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Knowledge Integration and Organizational Performance in Selected Deposit Money Banks in Nigeria: The Intervening Role of Employee Absorptive Capacity

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Abstract: Objectives: Knowledge integration is linked to firm performance, but evidence from Nigeria is largely confined to FMCG firms and models only direct effects. This study examines whether employee absorptive capacity mediates the relationship between knowledge integration and organizational performance in Nigerian Deposit Money Banks (DMBs). **Approach:** Drawing on the Knowledge-Based View, Resource-Based View and Dynamic Capability Theory, a cross-sectional survey of 317 supervisory and management staff in five systemically important DMBs in Lagos State was analysed using hierarchical regression, the Baron and Kenny procedure, the Sobel test and bootstrapped confidence intervals. **Results:** Knowledge integration significantly predicted organizational performance ($\beta = 0.58$) and absorptive capacity ($\beta = 0.62$), while absorptive capacity was the strongest predictor of performance ($R^2 = 0.436$). Absorptive capacity partially mediated the relationship, accounting for about 41.7% of the total effect. **Implications:** Investments in knowledge systems yield limited returns unless paired with the development of employees' capacity to recognise, assimilate, transform, and exploit knowledge through cross-functional exposure, applied training, and rewards for knowledge use. **Value:** The study extends the knowledge integration–performance link from FMCG to knowledge-intensive banking and identifies employee absorptive capacity as a central mechanism explaining why integrated knowledge does not automatically translate into performance.

Keywords: Absorptive capacity; Deposit Money Banks; Knowledge integration; Mediation analysis; Organizational performance

JEL Classification: G21, O32, D83, M12

1. Introduction

1.1. Background and Rationale of the Study

Over the last two decades, the Nigerian banking industry has undergone several rounds of consolidation, recapitalization, and digitalization, reshaping the playing field for banks. Knowledge, in particular

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organisational capability to integrate, interpret and act on knowledge of customers, markets, regulators and internal operations, is among the few truly defensible sources of competitive advantage, as features and interest rates are now easily replicable across institutions, even the branch network (Ojo & Adeyemi, 2023; Radzi et al., 2025). Hence, knowledge integration, defined as the deliberate process of integrating specialized, fragmented knowledge held by individuals and units into a comprehensive organizational capability, has increasingly become a subject of scholarly and managerial interest as a factor influencing firm performance (Mohamed & Hussein, 2025; Magaji et al., 2024; Migdadi, 2022).

Many studies (Ogunmuyiwa et al., 2023; Onamusi et al., 2021) have demonstrated that firms that effectively integrate and utilize knowledge systematically are likely to perform better than those that are not, including those on knowledge integration and organizational performance in fast-moving consumer goods (FMCG) companies in Nigeria (see, for example, studies based on the FMCG sub-sector). Other than that, however, the FMCG results do not necessarily apply to banking. Production efficiency, distribution reach, and brand knowledge are the major points of competition for FMCG companies. In contrast, the points of competition for banks are trust, risk judgement, regulatory compliance, and service knowledge, which are tacit, distributed, and person-embedded. Thus, the mechanisms by which knowledge integration leads to performance in a tightly controlled, knowledge-intensive service industry (such as banking) require a separate, rigorous examination, and extrapolation from manufacturing-oriented evidence is inappropriate.

Although Nigerian DMBs have been investing heavily in knowledge management systems, performance across the industry remains uneven. For some banks, customers are being retained, cross-sold, and the bank is becoming more efficient. In contrast, others experience high customer attrition, slow innovation, and various customer-related losses, including credit-related errors and information-related fraud that can result in millions of dollars in losses. Had a presence within the organization but was not integrated into the personnel who required it. This inconsistency indicates that the integrated knowledge within a bank's system is insufficient to account for performance differences. A plausible and not fully explored explanation is that banks are different in their employees' absorptive capacity; the capacity to recognize, absorb, transform and exploit the knowledge. If this capability is not strong, well-integrated knowledge can still fail to enhance decision-making, risk pricing, service, and innovation. Although there are several studies on knowledge integration and performance in Nigeria that have modeled the two as being related, these studies have been limited to the FMCG sector and have not been tested in banking. This study is designed to fill this empirical and contextual void.

This study reconceptualizes the relationship between knowledge integration and organizational performance in Deposit Money Banks (DMBs) in Nigeria. It proposes introducing employee absorptive capacity as an intervening variable to help explain how knowledge integration relates to organizational performance in DMBs. The selection of banking is not coincidental because the challenges of knowledge processing for Nigerian DMBs include: understanding macroeconomic and regulatory signals, understanding customers and incorporating this knowledge into credit and fraud decisions, and coordinating knowledge across the risk, operations, marketing and technology siloes. Banks must coordinate judgment, a more difficult task and one that is more likely to be absorbed by human capacity than to be scarce, and it is more appropriate to test an absorptive-capacity mediation model than to presume that the same model could be applied across all industry sectors as has been done for consumer goods.

1.2. Objectives of the Study

The broad objective of this study is to examine the effect of knowledge integration on organizational performance in selected Deposit Money Banks in Nigeria, with employee absorptive capacity as an intervening variable. Specifically, the study seeks to:

- examine the effect of knowledge integration on organizational performance in selected DMBs in Nigeria;
- determine the effect of knowledge integration on employee absorptive capacity in selected DMBs in Nigeria;
- assess the effect of employee absorptive capacity on organizational performance in selected DMBs in Nigeria; and
- evaluate the mediating role of employee absorptive capacity in the relationship between knowledge integration and organizational performance in selected DMBs in Nigeria.

1.3. Research Hypotheses

The following hypotheses, stated in the null form, guided the study:

H01: Knowledge integration has no significant effect on organizational performance in selected DMBs in Nigeria.

H02: Knowledge integration has no significant effect on employee absorptive capacity in selected DMBs in Nigeria.

H03: Employee absorptive capacity has no significant effect on organizational performance in selected DMBs in Nigeria.

H04: Employee absorptive capacity does not significantly mediate the relationship between knowledge integration and organizational performance in selected DMBs in Nigeria.

2. Literature Review

2.1. Theoretical Framework

2.1.1. Knowledge-Based View (KBV)

The Knowledge-Based View is a development of the Resource-Based View, as proposed by Grant (1996), that identifies knowledge as the most strategically important resource of the firm due to its social complexity, path-dependency, and difficulty of imitation. The KBV is an integral part of the central concept of this study: a bank's ability to incorporate dispersed knowledge is an advantage that is distinct from, and more enduring than, its financial or physical capital.

2.1.2. Resource-Based View (RBV)

According to Barney's (1991) Resource-Based View, a firm's sustainable competitive advantage comes from its resources that are valuable, rare, inimitable, and non-substitutable (VRIN). These VRIN requirements are more convincingly fulfilled by the knowledge and absorptive capacity of the banks as

strategic resources than with most physical banking resources, and thus they are treated as such in the overall framework of this study.

2.1.3. Dynamic Capability Theory

The Dynamic Capability Theory (Teece, Pisano & Shuen, 1997) is a modification of the RBV that explains how firms sense, seize, and reconfigure resources to meet a changing environment. Absorptive capacity, defined by Zahra and George (2002), is a dynamic capability. This framing is supported by Tamirat and Amentie (2023), who systematically reviewed 72 empirical studies on knowledge-based dynamic capabilities and found realised absorptive capacity to be a common context variable across sectors in the link between knowledge resources and sustainable competitive advantage and firm performance. The theoretical underpinnings for this study are drawn from Dynamic Capability Theory as it directly theorises the pathway from the creation of a stock of knowledge integration (a resource) to the creation of performance, the pathway this study tests as a mediating pathway.

2.2. Conceptual Review

2.2.1. Knowledge Integration

Knowledge integration is the intentional organisation of specialised knowledge that each individual possesses into a synthesized capability that is more than the sum of its components (Grant, 1996). Weaknesses identified thus far underscore the fact that knowledge sharing (Olaleye et al., 2024) is transfer-oriented, while knowledge integration is combinative: it calls for the organization to design role clusters, routines, and processes that enable dispersed knowledge and skills within the organization, such as those of credit analysts, relationship managers, risk officers, IT personnel, and compliance officers, to be combined to address organizational issues. As defined for this study, knowledge integration is conceived in three commonly used terms: knowledge acquisition (how knowledge is obtained from internal or external environments), knowledge combination (how previously discrete knowledge is combined in a structured way into new combinations), and knowledge application (how integrated knowledge is applied in real organizational decisions and processes).

2.2.2. Employee Absorptive Capacity

The term absorptive capacity was originally coined by Cohen and Levinthal (1990) to refer to a firm's capacity to identify, absorb, and commercialise new information. Zahra and George (2002) further broke the construct down into four capabilities, two of which were grouped under two sub-sets: potential absorptive capacity (knowledge acquisition and assimilation), and realised absorptive capacity (knowledge transformation and exploitation). In this research, absorptive capacity is considered as a capability at the individual/organizational level which includes the capacity for recognizing the value of the integrated knowledge, incorporating it into existing mental models, converting it by integrating with prior experience, and using it in on-the-job banking-related activities like credit decisions, cross-selling, and service recovery (Mohamed & Hussein, 2025; Magaji et al., 2024; Migdadi, 2022). This positions absorptive capacity as the cognitive-behavioural linking piece between an organization with integrated knowledge and a better-performing organization resulting from this knowledge.

2.2.3. Organizational Performance

Organizational performance is a multidimensional construct reflecting an organization's achievement of its financial and nonfinancial goals (Akinola et al., 2022; Richard et al., 2009). Balanced scorecard thinking is adapted to the banking context in this study, where organizational performance is operationalized as three dimensions: financial performance (profitability, return on assets, cost-to-income ratio), customer performance (customer satisfaction, customer retention, cross-sell ratio) and operational performance (turnaround time, error/exception rates and process efficiency). The Interrelationship of the Constructs will be examined.

Together, the three constructs represent a possible sequence: organizational process (knowledge integration) leads to individual/organizational capability (absorptive capacity), which then leads to organizational outcome (performance). This chain is similar to the classic input–capability–output logic used in the strategic management and knowledge management literature, where the input is the knowledge integration, the capability is what happens within the organization, and the output is performance. This is because it is a chain of relationships rather than just a two-variable relationship being tested in this study, in both the conceptual and empirical sections.

2.3. Empirical Review

Previous research (Magaji et al., 2024; Osayande, 2021; Khumalo & Olaleye, 2025) carried out in Nigeria has consistently found a strong positive direct link between knowledge integration and organisational performance in FMCG companies, typically using regression analysis on data gathered from production, marketing, and management personnel. These studies, however, suffer three drawbacks that the current study attempts to overcome: first, they rely on a methodologically instructive industry context (FMCG) in which knowledge is comparatively more codified and product oriented than the tacit and relationship oriented knowledge found in banking; second, they use a direct-effects modelling approach that does not account for the mechanism through which the integration translates into the performance; and, third, the sampling frames are often not explicit about the inclusion and exclusion criteria for the representation of respondents, which raises questions about response validity. In addition to the Nigerian FMCG literature, international studies support the plausibility of an absorptive capacity mediation pathway.

In other sectors of the economy, absorptive capacity has been examined, and it has been shown that firms with high absorptive capacity can obtain a higher performance return from a unit of knowledge or a unit of knowledge investment than firms with lower absorptive capacity, even with a similar endowment of knowledge. This is in line with the theory that knowledge resources need complementary capabilities to be transformed into performance, and it directly triggers the mediation hypothesis (H04) to be tested in this study. A smaller but related body of research on knowledge management and bank performance in Nigeria has studied knowledge management practices without having a formal model of absorptive capacity, but has generally found that banks with more formalised knowledge management processes have higher levels of customer satisfaction and profitability. However, these studies (Osayande, 2021; Tongo et al., 2025) generally view knowledge management as one-dimensional and performance as a single financial measure, and therefore have limited diagnostic value for practitioners seeking insights into which knowledge management processes and knowledge performance dimensions

are most strongly linked. To address this limitation, the present study introduces a multidimensional intervening mechanism between knowledge processes and organizational performance, namely absorptive capacity. It extends the analysis of knowledge processes by breaking down knowledge integration into acquisition, combination, and application, and of organizational performance into financial, customer, and operational performance.

More recent, higher-rigour evidence from outside Nigeria bolsters the plausibility of this mediation pathway. Bouguerra et al. (2022), using data from Turkish banks, established significant positive relationships between absorptive capacity potential and organisational performance, and between absorptive capacity realised and organisational performance, which are relevant to Nigerian DMBs operating in a volatile macroeconomic and regulatory environment. Islam et al. (2023) also found cross-context support for the general proposition that organizational-level interventions in banking contribute to performance more through employee-level capability than directly in a Bangladeshi banking sample, where a capability-oriented mechanism (work engagement) partially mediated the relationship between high-involvement work practices and employee outcomes.

The findings of Panda (2025) in the Indian banking sector, similar to the partial-mediation hypothesis used in this study, indicated that organizational agility mediates the relationship between knowledge management capability and organizational innovation. At the construct level, Balle et al. (2020) found that KS and AC are not substitutes but rather complementary; this finding is important to this study because both constructs are treated as distinct yet causally connected rather than synonymous. The mediation model used here was echoed most directly by Cuevas-Vargas et al. (2023), who found a full mediation between entrepreneurial orientation and open innovation in small businesses in Colombia; and Iqbal et al. (2026), who examined the mediation between absorptive capacity and competitive advantage in microfinance institutions, which provided close, recent, and methodologically rigorous evidence for the model tested here.

2.4. Conceptual Framework and Hypotheses Development

The framework is shown in Figure 1, in which the independent variable is knowledge integration, the dependent variable is organisational performance, and employee absorptive capacity serves as an intervening variable between the independent and dependent variables. The mechanism of knowledge integration is linked to organizational performance as follows: Baron and Kenny's (1986) classical mediation logic is followed, which is that the mechanism of knowledge integration affects organizational performance both directly (Path a from knowledge integration to organizational performance) and indirectly (Path from knowledge integration to absorptive capacity and Path from absorptive capacity to organizational performance).

Knowledge integration should be positively related to organizational performance because traditional banks that integrate, combine, and apply dispersed knowledge can better price risk, build relevant products, and respond promptly to market changes, thereby supporting financial, customer, and operational performance (H01). Knowledge integration should be positively related to absorptive capacity, as the behaviors of acquiring, integrating, and using knowledge at the organizational level should generate new routines, greater exposure, and repeated practice that increase individuals' absorptive capacity to recognise, assimilate, transform, and exploit new knowledge (H02).

Absorptive capacity will, in turn, be expected to be positively linked to organizational performance because the knowledge processing and application capacity employees demonstrate can positively influence organizational decisions, which can be made by employees who can do so, compared to those who are not, even if the knowledge is well integrated or not (H03). These relationships suggest that a portion of the impact of knowledge integration on organizational performance is mediated by employee absorptive capacity (H04).

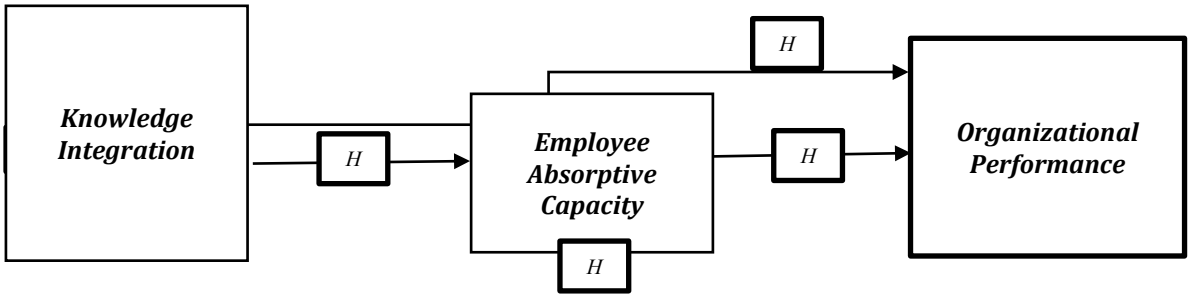


Figure 1. Research model

3. Methodology

3.1. Design, Population and Sampling Strategy

The study used a quantitative, cross-sectional survey research design, deemed appropriate because it would allow testing of hypothesised relationships among variables measured at a single point in time in a defined population (Creswell & Creswell, 2018). A correlational and causal-comparative approach was used, rather than a descriptive approach, to allow for mediation testing. The population comprised the human resource managers and supervisors of five Deposit Money Banks (DMBs) with a major presence in Lagos State, Nigeria, covering an estimated 1,850 staff in the various supervisory and managerial cadres from the human resource departments of the Banks.

The Taro Yamane (1967) formula, n = N/[1 + N(e)^2], was used to calculate the sample size, with a population size of N = 1,850 and a margin of error e = 0.05. This provided a sample size of at least 330 respondents. To prevent nonresponse and unusable returns, the questionnaire was administered to 380 respondents, representing a 15% oversample relative to the recommended practice in field surveys for organizational studies in Nigeria. The sampling was done in three stages: Stage 1 purposive sampling of banks based on systemic importance and data accessibility; Stage 2 stratification of departments within each bank into risk/credit, operations, marketing/relationship management, and IT/digital banking; Stage 3 simple random sampling of respondents proportionate to the size of each stratum.

3.2. Inclusion and Exclusion Criteria

To improve on the sampling rigour of prior studies in this stream of literature, the following explicit inclusion and exclusion criteria were applied in determining respondent eligibility:

3.2.1. Inclusion Criteria

- Respondent must be a confirmed, full-time employee of one of the five selected DMBs at the time of data collection.
- Respondent must hold a supervisory, management, or senior management position, on the basis that these cadres are more likely to be directly involved in, and knowledgeable about, knowledge integration processes and performance outcomes within their units.
- Respondent must have a minimum of two years' continuous service with the bank, to ensure sufficient exposure to the bank's knowledge management practices and performance trends.
- Respondent must be currently serving in one of the four purposively selected departments (risk/credit, operations, marketing/relationship management, or IT/digital banking).
- Respondent must give informed consent to participate voluntarily in the study.

3.2.2. Exclusion Criteria

- Employees on probation, contract, or outsourced/third-party staff were excluded, as their limited tenure and organizational integration reduce the reliability of their assessment of firm-level knowledge and performance processes.
- Employees with less than two years of continuous service were excluded, regardless of cadre.
- Employees in purely clerical/entry-level, non-supervisory roles were excluded, as they were judged less likely to have visibility into cross-departmental knowledge integration processes.
- Staff on long-term leave (maternity, sabbatical, or extended sick leave) during the data collection window were excluded.
- Incompletely filled questionnaires (defined as more than 10 percent of items unanswered) and questionnaires completed in under five minutes (flagged by the online survey tool as indicative of inattentive response) were excluded at the data-cleaning stage.

Application of these criteria against the 380 administered questionnaires resulted in 341 returned, of which 24 were excluded at the cleaning stage (19 for incomplete responses, 5 for suspiciously short completion times), leaving 317 valid responses for analysis, a 96.1 percent effective response rate relative to the 330 target minimum sample size, and consistent with response rates reported in comparable Nigerian banking-sector studies.

3.3. Instrumentation: Validity and Reliability

A structured questionnaire, based on validated instruments from the knowledge management literature, was used to gather information. The instrument consisted of four sections: Section A collected demographic and organizational data of the respondents, Section B measured knowledge integration (12 items: acquisition, combination, and application, adapted from Grant, 1996, and other instruments), Section C measured employee absorptive capacity (16 items: recognition, assimilation, transformation, and exploitation adapted from Zahra and George, 2002, and Flatten et al., 2011), and Section D measured organizational performance (12 items financial, customer, and operational performance

adapted from Richard et al., 2009). The closed-ended items were all rated on a five-point Likert scale (1 Strongly Disagree to 5 Strongly Agree).

The instrument was developed and refined through a content and face validity process by three academic experts in knowledge management and two senior banking practitioners. Exploratory Factor analysis was used to determine the construct validity; items with factor loadings above 0.50 were retained. A pilot study was conducted to assess the instrument's internal consistency using Cronbach's alpha. With 40 respondents from a non-participating bank, all constructs met the recommended value of 0.70, and the instrument was adopted without further modifications for the main study (Table 1).

Table 1. Instrument Measurement

Construct	No. of Items	Cronbach's Alpha (Pilot)	Cronbach's Alpha (Main Study)
Knowledge Integration	12	0.81	0.84
Employee Absorptive Capacity	16	0.86	0.88
Organizational Performance	12	0.79	0.82

3.4. Data Analytical Technique

Data were analysed using IBM SPSS Statistics (version 27) and the PROCESS macro (Hayes, 2018, Model 4) for mediation analysis. Analysis proceeded in four stages: descriptive statistics (means, standard deviations, frequencies) to profile respondents and variable distributions; Pearson product-moment correlation to assess bivariate associations and check for multicollinearity among predictors; hierarchical multiple regression to test the direct-effects hypotheses (H01–H03); and the Baron and Kenny (1986) four-step causal approach, supplemented by the Sobel (1982) test and 5,000-sample bootstrapped confidence intervals, to test the mediation hypothesis (H04). All hypotheses were tested at the 0.05 level of significance.

4. Results and Discussion

4.1. Response Rate and Demographic Profile

Of the 380 questionnaires administered, 317 were retained for analysis after applying the exclusion criteria, yielding an effective response rate of 96.1 percent relative to the minimum target sample size (see Table 2).

Table 2. The demographic profile of respondents

Variable	Category	Frequency	Percentage (%)
Gender	Male	178	56.2
	Female	139	43.8
Age	26–35 years	121	38.2
	36–45 years	142	44.8
	Above 45 years	54	17.0
Tenure	2–5 years	109	34.4
	6–10 years	138	43.5
	Above 10 years	70	22.1
Department	Risk/Credit	84	26.5
	Operations	79	24.9

	Marketing/RM	91	28.7
	IT/Digital Banking	63	19.9

The demographic profile indicates a reasonably balanced sample across gender, a workforce concentrated in the 26–45 age bracket typical of Nigerian banking's supervisory and management cadre, and a spread of respondents across all four purposively selected departments, supporting the representativeness of the sample relative to the defined population.

4.2. Descriptive Statistics and Correlational Analysis

Depicted from table 3, on a five-point scale, mean scores above 3.5 for all three constructs indicate that respondents generally perceive their banks as engaging in above-average knowledge integration practices, possessing moderately strong absorptive capacity, and achieving moderately high organizational performance, with knowledge integration rated highest and absorptive capacity rated relatively lowest among the three constructs, a pattern consistent with the study's premise that absorptive capacity may be the binding constraint on converting integrated knowledge into performance.

All bivariate correlations are positive, moderate-to-strong, and statistically significant, supporting the plausibility of the hypothesised relationships and indicating no evidence of problematic multicollinearity (all coefficients below the conventional 0.80 threshold) between the independent variable (knowledge integration) and the intervening variable (absorptive capacity) prior to regression analysis (see Table 4).

Table 3. Descriptive statistics of variables of the study

Variable	Mean	Std. Deviation	Interpretation
Knowledge Integration	3.86	0.58	High
Employee Absorptive Capacity	3.64	0.62	Moderately High
Organizational Performance	3.71	0.55	Moderately High

Table 4. Correlation Analysis

Variable	1	2	3
1. Knowledge Integration	1.00		
2. Employee Absorptive Capacity	0.58**	1.00	
3. Organizational Performance	0.61**	0.66**	1.00

*Note: **Correlation is significant at the 0.01 level (2-tailed), n = 317.*

4.3. Test of Hypotheses

4.3.1. Direct Path Analysis

Knowledge integration significantly predicted organizational performance ($\beta = 0.58$, $t = 13.65$, $p < 0.05$), accounting for approximately 37.2 percent of the variance. The null hypothesis (H01) is therefore rejected: knowledge integration has a significant positive effect on organizational performance in the selected DMBs. Furthermore, knowledge integration significantly predicted employee absorptive capacity ($\beta = 0.62$, $t = 12.65$, $p < 0.05$), explaining approximately 33.6 percent of the variance. The null hypothesis (H02) is rejected: knowledge integration has a significant positive effect on employee absorptive capacity.

Employee absorptive capacity significantly predicted organizational performance (β = 0.64, t = 15.62, p < 0.05), accounting for approximately 43.6 percent of the variance, the strongest of the three direct-effects models. The null hypothesis (H03) is rejected: employee absorptive capacity has a significant positive effect on organizational performance.

Table 5. Direct path analysis result

Model	R	R^2	Adj. R^2	β	t	p
KI → Org. Performance	0.61	0.372	0.370	0.58	13.65	0.000
KI → Absorptive Capacity	0.58	0.336	0.334	0.62	12.65	0.000
AC → Org. Performance	0.66	0.436	0.434	0.64	15.62	0.000

4.3.2. Mediation Analysis

The Baron and Kenny (1986) four-step approach was applied, as demonstrated from previous studies (Rildwan et al., 2024; Babatunde et al., 2025). Step 1 confirmed that knowledge integration significantly predicts organizational performance (β = 0.58, p < 0.05, per Table 5). Step 2 confirmed that knowledge integration significantly predicts absorptive capacity, the proposed mediator (β = 0.62, p < 0.05, per Table 5). Step 3 confirmed that absorptive capacity significantly predicts organizational performance when entered alongside knowledge integration. Step 4 examined whether the direct effect of knowledge integration on organizational performance is reduced when absorptive capacity is controlled for.

Table 6. Sobel mediation analysis results

Predictor	β (Direct model)	β (Mediation model)	t	p
Knowledge Integration	0.58	0.34	7.21	0.000
Employee Absorptive Capacity	-	0.39	8.14	0.000

The direct effect of knowledge integration on organizational performance decreased from β = 0.58 (Step 1) to β = 0.34 (Step 4) when absorptive capacity was introduced as a covariate. However, it remained statistically significant (see Table 6). This pattern is indicative of partial mediation. The indirect effect (knowledge integration → absorptive capacity → organizational performance) was estimated at ab = 0.62 × 0.39 = 0.242, and the Sobel test confirmed this indirect effect was statistically significant (Z = 6.83, p < 0.001). A 5,000-sample bootstrapped 95 percent confidence interval for the indirect effect (0.178 to 0.311) did not straddle zero, corroborating the Sobel result. The null hypothesis (H04) is therefore rejected: employee absorptive capacity significantly and partially mediates the relationship between knowledge integration and organizational performance, accounting for approximately 41.7 percent of the total effect (indirect effect ÷ total effect = 0.242 ÷ 0.581).

5. Discussion and Conclusion

5.1. Discussion of Findings

The results of the finding that knowledge integration significantly predicts organizational performance (H01) are consistent with the direct-effects findings reported in previous Nigerian studies conducted across different sectors, including the FMCG industry with an emphasis on financial services; thus, supporting the central tenet of the Knowledge-Based View that the ability to integrate dispersed knowledge is a real source of competitive advantage for any firm regardless of whether they produce consumer goods or provide financial services. This banking sample's effect size (37.2 percent of

variance explained) is comparable but slightly lower than effect sizes typically reported in FMCG settings, which is reasonable, since knowledge of the banking sector is more tacit and person-embedded than the more codified process and market knowledge common in manufacturing.

Results that knowledge integration significantly predicts employee absorptive capacity (H02) contribute to the literature by providing an empirical basis to conclude that knowledge integration processes at the organization level do not just occur in parallel with individual absorptive capacity but actually help to create absorptive capacity plausibly, as structured acquisition, combination, and application routines create repeated and scaffolded exposure to new knowledge, consistent with Cohen and Levinthal's (1990) theory of the accumulation of absorptive capacity over time.

Perhaps the most practically significant finding of the study is that absorptive capacity is the strongest single predictor of organizational performance among the three direct-effects models (H03; 43.6 percent of variance explained). It posits that, in the Nigerian banking sector, the limiting factor for performance is not the extent of integration of knowledge, but the ability of the employees to perceive, absorb, transform and leverage the integrated knowledge; a point that remains unnoticed in previous studies which modeled only the direct relationship between knowledge integration and performance.

Empirically, the partial mediation finding (H04) endorses this study's main theoretical contribution, which posits that knowledge integration and organizational performance in Nigerian DMBs have an indirect effect, accounted for by approximately 41.7 percent of the effect, through employee absorptive capacity. This supports the Dynamic Capability Theory idea that the conversion of resources (knowledge integration) into performance outcomes depends on the complementary capability (absorptive capacity) and is illustrated empirically in how two banks with similar knowledge integration maturity can also perform differently, in part, due to the different absorptive capacity at the bank level.

Comparisons with the predominant direct effects results reported in the FMCG literature from Nigeria are instructive. While knowledge integration is often reported in FMCG studies as a direct path explaining a large proportion of the variance in performance, the present results imply that a similar proportion of the relationship between knowledge and performance in banking can be explained once absorptive capacity is considered, meaning the FMCG assumption of direct link between knowledge and performance would overestimate the direct return on knowledge-system investment and underestimate the return on capability building. This justifies the discussion in the introductory part of this paper regarding the importance of industry context in determining which KM mechanisms are most salient.

The results of all four hypotheses are internally coherent: For each of the direct-effects tests (H01–H03), the coefficient was statistically significant and positive, the correlation matrix yielded no signs of problematic multicollinearity between the knowledge integration and absorptive capacity measures, and the mediation test (H04) revealed a considerable but partial mediation of the direct path when the mediator was added, matching the signature of partial mediation, not full mediation. The data would not have allowed a conclusion to be drawn that knowledge integration would only matter if it enhanced absorptive capacity, as this would have meant that the impact of knowledge integration on performance would only have been indirect and mediated by absorptive capacity; it would be much more useful to conclude that knowledge integration has a direct effect on performance as well as an indirect effect, via the absorptive capacity, as both of these will be relevant.

5.2. Practical and Managerial Implications

In terms of bank management, the results indicate that the infrastructure and support for knowledge integration, CRM systems, data warehouses, and knowledge repositories will have a diminishing impact on positive results unless accompanied by targeted investments in employees' absorptive capacity. In practice, that means focusing on structured application of knowledge on the job, providing cross-functional exposure to different risk, operations, marketing and IT roles to develop absorptive capacity for knowledge assimilation and transformation, and rewarding employees not just for accessing existing knowledge, but for clearly showing how they have used it to inform their decisions, for instance in credit structuring, cross-selling, and service recovery.

For HR practitioners, the fact that absorptive capacity is created through the processes of knowledge integration (H02) should inform training design; for instance, training needs to be integrated with knowledge integration efforts rather than stand alone, such as introducing a new risk-analytics dashboard and follow-up structured sense-making workshops. This aligns with the follow-up literature review by Durst et al. (2023), who find that weak integration is a long-standing failure point, consistently across KM contexts, and with Herjanto et al. (2024), who report a strong correlation between the successful collection and sharing of knowledge and the performance of bank salespeople, as well as the fact that access and application are different managerial levers.

The partial (not full) mediation effect is an interesting one for regulators and industry bodies, since knowledge integration still has a strong direct effect on performance, even when absorptive capacity is accounted for, meaning industry-wide standards and shared knowledge infrastructure (shared cybersecurity threat-intelligence sharing, for instance, or centralised credit bureau data) are still of value, even if capacity-building efforts are pursued alongside. Lastly, regulators and industry bodies should further invest in shared knowledge infrastructure (credit bureaux, threat-intelligence sharing), as knowledge integration remains a direct driver of performance even after accounting for absorptive capacity, and they should encourage their member banks to benchmark and enhance absorptive-capacity-building practices.

5.3. Limitations and Suggestions for Further Studies

This study has some limitations: first, it is cross-sectional, so although a theoretically informed mediation model can be adopted, stronger causal inferences cannot be drawn; second, it does not include a longitudinal design to test the hypothesized model's temporal order. The study is also limited to five DMBs that operate mainly in Lagos State, which may limit its generalisability to banks with larger operations outside Lagos State or to non-bank financial institutions (NBFIs). Thus, future research should not be limited to Lagos State but should extend to banks operating mainly in other geopolitical zones of Nigeria and compare DMBs with other financial institutions, such as microfinance banks and fintech companies. The results reported are derived from a completed primary survey. Common method bias is another limitation of this type of single-source, self-report survey design, which can be mitigated by using a variety of recommended procedures during primary survey administration but cannot be eliminated. Therefore, future research efforts should use qualitative case studies in addition to the quantitative survey approach used in this study to provide a more in-depth understanding of how absorptive capacity is created and deployed within banking teams in Nigeria. Finally, future research

should explore additional intervening and/or moderating variables (e.g., organizational learning culture, digital transformation maturity, knowledge management technology sophistication) that may further explain the relationship between knowledge integration and performance.

5.4. Conclusion

The knowledge integration–organizational performance link previously investigated in the FMCG industry in Nigeria was examined in the context of selected Deposit Money Banks and extended the existing model by adding the intervening variable of employee absorptive capacity. The results indicate that knowledge integration significantly and positively affects both employee absorptive capacity and organizational performance; that absorptive capacity itself significantly and positively affects organizational performance; and, most importantly, that absorptive capacity partially mediates the knowledge integration–organizational performance relationship. The study finds that the Nigerian banking industry has not yet achieved the automaticity of knowledge integration's performance-return; a significant portion is achieved through, and depends on, the absorptive capacity of employees: banks that fail to take the trouble to develop the capacity forfeit a substantial part of the return on knowledge integration investments.

The first strength of the study is that it extends the knowledge integration–organizational performance relationship beyond the largely FMCG-oriented context, and into a knowledge-intensive banking environment, thereby empirically adding to the knowledge literature. The second strength of the study is that it establishes a rigorously specified mediation model grounded in Dynamic Capability Theory, demonstrating that employee absorptive capacity is not a peripheral control variable but a central mechanism explaining why the organization's knowledge integration effort is not always translated into measurable organizational performance.

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