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# Management Innovation and Financial Performance of Deposit Money Banks in Nigeria: A Review of Literature

***Akinbode, Feyisayo Aanuoluwapo; *Bilewu, Olukayode Abiodun; **Fagbemi, Basiru Alabi; & *Omoba, Opeyemi Omotola**

*Department of Accounting, Olabisi Onabanjo University, Ago-Iwoye, Nigeria.
**Department of Business Administration, Chrisland University, Abeokuta.
**Corresponding Author:** akin.feyi71@gmail.com

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## *Abstract*

This study explores the relationship between management innovation and the financial performance of deposit money banks in Nigeria through a comprehensive review of existing literature. Focusing on four key dimensions—marketing strategy, structural innovation, sustained competitive advantage, and financial technology—the study aims to understand how each contributes to financial outcomes such as Return on Assets (ROA) and Net Profit Margin (NPM). A qualitative research design is employed to enable a nuanced analysis of scholarly perspectives, theoretical insights, and empirical findings. The literature was systematically sourced from peer-reviewed journals, regulatory publications, and recognized academic databases including Google Scholar and institutional repositories. Content analysis and narrative synthesis were used to identify recurring themes, patterns, and emerging viewpoints within the selected studies. The findings suggest that management innovation plays a pivotal role in improving financial performance in the banking sector. By restructuring internal processes and adopting innovative strategies, banks can enhance operational efficiency, align with market demands, and sustain competitive advantages. These innovations directly contribute to improved ROA through better asset utilization and to higher NPM through cost optimization and revenue enhancement. The study concludes that understanding and applying the principles of management innovation is essential for achieving long-term financial

sustainability and competitive success in Nigeria's evolving banking environment. It is recommended that bank management teams should prioritize strategic investments in innovation, particularly in digital service delivery, structural reorganization, and customer-centric strategies.

**Keywords:** Management innovation, marketing strategy, structural innovation, sustained competitive advantage and financial performance.

# Introduction

In today's dynamic and highly competitive banking environment, the financial performance of institutions is increasingly shaped by the strategic and innovative capabilities of their management. One critical factor in this context is management innovation, which involves the introduction of new managerial practices, processes, and organizational structures aimed at enhancing performance and competitiveness (Birkinshaw, Hamel & Mol, 2008). For quoted deposit money banks in Nigeria, this is particularly important given the challenges posed by regulatory demands, technological disruption, and shifting customer expectations. While previous studies have primarily examined financial technology as the dominant aspect of management innovation—highlighting tools such as Point of Sale (POS) systems, Automated Teller Machines (ATMs), mobile banking, and internet banking (Monday et al., 2024; Ashiru et al., 2023; Gambo, 2020)—this perspective remains limited. It overlooks other critical dimensions that significantly influence financial performance, such as marketing strategy, organizational structure, and sustained competitive advantage. These factors determine how banks position themselves in the marketplace, organize internal operations, and retain long-term relevance in an increasingly competitive industry (Porter, 1985; Barney, 1991).

This study seeks to address this gap by investigating the impact of four key dimensions of management innovation on the financial performance of quoted deposit money banks in Nigeria. Specifically, it explores the role of marketing strategy (using the 4Ps: product, price, place, and promotion), organisational structure (focusing on internal hierarchies and decision-making frameworks), sustained competitive advantage (through resource uniqueness and market positioning), and financial technology on performance indicators such as Net Profit Margin (NPM) and Return on Assets (ROA). By expanding the scope of management innovation beyond financial technology and incorporating broader performance metrics, this study aims to offer valuable insights for both scholars and banking practitioners. The goal is to inform strategies that enable Nigerian banks to innovate more effectively, improve

financial outcomes, and achieve sustainable competitive success.

**Statement of the Problem**

The Nigerian banking sector is currently navigating a challenging and dynamic environment shaped by intensified competition, ongoing regulatory reforms, and rapid advancements in financial technology. In response to these pressures, deposit money banks are increasingly adopting management innovation as a strategic mechanism to enhance performance and remain competitive (Birkinshaw, Hamel & Mol, 2008; Olayemi et al., 2022). Management innovation involves the implementation of novel managerial practices, organizational structures, and strategic approaches that aim to improve operational and financial outcomes (Volberda, Van Den Bosch & Heij, 2013).Despite its growing relevance, the scope of research on management innovation within the Nigerian banking industry remains relatively narrow. Much of the existing literature emphasizes financial technology innovations—such as Automated Teller Machines (ATMs), Point of Sale (POS) systems, mobile banking, and internet banking—as the primary drivers of management innovation (Ashiru, Yusuf & Ojo, 2023; Gambo, 2020; Monday, Eze & Udo, 2024). While these tools have significantly transformed service delivery and customer interaction, they represent only a subset of the broader innovation framework. Other critical components, including marketing strategy, organizational structure, and sustained competitive advantage, have been underexplored in empirical studies, despite their significant potential to shape long-term financial outcomes (Barney, 1991; Porter, 1985).

In addition, prior research often relies heavily on Return on Assets (ROA) and Return on Equity (ROE) as the primary indicators of financial performance. Although these metrics are important, they may not fully reflect profitability or operational efficiency. Broader performance measures, such as Net Profit Margin (NPM), can offer a more holistic view of a firm's financial health and strategic success (Ihugba et al., 2021). The general research question guiding this study is: To what extent do various dimensions of management innovation—namely marketing strategy, organisational structure, sustained competitive advantage, and financial technology—impact the financial performance of quoted deposit money banks in Nigeria?

This study aims to bridge the identified gaps by adopting a multidimensional framework for assessing management innovation and employing a more comprehensive set of financial performance indicators. Through this approach, the study contributes to a deeper understanding of how Nigerian banks can strategically innovate to sustain financial viability in a rapidly evolving market.

**Research Question**

1. How does marketing strategy impact financial performance of quoted deposit money banks in Nigeria?

2. To what extent does organisational structure influence financial performance of quoted deposit money banks in Nigeria?
3. What is the effect of sustained competitive advantage on financial performance of quoted deposit money banks in Nigeria?
4. How significant is financial technology on financial performance of quoted deposit money banks in Nigeria?

**Aim and Objectives of the Study**

This study investigated how management innovation influenced the financial performance of quoted deposit money banks in Nigeria. To achieve this broad objective, four specific objectives were outlined and pursued. These are to;

i. Estimate how marketing strategy impact financial performance of quoted deposit money banks in Nigeria.
ii. Ascertain the influence of organisational structure financial performance of quoted deposit money banks in Nigeria.
iii. Measure the effect of sustained competitive advantage on financial performance of quoted deposit money banks in Nigeria?
iv. Assess how significant is financial technology on financial performance of quoted deposit money banks in Nigeria?

**The Statement of the Hypotheses**

In order to achieve the research aim and objectives, the following research hypotheses were formulated and tested:

*Ho1:* Marketing strategy has no significant influence on the financial performance of quoted deposit money banks in Nigeria.
*Ho2:* Organisational structure has no significant influence on the financial performance of quoted deposit money banks in Nigeria.
*Ho3:* Sustained competitive advantage has no significant influence on the financial performance of quoted deposit money banks in Nigeria.
*Ho4:* Financial technology has no significant influence on the financial performance of quoted deposit money banks in Nigeria.

## LITERATURE REVIEW

### Conceptual Review

#### Management Innovation in the Banking Industry

In today's volatile financial landscape, especially within emerging economies such as Nigeria, the banking sector faces increasing pressure to enhance operational efficiency, comply with stringent regulations, and meet evolving customer expectations (Olayemi, Adebayo, & Bakare, 2022). One strategic response to these challenges is management

innovation—a deliberate introduction of novel managerial practices, processes, or structures aimed at improving organizational performance (Birkinshaw, Hamel, & Mol, 2008). For banks, management innovation is particularly crucial as they rely heavily on knowledge, service quality, and process efficiency rather than physical assets. It offers a pathway to improving financial performance metrics such as ROA and NPM (Ihugba, Odii, & Ekezie, 2021). Management innovation in the banking context refers to the implementation of new managerial approaches that significantly alter traditional banking operations. These innovations may include changes in leadership style, performance measurement systems, employee engagement models, risk governance frameworks, or customer relationship management structures. Unlike technological innovation (e.g., fintech solutions), management innovation emphasizes how banks organize, manage, and lead. Examples include:

- Adopting flatter organizational hierarchies to increase responsiveness
- Implementing agile or lean banking processes
- Redesigning performance-based incentives to drive customer-centric behavior
- Introducing enterprise-wide knowledge management platforms

**Marketing Strategy and Financial Performance**

Marketing strategy refers to a firm's plan to attract, retain, and grow its customer base through value creation and communication. It integrates market research, segmentation, targeting, positioning, and the coordinated deployment of the marketing mix (Kotler & Keller, 2016). From a performance perspective, an effective marketing strategy can lead to increased sales revenue, cost efficiency, customer loyalty, and ultimately improved financial indicators such as ROA and ROE. In the Nigerian business environment—characterized by economic uncertainty, infrastructural challenges, and a growing youthful consumer population—the execution of a coherent marketing strategy can determine a firm's ability to remain competitive and profitable (Okeke & Eze, 2018). The 4Ps provide measurable dimensions to assess how marketing decisions contribute to financial performance outcomes.

**Product Strategy**

Product refers to the goods or services a firm provide to satisfy customer needs and preferences. Key elements of the product dimension include design, quality, functionality, brand identity, and after-sales support (Kotler & Keller, 2016). A robust product strategy enhances a firm's ability to differentiate itself in the marketplace—an essential factor in highly competitive industries such as banking, where innovation and technological advancement often dictate market leadership (Tidd & Bessant, 2018). In the Nigerian context, product adaptability plays a critical role. Products tailored to local tastes, cultural norms, and environmental conditions tend to perform better in terms of customer

satisfaction and brand loyalty (Adegbile, Sarpong, & White, 2017). For instance, pharmaceutical firms in the healthcare sector that customize product formulations to address region-specific health concerns may experience increased consumer preference and improved profitability, thereby gaining a competitive edge. In empirical studies, product strategy is often measured using indicators like:

- Rate of product innovation
- Perceived quality and reliability
- Brand strength and product diversity
- Customization to meet local or sector-specific needs

When a firm aligns its product strategy with market demand, it enhances customer retention and revenue, contributing positively to financial performance.

**Price Strategy**

Price denotes the monetary value customers pay in exchange for a product or service. It is a direct determinant of revenue and thus has a critical influence on financial performance. In developing economies such as Nigeria, where consumers are highly price-sensitive and purchasing power varies, pricing strategy must strike a balance between value perception and affordability (Ebitu, 2016). Firms often face price wars, where competitive pricing can either expand market share or erode margins. Meanwhile, in sectors like oil and gas, pricing may be subject to global benchmarks, requiring firms to focus on cost efficiency and value-added services. Key pricing strategy metrics include:

- Price competitiveness relative to market leaders
- Value-based pricing that reflects customer willingness to pay
- Use of price promotions and discounting strategies
- Dynamic pricing models responding to market fluctuations

A sound pricing strategy helps a firm capture value, improve sales volume, and enhance its return on investment (ROI), all of which are reflected in financial metrics such as ROA and ROE.

**Place (Distribution) Strategy**

Place refers to how a product is made accessible to customers. It includes distribution channels, logistics infrastructure, retail locations, and digital delivery systems. In Nigeria, geographic and infrastructural diversity makes place strategy particularly significant. Firms that optimize their distribution networks are better positioned to serve diverse markets effectively and cost-efficiently. For example, manufacturing firms that distribute products through regional depots can minimize lead times and reduce stockouts. Firms leveraging e-commerce platforms can expand their reach across urban and semi-urban

areas without incurring high fixed costs (Nwaiwu & Aduloju, 2021). Distribution strategy effectiveness can be measured by:

- Geographic coverage of distribution outlets
- Efficiency of logistics and delivery systems
- Accessibility through online and offline channels
- Use of third-party intermediaries or direct sales

Efficient distribution reduces operational costs and enhances market responsiveness, both of which are drivers of financial performance.

**Promotion Strategy**

Promotion involves all activities aimed at communicating the value of a product and persuading customers to purchase it. It encompasses advertising, public relations, sales promotions, personal selling, and digital marketing (Kotler & Keller, 2016). In Nigeria's fragmented media landscape, promotion strategies must be both localized and cost-effective. Promotion plays a vital role in building brand equity, stimulating demand, and differentiating offerings—especially in industries where products are homogeneous. For instance, in the health and pharmaceutical sector, educational campaigns about product benefits can enhance credibility and drive uptake. Promotion strategy metrics may include:

- Advertising spend and media mix effectiveness
- Frequency and creativity of promotional campaigns
- Social media engagement and influencer reach
- Customer response to sales promotions and loyalty programs

Strategic promotion builds awareness, drives sales, and can increase customer lifetime value (CLV), which contributes to sustained profitability and improved financial ratios.

The integration of product, price, place, and promotion—collectively known as the marketing mix—enables firms to craft a coherent and competitive value proposition. In empirical research, particularly within the Nigerian context, these 4Ps are frequently operationalized as independent variables to assess their impact on financial performance metrics such as Return on Assets (ROA) and Return on Equity (ROE) (Oluwafemi & Adebiyi, 2018). Organizations that successfully align the marketing mix with dynamic market needs tend to experience enhanced customer retention, increased market share, and superior financial outcomes. This strategic alignment is supported by both the Resource-Based View (RBV) and the Market-Based View (MBV) of the firm. The RBV emphasizes the role of internal capabilities—such as marketing expertise and innovation—while the MBV highlights the importance of responding to external market conditions and consumer behavior.

In the Nigerian business environment, where markets are characterized by variability in consumer preferences, infrastructure, and economic conditions, optimizing each component of the marketing mix becomes essential. A well-adapted product offering, competitively priced, efficiently distributed, and effectively promoted can serve as a significant driver of financial performance. For instance, firms that localize product features or leverage digital channels for promotion are better positioned to meet local demands and reduce operational inefficiencies (Ebitu, 2016). In conclusion, the 4Ps framework not only provides a structured approach for developing marketing strategy but also offers a robust basis for empirical investigation. Within the Nigerian context, it serves as a practical and analytical tool for understanding how strategic marketing decisions contribute to sustainable financial performance.

**Organisational Structure and Financial Performance**

Structural innovation refers to deliberate changes in the configuration of an organization's formal structure. These changes typically involve redefining reporting relationships, altering hierarchical levels, decentralizing decision-making processes, and creating new organizational units or cross-functional teams (Birkinshaw et al., 2008). It is not limited to minor adjustments but often represents fundamental reengineering of organizational blueprints aimed at fostering agility, coordination, and responsiveness (Damanpour & Aravind, 2012). The structural dimension of management innovation can influence financial performance by optimizing cost-efficiency, improving decision-making speed, and enhancing employee productivity. In this study, financial performance is measured using Return on Assets (ROA) and Net Profit Margin (NPM). ROA indicates how effectively a bank uses its assets to generate profit. Structural innovation can improve ROA by reducing unnecessary managerial layers, enhancing resource allocation efficiency, and accelerating strategic execution (Damanpour & Aravind, 2012). For instance, when a bank decentralizes decision-making, regional branches can respond faster to market changes, leading to better use of assets. NPM reflects how much profit a bank retains from its total revenue. Structural innovation contributes to NPM by minimizing operational overhead, eliminating redundancy, and boosting customer satisfaction through improved service delivery. A leaner structure reduces fixed costs, while enhanced communication and workflow reduce delays and errors, ultimately increasing profitability (Teece et al., 1997). The structural dimension of management innovation in this study is assessed using two primary metrics: the organizational chart and the levels of management.

**Organizational Chart**

The organizational chart is a visual representation of the company's formal structure, outlining relationships, authority lines, and departmental divisions. Structural innovation

can be identified by observing shifts from tall, hierarchical charts to flatter ones that promote horizontal collaboration and decentralized control (Donaldson, 2001). A flatter structure typically empowers lower-tier managers and frontline employees to respond promptly to operational and customer-related issues.

**Levels of Management**

This metric captures the number of hierarchical layers between the top executive level and the operational staff. Traditional banks often follow a three-tier structure—top, middle, and lower management. Structural innovation seeks to streamline or redefine these levels, either by reducing them to minimize bureaucracy or redefining responsibilities to improve accountability and efficiency (Teece, Pisano, & Shuen, 1997). A reduction in the number of levels typically signifies a more agile, flexible structure capable of better adapting to market dynamics.

The structural dimension of management innovation is a critical factor in shaping the performance and competitiveness of banking institutions. Measured through the organizational chart and levels of management, structural innovation provides a tangible mechanism for banks to enhance operational efficiency, adaptability, and profitability. In the Nigerian banking industry, where institutions must navigate complex regulatory and market environments, adopting innovative structural designs can yield significant improvements in financial performance, particularly in terms of ROA and NPM.

**Sustained Competitive Advantage and Financial Performance**

Sustained competitive advantage refers to the ability of a firm to maintain superior performance relative to competitors over an extended period. According to Barney (1991), a firm possesses a sustained competitive advantage when it implements a value-creating strategy that is not simultaneously being implemented by current or potential competitors and when these competitors are unable to duplicate the benefits of this strategy. SCA is distinct from temporary competitive advantage, which is often eroded quickly by market imitation or technological convergence. In the banking sector, SCA manifests in various forms—such as sustained customer loyalty, efficient operational systems, innovative service offerings, and the effective exploitation of unique internal resources. Banks that achieve and maintain this advantage tend to perform better financially, experience lower volatility, and adapt more effectively to market and regulatory shifts.

ROA reflects the efficiency with which a bank utilizes its assets to generate net income. Banks with a sustained competitive advantage often have optimized asset utilization strategies, advanced technologies, and customer retention mechanisms that improve profitability without needing proportionally higher asset investments (Damanpour & Aravind, 2012). For instance, a bank that leverages a proprietary mobile banking platform may serve more customers at lower marginal costs, thereby boosting asset productivity.

NPM measures the proportion of revenue that remains as profit after all expenses are deducted. SCA contributes to higher NPM by enabling the bank to charge premium prices (due to differentiated services), achieve economies of scale, or reduce operational inefficiencies through unique capabilities. A bank that has established sustained market dominance is more likely to enjoy pricing power and customer loyalty, leading to increased margins (Grant, 2016). In this study, the sustained competitive advantage dimension of management innovation is operationalized using three key indicators:

**Sustained Market Share Dominance**

This refers to a bank's ability to maintain a significant share of the market over a prolonged period. It reflects not only a strong brand and customer loyalty but also effective strategic execution and superior service delivery. A bank that consistently dominates its market segment is often leveraging unique capabilities that competitors find difficult to replicate (Grant, 2016).

**Sustained Profitability**

Sustained profitability indicates the institution's ability to consistently generate positive earnings across multiple periods. This suggests that the bank has successfully managed its cost structures, pricing strategies, and customer relationships in a way that preserves financial health despite market fluctuations.

**Unique Resources**

These refer to tangible and intangible assets—such as proprietary technologies, specialized human capital, unique corporate culture, customer databases, or exclusive partnerships—that are rare, valuable, and difficult to imitate. The presence of such resources often forms the backbone of a bank's sustained strategic advantage (Barney, 1991; Teece, Pisano, & Shuen, 1997).

The sustained competitive advantage dimension of management innovation is crucial for long-term financial success in the banking industry. Measured through sustained market share dominance, sustained profitability, and unique resources, this dimension reflects the strategic capabilities that differentiate high-performing banks from their competitors. Its impact on financial performance—especially ROA and NPM—is well-established both in theory and practice. In the Nigerian banking sector, leveraging and sustaining competitive advantages amidst technological, regulatory, and market pressures is imperative for profitability and resilience. This dimension, therefore, serves as a key variable in understanding how innovative management practices translate into superior financial outcomes.

**Financial Technology and Financial Performance**

Financial technology (fintech), when examined from a management innovation perspective, involves the deliberate implementation of new digital tools, systems, or delivery channels to improve banking efficiency, service accessibility, and customer experience (Arner, Barberis, & Buckley, 2016). It extends beyond simple digitization to include changes in how management organizes, strategizes, and delivers value through technological innovation. In banking, fintech encompasses innovations such as mobile payments, digital wallets, real-time transaction systems, customer data analytics, and AI-based credit assessments. However, for the scope of this research, the focus is on four core digital channels that have redefined service delivery in Nigeria's retail banking: ATM, POS, mobile banking, and internet banking. These tools reflect managerial adaptation to emerging technologies, enabling banks to expand reach, cut costs, and respond to changing customer expectations.

ROA measures how effectively a bank utilizes its assets to generate earnings. By deploying fintech tools like ATMs, mobile banking, and internet platforms, banks can reduce operational costs, automate transactions, and extend service hours without proportional increases in physical infrastructure. These efficiencies often translate to improved ROA (Al-Smadi & Al-Wabel, 2011). NPM reflects the percentage of net income derived from total revenue. Fintech innovations increase non-interest income streams (e.g., transaction fees from mobile and POS platforms) and reduce the marginal cost of service delivery. Moreover, increased customer engagement through digital channels can result in higher deposit mobilization and cross-selling of financial products, thereby enhancing profit margins (Kou, Yang, & Xiao, 2021).

In the Nigerian context, empirical studies have shown that banks investing significantly in fintech infrastructure tend to report better financial outcomes. For instance, banks like GTBank and Access Bank, known for aggressive digital strategies, often report higher ROA and NPM compared to peers with weaker fintech footprints. The Nigerian banking sector is increasingly characterized by innovation-driven competition. With the rise of fintech startups and digital banks, traditional banks have had to reconfigure their operating models to stay relevant. The adoption of digital platforms such as USSD banking, mobile apps, online loan processing, and AI-powered chatbots reflects a shift in managerial thinking toward technology-centric service delivery.

Management innovation in this regard includes not just the acquisition of digital tools but also the redesign of business processes, customer engagement strategies, and internal workflows to align with fintech capabilities. Regulatory efforts by the Central Bank of Nigeria (CBN), including the launch of the Nigeria Inter-Bank Settlement System (NIBSS) and cashless initiatives, have further incentivized banks to innovate. However, challenges such as cyber threats, poor internet infrastructure, and customer distrust remain

obstacles to full fintech optimization. Hence, sustained performance improvements depend on how innovatively and securely banks manage these digital platforms.

The financial technology dimension of management innovation, operationalized through ATM, POS, mobile banking, and internet banking, plays a critical role in enhancing the performance and competitiveness of banks in Nigeria. Through strategic adoption and integration of these tools, banks can improve their operational efficiency, expand customer outreach, and increase both ROA and NPM. In a rapidly digitizing economy, fintech serves as both a differentiator and a performance driver. Nigerian banks that proactively embrace fintech as a core management innovation are more likely to sustain profitability, adapt to customer preferences, and withstand competitive pressures. Thus, this dimension represents a vital component of the broader relationship between management innovation and financial performance in the banking sector. The financial technology dimension of management innovation in this study is assessed using the following components:

**Automated Teller Machines (ATMs)**

ATMs represent one of the earliest forms of banking automation. They allow customers to perform cash withdrawals, balance inquiries, and other transactions without visiting a branch. In Nigeria, the strategic deployment of ATMs across urban and rural areas has enhanced service availability, reduced in-branch traffic, and improved operational efficiency (CBN, 2022). Management decisions regarding ATM placement, security, and maintenance are critical elements of fintech innovation.

**Point of Sale (POS) Terminals**

POS systems enable customers to make payments using debit or credit cards at retail locations. In the Nigerian context, the Central Bank of Nigeria's cashless policy has significantly boosted POS adoption. Banks have responded by expanding POS services and integrating them with mobile banking solutions, thus broadening transactional ecosystems and increasing non-interest income.

**Mobile Banking**

Mobile banking refers to banking services delivered via mobile phones or apps, allowing customers to transfer funds, pay bills, and access account information. Its flexibility and convenience have made it an essential part of modern banking. Management innovation is evident in how banks design, secure, and scale their mobile platforms to meet user demand and compete with fintech startups.

**Internet Banking**

Internet banking provides remote access to banking services via web browsers. It is particularly important for high-value and business customers who require advanced

financial tools, such as fund transfers, loan applications, and account management. Management strategies surrounding internet banking include user interface design, cybersecurity protocols, and real-time support services—all of which contribute to a bank's competitive positioning.

**Gaps in Literature**

Most researches reviewed on management innovation and firms' performance considered mainly the financial technology dimensions – POS, ATM, Mobile banking, internet banking, amongst others to measure management innovation without considering some other crucial aspects of management innovation like - marketing strategy, organizational structure and sustained competitive advantage. Additionally, firms' performance is commonly measured with ROA and ROE – these being measures of return on investments may not be sufficient enough to generalize results on performance. This study therefore bridged the research gap by measuring management innovation through four metrics - marketing strategy (measured with the marketing mix 4Ps – Product, Price, Place and Promotion), organisational structure (measured with organizational chart and levels of management), sustained competitive advantage (measured with sustained market share dominance, sustained profitability and unique resources) and financial technology (measured with ATM, POS, mobile banking and internet banking) while performance were measured with Net Profit Margin (NPM) and Return on Asset (ROA).

**Conceptual Framework**




**Theoretical Framework**

The Resource-Based View (RBV) and Dynamic Capabilities Theory provide a strong conceptual basis for management innovation in banking. According to RBV, management practices are intangible assets that can contribute to sustained competitive advantage (Barney, 1991). It also emphasis that a firm's internal capabilities—including its structure—constitute strategic resources that can lead to sustained competitive advantage if they are valuable, rare, inimitable, and non-substitutable (Barney, 1991). Structural design influences how resources are mobilized, coordinated, and leveraged to generate

value. RBV posits that firms achieve superior performance through the development and exploitation of internal resources that are valuable, rare, inimitable, and non-substitutable (Barney, 1991). The VRIN criteria—value, rarity, inimitability, and non-substitutability—form the evaluative lens through which competitive resources are assessed.

Dynamic capabilities, on the other hand, refer to a bank's ability to adapt and reconfigure these internal competencies in response to changing environments (Teece et al., 1997). As the financial services industry evolves—with shifts in technology, regulation, and consumer behavior—banks must innovate not just what they offer but how they operate. Dynamic Capabilities Theory, which extends RBV by emphasizing the firm's ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments (Teece et al., 1997). It also suggest that the successful adoption of fintech innovations depends heavily on strategic managerial decisions and organizational support systems—key tenets of management innovation.

**Empirical Review**

Empirical and theoretical research increasingly supports the link between management innovation and financial performance. In banks, Return on Assets (ROA)—an indicator of how efficiently assets are used to generate earnings—can be enhanced through managerial innovations that improve resource allocation, streamline internal operations, or reduce inefficiencies. For instance, restructuring branch management to emphasize digital banking adoption can reduce overhead and boost asset productivity. Net Profit Margin (NPM), which measures the percentage of revenue that translates into profit, is also influenced by management innovation. Banks that implement innovative performance evaluation systems, improve risk control mechanisms, or shift from volume-driven to value-driven customer strategies often achieve better cost discipline and higher profitability.

Ogundare and Ughovero (2023) investigated the effect of innovation management practices on organizational performance of deposit money banks in Delta State. The study revealed that technology innovation practice and collaborative networks strategy have a significant effect on organizational performance. The study concludes that innovation management practices have significant positive impact on organizational performance of deposit money banks in Delta State. By embracing innovation, banks can gain a competitive advantage, improve efficiency, enhance the customer experience, mitigate risks, generate additional revenue streams, and promote employee engagement.

Dinnah et al (2025) examined the effect of administrative innovation on the financial performance of deposit money banks (DMB) in Nigeria. The result revealed that, organizational innovation has a positive but insignificant effect on financial performance of deposit money banks in Nigeria; while marketing innovation has a positive significant on financial performance of DMB in Nigeria. The study concluded that successful

administrative innovation reduce cost and eventually lead to increase profitability of banks in Nigerian.

Egwakhe et al (2023) examined the effect of management innovation dimensions such as management structure, culture, and practices on sustained competitive advantage of listed DMBs in Nigeria. The study concluded that management innovation dimensions affected sustained competitive advantage of listed DMBs in Nigeria.

A study by Vaccaro et al. (2012) found that management innovation has a more substantial impact on financial performance in organizations that operate in dynamic environments—precisely the kind of competitive and regulatory environment faced by Nigerian banks.

## RESEARCH DESIGN AND METHODOLOGY

This study adopts a qualitative research design to conduct a detailed review of existing literature on management innovation and financial performance. The qualitative approach enables an in-depth examination of interpretations, themes, and perspectives found in scholarly sources. The research begins with a structured literature review, focusing on peer-reviewed journals, authoritative texts, and publications from financial regulatory bodies. Sources are identified using academic databases such as Google Scholar, PubMed, and institutional library resources. The collected materials are analyzed thematically using content analysis and narrative synthesis to uncover key patterns and insights. Reflexivity is maintained throughout the process to minimize researcher bias and enhance the study's credibility. This methodology provides a rich, contextual understanding of management innovation and financial performance in the banking sector.

## DISCUSSION OF FINDINGS

The findings from the empirical literature and theoretical insights affirm the significant link between management innovation and financial performance in the banking sector. Specifically, the adoption of managerial innovations such as structural changes, performance monitoring systems, and strategic use of financial technologies has been shown to improve financial indicators like Return on Assets (ROA) and Net Profit Margin (NPM). ROA benefits from innovations that optimize asset utilization, reduce overheads, and digitize operational processes. For example, shifting to digital service delivery through innovative branch restructuring improves asset efficiency and cuts costs, thereby enhancing ROA. Similarly, management innovations that shift focus from volume-based to value-driven customer strategies, and implement better risk control frameworks, positively affect NPM by increasing profitability margins and promoting cost discipline.

Empirical studies provide further support for this relationship. Ogundare and Ughovero (2023) demonstrated that technology innovation practices and collaborative strategies significantly affect organizational performance among banks in Delta State, Nigeria. Their study underscores the role of technology-driven management innovation in enhancing

both operational efficiency and competitive positioning. Dinnah et al. (2025) also reported that while organizational innovation had an insignificant effect, marketing innovation had a significant positive impact on financial performance, suggesting that certain dimensions of management innovation may be more influential than others in driving profitability. Furthermore, Egwakhe et al. (2023) showed that management innovation dimensions such as management structure, culture, and practices contribute to sustained competitive advantage, a key determinant of long-term financial success. These findings are consistent with Vaccaro et al. (2012), who argued that the impact of management innovation is more pronounced in dynamic environments—such as Nigeria's banking sector—characterized by intense competition, regulatory pressures, and rapid technological change.

## CONCLUSION

In conclusion, the findings of this study suggest that management innovation plays a pivotal role in improving financial performance in the banking sector. By restructuring internal processes and adopting innovative strategies, banks can enhance operational efficiency, align with market demands, and sustain competitive advantages. These innovations directly contribute to improved ROA through better asset utilization and to higher NPM through cost optimization and revenue enhancement. The study concludes that understanding and applying the principles of management innovation is essential for achieving long-term financial sustainability and competitive success in Nigeria's evolving banking environment.

### Contribution to Knowledge

This research contributes to the growing body of literature by integrating both theoretical and empirical evidence on how various dimensions of management innovation—including marketing strategy, organizational structure, competitive advantage, and financial technology—affect financial performance. While prior studies examined innovation broadly, this study offers a granular approach, measuring innovation through distinct, actionable indicators and linking them to quantifiable performance outcomes (ROA and NPM). This multi-dimensional view provides deeper insight into which managerial innovations most significantly drive financial results in the Nigerian banking context.

### Suggestions for Future Research

Future research should consider exploring longitudinal data to assess the long-term effects of management innovation on financial performance. Additionally, expanding the scope beyond commercial banks to include microfinance institutions and fintech firms could offer broader insights. It would also be beneficial to integrate qualitative methods—such as interviews with bank executives—to better understand the contextual factors influencing innovation adoption and success.

## RECOMMENDATIONS

Based on the findings, bank management teams should prioritize strategic investments in innovation, particularly in digital service delivery, structural reorganization, and customer-centric strategies. Regulatory bodies like the Central Bank of Nigeria should create supportive policies that encourage management innovation and digital transformation. Lastly, financial institutions should foster a culture of continuous innovation, empowering staff and leadership to embrace and implement new ideas that drive sustainable financial performance.

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