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Strategic Flexibility and Customer Retention: An investigation of Deposit Money Banks in Nigeria

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Abstract: *This research was conducted to investigate the influence of strategic flexibility on customer retention in deposit money banks in Nigeria. The study aimed at ascertaining the extent to which strategic flexibility can serve as a good predictor of customer retention in deposit money banks in Nigeria, given heightened competition and environmental turbulence in recent times. The survey research design was adopted for the study. The study had an infinite population. A sample size of 440 respondents sourced from ten deposit money banks in the Tier-1, Tier-2 and Tier-3 categories of banks in Nigeria was administered with copies of the questionnaire. Out of this number, 294 copies of the research instrument were returned. This amounted to 66.82% response rate. Data analysis was done with simple regression technique. Findings of the study indicated that with an R2 value of 0.370, there was a significant positive influence of strategic flexibility on customer retention in deposit money banks in Nigeria. Based on this result, it was concluded that strategic flexibility can determine customer retention in deposit money banks in Nigeria. In line with this result, it was recommended that deposit money banks in Nigeria should employ its capability in the area of strategic flexibility in its drive towards retaining customers in an increasingly competitive and turbulent banking space.*

Keywords: organizational agility, strategic flexibility, customer retention, deposit money banks, Nigeria

INTRODUCTION

There has been increased environmental dynamism which creates the need for constant interaction between businesses and their customers in order to sustain a mutually beneficial business relationship. This calls for periodic review and upgrade of business models in line with emerging business paradigms so as to be able to meet expectations of their customers. In this regard, changes emerging in the industry, such as new market conditions, new expectations of customers, and technological advances, impose opportunities and threats for businesses and hence should be effectively monitored. Beyond monitoring developments in the business environment, emerging business reality requires an urgent and corresponding strategic response that redefines business models and processes. One such tool embraced by businesses to meet the fluidity of the business environment is organizational agility.

Organizational agility is concerned with the capacity of a business to swiftly respond to relevant developments in its industry through a re-engineered process (Sherehiy (2018). The key components of agility are, sensing agility, acting agility and strategic flexibility. This study focuses on strategic flexibility. Strategic flexibility is particularly important to banking business given the dynamism experienced in the sector and the need to effectively and efficiently respond to emerging developments. It has been noted that banking business like any other business operates in an environment that is highly dynamic and volatile (Ekweli and Hamilton, 2020; Nsien *et al.,* 2024). Strategic flexibility enables a company to effectively and efficiently respond to emerging developments in the business environment (Schmenner and Tatikonda, 2017). In the banking industry, competition is more intense throughout the globe for customer retention (De Groote, 2017).

Customer retention explains organizations' capacity to keep their customers to ensure they do not move to their competitors (Ocloo and Tsetse, 2018). Gummesson (2019) hinted that businesses would choose customer retention since it was both easier and cheaper to preserve them than going after new ones which requires additional effort to market and could be costly. Banks in Nigeria are in competition for customer competition.

Banks in Nigeria are aware that because of heightened competition, customer retention is strategic to its success and sustainability. Therefore, strategic flexibility may make the needed difference in customer retention. This position is in line with the view of Nnamseh and Umoh (2019) who reasoned that contemporary operating environment of organizations, characterized by turbulence requires organizations to engage in managerial decisions and actions that focus more on its survival. In literature, it is assumed that strategically flexible companies are those prepared to deal with emerging scenarios in its business, hence turn same into business opportunity swiftly through appropriate adjustment (Olowe *et al*., (2020). This suggests the likelihood of responding effectively to customers' expectations. In Nigeria, related studies by Ekweli and Hamilton (2020), Binuyo and Itai (2020); and Olowe *et al* (2020) focused on other organizational variables such as satisfaction, product innovation and performance. This study was intended to broaden knowledge in the research area and to empirically ascertain the extent to which strategic flexibility influences customer retention among deposit money banaks in Nigeria.

LITERATURE/THEORETICAL UNDERPINNING

Strategic Flexibility

Strategic flexibility is an important element of business agility. Lee et al (2013) are of the view that strategic flexibility refers to the ability of business organizations to effectively adapt to the expectations and yearnings of its customers; strategic flexibility enables a company to effectively and efficiently respond to emerging developments in the business environment (Schmenner and Tatikonda, 2015). It represents the capability of firms to effect those internal changes needed to address in a quick and effective manner, any changes that occur in its external environment. Put differently, through strategic flexibility companies are prepared to deal with emerging scenarios in its business, hence turn same into business opportunity swiftly through appropriate adjustment (Olowe et al., (2020).

Furthermore, Fernando *et al.,* (2015) opined that strategic flexibility provide support to both organizational objectives and strategic objectives; strategic flexibility enables business organizations to regulate its relationship with its environment (Piore, 2014). Again, strategic flexibility helps a business organization to efficiently modify its services and products so as to match current market demand (Wu et al., 2015). Similarly, Diab (2013) strategic flexibility as a key variable in competition. According to the author, strategic flexibility enables the business organization to quickly respond to needs of its customers. It facilitates business organizations capacity to adjust its services to meeting the requirements of its clients, avoid their complaints and ultimately achieve increased customer satisfaction (Diab, 2013). Strategic flexibility engenders cost-effectiveness and profitability with service or product yet is devoid of any compromise in service delivery quality (Schmenner and Tatikonda, 2015).

In their contribution, Kavitha *et al* (2013) have emphasized that there are key issues that pertain to strategic flexibility. These authors listed the issues to include, capacity to changes its offerings quickly. ability to adjust with ease, broad product line capacity to effect change to its products volume among others. Firms with strategic flexibility capability are able to adjust and adapt strategic decisions in their core area of business; they are strategically ambitious, they offer new services and products and introduce innovative ways and business models that result in value creation for their business (Akintokunbo and Agi, 2020).

Organizational Agility and Customer Retention

The ever increasing level of environmental volatility requires that businesses monitor and respond to developments in their industry effectively(Umoh *et al*., 2023). In Nigeria, the past decade has witnessed massive diversification and revolution in the banking industry. Various banks have embraced agility in order to offer its teeming customers different choices to make from in accessing its services; this has resulted in customer loyalty and retention (Gurbuz and Hatunoglu, 2022). Today, with the level of banking sector competition in. Nigeria, satisfying and retaining customers is considered as a key issue for banks' performance, hence it has of late attracted increased attention (Rahimi and Kozak, 2017; Farayibi, 2016). Added to this Zameer et al., (2018) have asserted that the ability to satisfy and retain customers in banks was dependent on offering banking services which meet customers' needs and expectations. Furthermore, as customers in Nigeria have the exposure and diverse choices to make in banking services, banks are supposed to be more customer-centric and work towards meeting their needs in order to continually ensure their patronage in the face of heightened competition (Obefemi, 2022).

Kebede and Tegegne (2018) emphasized that retaining customers goes beyond discouraging them from defecting to competitors to attaining customer loyalty. It has also been hinted that in the banking industry, there was a high tendency for the unretained customers to switch to competitors (Sabir *et al*., 2014). Furthermore, Kottler *et al* (2018) posit that failing to retain customers was likened to carrying a bucket that leaks. Similarly, Soi Customer retention in the banking sector is mostly determined by prices of products/services, customer relationship management and customer service (Mahapatra *et al*., 2020).

The conduct of this study was anchored on the Expectation Confirmation Theory. The Expectation Confirmation Theory (ECT) is traceable to consumer behaviour and marketing research papers by Oliver in 1980. The theory holds that expectations, coupled with perceived performance, lead to satisfaction. The influence is mediated through positive or negative confirmation that comes from expectations and performance. In reality, a product that out performs expectation, in this case a positive confirmation results in consumer satisfaction. However, a product that falls short of consumer expectation, in this case a negative confirmation, results in consumer dissatisfaction (Oliver, 1980). The ECT has four constructs. These constructs are expectations, performance, confirmation and satisfaction. The Expectation Confirmation Theory was used in this study because it has the predictive ability to offer insights into issues bothering on consumer retention. More specifically, ECT was used in this study as a relevant theory that can evaluate the influence of strategic flexibility on customer retention in deposit money banks in Nigeria.

Tarba *et al.,* (2023) carried out a study on strategic agility in international business and found that strategic agility merely relies on the firm's capacity to optimize and utilize its resources well. Olowe *et al.,* (2020) conducted a study on strategic agility and organisational performance and established that strategic agility had a significant effect on the performance of commercial banks. Atkinson *et al., (*2020) examined strategic flexibility and organizational innovation in insurance companies in Iran and revealed that strategic flexibility influenced organizational innovation.

METHODOLOGY

The survey research design was utilized in this study. The study population of this study was made up of all the 22 licensed commercial banks in Nigeria as at the end of 2023. The respondents' population consisted of both bank customers and bank staff that were being surveyed. In particular, the number of customers is unknown and was treated as an infinite population. However, Bill William Godden's (2004) formula for infinite population was used in determining the study's sample size. In all, 440 copies of the questionnaire were administered while 294 copies were returned, amounting to 66.82% response rate. The simple regression model in respect of hypothesis was as follows:

CRN = a + b STF + e

In the model, CRN represents Customer Retention

a = the constant, b is regression coefficient of the independent variable,

e = error term for the equations

STF = Strategic Flexibility

Hypothesis

H0: Strategic flexibility has no significant positive influence on customer retention in deposit money banks in Nigeria

Hi: Strategic flexibility has a significant positive influence on customer retention in deposit money banks in Nigeria

Table 1: Regression Analysis Result on the Influence of Strategic Flexibility on Customer Retention in Deposit Money Banks in Nigeria

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.608a	.370	.333	0.03046

Goodness of Fit a

Model		Sum of Squares	Df	Mean Square	F	Sig.
	Regression	43.426	1	1022.361	2.643	.000b
	Residual	51.281	292	103.393		
	Total	94.707	293			

Coefficientsa

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	0.627	.363		1.192	.000
	Strategic flexibility	.733	.339	.302	2.162	.000

a. Predictors: (Constant), Strategic flexibility
b. Dependent Variable: Customer retention

Source: Researcher's Computation (2024)

Table 1 is used to present the result of regression analysis on the influence of strategic flexibility on customer retention in deposit money banks in Nigeria. The generalized model summary showed an R2 of 0.370 which implies that about 37.0% of the changes in strategic flexibility influences about 37.0 of the changes in customer retention in deposit money banks in Nigeria. The model also showed a goodness of fit at 95 percent (p-value <0.05). The influence of strategic flexibility on customer retention in deposit money banks in Nigeria was statistically significant at 95% (also p-value <0.05). In view of this result, the null hypothesis which stated that strategic flexibility has no significant positive influence on customer retention in deposit money banks in Nigeria was thus rejected while the alternative hypothesis which stated that strategic flexibility has a significant positive influence on customer retention in deposit money banks in Nigeria was accepted. With this result, it is safe to infer that strategic flexibility can induce positive influence on customer retention in deposit money banks in Nigeria.

The result of this study strengthens Tripathy and Lenka (2024) who in their study found that strategic flexibility impacted organizational performance significantly. In the same vein, Tarba *et al.*, (2023) found that strategic agility had a significant effect on international business. Again, the research conducted by Shin *et al.,* (2015) revealed that strategic flexibility contributed significantly to firm performance proxied by customer retention. In a related study, Olowe et al., (2020) found that strategic flexibility was significantly related to organisational performance in Nigeria. Also, in a research which was based on literature review, Deshati (2023) found that strategic flexibility was significantly related with business survival in a highly dynamic business environment. Again, results of studies by Rzepka and Olak (2018) and Akhigbe and Onuoha (2019) established that firms that were strategically flexible deployed speed and flexibility to improve customer experience.

Also, Akhigbe and Onuoha (2019) found that strategic flexibility enhances the resilience of firms in their effort to meet expectations of clients in turbulent business environment. However, Tendse and Ekanem (2018) found a moderate influence of strategic flexibility on competitive advantage. Result of the study is also in line used theory, Expectation Confirmation Theory(ECT). The theory maintains that as organizations respond to customer needs promptly, this induces customer loyalty and retention

CONCLUSION

The study was conducted to investigate the influence of strategic flexibility on customer retention in deposit money banks in Nigeria. Result of test of formulated hypothesis indicated that strategic agility exerted a significant positive influence on customer retention in deposit money banks in Nigeria. Based on this result, it is safe to conclude that strategic flexibility can determine customer retention in deposit money banks in Nigeria. Hence, it is recommended that deposit money banks in Nigeria should employ its capability in the area of strategic flexibility in its drive towards retaining customers in an increasingly competitive and turbulent banking space. We acknowledge the limitation of the study in its generalizability given that it was conducted in one state- Akwa Ibom State of Nigeria. Future studies with an expanded scope covering other states of Nigeria are required to address this limitation and ultimately improve upon the generalization of findings.

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