

Relative Importance of Organizational Agility in Customer Retention in the Nigerian Banking Sector

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Abstract: *This research was conducted to investigate the relative importance of organizational agility in customer retention in the Nigerian Banking Sector. The study was focused on establishing the relative strengths of sensing, acting and strategic flexibility on customer retention in Nigerian banks. The survey research design was adopted for the study. The study had an infinite population. A sample size of 440 respondents was administered with copies of the questionnaire while 294 copies or 66.82% response rate was achieved. Data analysis was done with regression statistical technique. Findings of the study indicated an R of 0.886 which implied a strong relationship between the combined variables of organizational agility and customer retention in the Nigerian Banking Sector. It was also found that in terms of the relative importance of organizational agility, acting agility ($Beta = 1.309$, $t = 3.907$, $p < 0.05$) had the greatest influence on customer retention in commercial banks in Nigeria; sensing agility ($Beta = 2.074$, $t = 3.480$, $p < 0.05$) had the second most important influence while strategic agility ($Beta = 2.641$, $t = 2.373$, $p < 0.05$) had the third most important influence on customer retention in commercial banks in Nigeria. It was recommended that commercial banks in Nigeria should leverage organizational agility to retain their customers in an increasingly competitive banking industry of Nigeria by formulating its customer retention strategies along these empirical findings.*

Keywords: sensing agility, acting agility, strategic flexibility, customer retention, Nigerian banking sector

INTRODUCTION

The present-day business reality of increasing environmental dynamism creates the need for constant interaction between businesses and their customers in order to sustain a mutually beneficial business relationship; thus, there is the need for businesses to periodically upgrade their business models in line with emerging business paradigms so as to be able to meet expectations of their customers. In this regard, changes emerging in the industry, such as new market conditions, new expectations of customers, and technological advances, impose opportunities and threats for businesses and hence should be effectively monitored. Beyond

monitoring developments in the business environment, emerging business reality requires an urgent and corresponding strategic response that redefines business models and processes. One such tool embraced by businesses to meet the fluidity of the business environment is organizational agility.

Organizational agility is concerned with the capacity of a business to swiftly respond to relevant developments in its industry through a re-engineered process (Sherehiy (2018). The key components of organizational agility are, sensing agility, acting agility and strategic flexibility. Sensing agility is concerned with the ability of organizations to continuously monitor and inspect emerging issues in their environment (Ekweli and Hamilton, 2020). Acting agility is focused on the doing stage and is the most important ingredient in business agility (Ekweli and Hamilton, 2020). Strategic flexibility refers to the ability of business organizations to effectively adapt to the expectations and yearnings of its customers (Lee *et al.*, 2019). Strategic flexibility enables a company to effectively and efficiently respond to emerging developments in the business environment (Schmenner and Tatikonda, 2017).

Banking business like any other business operates in an environment that is highly dynamic and volatile (Ekweli and Hamilton, 2020; Nsien *et al.*, 2024). This environment is principally characterized by increasing competition, changing customers' expectations, new regulatory policies, and technological changes among others. In the banking industry, competition is more intense throughout the globe for customer retention (De Groote, 2017). Customer retention explains organization's capacity to keep their customers to ensure they do not move to their competitors (Ocloo and Tsetse, 2018). Gummesson (2019) hinted that businesses would choose customer retention since it was both easier and cheaper to preserve them than going after new ones which requires additional effort to market and could be costly. Banks in Nigeria are in competition for customer competition.

Banks in Nigeria are aware that because of heightened competition, customer retention is strategic to its success and sustainability. Where banking institutions fail to meet customers' expectations, this may result in the customers' switch to other banks; when this happens, it becomes difficult for these banks to command the customer base that can support their business; therefore, it is no wonder that it becomes difficult for them to realize set performance goals; such banks resort to spending in order to acquire new customers but with no guarantee of their retention; this cycle continues with yearly poor performance. The need for organizational agility in creating positive organizational outcomes has been well established in literature. However, it is yet to be empirically ascertained how core organizational agility, namely, sensing agility, acting agility and strategic flexibility relatively contribute to customer retention in Nigerian banks. The present paper addresses this gap.

Theoretical Framework and Conceptual Issues

Organizational agility is considered a remedy for addressing the dynamic nature of the environment. Binuyo and Itai (2020) defines organizational agility as the ability of a business to speedily react and being flexible in dealing with changes in both internal and external environments. Again Ekweli and Hamilton (2020) define organizational agility as an enterprise's capacity to bring newness to its self, adapt its operations, promptly change and be

successful in an environment that is both turbulent and changing rapidly. Agility is concerned with the ability to swiftly respond to emerging situations in a business (Gerald *et al.*, 2020).

The increasing dynamism of the business environment has shown that businesses have to be agile to stand a chance of survival. Tende and Ekanem (2018) stated that organizational agility can bring about some advantages; these advantages include, worker satisfaction, innovative approach to problem solving, learning new skills as well as the ability to recognize a new job (Kalkinma and Orgutu, 2020). Similarly, Al-Ajri (2017) opined that business agility reflects the ability of an enterprise to sense both expected and unexpected changes occurring in its environment, and innovatively develop responses that can re-engineer its business to meet emerging business situations for business sustainability.

Dimensions of Organizational Agility

Extant literature has different dimensions of business agility. However, each of the frameworks emphasizes the need for business organizations to have the capacity to respond to market demands in the timely manner. Sherehiy (2018) was of the view that the dimensions of organizational agility should capture speed and flexibility, respond to change and uncertainty, have high-quality, and highly customized products and services. This study is focused on the core elements of agility, namely, sensing agility, acting agility and strategic flexibility.

Sensing agility is considered a key element of business agility. Ekweli and Hemilton (2020) opined that sensing agility is concerned with the ability of organizations to continuously monitor and inspect emerging issues in its environment. Sensing agility refers to the possession of organisational capacity that facilitates prompt monitoring of the environment for relevant changes (Nafei, 2016). According to the another, sensing agility should be concerned with keeping an eye on key developments in the industry, identifying issues with important influence on its strategy, its performance, access to information and competitive positioning. Furthermore, Ekweli and Hamilton (2020) assert that in business sectors with extreme rapidity in technological changes, the ability to sense, sensing agility was extremely important for ease of innovation adaption and strategy formulation. In their conceptualization, Qader *et al* (2021) describe sensing ability as involving operations modification and delivering new products and services promptly.

Acting agility is another key component of business agility. This capability is made up of a set of operational activities. Such activities are those for re-assembling the resources of a business and effecting process modification in an attempt to address emerging issues in the business environment (Ekweli and Hamilton, 2020). Acting agility is focused on the doing stage and is the most important ingredient in business agility (Ekweli and Hamilton, 2020). This capability requires the implementation of plans established. Furthermore, Qader *et al* (2021) consider acting agility as practice agility. According to these authors, business organizations have to practice what they sense could support their operations in the face of increasing environmental dynamism. Thus, acting agility offers entrepreneurially alert and agile businesses the opportunity to outmatch other businesses in competition (Ekweli and Hamilton, 2020).

Strategic flexibility is an important element of business agility. Lee *et al* (2013) are of the view that strategic flexibility refers to the ability of business organizations to effectively adapt to the

expectations and yearnings of its customers; strategic flexibility enables a company to effectively and efficiently respond to emerging developments in the business environment (Schmenner and Tatikonda, 2017). It represents the capability of firms to effect those internal changes needed to address in a quick and effective manner, any changes that occur in its external environment. Put differently, through strategic flexibility, companies are prepared to deal with emerging scenarios in its business, hence turn same into business opportunity swiftly through appropriate adjustment (Olowe *et al.*, (2020). Furthermore, Fernando *et al.*, (2015) opined that strategic flexibility provide support to both organizational objectives and strategic objectives; strategic flexibility enables business organizations to regulate its relationship with its environment (Piore, 2014).

Customers are seen as kings hence attending to their needs is primarily the concern of any business. In view of the importance of customers to businesses, the obligation of the business is to work towards meeting customers' needs at low cost in order to win their support (Nguyen *et al.*, 2018). In present-day highly dynamic business environment, customer retention constitutes a strategic issue for business survival and sustainability. Businesses therefore, strive to satisfy the customers so as to induce loyalty. Cook (2018) opined that organizations enjoy a number of benefits from retaining their customers key among these benefits are company differentiation, image improvement, minimization of price sensitivity, profitability improvement and increased satisfaction of the customer.

Organizational Agility and Customer Retention

The ever increasing level of environmental volatility requires that businesses monitor and respond to developments in their industry effectively (Umoh *et al.*, 2023). In Nigeria, the past decade has witnessed massive diversification and revolution in the banking industry. Various banks have embraced agility in order to offer its teeming customers different choices to make from in accessing its services; this has resulted in customer loyalty and retention (Gurbuz and Hatunoglu, 2022). Today, with the level of banking sector competition in Nigeria, satisfying and retaining customers is considered as a key issue for banks' performance, hence it has of late attracted increased attention. Added to this Zameer *et al.*, (2018) have asserted that the ability to satisfy and retain customers in banks was dependent on offering banking services which meet customers' needs and expectations. Furthermore, as customers in Nigeria have the exposure and diverse choices to make in banking services, banks are supposed to be more customer-centric and work towards meeting their needs in order to continually ensure their patronage in the face of heightened competition (Obefemi, 2022).

Kebede and Tegegne (2018) emphasized that retaining customers goes beyond discouraging them from defecting to competitors to attaining customer loyalty. It has also been hinted that in the banking industry, there was a high tendency for the unretained customers to switch to competitors (Sabir *et al.*, 2014). Furthermore, Kottler *et al* (2018) posit that failing to retain customers was likened to carrying a bucket that leaks. Customer retention in the banking sector is mostly determined by prices of products/services, customer relationship management and customer service (Mahapatra *et al.*, 2020).

The conduct of this study was anchored on two theories, namely, Dynamic Capability Theory and Expectation Confirmation Theory. The DCT was proposed by the authors, Teece *et al*

(1997). The theory holds that an organization's dynamic capability reflects its ability to promptly adapt its operations to those developments that emerge in its environment of operation. The Expectation Confirmation Theory (ECT) is traceable to consumer behaviour and marketing research papers by Oliver in 1980. The theory holds that expectations, coupled with perceived performance, lead to satisfaction. The influence is mediated through positive or negative confirmation that comes from expectations and performance.

Tripathy and Lenka (2024) found that strategic agility influenced organizational performance. Mgbemena *et al* (2024) established that organizational agility induced customer retention among small businesses in Nigeria. Mgbemena *et al.*, (2024) established that organizational agility exerted an effect on customer retention among small businesses in Nigeria. Deshati (2023) revealed a relationship between strategic agility and firm survival in a highly dynamic business environment. In another study, Darweesh and Bolelli (2023) discovered that organizational agility determined customer satisfaction. Furthermore, Binuyo and Itai (2020) found that management agility strategies influenced customer service delivery efficiency in commercial banks in Lagos, Nigeria.

MATERIALS AND METHOD

The survey research design was utilized in this study. The population of this study was made up of all the 22 licensed commercial banks in Nigeria as at the end of 2023. The respondents' population consisted of both bank customers and bank staff that were being surveyed. In particular, the number of customers was unknown and was treated as an infinite population. However, Bill William Godden's (2004) formula for infinite population was used in determining the study's sample size. In all, 440 copies of the questionnaire were administered while 294 copies were returned, amounting to 66.82% response rate. Multiple regression model used in respect of hypothesis was as follows:

$$CRN = a + b_1SAB + b_2AAG + b_3SAG + e$$

Hypothesis

- H0:** Sensing agility, acting agility and strategic agility have no combined significant positive influence on customer retention in commercial banks in Nigeria
- Hi:** Sensing agility, acting agility and strategic agility have a combined significant positive influence on customer retention in commercial banks in Nigeria

Table 1: Multiple- Regression Analysis Result on the Combined Influence of Sensing Agility, Acting Agility and Strategic Agility on Customer Retention in Commercial Banks in Nigeria

Model Summary						
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	
1	.886a	.785	.707		0.41633	
Goodness of Fita						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	63.322	3	1316.109	4.272	.000b
	Residual	74.312	292	105.147		
	Total	137.634	293			
Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	1.283	.205		1.062	.000
	Sensing Agility	2.053	.598	0.216	3.433	.000
	Acting Agility	1.404	.331	0.104	4.242	.000
	Strategic Flexibility	2.642	1.112	0.462	2.359	.001

a. Dependent Variable: Customer retention

b. Predictors: (Constant), Sensing agility, acting agility, strategic flexibility

Source: Researcher's Computation (2024)

Table 1 presents the combined influence of sensing agility, acting agility and strategic flexibility on customer retention in commercial banks in Nigeria. The generalized model summary showed an R of .886 which indicates a strong relationship between the combined variables of organizational agility and customer retention in commercial banks in Nigeria. The model also shows an R² of .785 which implies that about 78.5% of the variables of organizational agility used in this study, namely, sensing agility, acting agility and strategic flexibility will jointly induce about 78.5 % influence on customer retention in commercial banks in Nigeria.

The model also showed significant goodness of fit (p -value < 0.05), this shows that when these sub-variables of organizational agility are combined, there would be a linear relationship as already stated in the model. In the table, all the variables of organizational agility are significant. Furthermore, in terms of their relevant strengths of these variables, acting agility (Beta =1.309, $t=3.907$ $p<0.05$) had the greatest influence on customer retention in commercial banks in Nigeria; sensing agility (Beta =2.074, $t=3.480$, $p<0.05$) had the second most important

influence while strategic flexibility ($\beta = 2.641$, $t = 2.373$, $p < 0.05$) had the third most important influence on customer retention in commercial banks in Nigeria.

The outcome of test of hypothesis confirms the results of earlier related studies. For instance, Binuyo and Itai (2020) revealed that management agility strategies affected customer service delivery efficiency. Also, El Nsour (2021) discovered that organizational agility influenced competitive advantage in Jordanian telecommunication companies. Similarly, Darweesh and Bolelli (2023) found that organizational agility exerted a significant influence on customer satisfaction. In the same vein, Almutairi and Alkshali (2021) established that organizational agility impacted customer relationship management in Kuwaiti Commercial Banks. Furthermore, Mgbemena *et al* (2024) found that organizational agility induced customer retention among small businesses in Nigeria. In another research, Feras *et al.*, (2017) revealed that organizational agility influenced customer satisfaction and retention.

CONCLUSION

The study was conducted to investigate the relative importance of core organizational agility in customers' retention in commercial banks in Nigeria. Result of test of formulated hypothesis indicated that sensing agility, acting agility and strategic flexibility have a combined significant positive influence on customer retention in commercial banks in Nigeria. It was further established that in terms of relative importance of the core organizational agility in influencing customer retention in the Nigerian banking system, acting agility had the greatest influence on customer retention in commercial banks in Nigeria, sensing agility had the second most important influence while strategic flexibility had the third most important influence on customer retention in commercial banks in Nigeria. It is recommended that commercial banks in Nigeria should leverage organizational agility to retain their customers in an increasingly competitive banking industry of Nigeria by formulating its customer retention strategies along these empirical findings. A possible limitation which affects the generalization of this research's findings is its limitation to Akwa Ibom State. Therefore, additional studies are suggested to cover other states of Nigeria in order to improve generalization of findings.

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