Executive Mindset and Organisational Profitability at Selected Deposit Money Banks in Lagos State, Nigeria

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Abstract

Background: The dwindling performance of banks in Lagos State, Nigeria have been a major concern to stakeholders and efforts are being made to halt the deterioration. Executive mindset has been identified as part of strategies to change the fortunes of these banks for better. The changing dynamics of the environment has thrown many challenges at the deposit money banks including declining profitability which has curtailed their capacity to grow and meet intended targets. The study investigated the relationship between executive mindset and organisational profitability.

Methods: The study adopted cross sectional survey research design. The study population comprised 429 senior and executive staff of the selected banks in Lagos State. A purposive sampling technique was used to obtain required information from respondents. A structured questionnaire was adapted, validated and used to collect data for the study. The response rate was 398, representing 92.7% of study population. SPSS version 26 was used to analyse data using descriptive and inferential statistics.

Results: The results showed that executive mindset has positive and significant relationship with organisational profitability. The regressed data results revealed that growth mindset (B = 0.147, p = 0.001) has positive and significant effect on profitability at the selected deposit money banks while fixation mindset (B = -0.083, p = 0.022) has negative and significant effect on profitability.

Conclusion: The study concluded that executive mindset is important to organisational profitability and recommendations were made on strategies which organisations should adopt to drive and sustain profitability on continuous basis. It was recommended that organisations should further explore and grow the potentials of the senior and executive staff in order to enhance and strengthen their capacity to excel in their decision-making processes and handling of their responsibilities.

Keywords: Deposit money banks, Executive mindset, Fixation mindset, Growth mindset, Organisational profitability.

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I. INTRODUCTION

Organisational profitability is currently one of the most studied topics in financial and non-financial spheres because of its importance to the growth and survival of organisations, inclusive of deposit money banks. According to Ayanda, Christopher and Mudashiru (2013) profitability indicator is an important yardstick at which activities of organisations are evaluated. Hence, it is expedience that these organisations achieve steady profitability on continuous basis failing which they could be adjudged underperforming, especially if there are no verifiable records to show that their financial health is sound and not in jeopardy. Deposit money banks strive to achieve greater efficiency despite the challenges of their operating environment which includes poor service rendering, inconsistencies in policies formulation and execution, declining profitability, high staff attritions, increasing customer defections. In order to enhance profitability, deposit money banks have instituted different profit improvement initiatives by employing strategies to meet up with the increasing expectations of customers that desire uninterrupted service (Peterson & Erick, 2017). According to Dweck (2014, 2012) the mindset of organisational leadership plays crucial roles in harnessing their potentials to realise the corporate objective of achieving steady growth and profitability. The leadership traits of both fixation and growth mindset had peculiar characteristics to enhance organisational profitability and development. In an effort to sustain stakeholders’ confidence, deposit money banks have embarked on the design and implementation of robust executive mindset.
programmes which sought to explore and deepen executive staff potentials so as to enhance and strengthen their capacity to excel in their decision-making processes and management of the organisation.

II. LITERATURE REVIEW

The study by Heslin and Keating (2016) on potential role of mindsets in unleashing employee engagement established that the relationships between mindsets and the proposed mechanisms are complex and significant and are always with enthusiasm for development, construal of efforts, focus of attention, perception of setbacks, and interpersonal interactions. It further revealed that an organisation may be blessed with a leadership of fixation mindset where it assumed that their character and intelligence as well as their creative ability are static which they cannot do anything to change. With this trait, a leadership with a fixation mindset had possibly accepted the reality of who they are without making any pretensions, hence they are in a position to objectively evaluate themselves and realistically decide on the type of business or transactions they would do or which they would not touch irrespective of its success potentials. They have clear goals of what they want and will galvanise the workforce in line with their convictions. According to Dweck (2006) the leadership who objectively accept who they are, and who they are not meant to be, seem to be better adjusted to the realities of life and make better and meaningful use of the situation.

The report by Rodrigue and Abderrahmane (2015) on preliminary evidence of mindsets and training satisfaction sought to clarify mindsets and how it could be used to resolve the challenges faced by company executives in their day to day management of their organisations. The study indicated that there is a positive relationship between executive mindset and organisational profitability. The study also revealed that the mindset of the executive leadership playing key roles in instituting strategies and programmes to enhance organisational profitability is critical to the survival of such institution. If the functions are not performed soundly, then this might result in series of challenges for the organisation. Similarly, Alia, Peter and Shawn (2013) found that mindset can be changed through exposure to data and information. The organisational leadership with a growth mindset would adjust to the changing dynamics of the business environment in other to sustain profitability. In similar vein, a leadership with growth mindset would probably invest more in human resources of the organisation, especially on training to adapt to new methodologies in order to enhance productivity to increase profitability.

Findings from Kerry Institute (2018) revealed that there exists a positive relationship between leadership mindset and organisational profitability, especially in a conducive and friendly work environment. The study revealed that leaders are being asked to reinvent themselves and their organisations simultaneously. Further, the study also established three mindset transitions that are consistently challenging which are the shift from functional to enterprise leadership which enables them to be more creative, shift from expert to manager which also enable them to be more practical in approach to solving organisational challenges and shift from product innovator to business-model innovator. To successfully navigate these transitions, leaders must fundamentally change how they see themselves and their businesses and must abandon outdated assumptions, embrace challenging growth experiences, and form new business relationships. The leaders must be willing to embark on a deeply personal process to engineer a new mindset to entrench growth at the organisations.

2.1 Executive Mindset

Executive mindset relates to inborn and acquired traits of company executives which organisation explores to drive their strategies in order to attain desired growth and profitability. It entails ability of executive staff to think wide both within and outside of the organisation (Dweck, 2006; 2012; 2014). Executives have wider spheres to focus their attention, since they are responsible for the overall management of the organisation. The executive core job function is decision making and policy execution. They are ultimately responsible for all the company activities. In order for them to be more effective, they are always engage in extensive delegation of duties to subordinated and they must ensure that the delegated duties are properly supervised in order to achieve the desired results (Stephen, Logan, Phillip & Samatha, 2013).

2.1.1 Fixation Mindset

Fixation mindset is when individual have a closed mental attitude which determines the way they interpret and respond to issues. According to Dweck (2014) people with fixation mindset believe that their basic qualities like intelligence or talent are simply fixed traits and that there is nothing they could do to alter it. They also believe that talent alone creates success and effort is not required. Fixation mindset can prevent important skill development and growth, which could sabotage sound healthy living and ultimate happiness over a period of time or in perpetuity (Yeager & Dweck, 2012). The study by Dweck (2006, 2012, 2014) explained fixation mindset assumes that character, intelligence and creative ability are static which cannot be changed in any meaningful way. Individuals with a fixed mindset believe that they are either born with talent or they are not. They are either naturally good at something, or they are not and they view intelligence as a fixed trait and that
inborn talent absolutely determines success. Dweck further advanced that individuals with a fixed mindset seek to validate themselves and could cheat to avoid difficulty and they will feel good about themselves by comparing themselves with others who are doing worse than them.

People who hold a fixed mindset assume that performance capabilities largely reflect innate talents, and very little could be done to develop their presumably rigid abilities. This leads to avoiding challenges that may result in poor performance and negative evaluations of their supposedly fixed traits (Burnette, O’Boyle, VanEpps, Pollack & Finkel, 2013). It should be noted that people with fixation traits are always afraid to take up challenges because they are uncomfortable with failure or being called weakling that gives up on challenges easily (Burnette et al., 2013). Dweck (2014) concluded that people with fixed mindset believed that persistent effort to develop their abilities is construed as largely fruitless, while any corrective feedback is largely disregarded. Yeager and Dweck (2012) explained that people who presume that abilities are essentially carved in stones tend to have strained relationships as a function of judging others harshly when things go wrong. This mindset also labels people according to their personal characteristics at which people are either good or bad, caring or selfish.

2.1.2 Growth Mindset

Growth mindset is when individuals have a mental characteristics and attitude that is open and receptive to fresh ideas. Dweck (2012) explained growth mindset as the one that thrives on challenges and sees failures not as evidence of unintelligence but as a heartening springboard for growth and for stretching our existing abilities. Individuals with a growth mindset believe talent comes through effort and they believe anyone can be good at anything; that their abilities can be developed through dedication, perseverance and with the right strategy. Individuals with a growth mindset tend to focus more on developing themselves. The growth mindset accepts that a small minority of people are born with unusual levels of talent or ability (the geniuses). At the other end of the spectrum are people who have such severe learning difficulties that they have some barriers to learning though they still have huge potentials to develop skills. People with a growth mindset have an underlying belief that their learning and intelligence can grow with time and experience. Also, people with growth mindset believe that their most basic abilities can be developed through dedication and hard work, and that brains and talent are just the starting point. This view ultimately creates a love for learning and a resilience that is essential for great accomplishment (Dweck, 2014).

Boyd (2014) agreed with Dweck’s (2012) position that people with growth mindset construe performance capabilities as malleable and thus able to be developed. They set learning goals and relish challenging developmental opportunities even if doing so may entail frustrations and setbacks. According to Burnette, O’Boyle, VanEpps, Pollack and Finkel (2013) growth mindset individuals embrace challenges, focus on learning goals and improving their ability to succeed. They view struggle as an opportunity to learn and seek advice and view criticism as a vehicle for improvement. It is also noteworthy that they usually employ a variety of learning strategies to improve their current situation. They see mistakes and failures as opportunities to learn and grow so that they could persevere in the face of setbacks and obstacles. They are quick to recognise effort and hard work as the path to learning and are always inspired by the success of others.

2.2 Organisational profitability

Profitability is regarded as one of the most important organisational performance indicators showing the net effects in quantitative terms of organisation activities within a specific period of time, preferably on a yearly basis (Adekola, Samy & Knight, 2017). Ayanda, Christopher and Mudashiru (2013) described profitability as the ability of a company to make use of resources available to it to generate revenues that is greater than its expenses. Profitability is also the ability of a company to generate profits from its operations. Shawn (2018) explained that profitability is measured using specific financial performance metrics inclusive of ratios for comparison. Some of the measurement metrics include return on asset, return on investment and return on equity. The return on asset expresses a relationship between the net profit and total assets of the enterprise while the return on investment is a measure of total investment activities of the organisation. The return on equity relates to the net worth and earnings per share of the organisation.

Gibson, Ivancevich and Donnelly (2010) averred that profitability of a firm is the ability of firms to generate earnings while Tulsian (2014) affirmed that profitability is the power of a business entity to earn profits consistently over a long period of time. A profitable organisation is the one that generates more money than it spends, and in similar vein, a profitable organisation is the one that uses variety of strategies and policies to make profit. Profitability is the primary goal of most business ventures and without profitability, the business may not survive for long, especially in the private sector and could be worse off, if they are quoted company at the stock exchange. While the growth mindset leaders may be quick to embrace change in contrast to their fixation counterparts, but the great focus and determination of fixation leaders in attaining their objectives is a great asset which enables them to achieve the stated objectives irrespective of challenges they might encounter.
Peterson and Erick (2017) pointed out some benefits of profitability which includes retained earnings that gives company a chance to retain part of their earnings and increase their equity position. The retained earnings are the accumulated net profits over time that are not appropriated. Whenever a company retains part of their net profits, it increases its financial position and company value. Profitable companies always have large pool of retained earnings which can be used to shore up the capital base of the company in times of need rather that tasking the shareholders to re-invest in their company. Also, profitability is equivalent to business profits which is income for business owners. The company profit provides a source of income that owners rely on to provide for themselves and their families. If the company is not profitable consistently, the owners may go into debt or have to find other means of sustenance. Companies often use their net profit figures for business growth as an evidence of well-managed business which put them in favourable advantage when negotiating for contracts, loans and other development ventures which enable them to invest in new buildings, equipment, labour, supplies and technology infrastructures.

HirinduKawshala (2017) contended that due to the high competitiveness within the banking sector, the financial stability of the environment has become more challenging because these institutions have many responsibilities to several stakeholders like customers, shareholders, regulatory authorities, debtors and creditors and it is impossible to satisfy these conflicting interests at the same time. Banks with lean and unstable profitability would probably face higher funding costs to stay afloat. According to Ahmad, Eric and Shahrin (2016) various factors are responsible for the determination of profitability in banks. These factors could either be through internal or external factors. The internal factors are those variables that determine bank’s management decisions and specifically affect policy objectives, such as liquidity risk, credit risk, bank size, financial leverage, expense management and inter-office relationships. The external factors are those variables that emanate from industry related factors, immediate environment and macroeconomic influences, which includes competition, level of control by various governmental agencies, unemployment and inflation rate. It should be noted that bank profitability varies from bank to bank because of differences in shareholders and managerial capacities especially the mindset of their executive staff through their various decision-making processes. Ani, Ugwunta and Imo (2012) explain that the size of capital, deposit liabilities and composition of bank’s credit portfolio, interest rate policy, exposure to risk, management quality, labour productivity, bank age, ownership, ownership concentration and structural affiliations among others influences bank profitability.

2.3 Theoretical Framework

This study is anchored on theory of mind. The findings of Baron-Cohen (1997) on ‘Mind blindness’ concluded that theory of mind focuses on individual reasoning capacity which guides actions and mental reasoning to evaluate options and choices of alternatives for every course of actions being undertaken. The theory is a branch of cognitive science that investigates how we ascribe mental states to other persons and how we use the states to explain and predict the actions of those other persons. It has ability to attribute mental states such as beliefs, intents, desires, emotions, knowledge to oneself as well as understand that others also have beliefs, desires, intentions, and perspectives that are different from one's own (Baron-Cohen, 1997). Theory of mind is crucial for everyday human social interactions and is mostly used when analysing, judging, and inferring others' behaviours.

The theory is an important social-cognitive skill that involves the ability to think about mental states, both your own and those of others. It encompasses the ability to attribute mental states, including emotions, desires, beliefs, and knowledge. The theory is relevant to people with fixed and growth mindset (Apperly & Butterfill, 2009). The theory stressed that people recognises that another person’s knowledge is different from their own. Thus, having a theory of mind allows you to manipulate other people’s behaviour by manipulating their beliefs. A fixed mindset leader believes that his ideas and line of thinking is the best approach at solving issues at hand, even though in real practical terms, it may not be so. Likewise, a leader with a growth mindset would be open to receiving ideas from other parties and would not foreclose that his ideas are the sole route at solving issues at hand, hence will seek the cooperation of others at addressing such issues. Human interactions predominantly involve the dissemination of true or false knowledge for good or for ill.
III. METHODOLOGY

The study adopted cross sectional survey research in order to collate the primary data for analysis. The study used a validated questionnaire of 6-point Likert scale structured from strongly agree to strongly disagree. The respondents were senior and executive staff of the deposit money banks purposively selected for the administration of the questionnaire. The justification for the purposive sampling enabled the researcher focus only on the identified respondents who are from the rank of Assistant General Managers to General Managers (senior staff), and Executive Directors to Managing Directors (executive staff). The population of the study consist of four hundred and twenty-nine respondents and same number of questionnaire copies were used to sample respondents for their opinions as contained on statements made on independent and dependent sub-variable constructs. A total of three hundred and ninety-eight copies were returned, which represents 92.7% response rate. The selected banks are among the best performers in the industry viewed from their consistent and steady profitability, deposit growth, asset quality, efficiency of operations and value for shareholders. (CBN, 2018).

The multiple regression equation was used to analyse the data:

Table 1.1 Results of multiple regression analysis on effect of Executive Mindset on Profitability

| N  | Variables          | Coefficients | | | | | |
|----|--------------------|--------------|---|---|---|---|---|---|
|    | Constant           | B=23.325, β=18.246, T=0.000, Sig=0.043, R²=0.038, Adj. R²=8.730, F(2,394)=0.000 |
|    | Fixation mindset   | -0.083, -0.114, -2.293, 0.022 |
|    | Growth Mindset     | 0.147, 0.164, 3.309, 0.001 |

a. Dependent Variable: Profitability
b. Predictors: (Constant): Fixation mindset and Growth mindset

Interpretation

Table 1.1 represents the result of multiple regression analysis for the effect of executive mindset (fixation and growth mindset) on profitability. The results revealed that growth mindset (B = 0.147, p = 0.001) has positive and significant effect on profitability at the selected deposit money banks. This indicates that the organisational leadership at the banks were open and receptive to new ideas that will promote productivity. However, the result of the regression also showed that fixation mindset (B = -0.083, p = 0.022) has negative and significant effect on profitability. The implication of this was that the rigid traits of the organisational leadership would hamper productivity.

Further analysis of Table 1.1 also revealed that the adjusted coefficient of determination, R² was 0.043 which indicates that all the components of executive mindset of fixation and growth mindset accounted for 4.3% variance for profitability the selected deposit money banks. The p-value of 0.000 implies that the multiple
regression model is significant at the 95%. However, the remaining unexplained 95.7% variance could be due to factors that were not considered in this study model. The results of the multiple regression also indicated there was a collective significant effect of executive mindset sub-variables on profitability at the deposit money banks ($F_{(2,94)} = 8.730$, $p<0.000$, $R^2 = 0.043$). This implied that the combination of executive mindset sub-variables was statistically significant in explaining changes in profitability. Additionally, the collinearity test (Variance Inflation Factor and Tolerance Factor) reveal that the predictor variables have VIF range between 0.00 to 0.91 and tolerance factor of less than 0.1. The regression model that was established to predict the effect of executive mindset sub-variables on profitability at the deposit money banks is summarised as follows:

$$PR = 23.325 + 0.0147GM$$

Where:

- PR = Profitability
- GM = Growth mindset

According to the regression equation established, holding all factors (fixation mindset and growth mindset) constant at zero, profitability at the deposit money banks in Lagos State, Nigeria will be 23.325 which means that without the influence of the predictor variables, profitability would be 23.325. From the model, an encouragement in growth mindset would result to 0.147 times improvement in profitability. This reveals further that, growth mindset has the greatest influence on profitability at the deposit money banks ($B = 0.147; t = 3.309; p = 0.001$). Thus, the findings in general indicate that executive mindset sub-variables have positive effect on profitability at the deposit money banks.

### IV. DISCUSSION OF FINDINGS

The results of the multiple regression analysis showed that there was a collective positive significant effect of executive mindset on profitability at the deposit money banks ($F_{(2,94)} = 8.730$, $p<0.000$, $R^2 = 0.043$) which indicated that the combination of executive mindset sub-variables of fixation and growth mindset was statistically significant in explaining changes in profitability. Conceptually, executive mindset is the ability of executive staff to think at all levels of the organisation. The study by Ani, Ugwunta and Imo (2012) revealed that an executive staff with a growth mindset will quickly adapt to the challenges of a dynamic environment, especially in areas of improved technology and service which they would leverage to increase and sustain organisational productivity. Also, such quick adaptation to changing environment may involve training and retraining of employees to meet emerging challenges and find a better and smarter way to handle old and existing challenges in order to render superior service.

Empirical studies by Tulsian (2014) stressed the significance of profitability and concluded that whenever banking organisations consistently fail to make profit, there is possibility of loss of confidence in such institutions by the banking public which will negatively affect their operations, and could be worse if they are quoted at the stock exchange. Such financial institutions would find it difficult to attract new investors and secure critical credit lines to keep their services afloat (Dube, 2015). Research have shown that organisational leadership with a growth mindset has higher capacity to respond to the increasing challenges of the business environment. The increased competitiveness has thrown up many new challenges and how these banking institutions sustain their productivity and stay successful would certainly not by following the traditional ways of doing things, but now requires of them to be more creative in their thoughts and actions (Grovar, 2016).

In buttressing the result of the regression analysis which confirmed an inverse significance between fixation mindset and profitability, studies have corroborated that executive mindset have an inverse relationship with organisational profitability (Ahmad, Eric & Shahrin, 2016; Ajao & Emmanuel, 2013; Goddy, 2014). These studies indicated discrepancies between executive mindset and profitability because there were several instances where rigid decisions, rigidity in decision making process, faulty decisions and faulty decision-making process, poor leadership monitoring of subordinates, dereliction of responsibilities and error of judgement on critical risk management, credit, treasury and operations transactions had resulted in huge losses to the organisations which further depleted organisational profitability as witnessed during the activities of banking consolidation of 2005/2006.

### V. CONCLUSION AND RECOMMENDATION

The study examined the relationship that exists between executive mindset and organisational profitability. The study used cross sectional survey design and the results of the data analysed through multiple regression revealed that indicated there was a collective significant effect of executive mindset sub-variables on profitability at the deposit money banks ($F_{(2,94)} = 8.730$, $p<0.000$, $R^2 = 0.043$) which indicated that the combination of executive mindset sub-variables was statistically significant in explaining changes in profitability. The result of the study further revealed that profitability is a major yardstick to effectively measure the performance of business organisations. Organisations that fails to achieve consistent and steady profitability may not survive for long and this particular indicator is important to operations of deposit money banks.
especially, the ones quoted on the stock exchange who are more susceptible to public scrutiny and financial experts’ analysis which may raise doubt about their future going concern, and most especially, the capacity of the executive management to turn around the fortunes of the organisation for better.

It is recommended that strategies that involves investment in training and retraining of human resources to enhance and grow the potentials of executive staff in order to strengthen their capacity to excel in their decision-making processes should be vigorously pursued. The theoretical framework supported the findings of the study which guides actions and mental reasoning to evaluate options and choices of alternatives for every course of actions being undertaken. The traits of organisational leadership have profound effect on profitability of the organisation because such traits would always guide their management style and their actions or inactions in running the affairs of the organisation. The outcome of this study showed that deposit money banks uses different strategies to achieve sustained profitability which executive mindset plays a central role. The study further recommends that deposit money banks should constantly review their profitability strategies to keep pace with the dynamics of their operating environment.

REFERENCES


