

# Employees' Perception of the Gains and Losses of the 2004-2005 Nigerian Commercial Banks Recapitalisation Exercise

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*The main goal of this study was to specifically evaluate the gains and losses of the 2004-2005 financial restructuring in Nigeria as experienced by members of staff of some of the affected banks; the expected outcome should be able to enrich the existing general body of Knowledge in enterprise restructuring. Of the previous 89 banks that existed before recapitalisation commenced, only 24 new groups emerged as a result of extensive mergers and acquisitions, with very few of the previous 89 able to stand on their own. The remaining 24 banks were stratified into merged, acquiring and stand-alone and 449 employees from the three emerged groups were randomly sampled by questionnaire administration; selected, structured interviews was also carried out through convenient sampling of available members of management staff directly linked to the recapitalisation procedures. 86.8%, 64.2% and 57.5% of Union bank, Guaranty Trust Bank (GTBank) and United Bank for Africa (UBA) respondents respectively reported that their management informed them of the impending reform for between 4 months and a year; but between 10.3% and 27.55% of them from the three banks received the information 4 months or less before the exercise. A high Percentage of between 77.1% and 88.3% of the sample from the three banks received information through either official memo or meetings with management while very low percentage received information either through rumour/grapevine or receive no information at all. A further high percentage of 75% to 92.3% reported improved leadership capability. On minuses side, layoffs and the case of who was next was reported as a major pre-occupation for most employees. Job enlargement was largely reported and some found the challenge of accommodating the changes very daunting. People now work longer hours and week-ends with the introduction of Saturday banking in some banks; others talked of being psychologically and emotionally drained from stress. Tested hypotheses revealed positive relationship between the three sets of variables, Management style and the appropriateness of time by which employees were informed of reform showed  $r = 0.53, p < 0.01$ ; medium of communicating information and leadership style adopted by management was  $r = 0.26, p < 0.01$ ; while management style and the resulting quality of service post-consolidation was  $r = 0.305, p < 0.01$ . Overall, respondents perceived that the positives surpassed the negatives.*

## Field of Research: Management<sup>1</sup>

### II: Introduction

There had been a great deal of studies carried out the world over on restructuring, particularly of banks, but most focused on those banks survival, the strategies adopted and successes/failures of those exercises .....( examples). There were also few studies on effects on employees, particularly in the area of employment, .....(mention some). This study specifically examined the pluses and minuses of the first major nationwide recapitalisation efforts in Nigeria from the perspective of the employees of selected commercial banks. This study is expected to boost the body of knowledge that already existed in this area reporting the first-hand experiences of those staff directly involved in the day-to-day operations of the restructured banks.

<sup>1</sup>Restructuring organisations, whether of capital, business processes (Business Process Reengineering – BPR), structures and strategies create some form of fear, especially to employees of those business concerns since nobody can be fully sure of the full consequences of the eventual changes.

Past and recurring Nigeria banking problems, need for systemic stability, the ever dynamic operating environment, among others, informed the Central Bank of Nigeria (CBN), the nation's apex bank, to give directive that all commercial banks increase their minimum capital base from 2 billion naira to 25 billion naira on or before December, 2005, this marked the beginning of the end for armed-chair banking in Nigeria.

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Corporate restructuring of whatever shape or size is an inevitable feat for organisations of the 21<sup>st</sup> century and is a necessity for companies ability to reduce cost, change business processes, reposition, right-size/downsize/upsized (depending on organisations' peculiar needs), manage human resource and generally optimise all available resources for corporate efficiency and effectiveness. But often, organisations are challenged by the way and manner to handle the reactions of employees to changes accruing from the exercise and not uncommonly, resistance occur employees for fear of the unknown among other issues.

The level of panic and apprehension that gripped Nigeria commercial banks and all their stakeholders during the 2004-2005 re-capitalisation attested to the expected apprehension and resistance that normally greet reforms like that. Essentially therefore, the success of any restructuring exercise depends significantly on management's ability to achieve congruence between staff's needs, worries and aspirations and organisation's vision, goals, strategy, structures, and core-values. This research reported the result of the banks' employees personal experiences and their perception of the good and bad of the whole exercise.

### **III: Literature Review**

When the Nigerian apex bank, Central Bank of Nigeria (CBN) took the initiative to consolidate the nation's commercial banks and was considering the challenges that the exercise could pose, issues relating to employees/human resource welfare were never a part of the consideration; the only area that was close to this was the consideration for problem with "...redundancy cost in the areas of information Technology, Human Resources, and fixed assets such as branch offices" (CBN, 2004-2005). But how could the country's regulatory bank not planned or at least had a policy towards tackling the potentials for increased unemployment from the exercise? This could only have happened in a country where unemployment like Nigeria where lip services had long been paid to unemployment issues.

The experiences and challenges of post-recapitalisation in Nigeria has produced an era of aggressive competition among the remaining 24 banks in Nigeria produced certain features, for instance, there are more products and services, presumed high incidence of labour turnover and competition for valuable customers. The turnover of employees mostly involved the bankers changing jobs within the industry in search of better conditions of service and higher remuneration. With these development, among others, Kale et al (2008), to declare the reform as invoking an era of 'survival of the fittest' on the remaining banks.

A fall of the last recapitalisation exercise was the inevitability of disengagement of "surplus staff" (Adedipe, 2006). The writer estimated that about 31,980 jobs could have been lost after the exercise going by the share number that would remain after consolidation. Although this figure was still difficult to verify as at the time of this study, one thing that was certain was the rate at which jobs at merged or effectively dead banks laid off their previous staff. The writer further treated as lamentable, the fact that competent hands could be made redundant while mediocres were retained because they represented certain interests.

### **IV: Research Objectives**

This study was to examine Nigerian commercial banks' staff view of the outcomes of 2004-2005 re-capitalisation in terms of the pluses and minuses accruing from the reform. This was broken down into the following specific objectives; they were to:

- (i) Determine how early employees were informed of the planned exercise and whether the timing is relevant to the style of leadership;

- (ii) Examine the effectiveness of the medium of communicating information about the reform exercise to staff in relation to leadership style.
- (iii) Evaluate the relationship between service quality that emanated and leadership strategy adopted.

## V: Research Hypotheses

The following two hypotheses were formulated for the study:

**H<sub>11</sub>:** The banks' managerial leadership style and the timing of informing the employees about the impending re-capitalisation are directly related.

**H<sub>12</sub>:** Medium of information dissemination and the style of leadership are correlates.

**H<sub>13</sub>:** The resulting banks' service quality and leadership strategy adopted were related.

## VI: Research Methodology

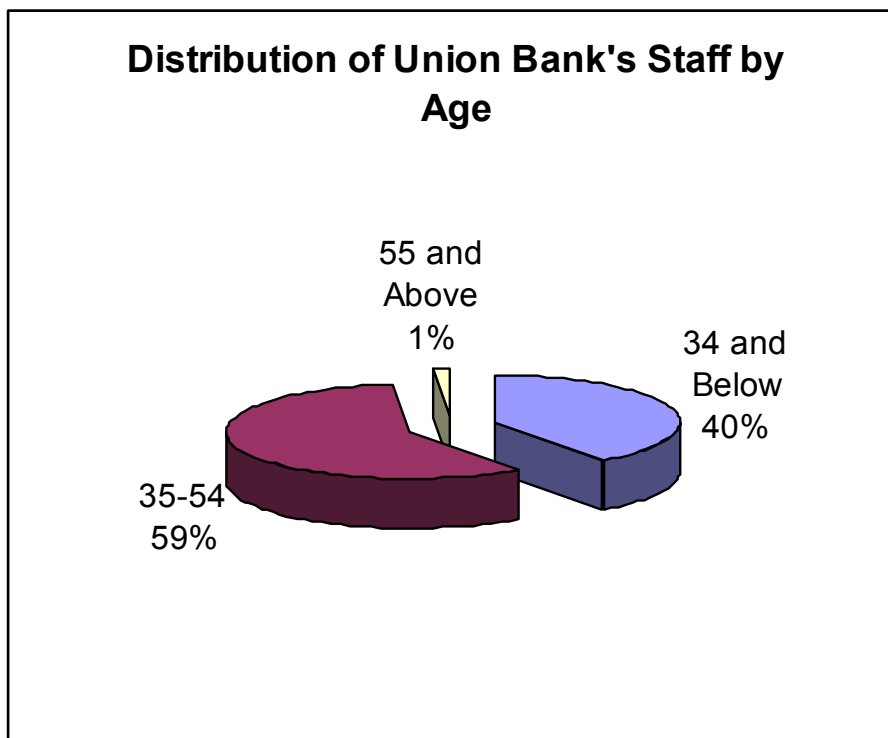
The sampling frame for the study was all employees at the headquarters of each of the three banks sampled. The 25 of the original 89 banks that emerged from recapitalisation were divided into three strata of **stand-alone, merged and acquiring banks** and a bank was randomly picked from each stratum. GTBank, UBA and Union bank emerged respectively as previously listed.

Questionnaire was randomly administered to 449 respondents from three banks and seven members at management level were interviewed. Correlation was determined between management's leadership and time at which employees got informed about the exercise; medium of passing information to employees and leadership style and quality of service delivery and style of leadership.

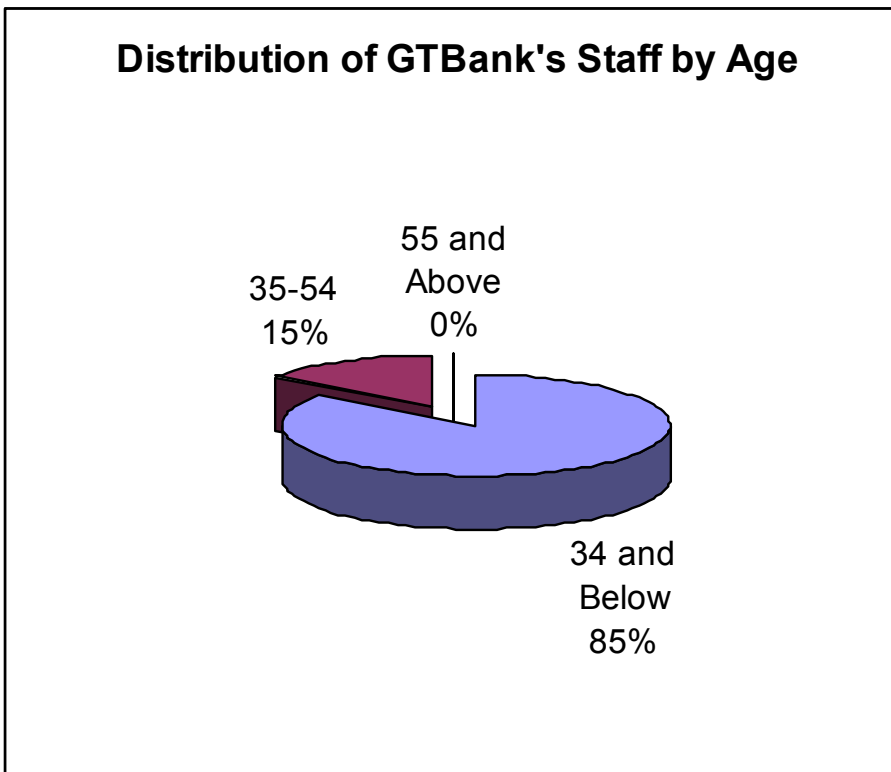
## VII: Findings and Discussions

### (i) Analysis of Questionnaire Results

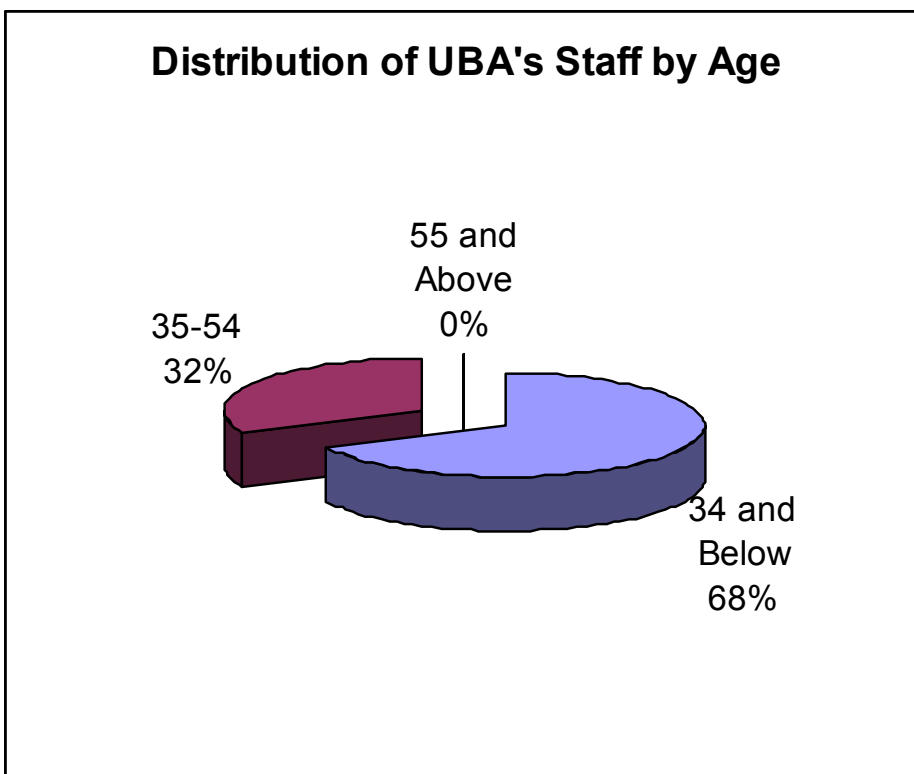
**Figure I (a):**



**Source:** Charted from field data.

**Figure I (b):**

Source: Plotted from field data.

**Figure I (c):**

Source: Charted from field data.

Figure 1(a), 1(b) and 1(c) revealed that majority of the respondents fell into the age range of 24years to 54years for the three banks. GTBank had the largest concentration of young staff at age 34 years or under at 85%. That none of the bankers sampled in both GTBank and UBA fell above the 55 years age bracket and only 1% for Union bank told a story from what this researcher witnessed during the data collection period; all of the banks sampled, most noticeably GTBank, were retrenching older members of staff and recruiting fresh graduates as soon as the recapitalisation exercise took off, so it was little surprising that most of their staff fell within the age range of 54 years and below.

**Table I: Distribution of Respondents by Marital Status**

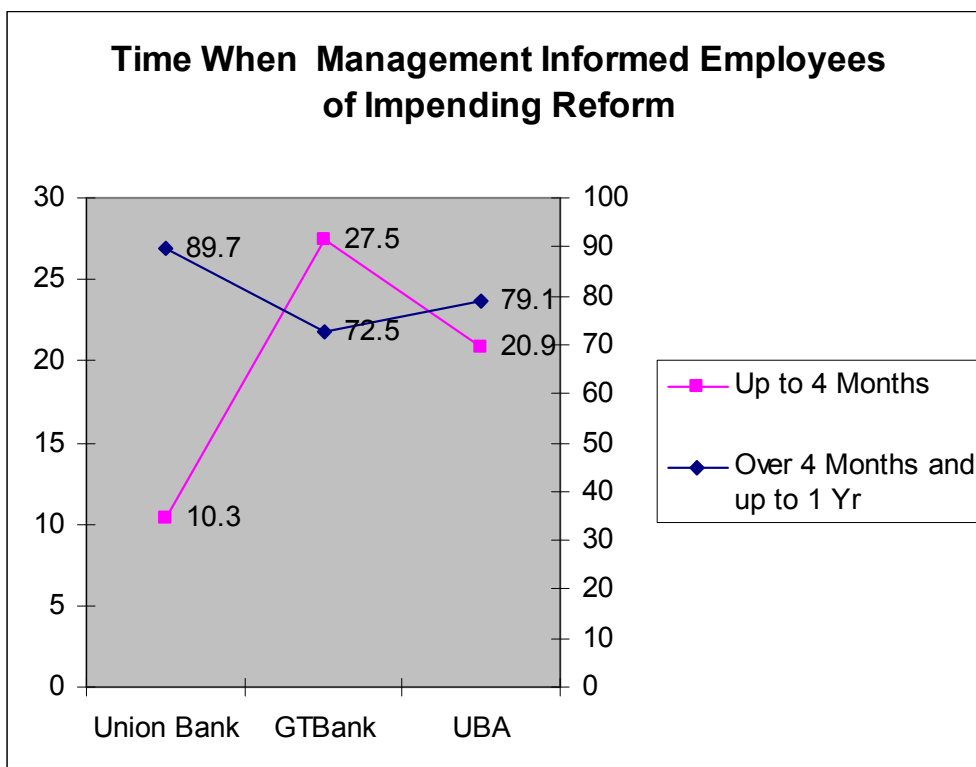
	Union Bank		GTBank		UBA	
	Freq	%	Freq	%	Freq	%
Married	55	83.3	12	32.4	37	59.7
Singles	11	16.7	23	62.2	25	40.3
Divorced			2	5.4		
Widowed						
Total	66	100.0	37	100.0	62	100.0

**Source: Field survey**

From table I, the percentage of married members of staff was 83.3%, 32.4% and 59.7% for Union Bank, GTBank and UBA respectively. Singles came at 16.7%, 62.2.% and 40.3% for Union Bank, GTBank and UBA respectively. These figures indicated that a very high proportion of staff of Union Bank were married, a larger section of those of GTBank were singles with close to two-third ( $\frac{2}{3}$ ) of UBA staff married. The implication of this is that Union Bank had the highest number of married staff members, followed by UBA with GTBank having the least number of married staff members.

### **The Gains and Losses of Recapitalisation**

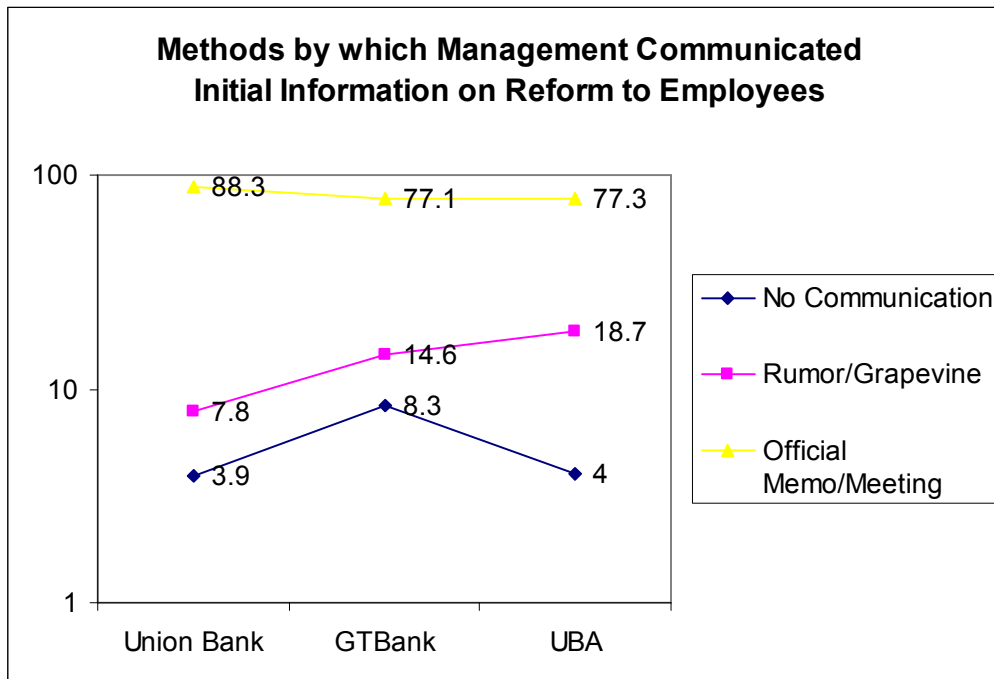
**Figure: II**



**Source: Charted from Field survey**

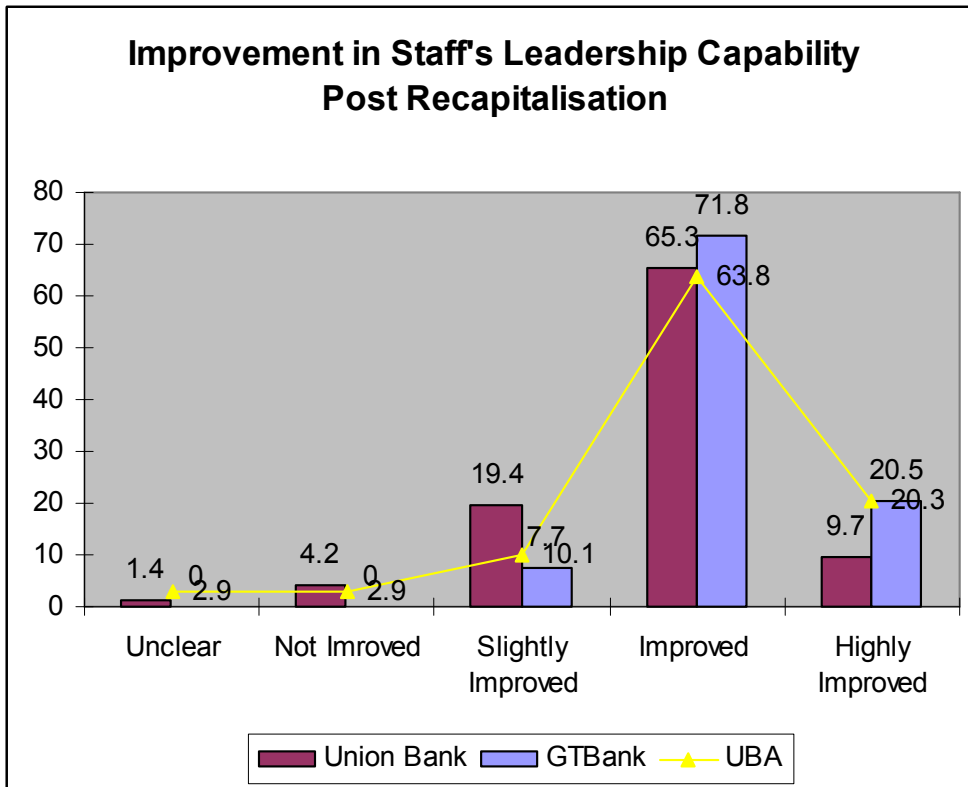
From figure II, 89.7% of respondents from Union Bank claimed they were informed at least 4 months prior to the onset of restructuring. 72.5% of GTBank respondents were informed for the same period of time while in UBA case, it was 79.1%. Staff reported satisfaction that majority of the respondents had time to reflect on the impending restructuring before it came about and this further meant that the management of the three banks carried most members of their staff along before the restructuring exercise, reflecting participatory style of leadership, this can be counted as one of plus.

**Figure: III**



**Source: Plotted from field data**

Figure III indicates that 88.3%, 77.1% and 77.3% of respondents from Union Bank, GTBank and UBA respectively claimed to have heard about the impending restructuring through official memo/meeting organised by management of their banks. Respondents of the three banks recorded very high percentage points here but Union Bank performed better; this showed that management of the bank took seriously the importance of dialoguing with their staff for the success of the exercise. Most of the staff sampled also believed the success of the exercise was had a lot to do with effective communication between them and management. Considerably low percentages heard through rumour/grapevine and even a lower number claimed not to have been communicated with at all.

**Figure IV:**

**Source: Plotted from field data**

From the result of the study as recorded in figure IV, 75% (65.3% + 9.7%) of Union Bank respondents reported that their leadership capability improved/highly improved, 92.3% (71.8% + 20.5%) was the figure for GTBank and 84.1% (63.8% + 20.3%) for UBA. It can be deduced from this that the effect in this regard was highly positive and this possibly encouraged staff to assist in making the exercise a success.

### **Qualitative Data Report from the Interviews**

Personal interview was possible with only a manager from Union Bank, two from GTBank and four from UBA ; table was shown from only UBA for ease of analysis and the result of the two remaining banks incorporated into that of UBA; hence the following analysis is general to the three banks.

#### **(ii) Analysis of Interview results**

##### **(a) The Gains**

In addition to the positive issues discussed in the questionnaire analysis; a high proportion of banks staff interviewed perceived that the re-capitalisation successes were partly due to the leadership that carried them along. Some staff reported better service condition and a boost to customer to customers.

Although staff members were retrenched, more bank branches were opened; employing new staff for those newly created jobs could have partially made up for some of the lost jobs during the exercise, arguably though, this is matter for another study.

Members of staff were sent to training but respondents reported that the training was mostly in the area of customer services; this resulted in better quality of service and increased output. Banks were reported to have used a combination of ICT, Total Quality Management, BPR, and downsizing, limited internet and e-banking.

**One major gain to the public** was that the raising of extra cash from the public in the form of **Initial Public Offers ( IPOs )** and **Right Issues** was that Nigerians suddenly became aware of investing in **bank shares**; the result of this was that many people became millionaires by the manner in which **Returns On Investment ( ROI )** multiplied in folds due to the successful restructuring of banks and successes banks recorded competing for extra funds from the public. The current global recession, though, had currently forced the banks' share prices down and by implication the "**momentary millionaires**" from banks share purchases would have to wait a little longer to get back on the Nigerian millionaires' list.

##### **(b) The Losses**

Lay-offs were common place in many of the banks. There were compulsory and voluntary redundancies with compensation, while some employees especially of banks that merged or were acquired, though some later employed fresh graduates after expansion. The employees talked of constant torturous expectations of lay-offs, expressing that they were not too sure of who cold be next.

Respondents opined that perhaps due to reduced number of employees, their jobs became heavier and more demanding with job enlargement.

Majority complained that accommodating the changes became very daunting and too much to take but had no option since banks employees in Nigeria were not allowed to join unions and so nobody to complain to.

Weekly work hours became longer, particularly in banks where Saturday banking had been introduced as an aftermath of the restructuring exercise, an example of those banks was Intercontinental Bank Plc.

Two of the respondents from UBA out-rightly perceived more losses for them as a result of the exercise than gains, they expressed being psychologically and emotionally stressed from the job.

Finally, the group of interviewees were split on the whether customers were being better served and added that part of their problems was the lack of adequate training for most of them to cope with the enormity of the jobs demands; it was claimed that even though most of the training their colleagues were sent to were customer services based, a lot of room still existed for improvement.

### (iii) Correlations between Variables in the Hypotheses

#### (a) Correlation between the Management's Leadership Style and the Time it Took to Inform Employees of Impending Reform

**Table III:**

		How early were the staff members informed of the impending reform before the onset	How participative is your management now
How early were the staff members informed of the impending reform before the onset	Pearson Correlation	1	<b>.053</b>
	Sig. (1-tailed)	.	.244
	N	175	170
How participative is your management now	Pearson Correlation	<b>.053</b>	1
	Sig. (1-tailed)	.244	.
	N	170	184

**\*\* Correlation is significant at the 0.01 level (1-tailed).**

With relationship was positive at  $r = 0.53$ ,  $p < 0.01$ , it can be assumed that because significant number of respondents from the three banks (**86.8% in Union bank, 72.5% in GTBank and 79.1% in UBA**) were furnished with the information about the recapitalisation exercise, the staff of the banks perceived the management as practicing participatory style of leadership; even the result of the interview corroborated these findings.

**(b) Correlation between the Medium of Communication and Management's Leadership Style**

**Table IV:**

		Official meeting organised by management	Written meeting by memo	How participative is your management now
Official meeting organised by management	Pearson Correlation	1	.267	-.060
	Sig. (1-tailed)	.	<b>.261</b>	.228
	N	163	8	159
Written memo	Pearson Correlation	.267	1	.316
	Sig. (1-tailed)	<b>.261</b>	.	.081
	N	8	21	21
How participative is your management now	Pearson Correlation	-.060	.316	1
	Sig. (1-tailed)	.228	.081	.
	N	159	21	184

**\*\* Correlation is significant at the 0.01 level (1-tailed).**

The two variables in this analysis returned a positive correlation of  $r = 0.26$ ,  $p < 0.01$ . Here, significant percentages (**88.3% in Union bank, 77.1% in GTBank and 77.3% in UBA**) were informed either through officially written memo or meetings organised by management. Only very few of them claimed hearing of the proposed reform by rumour/grapevine or no communication at all. Again, the employees perceived the leadership as not been dictatorial and believed the success recorded by the reform was helped because they were duly informed and kept posted of developments on the exercise.

**(C) Correlation between Management Style and the Quality of Service Emerging Post Recapitalisation**

**Table V:**

		How participative is your management now	How improved is your quality of service?
How participative is your management now	Pearson Correlation	1	<b>.305</b>
	Sig. (1-tailed)	.	.000
	N	184	183
How improved is your quality of service?	Pearson Correlation	<b>.305</b>	1
	Sig. (1-tailed)	.000	.
	N	183	185

**\*\* Correlation is significant at the 0.01 level (1-tailed).**

Coefficient of correlation between the two variables was also positive at  $r = 0.305$ ,  $p < 0.01$ . It implied that the improvement in the quality of service as confirmed by a significant percentage of respondents owed a lot to the leadership style and perhaps, the management strategies adopted by those at the top. When employees are well informed, carried along and above all made to participate in the decision making and change process, achieving the goals of embarking upon the change would be easier as employees accepted that they had a stake in the process.

### **VIII: Conclusion and Implications**

Employees of Nigeria banks had been through a form of roller-coaster ride in the face of the last re-capitalisation exercise; the staff were apprehensive of the unknown and to a large extent their fears were justified going by the spade of lay-offs and employee turnover that the sector had witnessed in the past three and half years. Despite this and other losses, the country had witnessed the making of a renewed and more vibrant sector with, not only “misses”, but a lot of “hits” that created a new industry free of in-house and systemic financial distress, the like of which would have signalled doom, particular at this difficult phase of the world economy, had the reform not taken place. Lastly, banks staff studied perceived that the pluses outnumbered the minuses and the sector was better off with than without.

In the final analysis, even though a lot of positive outcomes were derived from the exercise, CBN could have provided staff who were disengaged with one form of training or the other in other that they could pick up the pieces of their broken work-life a lot faster. Future extensive programmes like the re-capitalisation programme would necessitate that policy makers took a more proactive approach to minimise the negative human fall-out from the exercise.

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