, and the ability to accurately and honestly self-assess.

Fundamental concepts of Self-Awareness include individuals' personality traits, personal values, emotions, habits and the psychological needs that drive behaviours. Three competencies lie within the Self-Awareness cluster: emotional self-awareness, self-assessment, and self-confidence.

Emotional self-awareness reflects the significance of recognizing one's feelings and how they affect one's performance. Realizing one's own strengths and weaknesses are attributes of self-assessment. The third competence in the Self-Awareness cluster is self-confidence.

The capability to make sound decisions, despite uncertainties and pressures, the ability to voice unpopular views, and the ability to be decisive are all characteristics of self-confident individuals. Self-Management involves a person's ability to control and regulate his emotions, the ability to stay calm, clear, and focused when things do not go as planned, and the ability for self-motivation and initiative.

The Self-Management cluster of emotional intelligence competencies is the second cluster in the personal competence domain and encompasses six competencies: self-control, trustworthiness, conscientiousness, adaptability, achievement drive, and initiative. Self-control is the ability to manage one's own disruptive and distressing emotions and impulsive feelings by keeping them in check (BOYATZIS, 1982).

Trustworthiness translates into letting others know one's value and principles, intentions and feelings, and acting in ways that are consistent with them (CHERNISS; GOLEMAN, 2001). People who are adaptable are flexible in how they see events, can smoothly handle multiple demands, and are able to adapt their responses and tactics to fit fluid circumstances.

Achievement driven professionals know how to improve their performance by pursuing information to reduce uncertainty and find ways to do better. The final competence in the Self-Management cluster is initiative, which entails taking preventative action to avoid problems before they happen. Social Awareness is the understanding of others' feelings, needs, and concerns which stem from the awareness of one's own feelings.

Social Awareness skills determine how to relate to others, specifically the ability to sense other people's feelings and read the mood of a group; to inspire and build relationships; to work in teams; to listen and to communicate. Sensitivity to others is crucial for superior job performance, whenever the focus is on interactions with people.



Three competencies lie within the Social Awareness cluster of the Social Competence domain: empathy, service orientation, and organizational awareness. Empathy is the ability to sense others' feelings and perspectives, and take an active interest in their concerns. The service orientation competence involves anticipating, recognizing, and meeting clients' needs (CHERNISS; GOLEMAN, 2001).

The third competence in the Social Awareness cluster is organizational awareness. Individuals with this ability can understand the political forces at work in an organization, as well as the guiding values and unspoken rules that operate among the people.

Relationship Management, the second cluster in the Social Competence domain, has to do with a person's ability to manage relationships with others and involves the ability to communicate, influence, collaborate, and work with colleagues. The Relationship Management cluster focuses on essential social skills and includes the following competencies: developing others, influence, communication, conflict management, leadership, change catalyst, building bonds, teamwork and collaboration.

Developing others entails sensing what others need in order to develop and reinforcing their abilities. A leader who has mastered the influence competence uses complex strategies like indirect influence and persuasion to build harmony and support with others. Those excelling in the leadership competence are able to articulate and arouse enthusiasm for a shared vision and mission, to step forward as needed, to guide the performance of others while holding them accountable, and to lead by example (CHERNISS; GOLEMAN, 2001).

Those proficient as change catalysts are able to challenge the status quo, to acknowledge the need for change. Leaders must also be able to recognize the need for change, remove barriers, and enlist others in pursuit of new initiatives. The cornerstone of the building bonds competence is networking and nurturing instrumental relationships, all of which are essential for successful change.

## **2.2. BPR in Nigerian Banks**

Change management focuses in bringing innovation and improved service delivery in organizations. And to achieve this purpose, banks in Nigeria embraced BPR as a change strategy. For effective BPR and change management, an



organization must be aware of its own choices and also be aware of the emotions of individual employees, and the group, so as to remain competitive.

According to Higgs and Rowland (2001) there is a positive correlation between change competence and effective change management. A major concern in the Nigerian banking industry and in most parts of the world; is on how to improve customer satisfaction, or even exceed their expectations.

Previous studies show that EI competencies such as empathy, self awareness, among others are critical in exceeding customer expectations in a service industry (CHERNISS; ADLER, 2000).

In a study of the banking industry in Malaysia, Anonymous (2011) posits that empathy which is the ability to evaluate and recognize emotions, facilitates the managers' role to connect with customers and to fulfill the customers' needs and demands.

BPR focuses on building change competence, and such change competence hinges on the standardization of processes automation, through better deployment of ICT, efficient customer service with a focus on turnaround time; friendly ambiance; knowledge sharing and creation; employee motivation; simplification of processes cost effectiveness and efficiency as well as superior internal control systems (PAMELA, et al, 1999; BOGUE, et al, 1996).

Against the backdrop of bank failures in Nigeria in the late 1980s and throughout the 1990s; banks in Nigeria embarked on comprehensive change management through BPR as a measure to reduce the risk and cost of failure by bringing significant improvements in the business process and profitability. The banking industry in Nigeria has witnessed improved service delivery and profitability in recent years through significant transformation and change management processes.

According to Nelson and Orioha (2016) the increased service delivery channels characterized by electronic payment systems with its myriad of products have been beneficial. For example, in 2015, there were 1626 million transactions across all payment channels worth N48.9 trillion processed, which contrasts 113.4 million transactions across all payment channels in 2014, worth N43.9 trillion.

The huge records were facilitated by various channels in electronic automated teller machines, point of sale, among others, brought about by change management in the Nigerian banking industry. The process brought about strategic improvements in many aspects of banking services in Nigeria. For example, First City Monument Bank Ltd (FCMB) has continued to create more value to its growing stakeholders through the electronic banking channels.

The bank believes that effective use of technology and top-most service delivery channels represents the future of banking and the way to go in order to attain the highest levels of customer advocacy and keep pace with evolving consumer demands and market trends. FCMB insists that it has been leading the pack as the largest retail lender in Nigeria, granting over 278,000 loans a year – among other giant strides, made easy by change imperatives.

The products and services of the bank are complimented by a team of highly professional and friendly staff, who are always willing to go the extra mile to meet the needs of existing and potential customers. To sustain competitive advantage, the bank upgraded its information technology infrastructure to finacle 10 core banking solution.

This advanced service – oriented architecture is already optimizing the processes, enhancing system capability, performance, scalability and security among others. Change management processes have reduced the problems of over charges and under charges that characterized the banking system in the 1990s.

As a hangover of the 1990s, in 2015 alone, the CBN investigated over 6000 complaints from banks' customers and compelled banks to refund the sum of over N6.2 billion to affected customers (DEFINONE, 2016).

Banks in Nigeria have often been accused of greed, moral and professional bankruptcy, actions that reflect emotional blindness, and these are issues easily overcome in an emotionally intelligent environment. Business organizations, especially the banking industry in Nigeria, needs to be more efficient and competitive with other banking institutions around the world, thus the need for EI and change management as the index of management performance efficiency.



### **2.3. First Bank's Successful Change Management**

By embarking on change through BPR First Bank of Nigeria Plc (1999) sought to drive marketing and relationship management imperatives in tandem with the overall strategy of the bank, and to maximize branch productivity and profitability by ensuring effective performance of branch activities.

The bank believes that competencies like leadership, negotiation, integrity, interpersonal relationships, communication, team building, group problem resolution, among others, are important to establish and manage professional and mutually beneficial relationships with individuals and corporate customers. As a change management strategy, the bank was among the first in Nigeria to provide multiple delivery channels to its branch network so as to bring its services closer to customers.

According to Ajekigbe (2002) First Bank acquired the Finacle banking application software developed by Infosys Technologies of India to meet new operational challenges, and to transform the bank into a one branch bank. He posits that the change management paradigm anchor on the philosophy that subscribe to the core values of hardwork, diligence and an unwavering commitment and dedication to organizational ideals, and employee motivation to achieve higher productivity, through the attraction and retention of the best hands in the industry, using a competitive compensation structure, sustained rejuvenations and constant skills audit and update.

Hammer (1996) believes that reengineering provides a single knowledge point of contact for the customer; and that organization-wide change programmes such as BPR significantly provides guides and directions for consistent, efficient implementation. He suggests that feedback is necessary for a successful change initiative. Without clear feedback, employees often become dissatisfied, and their perceptions of change can be quite different from actual outcomes (BOGUE, et al, 1999).

On the basis of it would seem that at the most theoretical and practical levels, emotional intelligence blends positively with change management in the banking industry as it also emphasizes transparency, accountability among other competencies critical for bank survival. Emotional intelligence is therefore



inescapable for the growth of a bank because the banking industry serves as the engine of development in any economy because of its financial intermediation functions that require innovation in the provision of an efficient payment system (UGWUANYI, 2014; UGWUANYI; AMANZE, 2014).

### **3. RESEARCH METHODOLOGY**

#### **3.1. Research Design**

The survey research design was adopted for the study. Surveys are particularly useful in describing the characteristics of a large population or a particular sub group of the population. Surveys refer to an investigation into certain things or events that exist or occur at the time of the research and connected with some problem situation that is felt over a wide area by a large population. (SAUNDERS; THORNHILL, 2009)

#### **3.2. Participants**

The sample comprised of 483 participants (265 males and 218 females) ranging in age from 21 to 70 ( $M = 46$  years;  $SD = 25$ ). The participants were generate from the general population across Nigeria.

#### **3.3. Materials**

An instrument titled "Emotional Intelligence Change Management Questionnaire (EICMQ)" adapted from the Schutte Self-Report Emotional Intelligence (SSREI) (1998) scale was used for data collection. Previous investigations have found the total scores on the SSREI scale to be acceptably internally consistent with Cronbach's Alpha of about .90. Content and construct validity has been established.

#### **3.4. Method of data collection**

The instruments for data collection were personally distributed to respondents by the investigator and two research assistants, over a period of four months. The 483 questionnaire copies were retrieved and responses found suitable for the purpose of analysis.

### 3.5. Data Analysis

Data analyses were based on descriptive and X2 techniques, using the Statistical Package for the Social Sciences, for the X2, and the results presented in tables.

## 4. PRESENTATION OF RESULTS

Table 1: Goleman's (2001) Emotional Intelligence Competencies Clusters

	<b>Self</b> (Personal Competence)	<b>Other</b> (Social Competence)
Recognition	Self-Awareness <ul style="list-style-type: none"> <li>• Emotional awareness self-</li> <li>• Accurate assessment self-</li> <li>• Self-confidence</li> </ul>	Social Awareness <ul style="list-style-type: none"> <li>• Empathy</li> <li>• Service orientation</li> <li>• Organization awareness</li> </ul>
Regulation	Self management <ul style="list-style-type: none"> <li>• Self-control</li> <li>• Trustworthiness</li> <li>• Conscientiousness</li> <li>• Adaptability</li> <li>• Achievement drive</li> <li>• Initiative</li> </ul>	Relationship management <ul style="list-style-type: none"> <li>• Development others</li> <li>• Influence</li> <li>• Communication</li> <li>• Conflict management</li> <li>• Leadership</li> <li>• Change catalyst</li> <li>• Building bonds</li> <li>• Teamwork &amp; collaboration</li> </ul>

The EI competencies in table 1 are essential for successful change management.

Table 2: Level of distress in the banking system as at December 1996

Parameters	December 1995			December 1996		
	Distressed Banks N'000	Potentially Distressed N'000	Industry N'000	Distressed Bank N'000	Potential Distressed N'000	Industry N'000
Number Of Banks	51	9	115	47	3	115
Total Assets	58.168.385	88.667,168	406.961,535	65,132,311	3,906,337	491,469,195
Total Risk Weighted Assets	57,853,920	57,513,301	273,391.4	51,302,649	2,411,615	316,484.2
Total Deposits	40,246,569	53,276,884	208,730,351	38,061,592	2,175,857	255,011,875
Total Loans, Advances & Leases	51,109,422	39,369,970	175,875,065	50,554,010	1,236,039	213,617,702
Insider Loans Advances & Leases	16,117,692	399,432	19,083,336	4,651,676	12,605	7,780,321
Non-Performing Loans Advances & Leases	35,200,461	9,345,372	57,871,794	40,328,307	531,605	72,420,970
Minimum Capital Requirement	4,628,314	4,601,064	19,534,766	4,104,212	192,929	23,871,509
Recapitalization Requirement	34,012,592	4,193,697	25,325,877	42,360,701	157,136	24,662,669



NDIC's Level of Risk Exposure	22,304,343	0	22,304,343	19,711,933	0	19,711,933
RATIOS:	%	%	%	%	%	%
Capital To Risk Weighted Assets	(50.79)	0.71	(3.60)	(74.57)	1.48	(0.27)
Non-Performance Loans & Leases/Total Loans & Leases	68.67	23.74	32.91	79.77	43.01	33.90
Average Liquidity Ratio	(59.47)	31.14	0.49	(120.01)	64.69	(15.92)
Gross Loans & Leases/Deposits Ratio	126.991	73.90	84.26	132.82	56.81	83.77
Percentage of Insured Deposits	55.42	0.00	50.74	77.08	0.00	11.50

Source: Nigeria Deposit Insurance Corporation (1996) Annual Report & Statement of Accounts.

Table 2 showed the parameters and extent of distress in the Nigerian banking industry between 1995 and 1996. Capital to risk weighted assets ratio was minus 0.27 percent in 1996, indicating that shareholders' funds were completely eroded.

**Table 3: Liquidity Position of Insured Banks**

Banks	Number of Banks		Average Liquidity Ratio		Ratio of Net Loans & Advances to Total Deposits		Number of Banks with Average Liquidity Ratio of less than 30%	
	1995	1996	1995	1996	1995	1996	1995	1996
Merchant	51	51	29.02	12.32	64.7	80.08	18	15
Commercial	64	64	(22.25)	38.42)	57.6	57.4	32	26
Industry	115	115	0.49	(15.92)	58.4	60.0	50	41

Source: NDIC (1996) Annual Report & Statement of Accounts, pp. 9.

Table 3 showed the liquidity profile of banks. From the table, the liquidity position of the industry deteriorated as the average liquidity ratio dropped from 0.49 percent in 1995 to minus 15.92 percent in 1996. On the aggregate, both the commercial and merchant bank subsectors could not meet the 30 percent minimum prudential liquidity ratio.

**Table 4: Insured Banks Capital Shortfall.**

Banks	Number of Banks		Adjusted shareholders' fund (N'M)		Capital requirement (N'M)	
	1995	1996	1995	1996	1995	1996
Merchant	51	51	(4,869.1)	(1,961.8)	11,672.7)	5,803.1
Commercial	64	64	(3,922.0)	1,171.0	27,162.3	18,859.6
Industry	115	115	(8,791.1)	(791.2)	38,835.0	24,662.7

Source: NDIC (1996) Annual Report & Statement of Accounts, pp. 9

Table 4 showed the adjusted shareholders' funds for the industry which decreased from negative N8,791.1m in 1995 to negative N791.2m in 1996.

Correspondingly, the required capitalization for the size of operation of the banks decreased from N38,835.0m in 1995 to N24,662.7m in 1996.

Table 5: Insured Banks' Shareholders' Funds As At December 2010 And 2011

S/N	Banks	Shareholders Funds (N' Billion) 2010	Shareholders' fund (N' Billion) 2011
1	Access Bank Nig Plc.	167.61	187.79
2	Mainstreet Bank Plc	(265.27)	35.82
3	Keystone Bank Plc	(209.45)	45.24
4	Citibank Nigeria Ltd	32.17	33.70
5	Diamond Bank Plc	110.36	91.36
6	Ecobank Plc.	72.28	44.99
7	Fidelity Bank Plc.	128.62	104.88
8	First Bank of Nig. Plc.	312.21	318.78
9	Fist City Monument Bank Plc.	127.43	130.34
10	Guaranty Trust Bank Plc	174.49	173.99
11	Skye Bank Plc	90.14	99.64
12	Enterprise Bank Plc.	(92.40)	11.87
13	Stanbic IBTC Bank Plc	66.09	70.25
14	Standard Chartered Bank Ltd.	35.92	37.42
15	Sterling Bank Plc	21.68	27.29
16	Union Bank Plc.	(281.49)	54.25
17	United Bank for Africa Plc	174.69	141.68
18	Unity Bank Plc.	7.69	17.99
19	Wema Bank Plc.	(3.49)	11.61
20	Zenith Bank Plc.	290.80	296.04
	<b>Total</b>	<b>312.36</b>	<b>1,934.93</b>

Source: NDIC (2011) Annual Report and Statement of Accounts.

Table 5 showed positive levels of shareholders' funds between 2010 and 2011 that reflect the impact of successful change management.

Table 6: Insured Banks Ownership Structure As At December, 2011.

S/N	Banks	OWNERSHIP STRUCTURE (%)		
		Shareholders Funds (N' Billion) 2010	Shareholders' fund (N' Billion) 2011	Foreign
1	Access Bank Nig Plc.	1	99	-
2	Citibank Nigeria Ltd	-	18.1	81.9
3	Diamond Bank Plc	-	100	
4	Ecobank Plc.	-	100	
5	Enterprise Bank Plc.	100	-	-
6	Fidelity Bank Plc.		100	
7	First Bank of Nig. Plc.	-	100	-
8	Fist City Monument Bank Plc.		100	-
9	Guaranty Trust Bank Plc	-	100	-
10	Keystone Bank Plc	100	-	-

11	Mainstreet Bank Plc	100		-
12	Standard Chartered Bank Ltd.	-	-	100
13	Skye Bank Plc	1	50	49
14	Stanbic IBTC Bank Plc	-	47.31	52.69
15	Sterling Bank Plc	2.55	78.64	18.8
16	United Bank for Africa Plc	2.77	97.23	-
17	Union Bank Plc.	19	21	60
18	Unity Bank Plc.	35	65	-
19	Wema Bank Plc.	10	90	-
20	Zenith Bank Plc.	2.8	97.18	-

Source: NDIC (2011) Annual Report and Statement of Account.

As shown in table 6, there were changes in the ownership structure of banks as a part of the successful change management process in the industry.

**Table 7: Liquidity Ratio of Insured Banks as at December, 2010/2011**

Items	Year	
	2010	2011
Average liquidity ratio	51.77	65.69
Loans and advances to deposit ratio	59.23	55.95
No of Banks with less than the 30% minimum liquidity ratio	1	Nil

Source: NDIC (2011) Annual Report and Statement of Account.

As a result of change, and as reflected in table 7, all banks in Nigeria met the 30% minimum liquidity ratio in 2011, against the situation in 1996.

**Table 8: Frequencies**

	Observed N	Expected N	Residual
37.00	37	96.6	-59.6
58.00	58	96.6	-38.6
91.00	91	96.6	-5.6
108.00	108	96.6	11.4
189.00	189	96.6	92.4
Total	483		

**Table 9: Test Statistics**

	VAR00003
Chi-Square	142.248
df	4
Asymp. Sig.	.000

a. 0 cells (.0%) have expected frequencies less than 5. The Minimum expected cell frequency is 96.6.

#### 4.1. Discussion

From the test statistics in table 9, it was observed that the calculated X2 value of approximately 142 was significantly greater than the table value of 13.28 at 0.01

level of significance and with 4 degrees of freedom. In view of the empirical result, the notion that emotional intelligence has powerful contribution to organizational excellence holds.

This result also agrees with the findings of Cherniss (2000) that salesmen in a USA company were valued primarily for their empathy. The buyers reported that they wanted salesmen who could listen well and really understood what they wanted and what their concerns were.

It equally supports the research of Boyatzis (1999) which found that partners in a multinational consulting company assessed high on emotional intelligence competencies delivered \$1.2million more profit than did other partners. Competition is the driving force behind strategic planning in many organizations. To develop effective strategies business organizations attempt to focus on the areas that would lead towards the achievement of goals.

With strategies come change. To drive change requires competencies involving those special attributes or abilities needed by an organization that gives it a competitive edge. In effect, distinctive competencies relate to the ways that organizations compete. Banks in Nigeria have been going through many structural changes since the 1990s, and 2000s, when the bank failure phenomenon became very disturbing, with the regulatory authorities charting new paths for change in the system.

For example, under a new banking regulatory framework introduced in 2010 by the Central Bank of Nigeria. (CBN), banks are now required to concentrate fully on core banking functions. The new model requires banks to either sell all non-cores banking businesses; including activities such as insurance, asset management and capital market operations.

Based on that, First Bank and four other banks opted for restructuring of their group banking operations into a holding company structure. Other banks are seeking to divest from non-core banking operations. As the largest banking group in Nigeria and easily one of Africa's largest financial services institution, the new First Bank structure eliminates overlapping functions and loopholes and enhances the efficiency of the group structure.



Giving a breakdown of the structure, Onasanya (2012) states that First Bank group consists of 11 subsidiaries operating in various segments of the financial services industry from pension custodian, asset management, investment banking, insurance and microfinance banking, entities.

Besides, the bank also holds investments in other companies, with international presence in the United Kingdom and France, through its subsidiary, First Bank (UK) Ltd, in addition to representative offices in South Africa, China and Abu Dhabi. These structural changes are expected to enhance the productivity of the group, thus creating values for shareholders.

Onasanya (2012) believes that the new structure would enable the group to exploit opportunities for synergies between subsidiaries, while aligning the ownership and operation of the subsidiaries and businesses with current CBN regulatory requirements. He emphasizes that the new structure would create an operating model that will profitably grow the bank's presence in the market for commercial banking and non-banking financial services in order to achieve the aspiration to be the dominant financial services group in Sub-Saharan Africa.

"The holding company would result in the creation of a corporate centre with responsibility for setting strategic direction, providing group-wide oversight, and ensuring the leveraging of synergies across the group through the constitution of a governing board and committees at the group level to optimally align corporate governance and management roles", he opines.

Also, Diamond Bank Plc since 2010 has been restructuring to improve on performance. According to Achebe (2010) "This improved performance, was as a result of the significant increase in our interest margin and the gains from the initiatives that were implemented to improve operating efficiency and organizational productivity".

He states: "The Bank focuses on its retail, low-cost deposits, thus improving the net interest margin. The risk adjusted returns on retail assets have also been very encouraging. The Bank's ratio of operating expenses to operating income improved from 68.1 percent recorded in 2009 to 62.6 percent in 2010.

The Bank had focused on implementing cost effective business structures and processes which have resulted in more efficient staffing and operating model; all of



which resulted in improved efficiency and productivity". In a study related to the oil and gas industry, but somewhat similar to the present study, Omiyi (2008) states: "The challenge for organizations is to bring to the market a stream of new and improved, added value products and services that enable business to achieve higher margins and the profits to re-invest in the business or provide returns to investors".

He asserts that change requires a supportive culture to thrive. A supportive culture does not happen by accident. It depends on the existence of basic conditions in the organization, such as: knowledge sharing, funding change, implementing new ideas, sound corporate governance culture rewarding people, collaboration with stakeholders, among others.

Omiyi (2008) believes that change is a key business process that enables organizations to compete effectively. Irrespective of sector, innovative organizations realize that to maintain their competitive advantage, they must continually seek to identify, develop and make the best use of all their available resources. He opines that leadership, an enabling organizational culture, and a structured change process are some of the key success factors required to achieve organizational objectives.

To succeed in managing change and innovation, communication with key stakeholders is very necessary. Productivity is a measure of the use of resources, and there is considerable interest in productivity both from an organization standpoint and from a national standpoint. Business organizations want higher productivity because it yields lower costs and helps them to become more competitive.

Countries want higher productivity because it makes their goods and services more attractive, offsets inflationary pressures associated with higher wages, and results in a higher standard of living for their people. Managing successful change requires teamwork, worker involvement, and empowerment, open communication as well as stakeholders' participation. Managing successful change is not once-in-a-life time endeavour. As business circumstances change in major ways, so must processes, designs and structures change (CHASE, et al, 2001; STEVENSON, 2002).

Relationships, partnerships, change management and other factors of emotional intelligence are critical for managing successful change in the Nigerian



banking industry. According to Goleman (1995) EI ability is necessary to changing value systems as well as rapid technological advancement through the information super high way.

#### **4.2. 4.2 Recommendations**

- i. Organizational change process should ensure that employees give and receive proper feedback. This will enable them to provide better services to customers and retain their jobs.
- ii. A change process like BPR should focus on automation of critical processes and not employee reduction. This is important so as to enhance effectiveness and loyalty of the workforce.
- iii. Banks as custodians of public funds and confidence require a high dose of EI factors to survive. In this case, change management in the industry must be transparent.
- iv. Integrity is an inescapable factor for banking excellence. Bank promoters should avoid people of dubious character if they must succeed, because people with no integrity are usually both the architects and beneficiaries of bank collapse.

#### **4.3. Scope for further study**

Further study should examine the relationship between EI and corruption to see if the problem of high level corruption could be reduced in the Nigerian banking industry.

### **5. CONCLUSION**

Relevant literature points to evidence that emotional intelligence encompasses competencies required for successful change management in the Nigerian banking industry. In 1996, 47 out of 115 banks in Nigeria, were in deep distress, while 3 were potentially distressed bringing to 50 the number of banks adjudged to be technically distressed in 1996.

Accordingly, the capital to risk weighted assets of banks deteriorated from minus 3.60 percent in 1995 to minus 0.27 percent in 1996. The precarious situation gave course for alarm and made structural change urgent in the Nigeria banking

industry; therefore, almost all the banks embarked upon one type of change or another as a survival strategy.

The evidence in literature that successful banks in Nigeria like First Bank Plc in its change management strategy incidentally relied on emotional intelligence competencies like; integrity, leadership, relationship management, communication, teambuilding, negotiation, among others, supports the hypothesis that EI is powerful in successful change management in the Nigerian banking industry.

For example, building on successful change management, First Bank Plc. posted the highest shareholders' funds of N318bn among all the 20 banks in Nigeria in 2011. From a deep distressed position between 1995 and 1996, characterized by weak ownership structure, capital base, liquidity, performing loan assets ratio, the Nigerian banking industry became strengthened after various change management processes.

For example, from a minus 15.92 percent liquidity ratio in 1996, the average liquidity ratio of banks in Nigeria rose sharply to 65.69 percent in 2011, and with all banks achieving the 30 percent prescribed minimum liquidity ratio, against a zero status in 1996. Also the shareholders' funds of some mismanaged banks that were changed to Mainstreet Bank Plc., Keystone Bank Plc., were minus N265billion, and N209billion, respectively in 2010.

But after the intervention of the CBN and change management processes, their shareholders' funds rose to N35billion, and N45billion, respectively in 2011. Based on theoretical and statistical analyses this study found a strong positive relationship between emotional intelligence and successful change management in the Nigerian banking industry.

As a contribution this result supports the works of Boyatz's, (1982, 1994, 1996) Higgs and Roland (2001) and Goleman (1995, 1998, 2001) among others, to state that emotional intelligence is critical for successful change management. This is the interest of the study.

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