STRATEGIC INTRAPRENEURSHIP PRACTICE AND BANKS INNOVATION IN SELECTED BANKS IN NIGERIA: AN EMPIRICAL ANALYSIS.

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ABSTRACT

Strategic intrapreneurship is an emerging concept and to a large extent can be adopted as a determinant of business development in Nigerian Commercial Banks. It is a concept with a high attraction due to its beneficial effect on revitalization and performance of firms. However, the concept has recorded high failure rate and the global picture of the relative contribution of intrapreneurship (cooperate entrepreneurship) has not been documented or subjected to any rigorous research efforts in literature, especially in Africa. Therefore, this study examined the relationship between Strategic intrapreneurship and bank innovation in commercial banks Nigeria.

The study utilized descriptive survey design. The study population consisted of 1,419 been the employees at the headquarters of the selected six commercial banks as at January, 2016. The Cochran formula was used to arrive at a sample size of 549 being heads of strategic units and the staff of the various units. The non-probability sampling technique using snowballing or chain sampling technique was adopted. The instrument used for the study was a questionnaire titled: Strategic Intrapreneurship and Business Development Questionnaire (SIBDQ) with 82 % response rate. The instrument was validated and the Cronbach Alpha reliability for construct ranges between 0.733 and 0.91. The data collected were analyzed using the descriptive statistics and correlation coefficient was used to test hypotheses.

Findings revealed that there is a strong positive and significant relationship between strategic intrapreneurship practice and banks innovation in Nigeria ($r=0.633, p = 0.000<0.05$). There is a moderate linear relationship between intrapreneurship practice and innovation ($r=0.441, p = 0.000<0.05$).

In conclusion, strategic intrapreneurship positively influenced business development of commercial banks in Nigeria. The study therefore, recommended that bank operators in Nigeria should embrace strategic intrapreneurship as a concept, tool to be used and as a practice in their operations to be able to achieve sustainable business development.
Keywords: Strategic Intrapreneurship, Business Development, Intrapreneurship Practice, innovation, Commercial Banks.

1.1 Background to the Study
Achieving and maintaining the stability of the financial intermediaries through strategic intrapreneurship interventions constitutes a continuous academic discourse with reference to business development Central Bank of Ireland (CBI) Strategic Plan, (2013–2015). This perspective and discourse is extended to banks operation’s within the purview of Nigeria commercial banks and business development. At a global assessment, commercial banks’ role is contributing to financial transactions; mobilizing and allocating finance to areas of deficit. From this simple dynamic reveals the importance of the banking sector to the transmission of monetary policy actions to the real economy (CBI) Strategic Plan, (2013–2015). This role in addition triggers and accelerates nation’s economic growth.

In recent time, economic globalization and market integration have orchestrated profound changes in the world’s business order, bringing with it new challenges and opportunities. Banks cannot compete in this new environment unless it becomes more innovative and proactively responds more actively to consumers’ needs and preferences (CBI, 2013-2015) products development.

The phenomenon of intrapreneurship has been described in various terms such as intrapreneuring, corporate entrepreneurship, internal corporate entrepreneurship and corporate venturing. The term intrapreneur was first used by Gifford Pinchot in the late 1980’s and refers to individuals who take hands-on responsibility for shaping innovation inside the organization. He described intrapreneur as “person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment” (Carland & Carland, 2007). According to Yonggui and Xiao (2009) much evidence has shown that intraprendorial orientations or activities always lead to superior business performance in the western and developed countries like China were they have firms in a largest transitional and fast growing economy, China. On the contrary, much less is known about the increasing importance of intraprendorial orientations or activities and their performance impacts in emerging economies.
Figure 1.1 Intrapreneurship in international view. Intrapreneurial activity (IA) and total early-stage entrepreneurial activity (TEA). Source: adopted from GEM Global National Level Data, (2012) in Annamária, Ágnes, Tünde (2013)

The Figure 1.1 shows that intrapreneurial activity rate are higher in the innovation-driven economies, while in case of early-stage entrepreneurial activity rate the highest rates are reached in the factor-driven economies. On average less than 3% of the population are intrapreneurs. In Nigeria, the intrapreneurial activity rate is less than 1.09%, while the total early-stage entrepreneurial activity rate is 35%, both values are close to average rate measured in factor-driven economies.

1.2 Statement of the Problem

Since the era of the global financial crisis in the mid-2008 and the special audit test carried out on banks by the Central Bank of Nigeria, the banking sector has witnessed a chain of job losses estimated at more than 15,000 by industry watchers. The banks are exposed to a number of problems ranging from work overload, time pressures, and lack of role clarity to dealing with bank transactions (Olusegun, 2015). A study showed that while some banks were considering casualisation as option, other banks were considering the establishment of more e-branches where transactions would be made electronically without cash. The e-branches will have only one bank official, who will assist customers that are not literate.
Based on this, a bank sacked 670 workers while another sacked over 100 workers and these problems has led to employees turnover, and banking errors (Olusegun, 2015). According to Berthold (2011), it has been established that the concept of intrapreneurship in Nigerian service industries was a highly under researched field, hence very low expected awareness of intrapreneurship among the employees, management and the employers as a whole. Consequently, as globalisation came fully into limelight, the study of strategic intrapreneurship has drawn so much attention among the reported challenges by business practitioners and academic researchers in the last two decades (James, Monday, Grace, Akinola, & Oluwatobilola, 2015). Could it then be said that practice of intrapreneurship can actually improve the innovation in the banks in Nigeria?

Quinn’s (1985) field research anchored on 1981-1983 recession, revealed that many companies cut back instead of tapping the innovations their own people had to solve problems. The company’s misfortune was due to them defining the recession as cost cutting rather than opportunity seeking. It should be noted that people cannot cut their way out of the crisis and then they will see the need for more innovation and employees who are inspired to create value (intrapreneur). Indeed, this is the more reason why strategic intrapreneurship and sustainable business development is crucial to the success and survival of an organization now more than before (Essien, Adekunle & Oke-Bello, 2013).

According to Ulo and Agha (2014), other factors that hinder the practice of strategic intrapreneurship in Nigerian corporate organizations include: rigidity in their strategic planning, organizational or management failure to support intrapreneurial development studies, competing demands for resources, resistance to change, employee’s lack of ownership of business syndrome, absence of internal venture capitalist to guide intrapreneurs and organizational culture.

1.3 Objectives of the Study
The broad objective of this study is to investigate the relationship between strategic Intrapreneurship and business development in selected banks in Nigeria. The specific objectives are to:

i. To determine the impact of strategic intrapreneurship practice and innovation on Nigerian banks;

ii. establish the relationship between intrapreneurship practice and innovation.
1.4 Research Questions

i. What is the impact of strategic intrapreneurship practice and innovation on Nigerian banks?

ii. What is the relationship between intrapreneurship practice and innovation?

1.5 Research Hypotheses

The following hypotheses were tested to provide answers to the above mentioned questions.

H01: there is no significant relationship between strategic intrapreneurship practice and innovation on Nigerian banks.

H02: there is no significant relationship between intrapreneurship practice and innovation.

2.0 Literature Review

2.1.1 Strategic Intrapreneurship (SI)

Christos and Georgia (2011) view strategic intrapreneurship as “a vision-directed, organization-wide reliance on intrapreneurial behavior that purposefully and continuously rejuvenates the organization and shapes the scope of its operations through the recognition and exploitation of entrepreneurial opportunity. Intrapreneurial strategy-making according to Martie-Louise, (2006) is defined as a mode of strategy-making in which innovative employees come up with new ideas for products, services or processes which are entrepreneurial in nature, and which, therefore, emerge from within the firm.

According to Dan, (2009) the literature shows that intrapreneurship has multiple strategic elements; two well-known definitions are; “the determination of the basic long term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals…” and “...a unified, comprehensive, and integrated plan designed to ensure that the basic objectives of the enterprise are achieved…” (William 1980).

The intrapreneurship literature has some strategic content but not enough to describe intrapreneurial strategy (Dan 2009). At its simplest, strategic intrapreneurship is a process that coordinates set of activities that shape strategic vision or help enact a firm’s strategy. In other words it fuels emergent and planned strategies. It is both resource and market based, and has as wide a reach as marketing in the organization. It resists definition because it is to challenge the new discovery and it is a company strategic posture.
Strategic intrapreneurship could play vital roles which impact positively on intrapreneurial business development within an existing organisation. Researchers in the field of management and intrapreneurship studies such as Barriger and Bluedorn (1999); Ulo, and Agha (2014), have suggested that strategic intrapreneurship practices could solve business development problems through its range of activities. Generally these activities that may enhance intrapreneurial development include support from top management research, training, environmental scanning, control, planning flexibility, planning horizon and locus of planning. While the relationship may be true, its validity is yet to be tested with the Nigerian banking firms in the South west Nigeria to the best of the researcher’s knowledge. A firm that adopts strategic intrapreneurship practices, enhance employee participation in decision making, new products development, creativity of employees, new venture creation, increase profitability of the firm among others (Ulo, & Agha 2014).

2.1.2 Practice of Intrapreneurship (PI)

According to Bosma. (2011), higher educational attainment is positively linked to intrapreneurship, but linked negatively to independent entrepreneurship. The effect of household income is positive for entrepreneurship, but strongest for intrapreneurship in Nyström (2012). showed that there are important differences between entrepreneurs and intrapreneur with respect to their perceptions of capabilities. Entrepreneurial decisions are largely based on perceptions, and the cognitive mechanism. Bosma, (2011) showed that in low income countries there are very high levels of perceived entrepreneurial skills and knowledge, as well as perceived opportunities, that might be the reason why in these countries intrapreneurship may function as a stepping stone on the way to entrepreneurship. According to Nyström, (2012) intrapreneur do think that there are good opportunities for starting a business, while in case of entrepreneurs the perceived knowledge, skills and experience required to start a new business are higher, which is the most pronounced difference between entrepreneurs and intrapreneur in Annamária, Ágnes, & Tünde, (2013).

2.1.3 Innovation (I)

Many authors have provided definitions for the word “innovation”, and each has its own nuance. In Arslan and Cevher, (n.d) and Udwadia, (1990) defined innovation as “the successful creation, development and introduction of new products, processes or services”. Innovation consists of the generation of a new idea and its implementation into a new product, process, or service, leading to the dynamic growth of the national economy and the increase of employment as well as the creation of pure profit for the innovative business enterprise.
Drucker in Arslan and Ezgi (n.d), is a leading authority on entrepreneurship and innovation, he outlined seven sources or places to look for innovative opportunities. Then he outlines five steps to follow to take advantage of an innovative opportunity. He describes innovation: “It is the means by which organizations create value-producing resources or endows existing resources with enhanced potential for creating value” and “The effort to create purposeful, focused change in an enterprises economic or social potential” (Drucker, 1985.) The first four are sources of innovation that lie within the industry and the last three arise in the societal environment. They are; The unexpected, the incongruity, innovation based on process need, changes in industry or market structure, demographics, changes in perception, mood and meaning, new knowledge.

There are four ways to achieve an effective innovation strategy (Roffe, 1999): such as; Focus on the critical success factors, build superiority by employing technology not currently exploited by rivals, pursues aggressive initiatives that challenge normal rules and use strategic degrees of freedom to focus on areas where competitors are not involved."Managers should be able to protect, exploit and appropriate innovation and create time for individuals and groups to consider change and fund the staff resources, familiarization and training needed to turn ideas into implementation”

2.2 Theoretical Review

2.2.1 Innovation Diffusion Theory: In the 1950s, the Innovations Diffusion Theory (IDT) has been in use to describe the process of innovation decision. It has become a widely known innovation decision process, which was introduced by Everett Rogers in 1962. This theory measures the innovation characteristics toward innovation adoption and explains the diffusion of innovation across the time and innovation decision process – that is how and why new idea/ product introduced into the market spread throughout societies and cultures, from introduction to wider-adoption. Rogers (1995), made it clear that an innovation is “an idea perceived as new by the individual.” That is innovation is an idea, practice, or object that is perceived as new by an individual or other unit of adoption. The characteristics of an innovation, as perceived by the members of a social system, determine its rate of adoption (Agboola 2014). Moghavvemi, Fatemehh and Tengku (2012) explained that, this theory posited that innovations are not equivalent unit of analysis; rather some innovations receive high level of adoption in few years by specific population, while in contrast others need decade. This is so because the information those consumers actively seek or receive does
shape their beliefs and perceptions regarding the innovations; therefore, the way in which innovations are communicated and the subjective opinions associated with the innovations are important factors in how quickly it is accepted. Therefore while firms are continuously exploring for sustainability and for the future, they will also be in the need of exploiting existing opportunities.

2.2.2 Self Determination Theory (SDT): Founders of SDT are Edward and Richard and has its origins in experiments on intrinsic and extrinsic motives that started in the 1970s and posit that the theory is based on social intrapreneur as they have to go ‘against the grain and Challenge their employers’ Why? Not because they are asked to or because they get a big reward for it. Social intrapreneur chooses this path because they are intrinsically motivated to do so. This is even more the case with social intrapreneur as they have to go ‘against the grain and challenge their employers’. Still some employees choose to develop themselves as Social intrapreneur. Why? Not because they are asked to or because they get a big reward for it. Social intrapreneurs choose this path because they are intrinsically motivated to do so. And for intrinsic motivation, it is especially Self Determination Theory (SDT) that explains the main drivers behind this type of motivation.

2.2.3 Resource-Based Theory (RBT)

The application of Resource-based theory to organizational management is crucial to the development of intrapreneurs within firms. This is because without available resources in firms that are strategically managed, intrapreneurial ambitions would not be developed. The resultant effect of developing intrapreneurs would in variably increase profit base of firms, create job opportunities, new products development and sustain superior performance in the organisation.

Furthermore, the use of Resource-based theory is relevant to strategic and intrapreneurial development because of the availability of resources and the willingness of the organisation management to strategically utilize such resources to train intrapreneurs, encourage research activities and embark on other meaningful venture creation that could enhance intrapreneurial development. This is because even with good strategic management intent in an organisation it will be absolutely difficult to implement without the availability of resources.
Figure 2.2 Relationship between Corporate Entrepreneurship, VRIO-Model and Sustainable Competitive Advantage


According to Dirisu, (2013), a high level of domestic rivalry exists in the Nigerian banking sector; and this has pushed top players in this sector to seek out ways to remain at the top and to continue to revitalize their trademark because according to Ugochukwu, (2011), an organization with scarce resources can achieve sustainable competitive advantage, if it is able to create value and its resources cannot be either imitated or easily replaced.

2.3 Empirical Review

2.3.1 Strategic Intrapreneurship and Innovation

Aremu, and Oyinloye, (2014) worked on relationship between strategic management and firms’ performance in Nigerian banking industry using survey research method and concluded that strategic management is a stream of decisions and actions which leads to the development and implementation of an effective strategy or strategies to achieve organizational goals and objectives. Mokua, and Ngugi, (2013) researched on determinants of effective corporate entrepreneurship in the banking industry in Kenya: A case of Equity Bank Limited.; using primary sources of data, the study found that entrepreneurship strategies adopted by the organization, promotes strategic agility, flexibility, creativity and continuous innovation throughout the business. Additionally, the study found that corporate entrepreneurship is approached by a strategic mindset of top management through maintaining an ongoing business-wide innovation initiative to a great extent. In regression equation, a unit increase in corporate strategies will lead to 0.728 increases in corporate entrepreneurship.

2.3.2 Intrapreneurship Practice and Innovation

Arslan and Cevher (n.d), cited Kuratko, (1990) and Kirby (2006) their study utilizes qualitative research methods to explore intrapreneurship enabling organizations to drive innovation the findings shows that innovation contributes to the growth of the economy because intrapreneurs produce innovations. However, many organizations face some difficulties in achieving this and due to certain barriers like inability to identify the
intrapreneurs’ employees for intrapreneurship practice prevent entrepreneurship within the organization. Some operational difficulties to intrapreneurship practice have been noted as inadequate planning, improbable corporate expectations, insufficient corporate support, and misreading the market, as main obstacles to successful new business development. We can note that organizations need some procedures to direct or redirect resources to establish effective intrapreneurship strategies and survival of intrapreneurship.

3. Methodology

The study focuses on the relationship between strategic Intrapreneurship and business development in six selected commercial banks in Lagos State with focus on their headquarters because Lagos is considered the economic nerve centre of Nigeria. The banks were selected based on size, total capitalization and being among the twenty (20) commercial banks that survive the 2010 mergers and acquisition in the banking sector, operating in Nigeria (List of Financial Institutions, 2012), and they are widely spread in terms of branch and mostly concentrated in Lagos due to its commercial hub activities. Moreover, most of the banks have their head offices located in Lagos State.

The total population is one thousand, four hundred and nineteen (1,419) its comprised of those employees that are head of units or strategic units and the non-managerial employees of the selected banks; such as, Access Bank, Eco Bank, First Bank of Nigeria, Guaranty Trust Bank (GTB), United Bank of Africa (UBA), and Zenith Bank selected from the list of commercial banks in Nigeria and their number of employees in Nigeria (List of Financial Institutions, 2012). The sample size for the study was 549 and the target population for this study includes head of units or strategic units and the non-managerial staff of these selected commercial banks operating in the headquarters Lagos State. This was arrived at using the formula Cochran (1997) because most of the employees who engaged in intrapreneurial activities are within this bracket.

However, to compensate for the non-response and for wrong filling of questionnaire, the sample size will be increased by 127 which is 30% of the total sample. This is as recommended by Shokefun (2013) cited in Makinde (2015). Therefore 30% of 422 = 127

Then the appropriate sample size is given as $n = 422 + 127 = 549$

Therefore, a sample of 549 staff was selected from the six (6) commercial banks with a significant level of 5% and an error of 30%. On the whole, 549 represents the number of respondents across the selected commercial banks headquarters to which copies of the questionnaire was administered.
All the hypotheses were tested at 5 percent level of significance ($\alpha = 0.05$). The statistical package for social science (SPSS) version 21 was used to analyze the data.

**4.0 Testing of Hypothesis One**

**Hypothesis 1 ($H_{01}$):** There is no significant relationship between strategic intrapreneurship practice and banks innovation.

The above hypothesis was tested using the correlation analysis. The data for strategic intrapreneurship practice and banks innovation were created by summing the items for each of the variable to create new variable. The result of the correlation analysis is presented in Table below.

**Table 1.1: Correlation analysis between strategic intrapreneurship practice and banks innovation**

<table>
<thead>
<tr>
<th>Correlations</th>
<th>Intrapreneurship Practice</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrapreneurship Practice</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td></td>
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<tr>
<td></td>
<td>N</td>
<td>490</td>
</tr>
<tr>
<td>Innovation</td>
<td>Pearson Correlation</td>
<td>.633**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>490</td>
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</tbody>
</table>

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

**Interpretation**

Table 1.1 shows the result of the relationship between strategic intrapreneurship practice and banks innovation using Pearson’s Product Moment Correlation (PPMC). The result in the table is consistent with the apriori expectation of positive relationship between the variables. The table indicates that there is a positive and significant relationship between strategic intrapreneurship practice and banks innovation ($r= 0.633; \ p<0.05; \ N=490$). This means that the higher the strategic intrapreneurship practice, the higher the banks innovation. Based on this result, the null hypothesis one ($H_{01}$) which states that there is no significant relationship between strategic intrapreneurship practice and innovation on Nigerian banks is hereby rejected.

**4. 1. Test of Hypothesis Two**

Re-statement of Research Objective, Question and Hypothesis

**Hypothesis 2 ($H_{02}$):** There is no significant relationship between intrapreneurship practice and innovation
Hypothesis two was also tested using the correlation analysis. The data for the variables that is intrapreneurship practice and innovation were obtained by adding the items for each of the variable to create new variable. The result of the correlation analysis is presented in Table 2.2.

### Table 2.2: Correlation analysis between strategic intrapreneurship practice and innovation

<table>
<thead>
<tr>
<th></th>
<th>Correlations</th>
<th>Intrapreneurship practice</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intrapreneurship practice</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.441**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>490</td>
<td>490</td>
</tr>
<tr>
<td>innovation</td>
<td>Pearson Correlation</td>
<td>.441**</td>
<td>1</td>
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<tr>
<td></td>
<td>Sig. (2-tailed)</td>
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<td>1</td>
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<td>N</td>
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<td>490</td>
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</tbody>
</table>

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

**Interpretation**

Table 2.2 shows the result of the correlation analysis between intrapreneurship practice and innovation using Pearson’s Product Moment Correlation (PPMC). The result in the table 2.2 agrees with the apriori expectation of positive relationship between the variables. The result indicates that there is a moderate linear relationship between intrapreneurship practice and innovation (r= 0.441; p<0.05; N=490). The correlation is positive and significant at 5 per cent significant level which implies that as intrapreneurship practice increases, innovation also increases by the same degree. In the light of this result, the null hypothesis two (Ho2) which states that there is no significant relationship between intrapreneurship practice and innovation is hereby rejected.

### 5. Conclusion

In conclusion, results gathered from the analysis in this study showed that employees (intrapreneur) form a positive attitude towards business development. Employees form positive attitude because they are more interested in better ways of carrying out their daily activities in the bank so they can meet their targets and contribute to the attainment of the organizational goal not minding the complexities being adopted by the system. There is growing need to understand the relevance of strategic intrapreneurship.

The study provides both theoretical and statistical evidences to show that intrapreneurship practice and innovativeness have positive effect on the relationship between strategic intrapreneurship and business development of commercial banks in Nigeria.
6. Recommendations and Suggestions for Further Studies

Based on the findings of the study, the following recommendations are made to be considered and addressed by the relevant authorities such as the management of commercial banks in Nigeria and the Nigerian government.

The study recommends that the commercial banks in Lagos State should embrace strategic intrapreneurship as a concept, tool to be used and as a practice in their operations to be able to achieve sustainable business development.

Recognizing the role and importance of intrapreneurship in business development, management should develop flexible policies as using stick and carrot, tolerance of risk and failure method as a means of organizational support.

Management should ensure transparency in her dealings by access to information and succession of intrapreneurial project.

In the light of the findings and limitations of this study, directions for future research are therefore suggested. First, this study only focused on the banking sector. Other sectors could also be investigated.

Secondly, additional survey research like this is also needed to explore whether the findings of this study are applicable to other sectors of the Nigerian economy.

References


