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Network Competence and Operational Performance: An X-Ray of Polaris Bank in South West Nigeria

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Abstract

Network competence has become an important issue in services organizations in the recent time. The frequent attention on this concept is as a result of dynamic environment where most businesses operate and the need for effectiveness and efficiency of operational performance. In essence, the study examined the impact of network competence on operational efficiency of the Polaris bank in Nigeria. Survey research design was adopted in this study, with a total number of 104 staff drawn from affected department (head of relationships, Cash officers, Business services Managers, Business Development Managers) using stratified sampling techniques. Multiple regression analysis was used for the analysis, the results revealed that network competence has a strong positive impact on operational efficiency (R^2=.659, f =78.55; sig = 0.00). From the findings, it was recommended that banks should always explore the benefit of improved operational efficiency that is inherent in competence network through synergy and competitive advantage.

Keywords: Network competence, Relationship building, Operational efficiency.

1. Introduction

The business environment is highly competitive today, managers need to act fast in order to secure their sustainability in the market place. In the current era of globalization, the business environment is continuously changing and to deal with the market challenges, organizations need to evaluate their both internal and external environment factors which help in achieving the competitive advantage and enhanced performance (Faiz, 2015). More so, in the 21st century business landscape, firms need to compete in a complex and challenging context that is being transformed by many factors from globalization, frequent and uncertain changes to the growing use of information technologies (De Nisiet & Hamel 2013).

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Forming a Network is a human need and ability; from early childhood in individual family, school, classes, sports clubs and many more. Social network is defined as connection among set of persons and the linkages or their cohabitation among them. (Tichy, Tushman, & Fombrun, 2012; Ezuma, et al 2017). Network competence involves ability of a firm to integrate, connect and build a relationship that will utilize available resources for optimal results.

Banking sector has been facing some series of challenges in the changing business environment and markets over the last several years (Bhatnagar, Kennedy, Magee & Ruetschi, 2016). The increase in capital based by Soludo has really exposed the banking to be more capital intensive which is highly demanding from the customers due to continuous improvement and innovation that enhance customers service satisfaction. Operational performance is a function of many factors in which network competence is keen. The development, maintenance and growth of firm level competencies and capabilities can only make sense if they contribute to competitive advantage and ultimately contribute to firm operational performance (Ijeoma, 2015).

The rate of increasing in the service requirement by the customers and the corresponding rate of change in operational performance of deposit money bank today is a major challenge to managers and even other business practitioners in Nigeria. A better understanding of a key factor that can ease the problem is required. Network competence is needed to be built by any organization that is operating in this 21st century and amidst of strong competitors for their survival, but many firms find it difficult to leverage on the role of network competence especially in the period of driving toward capital intensive and innovative structure (Ijeoma, 2015).

Moreover, the banking crisis to proffer solution to customers' needs at best network capacity is highly required to gain competitive advantage in the marketplace (Acar, Zehir, Özgenel & Özşahin, 2013). Deposit Money bank in Nigeria like Polaris bank has witnessed increased competition in the recent past and these has forced them to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively for their products. A firm's success is dependent on both internal and external competencies, network competence is core when trying to penetrate new markets (Peteraf, 2013). The growth of firm competencies can be traced if it enhances competitive advantage and contribute significantly to firm corporate performance. Building a complete relationship with parties involve in operational performance of an organization from upstream to downstream in an optimal manner refers to network competence. The operational efficiency and its nexus with network competence in services industry need to be measured. The study intends to examine the impact of network competence on operational performance of Polaris Bank Plc.

Changes in business orientation, innovation, technological and network system in the present day business environment demand for proper analysis of network capability in the operational performance of Deposit money banks. Most of the authors in the literature focus on manufacturing industry, with little attention on service industry especially in Nigeria (Ahmed & Othman, 2017; Mitrega, Forkmann, Ramos & Henneberg, 2011).

More also, existing studies focused mainly on impacts of network competence attributes on organizational performance, outlining the benefits of strategic Networking but much has not

been done linking impact of networking competence and operational efficiency of Deposit money bank in Nigeria. The study was interestingly focused on deposit money bank to showcase the relevant of network competency in achieving organizational goals while driving toward capital-intensive operations in Nigeria banks, this will bring more benefit the stakeholders of banking industry; the management, the customer, shareholders, vendors and government of Nigeria.

Therefore, the study intends to investigate the impact of network competence on operational performance of Polaris bank in Southwest Nigeria. This study seeks to investigate impact of network competence on operational efficiency of the Polaris bank in Nigeria.

2. Literature Review

2.1. Network competence

Networks and networking are essential concepts that transform organizational, economic, and social practices to global level of goals accomplishment. Network competence is considered to be a company-specific ability to handle, use, and exploit inter-organizational relationships (Ritter & Gemünden, 2003, Ritter et al., 2002). The uses of resources, markets share, and innovative technologies and operational performance could not be achieved in isolation, but with joint effort through appropriate networks connectivity. This recognizes that firms engage in networks capability build better synergy of goals accomplishment (Ezuma, et al 2017; Ahmed & Othman, 2017). Within these networks the inter-organizational relationships are long-term arrangements, maintained for some overall functional purpose. However, according to Ritter et al. (2003) there is substantial differences in the ability of firms to deal with network system. This provides further motivation for researcher to consider network competence in an emerging market context.

Ritter et al., (2003), noted that the term competence is used to describe resources and preconditions, i.e., qualifications, skills, or knowledge, necessary to perform certain tasks without considering the actual execution of the task. Previous work done measure strategic networking with: (a) trust, (b) commitment, (c) reputation, (d) communication and (e) cooperation (Chang & Harwood, 2001; Lau, Moon, Zhang, (2014). Tehseen et al (2018) found out that positive impact and relationship exist among network competence and firms' performance.

In addition, many view trusts from personal relationships and connections, and can be seen as the controlling mechanism for the opportunistic behavior among partners and as a platform for knowledge and information exchange (Dyer & Chu, 2003; Zaheer, McEvily, Perrone, 2009; Anderson & Weitz, 2012). Commitment positively affects business performance as an element that maintains successful development of long-term business relationship (Anderson & Weitz, 2012; Garbarino & Johnson, 2014) and therefore results in the willingness to endure short-term sacrifices in order for realizing long-term benefits (Jap &Ganesan, 2000).;

2.2. Operational Efficiency and Effectiveness
Efficiency refers to the ability to produce extreme output from the available materials input with the least waste of time, effort, money, energy and raw materials. Effectiveness is the power

to produce the desired result. The extent to which something has been done, to achieve the targeted outcome (Wilson, et al, 2018).

Operational efficiency is the backbone of organizational sustainability and survival in the market place (Leighton, 2018). Organizational performance is the capability of an organization to achieve its strategic intents through effective resources utilization to achieve it stated objectives. (Barn, 2019). Operational efficiency is the capability of a firm to provides services at cost effectively without compromising the quality of such product. The operational efficiency of the banks determines the success or failure of the banking sector. Operational efficiency involves working out strategies that will make 4 Ms of resources (men, material, machine and money) employed to produce optimal return (Barn, 2019).

2.3. Empirical Review

Milovanović, Bojan Morić, Primorac, Dinko, Kozina & Goran, (2019), investigated the interdependence of strategic networking and business performance among Croatian manufacturing SME. Results of this analysis, revealed that strategic networking enhances both financial and non-financial performance of Croatian manufacturing SMEs. Also, among all five antecedents of strategic networking only reputation has a positive influence on business performance. More precisely, reputation has positive influence only on financial performance, while there is no evidence supporting the notion that any of strategic networking antecedents have positive influence on non-financial performance.

Barn, (2019) examined the impact of operational efficiency on Indian banking sector, a comparative study, the study revealed that Operational efficiency determines the success of the banking sector. The finding of Ahmed & Othman, (2017), concluded that network competence enhanced organizational performance and sustainable competitive advantage. Song & Jing, (2017) access to relevant and up-to-date technology, resources, information, as well as to learn new skills from networking partners. The finding revealed positive relationship between the variables measured.

Mitrega, Forkmann, Ramos and Henneberg, (2011) established positive link between network capabilities and firm performance, this link has been under-researched within a comparative international context. Eckenofer, (2009). A key benefit of networks for the small firm entrepreneurial process is the access to information and advice. Research by Golfetto & Gibbert (2006) noted that existing work on the role of network competencies in industrial marketing focuses on established approaches to deal with competencies as inputs to organizational processes and the consequent attempts to establish how marketing competencies such as customer relationship management, channel design, etc. lead to superior financial returns.

3. Methodology

Survey research design was adopted to investigate this study. The scale measuring network competence is based on questionnaire of Ritter and Gemunden (2004). Also, from the previous studies of Eckenofer, (2009). Population of interest in this study was 104 staff from Polaris Deposit money bank in Lagos, Osun and Ekiti State (Researcher's survey, 2020). Lagos states

was selected based on commercial hub of bank, where the headquarter is situated and other two banks were selected as a result of proximity to the researchers. The selection involves 4 principal officers in each of the 26 branches of Polaris deposit money bank. They are Business development manager, Business services manager, Cash officer and Head of relationship. The selection of the industry players was necessitated by present level of experience and exposure to phenomenon of bank branch management in terms of Networking competency of their local branch.
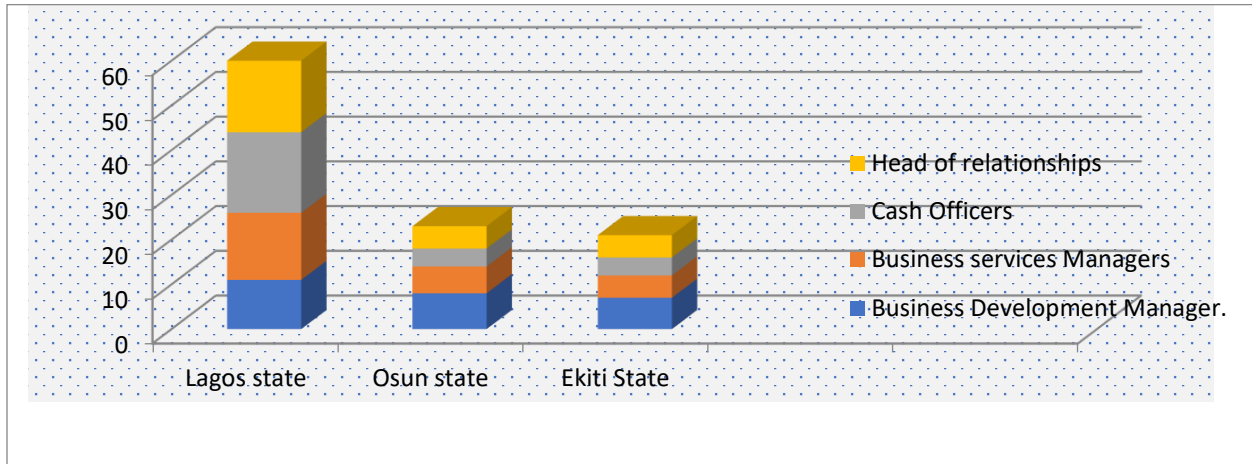
Data were collected through the research instrument and analyzed using Statistical Packages for Social Sciences (SPSS version 20). All the analyses were tested at 95% confident limit. At 0.05 significant levels hypothesis was retained or rejected from where conclusion was drawn.

3.1. Models Specification

The hypotheses tested in this study include:

- **H_0**: Network Competence does not have significant impact on operational efficiency of the Polaris bank in Nigeria

In order to empirically test the above hypothesis, this model is formulated.

H_0: $EFFOPS_1 = \alpha + \beta_1 NCSV_1 + \beta_2 NCSV2 + \beta_3 NCSV3 + \beta_4 NCSV4 + \beta_5 NCSV5 + \beta_6 NCSV6 + \varepsilon$

Where; EFFOPS1 = Operational efficiency of Bank Operations

Rapid markets entry and keeping the cost down (NCSV1)
Financial risk sharing (NCSV2)
Improve organizational learning and connectivity (NCSV3)
Flexibility in relationship development (NCSV4)
Extension of value-creating resources and relationship building (NCSV5)
Synergy and competitive advantage (NCSV6)

4. Results and Discussion of Findings

H_O: Network Competence does not have significant impact on operational efficiency of Deposit money bank

H_1: Network Competences have significant impact on operational efficiency of Deposit money bank

Table 1: A Summary of Regression Analysis of the Interactive (Association) between Network Competence and operational Efficiency.

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.812[a]	.659	.622	.402	2.220
a. Predictors: (Constant), Network Competence (NCSV)					
b. Dependent Variable: Efficiency of Operations (EFFOPS1)					

Source: Author's Computation (2021).

Table 1 shows the model summary of the regression analysis of relationship between Network Competence and operational efficiency. With (R) value of 0.812 (81.2%), this implies a positive strong association between Network Competence and operational efficiency in Polaris Bank Osun State. This magnitude of direct impact of network competency on efficiency of operations in the selected bank is statistically significance at 5% level of significance.

The R Square value of 0.659(66%) means that, 66% changes in the level of operational efficiency is explained or accounted for by the level of network competence in the Polaris bank while the remaining 34% variations are caused by other factors or variables which are not included in this model but captured under stochastic error term. Even after adjusting with the degree of freedom, the adjusted R-squared showed that the model still has a good fit which is about 66% systematic variation in operational efficiency of the organization.

Table 2 Regression Showing Significance of Predictors on operational efficiency

Regression Showing Significance of Predictors on efficiency of the operations						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	76.412	6	12.735	78.551	.000[b]
	Residual	15.402	95	.162		
	Total	91.814	97			
a. Dependent Variable: Operational efficiency. (EFFOPS1)						
b. Predictors: (Constant). Network Competence (NCSV)						

Source: Authors' Computation (2020).

Table 2 shows the F-statistics value for regression to test the overall significance of the independent variables or predictors in explaining the dependent variable. From the figures in the table 3 , the results shows that Network Competence variables used in the selected study area significantly predicted the level of efficiency in the operational performance of the organization, F (6,97), 78.551, P-value < 0.05 (Sig .000). This indicates strong evidence against the null hypothesis, as there is less than a 5% probability that null hypothesis is correct. F –

statistical indicates that the overall regression model is highly statistically significant in terms of its goodness of fit since the value of F_{tab} (6, 97) >F_{cal} (78.551).

Table 3: Contribution of Each Predictor Variable on operational efficiency of the Bank

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	.816	.216		3.783	.000
	Rapid markets entry and keeping the cost down (NCSV1)	.202	.069	.225	2.911	.004
	Financial risk sharing (NCSV2)	.036	.037	.049	.952	.343
	Improve organizational learning and connectivity (NCSV3)	.004	.043	.004	.086	.032
	Flexibility in relationship development (NCSV4)	.048	.050	.056	.945	.047
	Extension of value-creating resources (NCSV5)	-.086	.040	-.097	-2.127	.036
	Synergy and competitive advantage (NCSV6)	.610	.075	.678	8.176	.000

Source: Author's Computation (2021)

Table 3. shows the regression coefficients of the contribution of each independent (factors) on criterion variable. The results show that the largest beta coefficient is 0.678, which is for Synergy and Competitive Advantage (NCS6). This means that this variable makes the strongest unique contribution to explaining the dependent variable, when the variance explained by all other variables in the model is controlled. The Beta value for Rapid Markets Entry (NCSV1) was slightly lower (.225), indicating that it made less contribution compare to the first factor.

Extension of Value-creating Resources (NCSV5) has negative value of -.097. Flexibility in relationship Development (NCSV4) contributes Beta value of .056, follow by Financial Risk Sharing (NCSV2) with standardized coefficient Beta value = .049 and the least contributing factor is organizational learning (NCSV3) with coefficient Beta value = .004 to the efficiency of the operational of the organization.

All the variables are statistically significant and making a significant unique contribution to the prediction of the dependent variable as the sig level are less than 0.05, except financial risk sharing (NCS2) that the value (.343) is greater than 0.05 significant level. Meaning that it is not significant to operations efficiency of the organization.

From the results obtained from table 3, the p-value calculated for 0.000 is lesser than 5%, 0.05 critical value. Hence the null hypothesis was rejected. The implication of this is that Network

Competences have significant impact on operational efficiency of Deposit Money Bank. This mean that network competency has significant impact on operational efficiency of Deposit Money Bank in Nigeria. The finding supports the conclusion of Milovanović, et al, (2019); Mitrega, Forkmann, Ramos and Henneberg, (2011). In their studies, it was established that network competency affects organizational performance positively and significantly.

5. Conclusion and Recommendations

Major goal of banks like every other profit-oriented company is to make profit. The present banking operations required activities that will push up overall performance. In this study, it was concluded that when network competence is implemented and effectively managed, the Money Deposit Bank in Nigeria will experience competitive advantage and effective and efficient operations of in their services. Networking will lead to improve operational performance in terms of increase productivity, Cost reduction, prompt meeting of customer needs and reduction in customer complain which will in return lead to increase in overall performance.

Based on the findings of this study, the following recommendations were made:

i. The positive and significant impact of networking competence on operational efficiency of Deposit Money bank calls for bank management to institute strategies that will strengthen network competence so as to maintain efficient and effective operational performance.

ii. The bank should always explore the benefit of improved operational performance that is inherent in competency network through synergy and competitive advantage.

The study is limitated with the time available to carry out the study but this does not affect the outcome of the study as it was well managed. Further research should be done to compare the impact of the cost network competence on financial performance of Deposit Money Banks in Nigeria.

Conflict of Interest

There is no conflict of interest between the authors of the article.

Author Contributions

The authors declared that they contributed equally to the study.

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