RE-ENGINEERING PROCESSES IN COMMERCIAL BANKS: THE AFRIBANK NIGERIA PLC'S EXPERIENCE

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CERTIFICATION

The project entitled "ReEngineering Processes in Commercial Banks: The Afribank's Experience".

by

Emmanuel H. Garba

This is to certify that the above captioned project has met the regulations governing the award of the degree of Masters in Business Administration of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

Project Supervisor	Date 01/09/03
External Examiner	Date 16-04-004
Head of Department Business Administration	Date
Dean of Postgraduate School ABU, Zaria	Date

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J. U. Kene — Project Supervisor — 01/09/03 Date

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DEDICATION

This project is dedicated to my wife Margaret L. Garba and my wonderful sons Matthew and Ceiphas Garba for their love, understanding, encouragement and moral support.

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All the errors contained in this thesis are entirely attributable to the author.

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CHAPTERONE

INTRODUCTION 1.1

Preamble

The concept of Re-engineering was first popularised when "re-engineering the corporation" was first published in 1993.

In the US in 1994, a lot of companies invested heavily on re-engineering as a result of the revolution which took place. The term "re-engineering" has been heavily over used, misused and simply.

Generally the most widely used definition of the concept of re-engineering was given by Hammer and Stonton (1995) in their book "The Re-engineering Revolution" as the fundamental rethinking and radical redesign of business processes to bring about dramatic improvements in performance.

The most important key words in this definition are dramatic improvements, radical, process and redesign.

Firstly, "dramatic" improvements in re-engineering does not mean making marginal improvements to businesses. It is about making quantum leaps in performance, achieving breakthroughs. Performance can be measured in various ways, reduced costs, increased earnings, increased speed, greater accuracy depending upon what is important to a particular business. The hallmark of re-engineering is always a dramatic breakthrough in performance.

According to the former Managing Director of Wema Bank, Chief Samuel Adegbite, "re-engineering is the fundamental re-thinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality service and speed".

In the banking industry, re-engineering process simply means restructuring or repositioning of the general operations of a bank such as development of advanced information technology, development of relevant consumer banking products, efficient human resources management and development, strategic planning, infrastructural development, improvement in the efficiency of how customers are served, among others.

It involves the upgrading of service delivery in branches in order to bring about significant changes. The branches are consequently empowered to offer on-line real-time services, reduce response time to customers, offer competitive rates and charges, achieve improvement in internal layout/aesthetics, external environment, customer driven personnel and procedures, Ihyembe, (2000).

One of the important components or driving forces of the re-engineering process is advanced information technology. The development of up-to-date information technology has provided limitless opportunities for banks to innovate in the areas of new products/services and cut down turn-around time often associated with these products/services, it also creates unprecedented threats to them Etim, (2000). This is because information technology is a vital service enabler that defines and refocusses competition such that its deployment in the right mix normally alter quality and speed of service delivery.

Re-engineering process is so crucial and relevant in contemporary bank management that the Chartered Institute of Bankers of Nigeria (CIBN) reiterated the need for banks in the country to carry out proper re-engineering in order to compete effectively in the new and emerging global market trends and also as a survival strategy in the new millennium.

The process involves re-evaluating and re-invigorating various units of an organisation in order to respond to the dynamics of the market and enhance their performance.

Re-engineering process is expected to produce corporate strategic vision, redesigned structural framework and must ultimately result in radical transformation of an organisation.

Strategic re-engineering must be technology driven and should evolve observable change of staff attitudes to work. This may include among other things the way and manner staff conduct themselves, project the image of the bank, their level of commitment to duty, their relationship with subordinates/superiors and also the customers they serve. The study of this process is fundamental in view of the ongoing competition in the industry coupled with the emergence of the concept of Universal Banking System which consequently meant the phenomenal increase in competition as a result of new entrants, ie. merchant banks converting to commercial banks and also licensing of new banks. This competition is also capable of being intensified as a result of deregulation and globalisation in which local banks are exposed to international competition.

In order to ensure effective competition in the market, CIBN has opined that banks should invest more in human resources development to enable them cope with the challenges of international banking.

For a strategic re-engineering process, it is imperative to put in place a large number of various specialised skills that need to operate simultaneously and as a team complementing one another. This will facilitate the appreciation of the multifarious problems that banks constantly face and also provide solutions to these problems to the

satisfaction of all concerned stakeholders, ie. staff/management, customers and investors.

In Nigeria, studies of how re-engineering processes are carried out in banks and their performances are quite few since the concept is relatively new in the industry. Therefore, this situation encouraged to a large extent the decision to conduct a research in this important aspect of strategic planning/management in the banking industry which has received very little attention.

In this study, attempt will be made to examine the design and implementation of the process with particular reference to Afribank Nigeria PLC and also evaluate its performance using some indicators, ie. profitability, total deposits, total assets, loans and advances, provisions, recoveries, general expenses, etc.

Most of the commercial banks especially the old generation, ie. United Bank for Africa, PLC (UBA), First Bank of Nigeria PLC, Union Bank of Nigeria PLC, Afribank Nigeria PLC have all embraced the concept of re-engineering process by deliberately embarking and formulating strategies aimed at restructuring or repositioning their modes of operation in order to improve the quality of customer service delivery, make the business environment more friendly and above all achieve better performance, among other things.

During the financial year 1999/2000, when Afribank's re-engineering process commenced, a lot of resources was committed towards ensuring that it is transformed into a solid and better bank for the benefits of all stakeholders, ie. shareholders, management/staff and customers.

The Bank's management team in collaboration with renowned firm of management consultants, Messrs Andersen Consulting embarked on a re-engineering

programme desired to transform the bank's operations in order to improve the quality of its customer service delivery. The programme whose main focus is the automation of service delivery and connectivity between all the branches and Head Office Department is on course.

About 70% of the branch network have now been installed with Globus Computer Banking software and new computer hardware systems. The project is aptly described by the Group Managing Director/Chief Executive Officer Chief Raymond H. Ihyembe as "the pivot on which the turn-around revolves".

The re-engineering programme of the bank is tagged New Era Project. The ERA acronym stand for Enterprise, Rejuvenation and Alignment . The project witnessed the implementation of a market-facing Strategic Business Unit (SBU) concept with services focused on improving the Bank's interface with customers as well as its internal efficiency.

As a result of this restructuring of the Bank, corporate banking, commercial banking and consumer/retail banking have emerged as separate units with functions to give full service to the high, middle and lower end of the financial services market. Marketing and managing customer relationships are the strategic focus of these business units. The bank is also using the transformation to consolidate its financial supermarket leadership by providing one-stop financial services to all its customers as conceptualised in the Universal Banking Policy.

Some of the major outcomes of the Enterprise Transformation Project are the adoption of a new vision and mission statement.

The Corporate vision of the Bank is "To be Nigeria's Foremost Financial Services Group", while the mission is "to facilitate customers success by providing world class one-stop financial services".

1.2 Statement and Definition of the Problem

The project examine the process of re-engineering banking operations, with particular reference to Afribank Nigeria PLC, what it entails, and how it is carried out. The changes required and the benefits to the bank, and problems encountered in the course of implementing the process. Attempt will also be made to evaluate the performance of the project. Core aspects of banking will be examined viz. information technology, banking products, customer focused strategies, relationship management, relationship, management, and general operations.

1.3 Aims and Objectives of the Study

The general aim of this study is to provide an insight on how a bank can be restructured/repositioned to operate more efficiently and profitably using Afribank Nigeria PLC as a case study.

Within the context of this general aim are four specific objectives, viz:

i. to review the process of re-engineering in commercial banks ie. its design and implementation with particular reference to Afribank Nigeria PLC.

ii. to examine the problems encountered during the implementation stage of the re-engineering process.

iii. to carry out performance analysis using some indicators and to also find out the benefits of the exercise to all the stakeholders ie. shareholders, customers and staff.

iv. to make recommendations based on the findings.

1.4 Scope and Significance of Study

The main focus of this study is to examine the process of current re-engineering efforts in Afribank Nigeria PLC and to determine the impact it has made on the bank's image, operational efficiency, profitability and the overall success of the bank.

This was carried out by analysing some performance indicators of the bank ie. gross earnings, operating expenses, provisions total assets, loan and advances, recoveries etc. using the Bank's 5-year financial statements ie. 1997, 1999, 2000, 2001, 2002.

Re-engineering process is a contemporary issue in the banking industry and is particularly popular with the first generation banks who are constantly facing increasingly intense competition from the second generation banks.

This process has also become quite relevant in view of competition from new entrants, the conversion of merchant to commercial banks, the adoption of Universal Banking concept and globalisation.

The need for improving operational, efficiency and service delivery cannot be over-emphasised because customers are also becoming more sophisticated, selecting and demanding in their quest for high quality service.

1.5 Limitations of Study

During the course of this study, a number of problems were encountered. One of which is the dearth of literature on re-engineering process. Most current report on the performance of the banking Industry could not be obtained from the Nigeria Deposit Insurance Corporation (NDIC). Detailed information on the design and implementation of the re-engineering process could not be obtained because of the banks Consultants Arthur Andersen Consulting reluctance to make available such information.

1.6 Definition of Terms

1. Re-engineering Process

This is the upgrading of service delivery in branches, which involves introduction of new system, human resource planning and development, infrastructural development strategic planning in order to bring about positive significant changes.

2. Afribank Group

This consists of Afribank Nigeria PLC and its subsidiaries, Afribank Insurance Brokers, AIL (Merchant Bankers), ANP International Finance Company Ltd, Dublin, All Securities Ltd, Afribank Trustees and Investments Ltd.

3. Universal Banking is a concept in which the government issues a policy to encourage banks to offer wide range of financial services.

4. Relationship Management which means being customer focused ie. creating and sustaining a customer in a cost effective manner such that he totally relies on the bank for his financial needs.

5. NEW ERA Project is the re-engineering programme of Afribank. It means Enterprise Rejuvenation and Alignment.

6. SBU - Strategic Business Unit which are customer focused and it includes Corporate Banking, Commercial Banking and Retail Banking.

7. Home Banking

This is a service in which Corporate Customers are allowed access to the banks computer system via PC in their offices. It enables them to know their balances and transactions on their accounts.

8. Stakeholders

This group includes customers, employees and shareholders.

9. Afribank Corporate vision

To be Nigeria's foremost financial services group.

10. Afribank Mission: is to facilitate customers success by providing world class one-stop financial services.

1.7 Organisation

Chapter one of the study focuses on the introduction to the study, ie. preamble, statement and definition of the problem, methodology, aims and objectives, scope and

significance of the study. It also includes a sub-section on limitations of the study and definitions of terms.

Chapter two is on literature review which includes a review of macro-economic policy for 2001/2002, outstanding macroeconomic problems and policy, challenges for Fiscal 2002/2003, monetary and credit policy measures for 2002/2003, review of the performance of the Banking Industry for 1999/2000 financial years, strategic components of re-engineering process. It also includes a section on review of current re-engineering processes in some commercial banks.

Chapter three is on Research Methodology. Chapter four is on general overview of Afribank's history, organisational structure and development. This includes the following subsections: history of Afribank, Afribank Group, Organisational Structure/developments of Afribnk Nigeria Plc, Corporate performance. Other subsections include banking products and service, social responsibility and re-engineering process in Afribank Nigeria Plc.

The data used in this study is presented and analysed in chapter five.

Finally the summary, findings, conclusions and recommendations of the study within the context of our understanding of re-engineering process in Afribank Nigeria Plc are presented in chapter six.

CHAPTER TWO

LITERATURE REVIEW 2.1

Review of Macro-economic Policy in 2001/2002

The performance of macro-economic policy in 2001 was mixed as indicated by some major economic indices. This was largely due to lack of conducive environment for the conduct and implementation of monetary policy. This was consequent upon the continued expansion of fiscal operations of the three tiers of government, as a result of the monetisation of the excess crude oil receipts and the proceeds from the GSM licence later in the year, as well as the monetary financing of fiscal deficits. Consequently, this increased the level of liquidity in the economy which induced rapid monetary growth and accentuated the rate of inflation.

Interest rates were influenced by the state of bank liquidity as well as policy actions aimed at addressing the problem of excess liquidity.

The average exchange rate of the naira at the official market, however remained relatively stable for most of the period, while relative improvement was observed in agricultural and industrial production. The outcome of external sector developments remained favourable up to the third quarter of the year. However, the fourth quarter, witnessed a decline in the export price of crude oil, with negative implications for export earnings and government revenue.

Growth in real Domestic Product (GDP) was estimated at 3.8% during the first half of 2001, compared with the 5.0% targeted in 2001. The growth in output reflected the increase in both agricultural and industrial production. Aggregate

manufacturing capacity utilisation rose marginally by 0.3 percentage point over its level

in the first half of 2000 to 35.5%, but was 0.2 percentage point lower than the level in the preceding half year. The upward increase in inflationary trend, observed since July 2000 continued in the fourth quarter of 2001, with the inflation rate at 18.9% in November, compared with 5.8% in the corresponding period of 2000.

The provisional balance of payments for the first half of 2001 indicated an overall surplus. This position was facilitated mainly by enhanced earnings from crude oil exports occasioned by high prices of crude oil in the international petroleum market. However, the value of non-oil exports decreased sharply in 2001 when compared with the value for 2000.

Gross external reserves increased in June 2001 and declined marginally by November 2001.

The naira exchange rate vis-a-vis the US dollar was relatively stable in the Interbank Foreign Exchange Market (IFEM) for the greater part of the year. After the depreciation in the first four months from ₦110.05 to ₦113.59 = US$1.00, the average IFEM rate appreciated steadily from ₦113.07 = US$1.00 in May to 111.60 = US$1.00 in September and remained at that level in October 2001. However, the rate depreciated marginally to ₦111.99 = US$1.00 in November. Similarly, the average parallel market and bureaux de charge rates depreciated from ₦123.38 and ₦122.34 = US$1.00 in January 2001 to ₦137.26 and N137.48 = US$1.00 respectively in May 2001 before appreciating consistently to ₦133.70 and ₦134.05 = US$1.00 in November, respectively. The relative stability achieved could be attributed largely to strict monetary policy, reinforced by the 100% destination import inspection at the ports. Aggregate bank credit to the domestic economy witnessed significant increase by 77.8%, as against the 15.8% growth target for fiscal 2001. The

rise reflected the growth in credit to both the government and the private sector. Net claims on government increase by 132.8% as against the target expansion rate of 2.6% for the whole year. Similarly, credit to the private sector increased by 37.3% compared with the target of 22.8% for the whole year. The growth in credit to the private sector was, as in the previous year, largely driven by developments in the foreign exchange market.

Reported bank lending rates were generally high during the year while the deposit rates remained low. By November 2001, the spread between the weighted average deposit and maximum lending rates was 26.1. points. Generally, most deposit rates remained negative in real terms as the rate of inflation accelerated.

During the year, the CBN tightened its monetary policy to control the liquidity surge arising from the expansionary fiscal operations of governments. The bank progressively raised it minimum rediscount rate (MRR) from 14.0% in January to

20.5% in September. Similarly both the cash reserve requirement (CRR) and statutory minimum liquidity ratio (LR) were revised upward from 10.0 and 35.0% to 12.5 and 40.0%, respectively, during the same period. The CBN also introduced its own

intervention instrument, the CBN certificate in February 2001 to complement its traditional treasury bills in mopping the excess liquidity in the banking system.

2.2 Outstanding Macro-economic Problems and Policy Challenges for Fiscal 2002/2003

The effect of fiscal federalism has compounded the problem of excess liquidity with its attendant adverse implications for domestic price exchange and interest rates. The persistence of structural obstacles in the economy also continued to act as

constraints to economic recovery in 2001. Though some macro-economic indicators showed marginal improvements in 2001 relative to 2000, the overall performance of

the economy remained below its potential. Generally, poverty level remained high since the government's poverty alleviation programmes were yet to be fully implemented during the period. Notwithstanding the satisfactory progress achieved in the restoration of normal fuel supply, the full rehabilitation of power plants and other basic infrastructural facilities were yet to be completed, while public utilities remained largely deficient, constraining performance in the productive sectors of the economy. The international crude oil market witnessed a lull during the fourth quarter, as a result of the deceleration in economic activities in the industrialised countries and the September 11, 2001 terrorist attack on the USA - the world leading economy. This coupled with the poor performance of the non-oil sector had implications for the overall performance of the domestic economy. Premise on the foregoing, monetary, financial and external sector policies as well as other economic policy measures have been formulated by the CBN to ensure price stability and reverse the upward trend in inflation rate, to a desirable single digit.

This is in recognition of the fact that price stability is critical for a sustained long-term economic growth and poverty eradication. In fiscal 2002/2003, the CBN has pointed out that it will endeavour to keep the growth in monetary aggregates within targets and sustain the relative stability of the exchange rate. The banks are also expected to continue to support the Federal Government's poverty reduction strategies by ensuring that adequate credit facilities are granted to the productive sectors. Financial savings and private sector investment growth will also be encouraged and improvement in financial market environment will continue to be sustained by the government.

2.3 Monetary and Credit Policy Measures in 2002/2003

Objectives and Strategy of Policy

The primary objective of monetary policy in 2002/2003 is the achievement of price and exchange rate stability.

Specifically, monetary policy will be used to reduce inflation rate to a single digit over the two year period. Consequently, the main focus will include effective control of anticipated excess liquidity that may arise from excessive government spending during the pre-election years 2002/2003 in order to minimise their negative effects on domestic price and exchange rate.

The monetary policy will be non-accommodating while a more competitive financial environment will be fostered to enhance greater access to credit for the real sector. Furthermore, continued effort will be made in improving the payments system in order to further strengthen the effectiveness of monetary policy. **Policy Measures**

The conduct of monetary policy by CBN will continue to rely on market-based technique in the management of CBN's balance sheet. The primary instrument of policy will continue to be Open Market Operations (OMO), supported by reserve requirements, ie. Cash Reserve Requirement (CRR) of 12.5%, liquidity ratio of 40.0% and discount window operations for enhanced effectiveness. The conduct of OMO will be proactive and will require the cooperation of the Federal Ministry of Finance to ensure consistency between monetary and fiscal policies as well as the stability of the financial markets.

Other policy measures will include the following:

Financing the development of SMES from 10% of profit before tax of every bank which will be channelled to equity investments in small and medium scale industries.

CBN Rediscounting and Refinancing Facility (RRF) for medium to long-term credit.

Revitalising the commercial banks.

Orderly development of the banking system, ie. paid-up capital requirement for new banks was increased from ₦1.0 billion to ₦2.0 billion in 2001 fiscal year.

Existing banks are required to raise their capital base to ₦ 1.0 billion by end of 2002 in order to strengthen their operations.

Improving the payment system through the introduction of higher currency denomination and encouraging the use of cheques. **2.4 The Performance of the Banking Industry for 1999/2000 Financial Year**

During the period under review, the banking industry witnessed very high competition mainly due to some factors. Firstly there were several new entrants into the banking industry.

Secondly, most merchant banks converted to commercial banks to take advantage of Universal Banking Policy which meant sharing the market with existing commercial banks.

Lending rates were also relatively high when compared to the rate of inflation. The low interest rate on deposits discouraged savings while the high lending rates which were generally between 35.40% per annum increased the cost of doing business and consequently slowed down real sector investment.

Notwithstanding these highlighted trends, the banking industry recorded impressive performance in the first quarter of 1999/2000. This position was revealed by Nigerian Deposit Insurance Corporation (NDIC) report. The report showed that there was appreciable growth in total assets of banks and their profitability during the period while the quality of their assets improved considerably compared to what obtained in December 1999. Their capital adequacy and liquidity ratio however declined. Total assets grew by 16.97% from ₦1.104 trillion in December 1999 to ₦1.292 trillion in March 2000. While their profit before tax went up to ₦14.22 billion from ₦9.76 billion within the same period which is about 45.70% increase. The quality of bank's assets also improved as non-performing total loans decreased by 7.10%.

Analysis of banks assets as at March 2000 indicated that cash and dues from other banks which comprised 34.29% compared to 33.49% in the previous quarter maintained its position as the biggest asset item of banks.

This was followed by loans and advances/leases which was about 27.90% compared to 28.97% in December 1999. Fixed assets of banks declined from 5.25% in December to 4.84% in March 2000, while interbank placements increased from 2.68% to 3.31% within the same period.

Banks deposits rose from 51.52% to 56.74% while interbank takings and CBN overdraft increased to 3.38% and 0.41% from 1.63% and 0.54% respectively.

Shareholders funds dropped from 4.32% to 3.86% while reserves also decreased to 3.54% from 3.74% in December 1999.

During the fourth quarter 1999, loan and advances grew to 11.43% and a modest improvement in asset quality was also achieved. Loans and advances,

according to NDIC increased from N368.62 billion in December 1999 to N410.76 billion, in March 2000 while non-performing loans and advances (as a percentage of total loans) decreased by 7.10%.

The quality of asset was better among commercial banks than it was in the merchant banks.

Industry's provision for non-performing loans and advances increased marginally to 51.40% compared with the 51.18% in December 1999. While the level of provision for bad and doubtful debts of the commercial bank's subsector increased from 47.52% to 47.83% and merchant bank's own reduced from 87.51% to 83.92%.

On the average, the industry's regained capital was zero because the capital position of the healthy banks was more than compensated for the capital inadequacy of the distressed banks. **2.5 Strategic Components of Re-engineering Process**

Some of the strategic components of re-engineering process include, information technology and systems, customer focused operations, human resource, management, among others.

In most strategic planning of re-engineering processes in commercial banks, a combination of these components have been the main focus of such projects. This section provides generalised views on information technology and customer focused strategies, while human resource management will be discussed with specific reference to Afribank in a later section. **2.5.1 Information technology**

In recent times, there has been massive deployment of information technology in the Nigerian banking industry, One of the major factors responsible for this change

is the policy of deregulation in the banking industry of 1986, which resulted in innovative and unprecedented competitive spirit among the various banks in the sector. In addition it was lately recognised that information enabler services could be relatively efficient and cost effective than the traditional face-to-face banking (Aduba, 1997, Jacquelot, 1999). Alternatively, information technology could be viewed as a vital enabler that defines and refocuses competition such that its deployment in the right mix will alter quality and speed of service delivery. This to a great extent explains customers shift in their banking transaction, while in the past they were satisfied with any services the banks preferred to offer, now they prescribe such services.

Consequently banks have to continuously tailor their products and services to meet customers sophisticated specifications and changing needs.

As collaborated by Zellner (2000), customers are tired of zapping through moras of meaningless advertisements or commercials that say little or nothing about the specific products/services their banks could offer to solve their peculiar problem.

They are prepared to pay for the extra value that satisfy their extra-personalised products/services as well as personalised marketing. Similarly, they are prepared to switch from one bank to another without minding the old relationships once they identify gaps in the service delivery of their banks (Etim, 2000).

Just as information technology has produced a lot of opportunities for banks to innovate in the areas of new products/services and drastically reduce turn around time often associated with these products/services, it has also created unprecedented threats to them. Recently phrases like 'shopping around' is quite popular among bank customers than it was two decades ago. The vogue is that with a click of the mouse, it is possible for bank customers to browse through countless web pages to find a range of products and services and the prices offered by banks and non-bank competitors.

Enabling Technology

The provision of information technology is based on computers, computer components and telecommunications. It is aimed principally at two targets, viz:

i. automation of all routine tasks; and

ii. speed up of data processing activities and complete elimination of paper work

Banks initially applied computers in batch processing but soon discovered that it was inefficient since the data has to be captured first before processing using either the mainframe located elsewhere which is quite costly or stand alone which is also slow. The advances in the integration of telecommunications and technology brought about a new culture known as online real-time processing. It become possible for customers transaction to be processed instantaneously, removing the constraints imposed by batch processing and geographical limitations. This advantage was further enhanced with the introduction of mini-computers, micro-computers and their peripherals. As a result of the lower costs and enhanced processing capacity most branches of bank either had a stand alone or networked computers. With the advent of interconnectivity of computer systems, and compatibility of telecommunications with computers technology, banks with many branches are able to consolidate information at their head offices without physically moving out to the branches. 1. Computer Network Technology

Advances in computer technology and telecommunication made enabled the emergence of computer data networks which made it possible for a wide area network or metropolitan area network of branches to be covered. It thus became possible to build a Local Area Network (LAN) which is an interconnection of computers within a single location using very high speed private communication infrastructure. Due to

the availability of these networks, it become possible for customers whose accounts are not domiciled in a particular branch to be served. This is because data networks enabled accessibility to account information and the quick confirmation and validation of customers transactions. Above all networking has made it possible for customers needs to be attended to at locations convenient to them. High speed LANs also makes it possible for many bank tellers to concurrently access the same customer information.

Because of this level of advancement, the old telegraphic mail transfer system amongst branches of the same bank are now being gradually phased out by the new network driven electronic funds transfer and clearing systems.

2. Computer-Based Signature Verifier

This is based on the advancement in microcomputer graphics technology. This enables signature, handwriting, photograph text and other complex document formats to be scanned and digitalised in the computer system.

Computer-based signature verification is not really new. It is widely installed by banks to accelerate customer service delivery especially in front-line banking.

3. Satellite Communications and VSAT Technology

Very Small Aperture Terminal Technology makes possible voice and video banking transaction. The development of VSAT technology offers huge benefits in the era of high network availability and reliability as well as flexibility in band width capacity. Its main characteristics include:

i. easy usage by individuals or in a network linking users

ii. ability of terminals to be used with central hub, or a larger earth station within a star configuration that serves users' management network

iii. information integrity

iv. security

v. low cost ownership.

Following the 1986 deregulation of the financial market of many Nigerian banks including Afribank Nigeria Plc decided to improve their mode of operations for the convenience of their customers. The application of VSAT technology has provided that window with which bank customers access a new banking culture of 'anywhere, anytime' banking. No fewer than 15 commercial banks have invested over ₦20 billion in electronic banking to set up network links and hubs in order to ensure strategic branch-wide link, Etim (2000). **2.5.2 Main areas of information technology deployment** by **banks**

The following are six main areas in which IT has been deployed to serve bank customers in Nigeria:

a. Electronic Funds Transfer (EFT)

b. Global or Intergraded Banking

c. Telephone Banking

d. Smart Card Application

e. Internet

f. Automated Teller Machine (ATM)

a. Electronic Funds Transfer (EFT)

EFT is defined as "any transfer of funds ... which is initiated through an electronic terminal, telephonic instrument, or computer or magnetic tape so as to order, instruct, or authorise a financial institution to debit or credit an account" (Baker and Bradel, 1988). Electronic payments do not mean money in the true sense of the word. Rather EFT is about transmission of debts from one bank to another or from one

branch to another. Its connection with money is only through the currency in which the debts are denominated in real money units. Ajayi, 1998 is of the view that EFT systems are concerned with the primary management of information between banks and the resulting change that affect bank records.

b. Global or Integrated Banking

In the past, products/services such as bank drafts, mail transfer, telegraphic transfers etc. were quite popular among bank products, as a means of enabling bank customers cash money from branches other than where customers accounts are operated.

However, global banking now affords bank customers a high degree of flexibility to carry out banking transactions from any branch of the bank irrespective of whether the account is domiciled there or not. With the utilisation of computer and telecommunications technologies, global banking allows customers' accounts information to be accessible. Through telecommunications link, each branch can access every other branch information. Its flexibility also allows each branch to add and/or subtract from outstanding balances of each customer based on every transaction. Global banking was first deployed by new generation banks to attract the customers of old generation banks. A survey of the deployment of information technology in most old genertion banks reveals that the traditional systems which had militated against their transformation to global banking seem to have been overcome. This is being replaced with definite plans of implementing global banking concept in order to challenge the dominance of new generation banks in the integrated banking services.

Afribank Nigeria Plc has fully embraced global banking to the extent that all the major branches have been linked via VSAT using new computer hardware and Globus banking software.

c. Telephone Banking

Thus it is a relatively new phenomenon in Nigerian banking industry introduced by banks to decongest overcrowded banking halls. It was popularised in the mid-1990s mainly by the new generation banks. This service allows bank customers to access banking services via dedicated telephone lines from the comfort of their home, offices, automobiles. Presently, customers could check their balances, authorise inter-branch fund transfers, and query detailed transactions on their accounts. New cheque books requests, stop payment instructions and payment of due bills could also be effected through telephone banking. Telephone banking services is on four levels, viz.

i. accessing of account balances

ii. transfers to self iii.

transfers to third party iv.

e-commerce payment

In Nigeria, the last three services are hardly offered by most banks that have such services due mainly to the high risks associated with telephone banking. Despite the simplicity of telephone banking, it is popular because it is easy to use and above all, it does not demand that users' have complex knowledge of information technology.

Afribank Nigeria Plc is one of the banks that first introduced telephone banking service named "Home Banking". However, this service is provided only to a select group of high networth corporate customers, eg. multinationals and conglomerates.

d. Smart Card Applications

Smart card was introduced in Nigeria's market in 1994 with the establishment of Smart Card Nigeria Plc by a Consortium of banks of which Afribank Nigeria Plc is an active participant. The banks decided to go into smart card business because they

believe that it would enable them to retain their customers' patronage by providing high class service.

Smart cards provide the safety net that help banks minimise the occurrence of fraud.

It is a computer-based electronic purse which is devised to facilitate cash transactions. A card holder does not need to be over-burden with the inconvenience of carrying cash. Smart card has been widely accepted in Europe.

Smart cards have the following advantages:

provide a sense of ease and security

a handy device available to card holders to pay and relate transactions at merchants outlets and point of sale.

a means of withdrawing cash from any branch of banks involved in the consortium and having terminals. e.

Internet Banking

the emergence of internet banking has brought about tremendous possibilities in the areas of cost reductions, creation of new services and personalisation of customer relations. In addition it has widened banks marketing focus. Since banks have been able to computerise most of their routine banking practices, they have been compelled by market discipline to improve their banking practices as well as customer relations.

According to Etim, (2000), internet banking as practice in Nigeria can be divided into three generations viz:

i. First generation: referred to as brochure-ware state. Banks at this level only acquire web sites, which are nothing more than information centre about the banks. People who browse through these pages, searching for available bank

services could be disappointed because the banks may not offer them what they want. ii. Second generation also known as transactional stage, enables banks to do banking business on the web. iii. The third generation allows banks to offer customers with a range of integrated and interactive services.

Most Nigerian banks that are so called IT-driven banks' have not been able to go beyond the first stage of advertisement display. If Nigerian banks are to develop real internet banking as practiced in the developed countries, then they have to spend more on internet-based infrastructure, the knowledge base of users has to be enhanced and also adaptation of Nigeria's traditional systems compatibility with internet technology is imperative.

Notwithstanding, the anticipated tasks, enormous advantages of Web banking exists which include the following:

the new marketing opportunities made available to banks over what currently exists in the traditional banking system.

the cost advantage which it has over those in conventional 'bricks and mortar' banking and telephone banking (West, 1999).

Afribank Nigeria Plc is also into internet banking. Other banks that provide this service include City Bank, Zenith International Bank, Standard Trust Bank Ltd, All States Trust Bank, etc.

f. Automated Teller Machine (ATM)

This is an area in which IT has been deployed to solve the problem of over-erowded banking halls as well as reduce customers waiting time and consequently

dissatisfaction. ATM's have been installed by some Nigerian banks to dispense cash. For example Societe Generale Bank Ltd, Afribank Nigeria Plc. ATM could be on line or off-line. ATMs are very costly to operate and maintain.

2.5.3 Risks associated with IT deployment

There is no doubt that information technology if properly deployed can enable banks to attain a high quality service delivery and also generate high income.

In view of inherent speed associated with the use of IT in banks service delivery, it has become the indispensable tool deployed to maximise banks' competitive advantage. However there are some risks associated with IT deployment which include:

i. customers/staff alienation

ii. job cut

iii. possibility of core business being swallowed iv. systems operational risks.

Finally, application of information technology in delivering banking services has become imperative especially now that customers are insisting on value added products and service which meet their specifications. It is important that traditional banking services are reformed quickly to fill this need gap. But the major problem lies in upgrading IT and telecommunications infrastructure and also carefully managing them in such a way that they do not alienate both the customers and staff.

2.5.4 The relevance of customer-focused strategies in Nigerian commercial bank

The Nigerian Banking Environment

Contemporary banking required dynamism, quick response to new customer demands, meeting customers at their point of needs, innovation, effective human resource planning and development, and seizing a new market opportunities.

Kramer (1996), has segmented the Nigerian banking industry into six categories on the basis of branch network business focus, functionality, earnings mix, quality of personnel, capital base etc. Six types of banks have emerged from the utilisation of these criteria namely:

i. The Super Banks - These are banks that operate with highly skilled manpower, strong reputation and image, good information technology support, strong capital base with global support. These are banks that have capabilities to shape their own future based on global strategic position. They are strategically well positioned to be ahead of their opponents. These banks through their deft mastery of the best global banking practices appear to set the rules and standards for Nigerian banking environment. This category is made up of banks like Citibank, Standard Chartered Bank and Regent Bank.

ii. The major Banks which operate with large branch networks and the advantage of size. They operate full comprehensive banking services, total market coverage, large credits leverage for other businesses and they are strong in middle/mass market but with no particular niche. They have a large human resource base and consequently high overheads. They also have strong future potentials but without competitive edge in functional technology. These banks are major forces to be reckoned with considering their sizes and latent potentials. Banks in this category are First Bank, Union Bank, UBA, Afribank, and Bank of the North Ltd.

iii. The focused banks target the middle/top end of the market and benefit significantly from off-balance sheet activities. They have strong leadership, good functional technology, strong and attractive image as well enhanced

capabilities. However, they do not have the size and depth to become formidable enough to challenge both the super banks and major banks; they conquer market niches and hold on to them tenaciously. Banks such as Guaranty Trust Bank, Investment Banking Trust Company Ltd (IBTC), Zenith International Bank and Standard Trust Bank, Chartered Bank, Diamond Bank Ltd, All States Trust Bank Ltd are in this category.

iv. Small speciality banks are niche players, they have focus but their small size is their major weakness. They are characterised by medium network spread, with formidable presence in middle/mass market though they have no real focus, they have limited resources but are well positioned in the market. Habib Bank, Citizens international Bank, Societe Generale Bank Nigeria, Omega Bank, etc belong to this group.

v&vii The retreating and distressed banks are down and mostly out of the system. They will require comprehensive, restructuring, rebuilding and re-equipping. They are clearly on the defensive and must make difficult and far-reaching choices. They are characterised by high overheads, inefficient operations, serving all markets without clear focus, poor leadership, poor balance sheet, poor loans and advances, portfolio, etc. for example Savannah Bank, ACB International, National Bank etc. Within these categories highlighted, the first four are classified as winners with

great potentials in the market place. The last two retreating and distressed banks are losers, which differ only in the degree of disorganisation. It is only a matter of time for the losers to be relegated.

2.5.5 Competition and success factors in Nigerians banking industry

Since its emergence from the distress syndrome of the 1990s, the Nigerian banking industry is becoming highly competitive. It is common to hear distinction being made of the old economy banks and new economy banks. The former which does not necessarily refer to old generation banks are characterised by the problems of slowness and long reaction time to business opportunities and customer needs. While the latter are swifter and more agile, they respond faster to business opportunities and do not operate the traditional commercial banking policies like the old economy banks. Studies have already consigned the general attitudes and characteristics of these old economy banks to obsolescence (Allen, 1997).

It is now apparent that the emerging challenges will constraint most Nigerian old economy banks to either make sound qualitative changes in the way they conduct their business or else collapse. These groups of banks have to reassess the following tasks:

how they respond to the declining margin within the industry

the increasing shareholders demands

meeting the increasingly growing expectations

the growing complexities and cost of technology

intense competition occasioned by new market entrants.

In this period in which customers choose the banks they do business with, corporate performance of banks will vary, depending more on the efficiency of their corporate strategies.

2.5.6 Customer-focused strategies

The determinants of success for banks entering the 21st century will revolve around their ability to improve their response to customers by enhancing their

respective sales and marketing potentials. They must be able to achieve optimal performance in the use of their strengths perhaps through effective restructuring process.

The fundamental issues that banks have to address is shaping their future. Understanding the future of banking is quite important, but creating it is far more important. Any bank that wants to keep afloat and continue surviving into the future, must assess its innovation, capacities and take strategic decision to improve its innovation skills.

The winning strategies for banks in the foreseeable future will be the one woven around product, process, marketing and management information (Odubanjo, 2000).

Innovation means the process of creating something new that has significant value to customers. It is the way and manner in which the organisation generates income from creativity. There is a positive relationship between competitive advantage and the level of innovation. Innovation usually help businesses meet all their strategic challenges and not just competition alone. In order for banks to achieve the benefits of accelerated rates of change, globalisation, rapidly advancing technology, a more diverse workforce and the on-going change from an industrial to knowledge based economy, they would require to apply innovative solutions.

In order to tackle the emerging market-oriented challenges, a bank must differentiate itself from its competitors and/or possess relatively low cost position compared to its competitive advantage either through differentiation, low cost position or some acceptable level of both (Hall, 1980).

There are two conditions in which a bank can enhance its innovation skills. First, the bank must be creative and second the bank needs to operate an appropriate

organisational culture. A combination of these two conditions brings out the extent to which the bank is willing to innovate.

Any bank that is interested in being relevant in the market place beyond this decade needs to pay adequate attention to the following:

i. design or redesign its structure for instant action

ii. bring its strategic purpose to life iii. empower its staff through training and development and improve the corporate

culture iv. use unexpected market opportunities

to her benefit v. satisfy unexpected customer demands.

Recently, many banks have embarked on re-engineering, restructuring, downsizing, etc. to the extent that most of them have lost sight of the customer. However, some clever banks have realised that the conventional mass production model may no longer be realistic in marketing of bank products and service delivery. Instead of focusing narrowly on just cost cutting measures, and improving efficiency, market leaders are re-examining their business strategies and deciding that customer service and customer relationship management are the keys to success and future growth. This group is alive to the reality that strategic focus on the customer is crucial to their survival in the ever increasingly global and competitive market place. Customer-focused strategies are really far easier to conceive and implement within banks who have imbibed relationship management concept at the inception or have incorporated it during the process of re-engineering their operations without being hindered by long established traditions. The strategies are likely to have enhanced advantage if they

a. deliver superior customer value by personalising interactions

b. demonstrate trustworthiness

c. tighten connections with customer

d. require coordination of complex capability elements

It is a well known fact that not all customers' accounts are profitable; most banks have discovered that traditionally 80% of their profits are derived from 20% of their customers. Generally, cost benefit analysis has shown that it is really very costly to maintain some customers accounts. The banks that have overcome competition are those that use relationship management in monitoring their individual customers' preferences, products and service and meet such customers at their points of needs. Achieving the full potential of each customer relationship should be the fundamental goal of every business. This can be through one or a combination of the following:

1. acquisition of new customers

2. enhancement of the profitability of existing customers

3. extension of the duration of customer relationships.

Globally, banking has become quite competitive in view of the increasing chances and sophistication of customer demands. Banking success in the 21st century will depend more on the pattern of competition and how a bank perceives the stall of its human resource base and technology. Quality service delivery automatically emerges from the two factors.

Basically, banks will have to be dynamic; they will have to change either out of necessity or by choice. The more dynamic the organisation, the more likely it is to be customer focused.

2.6 Re-engineering Process in some Commercial Banks: A Review

There is a dearth of literature on re-engineering process probably because it is a relatively new concept in Nigerian banking terrain. However, weekly business newspapers, ie. Business Times and Financial Standard, provided good source of material for this study.

The Nigerian banking industry has undergone a lot of changes as a result of major developments in the economy facilitated by the emergence of a democratic government which led to the influx of foreign investors into Nigeria for investment purposes.

One of these far-reaching changes is the restructuring and re-engineering processes in line with current government policies which has begun to create new investment windows of opportunity in the nation's economy.

Some of the policies of the new democratic government are the stability of exchange and interest rates, the privatisation of government enterprises, investment promotions through granting of incentives and concessions to foreign investors. Others are planned diversification of the economic base by exploiting proven reserves of solid minerals in various parts of the country, export promotion of agricultural commodities as well as poverty alleviation programme.

Consequently most of the banks operating in the Nigerian economy are engaged in one form of restructuring or the other.

Some of the areas in which restructuring is noticeable are in new products/service development, infrastructural development, branch expansion and rationalisation, human resource development, improvement in the efficiency of customer delivery service through information technology development in order to enhance patronage and deposits.

In view of the realisation of the Executive Management of Afribank Nigeria PLC that there is a compelling need to improve on the bank's financial performance and give superior returns to all stakeholders, it decided to redefine, reposition and refocus the operations of the Bank in these directions.

This is in view of the increased competition in business environment, the declining fortunes of the bank and the need to improve the quality of traditional banking delivery services and products. The management of the bank decided to take advantage of the opportunities offered by changes and developments in the banking industry to excel by delivery leading-edge prompt and efficient banking services. This is actually what informed the ongoing initiative and developmental changes in the structure and internal processes of the bank. Furthermore Afribank embarked on the re-engineering of its internal processes tagged NEW ERA Project (New Enterprise Rejuvenation an Enterprise) so as to ensure verifiable improvement in its products and services as against mere conventional claims to change. This is supported by huge investments in skilled manpower and information technology. The bank has also implemented appropriate reward system for staff (Jacob, 2000).

The result is a considerable improvement in the Bank's financial. For instance the Group's total deposits increased from ₦54.88 billion as at 31st March, 2000 to N62.04 billion as at 31st March, 2001 and slightly declined to N61.19 billion as at 31st March 2002. Gross earnings also increase from ₦10.51 billion to ₦10.95 billion to ₦17.12 billion for the respective financial years. These results were achieved on total assets of ₦68.06 billion in 2000, N78.63 billion in 2001 and ₦83.21 billion in 2002.

The bank was also able to get out of the woods, from a dismal performance of ₦649.05 billion loss after income tax in 2000 financial year to a profit after income tax of ₦1.12 billion in 2001 and ₦1.80 billion in 2002.

Earnings per share (EPS) increased from 59k to ₦1.01k and 163k for the respective period.

In line with emerging global trends coupled with the need to secure a better future, First Bank Nigeria PLC (FBN), is being reinvented as a leading financial services organisation. The former Managing Director of the Bank, Bernard Longe pointed out that the Bank strategic re-focusing had become imperative because the 2000/2001 financial years severely tested the mettle of the Bank which is interest dependent and consequently provided the spur for a fundamental strategic overhaul. Under the new strategies, the bank is going into new areas, new market segments and new territories to deploy its resources in a more regenerative manner. This is because the exigencies of the emerging market place Were such that the management of the bank decided not to allow it to remain just a bank, but must become a financial services provider. The bank is now employing new ways of thinking about its business and serving the customer, and in doing so the management of the bank realised that its bank would need a constantly evolving strategy, new capital, new technologies and a constantly updated work force.

These strategies were the objective of the banks organisational restructuring process conceptualised as "Century II: New Frontier Project of the Bank". The code name was chosen because the bank had just begun its second century of operations. This restructuring exercise was geared towards repositioning the bank and reinforcing its tenacious hold on the prime position that it has always occupied in the banking industry in Nigeria.

The Century II project was carried out in collaboration with Anderson Consulting and was designed to have three phases: the Diagnostic, Envisioning and Re-architecting Phases.

In its financial year ended March 31, 2001, FBN posted a group profit after tax (PAT) of 5.07 billion on a gross earnings of ₦32.3 billion compared with a group PAT of ₦4.7 billion on gross earnings of N29.8 billion during the corresponding period of 1999/2000. These results were achieved on total assets of ₦224 billion in 2000/2001 as against ₦194.7 billion in 1999/2000.

The bank's deposit base rose from ₦138 billion in 1999/2000 to ₦155.6 billion in 2000/2001. However, its investments dropped from ₦1.24 billion in 1999/2000 to ₦279 million in 2000/2001.

It is no longer news in the industry that only banks that are well positioned for the millennium will become relevant to their various stakeholders, ie. investors, customers, and staff.

It is in realisation of this global challenge that the Executive Management of Union Bank of Nigeria PLC (UBN) decided to embark on improvement in information technology, quality human resource and institutional development that is expected to make the banking group a truly international bank.

The objective of this change programme is to make UBN more of an electronic banking group with less emphasis on paper work banking. The bank decided to acquire and deploy a number of automatic teller machines that enable customers to make withdrawal in some selected branches without necessarily having any contact with officials of the bank.

The vision of the bank as explained by the Managing Director/CEO is to make it a truly international bank and undisputed leader in the Nigerian Banking Industry.

In order to achieve this, the bank installed state-of-the art computer hardware and software which facilitated improvement in service delivery and also ensure that customers' waiting time is drastically reduced in its branches nationwide. The quality of the bank's human resource has also received a great boost.

This restructuring efforts yielded positive results to UBN as attested by its nine months results for the period ended December 31, 2001 which showed a profit after tax of ₦5.7 billion on gross earnings of ₦28.3 billion compared with a profit after tax of N3.6 billion on gross earnings of ₦20.3 billion in 2000.

United Bank for Africa PLC (UBA) also embarked on a major reorganisation to enable it compete effectively with First Bank of Nigeria PLC (FBN), Union Bank Nigeria PLC (UBN) and Afribank Nigeria PLC. The Executive Management of the bank pointed out that the reorganisation has become imperative to reposition the bank for improved performance and better returns on investment like its three leading contemporaries in the banking industry.

UBA similar to its contemporaries, had been recording chequered financial performance since it was fully privatised by the Federal Government in the early 1990s under the first privatisation programme of 1988-1993. For instance, during its nine months results ended December 31, 2001, UBA recorded a profit after tax of ₦1.95 billion on gross earnings of N19.71 billion compared with a profit after tax of ₦l.04 billion on gross earnings of ₦14.5 billion recorded during the corresponding period of 2000.

During the reorganisation process, the staff strength of the Bank was rationalised, while some staff were deployed to the core areas of operations such as corporate banking. The process also witnessed the introduction of advanced

information technology system in order to improve the efficiency of customer delivery service and consequently the performance of the bank.

Another bank which is currently repositioning its operations in branch expansion, computerisation, human resource development, improved customer delivery service quality, key performance variables, among others is Wema Bank PLC.

The Managing Director/CEO of Wema Bank informed the bank's shareholders that given the stiff competition in the industry, the management had no choice than to continually improve on quality of service to customers. Towards this end, the bank had embarked on efficient work processes which would motivate its business process re-engineering (BPR) project with appropriate and supportive technology. The future prospects and outlook of the bank, would entail the bank concerning itself with focused business analysis, and policy formulation and fast response and quality customer service delivered by employees who would be motivated to view themselves as key assets. The management of Wema Bank PLC has also undertaken improvement in asset management, branch management, client (relationship) management, higher deposit target increased market share and value added to all their stakeholder in aspiration to the future.

The bank is striving to build a work force that would be buoyed by mutual trust, collective pride of accomplishment, recognition for quality work and self discipline.

Capital Bank International (CBI) Limited (formerly Commercial Bank Credit Lyonnais Nigeria) Limited also embarked on a restructuring process aimed at making the bank more efficient and customer focused. The repositioning process which began recently has started yielding positive results. In its first year as a wholly indigenous

bank, CBI recorded an increase of 26% in gross income from ₦1.564 billion in 2000 to ₦1.97 billion in 2001.

Profit before tax rose from a loss of ₦277 million in 2000 to a profit of ₦293 million in 2001, while profit after tax of ₦267.8 million was achieved in 2001 against a negative of N279.6 million in 2000. The chairman of the Bank, Allison Ayida said "the bank has taken the first step towards a complete regeneration". He pointed out that with good strategy, branch expansion, motivated staff, combined with the finest of traditional banking ethics, CBI will sustain the result.

Equity Bank is also one of the new generation banks that is currently reaping the benefits of restructuring and repositioning. It embarked on a restructuring plan after it was acquired by International Bank Limited to save it from collapse. The bank has now been repositioned to cope with increasing competition in the banking industry. Among the strategies adopted includes an expansion of the existing divisions, creating of regional offices and merger of some departments, etc.

The bank declared a profit of ₦588.74 million in its annual report for the year which ended December 2000. This represent 44.3% increase over ₦407.91 million recorded in 1999. Other documented banks that have either restructured or repositioned their operations in line with emerging trends in the industry include Fortune Bank PLC, Broad Bank PLC and Lion Bank PLC, to mention but a few.

In all these re-engineering processes advanced information technology human resource development, effective marketing strategies operational efficiency among others have continued to play a dominant role in the successes achieved.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Nature of Research

Research methodology is a set of rules of procedure use in defining a problem and making attempt to solve it. Students are required to conform to rules of procedures when undertaking a research. It is important for researchers to be able to recognise a research problem. Generally, the solution to a problem will ultimately require planned and systematic collection, analysis, and interpretation of pieces of information (Aneke, 1998).

Research does not mean a mere collection or comparison between existing bodies of information. It does not also mean compilation or arrangement of pieces of extinct knowledge. It must be emphasised that mere collection of old facts is not research in the true sense of the word. A piece of research must be an outcome of some forecast or else an alternative conclusion which differs from conclusions of previous studies. The new conclusion may be as a result of discovery of new facts or new relationships between pieces of information. A researcher usually carries out first-hand observation in his "universe of discourse" as he makes effort to add to knowledge.

Research has been defined as "the pursuit of truth" such as a pursuit being organised, disciplined, imaginative and constructive (Watermen, 1959). Research can also be defined as any organised enquiry that aims at providing information for solving identified problems (Asika, 2001).

A disciplined researcher as explained by Berzun and Craff, 1977) apart from possessing the necessary "mental habits" should develop certain "fundamental virtues",

These include accuracy, love of order, logic, honesty, self-awareness and imagination. An investigator has the right to question all aspects of available information and challenge old conclusions or procedures for arriving at such conclusions.

Considering Oluikpe (1980), a research paper can be defined as a studious investigation designed to support, refute or formulate scholarly conclusions. The report of such an investigation may be prepared as a journal article, scientific report or students' theses or dissertation.

Another definition of "research" was provided by Onyenadum (1989) as a "systematic objective and thorough investigation to discover relevant information".

Research is usually oriented towards discovering relationships that exist among various phenomena. Man is always trying to discover new ideas, technology, knowledge etc and is desirous of making new discoveries using previously proven methods or even improve on the existing methods. **3.2 Why we study Business Research**

The reasons why we study business research are given by Asika, 2001) viz:

1. increased need for more and better information for decision making in business calls for the gathering and analysis of data. In other words, research is needed to generate information for decision making in business.
2. the increasingly intense competition in business puts pressure on companies to do research into finding the best way to gain competitive advantage, make more profit and expand.
3. research leads to systematic gathering and storage of information which sooner or later would be used by the organisation, particularly to plan and make decisions.

In order to formulate research design, data survey methods are normally use. This is because they are the most realistic methods of actually finding out the nature of the problem being investigate

3.3 Data Survey Methods

Data used in a research project are mainly of two types, namely primary and secondary data.

3.3.1 Primary data

These are collected directly from the field in their original state. This set of data is collected strictly on variables which are directly relevant to the research objective; they are very reliable if appropriately collected.

The primary data for this research project was collected through structured interview conducted for Afribank Staff and customers of some re-engineered branches.

3.3.2 Secondary data

On the other hand these are collected from offices, or other institutions and completed research that have already aggregated the data. The quality of such data is questionable. The methods of collection may not be known;; the data may be obsolete, or not on the scale required by other studies and analysis.

3.4 Data collection methods

Both primary and secondary data may be collected using the following methods:

1. Reconnaissance: This is a preliminary survey in the study area accompanied by observation for familiarisation with the nature and general characteristics of the study, and the ease with which to collect the required data.
2. Sampling method: This is a survey involving a pre-test of the survey instrument, including its validation, and subsequent attempt and analysing the characteristics of a sample collected.

3. Field Survey: This is the actual and full data collection. Surveys could include interviews or questionnaire administration, measurements and observations in the field or laboratory.

1. Oral Interview

Interview is usually conducted orally. However, it is advisable to document the questions and ask the respondent while writing down the responses. An interview must have a definite objective and must be a well structured and organised observation with an explicit judgement.

According to Uremadu (2002) the researcher conducting the interviews has three main tasks:

i. to inform the respondent about the nature of research and explain why his cooperation is desired ii. to motivate the respondent by capturing his interest so that he will cooperate, iii. to obtain information from his responses.

In this research project, structured interview was used to find out the level of success achieved in the implementation of re-engineering process in Afribank Nigeria PLC. Some managers and customers of a few selected re-engineered branches were interviewed. Their opinions were sought on the performance and effectiveness of re-engineering process and the appropriateness of the strategies adopted.

2. Questionnaire

The design of questionnaire is one of the most difficult tasks of research. Indeed questionnaire development improves with experience. In constructing questionnaire, consideration must be given to both the length of the document and the mode of obtaining the response, Generally, the longer the questionnaire, the greater

the probability of non-response. The researcher must realise that the goal is to obtain meaningful responses that will be useful in the decision making process.

In designing a questionnaire the following points should be noted, Aneke (1998):

a. Questions should not be ambiguous. This means that the questions should be capable of only one interpretation. The specific question wording is affected by the intended mode of response; personal interview, telephone interview, and mail.

b. Questions must be easily understood. Technical terms should be avoided, except where the questionnaire is addressed to specialists.

c. Questions should be capable of having a precise answer. The answer should take the form of "yes" or "no", a number, a measurement, a quantity, a date, a place; facts are required, not opinions (except where opinions are wanted, as in opinion polls).

d. Question must not contain words of vague meaning. To ask if something is large or if a man is unskilled are examples of such vague questions. When does something become large? What jobs are unskilled?

e. Questions should not require calculations to be made. Such questions give rise to unnecessary sources of error. If for the purpose of the inquiry it is necessary to know annual earnings but the respondent is paid weekly, then same earnings are asked for. The necessary calculations are done by the researcher (or the statistical staff).

f. Questions should not require the respondent to decide upon classification.

g. Questions must not be in such a form that the answers are biased. The questions therefore should not contain emotionally coloured words; they should not be leading questions. h. The questionnaire should not be too long. If a questionnaire is too long, the respondent will not be cooperative, and this may mean inaccurate answers; often a way out is for some of the respondents to answer part of the questions and other respondents to answer other questions.

3. Postal questionnaire

This is usually a list sent by post. The postal questionnaire is generally unsatisfactory and may produce few replies, and sometimes bias in nature.

4. Telephone conversation

This is a method in which questions are asked through telephone and answer obtained through the same means. This is not a good method because people who have access to telephone form a biased sample.

5. Observation

This method involves sending observers to record what actually happened at time of occurrence. It could be direct and indirect observation or analysis of records.

6. Reports

These are usually based on observations or informal conversation. They might be incomplete and biased, but in certain cases may be useful.

7. Result of experiments

This method is normally utilised and applied in science and technology.

8. E-mail

Questionnaires can be administered or structured interview conducted through electronic means ie. personal computers. However, this method of data collection is

restrictive and not as popular as other methods since it requires access to personal computers and e-mail addresses by the respondents.

3.5 Sampling

The concept of sampling is quite basic to the conduct of research, analysis and drawing up inferences. Most research works are conducted by means of sample from which generalisations are made for the whole population from which the sample was drawn.

Sampling is the process of using part as a basis for an estimate of the whole. According to Uremadu (2002), in any research, which considers sampling study, the researcher should attempt to obtain a sample that is truly representative of a larger group or population. Any decision regarding sampling must be based on the established purpose or objectives of the investigation or study, a precise description of the population to be studied/investigated and the sources of the population from which the sampling units are selected. Osuola (1982) defined sampling as taking any porting of a population a universe as representative of that population or universe.

Sampling approaches are usually adopted in collecting data from their source in order to minimise the possibility of biases. These have been broadly classified into two categories namely: probability sampling and non-probability sampling. Knowledge of these two modes of sampling design and their associated types is important in data collection. **Probability Sampling Methods**

Probability sampling refers to any method in which each population element is given equal and independent chance of being selected in the sample.

Methods of probability selection include; random sampling systematic sampling, stratified sampling, and area sampling or cluster sampling.

a. Simple random sampling

This is the most fundamental and popular method of probability sampling. Its principle, ie. randomness is applied in all probability sampling methods. Random sampling uses the principle of randmonisation which is a procedure of giving every subject in a population an equal chance of appearing in the selection.

b. Systematic sampling

Systematic sampling method involves the selection of the nth subject or item from serially listed population subjects or units: where n is any number usually determined by dividing the population by the required sample size. The population is given by N.

c. Stratified sampling

Stratified sampling method is an applied random sampling procedure in which the population is just grouped into some definite characteristics. These groups are called strata. From these strata the sample is chosen by applying random selection technique on each stratum.

In choosing a particular number of items from the various strata, the researcher must ensure that the number must be proportional to the stratum's share of the total population.

d. Area sampling or cluster sampling

This sampling method is used when the researcher recognises that some populations are distributed in clusters or pockets of settlement and he wants to use the clusters as a basis for selection. If the sub-population represented by each cluster is known, it can be used as a basis for proportional selection or samples such that the

number of subjects selected from each cluster will represent its share of the entire population.

Non-probability methods of sampling

Alternatively, non-probability sampling does not guarantee randomness, ie. the elements of the population do not have the privilege of having equal chance or known probability of being selected in the sampling process. Randomness may, however, occur by chance but it does not really matter whether randomness exists or not in non-probability sampling process because the population elements are not deliberately given equal chance of being selected. There are three main types of non-probability sampling namely; accidental or convenience, quota and judgement sampling methods.

Since sampling involves securing data from only a small fraction of the aggregate, expenditures are usually smaller than if a complete census is attempted. **3.6 Research Methodology for Afribank Project**

Primary and secondary sources of data were collected and utilised in the writing of the project: "Re-engineering Process in Commercial Banks: The Afribank Nigeria PLC's Experience".

The literature used in this study was obtained from Afribank's monthly and quarterly journals, annual financial reports, weekly business newspapers, ie. Business Times, Financial Standard, Service delivery organisation monogram of Afribank, memoranda issued by various Afribank Nigeria Ltd Head Office,Departments in the New Era Project. Others are CBN and NDIC annual reports. This will also be complemented with journals, papers, and textbooks, etc. of opinions.

In addition, random sampling of various respondents opinions within Afribank Nigeria Plc ie. bank employees and customers were sought and collected. These were obtained through structured interview methods of data collection.

CHAPTER FOUR

GENERAL OVERVIEW OF AFRIBANK'S HISTORY AND DEVELOPMENT

4.1 Introduction - History of Afribank

Since its inception the bank has been known for so many years as BIAO/IBWA. The name "AFRIBANK" was adopted in 1982 to be the subname for the entire BIAO/IBWA Group and from then on the bank was known BIAO/AFRIBANK. BIAO means Banque Internationale Pour L'Afrique Occidentale, the French expression for "International Bank for West Africa" (IBWA). The dual appellation IBWA/AFRIBANK continued to be used until 1986 when the management of the Bank decided to drop IBWA from its name.

Although the change of name was a voluntary and deliberate policy on the part of the shareholders and the Board, the process of change was strategically planned to be gradual. First, the dual appellation was to be AFRIBANK/IBWA and by midnight of December 31, 1989, the name IBWA was finally dropped and ever since, the bank has been known as AFRIBANK.

This is a catchy name which defines the diverse nature of the organisation as well as its founding and operational philosophies. By adopting "AFRIBANK", the name was shortened in a symbolic way to make it attractive to the Bank's customers.

More importantly "Afribank" is a distinct name which distinguishes the bank from other banks in the industry. Furthermore, it emphasises the span of the bank from being the International Bank for the West Africa region to that of Africa.

This brings up another critical factor: Africa has been the centre-piece of Nigerian foreign policy element. It should also be the same in the banking industry. The operating philosophy of "Afribank" involves giving critical support to government

in the achievement of this national objective. Afribank has been very active in the continent. This is attested by the fact that its affiliates in Africa are found in more than 20 countries. In this era of democratisation in which the government is striving hard to achieve significant economic growth in the face of scarce resources, Afribank is repositioning to complement and assist government realise its national goals and aspirations.

4.2 Afribank as a Group

The growth of Afribank can be correlated to the proverbial mustard seed in the holy scriptures. It started from a humble beginning in 1960 when the first branch was established in Kano. Since then, the bank has not only grown to be represented in many towns and villages nation wide but has metamorphosed into what is known today as the Afribank Group. The bank was incorporated in 1969 and its shares were listed on the Nigerian Stock Exchange (NSE) in October 29, 1993. The commercial banking division has at present about 140 branches located in most states of the Federation and additional branches are scheduled to be opened during the 2002/2003 financial year.

The Afribank Group is currently made up of six subsidiaries each registered and operating as an independent company. This has made Afribank truly a financial supermarket as most of the customers need for financial services can be satisfied all at the same time by the Group. This diversified-corporate strategy is aptly amplified by its new slogan "... the one-stop bank".

The various subsidiaries of the Group and their major services are as follows:

Afribank Nigeria PLC

This is the flagship company of the Group. It thus performs the dual role of being the parent/holding company for the 'Group' in addition to its main activity as a commercial bank.

Afribank Nigeria PLC is noted for its speed in delivery of counter services, courtesy and efficiency as depicted by its original slogan "... efficient and courteous bank", now change to "... the one-stop bank:. This situation is made possible by the bank's investment in a well trained and motivated manpower, efficient communications network, highly advanced information technology system, up-to-date infrastructure among others. It provides the following major services: Retail Banking, Consumer Banking, Electronic Banking, Commercial Banking, Corporate Banking and Assets Financing, etc.

Afribank International Limited (Merchant Bankers)

The establishment of the Merchant Bank makes Afribank Nigeria PLC the first Nigerian bank to own and run a wholly owned banking subsidiary.

It received its banking licence in March 1990 and has grown to be a major player in the industry. Although, it is a wholly-owned subsidiary, it operates an autonomous financial firm with its own Management and a Board of Directors.

Afribank International Limited aims to provide investment and merchant banking/international banking, fund management, equipment leasing, corporate finance, capital market service, private banking, issuing house service, among others. It is also active in providing finance for industries, especially Small and Medium Scale Enterprises (SMES) through the facilities offered by NERFUND, ADB/ESL, NEXIM Bank, World Bank, etc. which it handles on behalf of the commercial/parent bank. **AIL Securities Ltd**

The company was set up to provide Financial Advisory Services, Stock Brokerage, ie. purchase and sale of securities. Within the short period of its establishment, it has become one of the major players in the secondary sector of the capital market.

Other services offered by the company include portfolio management, listing of securities, share valuation, etc.

Afribank Trustees and Investments Limited

The company formerly known as Afribank Trustees and Securities Limited was established in 1998. However, its name was recently changed to Afribank Trustees and Investments Limited as a result of the redefinition of its business focus to two broad area: trusteeship and portfolio management. It provides services in pension fund management, trusteeship and custodial services and asset management. **Afribank Insurance Brokers Limited**

The emergence of Afribank Insurance Brokers is another break through for the Group. This makes it the first bank to establish its own insurance brokerage company. The services of the brokerage firm were initially reserved strictly for Afribank's staff and customers and for in-house requirements. However their clinetele has now been expanded.

It commenced business in 1989 with a team of professional practitioners. The major business focus of the company is insurance brokerage. **ANP International Finance Company Limited, Dublin**

This is a fully fledge off-shore finance company set up by Afribank Nigeria PLC as an international financial service company in 1989 operating in Dublin, Republic of Ireland under the supervision of Central Bank of Ireland (CBI). ANP International Finance Company Limited commenced operation in 1990 as part of the Afribank Group's strategy of value added diversification.

The choice of Dublin gives it varied advantages of location in Europe. The company handles the Group's international transactions as well as international trade finance, ancillary services and correspondent services.

Among other things, the company advises, confirms and negotiates letters of credit, advances against discount, bills of exchange/promissory notes, engages in foreign exchange transactions including treasury management of funds and undertakes the recovery of VAT in the European Union.

The ANPI Limited has now been reorganised and recharged to provide other services. It is also consolidating its operations to include the provision of correspondent banking services for some African banks particularly those in Nigeria.

The company is also going into new business areas in an effort to contribute significantly to the bottom-line of the Afribank Group.

With the restructuring and repositioning of the outfit, it is now in a better position to offer more efficient and competitive services and also take full advantage of globalisation.

ANPI Limited is a unit of strategic importance to the Afribank Group both as a source of competitive strength and as an offshore firm owned 100% by Afribank Nigeria PLC. The establishment of these subsidiaries by Afribank Group has adequately prepared the bank to take full advantage of the Universal Banking policy recently introduced by the Federal Government. **Vision and Mission Statement of Afribank Group**

The vision is: "To be Nigeria's foremost financial service group".

The mission is: "to facilitate customers success by providing world-class one-top financial services"

4.3 Organisational Structure/Developments of Afribank Nigeria Plc

4.3.1 Organisational structure

The organisational structure of the bank is quite simple. At the highest level is the Board of Directors which is headed by the chairman. The day-to-day running

of the Bank is carried out by the Group Managing Director/Chief Executive who is also a member of the Board. The Board is made up of six non-Executive Directors and five Executive Directors known as the executive management. Following the Executive Management in the hierarchy is the Senior Management consisting of General Managers, Deputy General Managers and the Senior Assistant General Managers. Down the hierarchy are the Assistant General Managers, Senior Principal Managers, Principal Managers, Senior Managers and Managers.

The Head Office is made up of the following departments which are headed by various management staff: Company Secretary, Human Capital Management, Inspection, Financial Control, Treasury, Information Technology and Systems Management and Control, Training, Legal and Research and Development. Others are Corporate Development and Group Co-ordination, Risk Portfolio Management, etc. The Bank has about 140 branches as at 2001 Financial Report which are located in major urban settlements and also in some rural settlements. **4.3.2 Developments - the new era project**

In line with the recent adopted mission statement of becoming Nigeria's foremost financial services organisation, and current re-engineering process, the bank has been restructured into three (3) customer facing Relationship Management Groups (RMGs) each headed by an Executive Director for better customer service. This new initiative is captured in the Enterprise Rejuvenation and Alignment (New ERA) Project embarked upon at the beginning of the 1999/2000 financial year. Additionally, two back-office divisions/units each headed by an Executive Director have also been created, making a total of five Directorates/Strategic Business Units (SBUs). The main thrusts of the New ERA Project have been the creation of new market facing departments namely, Commercial Banking, Corporate Banking, Consumer and Retail

Banking as well s the restructuring of two back-office departments into Operations and IT and Management and Services.

Commercial Banking

The Commercial Banking Relationship Management Group is focused on high net-worth non-multinational companies in the manufacturing, public sector, entertainment, travel, shipping, food and beverages, general services, general commerce, financial and non-banking financial institutions.

Corporate Banking

The Corporate Relationship Management Group is focused on multinationals, the energy sector, large manufacturing companies, construction companies and conglomerates. **Consumer and Retail Banking**

The Consumer and Retail Relationship Management Group is to deliver the most efficient and responsive services at a minimal cost using the most efficient technology to retail customers, professional groups and also render collection services on behalf of various customers. **Operations and Information Technology**

The operations and IT SBU is one of the two newly created back-offices which is responsible for general IT development and implementation, technical support, the development of banking applications software and the development of Group database. Its function also include IT training for staff, installation of intra-network system in the bank, branch connectivity and upgrade as well as the introduction of new systems and applications. The Domestic Operations, International Operations, Treasury and Risk Portfolio Management departments also come under this unit.

Management and Services

This is the second back-office responsible for financial management and control, performance management information, management/compliance budget/budgetary control, Assets and Liabilities Management (ALM), Internal Facilities and Services, Legal as well as Management Information System (MIS).

The objective of the change is to strengthen the Bank's market relationships, service delivery and Management Information System (MIS). The bank has also adopted the concept of "one-stop" banking to ensure that customers are able to obtain the service they desire within the Afribank Group through any subsidiaries or outlet of their choice. **Branch Upgrade**

The ongoing branch upgrade has brought about major improvements in most of the upgraded branches. The result of this has been better customer service delivery, higher branch productivity. Because, operational functions previously performed by Branch Managers are now undertaken by Service Delivery Managers, ie. Deputy Managers, thereby freeing managers to attend to sensitive functions of supervising general operations/administration, marketing and relationship management activities. Noticeable improvements in internal processes in the branches, branch infrastructure as well as staff morale and attitude have been achieved. **Regional Offices**

In order to adequately supervise/monitor the day-to-day general operations of the branches and to also ensure that the branches are efficiently managed for the achievement of the Bank's corporate goals and objectives, the following regional offices were established; Abuja, Benin, Ibadan, Kaduna, Kano, Lagos Island, Lagos Mainland and Port Harcourt. These regional offices are each headed by a Regional

Manager who reports directly to the line Executive Director - Consumer and Retail Banking. The regional offices also have linkages with other strategic business units depending on the nature of transactions.

4.4 Corporate Performance

Afribank Group is rated by the regulatory agencies ie. CBN and NDIC as one of the most stable banks in the Nigerian Banking Industry. The bank has consistently performed well since its inception.

The group has regularly produced good results since it was established in 1960. From 1992 to date gross earnings posted have been considerable. Gross earnings increased from ₦1.457 billion in 1992 to ₦17.12 billion in 2002, profit before tax increased from ₦230 million in 1993 to N2.47 billion in 2002. These indicate to a large extent that the bank has started reaping the benefits or re-engineering process.

In order to complement its fully diversified banking group structure, Afribank has made substantial investments in Consolidated Discounts Limited, Central Insurance Company Limited, First Securities Discount Limited, African Export Import Bank Limited, Cairo Electric Meter Company of Nigeria (EMCON), Nigerian Automated Clearing House, Nigeria Par Bonds First African Trade, and Value Card Nigeria PLC. Other investments in listed companies in Nigeria include debenture stocks of SCOA PLC, CFAO PLC and African Paints PLC. The Group has also invested in Afri-Nigeria Finance B.V. Netherlands.

4.5 Banking Products and Science

During the last couple of years Afribank Nigeria Plc has consistently made efforts in introducing banking products. Along with this is the re-organisation of the bank's structure into a more focused relationship management group for each Strategic Business Unit,

A banking product is basically an innovation in the way a particular banking service is offered. The process of product formulation starts with the identification and anticipation of customers needs, this then leads to the formulation of a product that would satisfy these needs profitably.

It is noteworthy that no matter how numerous and well conceptualise a bank' products are, for them to be profitable, there must be an efficient delivery of these products to the target market. There is therefore the need for an effective relationship management. 4.5.1 Relationship management

In corporate organisations, relationship management is regarded as creation and maintenance of business relationships. In the Bank's perspective, it means being customer focused ie. creating and sustaining a customer in a cost effective manner such that he totally relies on the Bank for his financial needs.

It is in recognition of the importance of this concept that Afribank Nigeria Plc created Relationship Management Groups. Thus the primary assignment of the Relationship Manager is as follows:

a. Thee has to be an existent relationship for it to be managed. Therefore the first step in relationship management is to create the relationship. The market should be informed about what the bank has to offer. This has been largely achieved through the following means:

- publicity campaign
- advertisement via electronic and print media or the internet
- direct mail - personal calls/visits etc.

b. The slogan "customer is king" is quite relevant today and any business that fails

to take it into consideration would certainly be doom to failure, moreso that

no business can survive without repeat patronage. Thus in Afribank, the basis role of relationship manager is creating customer loyalty through adequate attention and efficient service delivery.

c. Motivating the customer: relationship managers are required to have a good knowledge of the customers business needs in order to enhance the relationship between the customer and the bank. This enables the Relationship Manager determine the products to sell, concessions to make, advisory services to offer to particular customer. A customer will be motivated if he is recognised. He will also have a sense of security.

d. Marketing of Banks products: in order to effectively market banks products relationship managers are required to have a good knowledge of the bank's products features and offerings. The contemporary customer is quite intellectual and highly demanding since he has the liberty of choosing from a wide range of products offered by other banks. Therefore, Relationship Managers in Afribank are expected to satisfy as well as exceed customers expectations.

e. Documentation of Reports: Reports of visits of customers are expected to be well documented by Relationship Managers in order to keep track of developments and also to make follow-ups easier. Database of customers is also maintained for easy of accessibility and marketing purposes.

In order to achieve the set tasks enumerated, Relationship Managers in Afribank are required to possess the following

- adequate knowledge of the customer
- good knowledge of the bank's mission, objective, policies, values
- up-to-date knowledge of the bank's products/services
- good analytical skills

- good communication skills
- good technical skills
- good appearance
- promptness

Afribank has developed a number of products, most of which are individual consumer products. Most of the products are generic in nature, and as such are not exclusive to Afribank because similar forms of them are offered by other banks or they are shared services ie. Fee-based Services. A lot of these products are well tested and have made substantial contributions to the Bank's profit.

4.5.2 Afribank products

i. Afribank Cash Express

This is the brand name for the Bank's local money transfer scheme aimed at offering customers and non-customers multiple transfer options. It is an online/real time cash transfer service that allows for an electronic transfer of funds from and to any of the bank's branches. The target of customers cuts across the various levels in the society. The maximum amount allowed for each transaction is N500,000.00 only. ii. Afribank Personal Retirement Plan (APRP)

This is an investment product designed for the self employed and working persons. It offers a plan holder an opportunity to plan for tomorrow today. It is open to all persons below the age of 60. The APRP offers a sum of money in cash or monthly income to a plant holder on attainment of a certain retirement age-returns are dependent on volume of investment.

Participation in the scheme requires an initial minimum deposit of N5,000, and minimum monthly lodgements of ₦500.00 for a period of not less than five years. The investment attracts the bank's saving rate and an additional 3% interest.

iii. Oil Service Contractors Advances Revolving Facility (OSCAR)

Oscar is targeted at contractors in the oil industry who have funding needs for their select off-shore and local purchase orders. It was conceptualised in response to Federal Government's directive which makes it mandatory for oil producing (Joint Venture) firms, operating in Nigeria to make all their purchases through Nigerian registered and operated firms. In this product, the Bank grants self liquidating overdraft facility to contractors for the importation of capital goods on behalf of designated oil firms and for working capital expenses incurred therein.

The benefits derived from the product include: improve quality of the Bank's loan portfolio, increased foreign exchange bidding and closer relationship with oil firms. iv. Valuecard

This is a new concept in the Nigerian payment and settlement system and is generally known as Smart Card. In Afribank it is known as Valuecard and it is today's alternative to cash. It is a plastic card in the form of an electronic purse with microchip processor which has the capacity to store information. It is neither a credit nor debit card, but it is similar to a charge card except that in its case value has already been loaded to the card. It can be used anywhere cash could be used and has a repeat purchase quality. It is used in conjunction with electronic terminals for value loading and deductions at point of sales or merchant outlets. The beauty of this product is that it can be used in cash transactions in any of the banks that form the consortium of Smart Card Nigeria Plc of which Afribank is a member.

Some of the objectives of Smart card technology include the following

- to reduce the need for physical cash handling

- to reduce significantly the risks associated with fraud and theft in cash transactions

- to remove the need for merchants to be connected on-line to banks since transactions are authorised off-line

- to improve customer service delivery

to enhance corporate image

Significant progress has been made in the development of Afribank valuecard with the bank recording substantial gains in market share.

v. Swift

Swift means Society for Worldwide Finance Telecommunication. Afribank is one of the II-SWIFT member banks in Nigeria. The bank's membership allows it to transmit financial message globally within seconds while also receiving a spot confirmation. vi. On-Line/Real Time Service

This is a product which enables customers to access their accounts balances in various branches. Deposit and withdrawals can be made in any branch of the bank, without consideration to where the customer's account is domiciled. vii. Home Banking

This is a product in which customers can make enquiries, access their accounts transactions from the comfort of their homes and offices based on on-line/real time services using personal computers. This product offers conglomerates, multinationals and large organisation with widely spread outlet the privilege of having an on-line, real-time account information to enable them take prompt decisions.

viii. Afribank Cash Evacuation Scheme (ACES)

This is a modified version of the cash management services. Usually cash generated by customers at their various business premises are evacuated to the nearest branches using the Bank's bullion services. This frees the customers from the burden of conveying the cash to the bank. ix. Short Term Working Capital (STWC)

This is a short-tenured, one-off or revolving facility extended to customers for their import business. It is mainly for the procurement of foreign exchange. x. Payment Acceleration Scheme for Students (PASS)

This guarantees a fraud-free and more efficient payment management system for fee-based income of educational institutions. Under the scheme, students pay cash directly into the account of their institutions which are participating in the scheme, through any Afribank branch. xi. EU VAT Recovery Service

This is usually provided through the Group's subsidiary ANP International Finance Company Ltd. Dublin. It offers an EU VAT reclaim service on competitive terms for business executive who travel to European Union Countries. xii. Fee Based Products

These are products from which the Bank earns income in terms of commissions for rendering services on behlf of other service organisations. They include:

a. Combined Expatriate Resident Permit Card (CERPAC)

This is an offshoot of the Federal Government's decision to replace the existing paper expatriate residence permit and alien card with a combined special purpose card that is computer legible. The Ministry of Internal Affairs entered into a tripartite

agreement with CONTEC (Continental Transfer Technique) and Afribank Nigeria Plc. While CONTEC is responsible for the production of the Cards the Bank is solely responsible for the sale of the forms. The advantages of this product to the bank include:

- improved deposit base, commissions and earnings, - liquidity, custumer base, and - foreign exchange earnings

b. Sale of Educational Forms

This commenced with the sale of JAMB/UME Entry in 1995 to alleviate the difficulties encountered by students preparing for examination.

The product was a big success and this resulted in the introduction of other educational products, viz.

- JAMB Direct Entry Form sales - JAMB PCE Form sales - WAEC Afribank Form sales - NECO Afribank Form sales

c. Telecommunication Products

This involves the sale of various international telephone cards at a commission:

- Imperial phone cards - Western Pacific Communication - Econocard Phone Cards - North West Communication - ECONET recharge Cards - Everlead Communication

d. Customs Revenue Collection

e. Federal Inland Revenue Service collection (FIRS)

4.6 Social Responsibility

Afribank has remained a socially responsible corporate citizen assisting the less privileged and less fortunate one in the society. During the 2001 financial year, the bank made contributions to society for the enhancement of education, sports and living

conditions. Afribank has continued to reward annually the best three candidates in the

JAMB University Matriculation examination (UME) and also in the NECO/SSCE Examination.

It was the first Bank to sponsor a Chair in Banking and Finance at the University of Ibadan. The bank endowed funds for research in Telecommunication/Energy Studies at the University of Nigeria, Nsukka and in Agriculture at Ahmadu Bello University, Zaria. The bank has also instituted awards for academic excellence in Banking/Finance in 13 Federal Universities in Nigeria.

It has also maintained its sponsorship of the Nicon-Hilton Professional-Amateur (PRO-AM) Golf Tournament in Abuja.

In the 2002 financial year the Group has identified with aspirations of the community and the environment within which it operates. Donations and contributions to non-political organisations amounted to ₦3,988,750. While in 2001 total donation of ₦1,825,000 were made. **4.7 Re-Engineering Process in Afribank Nigeria Plc**

In this section, the conceptualisation and implementation of re-engineering process is discussed. **4.7.1 Conceptualisation**

The decision to embark on re-engineering process was taken by the Bank's management in order to eliminate the factors that have impeded the ability of the bank to achieve competitive targets. Some of the factors include internal inefficiency arising from very high operational costs and huge provisions for bad debts, low deposits base, lack of advanced information technology systems, absence of well conceived and focused markets, inefficient human resource management and development, among others. These constraints have over time made it impossible for the bank to achieve

optimum financial performance that is commensurate with its strong asset base and actual capacity.

In realisation of the need for a professional and objective appraisal of the operational strengths and weaknesses of the bank, the bank's management decided to engage the services of Arthur Anderson Management Consultants. The report of the Consulting Firm indicated the need for a structural transformation of the bank's operational processes in consonance with contemporary global banking practice. The transformation was named "THE NEW ERA PROJECT".

The"New Era Project"has been strategically positioned to herald a new beginning and a new offering to customers, employers and other stakeholders. The bank has been re-equipped to improve its market share, retain valuable customers and stop attrition, identify new sources of income and all embracing methodology that cuts across all the key elements of the bank's operations, including subsidiaries such as strategy, human resources, process and information technology (Afribank Monthly, May 2000).

The ongoing implementation of the re-engineering process is carefully guided by a set of prioritised strategic approaches. The significant approaches, which are planned to achieve the desired transformation without militating against the long term strategy and focus on the Afribank Group are securing the primary banking business, improving the bottom line, improving internal efficiency and management control of business and grow the business by increasing market share.

The major aim of the New Era Project is to create a bank which makes quality service delivery as its major corporate strategy and also adopts the concept of relationship management which addresses the increasing needs and complexities of target customers.

Another aim of the project is to facilitate a conducive working environment in order to stimulate employees, improve the image and performance of the bank, build mutually profitable bank-customer relationships which is enhanced in a high level of satisfaction. This is desired to be achieved through provision of relevant banking products and services and the development of effective corporate leadership that establishes strategies and secures the cooperation and sustainable participation of the whole organisation.

4.7.2 The need to re-engineer

The business diagnoses of the Afribank Group by Andersen Consulting revealed that the organisation has under-performed its peers and its potential over the last five years:

compelling value proposition of a financial services supermarket (FSS) is not obvious

existing service delivery framework cannot support efficient and courteous customer service resulting in significant customer attrition and loss of market share

Poor credit portfolio quality, high incidence of credit delinquency and low credit yield as a result of gaps in credit risk creation and exposure management process

large percentage of workforce deployed to support unproductive/non-value adding areas

under investments in technology coupled with slow deployment of recent investments

organisational arrangements do not emphasise accountability for results/outcome

Based on the conclusions of the business diagnosis, a deliberate enterprise transformation effort with priotised/building block approach was defined by the consultants to, among other things:

1. secure the business - tackle business areas that require the most urgent attention which will have significant market impact and importantly will not jeopardise the long term strategy and direction of the group; which is currently under development.

2. Improve the Bottom line - create an organisation that is more "income aggressive" and "cost conscious" with the resultant effect of a much improved bottom line and profitability

3. Improve Internal Efficiency and Management Control of the Business - put in place systems policies and procedures that will safeguard the sustainability of benefits gained in the early stages of transformation (1 and 2 above) and promote the management of a well-run financial services organisation.

4. Grow the business and increase market share - capitalise on the gains of previous projects and begin the implementation of the long term business strategy to achieve growth and market share objectives.

4.7.3 Implementation

'The New Era Project' is the re-engineering programme of the Bank which involves the upgrading of branches through the introduction of Strategic Business Units (SBUs), installation of new computer hardware and software systems, office infrastructural development, human resource management and development, formulation of effective marketing strategies. Others include improvement in customer service delivery, relationship management, efficient assets and liabilities management, etc. The subsidiaries were also re-organised and their business activities streamlined to make them more focused.

The project was systematically planned and executed in phases because of the huge capital outlay required.

The first phase involved the re-engineering of grade O branches in Lagos, Abuja, Port Harcourt, Kaduna and Benin regions and also head office departments.

While in the second phase, most of the grade 1 and some grade 2 branches were re-engineered. In the 3rd phase, the remaining grade 2 and some grade 3 branches will

be re-engineered. These branches were graded on the basis of some performance criteria ie. profitability, total deposits, size of balance sheet among others.

During the course of programme implementation, it was realised that there was a need to review the structure, composition, skills and productivity of the human resource base due to prevailing economic conditions in the country and repositioning process in the bank in order to improve operational efficiency, productivity and also reduce operational costs significantly. Consequently, this led to restructuring of the human resource base. This was aptly described by the bank's management as right sizing in which employees who could not fit into the newly conceived service delivery organisation due to inadequate education, poor working habits, low productivity, fraudulent practices, old age among others were either disengaged or retired depending on the prevailing circumstances.

In order to fill the vacuum created by this rationalisation process, graduate employment tests and interviews were recently conducted for the purpose of employing new staff.

In the area of information technology development, Afribank embarked on electronic network banking. This is generally known as on-line real time banking. This is a situation in which re-engineered branches are interconnected and installed with newly acquired computer hardware and Globus banking software.

Some of the methods utilised in carrying out this interconnectivity include: VSAT (Very Small Aperture Terminal), Microwave systems and VHF/HF radio depending on the location of the branch. In other words, an appropriate technology is applied for an appropriate situation.

Generally, about 70% of the branches and all the head office departments have now been connected.

This to a great extent has improved efficiency, speed of service delivery and customer satisfaction.

In the area of human resource base, a relevant training policy was designed for all categories of staff ie. junior, senior, top management and executive management staff in order to develop their full potentials. The types of training include overseas and external courses and also in-house and on-the-job training. In the training schedule the executives are suppose to attend overseas courses at least once annually. While the management and top management staff are also expected to attend overseas courses once within a specified period of time depending on their ranks. The various regional and head offices training centres have been re-equipped and empowered to conduct in-house courses for various cadre of staff.

All the courses have been tailored in line with the philosophy of the 'New Era Project' and also to meet standard banking requirements.

In terms of human resource management, staff welfare has been greatly enhanced, with new salary package, more opportunities for promotions to deserving staff. These have led to greater motivation of staff, drastic drop in resignations and increased productivity.

The consultants also developed model for service delivery known as Service Delivery Organisation Competency Model which describes the attributes staff are expected to possess in order to fit into the 'New Era Project'.

The main areas of this model include key Performance Factors (KPF), Core Competencies and Functional Competencies which are enumerated in Appendix III.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS

5.1 Introduction

A 5 year summary of the bank's financial statement is presented showing some components of balance sheet and profit and loss account.

Doyle (1994) discussed some of the common indices for measuring performance viz: profitability, market share, shareholder value, acquisitive growth, stakeholders (customers, employees and shareholders) satisfaction.

In this study, the following indices are discussed and assessed in relation to Afribank Nigeria Plc: gross earnings, profit after tax, operating expenses, provisions, total assets, loans and advances, recoveries, deposit liabilities, return on assets, shareholders fund, capitalisation, and stakeholders.

5.2 Measuring Performance

There are many criteria for judging corporate performance, but management and industry analysts tend to pick one measure which they feel symbolises 'success' or 'failure', single measures have the practical advantage of allowing simple and clear tables commonly used in business discourse. Others have justified their focus on theoretical grounds by arguing the primacy of one measure or stakeholder group. Doyle, (1994) is of the view that such selections normally give biased and misleading picture of overall performance. In particular they view performance from the perspective of a single stakeholder group. Again, most of the common performance targets have measurement and conceptual problems which make them harzadous predictors of future performance. Finally, each of these performance measures

conflicts with others. Maximising on one measure implies minimising on others. Similarly optimising the interests of one stakeholder group would mean doing so at the expense of the resources perceived as belonging to others.

1. Gross Earnings

The Afribank Group's consolidated gross earnings have consistently increased from ₦9.413 billion in 1999 financial year to ₦10.506 billion in 2000 and ₦10.955 billion in 2001. This grew to ₦17.122 billion in the 2002 financial year inspite of the difficult and challenging operating environment. This performance can be attributed to a number of factors such as competitive pricing of the bank's risk assets, improvement in treasury operations, advanced information technology systems, the continued growth earnings from the bank's international operations and diversification of the income generating activities of the bank. The setting up of an investment committee in 2001 financial year to oversee the bank's treasury investments and ensure better treasury management has continued to make positive impact on the quality of treasury investment.

2. Profit after tax

Profitability is the basis for defining 'success' in most business studies. This is by far the most common objective measure of financial performance. Sometimes this is an absolute measure of profits, more often it is a ratio such as earnings per share, return on investment or return on shareholder funds.

However, in this study, absolute profitability figures were considered. The Group consolidated profit stood at ₦285.97 million for the 1998/99 financial year. Due to cleaning up exercise during the 1999/2000 which consequently resulted in considerable increase in loan loss provisions, the bank made consolidated loss of

N541.508 million. However, the bank bounced back in 2000/2001 financial year to make a consolidated profit before tax of ₦1.318 billion.

During the 2001/2002 financial year the Group made a consolidated pre-tax profit of ₦2.471 billion. This shows an improvement of 87% over that of the previous financial year. This is the highest profit ever posted by the Bank since its inception in 1960.

Table 1: Afribank Group Financial Performance
Indicators 1998-2002 (in billions of naira)

	1997 ₦	1999 ₦	2000 ₦	2001 ₦	2002 ₦
Gross Earnings (in billions)	5.469b	9.413b	10.506b	10.955b	17.122b
Profit after tax	0.457b	0.285b	(0.542)b	1.318b	2.471b
Operating expenses		5.334b	6.115b	6.649b	8.915b
Provision on loans & advances		0.951b	2.228b	1.256b	1.242b
Total Assets	40.117b	45.414b	68.063b	78.630b	83.210b
Loans and Advances	13.602b	15.969b	14.249b	17.559b	25.929b
Recoveries	-	0.436b	0.221b	0.894b	0.590b
Deposit Liabilities	29,545b	35.278b	156.398b	62.042b	61.195b
Return on Assets		-	negative	1.63%	3.46%
Shareholders Fund	2.879b	3.213b	3.792b	4.878b	6.612b
Earning Per share	34k	14k	(59k)	101k	163k
Dividend per share		20k	-	15k	15k
Net assets per share	261	291	343	442	599

In view of the significant progress achieved in the implementation of the re-engineering process, the bank is now poised more than ever before to do even better in the years ahead.

However, in order to achieve continuous growth, the management has realised that major investment in information technology, on general branch improvement, staff training and welfare will continue to be made.

The resources needed for this are expected to be generated from the anticipated capital issue during the 2002/2003 financial year.

3. Operating expenses

The general operating expenses have continued to increase since the 1998/99 financial year as indicated in Table 1. This trend is not unconnected with the ongoing restructuring efforts in the bank.

The bank recorded a phenomenal increase in operating expenses for the 2002 financial year which stood at N8.915 billion when compared with the ₦6.649 billion expended over the same period of 2001 financial year. The increase was as a result of depreciation charges and additional staff cost arising from the newly approved staff emoluments. Apart from the higher depreciation and staff costs, all other costs were well contained and were, in actual fact, on the decline as indicated in the 2002 audited financial statements.

The Executive Management of the Bank has reiterated its desire to continue with the enforcement of measures designed to curtail controllable expenses and will also give greater focus to the review of all expenses.

It is therefore expected that the overall level of expenses will continue to fall as the cost control measures take full effect.

4. Provisions

One of the major causes of the bank's low profitability over the years had been high loan loss provisions. For instance, loan loss provisions stood at N951 million as at 31st March, 1999. This increased to N2.228 billion for the corresponding period of 2000. However, due to strategies adopted by the bank in the creation of high quality risk assets loan loss provisions declined to ₦1.256 billion as at 31st March 2001. The major focus of the Bank during the 2002 financial year has been to refocus lending to less risky areas, introduce new credit policy guidelines and thereby reduce

the level of loan loss. The financial statements indicate that the quality of risk assets has continued to improve with significant reduction in loan loss provisions.

Consolidated provision for loan losses as at 31st March 2002 stood at 1.242 billion compared to ₦ 1.256 billion as at the same period of 2001. This figure is expected to continue dropping as the bank revised credit policy guidelines and operating manuals are implemented throughout the branch network.

5. Total Assets

The bank's balance sheets have continued to witness improvements in all major parameters. For instance, total assets increased from ₦45.414 billion in 1999 to ₦68.063 billion in 2000. While the figure increased from N78.630 billion in 2001 to ₦83.210 billion in 2002.

This to a large extent is a reflection of the benefit of the on-going re-engineering process in the Bank.

6. Loans and Advances

For the Group, the performing loans and advances increased from ₦17.425 billion in 2001 to ₦24.604 billion in 2002.

The increase in this risk assets is still in consonance with the growth in deposit liabilities and is in consistent with the Bank's policy of critically assessing and ensuring that only safe credits are booked in order to minimise the possibility of loan losses.

This increase is responsible for the increase in interests and commissions on loans and advances and consequently the improvement in the Bank's profitability.

7. Recoveries

Recoveries for the group has declined from ₦894.187 million in 2001 to ₦589.657 million.

The management needs to develop effective strategies aimed at improving recovery which is an important source of income in the face of stiff and growing competition.

Deposit Liabilities

Total deposits have consistently increased from ₦35.278 billion in 1999 to ₦56.398 billion in 2000 and ₦62.042 billion in 2001. However, the figure decreased to ₦61.195 billion in 2002.

The marketing drive introduced by the Executive Management in which all members of staff including management were given deposit mobilisation targets which form part of their performance assessment is largely responsible for the significant increase in total deposit for 2001.

8. Return on Assets

The Bank's pre-tax return on assets during the period improved from 1.41% as at 31st March, 2001 to 3.46% as at 31st March, 2002. This indicates improved efficiency in the management of the productive assets of the bank.

9. Shareholders Fund and Capitalisation

Shareholders fund increase for the Group from N4.878 billion in 2001 to ₦6.612 billion in 2002 representing 35.55% increase. The growth was driven mainly by improved operating result of the bank.

In line with the directives of the Central Bank of Nigeria that all existing banks in the country should raise their share capital to a minimum of ₦1 billion by the end of 2002, the bank management has realised that it has become imperative for the bank to recapitalise its built up reserves before the deadline. One of the basic reasons why the bank must access the capital market for funds is the need to maintain its

competitive ability among its peers who have re-capitalised. Other reasons include the need to strengthen its competitive status and also empower it to absorb any major market stock more comfortably.

Other performance indicators are earning per share which has witnessed significant increase from 101k in 2001 to 163k in 2002.

Dividend per share has been quite low and on the decline over the period under consideration. The dividend policy of the bank is quite poor and needs to be improved. 10. Stakeholders

There are three target groups to satisfy, namely: customers, employees and shareholders. Some researchers believe that the employee is the most important of the three stakeholders in an organisation. This is because, if they like their jobs and feel a sense of pride and achievement they will serve the customer well. Satisfied customers who repeatedly patronise banks and spread good 'word of mouth' about it will be the basis of the profit for satisfying the shareholders.

Hewlett-Packard is a company whose vision (the H-Pway) has historically been given primacy to creating an excellent environment for its knowledge workers. This is in realisation that unless employees are motivated and protected they will not give their best and so customer satisfaction, profit, growth and shareholder value are not sustainable. In Afribank, the management had hitherto to a large extent focused on customers, it is only recently that staff welfare has received some attention.

The second argument is that since shareholders are invariably institutional investors, without long term commitment to the business or interested in being involved in its management, they are not the primary stakeholder group. As investors they are

entitled to a reasonable return in the form of dividends, bonus, etc. but not at the expense of other groups and in particular employees whose commitment is normally larger tern and whose individual contributions are essential.

However, it is not desirable to focus excessively on employees because it may involve unacceptable trade-offs. It is usually more beneficial for an organisation to develop strategies aimed at balancing the focus on both customer and employee depending on the prevailing circumstances.

Each stakeholder group has its own goal and therefore there is no single goal for judging business performance. This is because each measure suffers from operational and conceptual problems. Moreso because each gives a limited perspective focusing on the rewards of one particular stakeholder group. Further each of these goals partly conflict with one another. For example the pursuit of shareholder value can erode the trust of employees since shareholder interests will dominate.

Generally, stakeholders expectations are usually reasonable and easily met. Afribank's management have devised strategies aimed at meeting shareholders, customers, and employees expectations in order to maintain harmony and peaceful coexistence amongst the groups. a. Shareholders

These are the most obvious stakeholders. They have invested in the enterprise with its expectation of rewards in terms of dividends, share bonus and capital repayments. If they are not satisfied they can remove the executives. Legally their power to maximise shareholder value is absolute. However, in practice it is normally severely constrained because most of the shareholders are institutional investors rather than active owners.

However, the power of shareholders can be activated if other stakeholder groups are not alert to their needs. If employees and customers are obtaining excessive rewards so that shareholders are not satisfied with dividend paid out then, a disequilibrium situation is created. Then, stakeholders may attempt to change the executive management. Sometimes an outside group may attempt to buy off controlling share in the company taking advantage of its low valuation promising greater value for its own shareholders.

In Afribank Nigeria Plc, dividend paid out in the last 5 years has been quite poor. For instance in 1997 only 10k per share was paid. This improved to 20k per share in 1999. However in 2000 no dividend was paid. While in 2001 and 2002 only 15k per share was paid. The shareholders are thus becoming disenfranchised because of the poor dividend policy of the bank. b. Customers

In a free enterprise system such as the banking industry customers are potentially the most powerful stakeholder group. In today's highly competitive banking environment, if their expectations are not met they can switch their patronage to other banks. The bank's revenue profile and ability to satisfy all other stakeholders group will be eroded.

It is in realisation of this customers status that the management of Afribank Group decided to devise customer focused strategies aimed at improving customers service delivery and also satisfying customers needs. One of the strategies developed is the concept of Strategic Business Units (SBU's) in which the bank established a 3 market segment customer facing units namely, Corporate Banking, Commercial Banking and Consumer and Retail Banking. The major goals of these SBU's is to

achieve market segmentation in order to efficiently design products and service to meet the prompt needs of customers.

In the interview conducted among randomly selected customers of some re-engineered branches, most of the customers are aware of the re-engineering process in the bank.

However, the feedback received from the survey indicated that some of them are not satisfied with the quality of service delivery in the bank. The reasons for dissatisfaction include, long waiting time for cashing cheques and obtaining drafts, poor counter service due to inadequate staffing, ineffective airconditioning systems, frequent computer systems failure, malfunctioning power generating plants, impolite and discourteous staff, delays in issuing statement of accounts, generally poor banking environment among others.

c. Employees

Generally staff seek a combination of employment security, compensation and job satisfaction. As stakeholders they are more dependent upon the firm for their livelihoods than shareholders and customers. The power to achieve their goals depends upon the degree or organisation of their labour unions, the demand of the labour market for their special skills and the recognition of management and shareholders of the importance of motivated employees. Often workers are not maximisers. This is because sometimes the poor state of the economy coupled with uncertainty and extreme difficulty in securing jobs in the labour market compels workers to accept sub-optimal returns from exiting employers. However, a failure to meet their minimum expectations may create militancy, more certainly it will curtail the commitment of employees to provide high levels of quality service to other stakeholders.

In the survey conducted for staff, the feed back was mixed concerning the success of the programme. Majority of the staff interviewed are of the opinion that the re-engineering process is a huge success. However they enumerated some problems encountered during the implementation viz: poor interconnectivity between branches, frequent computer system failure, slow accessibility to information, difficulty in generating some reports, poor airconditioning systems, power failures, inability to meet branch computer deployments targets among others.

Some of the shortcomings highlighted include lack of adequate training for operational staff on the newly introduced banking software ie. globus, inadequate publicity, poor and uncompetitive staff enumerations and welfare packages, centralisation of computer system in which all the branches are connected to only one server, promotion exercise is not objective and not given to deserving staff, etc. **5.3 Some Benefits of Re-engineering Processes to Afribank Group**

- Improved credit revenues from enhanced credit risk portfolio quality.
- Significant increase in treasury investment income.
- Proper focus and more professional management of the bank's asset and liability

  structure.
- Enhanced revenue generation from new customer relationships and increase in

  customer transaction volumes as a result of improvement in customer

  satisfaction with service quality.

- Up to 40% reduction in customer service transaction costs.

CHAPTER SIX

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS 6.1

Summary

In this study, an attempt was made to examine the role of re-engineering process in Afribank Nigeria Pic. The aim is to provide an insight on how a bank can be restructured/repositioned to operate more efficiently and profitably.

The research is documented in six chapters. Chapter one deals with general information to the study which includes preamble, statement and definition of the problem, aims and objectives of the study, scope and significance of study, limitations of study, definition of terms and organisation. Chapter two is on literature review covering review of macroeconomic policy in 2001/2002, outstanding macroeconomic problems and policy challenges for fiscal 2002/2003, monetary and credit policy measures in 2002/2003, strategic components of re-engineering process and re-engineering process in some commercial banks: a review. While chapter three deals with research methodology.

Chapter four is on general overview of Afribank's history, organisational structure and development.

In chapter five the data utilised is presented and analysed based on some performance indicators.

Finally, the summary, conclusion and recommendation within the context of our understanding of re-engineering process in Afribank Nigeria Plc are presented in Chapter six.

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6.2 Conclusion

The financial record of Afribank Nigeria Plc shows that the ongoing re-engineering process of the Bank tagged New Era Project has achieved significant level of success as attested by improved financial performance indicators especially for the 2002 financial year.

The satisfactory performance of the bank is to a large extent facilitated by a number of factors such as in deployment of online real-time network computer banking system, in most of the branches, adequate human resource training and development, effective relationship management, improved infrastructural facilities, strategic business units concepts and the commitment of both staff and management.

In view of the level of success achieved by Afribank Nigeria Plc, the strategies adopted can be applied to other banks taking into consideration their history/organisational structure, its size of the branch network, available resources, vision and mission statements.

6.3 Recommendations

In order to have a better understanding of re-engineering process and its effective implementation in banks, more studies need to be undertaken. Based on the findings and experience of the study, the following suggestions are made:

1. Afribank should take steps in acquiring a second server to cover northern branches in order to reduce frequent breakdown of equipment, slow processing time and also improve the efficiency level of service delivery.
2. The Bank should hasten up the deployment of the new banking software to other branches in order to realise the full advantages of connectivity.
3. Relevant computer training programmes should be organised for staff to

empower them with necessary skills on the operation of the new banking software.

4. Staff remunerations and welfare should be further improved upon and made competitive in order to motivate staff for better performance.
5. The reward system should be reviewed and applied more objectively ie. Promotion should be given to deserving employees.
6. The bank's poor dividend policy should be made better in order to encourage investors and also enhance the corporate image of the bank.
7. The bank's management should give more priority to deposit mobilisation and should also develop effective strategies aimed at reversing the declining trend in total deposits.
8. In the ongoing review of the bank's credit policy, adequate attention must be given to curtailing the rising profile of non-performing accounts and recovery efforts should also be stepped up in order to improve the bank's bottom line.
9. Monitoring and control of general expenses should also be given the attention it deserves, in order to drastically reduce the generally high spending pattern in the bank.
10. More emphasis should be placed on promotional activities of the bank's products and services ie. advertising, personal selling, sales promotion and publicity, in order to increase the bank's market share.

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Appendix I

Organisational Structure of Afribank

Appendix II

Questionnaire

The structured interview conducted is designed in form of a questionnaire for uniformity in order to primarily collect data of administration for a research on Re-engineering Process in Commercial Banks: The Afribank Nigeria Plc's experience. The research is undertaken as a prerequisite for the award of MBA.

The respondents sincere opinion and maximum cooperation in supplying the required information is hereby solicited.

Please note that the information supplied will be treated with absolute confidentiality and will also be limited to the scope of this academic research.

PART A: STAFF

Section 1: Personal Information

1. What is the name of your branch _____

2. What is the name of your department _____

3. How long have you been in the Bank?

   a. less than 5 years [ ]
   b. between 5 and 10 years [ ]
   c. between 10 and 15 years [ ]
   d. between 15 and 20 years [ ]
   e. 20 years and above [ ]

4. What is your present designation, rank or post in the Bank?

5. Have you had any form of training on the Bank's new software - Globus? Yes [ ] No [ ] '

Section 2: General Information

What are the basic infrastructures introduced during the implementation of the re-engineering process in Afribank?

a.
b.
c.
d.

What are the major problems encountered during the course of implementing the re-engineering process?

a.
b.
c.
d.

3. Do you realistically think that the programme is a success? Yes [ ] No [ ]

4. If your answer to question (3) above is 'y' kindly mention the benefits realised
   a.
   b.
   c.
   d.

5. If your answer to question (e) above is 'No' kindly mention the shortcomings.
   a.
   b.
   c.
   d.

6. Do you believe that there is significant improvement in customer service delivery? Yes [ ] No [ ]

PART B - CUSTOMERS

Section 1: Personal information

1. What is the name of your organisation _____

2. What is the name of your department _____

3. What type of accounts do you operate in Afribank Nigeria Plc? a.
   b.
   c.
   d.

4. How long have you been a customer of the bank?

   a. less than 5 years [ ]
   b. between 5 and 10 years [ ]
   c. between 10 and 15 years [ ]
   d. between 15 and 20 years [ ]
   e. 20 years and above [ ]

5. Do you intend to continue patronising the bank? Yes [ ], No [ ]

6. If your answer to question (5) above is 'yes' kindly state your reasons. a. b. c. d. If your answer to question (5) above is 'no', kindly state your reasons.
   a.
   b.
   c.
   d.

Section 2: General Information

1. Are you aware of the current re-engineering process in the Bank? Yes [ ] No [ ]

2. Are you satisfied with the quality of service delivery in the Bank? Yes [J No [ ]

3. If your answer to question 2 is 'yes' mention the reasons a.
   b.
   c.
   d.

4. If your answer to question 2 is 'no' mention the reasons
   a.
   b
   .
   c.
   d.

5. Suggest areas of improvement in the delivery of service that the bank should consider.
   a.
   b.

APPENDIX III

AFRIBANK'S SERVICE DELIVERY ORGANISATION: COMPETENCY MODEL

A. Key Performance Factors (KPF)

These are competencies fundamental to an employee's success in the service delivery organisation and include the following factors:

i. Customer Service Orientation

This gives priority to customer facing transactions. It also involves providing services in such a way that satisfies customers of the service delivery organisation.

ii. Responsiveness

This means completing transactions and tasks in a short time in order to ensure quick and efficient services to customers of the service delivery organisation.

iii. Result Orientation

Possession of sufficient staying power and concern to make contribution that have positive impact on the quality and efficiency of customer service. This implies having a focus on attaining/exceeding pre-defined targets regardless of obstacles and set back.

iv. Team work/Collaboration

This entails combining the staff work efforts and resources with service delivery organisation members to solve problem, complete assigned work and ensure achievement of service delivery organisation vision and objectives.

v. Personal Accountability

This requires a staff to take ownership and responsibility for his actions. It also involves making prudent use of resources at his/her disposal.

Various category of staff's performance viz. Junior, senior, management and top management staff are evaluated using the key performance factors and scoring them on the basis of ascending proficiency levels ie. Rare (1); Occasional (2), Often (3) and Always **(**4).

B. Core Competencies

There are competencies required by everyone in the Service Delivery Organisation irrespective of the job they do.

i. Oral Communication

This is the ability to express self verbally and be understood by both customers and colleagues.

Written Communication

this is the ability to efficiently write in clear and concise manner, appropriate for the audience and desired purpose of communication.

Professional Composure

This is maintaining appropriate professional outlook and attitudes in dealing with colleagues, and customers. An employee is required to act with appropriate self assurance and remaining poised in uncertain situations and under pressure.

Analytical Investigative Thinking

This is the ability to examine issues from multiple points of view to determine the root causes and assess their implication.

Problem Solving

This is the ability to identify, analyse and effectively resolve issues that arise in the normal course of work in a timely and competent manner.

Interpersonal Skills

This is the demonstration of respect for customers and colleagues, building trust and confidence and treating them with dignity.

Initiative

Doing more than is required or expected to improve job results and also the application of discretion in dealing with customer demands

Innovation/Creativity

Identifying new and improved means of meeting/exceeding customer expectations.

Self confidence

Approaching work with a positive "can do" attitude and also believing and expressing staff opinions and abilities

Integrity

This is a situation in which staff consistently honour commitments and take responsibility for action and words and also avoids anything illegal or unethical.

Decisiveness/Decision Making

This is acting promptly and confidentially using sound judgement, common sense and objective criteria. It is also the provision of appropriate response to issues in good time.

xii. Supervisory

Ability to guide and support subordinates to produce good quality work.

xiii. Attention to Detail/Thoughtless

Paying attention to details to ensure accuracy of work and minimise errors.

xiv. Business Performance Management

This is the ability to define and apply service delivery organisations performance indicators required to measure performance and sustain high quality levels.

xv. Bottom line Focus

Making plans and decisions based on impact on overall profitability of the service delivery organisation.

xvi. Knowledge of Banking Software

Ability to use software supported by Afribank to conduct transactions, provide services and produce outputs.

xvii. Computer Literacy

Ability to use application programmes and business process software to perform necessary job functions.

xviii. Knowledge of Banking Operations

This is a situation whereby employee's knowledge of banking practices, policies and regulations is assessed and also his ability to apply the knowledge in conducting transactions and tasks in the service delivery organisation is determined.

Employees performance is evaluated on the basis of the above attributes enumerated using various proficiency levels in ascending order of Scores: (0), Basic (1), Beginner (2), Intermediate (3) advanced (4), Expert (5)

C. Functional Competencies

These are competencies that are specific to certain jobs and units within the Service Delivery Organisation.

i. Business Process Acumen

This is understanding of the various processes and related business policies in the service delivery organisation.

ii. Financial Analysis/Interpretation

Ability to understand and apply financial concepts and processes

iii. Credit Analysis

Ability to analyse the various risks inherent in credit exposure and develop/implement risk management structures to minimise bank's loss.

iv. Budgeting

This is the ability to apply understanding of corporate budgeting system and budgetary cycle, estimation of financial revenues and expenditure and development of financial budgets.

v. Risk and Contingency Management

Ability to identify, mitigate and manage various banking risks.

vi. Facilities Maintenance

Ability to monitor plan, manage and maintain the physical resources of the bank.

vii. Purchasing/Procurement

Procuring materials services for the bank in accordance with pre-established service/contract agreements.

viii. Vendor Management

Developing vendor relationships through negotiation and rapport building, structuring "win-win" situations.

ix. User Support

Providing effective support to users on network, hardware software and user security including user training and problem trouble shooting

x. System Administration

Ability to operate and manage software packages and applications. xi.

Customer Handling Interaction

Addressing customer requests, inquiries and needs promptly and politely

Knowledge of Afribank's products and service desirable.

xiii. Market Knowledge

Knowledge of various market issues including competitor, market forces, changing consumer preferences (buyer values) etc. as well as industry product offerings available and current industry trends.

xiv. Marketing/Cross Selling

Ability to market all Afribank's products and services thereby generating and increasing demand for products.

xv. Networking/Relationship Building

This is developing and maintaining professional business associations; identifying and pursuing opportunities to meet and exchange ideas with other business professionals

xvi. Controls Evaluation

Ability to research and analyse information imbalances, and inconsistencies in banking transaction and practices.

The proficiency levels are assessed according to the following ascending order of performance: (0), Basic (1), Beginner (2), Intermediate (3), Advanced (4) and Expert (5)

Reproduced from : Afribank's Service Delivery Organisation
Competency Model