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Training Effectiveness, Recruitment, Commitment and Performance of Nigerian Banks: Does Strategic Implementation Moderates the Relationship?

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Abstract: For more than a decade Nigerian banks have been adopting various strategies to improve their performance but in most cases they tend to overlook the important role of strategic configuration of their human resources. This led to a situation where most of the strategies failed to deliver the desired results. In this vein literature on strategic human resource management has consistently linked the effect of effective training and recruitment with organizational performance. This development led to a call for scholars to investigate the role of organizational commitment as a potential mediator of their effect on organizational performance. However, investigation on the effect of organizational commitment on organizational performance in itself was reportedly mixed. Hence, this paper proposes a model linking the effect of training and recruitment on organizational performance through organizational commitment as a mediator. The model also shows how strategic implementation can serve as a potential moderator of the effect of organizational commitment on organizational performance in Nigerian banking industry.

Keywords: Training effectiveness, Recruitment, Organizational commitment, strategic implementation, organizational performance.

INTRODUCTION

The performance of the banking sector is important to the development and growth of the Nigerian economy (Ebimobowei & Sophia, 2011). Since the inception of banking business in Nigeria, the industry experienced one form of problem or the other ranging from dwindling earnings, under-capitalization, illiquidity, insolvency, weak corporate governance, board/management squabbles resulting in decline in overall performance of the banks (Adeyemi, 2006). In the quest to reposition these banks for adequate liquidity to ensure optimum performance and sound monetary viability, the Central Bank of Nigeria CBN introduced recapitalization and consolidation reform in the banking industry (Adeyemi, 2006). This strategic reform programme was implemented through a directive given to Nigeria's then 89 banks to recapitalize to the tune of 25 billion naira on or before 31 December 2005 (Asikhia, 2010). This prompted the merger and acquisition in the Nigerian banking industry which reduced the number of banks from 89 to 25, enabling most to meet the minimum capitalization requirement (Sanusi, 2010).

However, in 2009 CBN conducted an audit on the accounts of the recapitalized banks one year after they had all publicly declared an improved profit and the audit revealed that 8 out of the 25 post-consolidated banks were on the brink of collapse. Specifically, the then Bank PhB, Afribank, Oceanic Bank, Intercontinental Bank, Union Bank, Fin Bank, Spring Bank and Equatorial Trust Bank, needed more financial loan from the government to survive (Sanusi, 2010). Hence, the government came in and rescued them through the CBN with a bailout package of NGN620 billion, equivalent to USD 4 billion (Gberevbie, 2012).

Again in 2015 Liquidity Stress Test (LST) report released on 31 October 2015, revealed that the capital position of some of the Nigerian banks had fallen below the regulatory capital requirement. The LST had been conducted using implied cash flow analysis (ICFA) and maturity mismatch/rollover to assess the resilience of the banking industry to liquidity and funding shocks (Amugo, 2015). The reports covering the period 31 December 2014 to 30 June 2015 revealed that the Capital Adequacy Ratio (CAR) for the affected banks had fallen below the regulatory threshold. The report further revealed that the overall industry's CAR reduced from 17% to 16.5% as at April 2016. The Return on Asset (ROA) and Return on Equity (ROE) were 2.17 and 16.17 respectively in February 2016, which is less than 2.42 and 19.39 respectively in the same period for 2015. Consequently, the CBN sacked the management of some of these banks that had demonstrated a level of distress in the first and second quarters of 2016 (Nwachukwu, 2016; Saharareporters, 2016).

In addition, Teryima, Victor and Isaac (2014) investigated ten (10) most frequently used strategy implementation in the Nigerian banks. Their findings revealed that 6 implementation problems occurred on a constant basis to a degree of 100% in the banking operations/transaction. The specific problems relates to the fact that implementation took more time than originally allocated by 100%, coordination of implementation activities was not effective enough by 100%, competing activities and crises distracted attention from implementation by 100%, leadership and direction provided were not adequate by 100%, training and instruction given were not adequate by 100% and key implementation tasks and activities were not defined in enough details by 100%. The remaining four (4) implementation problems with slightly lower frequency of occurrence were; first the insufficient capabilities and skills of employees involved which recorded 98.52% frequency of occurrence, uncontrollable environmental factors which recorded 98.52% frequency of occurrence, unexpected problems that surfaced during implementation recorded 97.55% degree of occurrence while information systems used to monitor implementation were not adequate in Nigerian banks recorded 95.08% frequency of occurrence. However, they concluded that these factors are the restraining forces to strategic implementation that frustrate goal attainment in the banks.

Nevertheless, it was reported that recapitalization alone is not a major determinant of performance, because despite more capital base some of the commercial banks in Nigeria were still unable to maintain sustainable performance (Bernard & Michael, 2014; Obadeyi, 2014). This led to a situation where some banks are silently being acquired or merged, leading to a constant decrease in their numbers (Nzewi & Ojiagu, 2015). This implies that despite the increase in capital as a result of the recapitalization of the banking sector, the performance of the banks continues to dwindle (Bernard & Michael, 2014; Obadeyi, 2014; Owolabi & Ogunlalu, 2013). This implies that recapitalization has not significantly improved the profitability of some banks operating in the Nigerian banking sector (Bernard & Michael, 2014).

However, on one hand, strand of literature reported the need for a more focused human resource development strategy in order to fully realize the objective of the concluded recapitalization and consolidation reform (Fapohunda, 2012; Okafor, 2013). In addition, Okafor (2013) identified some key human resource strategies that recapitalized banks can adopt to improve their performance such as continuous training and development of employees, involvement of workers in decision making, periodic review of pay systems, and setting clear goals and objectives. More specifically, it was reported that Nigerian banks must ensure proper institution and implementation of strategic planning in order to ensure meaningful profitability (Nzewi & Ojiagu, 2015).

On the other hand, investigation of a positive link between human resource management practices, also referred to as high performance work practices and overall organizational performance, is prevalent in the scholarly literature (Ogunyomi & Bruning, 2015; Sani & Maharani, 2015; Delaney, Huselid, & Delaney, 2014; Kim & Sung-Choon, 2013; Buller & Mcevoy, 2012; Delery & Doty, 1996; Huselid, 1995; Gurbuz & Mert, 2011; Jensen, Patel, & Messersmith, 2011). But Tzabbar, Tzafrir and Baruch (2016) suggest investigating work attitude that can mediate the relationship between human resource practices and organizational performance. Buller and McEvoy (2012) also recommended investigation of the mediator between human resource practices and organizational performance considering a more specific configuration of strategy, human resource management practice and organizational performance. Hence, it was suggested that commitment to goals, commitment to the job, commitment to supervisor and commitment to work group could be impacted by human resource practices and related to organizational performance (Wright & Kehoe, 2008).

Additionally, Gomes, Angwin and Peter (2012), in their study of human resource management issues and outcomes in African mergers and acquisitions in Nigerian banks, revealed that there is less coherence between pre-merger strategy, human resource management practices, post-merger integration and outcomes. Hence, they recommended that future study investigate the alignment from strategy, through the implementation of human resource management practices to outcome how it can affect organizational performance (Gomes, Angwin, & Peter, 2012).

Moreover, study conducted by Pinho, Rodrigues, and Dibb (2014) revealed that organizational commitment does not affect organizational performance in a significant way. On the other hand, the effect of organizational commitment on organizational performance was found to be insignificantly related with some dimensions of organizational performance (Angle & Perry, 1981; Conway & Briner, 2012). However, while some studies revealed no significant effect between organizational commitment and organizational performance (Pinho *et al.,* 2014) others did report a significant effect (Rashid, Sambasivan, & Johari, 2003), implying inconsistent findings.

In view of the inconsistent findings Conway and Briner (2012) suggested that future studies incorporate a moderating variable in order to strengthen the effect of organizational commitment on organizational performance. More specifically, Nzewi and Ojiagu (2015) recommended institutional and comprehensive implementation of strategic planning by managers for effective performance of Nigerian banks. Therefore based on the mixed findings between organizational commitment and organizational performance, this study proposes a model linking human resource practices (training effectiveness and recruitment), organizational commitment and the moderating role of strategic implementation in line with previous studies (Barrick *et al.,* 2015; Bourgeois & Brodwin, 1986; Sirmon, Hitt, & Ireland, 2007).

LITERATURE REVIEW

Training Effectiveness and Organizational Performance

Training is seen as procedure and methods employed by organization to develop, modify and enhance the skills, knowledge, abilities and behavior necessary to enable employees perform their work effectively (DeNisi & Griffin, 2001). Organizations comprise bundles of resources and the role of human resource is very important in implementing the organizational plans and strategies which translates into overall performance (Elnaga & Imran, 2013). This implies that there is need for organizations to develop and frequently modify the attitude and skills of employees as important tool for achieving their desired objective (Herold, Fedor, & Caldwell, 2007).

Training is seen as the method through which employee attitude can be positively influenced to achieve organizational performance (Bartel, Freeman, Ichniowski, & Kleiner, 2011). Given the importance of employee training in organization and complexity in the required skill and task needed by modern organizations, it is concluded that training is a vital element which improves employee performance and in turn influences service performance (Mackelprang, Jayaram, & Xu, 2012) as well as overall organizational performance (Millar & Stevens, 2012).

In essence, scholars have recognized the importance of training in enhancing employee and organizational performance, which led to a more focused empirical investigation to validate the proposition. For instance, previous studies have established significant positive relationship between training and organizational performance (Millar & Stevens, 2012; Khan, 2010; Katou & Budhwar, 2006). It has also been widely reported that training effectiveness relate to employee attitude especially organizational commitment (Newman, Thanacoody, & Hui, 2011; Mcenrue & Groves, 2006). The effect of human resource practices especially training on organizational performance has been well established in the literature (Shin & Konrad, 2014). Finally, it was suggested that more effective training programs should be arranged in a bank so that employees can take advantage of technological innovation, which will facilitate effective communication of employees with all the stakeholders (Mufti, Parvaiz, Wahab, & Durrani, 2016). This is because it will enhance competences, increase the thinking horizon and vision of the employees and enable them to think out of box to generate and disseminate new ideas, which will consequently improve the business performance (Chahal, Jyoti & Rani, 2016).

Recruitment and Organizational Performance

The recruitment and selection practice is seen as the activity undertaken by organization in order to attract and identify potential employees into the organization. Particularly, extensive recruitment procedure has been widely documented in many human resource management researches as an exercise through which organizations attract a pool of individuals to undergo screening for the purpose of filling job vacancies (Highhouse, Stierwalt, Bachiochi, Elder, & Fisher, 1999). Through this process, the pools of employees are attracted for the purpose of choosing only those candidates that are qualified and found competent to perform the desired activity in an organization (Snell & Bohlander, 2007).

However, the extent to which organization achieve its objective may to a large extent depends on the rigor of organizational selection procedure (Storey, 2007). Hence, in order to enhance competitive advantage, organization's selection process should be one that is capable of attracting and retaining best pool of talented employees that will efficiently and effectively make significant positive contribution to the competitive performance of the organization (Kleiman, 2000). The recruitment, as one of the most important functions of human resource management practices, it is a technique that assists managers to attract and select the right applicant that can lead to organizational effectiveness (Ferris *et al.,* 1998).

Particularly, prior studies on human resource practices have long established relationship between these practices and organizational performance (Birkeland, Tangen, Idsoe, Berge, & Magerøy, 2015; Liu *et al.,* 2007; Rogers & Wright, 1998). For instance study conducted by Delaney & Huselid, (1996) long has established significant positive relationship between recruitment, and training and organizational performance. Similarly, Wright and Boswell (2002) reported that recruitment have significant influence on organizational productivity.

More specifically, some studies consider the joint effects of human resource practices on organizational performance while others investigate individual effect of the practices. Particularly, a positive significant relationship between recruitment practice and organizational performance has been well established (Khan, 2010).

Organizational Commitment

In recent times, organizational commitment has received considerable attention in the literature, for instance, (Mowday, Porter, & Steers, 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, eagerness to apply significant effort for the organization and a strong desire to keep working in that organization.

Moreover, Allen and 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' passion to identify with and support their organization. Today, organizations that lay more emphasis on ensuring commitment from their employees remain competitive and excel in the marketplace (Benjamin, 2012).

More specifically, employees with an affective commitment maintain their 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 any person (Alnýaçýk, Alnýaçýk, Akçin, & 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 *et al.,* 2012; Gill, Meyer, Lee, Shin, & Yoon, 2011; Zhang, Zhou, Su, & Zhou, 2013). The continuance commitment is based on the premise that employees stays with the organization based on pecuniary connection appended in their relationship with the organization, (Vandenberghe, Panaccio, & Ben Ayed, 2011).

The 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 & Asawo, 2012). Specifically, commitment improves performance, which stimulates organizational effectiveness and foster sustained productivity (Dixit & Bhati, 2012). The significance attached to organizational commitment has spanned several researchers to analyze the impact of commitment on work family role such as its impact on suggestion scheme (Jaja & Okpu, 2013). While there is a proliferation of literature, there has been little research attention on organizational commitment on performance of Nigerian banking industry. However, it was revealed that there is problem of loss of job commitment on the part of many employees in Nigerian banking sub sector (Okafor, 2013).

Strategic Implementation

Strategy and management scholars have long recognized the effectiveness of strategic choices in creating value and achieving organizations strategic objectives (Child, 1972). The managerial role in every organization comprise the practice of bundling resources and influencing these resources to explore their competences and capabilities as well as, strategically position them through harmonizing all the fundamental resources to create value for the organization through effective implementation (Barrick, Thurgood, Smith & Courtright, 2015). Additionally, for competitive advantage and performance to be achieved management effort must not be limited to the strategy formulation phase, but also ensure that such formulated strategy is implemented properly (Schendel & Hofer, 1979). In the event where management is highly committed to strategic implementation of organizational goals employee may clearly view how their roles involvement, value and greater collective sense of purpose will contribute to overall organizational performance (Barrick *et al.*, 2015). With high spirit of strategic implementation, employees are liable to feel bound with success of the task and how their collective effort will impact overall organizational performance.

Extant literature proposes that strategy implementation effectiveness is central to the performance of an organization (Olson, Slater, & Hult, 2005; White, Conant, & Echambadi, 2003). The literature has considered a number of different perspectives on organizations strategy implementation (Morgan, Katsikeas, & Vorhies, 2012). The first perspective of strategic implementation adopts an individual level viewpoint which mainly focuses on manager's commitment to implementation of strategic decisions (Noble & Mokwa, 1999; Rosier, Morgan, & Cadogan, 2010).

The second strategy implementation perspective focuses on the issues affecting the link between planning of the strategic program, execution and performance outcomes (Bonoma, 1984; White *et al.*, 2003). The third perspective is concerned with strategic fit which lays more emphasis on the extent of strategic alignment between the content of strategy, organizational culture and structures instrumental for the organizational performance (Olson *et al.*, 2005; Yarbrough, Morgan, & Vorhies, 2011). Finally, the fourth strategic implementation perspective is mainly concerned with how the strategy planning process and capabilities influence the planning performance outcomes (Menon, Bharadwaj, Adidam, & Edison, 1999; White *et al.*, 2003).

More precisely, the strategic implementation that is proposed in this model is the perspective that adopts an individual level viewpoint which is mainly concerned with manager's commitment to implementation of strategic decisions (Noble & Mokwa, 1999; Rosier, Morgan, & Cadogan, 2010). This is because effective strategic implementation requires the harmonized and appropriate collective efforts of employees throughout the organization (Olson *et al.*, 2005). The importance of strategic implementation in the realm of human resource development is evidenced when it empower organizations to compete favorably which eventually improve their overall performance (Alagaraja & Egan, 2013).

Organizational Performance

Organizational performance is an area that has a long history in the management literature and numerous authors have various meanings of organizational performance (Carmeli & Tishler, 2004; García-Morales, Jiménez-Barrionuevo, & Gutiérrez-Gutiérrez, 2012). Furthermore, Venkatraman and Ramanujam (1986) advocates for three facets of the performance, among them are: financial performance, business performance, and organization effectiveness, all of which are widely considered as organizational performance (Samson & Terziovski, 1999). Griffin (2000), advocates that organizational performance can be seen as the extent and degree to which an organization is capable of collectively achieving its set goals and objectives, while meeting the obligations of its various interest groups.

Literature revealed that cost and leadership (Santos-Vijande, López-Sánchez, & Trespalacios, 2012) middle level managers' attitudes and chief executive officers behavior (Wang, Tsui, & Xin, 2011), core competence (Agha, Alrubaiee, & Jamhour, 2011), behavioral integration (Carmeli, Schaubroeck, & Tishler, 2011) creativity, innovation, image, marketing, competence, were all positive predictors of organizational performance (Sultana, Rashid, Mohiuddin, & Mazumder, 2013).

Furthermore, enhanced civility towards service recipients (King *et al.*, 2011), enterprise resource planning system, and implementation was also found to relate firmly with improved organizational performance. In this vein, organizational and human capital resource firmly predicts organizational performance (Latham, Ford, & Tzabbar, 2012). Recent study conducted revealed that governance issues also lead to significant improvement in organizational performance (Newton, 2015).

Moreover, as scholars and practitioners increasingly focus on the need to determine factors that can significantly influence their performance, market demand and firm performance was found to be highly correlated with performance where mediating effect of green product innovation was also confirmed (Lin, Tan, & Geng, 2013). Both environmental performance and economic performance have been found to leverage improved operational performance, which leads to improved overall organizational performance (Green Jr, Zelbst, Bhadauria, & Meacham, 2012). Hence this led to the conclusion that human resource strategy can have a significant effect on organizational performance (Alsughayir, 2014) as proposed in this model.

THEORETICAL UNDERPINNING AND MODEL DEVELOPMENT

Resource Based View

Strategy and management researchers usually draw from the well-grounded theories in order to implement and apply strategies that are capable of creating sustainable competitive advantage for their organizations (Barney, 1986). To gain competitive advantage organizations must consider the importance of resources and products which are two sides of the coin which require harmony among one another (Wernerfelt, 2007). Researches in this realm mostly draw from the RBV theory of the firm (Barney, 1991; Penrose, 1959). Resource Based View RBV argued that organization can gain sustainable competitive advantage by utilizing its internal resources that are valuable, rare, inimitable and non-substitutable. Specifically, it was reported that human resource directly fit into this criteria (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Wright, 1992). Hence, it was further added that gaining sustainable competitive advantage through human resource can be accomplished through utilizing practices that induce employee commitment and motivation toward favorable organizational outcome (Combs *et al*., 2006).

RBV perspective contends that competitive advantage happens when an organization implement a competitive strategy that is not been duplicated by competing organizations (Helfat & Peteraf, 2003; Newbert, 2008). Hence sustained competitive advantage is said to exist where other organizations are unable to copy the advantages (Barney, 1986a; Barney, 1991, 1995). Hence, Barney (1991), posits that four criteria indicate whether the resource is getting a sustained advantage must: (a) add positive value to the firm (b) be unique or rare among competitors (c) be inimitable, and (d) not be substituted with another resource by competing firms.

Social Exchange Theory

Social Exchange Theory SET proposes that exchange interrelationships are dominant practice in social behavior (Homans, 1958). This relationship was demonstrated as the basis for employee and organization mutual exchange interrelationships (Blau, 1964). The social exchange relationship is based on reciprocal exchange between the employees and organization (Blau, 1964a). This is implies that if employee view his organization as providing policies that are supportive of his development, he will respond by exerting positive attitude towards accomplishing the assigned responsibility (Venkataramani *et al*., 2010). Scholars agree that social exchange encompass series of relationships that produce commitments (Emerson, 1976). Within SET these relations are generally seen as connected and dependent upon the activities of another person (Blau, 1964).

Hence, implementation of high performance work practices perceived by employee as supportive of his development makes employee more committed to the organization leading to positive outcome (Kehoe & Wright, 2013). According to Blau (1964), such reciprocal exchange begins from individual and eventually transcends individual level. Thus, if organization remain committed to implementation of its strategic goals, the outcome of employee improved effort and commitment can influence overall organizational performance.

In essence, the model in this paper is grounded on the assumptions of RBV because of many reasons. First and foremost, RBV laid emphasis on utilizing internal resource strategy which is valuable, rare, inimitable and non-substitutable. Wright and McMahan, (1992) posits that only human satisfy this criteria. Therefore utilization of training and recruitment practices to improve organizational performance is in line with RBV perspective (Combs *et al.*, 2006).

More specifically, the framework is based on the premise that effective implementation of training and recruitment practices will lead to positive social exchange which will result in organizational commitment. This is the same with strategic implementation which emphasize the role of managers as moderator. Based on the above, the model in this paper was developed which diagrammatically depicts the interrelationship and connectivity among the theories as shown below.

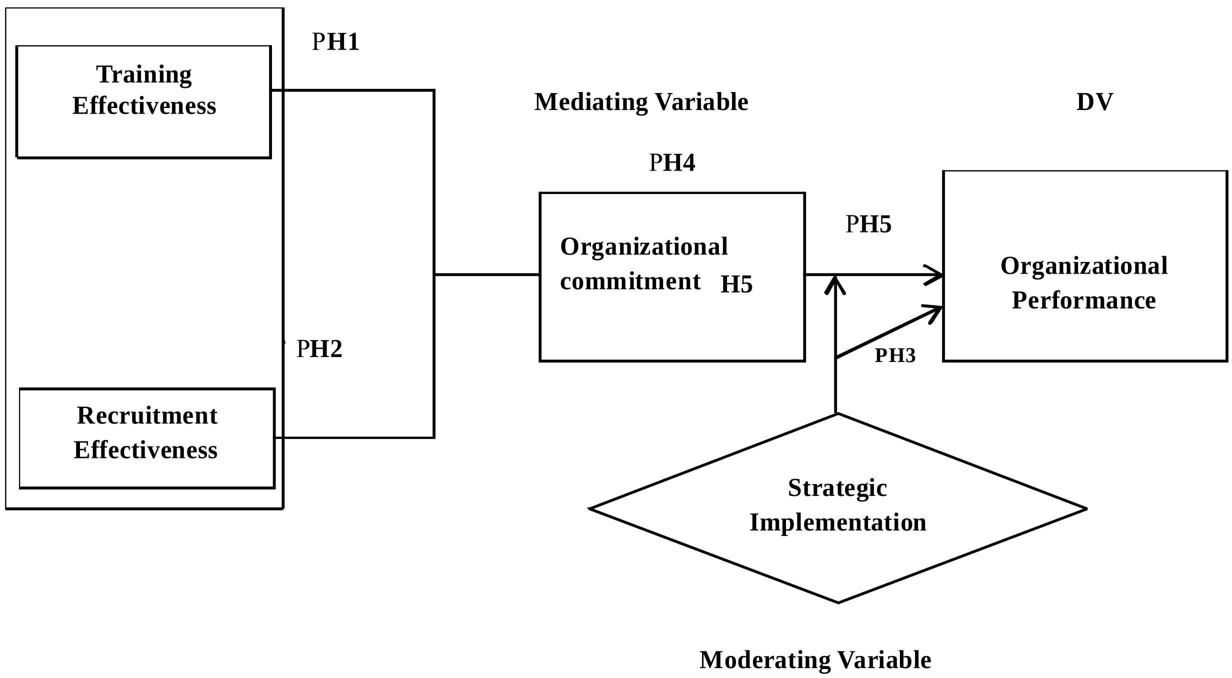

Figure 1: Proposed Research Framework

DISCUSSION AND CONCLUSION

The above model demonstrates how the relationships will be i.e. both direct and indirect effect among the constructs. Particularly, proposed hypotheses PH1-PH3 are the proposed direct effect paths; PH4 presents the mediation effect while the proposed moderated effect is demonstrated in PH5. The direct model depicts the direct interrelationships between independent and dependent variable as shown in Fig.1. The independent variables are represented by training effectiveness and Recruitment based on the premise that it has direct effect on the dependent variable Organizational Performance.

In addition, model propose that the effects of the exogenous construct on endogenous construct may be influenced through another a mediating variable represented by organizational commitment. Also, the exogenous construct may independently affect the endogenous construct as demonstrated in the model. In essence, the above diagrams depicts moderating effect of strategic implementation represented by SI, demonstrating the hypothesized effect of moderating construct on organizational performance. Therefore, based on the literature reviewed the model elaborate the typical nature of how proposed relationships in the study should be.

The model was developed based on the presumption that training effectiveness is positively related with the bank performance. This implies that the more management focuses on providing continuous training and retraining of their employees, the greater will be the positive effect on the performance of the banks. The significant effect of training will directly influence organizational performance and through organizational commitment implies that provision of effective training and development help the employees to update and increase their knowledge about latest advancements and enhance their technical competence to cope up with the extant challenges and get them well prepared. It will also enhance employee competences, increase their thinking horizon and vision of the employees and hence enable them to think out of the box to generate and disseminate more new ideas, which consequently improve the business performance (Chahal, Jyoti & Rani, 2016). In particular, the model is based on the presumption that banks need to devise ways to improve performance through their employee and management skills, to remain competitive. They need to leverage the costly-to-copy strategy which lies in their human resources. Unlike technology and other resources, human resource can be utilized to meet firm-specific needs and peculiarities unique to particular firm.

In addition the model proposes recruitment as a practice that ensure fit between the applicant organizational objectives and job requirements (Slabbert, 2014). This is because in this competitive edge bank can achieve its objective by putting in place effective procedure which ensure that right people are employed so that they can positively influence output, revenue and produce services that are of high standard (Mufti, Parvaiz, Wahab, & Durrani, 2016). Therefore, future empirical investigations are needed to test the proposed relationship demonstrated on Fig. 1 of this paper.

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