High Performance Work Practices, Organizational Commitment and Performance of Commercial Banks in Nigeria

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Abstract: This paper examine some issues and challenges in the Nigerian banking industry before and after the recapitalization and consolidation reform program. The study suggests that emphasis on financial capital formation without corresponding commitment from management toward greater strategic development of human capital may be considered insufficient to help the industry gain sustainable advantage and accomplish its desired objectives. In addition, the study posits that in the post consolidation period the banking sector will be more viable in supporting the growth and development needs of the economy when human resource are strategically developed and equipped with necessary skills that will help the industry reach its full potentials. Therefore, this study draw from previous literature and proposed a model for motivational and commitment oriented high performance work practices to guide future empirical investigations. It was also recommended that the implementation of the framework will enable the banks to fully harnessing the synergies and benefits of the consolidation and recapitalization program.

I. Introduction

The Nigerian banking industry has undergone changes through the implementation of recapitalization and consolidation programs which dates back to the year 2005. Specifically, the year prior to implementation of the program, the industry was characterized by weak and smaller banks with few mega banks controlling more than 50 percent of the total assets and financial activities in the industry. The consolidation of the banks which was viewed as a decrease in the number of weak banks operating in the economy in order to move the industry forward for economic and needed development which usually result in increase in size and capital has been reported to have a negligible effect on lending performance (Pérez Montes, 2014) as well as overall performance of the banks (Owalabi & Ogunlalu, 2013). On the other hand, consolidation strategy as an approach to cushion the effect of adverse outcome on banks, to enhance competitiveness and raise level of international effectiveness (Shin & Kim, 2013), it bring about significant surge in the risk management and cash holding. (Vallascas & Hagendorff, 2011; Francis, Hasan, & Wang, 2014). Moreover, ten (10) years after the recently concluded recapitalization and consolidation exercise, which left 25 banks operating in the economy, the banks are still on the verge of constant shrinking. For example, in 2009, CBN conducted an audit on the accounts of the banks one year after all the banks have publicly declared an improved profit with the aim of strengthening the capability and soundness of the Nigerian banks. And it was found that Bank PhB, Afri bank, Oceanic Bank and Intercntinental Bank, Union Bank, Fin Bank, Spring Bank and Equatorial Trust Banks out of the then 25 banks would need more financial loan from the government in order to survive the competition. The government came in and rescued the banks with bailout of NGN620 billion equivalent to USD4 billion(Gberevbie, 2012; Sanusi, 2010). Furthermore, the eight affected banks were nationalized; the management of the banks changed and their names also changed to keystone bank, Mainstreet bank, and enterprise banks. Furthermore, Fin Bank, Equatorial Trust Bank, Oceanic Bank and Intercontinental Bank have all been acquired by Sterling Bank, Ecobank, Access Bank, and First City Monumental Bank and respectively (Olajide & Okwe, 2011; T. Olajide, 2011). Specifically, in the post consolidation period there are a number of challenges such as corporate governance, challenge of increased returns on investment and human resource challenges that are still prevalent in the industry (Balogun, Adetula, & Olowodunoye, 2013; Ebimobowei & Sophia, 2011). Therefore, since all other forms of capital cultivate their worth, effectiveness, usefulness and application through human mental consciousness, resourcefulness and social advancement (Slaus & Jacobs, 2011). This necessitates a need fora more focused strategy through continuous development of human resource strategy for viable growth of the banking industry. In essence, the strategic change in the Nigerian banking industry require much more than financial capital, but an integrated human resource strategy which is focused at equipping the workforce for the achievement of overall objective of the banks (Fapohunda, 2012).

Overview of the Nigerian Banking Industry

The establishment of conventional banking system in Nigeria dates back to the year 1952 through the first banking statute by the Colonial Government (Nwankwo, 1980; Ojo, 1991; Oke, 1994). Since the beginning of conventional banking in Nigeria the business has witnessed reasonable level of development in terms of size.
and structure of the banks. Particularly when banking started in Nigeria the industry experienced significant increase in the number of banks from 15 in 1970, 26 in 1980, 40 in 1985 and it has and eventually rose significantly to 120 banks in 1992 respectively (Ihoza, 2007). Conversely, the number of banks in the economy has later reduced significantly from 120 to 89 as at July 2004 (Ihoza, 2007). Additionally in the year 2005 the number of Nigerian commercial banks drastically reduced to 25 banks as a result of implementation of recapitalization and consolidation by the central bank of Nigeria.

However, prior to the end of December 2005, the Nigerian banking industry was characterized by generally small and weak banks, where about ten (10) banks control more than fifty (50) percent of all financial activities in the sector. Specifically, around 2001 and 2003, the resources of the whole 79 banks in terms of deposits and assets remained at 49.5% while that of the 10 bigger banks stood at 51.2% this indicates that the 10 banks were bigger than the entire 79 banks individually. However, as at June 2004, the main 10 banks had extremely overwhelmed the banking business, with their amassed proportions of above 50 percent of the industries which demonstrates that prior to the recently concluded recapitalization and consolidation, the industry was turning out to be all much over-concentrated, abandoning few little banks at the bottom.

Furthermore, in the year 2009, CBN conducted an audit on the accounts of the banks, precisely one year after most of the banks has publically declared an improved profit with the aim of strengthening the capability and soundness of Nigerian banking system. But the report indicated that the then Bank PhB, Afribank, Oceanic Bank and Intercontinental Bank, Union Bank, Fin Bank, Spring Bank and Equatorial Trust Banks out of the then 25 banks would need more financial loan from the government in order to survive the competition. The government came in and rescued the banks with loan of NGN620 billion or USD4 billion (Gberevbie, 2012).

In addition the eight affected banks were nationalized where their names were changed to keystone bank, Mainstreet bank, and enterprise banks. Furthermore, as a consequence of low performance, Fin Bank, Equatorial Trust Bank, Oceanic Bank and Intercontinental Bank have all been acquired by Sterling Bank, Ecobank, Access Bank, and First City Monumental Bank and respectively, between the period of August 2011 and February 2012 (Olajide & Okwe, 2011; T. Olajide, 2011). What this implies is that while the banks are adequately recapitalized, yet the challenges mitigating its optimum performance and unethical practices are still lingering. Specifically more recently on July 4th, 2016 the central bank of Nigeria acquired another commercial bank in order to save the bank form completely going distressed (Nwachukwu, 2016; Saharareporters, 2016). Based on these developments the study proposes a conceptual framework for human resource strategy which future empirical investigation can further validate.

**High Performance Work Practices**

In recent times, business organizations are leaning toward the strategic implementation of a distinctive high performance work practices that stress the human side of strategic management (Caldwell, Truong, Linh, & Tuan, 2011; Jackson, 2011) and induce the desirable attitude and behavior in employees in order to accomplish organizational goals (Chuang & Liao, 2010). Although, there is little consensus about these exact bundle of high performance work practices, Posthuma, Campion, Masimova and Campion, (2013) developed a comprehensive high performance work practices classification where they classified the practices as consisting of information sharing, competence development, training extensiveness, recognition, empowerment, reward, turnover and job security among others. Moreover, many studies has revealed that effective implementation of the high performance work practices may be a key motivation for individual and organizational performance (Buller & Mcevoy, 2012).

Furthermore, strategic human resource management, and organizational performance literature dwells on examining the relationship of high performance work practices and organizational performance (Huselid, 1995; Zacharatos, Barling, & Iverson, 2005). But there is need for studies to further analyze the mechanisms and the black box that enables this association (Guest, 2011; Buller & McEvoy, 2012). That is, despite previous investigations on how high performance work practices influence organizational performance results is not yet clear (Guest, 2011). Since, high performance work practices are believed to improve employee motivation and performance, it can be concluded that these more spurred and better performing employees will enhance organizations overall performance (Hartog, Boon, Verburg, & Croon, 2013).

Besides, it has been contended that when appropriately designed and coordinated high performance work practices are efficient in empowering higher human capital resource and more extensive additional role commitments to the organization (Keoh & Wright, 2013b). One of the methods by which organizations accomplish higher performance is by impacting employees’ attitudes to their job and to the organization through the design of practices that are supportive of inherent motivation. Notwithstanding, it is possible that numerous managers are implementing high performance work frameworks that are not ideal for their organizations, hence they would gain more from the adoption of an extensive bundle of high performance work practices to cultivate inherent work qualities and motivate positive behavior (White & Bryson, 2013).

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Moreover, Lepak & Snell, (1999) have proposed two separate systems of high performance human resource management practices that organizations can embrace. These systems and framework match with high involvement human resource practices and high performance work frameworks (Bae & Lawler, 2000) or the dedication and control human resource frameworks (Arthur, 1994). The internal development framework concentrates on developing current employees to meet the prerequisites of the organization.

In addition, the acquisition framework concentrates on purchasing the required skills from the labor market. While, internal development is connected with greater stability of an organization’s human resource and higher organizational responsibility, it also involves additional huge expenses. However, it was reported that, as an organization attempts to get discretionary efforts from employees they are prone to give advantages in excess of the costs (Huselid, 1995). An acquisition framework has the benefit of lower expenses and more flexibility. The internal framework is in accordance with Resource based perspective where employees would be exceptionally configured to make organization specific contribution in order to gain a sustainable competitive advantage. Therefore based on the literature above this study develops a conceptual model to test the effectiveness of high performance work practices in the Nigerian banking industry.

II. Organizational Commitment

Organizational commitment is characterized by individual’s attitude towards an organization that comprises of a faith in, acceptance of, and a strong belief in the organizations objectives and values as well as, readiness to apply impressive effort for the benefit of the organization and a strong urge to keep participating in the organization (Mowday, Porter, & Steers, 1982) In recent times, organizational commitment has received noteworthy attention in the literature. For instance, (Mowday et al., 1982) sees organizational commitment as an individual’s attitude towards an organization that comprises of strong confidence in, and acceptance of, the organization's objectives and values, and eagerness to apply significant effort for the organization and a strong desire to keep working in that organization.

Allen & Meyer, (1990) contended that there are three types of organizational commitment; affective commitment, normative commitment and continuance commitment. They further assert that affective commitment refers to the employees’ passionate to, identify with, and support to the organization. Today, organizations that lay more emphasis on ensuring commitment from their employees remain competitive and excel in the marketplace (Benjamin, 2012). Moreover, employees with an affective commitment proceed with jobs in the organization because they are willing to do so, not so much as a consequence of any pressure or compulsion being forced on them by an outsider (Almaçık, Almaçık, Akçın, & Erat, 2012; Jain, Giga, & Cooper, 2013; Patrick & Sonia, 2012). Then again, continuance commitment refers to an attention to the expenses connected with leaving the organization, (Bentes, Carneiro, da Silva, & Kimura, 2012; Gill, Meyer, Lee, Shin, & Yoon, 2011; Zhang, Zhou, Su, & Zhou, 2013). The continuance commitment centered employees stays with the organization principally in pecuniary connection appended in their relationship with the organization, (Vandenberghhe, Panaccio, & Ben Ayed, 2011). In essence, normative commitment reflects an inclination of commitment, or a feeling of obligation to continue working with the organization (Jaros, 1995).

Although, affective, continuance and normative commitment are utilized to capture the multidimensional nature of organizational commitment, affective commitment is viewed as a more successful estimation of organizational commitment (Lee, Tan, & Javalgi, 2010). Employees with strong affective commitment would be motivated to higher levels of performance and make more significant contributions than employees who expressed continuance or normative commitment, (Taing, Granger, Groff, Jackson, & Johnson, 2011). Moreover, committed and dedicated employees will enable organizations maintain a competitive edge in their industry (Ahiauzu & Asowo, 2012). Employees’ commitment improves performance, which stimulates organizational effectiveness and foster sustained productivity (Dixit & Bhati, 2012). The significance appended to organizational commitment has spanned a several researchers to analyze the impact of commitment on work family role such as impact of suggestion scheme (Jaja & Okpu, 2013). While there is a proliferation of literature, there has been little research attention on organizational commitment in the setting of the Nigerian banking industry. However, recent developments in the Nigerian banking industry reform have thrown job insecurity into the sector (Balogun et al., 2013), which led to loss of job commitment on the part of many employees (Okafor, 2013a), resulting in employee turnover behavior (Nwude, 2012). This negative trend is capable of negatively influencing employee and organizational performance. The important consequences of low organizational commitment are its relationships with turnover intention and actual turnover behavior (Park, Christie, & Sype, 2014). In view of the above the study will in the subsequent sections propose a conceptual model linking how high performance work practices can influence organizational commitment and overall performance.

High performance work practices, Organizational Commitment and Organizational Performance

The vital role in utilizing employee related abilities, knowledge, capabilities, and skills as mean to gain sustainable competitive advantage, remains an optimistic objective of high performance work practices(Merk, &
Büttgen, 2012). Previous empirical findings recognized that investment in human resource practice has impacts on dimensions of organizational performance such as profit and turnover (Mohammed, Bhatti, Jariko, & Zehri, 2013), productivity, growth in sales, and quality (Chadwick & Flinchbaugh, 2013; Phillips, 2012). However, some researchers perceive human as less important in comparison with other essential and critical corporate goals (Alagaraja, 2013). Nevertheless, when human resource practices are incorporated into the organizations overall strategy, then the management need to create career development plan to ensure the organization possess competencies necessary and how they should be equipped accordingly (Kim & Sung-Choon, 2013).

Over the past twenty years, there has been an extensive expansion in theory and research about significant link between high performance work practices and organizational performance (Vermeeren, Kuipers, & Steijn, 2013; Kehoe & Wright, 2013a; Akhtar, Azeem, & Mustafa Mir, 2014). In addition, human resource activities ought to be integrated into organizations strategic goal beside ensuring they are compatible with external eventualities (Kaufman, 2012). Moreover, there is need to get employee commitment to uphold human resource strategic role and this require firms to establish proper employee commitment-oriented organizational systems (Kim & Sung-Choon, 2013).

In addition, the use of contingent labor may thwart the positioning of important mechanisms that facilitate the operation of high performance work practices, (Stirpe, Bonache, & Revilla, 2013). Although, most of the banks operating in the Nigerian banking industry are characterized by extensive utilization of outsourced and contingent labor. Previous studies revealed that the effect of expertise and professional tenure diversity insignificantly affect high performance work practices, and performance (Lu, Chen, Huang, & Chien, 2015). Also, the effect of absorptive capacity and short run project performance insignificantly affect the operation of high performance work practices (Popaitoon & Siengthai, 2014). The implication is that many organizations focus on utilizing other means to gain advantage while neglecting the costly to copy strategy which lies within their employees (Barney, 1991).

Furthermore, high performance work practices have received considerable amount of attention among scholars in strategic human resource management literature (Rebecca R Kehoe & Wright, 2013b; Mitchell, Obeidat, & Bray, 2013; Piening, Baluch, & Salge, 2013). And what is still lacking is the clear understanding of the black box of the mediating mechanisms through which high performance work practices works to influence organizational performance (Guest, 2011; Sikora & Ferris, 2014). In addition, most of the studies consider the inclusion of small number of practices therefore it is recommended that future studies include large number of practice in order to ensure representativeness (Karatepe, 2013). The practices need to be investigated as a bundle rather than selecting few individual practices (Ko & Smith-Walter, 2013).

Moreover, the bundle of high performance work practices has been firmly believed to enhance organizational commitment (Posthuma et al., 2013; Kwon, Bae, & Lawler, 2010), for this reason the bundle of the practices are sometimes referred to as high commitment work practices (Chiang, Shih, & Hsu, 2014). The practices are believed to negatively impact employee turnover intention (Ma, Silva, Callan, & Trigo, 2015). Subsequently empirical evidence has revealed positive significant association between high performance work practices and organizational commitment (Gibbs & Ashill, 2013) but very little was done to link the effect of organizational commitment with overall organizational performance.


The extant literature revealed consistent significant relationship between high performance work practices and organizational performance (Camps & Luna-Arocas, 2012; Cheng-Hua, Shyh-Jer, & Shih-Chien, 2009; Gibbs & Ashill, 2013; Gittell, Seidner, & Wimbush, 2010; Karatepe, 2013; Moideenkutty, Al-Lamki, & Murthy, 2011; Mitchell, Obeidat, & Bray, 2013; Mahmood, Iqbal, & Sahu, 2014; Combs, Liu, Hall, & Ketchen, 2006; Paauwe & Boselie, 2005; Delery & Doty, 1996; Hulsed, 1995). But the mediating mechanism that facilitates such relationship has mostly been disregarded (Buller & McEvoy, 2012; Wright & Mcmahan, 2011; Hulsed & Becker, 2011; Malterich, Nyberg & Rielly, 2010; Bowen & Oshoff, 2010; Jiang et al., 2012; Kehoe & Wright, 2013a; Guest, 2011). Also, utilization of high performance work practices have significant impacts on organizational commitment (Lu et al., 2015; Boselie, 2010). Particularly organizational commitment was found to firmly relate with organizational effectiveness (Angle & Perry, 1981) organizational performance (Zehir et al., 2012; Ali, Rehman, & Ali, 2010b). Therefore organizational commitment can mediate the effect of high performance work practices and performance of Nigerian banking industry. Hence for effective multi-dimensional strategy implementation in the Nigerian banking industry this study propose the following model.
III. Discussion and Conclusion

The above model depicts the proposed conceptual model of high performance work practices and organizational commitment. The model demonstrates the conceptual framework linking the proposed effect of high performance work practices and organizational performance emanating from different sets of performance practice orientations which connects high performance work practices, organizational commitment and organizational performance in the banking sector. Specifically, the study was motivated by the need for a paradigm shift from gaining sustainable competitive advantage through financial capital formation to a more holistic view of competitive advantage through a combination of human and financial capital.

Furthermore, the proposed model in this study will contribute significantly to the realm of strategic human resource management research by simultaneously considering the motivational and commitment oriented high performance work practices in a single model. The model is consistent with the view of Kozlowski and Klein (2000) where they recognized that performance of organizations is a phenomenon that is contingent upon its human resource performance. They added that it is the human resource accomplishment of organizational goals is a central element that facilitates overall organizational performance. This assertion has span a literature from many scholars investigating how organizations human resources can lead to overall performance of an organizations (e.g. Kehoe & Wright, 2010; Liao, Toya, Lepak, & Hong, 2009; Wright & Kehoe, 2008). Despite scholarly focus on this important link little was done to investigate this effect in Nigerian banking context. Particularly empirical assessment of this model is timely in this industry considering the nature and manner that it suddenly became obvious that capital accumulation cannot solely make the industry achieve its full potentials. This is because of the fact that the banks has recently been recapitalized but barely few years later government had to intervene through the CBN to bailout the banks as the recent case mentioned in the preceding paragraphs.

Moreover, the model was underpinned by the social exchange theory in order to extend previous literature on banking performance and further reaffirm the social exchange reciprocity in exchange relationships (Blau, 1964; Emerson, 1967). Specifically, the model was developed based on the need for the banks to reconsider their strategy by strictly utilizing the practices that are centered toward human motivation which will eventually stimulates their overall affective commitment to the goals of the organization leading to their actual and effective accomplishment. In addition to the implementation of the motivation centered practices the model was developed to test the effect of commitment enhancing high performance work practices in the Nigerian commercial banking sub sector in order to ascertain how the practices will stimulate human resource behavior and the extent to which such behavior could lead to sustainable competitive advantage for the Nigerian banks and move them to greater heights.

Conclusively, multi-level investigation of the proposed model targeting employees and managers is of paramount importance because it will reveal the extent to which perception of each category of the workforce will respond to the motivation and commitment bundle of high performance work practices. In essence it will also show whether there is significant differences between employee and managers perspective on organizational performance. Specifically the call for multi-level investigation of the model in the banking sector will contribute to strategic human resource literature and it is also in line with previous literature calling for multi-level approach to strategic human resource investigation (Ostroff & Bowen, 2000). Again, the emphasis on greater investment in human resource in this study was motivated by its key role in promoting desirable attitude thereby motivating behavior that is strategic to achieving organizational performance.
Although the specific practices contained in both motivation and commitment oriented bundle of high performance work practices is not clearly presented, this remains a contextual and literature issues. Specifically, the exact practices that makeup the bundle should be guided by previous literature (Combs et al., 2006). For instance recently a high performance work practices literature taxonomy was presented (see Posthuma et al., 2013) hence future studies should reflect on previous investigations while considering the practices to include in their respective model.

References


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Focusing on Mediating Roles of Work Attitudes.

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