Leadership Succession and Individual Performance in Nigerian Commercial Banks

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Abstract
Leadership succession can play a very important role in ensuring better performance of individuals in an organization. However, in Nigerian context especially in the banking sector this issue receives less attention from past researchers. Thus, this is a dire need to explore this issue in the future. Therefore, the purpose of this paper is to examine the relationship between leadership succession and individual performance in the Nigerian banking industry. The paper proposed to provide a framework that will examine the relationship between leadership succession and individual performance in the Nigerian Banking sector.
Keywords: Leadership succession, individual performance, commercial banks, Nigeria

1. Introduction

Some banks are performing very well while others are not; this phenomenon is of no exception in the context of Nigerian banks. The non –performance of the Nigerian banking sector is an issue of serious concern, as individual performance of managers are reported to be below expectation, thus contributing to the entire banking sector poor performance (Sanusi, 2012). Hence, one of the key problems in the Nigerian banking industry is the inconsistency in policy making within the banking industry due to the poor performance at individual level. The performance of individual employees in the banking sector could become a major obstacle to economic growth and development if the bank could not provide efficient, timely and quality services to customers (Sophia, 2011).

Furthermore, branch managers are the major issue on the banking performance in Nigerian commercial banks. Hence, Sanusi (2010) stated that the problems associated with individuals poor performance is lack of cordial relationship between the managers and the employees, in the banking industry, which also discourage the employees from performing their duties effectively in the banking industry. Similarly, Sanusi (2010) also lamented that as a result of harassment and intimidation by managers of individual branches in the banking sector, most employees are discouraged from doing their job properly, which will make them to look for another job because of fear of losing their jobs. Moreover, Iyiola (2011) reported that branch managers used preferential screening among employees of the banking sector in Nigeria, which also hinder individual performance. Because young people were used and mostly related to the marketing department, sourcing, either deposits or potential share buyers on temporarily basis and are fired when they cannot meet their goals. Women are also given the condition of marriage and even when to give birth, while their male counterparts have no restrictions (Iyiola, 2011).

2. Literature Review)

2.1 Concept of individual performance

Several scholars have defined individual performance in difference ways for example, Pugh, (1991) defines individual performance as the degree by which individual's achieved their goals in an organization through hard work. It is also the level of individual output as a result of an activity (Erat, Erdil, Kitapçı, & Comlek, 2012). In the same vein, individual performance is also defined as the amount of individual contribution to the development effort as captured by the number of defects fixed by an individual in an organization (Ehrlich & Cataldo, 2012). Similarly, Campbell (1990) defines individual performance as "behaviors or actions that are relevant to the goals of the organization. Hence, an excellence performance of individual employees will lead to the growth of every business. Additionally, the basic objective of individual performance is to support the intended ways of behaviors of employees in order to raise the performance of the organization as a whole so as to achieve the desired goals (Adiguzel, Yuksel &Tekin, 2010). Employee performance is important for the effectiveness, achievement and performance of each organization because the effective performance of the individual employees determines the progress and survival of every organization.

Nevertheless, some researchers such as Campbell, Dunnettee, Lawler, and Weick, (1970) imply that performance is not only a result of the action but the activity itself. This is due to the fact that the employee's action alone cannot bring better performance, but a combination of good action, activity and effort by the employees in the organization. Individual performance could also be a function of work experience. Because experience leads to the accumulation of knowledge, skills, and abilities (Sturman, 2003), which, in turn, predicts better performance of individual employee in an organization (Borman, Hanson, Oppler, Pulakos, & White, 1993).

2.2 Leadership succession

Leadership successions are warning sign events in organizations' which are always influenced by the business push as precursors to strategic reorientations in order to achieve better individual performance (Ndofor, Priem, Rathburn, & Dhir, 2009). Leadership succession is a process which provides an opportunity or a chance for the alteration of the existing power contact, for the introduction of better strategic system and for strategic change to occur (Boeker, 1997). Leadership succession can be seen as a process whereby a new leader, take place of a retiring leader and inherits all the rights and responsibilities of the company position (Hutzschenreuter, Kleindienst & Greger, 2012).Additionally, leadership succession can be defined as the transfer of leadership from incumbent leader to a successor in order to ensure continuity in an organization (Matser & Lievens, 2011).

Succession occurs when a firm or organization declare the appointment of a new CEO (Graffin, Carpenter & Boivie, 2011). The declaration of CEO change sends a very strong sign that the person accountable for the weak performance is about to be replaced and that his successor can move the organization to greater success (Liu, Valenti, & Yu, 2011). CEO choices are normally made behind closed doors, thus information about how board members select CEO are hardly shared (Shen & Cannella, 2003). This allows the leadership in a firm to decide how, what and when information is shared. Because this procedure takes place privately, members of the financial press reporting the event, as well as shareholders, do not have access to information until organization leaders decide to release it (Graffin et al, 2011).

However, Helfat and Bailey (2005) suggested that board members expect that newly appointed leader will make changes and will impose a mandate for improving the organization’s strategies, vision, mission, and goals for better performance. In the same vein, when leadership succession occurs, a new person, with new perspectives and skills, including new ideas on the range of markets in which a firm should compete and takes over the organization. Hence, succession often means change in the process or way in which a firm operates, it carries with it the possibility that existing norms and expectations within the organization will be upset (Boeker, 1997).

The majority of new CEOs do not have the knowledge, skills, resources, or reputations of their predecessors (Miller, 1993). They mostly spread decision-making authority because they have to rely on other administrators for better information and political support (Hambrick & Fukutomi, 1991). New leaders must give more attention to building harmony behind their proposals in order to move the organization forward. Additionally, since few of them know the ropes very thoroughly, they must support their subordinates to make day-to-day decisions within the latter's areas of specialization. Hence, when compared to their predecessors, beginner CEOs will assign more authority for both usual and strategic decision making (Miller, 1993).

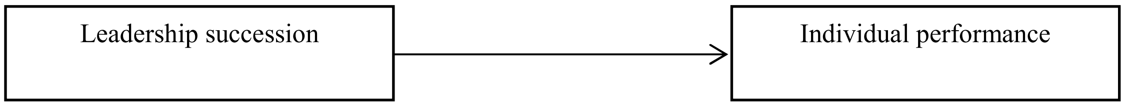
Research on leadership succession touches the central part of the strategic management field, due to its importance to leaders literatures (Pfeffer & Davis-Blake, 1986). Similarly, organizational problems is associated with long CEO tenure (Hambrick, Cho, & Chen, 1996; Miller, 1993; Tushman & Romanelli, 1985), arguing that leaders that stayed long on power become more and more reluctant to change in an organization because they are used to the system(Miller, 1991; Virany, Tushman, & Romanelli, 1992). According to Miller (1991), longer tenure CEOs is characterized as becoming decayed and burden because the organization always remains stagnant without improvement due to longer tenure. On the other hand, new leaders are more likely to bring change for better employees’ performance in an organization. Leader succession can provide a deteriorating organization with a device for initiating change and become better united with the environment, in order to improve performance (Pfeffer & Salancik, 1978; Virany, et al., 1992).

However, based on the literature review, leadership succession entails individual performance, because succession leads to better individual performance in an organization if the organization hired competence, skill and experience leader for present and future roles (Stadler, 2011). Therefore, leadership succession is closely related to individual performance. Furthermore, the relationship between leadership succession and individual performance is usually very strong because the leaders, most especially CEOs, are the ones responsible in deciding strategic choices and setting organizational background that will lead to better individual performance (Child, 1972).

Furthermore, many studies have confirmed that effective leadership succession influence individual performance (Aboyassin & Abood, 2013; Jing & Avery, 2008; Ogbonna & Harris, 2000). They argued that leadership succession has a positive influence on motivating workers to attain common goals in an organization as a result of new skills, knowledge and experience he acquire from his previous place of work. Moreover, they also examine that effective leadership succession played a key role in inspiring employees, raising their self-esteem, and making a positive impression on individuals' performance. Moreover, the longer the leaders term, the more knowledge, experience, and maturity he or she accumulated, which will in turn enable the leader to efficiently respond to future environmental changes by initiating ways to improve the performance of individuals in an organization (Hutzschenreuter, 2012).

3. Research Framework:

Based on the literature review there is a direct relationship between leadership succession and individual performance. Therefore, the framework proposes that, the aim of leadership succession is to improve the performance of individuals in an organization.



The theory of social exchange will be used in explaining the relationship between leadership succession and individual performance by (Emerson, 1976).The social exchange theory is suitable for this study because it explained the relationships between leadership succession and individual performance in the Nigerian commercial banking industry. Social exchange theory is an interpersonal attachment between individual's employees in order to achieve high performance in an organization (Cropanzano & Mitchell, 2005).The general assumption of the social exchange theory is that workers can form distinguishable social exchange relationships, with their immediate supervisor, coworkers employing organizations, customers and suppliers in an organization (e.g., Cox, 1999; Deckop, Cirka, & Andersson, 2003; Ensher, Thomas, & Murphy, 2001; Flynn, 2003). Additionally, Social exchange relationships evolve when leaders take care of employees in an organization like a Nigerian banking industry in order to improve performance of employees. Similarly, the social exchange that takes place between an employee and the manager has also been viewed as the exchange relationship that takes place between an employee and the supervisor (e.g., Settoon, Bennett, & Liden, 1996; Wayne, Shore, & Liden, 1997). In the same vein, Social exchange theory specifies that certain workplace backgrounds lead to interpersonal connections, referred to as social exchange relationships (Cropanzano, Byrne, Bobocel, & Rupp, 2001).

4. Implications

The study is expected to make contributions to the general body of knowledge by integrating leadership succession and individual performance in one study in order to see their relationship and how they contribute to growth and development of the Nigerian commercial banking sector. The study will also contribute to the body of knowledge by investigating how leadership succession will lead to better performance of individuals in Nigerian commercial banks. This finding could be useful to commercial banks managers, business practitioners, central bank of Nigeria, academics and other students as it will serve as frame of future reference. Future research should also look beyond commercial banking industry and consider other sectors such as merchants' banks and micro finance banks

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