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Review

Human Resources Management and Organizational Performance of Banks in Nigeria

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The study seeks to evaluate the effect of human resource management on organizational performance of banks in Nigeria. Extant literature reveals that human resource practices have vital importance to the success of organizational performance. This proposed study's aim is to examine the relationship between human resources management and organizational performance. The results of this review show that there is a meaningful relationship between them. Banks, which want to be the most competitive against their competitors, have to use actively human resource management as a gun that enhances their organizational performance and makes them leaders of the market.

Keywords: Human resources management, human resources practices, organizational performance, banks, Nigeria

INTRODUCTION

Developing technology and ease of communication in the competitive environment that makes every day a little more ruthless, the most important value for the organizations has given birth to the concept of human capital and human resources. In the today's market, the effective use of human resources in order to reach the objectives of the company is very important. Without the enlargement of human resources as a strategic resource within the company, it will be difficult to assure the long-term strategic future of the company, even though financial resources might be sufficient (Lorange, 1986, p. 138). In order to compete, banks must continuously enhance their performance by decreasing costs, innovating products and processes, and development quality, productivity, and pace to market (Becker and Gerhart, 1996, p. 779-801).

Literature review

Human resource management (HRM) has the key role in the today's competitive work environment. The style and management of human resource systems based on employment policy, comprising a set of policies designed to maximize Organizational integration, employee commitment, elasticity, and quality of work (Alagaraja, 2013, p. 119). Human resource management is defined as a strategic and compatible approach to management of an organization's most approached assets – the people working there who one by one and jointly contribute to the accomplishment of its objectives.

According to Armstrong, the main aim of human resource management is to provide that the organization can achieve success through people (Armstrong, 2006, p. 8). Many researchers and authors have defined human resource management in different ways. The Human resource function can and progressively is making important contributions to building an organization that is staffed by the right human capital to effectively make real the work of the firm and to provide the achievement of business strategy (Lawler and Mohrman, 2003, p. 1-30). Definitions of human resources can be classified under two broad stages: generalist and distinctive.

The first category mainly includes concepts proposed by the human resource management perspective, where "human resources" cover all people under employment at a special organization. The second category puts an emphasis on employees' abilities, knowledge, attitudes and experience (Kazlauskaitė and Bučiūnienė, 2008, p. 80). In the light of literature review, human resource management practices are the most important tools in order to contribute to increase Organizational performance for banks. Banks can take the leading position with an effective use of human resources to increase productivity and performance under the competitive market conditions.

Purpose of the study

The purpose of the proposed study is to evaluate the relationship between human resource management and organizational performance of banks in Nigeria.

Human resources practices

With changing conditions in the world, especially for businesses struggling in the rapidly changing global competitive environment, HRM practices began to be seen as the basic element of the ongoing success of competition. In order to gain maximum competitive advantage and to enhance Organizational performance, banks need to use much more their human resources practices. In recent years, global banks believe that one of the most important tools for human resource management practices is improvement of individual and Organizational performance and maintenance. Human resources practices affect employees' abilities through the obtaining and improving firm's human capital. HRM practices are able to impress firm performance through supply of Organizational structures that embolden participation among employees and permit them to enhance how their jobs are performed (Huselid, 1995, p. 635-672). HRM practices are also conceived as a set of inwardly coherent policies and practices designed and implemented to provide that firm's human capital contribute to accomplishment of its business aims (Delery and Doty, 1996, p. 802-835).

Recruitment and selection

Recruitment which is the process of generating a pool of capable people to apply for employment to an organization and selection which is the process by which managers and others use specific instruments to choose from a pool of applicants a person or persons more likely to succeed in the job(s) given management goals and legal requirements". Recruitment and selection can play a pivotal role in shaping an organization's effectiveness and performance, if organizations are able to acquire workers who already possess relevant knowledge, skills and aptitudes and are also able to make an accurate prediction regarding their future abilities. Performance improvement is not only a result of well-functioning system but also depends on effective human resource strategies that succeed in recruiting and maintaining a committed and motivated workforce. Recruitment and selection has become ever more important as organizations increasingly regard their workforce as a source of competitive advantage. It is often claimed that selection of workers occurs not just to replace departing employees or add to the number but rather aims to put in place workers who can perform at a higher level and demonstrate commitment.

Training and development

A formal definition of training and development is any attempt to improve current or future employee by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his or her skills and knowledge. While training is seen to be the process of imparting specific skills, development is said to be the learning opportunities designed to help employees grow. According to (Armstrong, 2006, p. 543) training is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience. Training has the distinct role in the achievement of an organizational goal by incorporating the interests of organization and the workforce. For training to have a better effect on performance, its design and delivery should be well executed. Training remains a vital to enhancing employee performance. The Organizational commitment or "the relative strength of an individual's identification and involvement in a particular organization" depends on effective training and development programs. According to these authors, organizations demonstrating keen insight make provisions for satisfying the training needs of their current workforce.

Compensation

Compensation processes are based on compensation philosophies and strategies contained in the form of policies, guiding principles, structures and procedures which are devised and managed to provide and maintain appropriate types and levels of pay, benefits and other forms of compensation. This constitutes measuring job values, designing and maintaining pay structure, paying for performance, competence and skill and providing employee benefit. However, compensation management is not just about money, it is also concerned with that non-financial compensation which provides intrinsic or extrinsic motivation. Compensation has a motivational effect and therefore implies that having a compensation structure in which the employees who perform better are paid more than the average performing employees is vital to enhancing Organizational performance. The growing recognition and consensus that compensation promotes productivity is consistent with the early work of Drucker (1954) that states “happy workers are productive workers.”

Performance appraisal

Performance appraisal of employees is the systematic evaluation of employees‟ performance and potential for development during a certain period of time by supervisors or others who are familiar with their performance. It is one of the oldest and widely used management practices. Performance appraisal is an indispensable tool for an organization because the information it provides is highly useful in decision making regarding issues such as promotion, merit increases transfer, discharge, training and development.

However, there has been a great realization that it is more important to focus on defining, planning and managing performance than merely appraising performance.

The increased competitive nature of the economy and rapid changes in the external environment has forced many organizations to shift from reactive performance appraisals to proactive performance management to boost productivity and improve organizational performance. Performance is define in management as the process of planning, carrying out the plans, appraising performance, giving its feedback, and counseling an employee or teams to improve performance.

Performance management is a systematic process for improving organizational performance by developing the performance of individual and teams.

Performance management is one of the most important developments in the field of HRM probably propelled into visibility in the early 1980‟s as a result of the growing importance of total quality management.

Employment security

Delery and Doty, (1996) emphasized the significant correlation between employment security and organizational performance. The benefits of employment security, aside workers‟ free contribution of knowledge and their efforts to enhance productivity, it also encourages people to take a longer-term perspective on their jobs and organizational performance. In a study of the financial performance of 192 banks, John Delery and Harold Doty observed significant relationship between employment security and the bank’s return on assets, an important measure of financial performance. Employment security maintained over time helps to build trust between people and their employer, which can lead to more cooperation, forbearance in pressing for wage increases and better spirit in the organization. The idea of employment security does not mean that the organization retains people who do not perform or work effectively with others; of course performance does matter. Employment security is fundamental to the implementation of most other high-performance management practices such as selective hiring, extensive training, information sharing and delegation.

Employee voice (involvement and participation)

The direct participation of staff to help an organization fulfill its mission and meet its objectives by applying their own ideas, expertise and efforts towards solving problems and making decisions is termed as employee involvement. Research has shown that organizations that tap the strength of their people will be stronger and more aggressive than those that cannot. Firms will never realize the full potential of employees if they regard people as automatons or mere cogs in a wheel. In the long run, such banks‟ inefficiencies attract competition, and unless the management philosophy changes, they will disappear.

Information sharing and knowledge management

Information sharing is an essential component of high-performance work systems for two reasons; first, the sharing of information on things such as financial performance, strategy and operational measures conveys to the organization’s people that they are trusted and the second is that even motivated and trained people cannot contribute to enhancing Organizational performance if they do not have information on important dimensions of performance and in addition training on how to use and interpret that information. An enterprise that makes real a shared culture that is in actual fact unbreakable through information flow will be a competitive one. knowledge management is defined as,” An integrated, systematic approach to identifying, managing, and sharing all of an enterprise’s information assets, including databases, documents, policies, and procedures, as well as previously unarticulated expertise and experience held by individual workers.” In essence, it is gathering all the information and resources of a corporation and making them available to the individual employee. In turn, the employee uses these resources to create new innovative processes and thus, gives back to the firm.

Job design

Job design refers to work arrangement or rearrangement aimed at reducing or overcoming job dissatisfaction and employee alienation arising from repetitive and mechanistic tasks. Through job design, organizations try to raise productivity levels by offering non-monetary rewards such as greater satisfaction from a sense of personal achievement in meeting the increases challenge and responsibility of one's work. Job enlargement, job enrichment, job engineering, job rotation and job simplification are various techniques used in a job design exercise. Job design is the functions of arranging task, duties and responsibilities in to an Organizational unit of work‟. The process of job design has been defined as, "...specification of the contents, methods, and relationships of jobs in order to satisfy technological and Organizational requirements as well as the social and personal requirements of the job holder" (Buchanan, 1979).

Job rotation allows an employee to work in different departments or jobs in an organization to gain better insight in to operations. Job enlargement can be used to increase motivation by giving employees more and varied task. A wealth of studies shows that there exists a correlation between job design and performance. Job design gives a clear direction to how tasks are performed and this leads a positive change in job performance and analysis as a result of which the Organizational productivity is enhanced though efficient work performance.

Career planning

Career planning is the deliberate process through which someone becomes aware of his or her personal skills, interests, knowledge, motivations, and other characteristics; acquires information about opportunities and choices; identifies career-related goals; and establishes action plans to attain specific goals. Career planning) is a continuous process of discovery in which an individual slow develops his own occupational concept as a result of skills or abilities, needs, motivations and aspirations of his own value system. In HRM, career planning seeks to identify to identify needs, aspirations and opportunities for individuals‟ career and the implementation of developing human resources programs to support that career. A well-planned career development system along with internal advancement opportunities based on merit, results in high motivation among employees, which has an impact on firm performance.

Organizational performance

Researchers have different opinions of what performance is. Organizational performance continues to be a contentious issue in the management research circles. Performance can be equates to the famous 3Es; economy, efficiency and effectiveness of a certain programme of activity. Organizational performance encompasses three specific areas of firm outcomes; financial performance (profits, return on assets, return on investment, etc), product market performance (sales, market share, etc), and shareholder return (total shareholder return, economic value added, etc.). Organizational performance is the organization's ability to attain its goals by using resources in an effective and efficient manner Daft, (2000). We can put Organizational performance as the actual output or results of an organization as measured against its intended outputs, that is; goals and objectives. Performance should not be confused with productivity, productivity is a ratio depicting the volume of work completed in a given amount of time. Performance is a broader indicator that could include productivity as well as quality, consistency, effectiveness, efficiency and other factors.

Productivity

Productivity is about the effective and efficient use of all resources. Resources include time, people, knowledge, information, finance, equipment space, energy, materials. Productivity is the ratio of output to input. It is a measure of how efficiently and effectively a business or an economy uses inputs such as labor and capital to produce outputs such as goods and services. An increase in productivity means that more goods and services are produced with the same amount of labor and capital. It is not about cutting costs but "doing things right" and "doing the right things" to achieve maximum efficiency and value. Productivity is the ratio of what is produced to what is required to produce it. It measures the relationship between output and inputs. Also, productivity means how much and how well we produce from the resources used (Homayounizadpanah and Baqerkord, 2012). Productivity is commonly defined as a ratio between the output volume and the volume inputs. In other words, it measures how efficiently production inputs, such as labor and capital, are being used in an economy to produce a given level of output. Productivity is considered a key source of economic growth and competitiveness and, as such, is basic statistical information for many international comparisons and country performance assessments (Onyeche and Gbaranor, 2019). For example, productivity data are used to investigate the impact of product and labor market regulations on economic performance. Productivity growth constitutes an important element for modeling the productive capacity utilization, which in turn allows one to gauge the position of economies in the business cycle and to forecast economic growth. In addition, production capacity is used to assess demand and inflationary pressures (Ngige, 2015).

Human resource management and organizational performance

Acquaah indicated that HRM practices advance Organizational effectiveness and performance by attracting, identifying, and keeping employees with knowledge, skills, and abilities, and acquiring them to behaviour in the manner that will support the mission and aims of the organization. In this way, the effectiveness of HRM practices depends on how it encompasses the appropriate attitudes and behaviour in employees, in addition to its implementation (Acquaah, 2004, p. 118-151). Some researchers have recommended that evaluations of performance should be based on financial indicators (e.g., profit), and for years, human resources issues have been secondary to such indicators. Nowadays, many researchers admit that profit alone is not sufficient to hold the excitement and adherence of employees or to pay attention to the core elements of a business that has to get attention if it is to perform adequately. Stanton and Nankervis pointed out that organizational performance can be improved, especially through raised productivity and employment elasticity, by ranging entire employees' performance outcomes with wide strategic business and HRM obligations. In this way, the management of singular employee's performance, and their unified contributions to whole impressiveness, has possibly become the most significant actual HRM function in all organizations (Stanton and Nankervis, 2011, p. 69).

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