

## **Human Capital Development Practices and Organizational Effectiveness: A Focus on the Contemporary Nigerian Banking Industry**

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**Abstract:** The main purpose of this study is to gain a better understanding of the theoretical and empirical relationship between Human Capital Development (HCD) practices and some dimensions of Organizational Effectiveness of Nigerian Banks particularly after the banking sector reforms of June 2004. Data were generated by means of two sets of questionnaire administered to some selected Banks in Lagos, Nigeria. The study generated responses from ten Banks. Responses from the survey were statistically analyzed using descriptive statistics and Pearson product moment correlation. The result of the study indicates that Nigerian banks are actively involved in HCD practices. The study shows that organizational effectiveness of the selected and participating banks is to a large extent satisfactory. Obviously, involvements in HCD practices are found to correlate positively with organizational effectiveness. The implications of this study include the need to encourage Nigerian banks and indeed all organizations willing to operate effectively and efficiently in the contemporary Nigerian business arena, to devote a substantial amount of their resources on the development of human element.

**Key words:** Human capital, development, proactive human capital development practices, competitiveness, impact, recapitalization and consolidation, banking reform

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### **INTRODUCTION**

The thrust of human capital management in its entirety is that of improving how organizations employ, deploy and evaluate their workforce. For this research, the focus is on the development of its human capital within the banking industry. For Youndt (2000), since organizations are undergoing fundamental shifts in the ways they conduct business; effective organizations must however view the above thrust seriously.

To survive in an environment where, all provide almost the same products and services, the quality of the human element is a major factor.

Unfortunately, most organizations underrate and devalue the need to develop human capital. Some view the development of human capital as a loosely designed classroom training program. Others make use of training and development schemes as a means of settling scores between expectations and organizational values. Training and development programmes have been carried out in some quarters without the corporate strategically set objectives.

Today's banks operate in a keenly competitive arena. Knowledge and information fuel the engine. Today's

banks are knowledge-based. They are designed to process ideas, experiences and information. Their methods must change to meet with this new strategy. As Fajana (2002) puts it, in most of today's organizations, the ability to learn and change faster than the competitor is the key to survival.

According to him, the pace of product, technology and market changes will continue to accelerate with most Banks becoming nimble, flexible and responsive to their customers' needs.

The aim of this study is to assess the Nigerian Bankers particularly those of them that scaled the hurdle of recapitalization and banking reform of 2004; their performance and the extent to which involvement in HCD practices will affect their effectiveness and efficiency.

**Issues in the study:** The main issues addressed in this study include:

- Conceptual framework
- Human capital development practices and organizational effectiveness
- Different HCD approaches/activities: Empirical evidence

- Evaluate HCD practices carried out by these banks
- Determine the relationship between these practices and the successes recorded by these bankers through an hypothesis
- Summarize, conclude and make useful recommendations for the improvement of human capital development in the Nigerian contemporary banking industry and any other organization willing to make reference to the study

**Conceptual framework:** The concept, human capital has gained tremendous attention in today's study. Bontis (1999) defines human capital as representing the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. He went on to emphasize that such element, must be those that are capable of learning, changing, innovating and providing the creative thrust, which if properly motivated can ensure the long time survival of the organization.

Armstrong (2004) defines human capital as, all human abilities whether innate or acquired attribute, whose value can be augmented by appropriate development investment.

Davenport (1999), observes that human capital consists of the intangible resources that workers provide for their employers. He went further to pass the following comments: people pose innate abilities, behaviours and personal energy and these elements make up the human capital they bring to research. And it is they, not their employers, who own this capital and decide when, how and where, they will contribute it. Indeed, they can make choices. Work is a two way exchange of value, not a one way exploitation of an asset by its owners (Adeyeye, 2002).

From the contributions of the various scholars of human resource management, it is obvious that a number of issues addressed in the development of human capital are varied and inexhaustible in modern enterprise.

**Human capital development practices:** For thorough understanding of strategies for HCD practices, the researcher focuses on four broad variables:

- Training and development
- New learning paradigm
- Leadership roles
- Talent management

**Training and development as a strategy for human capital development practices:** Armstrong (2004) defines training as the formal and systematic modification of behaviour

through learning, which occurs as a result of education, instruction, development and planned experience. In his research, Armstrong (2004) agrees with Davenport (1999), that training is very effective when, it is properly planned. An investigation by Adeyeye (2008) centered on the attitudes, fears and hopes of clerical workers and revealed some interesting findings with equally serious implications for staff training. He found that senior clerical workers claimed that they had been frustrated by management, since no opportunity was given to them to improve on their qualifications.

**New learning paradigm:** The question in today's literature is not just whether employees (the human capital) can be developed through a training and development programme, the type so far discussed. In today's competitive business environment, training and development strategies and methods have been dramatically transformed. The modern nature of training and development is what can be used to develop today's human capital.

**Leadership style as a strategy for human capital development practices:** As opposed to the traditional objectives of improving the knowledge and broadening the perspectives of participants, contemporary leadership initiatives are more likely to focus on developing employees who will learn to do the work themselves.

Armstrong (2004) once wrote leaders can perhaps be compared with theater directors, without whose contribution the play will not happen. Organizational processes are only the arena and interpersonal process represents the actors. Leaders must therefore, need to identify what the priorities and agendas are for each actor and bring the various actors together, so that act is complete. From this view, it is obvious that leaders should avoid focusing on themselves, but rather be concerned with developing the vision and defining the missions, using the people who will in turn use other resources.

**Talent management as a strategy for hcd practices:** As a concept, talent management came to the fore, when the phrase the war for talent emerged in the 1990s (Armstrong, 2004).

Talent management is the process of ensuring that the organization attracts, retains, motivates and develops the talented people it needs. Talent management is about the various processes they add up to talent management and brought together with an overall objective: To acquire and nurture talent, wherever it is and wherever, it is needed, by using a number of interdependent policies and practices of human capital development strategies.

Everyone in an organization, has one talent or the other. Obviously, talent management should not be limited to a favored few as it is being practiced in some organizations.

A talent manager develops his organization as an employer of choice. That is, a great place to research. He has a good strategy for attraction, retention, reward, role design and development and success planning and method of conducting talent audit for his organization.

The position common to almost all the scholars and the reviewed study is the acknowledgement of the critical role played by the human element in the success story of an organization. This study also, supports the afore stated position.

**HCD practices and organizational effectiveness of the selected banks:** In summary, the main thesis of this study can be expressed in the following hypothesis relationship:

**H<sub>0</sub>:** Human capital development practices and organizational effectiveness are not significantly related.

**H<sub>1</sub>:** Human capital development practices and organizational effectiveness are significantly related.

## MATERIALS AND METHODS

**Research setting:** The setting for this study is the State of Lagos. Lagos State is the commercial nerve centre of Nigeria. Almost, all the banks have their corporate headquarters in Lagos and that reason justifies the selection of the state as the focus of the study.

**Research method and design:** This study is a correlation research concerned with accessing relationship among the variables of the study: HCD practices and organizational effectiveness. The research does not necessarily establish a cause-effect relationship. A cross-sectional survey design was also, employed to access the HCD practices among different banks operating in Lagos. Scholars such as Imo (1986) and Graeme *et al.* (2008) have justified the use of correlation research in determining whether, a relationship exists between or among variables.

**Data collection method:** Data for the study were generated through the primary and secondary sources. The primary data were generated through self administered questionnaires titled Research instrument on HCD practices and organizational effectiveness.

The instrument was administered on participating banks to determine the impact of HCD practices on the goals and effectiveness of the organization, while the

secondary data were generated by means of content analysis of financial report of the participating banks.

The chief executive officers of the participating banks were requested to rate their performance relative to what it used to be before aggressive HCD practice, engendered by the banking sector reforms of year 2004 on a number of effectiveness measure and dimensions.

As at December 2005, 25 banks representing each of the banks that succeeded in increasing their individual capital bases from ₦2 billion to ₦25 billion and above were eligible by law to operate as bankers within the corporate entities known as Nigeria. A self-administered questionnaire was administered to the employees of these banks, which spread all over Lagos state. Out of 500 questionnaires, a total of 418 copies were returned and properly filled and subsequently used for the analysis. Some employees, who failed to participate were reluctant to divulge information. About 20 banks were selected for the study and 25 employees were randomly selected in each of the banks for measurement of organizational effectiveness as engendered by HCD practices.

**Data collection instrument:** The primary instruments for the study were two sets of structured questionnaire. The first set of questionnaire was designed to collect information on the following relevant variables:

**Human capital development practices:** Involvement in HCD actions was determined by asking respondents to indicate the extent of their Banks in HCD practices such as:

- Training and development
- Leadership roles
- New Learning paradigm
- Talent management

The instrument developed by Imo (1986) and Graeme *et al.* (2008) was adopted. Items in the instrument were scored on a 4-point scale. The reliability coefficient for the instrument was 0.83.

**Banks and individual demography:** The following demographic variables of the employees of the participating banks were sought for the purpose of this study:

- Sex
- Ge bracket
- Marital status
- State of origin
- Educational background

Also, the following data on the features of the participating Banks were sought:

- Staff strength
- Age of the Bank
- Location
- When the bank commenced aggressive HCD programme
- Type/methods of HCD before the recapitalization

**Organizational effectiveness:** Respondents were requested to rate performance of their banks relative to what it used to be before the commencement of aggressive HCD practices. The respondents were also requested to measure their behavioral effectiveness henceforth.

The main effectiveness criteria used were: Sales growth, financial strength, operating efficiency, performances stability, staff morale, adaptability, innovativeness, job satisfaction, commitment, job engagement, profitability, economic impact.

**HCD activities of the bank:** To give insight into HCD activities, the participating banks and employees were requested to indicate their involvement in some HCD practices strategies by ranking alternative responses.

## RESULTS AND DISCUSSION

The following can be deduced from the research on Table 1.

**Training and development:** Overall learning attracted the most active involvement in the training activities of the participating banks, followed by organizational capabilities training, team participation, while action learning is the least form of training embarked upon by respondents and their banks.

**Leadership styles:** Leadership concerned with managing the people, who will in turn use other resources to achieve the corporate goals. Monitoring also attracted the attention of the HCD managers, while modeling attracted very little attention in the HCD activities of the participating banks.

**New learning paradigm:** Active experimentation attracted the highest attention of the management of most banks followed by self-organized learning, while experimental learning got little recognition on HCD activities of the Banking industry.

**Talent management:** Most of the banks indicate involvement in the programme. The Banks are gradually

Table 1: HCD strategies N = 418

			95% confidence Interval of the different	
Activities	Mean±SD	SE	Lower	Upper
<b>Training and development</b>				
Competence model-based training	2.05±0.81	0.056	2.54	2.76
Team participation	2.08±0.54	0.065	1.94	2.20
Action learning	1.58±1.09	0.075	1.44	1.72
Organization capabilities	2.41±1.02	0.070	2.27	2.35
Overall learning	2.74±0.74	0.051	2.64	2.84
<b>Leadership style</b>				
Modeling	1.67±0.92	0.063	1.54	1.79
Mentoring	2.33±0.83	0.058	2.21	2.24
Managing	2.72±0.54	0.037	2.66	2.81
Monitoring	2.37±0.077	0.054	2.26	2.47
Job rotating/cross training	1.79±0.92	0.063	1.66	1.91
Activities	-	-	-	-
<b>Learning paradigm</b>				
Concrete experimental training	2.61±0.67	0.460	2.52	2.70
Action learning	2.66±0.65	0.450	2.57	2.75
Self-organized learning	2.69±0.20	0.140	2.42	2.97
Outdoor learning	2.77±0.53	0.370	2.70	2.84
Active experimentation	2.86±0.49	0.034	2.80	2.93
<b>Talent management</b>				
Strategy for attraction	1.97±1.09	0.074	1.86	2.92
Retention	1.70±1.07	0.740	1.50	1.84
Reward	1.09±1.20	0.083	0.93	1.25
Role design and development	1.15±1.25	0.086	0.98	1.32
Succession planning and talent audit	1.68±1.14	0.079	1.53	1.84
Field survey (2008)				

Table 2: Relationship between HCD programme and corporate effectiveness of the banks

Effectiveness indicators	Training and development	Leadership style	New learning paradigm	Talent management
Sales growth	0.100	0.149*	0.088	134
Financial strength	0.103	0.237**	0.115	58
Staff morale	0.038	0.109	0.32	-36
Operating efficiency	0.075	0.186**	0.158*	-47
Adaptability	0.134	0.201**	0.113	-22
Innovativeness	0.172*	0.137*	0.221**	-68
Job satisfaction	0.085	0.022	0.010	-28
Commitment	0.56	0.280**	0.197*	-35
Job engagement	0.103	0.262**	0.154	-58
Profitability	0.103	0.237**	0.115	-54
Performance stability	0.056	0.280**	0.197*	-35
Economic impact	0.015	0.124	0.069	-31

Field survey (2008); p<0.05; \*\*: p<0.01; N = 418

moving from traditional method of HCD activities to the modern strategy and method of enhancing the quality of human resources in their various organizations by managing those with resourceful and highly innovative talents. Attraction stands out in talent management of some of the selected banks.

In the hypothesis, a significant relationship was predicted between HCD practices and dimensions of effectiveness. As shown in Table 2, the correlation between HCD practices and organizational effective of the banks generated 48 coefficients with many of the (coefficients) being statistically significant at  $p<0.05$  and above. These are:

- Sales growth is significantly related to leadership roles and training
- Financial strength is positively related to leadership roles and training program put in place at the banks.
- Operating efficiency is positively related to leadership roles and development
- Innovativeness is positively related to training, leadership roles and development
- Talent management appears a little alien to most of the participants, while its introduction to research situation had little impact on corporate effectiveness

### RECOMMENDATIONS

The findings of this research recognize the overriding fact that there is growing concern for HCD practices in the Nigerian Banking Industry. It is obvious that almost all the participating Banks engage in some form of strategic HCD practices. However, those HCD practices that attract attention of most of the banks are training and development, leadership roles and new learning paradigm, while little attention is focused on Talent management. Indeed, a positive relationship was predicted between HCD practices and organizational effectiveness.

Effective HCD practices can help Businesses to succeed, increase profit and overall performance (Margerison and McCann, 1986).

Importantly, for HCD to be acknowledged as being all encompassing, organizations, vis-a-vis, banks, need not focus only on the traditional approaches of developing employees through training and leadership roles, but employ many approaches such as new learning paradigm as well as talent management currently in vogue in advanced economies and more recently in some organizations in Nigeria.

### SUGGESTIONS

The results of this study need be interpreted with caution. The several limitations should be noted. Obviously, the following suggestions for further studies deserve some comments:

- First, the results of the study may be interpreted as suggesting that some dimensions of HCD practices could be beneficial to Nigeria Banks and organizations. This may be viewed with caution, as the results do not allow any assertion of casualty. Hence, the need for experimental study is suggested to determine the cause and effect relationship between HCD practice and organizational effectiveness
- Secondly, the study conceptualized organizational effectiveness as essentially the degree to which the high ranking decision-makers valued their organizations. That is, the degree to which they were satisfied with the relative performance of their banks in terms of a set goal. It is quite possible that their value judgments might have been influenced by their feelings about organizational effectiveness. A more objective assessment of effectiveness i.e., hard measure of effectiveness is hereby suggested for future studies
- Finally, the sample size for the study could be extended beyond Lagos state. Focusing mainly on the banks in Lagos state did limit the generalization of the findings. It would be desirable to enlarge the sample by extending the study to cover banks across the entire 36 states of Nigeria including Abuja

### CONCLUSION

This study has focused on the relationship between HCD practices and organizational effectiveness using the banks within Lagos metropolis as the basis for its findings. The concept human capital has gained

tremendous attention in today's banking industry. Bankers have seen and identified the need for proactive human capital development practices. They have recognized HCD and its concomitant relationship with organizational effectiveness. In today's banks, everyone is involved in development and no stigma is attached to any human development activities that could lead to effectiveness and efficiency at all levels of their operations.

Obviously, today's bankers, as a matter of priority have to develop and implement continuously well planned human capital development strategies and practices to attain the corporate objectives of their investors and all state holders involved in the business of business.

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