EXPLORING THE RELATIONSHIP BETWEEN HUMAN RESOURCE MANAGEMENT AND ORGANISATIONAL PERFORMANCE IN A DEVELOPING COUNTRY.

ADEOLA YETUNDE EKPE
Doctor of Philosophy

ASTON UNIVERSITY
Work and Organisational Psychology Group
Aston Business School, Birmingham
June 2005

Thesis summary

Aston University

Exploring the relationship between Human Resource Management and Organisational Performance in a Developing Country.

ADEOLA YETUNDE EKPE
Doctor of Philosophy
June 2005

Extensive research on the relationship between human resource management (HRM) and corporate performance has been carried out in developed countries. It is not clear whether the resultant theories can be generalised to less developed settings as much less research has been undertaken there. To fill this gap in the knowledge base, this research tests three Anglo-American models of theorising about the HRM/ Performance relationship in Nigeria, a developing country. The models tested were, (a) universalistic, which posits that 'best practice' HRM practices are related to better performance; (b) configurational, which states that HRM practices combined in a particular way will elicit desired employee behaviours and better performance and (c) contingency, which states that the effectiveness of HRM practices is contingent on the organisational climate, organisational strategy and the strategic orientation of HRM practices.

A preliminary study using longitudinal UK manufacturing company data was first carried out to define and test the climate measure to be used in the main study. The main research used primary data from Nigerian banks and secondary longitudinal financial performance data from a local bank credit rating agency. These enabled tests of the relationships between HRM, strategy, climate and organisational performance over time, using correlation and regression analyses.

The results indicate strong support for the contingency model as the human resource management/ organisational performance relationship was linked to strategy and organisational communication climate. Strategic orientation of human resource practices was also directly linked to performance. In support of the configurational model, human resource practices configured to elicit collaboration and commitment were linked to higher staff retention. No support was found for the universalistic model, as the number of organisational best practices was not linked to organisational performance.

Overall, the results strengthen the case for a generalisable theory of human resource management, demonstrate the applicability of some Anglo-American theories in a developing economy and will prove useful in practice as they highlight HRM practices that may positively influence performance in a developing country.

Keywords:
STRATEGIC HRM, HRM PRACTICES, COMMUNICATION CLIMATE, EMPIRICAL RESEARCH, NIGERIAN BANKING INDUSTRY, PERFORMANCE

DEDICATION

This thesis is dedicated to the memory of two special people.

My nephew, Daniel Onye James (DJ) Ekpe (24.12.86 - 8.8.04)

and

My beloved father, Adebanjo Oluneye Solaru (30.5.33 - 21.10.98)

ACKNOWLEDGMENTS

CONTENTS

8

10

CHAPTER 1

INTRODUCTION

This thesis is a report of quantitative research carried out to (i) empirically test different views of the theoretical relationship between human resource management practices and measures of corporate effectiveness (ii) ascertain the extent to which theories originating from developed country research settings apply in a less developed setting and (iii) identify practical ways in which human resource management practices might be used to enhance organisational performance.

This introductory chapter presents an overview and background to the study and specifies the research issues of interest. A definition of key concepts and an outline of the methods used are also included and the chapter concludes with a guide to the rest of the thesis.

The main research idea and the research setting were in response to calls by previous researchers to fill the empirical and theoretical gaps that currently exist, not only in the body of knowledge but also in carrying out investigations in environments with a dearth of research. Researchers have sought to establish theories of organisational effectiveness in general and strategic human resource management effectiveness in particular. They have also sought to identify the optimal mix of human resource management practices that enhance organisational performance and competitiveness (Becker & Gerhart, 1996; Guest & Peccei, 1994). However, most of the previous research on human resource management has been undertaken in America and the United Kingdom.

As the usefulness of any theory is enhanced by its generalisability, a key issue is whether these theories of human resource management and organisational effectiveness are applicable in diverse settings. This suggests that theories should be empirically tested in varying contexts. For example, theories arising in the

developed world should be tested in less developed settings. Similarly, theories emanating from manufacturing studies should be tested in service industries.

Moreover, companies are faced with increasing competition and globalisation and are under growing pressure to improve their effectiveness and maximise returns to their stakeholders. They are therefore exploring ways of improving their competitive advantage through cost reduction methods such as off-shoring or remote processing. These methods involve operating in other countries. Companies therefore want to know whether human resource practices which enhance corporate effectiveness in their home setting will have similar effects when transferred to less developed settings. Similarly, companies in developing countries may seek to raise their levels of performance by adopting the management practices of their counterparts in more developed countries. They also need to know whether these imported practices are effective in their local settings.

These practical issues indicate the importance of exploring the applicability of developed country theories in a developing country setting. Another practical issue faced by human resource managers is the difficulty of justifying why corporate resources should be allocated to human resource activities. Frequently, human resource practices are viewed as operating costs to the organisation rather than as contributors to better organisational performance. Studies that can demonstrate concrete links between human resource functions and organisational performance are therefore useful for helping to justify resource allocation to human resource practices.

Background to the Study

Early research on productivity and performance focused on craft workers. The research focus then shifted to manufacturing and worker productivity as exemplified by the works of Frederick Taylor (1947). The schools of human relations and organisational science followed from these and focused on issues such as labour relations, employee involvement and participation. With increased

technological change and the growth in service industries, research has increasingly emphasised human resource management as the most important influence on managing employees for the achievement of corporate objectives. There has also been a shift in research focus from manufacturing to technology and knowledge-based industries. Research interest has therefore moved from seeking to understand how to maximise individual level productivity in the manufacturing sector and is increasingly focused on identifying relationships between human resource management practices and corporate performance in the technology and service sector.

Following the resource- based view of the firm (Barney 1991), researchers have sought explanations for how organisations can maximise employee effectiveness and achieve superior performance using their internal processes, specifically their human resource management practices. Overall, there is empirical evidence to support a causal linkage between human resource management practices and organisational level outcomes (Huselid, 1995; Becker, Huselid, Pickus & Spratt, 1997; Patterson, West, Lawthom & Nickell, 1997). However, there is no consistent view of *how* human resource management practices actually influence corporate performance, nor is there a consistent view of what performance is.

> *"Whilst evidence mounts that human resource practices are at least weakly related to firm performance, significant theoretical and empirical challenges exist with regard to furthering our understanding of this relationship."* (Wright 2000)

This area of ambiguity is referred to as 'the black box'. The main research problem has been in deconstructing the black box. Additionally, research attention is increasingly focusing on the way in which human resource practices are linked to the strategic needs of organizations (Legnick-Hall & Legnick-Hall, 1988; Schuler, 1992). This area of interest is described as the field of strategic human resource management.

Three modes of theorising dominate research thinking in this area - universalistic, configurational and contingency. The universalistic theorists view human resource

13

management practices as 'one size fits all'. Thus, for example, the mere existence of high performance work practices is expected to lead to better corporate performance (Huselid, 1995; Pfeffer, 1994). On the other hand, the configurational view allows for particular combinations of human resource management practices, which are expected to lead to certain behaviours and desired outcomes from employees (Miles & Snow, 1978; Lepak & Snell, 2002). In contrast to the foregoing approaches, the contingency view recognises that environmental and contextual factors may play a part in the human resource management/performance relationship. Thus, contingency variables such as strategy are deemed to interact with human resource management practices to influence corporate performance.

There is increasing recognition in many of the empirical studies that there may be other factors not accounted for, which influence the relationship between human resource management and performance. As a result, recent studies have focused more on the contextual factors that may affect the relationship between human resource management and performance. For example, researchers have examined contextual factors such as strategy, value orientations and organisational climate (Barrette & Ouellette, 2000; Budhwar & Al-Hamadi, 2005; Neal, West & Patterson, 2005). In line with this trend, this research includes an examination of two contextual factors namely strategy and communication climate which may influence corporate performance.

The literature suggests that the impact of strategy on the human resource management/performance relationship has received greater attention than the impact of organizational climate. Some researchers have found that in the human resource management and productivity relationship, strategy is a moderator and organizational climate a mediator (Neal et al., 2005). However, there has not been much research into the impact of organizational climate though Denison (1997) asserts that adaptability, sense of belonging, participation and ownership are organizational factors that impact performance.

"Studying organisational processes and using the response and judgements of individual members of the organisation as indicators of those processes and conditions can be a useful way to understand and predict future performance and effectiveness. Very little research of this type appears in the academic literature on climate, culture or popular writing on the topic" (Denison, 1997: 24).

Implicit in this assertion is that climate may be linked to organizational effectiveness and that measures of climate can be obtained from within the organisation. The climate in any organisation consists of many factors, but Drenth, Thierry, & de Wolff (1998) viewed climate as the underlying basis of the organisation, and organisational communication as the central binding force permitting coordination among individuals for organisational behaviours. Furthermore, researchers such as Kotter & Heskett (1992) have asserted that organisations must align and motivate their employees to enhance performance. In addition, they state that the culture of the organisation must fit the context and be adaptable. Denison (1997) also mentions factors such as employee adaptability and involvement as being key to better performance. At the heart of involvement, adaptability and motivation are communication processes. Thus, climatic factors related to communication, such as employee perceptions of their involvement in and awareness of organizational aims and activities, were explored in this study.

As previously mentioned, most studies on human resource management and corporate effectiveness have been Anglo-American. However, with increasing globalisation and diversity in the workplace, more research is being carried out in other countries. For example, Harel and Tzafrir (1999) found a link between perceptions of organisational and market performance and human resource management practices in Israeli public and private institutions. More recently, Guthrie (2001) found a link between human resource practices, employee retention and productivity in New Zealand. Similarly, Bae and Lawler (2000) and Lee and Miller (1999) found relationships between human resource management and firm performance in Korean companies.

15

Furthermore, there have been a few treatises on the nature and development of HRM in African countries such as Algeria and Nigeria (Branine 2001; Ovadje & Ankomah 2001) and more substantial research in Kenya and South Africa. (Kamoche 1996, 2001; Wood & Mellahi, 2001) These examples are a welcome expansion of Anglo American research and have expanded the field of human resource management towards more universally applicable theories. However, more could be done in developing countries especially in Africa to boost the limited empirical data on human resource management.

> "*Nigeria and other African countries provide opportunities for more theoretical and empirical research.... Empirical investigation of aspects of various models, such as Kamoches's 2000 strategic model of HRM or Schuler et al's 1993 integrative framework for Strategic HRM will contribute to the field of international human resource management.* " (Anakwe 2002)

This has important implications for the development and generalisability of human resource management theory and informed the focus of this study.

The research problem

Correlations have been found between bundles of human resource management practices and corporate performance, but it is not clear how outcomes are achieved and whether there are other factors that influence them (Becker & Gerhart, 1996; Huselid, 1995). The situation is further complicated because of the three different and prevalent modes of theorising (universalistic, configurational and contingency) about human resource management in the Anglo-American literature. It is not clear which of these modes of theorising will be applicable in a developing country and which performance predictions will be supported by empirical data from a developing country environment.

This study (i) explores these three modes of theorising about corporate performance (ii) investigates whether the expected effects of human resource management hold true in a service industry in a developing country and the

16

extent to which strategic and climatic factors may influence the relationship. As globalisation has increased the need for managers worldwide to know about other country practices, the research findings may prove useful for multinational and local companies and human resource practitioners seeking to optimise their human resource management systems.

Definition of core concepts

The definitions of the key concepts of human resource management practices and corporate performance vary according to the theoretical stance adopted. For the purposes of this research, the core concepts of interest are defined below. A more detailed definition and operationalisation is presented in chapter 5.

Organisational performance

Organisational performance includes measures of efficiency and effectiveness. These are two distinct underlying concepts; the former being a function of technical ability to minimize costs of transforming inputs to output and the latter, the company's ability to maximize returns (Katz & Kahn, 1978). Additional measures of organisational performance include productivity, profitability, and employee retention. (Huselid, 1995; Guthrie 2001).

Human resource management

Human resource management involves all management decisions and practices that directly influence the human resources in an organization (Fisher, Schoenfeldt & Shaw, 1999). The underlying assumption is that HRM is driven by the corporate objective but is also a determining part of it. HRM will also influence individual employee outcomes such as motivation and corporate objectives such as low employee turnover and productivity. For the purposes of this study which is focused on organisational outcomes, HRM practices have been limited to selection, recruitment, induction, training appraisal and compensation practices though this is by no means an exhaustive list of practices.

Resource-based view of the firm

The resource-based view of the firm emphasises the link between strategy and the internal resources of the firm. Its underlying premise is that a firm can only achieve competitive advantage if it has rare, hard to imitate resources (e.g. human resources) that enable it to develop and deliver the strategies necessary to outperform the competition (Penrose, 1959; Barney, 1991; Ulrich 1991).

Competitive Strategy

Based on Porter (1980, 1985) firms will seek to gain competitive advantage by choosing one of a number of generic strategies: lowest cost producers, product or market differentiation or a focus on particular segments of the market. They may also seek better organisational performance by focusing on their service delivery or technological superiority.

Communication climate

The collective perception of the environment from within an organisation is generally referred to as organisational climate (Denison, 1997; Rousseau 1988) and is a basic feature of models of organisational behaviour. However, there are few validated measures of this construct as many researchers select features of organisational climate that best reflect their area of interest. For the purposes of this study, communication climate is the construct of interest and is a composite term for employee perceptions of three issues. Firstly, the extent to which employees within the firm perceive themselves as being aware of the strategic objectives of their organization. Secondly, the number of ways in which information is communicated and thirdly, the extent to which employees personally learn about company objectives. It is a climatic factor because it is measured from within the organisation rather than externally

The concept of communication climate is not as well established as the other constructs as it has limited theoretical underpinning. However, organisational climate is considered a key construct and communication is increasingly acknowledged as an important part of it. Moreover, researchers such as Von

18

Krogh, Ichijo and Nonaka (2000) view communication as the foundation of all modern organisations. However, Eisenberg & Riley (2001) state that communication climate studies are on the wane and that recent research is more focused on the relations between communication, culture and effectiveness. They suggest that research should continue being carried out to investigate the processes or modes of communication as well as the employee perceptions of the outcome of those processes.

Following the definition of the research problem and identification of the core concepts of interest, the main research questions were: 'Is human resource management related to organisational performance? What is the nature of the relationship and what theories best explain it? Which of the theoretical models is most empirically supported in a different environment?' Furthermore, the methods to be used in answering the research questions were considered.

Overview of Methods

The methods used are described in full in Chapters 8 and 9, but a brief summary is presented here. A quantitative perspective was adopted, based on a positivist epistemology that there is an objective reality, which can be expressed numerically. Hypotheses were derived from the universalistic, configurational and contingency modes of theorising in the human resource management literature. There were readily available measures for human resource management practices, strategy and outcome variables but none for communication climate. A measure of communication climate was developed from available data from UK manufacturing companies. The data had previously been used to establish a relationship between human resource management practices and performance. A preliminary study was then carried out to pre-test the measure and ascertain its suitability for the main study.

The main study was based on primary data collected from 42 banks in Nigeria that granted research access. Information was gathered on strategy, human resource practices and communication climate from chief executives, human

19

resource managers and employees through structured interviews and questionnaires. Secondary performance data were obtained from banking industry reports for the years 2001–2004 compiled by the leading credit-rating agency in Nigeria. The results of the data analysis are presented in chapter 10.

Plan of thesis

Following this introduction, a critical review of the literature is presented in Chapters 2 and 3 of this report. First there is a description of the structure and strategy of the literature review, followed by a review and discussion of previously published works in the field of human resource management, competitive strategy, corporate climate and communication.

In Chapter 4, conclusions of the literature review and the development of the research hypotheses are presented. The research objectives are also formally outlined, followed by an evaluation of possible research strategies. The section ends with a summary of the chosen strategy.

In Chapter 5, a theoretical model is outlined and operationalised and the research design explained. In Chapter 6, the research context is described. Chapter 7 describes the development of a communication climate measure. Chapter 8 details the preliminary study used to explore the effects of communication climate in the UK manufacturing industry. The main research study that was carried out in the Nigerian banking industry is detailed in Chapter 9.

The study results are presented in Chapter 10 and discussed in Chapter 11, which also includes limitations of the study and directions for future research. Finally, the research conclusions are summarised in Chapter 12.

CHAPTER 2

LITERATURE REVIEW

The research paradigm, organisational performance, competitive strategy and the resource-based view of the firm.

In this chapter, the strategy of the literature review is described, followed by an examination of the relevant paradigms, concepts and theoretical models in the field. In addition, a detailed review of the concepts of organisational performance, the resource-based view and competitive strategy is presented. These concepts provide a framework for dealing with the main research issues about the efficacy of human resource management.

The literature review consists of two chapters and was carried out with the objective of exploring the evolution of human resource management by focusing on the way human resource management is characterised and by examining the theoretical underpinnings of each approach.

This chapter:

- outlines the relevant research paradigm
- examines the fundamental models and theories of organisational performance
- defines and clarifies the concept of organisational strategy and its application to models of organisational performance
- discusses the resource-based view of the firm

The next chapter:

- examines the models and theories of strategic human resource management
- explores environmental (climate and culture) factors and how these may relate to organisational performance and strategy

Research paradigm

The concept of organisational performance may be explained within a research paradigm of the organization as an evolutionary organism that must adapt to survive or else die. Within this paradigm, the organization is analogous to an organism, which takes information from its habitat and, with the help of its own internal organs, acts in a manner that ensures its survival. Because all organizations exist in a particular environment and carry out certain internal processes, their internal and external environments can potentially impact performance outcomes.

This description fits with the general systems theory (Bertanlaffy, 1950) that views organizations as self-contained systems embedded in larger systems (rather like Russian dolls). As with the evolutionary paradigm, information is passed between the larger environmental system and the embedded organizational system. Actions are then taken by the organization through its internal systems to achieve levels of organizational performance that will ensure its survival. It should be noted however, that the organization might decide not to absorb or act on information from the external environment thereby operating a more self–regulating closed system.

The open systems approach recognises the interaction between two environments; the external environment in which the organisation is embedded and the internal environment of the corporation itself. The interaction defines the way the organisation copes by adjusting to any situation within which it finds itself. There is a constant exchange of information between the internal and external environment and this triggers the adaptability and adjustment process.

The closed system on the other hand is more rigid, gives minimum consideration to the environment and focuses more on the internal workings of the organisation. This can be likened to a cybernetic system with a self-regulating thermostat that is responsive only to the temperature within it. All output is

compared to internal goals and any adjustments to input and processes are only because of this internal stimulus.

Because the emphasis of the open system is more on adaptability than productivity, it is viewed as less rigid than the closed system and less subject to strict rules. However, it also raises the possibility that open systems are less productive than closed systems as responses to environmental triggers might overshadow internally generated goals. Mott (1972) suggests that all organisations have a mixture of open and closed systems and that the degree of openness or closedness depends on what level of the organisation is being examined. He suggests that top management are likely to have more open than closed systems as they are responsible for ensuring effective change within the organisation by adopting a mix of formal reactions within set parameters (i.e. closed) and informal improvisations (i.e. open) as a response to problems.

Having outlined the research paradigm, the following sections examine the key concepts of organisational performance, competitive strategy and the resource-based view of organization with a view to clarifying the theoretical perspectives that influence the study of the human resource management and organisational performance relationship.

Organisational Performance

There is no general theory of organisational performance but a number of approaches, models and underlying concepts seek to clarify and measure aspects of organisational performance. These borrow from fields such as economics, organisational behaviour and strategy.

Organisational performance is generally a company-defined measure, which means that the organisation is responsible for setting performance criteria or content. However, because no company exists in a vacuum, contextual factors have to be considered in evaluating organisational performance outcomes and their impact on the organisation and its stakeholders. This means that organisational performance

23

has to be compared with internal and external benchmarks in order to understand how well the company is performing. External stakeholders such as shareholders will tend to view the organisation as successful if they get satisfactory financial returns on their investment relative to other organizations.

In order to more fully understand the concept of organisational performance it is useful to refer to Katz and Kahn (1978) who view organisational performance as comprising two distinct components namely, effectiveness and efficiency. The former is defined as the company's ability to maximize returns and the latter, a function of its ability to minimize the costs of transforming inputs to output. Thus, when examining organisational performance, an underlying assumption is that the *effectiveness* of an organisation is a function of how *efficiently* it uses its resources.

Organisational effectiveness: Organisational effectiveness tends to be treated in the literature, as an outcome variable, which must be attained for corporate survival. However, it is not clearly defined. Rather there are broad definitions of the attributes of organisational effectiveness. For example, Lawler (1992) describes its features as 'higher quality product and services, less absenteeism, less turnover, better decision making, and better problem solving'. Another early definition of organisational effectiveness in the sociology literature is 'the ability of the organisation to mobilise its centres of power to produce, adapt to change, and cope with emergencies' (Mott, 1972; pp 34): i.e. effectiveness was defined as a mix of three concepts: productivity, adaptability and flexibility. Early research tended to focus on ascertaining what factors drove these aspects of effectiveness but results were contradictory. For example, some early studies of productivity found relationships with job satisfaction but others asserted that productivity and job satisfaction do not necessarily go together. Guest and Peccei (1994) suggested that organisational effectiveness could not be separated from human resource management effectiveness and asserted that measures of the former should be used as surrogates for the latter.

Goodman, Pennings & associates (1977) outlined one problem with conceptualisation of effectiveness as the difficulty of distinguishing between its determinants and its components e.g., 'Is adaptability a predictor or a characteristic of effectiveness?' These observations highlight the need to have precise definitions of effectiveness and raise issues of the limitations of work in the field especially with measurement.

Campbell (1997) asserted that all organisational theory should include the construct of effectiveness. He made a distinction between organizations for which effectiveness is the attainment of a specified goal and organizations operating within an open system in which effectiveness is judged in terms of their ability to adapt and survive. A key gap in this body of literature is that the domain of effectiveness is not specified. Furthermore, as there are no theoretical determinants or antecedents of effectiveness, clear indicators of effectiveness have not been identified.

In summary and building on previous definitions, organisational effectiveness may be considered as an important component of organisational performance and a measure of the organisation's ability to adapt effectively to its environment and survive through performance maximisation.

Organisational efficiency: Organisational efficiency has not been the subject of extensive research. This may be due to difficulties with measurement and definitions in human resource management terms. However, the resource-based view of the organisation, transaction cost theory and human capital theory are geared towards understanding efficiency.

The resource-based view is discussed later in this chapter but essentially promotes the idea that a firm's internal resources are the key to its competitive advantage and better performance if they are rare, inimitable and firm specific. Transaction costs theory assumes that businesses will seek to economise the costs of achieving agreed exchanges (Williamson, 1981). It could be applied for

example to the question of how employers manage their contracts with employees and suggests that organisations will establish structures that will economise the costs of establishing, monitoring and enforcing agreed-upon employee behaviours. Essentially, bounded rationality has to be balanced against opportunism for both employer and employee. In other words, organisations that require firm- specific skills are expected to create internal mechanisms that will result in self- interested and boundedly rational employees being committed to the organization rather than exploiting it for their own ends.

Human capital theory as expounded by Becker (1964) refers to the productive capacity of the individual. An employee's knowledge, skills and experience should contribute to the organization's productivity and adaptability and ultimately organisational performance. Any investment in human capital is therefore aimed at reaping future returns on the investment (Flamholtz & Lacey 1981). Cascio (1991) concurs with this view and asserts that there must be human capital investment to get productive behaviour. Such investment would include the costs of monitoring, motivating, training and retaining staff. Thus the human resource process can be used to *buy* human capital by paying the employee more or to *make* human capital by training more.

In summary, organisational performance is enhanced by the efficient use of resources such as employees in order to maximise the return on investments in them.

Measurement of organisational performance: There are a variety of ways in which organisational performance is analysed in the literature. As organisations differ in their desired goals, measures of organisational performance depend on the objectives of the assessment and the type of organization being assessed (Hunger & Wheeler, 1997). It has also been suggested that organisational performance should be measured using multiple criteria, as different dimensions of performance will be affected by different variables (Ostroff & Schmitt, 1993). Ketchen, Thomas and Snow (1993) reviewed a number of measures and suggest

26

that organisational performance measures should include measures of profitability and return on investment. These seem to be good measures as they assess how efficiently the total assets of the organization are used to generate profits. They can be used to compare efficiency across organisations with different characteristics as the measure is relative to each organization's assets i.e. given the desire for viability, how good is the organisational performance relative to its competitors? Any differences might then be ascribed to differences in organisational processes and individual goals.

Lumpkin and Dess (1996) assert that multiple measures should be used in research in order to avoid formation of misleading theory. Richard and Johnson (2001) in their study of US banks used employee voluntary turnover and employee productivity as measures of organisational performance. Makhamreh (2000) used earnings per share, stock prices and stock values as measures of bank performance in Jordan. Though Makhamreh concluded that earnings per share were one of the 'better' measures of bank performance, there was no explicit definition of what 'better' meant.

Overall, it seems that there is no agreement on the precise measures of organisational performance. However, there is general agreement that multiple measures should be used and it can be inferred that such measures should include indicators of efficiency and effectiveness. One particularly useful treatise on the issue of corporate performance measures is by Goetzmann and Gartska (1999) who trace the early attempts by academics to compare economic performance across firms using empirical data and examine the developments in economic theory that are relevant to the performance assessment of firms. They point out that the major problem with measuring performance is the lack of ability to generate appropriate accounting numbers that can be plugged in to theoretically correct economic models. The real usefulness of their article is their caution on the use of measures such as internal rate of return. They also caution that too often, computations of capital employed and investments tend to be based on tangibles and other expenses such as research and development are not

considered. They carried out a study of long-term firm survival and concluded that this may be related to some accounting measures.

They found that a simple measure of earnings per share explains differences across firms and can be used to predict future performance. Before arriving at this conclusion, they had tracked the performance since 1927, of the top and bottom fifty portfolios of a number of U.S. firms ranked on earnings on invested capital. After adjusting for bankruptcies and mergers, they calculated the adjusted rates of return on the stocks for one, five, ten, twenty- five and seventy years after. The earnings on invested capital (EOIC) appeared to be a predictor of firm survival over the long term. Firms with high EOIC over time had a stronger tendency to perform better and survive over seventy years. This suggests that return on equity, a measure of profitability and a similar measure to EOIC is a good indicator of survival. However this suggestion should be treated with caution as there may be other factors that were not considered in the study by Goetzmann and Gartska. For example, they did not say anything about the years for which there were no reports so it is possible that some firms did badly in those years and then recovered. There was also no explicit statement about the firms in the bottom fifty and whether they had performed significantly badly compared to the better performing firms.

In summary, the predominant literature on organisational performance uses an open systems perspective. Because of the emphasis on adaptability based on information/ feedback from the environment, there is an implied suggestion that organisational performance should be compared between, rather than within organisations, using multiple accounting and other measures. Each organisation should have a plan of action that determines how well it adapts to environmental stimuli such as market forces and threats from other organisations. This plan of action is its competitive strategy, a concept that is discussed more fully below.

Competitive Strategy

In the competitive strategy literature, a firm is effective or successful if it has competitive advantage. Thus, organisational performance is viewed as the extent to which an organisation consistently outperforms the competition.

Prahalad and Hamel (1994) emphasise the importance of leveraging the core competencies within the firm to gain competitive advantage and enhance organisational performance. They advocate that companies strategise for the future, to pre-empt the effect of their current strategy becoming obsolete or imitated. They further highlight the challenges of changing environments, industry boundaries and competencies and raise the three main challenges facing companies trying to outperform the competition as (i) the changing environment or continuously shifting industrial terrain; (ii) institutional inertia or outdated strategies that may eventually lead to diminished performance and (iii) individual estrangement or the alienation of employees.

Prahalad and Hamel (1994) also emphasise that strategic processes should be implemented proactively and internal competencies built up to deliver the strategic architecture that enhances organisational performance in the long term. They suggest a combination of two processes. Firstly, one in which the company outthinks the competition and 'invents' the future by staking out anticipated markets and opportunities and acting as a trailblazer. Secondly, a process that allows the company to react to information and signals from the environment by being flexible and adaptable. The main criticism of this approach is that no framework is given for determining what kind of strategy should be used. The focus tends to be on the desired goal (i.e. outperforming competitors in the future) rather than a guideline for determining how this goal may be achieved. In other words there is a focus on *what* is to be achieved rather than *how it* is to be achieved.

By contrast, Porter (1980) adopts a more deterministic view and postulates that a number of generic strategies form the bases for how firms achieve better

performance without differentiating between any time spans or markets. The three generic strategies outlined by Porter (1980) are (i) a cost leadership strategy where a firm produces and supplies goods at the lowest cost i.e. cost leadership relative to competitors. (ii) a differentiation strategy where a firm seeks to be unique and chooses those characteristics by which it will differ from its rivals and is able to charge a premium i.e. product, service or process differentiation. (iii) a focus strategy in which the firm chooses a market or product segment of industry to which it supplies goods or services exclusively. Furthermore, within the focus strategy, a firm can supply goods or services at low cost i.e. cost focus or can supply goods or services that are not available from anyone else i.e. differentiation focus. Porter further argued that for longer- term advantage, a firm has to choose very clearly one of these strategies and avoid being 'stuck in the middle'.

Whilst these generic strategies provide a useful framework for determining the means by which organizations seek to enhance their performance, they raise some issues. Porter seems to equate cost leadership with lowest price and as Johnson and Scholes (1993) argue, this is not necessarily so. Firstly, cost is an input measure and price is an output measure and should therefore, not be equated. Furthermore, a firm with the lowest cost output may not necessarily price its offerings lower than its competitor. This suggests that cost differentiation is not in itself a provider of competitive advantage as only an output can give an advantage. However, if a low cost strategy is pursued, it can confer an advantage in terms of higher profit margins, lower prices or adaptability i.e. a company operating a low cost strategy will be able to withstand a price war better than the competition. A low cost producer can also increase its performance and market share by dropping prices and forcing the competition to forgo some of their margin or market share.

The differentiation model should also be viewed with caution as Porter argues that a product or service that is offered as unique should attract a premium. However, a firm could offer a better product at the same or lower price as its

competitor in order to gain market share. Additionally, differentiation should be defined from the point of view of the customer, not the product itself. Overall, Porter's generic model has tended to be used in empirical studies and represents a good frame of reference by business managers, many of who have been to business school or on business courses.

Resource-based view of the firm

Following Penrose (1959), the resource-based view of the firm espoused by (Barney, 1991) attempts an integration of the two strands of debate (i.e. internal vs. external resources and longer term focus as determinants of competitive advantage) and takes the view that valuable, hard to imitate internal resources and capabilities, which are appropriately linked to the firm's strategy are the key to better performance and competitive advantage. He defines this situation as arising 'when a firm implements a value-creating strategy not being implemented by any current or potential competitors by using its resources which include all assets, capabilities, processes, information and knowledge'.

He further distinguishes this from *sustained* competitive advantage, which he attributes to a company's ability to leverage its internal resources (e.g. its human capital) to produce unique firm-specific assets that are not easily replicable. Thus, any contributor to better performance that can be copied easily is not sustainable. This resource-based view is a blend of organizational economics and strategic management and can be applied if two conditions are fulfilled; (a) resources must be variable among competitors and (b) resources must not be easily obtainable.

Barney (1991) states that human resources can be made inimitable for sustained contribution to better performance unlike other resources such as technology and capital that are more easily copied or acquired. It can be argued however, that employees who are not easily imitated are mobile and they can be lured by the competition by means such as higher compensation. This suggests that to make human resources inimitable and committed, the corporate environment

31

should support the employee to the extent that they cannot function as effectively in another organization. Thus, employees should be developed through training and other human resource practices, processes and systems in a manner that makes them less likely to go to other organisations or makes them less effective if they leave.

Barney (2001) stresses the importance of the resource-based view to management research but accepts that there are limitations to this perspective. He suggests that the value of a firm's resources must be seen in the specific market context in which it operates. He also proposes the application of evolutionary analysis to the logic of the resource-based view and warns of the limitations of prescriptive notions of the antecedents of better organisational performance. He advocates that the resource-based framework should be integrated with questions of context and strategy, an observation that forms a useful basis for researchers interested in investigating how human resources in an organization can be used to achieve enhanced organisational performance.

While Barney argues that the resource-based view is a useful perspective for strategic management research, Priem and Butler (2001a, 2001b) have criticised this approach as tautological (i.e., self evident) and therefore not subject to empirical investigation. Furthermore, they note that variables such as value, rarity and inimitability of resources are not adequately parameterised. In other words it is not clear how they are to be measured. Barney in defence demonstrates the testability of the factors involved and notes that the resource-based view has increasingly been applied in disciplines other than strategic management for which it was originally conceived. He however cautions on the equifinality of the resource-based view and acknowledges that there may be resources, other than the ones being measured, that may produce the same value for a firm. In other words, though the organization's rare and inimitable resources may be linked to organisational performance, there may be other environmental factors or resources that may also contribute to performance but are overlooked e.g. technology.

Barney (2001) also outlines two alternative ways of looking at resources namely (i) the ability to implement a strategy could be seen as a resource itself and (ii) implementation may depend on resources that do not in themselves enhance organisational performance but are complementary to the resources that are rare, inimitable, non substitutable and valuable. If these two alternatives are used in examining for example, human resources, they could be seen either as competent enough to implement corporate strategy or able to use some other complementary resource such as technology to implement strategy. Thus, the rare, inimitable resources may not in themselves lead to better performance if they are substitutable e.g. the use of intelligent systems in banking to substitute for human resources such as highly skilled credit officers or traders.

Overall, Barney stresses the importance of the resource-based view to management research but accepts it has limitations and suggests that the value of a firm's resources must be seen in the specific market context in which it operates. He also suggests the application of evolutionary analysis to the resource- based view and warns of the limitations of prescriptive notions of firm performance and competitive advantage. The resource-based view is not a theory as it does not consider any temporal elements or explain how any causal relationships might occur. Barney acknowledges this and by advocating that the resource-based framework should be integrated with questions of context and strategy, he provides a useful platform for research into the mechanisms of achieving better performance through an organization's human resources.

Building on Barney (1991), Prahalad and Hamel (1990) and Porter (1985), Kamoche (1996) proposes a resource-capability view of the firm. He makes a distinction between resources and capabilities but stresses the interaction between the two. Thus, the firm is seen as being in possession of tangible and intangible resources and capabilities, which can be used to compete on a market or product basis. The resource based view and the resource-capability model are not mutually exclusive in that resources are seen as the inputs for a production

process whilst capabilities are what the firm is able to do with the resources. Thus, resources and capabilities are seen as drivers of the strategy of any organization, a notion that forms the cornerstone of the strategic human resource management perspective, which aims at achieving sustained and better organisational performance through human resources. In both situations, the competence of the human resource is paramount.

The literature on the three areas reviewed above can be viewed holistically in the sense that the objective is the pursuit of a strategy that will enhance organisational performance in the short to long term by utilizing or creating firm specific, rare and hard to imitate resources. Organisational performance, competitive strategy and the resource-based view can be useful frames of reference for the examination of human resource management. In short, strategy is the input, effective and efficient use of human resources (following the resource-based view) is the processor and competitive advantage via superior organisational performance is the outcome. Information on outcomes is then fed back into the organization so that strategy and human resource practices can be adapted for better performance. The next chapter reviews the concept of human resource management within this framework.

CHAPTER 3

LITERATURE REVIEW

Modes of theorising about strategic human resource management and organisational performance

This second part of the literature review examines the theories influencing the research on the links between human resource management and organisational performance. The review:

- examines the models and theories of strategic human resource management
- explores environmental (climate and culture) factors and how these may relate to organisational performance and strategy

Fombrun, Tichy and Devanna (1984) propose a simple and generally useful definition of human resource management as 'the practices used to manage people.' These practices include selection, training, appraisal and reward processes. Each of these practices has tended to be developed independently and human resource management has essentially been treated as the sum of the processes in each practice. When these practices are aimed at achieving strategic objectives, they are referred to as strategic human resource management practices.

The literature on strategic human resource management is extensive and much of the work in this area has focused on linking the adoption of various human resource management practices to measures of organisational performance such as employee retention, productivity and profitability. More recently, the focus has shifted toward investigating *how* human resource management affects performance and exploring the effectiveness of human resource management practices rather than measuring their mere existence (Huselid, 1995; Pfeffer, 1994). Pfeffer also argues that sustainable and competitive advantage and better organisational performance arises from the firm's ability to manage its human capital effectively. In a similar vein, Delery and Doty (1996) and Lado and

Wilson (1994) assert that human resource management activities should be viewed as contributors to corporate profitability rather than as costs of production.

Definitions of strategic human resource management

Early research in strategic human resource management focused on micro-level studies of individuals in the workplace to determine the causes of workforce productivity. Research has moved from early studies of scientific management such as those by Frederick Taylor (1947) involving the study of production processes at a micro-level to macro-level studies of organisational performance via the aggregation of individual level data. This is typically referred to as strategic human resource management and seeks to highlight the importance of human resource management practices in determining organisational outcomes such as profitability, productivity and employee turnover (Huselid, 1995).

Following Barney (1991), the literature highlights an increasing realisation that all the resources available to an organisation must be used efficiently to maximise performance. In particular, the people who operationalise corporate strategies are of key importance, as they are likely to be the scarcest and most inimitable resources. These employees hold the key to the efficient use of all other corporate inputs and it therefore becomes imperative that an organisation has the right number of people with the appropriate talent to maximise corporate goals (Schuler & Jackson, 1987). The process by which the organisation achieves this balance is also described as strategic human resource management.

The foregoing demonstrate that there are many definitions of strategic human resource management and while many researchers seem to define it clearly, others note a major weakness in current approaches to this core construct (Wright & McMahan, 1992; Ogbonna & Whipp, 1999). They assert that there is no clear definition of strategic human resource management and since there are few theoretical models to aid understanding of the processes that define it, there is difficulty in differentiating it from human resource management.

36

The ongoing problem with definitions is not surprising, as theories applied to the study of strategic human resource management tend to be from diverse perspectives and environments. Pieper (1990:11) noted, "the industrialised nations of the western world have developed characteristic approaches to human resource management which do show some similarities, but are different, often contradictory, in many respects. It seems that in practice, a single universal human resource management concept does not exist."

The empirical research on human resource management tends to be based on different modes of theorising though the differences in alternative perspectives have not been fully or explicitly acknowledged (Delery & Doty, 1996). Empirical findings on the human resource management and organisational performance relationship have been mixed and it appears that while human resource management practices have been found to influence organisational performance, the strength of the relationship may be dependent on contextual factors. This may be because the conceptual link between individual level behaviours and organisational level performance may be contextual variables that span the different levels of analysis (Kopelman, Brief & Guzzo, 1990).

Furthermore, though Pfeffer (1994) and Huselid (1995) have adopted a 'best practices' view, there is no clear indication of which particular human resource management practices are best for predicting performance (Bretz, Milkovich & Read, 1992; Rynes & Boudreau, 1986). There are also problems with definitions of many of these practices as they may have identical labels but may actually be very different when operationalised. Thus, for example, there could be an assertion in two different empirical studies that 'sophisticated compensation practices are linked to higher performance' but on closer inspection, the nature of the practices may be completely different. For example, Leonard (1990) discovered that long-term incentives for executives were related to higher returns on equity whilst Aboud (1990) found that performance-related pay was linked to future organisational performance. Thus, two so called 'progressive

compensation schemes' were actually describing two completely different practices.

Similarly, two identical processes may have very different outcomes in two different contexts e.g. selective recruitment of customer-facing employees in a bank may give different results if the same parameters were used for recruiting call centre operators. Thus, outgoing and cheerful cashiers may perform well in a bank where they are in close contact with customers but perform less well when they are placed in a call centre and can only connect by phone.

Perhaps one way to achieve better understanding of the concept is to characterise strategic human resource management as a process of planned actions that link an organisation's human resources to its strategic intents. Furthermore, strategic human resource management is a means of achieving rather than a part of generating strategic choices (Legnick-Hall & Legnick-Hall, 1988). It can be distinguished from human resource management because it emphasises implementation over formulation. However as human resource management and strategic human resource management are generally accepted as aiming to contribute to organisational objectives, the terms are used interchangeably in this thesis.

Theoretical influences on human resource management

General systems theory: Wright and Snell (1991) and Katz and Kahn (1978) view human resource management as a subsystem of the organisation; this view is consistent with the general systems theory proposed by Bertalanffy (1950) and Boulding (1952) and introduced in chapter 2. General systems theory is one of the most prominent theoretical views from other fields that have influenced the field of strategic human resource management. Researchers have applied this theory in different ways (Katz & Kahn, 1978; Wright & Snell, 1991 ; Koslowski & Salas, 1994). Katz and Kahn treat human resource management as a subsystem of a larger organisational system. They adopt a role behaviour theoretical perspective in which human resource management is the means by which desired

38

behaviours are transmitted through an organisation. Thus, human resource agents send role information through the organisation and there are rewards for 'good' behaviour, congruent with organisational goals. Using general systems theory, Wright and Snell describe a competence management model and Koslowski and Salas use a multi-level approach to investigate training implementation and skill/knowledge transfer.

When applied to the study of organisations, general systems theory conceptualises the organisation as a system comprising a number of interrelated parts or subsystems, where all the parts are intertwined and interpenetrate within the context of an external environment. The theory includes options for open or closed systems; the latter being self-regulating and the former being dependent on the external environment for stimulus/inputs that are then transformed into outputs to be fed back to the environment. A fundamental feature of the open system is the feedback loop, a process that feeds information about the output into the environment, which then feeds it back into the system. This process can be used to understand the impact of strategic interventions on corporate outputs and the consequential response that is then fed back into the strategic process via communication. The open systems approach has also inspired a range of strategic human resource management perspectives. These include the role behaviour perspective and institutional theory.

Role behaviour perspective: In the role behaviour perspective, human resource management is the principal method by which the organisation communicates its desired behaviours to its members and supports and evaluates these behaviours. This perspective is expected to be effective when human resource practices convey consistent company expectations. They must also evaluate and reward desired behaviours, which are congruent with its business strategy and the nature of the industry. Katz and Kahn (1978) asserted that role behaviours are not specific behaviours or job performance but 'the recurring actions of an individual, appropriately interrelated with the repetitive activities of others so as to yield a predictable outcome'. They focused on roles as the parts that make up

39

an organisational system and implied that effective organisations would have role behaviours that meet the need of external stakeholders. In a similar vein, Friedreksen (1986) proposed that human resource management is the method by which the organisation communicates and affirms desired roles through internal processes.

A fundamental assumption of this perspective is that the organisation is a social system made up of many role senders and many role evaluators. Schuler and Jackson (1987) also expanded on this behavioural framework by proposing the formulation of human resource policies designed to reinforce Porter's generic strategies of product differentiation and cost reduction (as discussed in chapter 2). The behavioural framework has also influenced the introduction of ideas on competencies, i.e., 'underlying characteristics which result in superior performance on the job' by Klemp (1980), Boyatzis (1982) and Wright and Snell (1991). The issue of competencies addresses the antecedents of better organisational performance summarised by Wright and McMahan (1992). These include a postulation that individual performance levels must matter, that the firm must seek rare skills, and that human capital should be firm specific. They also assert that human resource must not be easily replicable by technology.

Institutional theory: *Another perspective, institutional theory, seeks to explain* human resource management approaches using context as the major factor. According to this theory, organisations seek approval for their performance from their stakeholders and conform in order to get legitimacy and thereby survive. There are external pressures from regulatory authorities and internal pressures to conform to regulations, policies and systems. Under the institutional theory framework, the more successful companies become role models for others and their way of doing things may be imitated, leading to management fashions and fads. Other institutional features that can affect human resource are structure and size of an organisation. Institutional theory would state that larger firms have more sophisticated human resource management activities because they are under more pressure to gain or maintain legitimacy; thus, larger organisations use

40

more sophisticated staffing and training methods and pay more (Terpstra & Rozell , 1993; Lawler, Mohrman & Ledford, 1992).

Modes of theorising about human resource management

While the underlying constructs may be considered as reasonably well defined, strategic human resource management is still an emerging theory. Dyer (1985) observes that there is no strong theoretical grounding for human resource management. Guest (1997) suggests that theories about human resource management can be classified into three broad categories: (1) Strategic theories that are concerned with human resource management policy and practice and their relationship with contingency factors such as strategy or climatic factors. (2) Descriptive theories that essentially look at the content of human resource policies and a range of desired stakeholder outcomes. The theories focus on employee relations and how management balances the demand of competing stakeholders and are not concerned with explaining the reasons for links between human resource management and performance outcomes. (3) Normative theories of human resource management that are very prescriptive in approach and advocate the use of specific human resource practices that are designed to bring about positive performance outcomes.

Delery and Doty (1996) adopt a different nomenclature and classify the main modes of theorizing as universalistic, contingency and configurational. The universalistic approach is a best practices approach and can be compared with the normative approach outlined above. The contingency perspective is similar to the strategic model previously mentioned and is based on the premise that human resource policies must be consistent with other features of the organization such as strategy (Schuler & Jackson, 1987). The configurational model is based on the notion that several human resource practices can be combined in a pre-determined manner to ensure the best fit with some internal features of the organization in order to achieve corporate goals. It is somewhat prescriptive but differs from the universalistic approach because it allows for

different 'bundles' of practices to be used, depending on the specific conditions within the organization i.e., it is not a 'one size fits all' approach.

Universalistic models are informed by a micro-level perspective and consist of important strategic practices, which can be linked to performance. The underlying assumption is that human resource management is appropriate in all forms but the adoption of best practices or high performance work practices will lead to better outcomes (Pfeffer, 1994; Huselid, 1995; Delaney, David & Ichniowski, 1989). Such practices include employment security, selective hiring, self-managed teams, high compensation based on organisational performance, extensive training, reduction of status differences and sharing of information. Furthermore, for optimal effectiveness, the practices must be aligned with features of the organization e.g., larger firms may be more process driven than smaller ones (Schuler & Jackson, 1987).

Configurational theory adopts a holistic perspective and states that enhanced performance can be attained by utilising a set of mutually reinforcing practices which may also depend on the types of work that employees are expected to carry out (Lepak & Snell, 2002). It may also depend on the type of strategy the company adopts. For example, Miles and Snow (1978, 1984) linked human resource management practices to business strategy characteristics. They classified organisations according to three strategic types; defender, analyser and prospector and illustrated the different human resource requirements of each strategic type.

According to these classifications, 'defenders' were the older corporations in established industries. They aimed for slow steady growth and required processes that would develop required human talent internally via selective recruitment, firm-specific training and internal promotion. 'Analysers' were companies who would compete by launching new products and were also in an advanced product lifecycle where economies of scale could be reaped. Their human resource needs were deemed similar to those of defenders. 'Prospectors' were the

42

contenders in new and growing markets seeking to gain market share and growth thus necessitating the constant deployment of human resources and technology and a flexible workforce.

Configurational theorists argue that there are bundles of best practices that work well for different organisations or industries and for different circumstances (Ichniowski, Shaw & Penushi, 1994). Thus, for example, a firm would apply different kinds of human resource management practices to certain types of workers based on their roles in the organisation and the extent to which their jobs are considered strategic. Lepak and Snell (2002) offer a typology of jobs within the organisation that can be matched with certain configurations of human resource management practices for greater performance. Hence, for knowledge-based workers who are rare, not easily replaceable and have high strategic value, the organisation will put in place a commitment configuration aimed at selecting and retaining the best staff. For workers who contribute to strategy with easily transferable skills, the organisation might adopt a productivity-based configuration where the workers get paid according to the quantities that they produce. For a less strategic, low skill worker, an outsourcing or contractual configuration may be used. Finally, if work were knowledge-based but not strategic, a collaborative configuration would be used. This configurational viewpoint is in some ways an extension of the best practice model as it tries to outline which best practices are suitable for particular types of workers. However it has elements of a contingency model as the best practices selected depend on employee skills and their strategic contribution to the organisation.

Contingency models are based on the assumption that the human resource impact on organisational performance depends on the organisational context e.g. strategy or organisational climate (Delery & Doty, 1996) Thus, the effects of human resource management on performance will be stronger or weaker depending on the fit between human resource management practices and contingency variables such as strategy. The contingency approach appears most

congruent with the strategic human resource management model as it explicitly links human resource management practices to strategy and considers the context of its environment. Human resource interventions are therefore dependent on circumstances, rather than being prescriptive actions common to all firms. The integration of strategy and human resource management is also likely to offer a broader range of solutions as strategy, context and resources are considered when setting organisational goals.

The research by Delery and Doty (1996) came in the wake of previous researchers such as Jackson and Schuler (1995) who sought to distinguish traditional human resource management (HRM) from strategic human resource management (SHRM). They concluded that SHRM was more likely to enhance organisational performance as it involved the systematic linkage of corporate resources to corporate strategies. An overview of other studies shows that there are many common ideas in the literature, which are based on systematically linking people with firm performance.

Jackson and Schuler point out that in the strategic human resource management literature, there is a common conceptualisation of the firm, which embodies all its internal features (i.e. structure, culture, products, strategies and technology) and all its external stakeholders (e.g. customers, suppliers, shareholders, and the community). Linkages are formed between these features through strategic human resource management. Thus, contingency theorists argue that there is no 'best practice' bundle as the effectiveness of human resource strategy depends on the degree of 'fit' between it and the overall organisational strategy (Baird & Meshoulam, 1988). The concept of 'fit' consists of external fit with the environment and internal fit with processes. A strategy has to be appropriate to the environment and the desires of organisational stakeholders. It also has to be supported by the internal processes of the organization for more effective outcomes.

The models described above should not be viewed as exhaustive. For example, there are other modes of theorising about human resource management. For example, Budhwar and Debrah (2001a) critically examine five HRM models (Matching model, Harvard model, Contextual model, 5-P model and European model). More recently Schuler and Jackson (2005) also review the models which have been used over the past 25 years including those influenced by a behavioural perspective and human capital theory. For the purposes of the present study, the Delery and Doty classification has been adopted as it focuses on modes of theorising rather than specific theories thus allowing for more flexibility in research perspective.

Measuring human resource management practices

In the literature, the measurement of strategic human resource management practices and their effectiveness is of constant concern. " *There are a lot of theories, but few psychometrically sound, agreed approaches for measuring key constructs and testing theoretical propositions*" (Pedhazur & Schmelkin, 1991: 3).

Major problems arise because variables with the same labels are not actually identical in description. For example, one high performance work practice was labelled by Pfeffer (1998) as employment security and defined as the extent to which organisations avoid layoffs and expensive costs of staff replacements. In contrast, the same practice was examined by Delery and Doty (1996) but defined as a function of the organisation's policy of no mandatory redundancy, expectations that staff will stay till retirement and the use of temporary workers to protect the core workforce. Delery and Doty also included a measure of how difficult it is to dismiss an employee. It could be argued that this would affect quality control and cost control therefore it would have more impact on profits than on offering employee security. It could also be argued that it is an outcome variable and not a practice. Because the different researchers have made different assumptions, it is difficult to compare results.

Similarly, the high performance work practice of team-working is based on the assumption that self-directed work teams perform better. However, Marchington

and Grugulis (2000) argue that the measures used tend to refer to the proportion of workers who work in teams. This measure is therefore not considered by them to be an indicator of what those teams actually do in terms of managing themselves or working autonomously. It is not possible to ascertain from the measure, how satisfied or motivated the team members are, or how they are able to contribute. Furthermore, the frequency with which some particular practice occurs in an organisation does not necessarily indicate a higher adoption of that work practice e.g., the fact that management shares information with employees on so many occasions per day, month or year does not mean they necessarily communicate better than others whose frequency may be less i.e., the quality and nature of the information rather than the quantity may be a more appropriate measure.

There can also be difficulties with the data collection tools available. Specifically, researchers often have to rely on only one source for data collected by survey or interview. This could explain why, so often, rhetoric and reality are different. For example, a human resource manager might give responses according to what is stated in formal human resource management policy. The reality in practice may be completely different as practices tend to evolve over time in response to changing circumstances and these changes may not be recorded in the formal policy. In the same vein the researcher may get different responses to the same questions posed to two human resource staff in the same company. This may be due to their different tasks and individual perceptions of the human resource policies and implementation in reality.

Other areas of concern in the literature are related to the predominant use of cross-sectional data in empirical research. Huselid and Becker (1996) highlight the possibility of estimation problems, heterogeneity bias and measurement error. They explain how conventional estimates of the human resource and organisational performance link may be biased upward or downward. This would be due to differences across companies in factors that might lead to both high performance work systems and enhanced organisational performance such as

46

management ability. Huselid and Becker explain for example how, with survey data collected from a single source in the organisation, unseen corporate characteristics such as marketing may contribute more to performance thus leading to an overstatement of the impact of the human resource management. They suggest that panel data might mitigate this bias. There is an acknowledgement that the measurement of the practices that may be contributing to any effects shown may not be easy. However, if the other practices are associational rather than causal, then panel data may give better indications of the true effect of human resource practices.

Huselid and Becker (1996) also shed useful light on empirical difficulties. They measured human resource strategy based on a survey questionnaire and constructed scales for each of two factors they identified. However, though the scales had acceptable convergent validity, the levels of reliability were modest. Huselid and Becker cautioned researchers to develop improved measures of human resource strategy as a matter of priority and to include other measures of management practices so these can be controlled. They also suggested that studies of multi-firm and multi-industry data should be continued as a source of generalisable results that focus on the effects of high performance work practices on firm performance. They also expressed a belief that well executed industry studies will lead to greater progress in understanding the economic impact of the human resource management/performance link. Additionally they suggested collecting interview or case study data to provide a validity check on HR system measures and the nature of their relationship to firm performance.

The non-uniformity of research variables used is also an area for concern. Guthrie (2001) and Huselid (1995) viewed the desired performance outcomes as lower turnover and higher productivity. However, Huselid, Jackson and Schuler, (1997) used human resource efficiency, extrapolated from management perceptions of capabilities and attributes of human resource staff, as the intermediate outcome. All causal links to performance were therefore inferential

and all the studies suggested that there might be other variables affecting the relationships found.

Despite the problems with measurement and data collection, it is important and necessary that researchers continue to strive to measure the extent to which human resource management has a strategic impact on organisational performance. A longitudinal study of 67 manufacturing companies, by Patterson et al., (1997) and published by the Institute of Personnel and Development, examined data over a period of ten years. The results showed the direction of relationships - human resource management had a stronger association with productivity and profits than other factors such as strategy, quality and technology and research and development. Huselid (1995) also concluded that high performance work practices had an impact on profit, turnover and productivity.

Other studies were less conclusive, partly because they were cross-sectional and researchers were confronted by the problem of causal ambiguity. It was not easy to establish direction of causality or to state categorically, which human resource practices are reinforcing or complementary. All the studies reviewed considered the concept of fit. However, none explored fit in a manner that enables understanding of the contextual features most crucial or necessary for the alignment of different human resource practices. Nowhere in the literature is there a demonstration of the processes by which individual employees are actually influenced by superior human resource practices to stay with an organisation, produce more and thereby increase organisational performance.

Contextual factors

It is broadly acknowledged in the literature that human resource management is a multi-dimensional process with multiple effects. There are therefore many issues surrounding its definition and research (Dyer, 1984; Legnick-Hall & Legnick Hall, 1988; Tichy, Fombrun & Devana, 1982). As organisations have unique internal contexts and are situated within the wider environmental context, it

follows that any examination of human resource management should include a consideration of contextual factors e.g. cultural or economic factors. Indeed, researchers have made calls for context to be taken more seriously when evaluating evidence (Begin, 1991; James, Demaree, Mulalk & Ladd, 1992). Moreover, Jackson and Schuler (1995) state that researchers must consider how human resource management components are affected by external influences such as political and cultural factors. They also suggest that researchers should examine the impact of internal influences such as the technical and structural aspects of an organisation as well as its strategy, size and lifecycle. External contexts that impact human resource management include regulatory, political and social factors, unionisation, labour market conditions and industry characteristics. All these features may also be further impacted by the pervasive national religions and tribal traditions (Tung-Chun Huang 2001; Won-Woo Park 2001; Mellahi & Wood 2001).

Budhwar and Debrah (2001a) encourage researchers to increase their efforts to identify more aspects of given national factors such as culture which can influence HRM. Jackson and Schuler (1995) note that measures of national culture are seldom included in empirical studies of human resource management. This could be because culture may not fully explain differences in human resource practices found across countries (Lincoln, 1993). In fact Hofstede (1991) suggests that organisational and industry characteristics may be more important determinants of employee behaviours and managerial practices than cultural characteristics. However, MacDuffie and Krafcik (1992) and Wickens (1987) say that human resource management can be used across culturally dissimilar countries. Indeed, human resource management has been recognised as influencing the success of nations as well as companies (Zhong Ming, 1990).

Industry differences have implications for development and maintenance of appropriate organisational climates and cultures. Industry characteristics are typified by a range of industry level factors such as: regulated banking industry vs. unregulated manufacturing industry, high vs. low stability, and developed

49

markets vs. emerging markets (Johnson, Sambharya & Bobko, 1989; Guthrie, Grimm & Smith, 1991; Guthrie & Olian, 1996; Ghoshal & Bartlett, 1990). Based on the foregoing, a key question is 'how does the internal or external environment affect human resource management? E.g., do results differ for companies in developed vs. developing economies?' To answer these questions there is a need for a deeper enquiry into the corporate environment, specifically the organisational climate.

Organisational climate and culture

Researchers are divided as to the difference between organisational climate and culture. Denison (1997), notes that the major difference between culture and climate is methodological. He suggests that climate is always measured using individual level perceptions, which are then aggregated to an organisational level construct. Culture, on the other hand, tends to be measured using anthropological and ethnographic methods. A review of climate definitions by Falcione, Sussman and Herden (1987) reveals that climate is viewed as an enduring quality of an organisation that influences behaviour, is linked to values and can be seen as one of the attributes of an organisation. In the literature the dominant approach suggested for measuring climate is perceptual measures. The literature on culture is typically divided as to whether culture is behaviourally anchored and is therefore something an organisation *has* or whether it is a set of values and therefore, something an organisation *is* (Ogbonna, 1996). The distinction is important because it suggests that the former can be manipulated (Cooper, 1997) whilst the latter is rooted in the collective values of the workforce (Vandenberghe, 1999). Denison (1997: 2) defined culture, in terms of organizational propensity to adapt and survive as: "the underlying values, beliefs and principles that serve as the foundation for an organization's management system, as well as the set of management's practices and behaviours that both exemplify and reinforce those basic principles".

Climate and culture have similar definitions which are concerned with strongly held views on what is shared. The major difference appears to be that one uses a

50

meteorological metaphor, the other an anthropological one. This researcher's view is that climate and culture can be measured either quantitatively or qualitatively. As this study is concerned with quantitatively measuring employee perceptions of their workplace rather than ethnographic enquiry into deeply rooted employee values, the term used is climate. Employees' perceptions reflect the impact of the organisational context on them and by implication, the contextual factors influencing their behaviour.

However, the organisational climate construct has many dimensions because employee perceptions of their workplace will relate to multiple features of their organization. As Denison (1997: 24) states, 'the criteria for inclusion as an element of climate domain are vague and must be understood in terms of the orientation of a particular theorist, rather than a set of criteria for inclusion that are common across theorists'. He also observes that the definition of climate as a *common perception* suggests that any climate domain can be labelled and measured so long as the researcher is able to demonstrate concurrence among organisational members. Denison highlights the problem of deciding which climatic domains should be investigated. Firstly, there is a lack of specific criteria for the content of climate domains selected by individual researchers. Secondly, whilst domains may be ascribed the same labels, their underlying attributes may be different i.e. dimensions may not be universally meaningful. Thirdly, researchers should be wary of inadvertently linking individual or group level attributes to organisational outcomes rather than climatic factors. This is because climate dimensions comprise members' subjective views of objective characteristics and may therefore be confounded with other individual or group attributes such as motivation or satisfaction.

The difficulties highlighted helped to guide the choice of climate domain examined in this research. As the main research deals with the link between human resource management practices and organisational performance, the domain selected was communication climate. Herbert (1976) states that communication can be used to analyse and predict organisational behaviour and

51

describes communication as a process of influence. There are also tentative findings that 'good' communication can increase productivity (Clampitt & Downs, 1993). More attention has been paid to the content of communication (as opposed to communication climate) and the accuracy, adequacy and integrity of information (Watson Wyatt, 2002). However, Falcione et al. (1997) note that communication as a climate dimension encompasses different theories and levels of analysis and is therefore an effective way of linking individual attributes and organisational level outcomes. These observations indicate that communication climate could have a link to organisational performance. The concept is discussed more fully below.

Communication Climate: Little empirical work has been carried out on communication climate in general or its links to organisational performance specifically. However, the basic communication model is at the root of all organisational communication research (Krone, Jablin & Putnam, 1987). The model involves a message being transmitted by a sender to a receiver via a communication channel. The original message involves encoding and the receiver has to decode the message on receipt. The understanding of the receiver will depend on factors such as the efficiency of their decoding, how well the original message was coded and how effective the channels of communication were. Any consideration of organisational communication is based on this basic model but the interpretation of communication within the organisation tends to be studied from one of four perspectives. These are the mechanistic, psychological, interpretive-symbolic and systems interaction perspectives (Fisher, 1978). Building on this, Krone et al. (1987) describe the perspectives as follows:

Mechanistic Perspective: This perspective focuses on the transmission process and any explanations tend to be focused on the channel of communication. Thus, the channel is seen as the linkage between certain features of the sender and the receiver. This is based on the assumption that the actions of the sender will in some way affect the actions of the receiver and that by examining certain antecedent conditions, some future outcomes can be predicted. Another

assumption is that the message itself can be measured using properties such as frequency or method of communication. Finally, the mechanistic perspective assumes that the message process can be broken down into smaller parts, which can be individually studied and used to test any anticipated causal linkages between sender and receiver. Under this perspective the basic model can also be extended to include considerations of barriers or noise in the communication process and the accuracy of communication.

Using this approach in an organisational study, the measurement focus would be on the sender/ transmission process. The researcher would explore, for example, the mode and frequency of messages to employees about company objectives and then seek to ascertain if these could be linked to employee understanding and levels of employee performance. The messages could be viewed as a whole or broken down so that the effect of each mode of transmission could be explored.

Psychological perspective: Unlike the previous perspective that places emphasis on communication channels, this focuses on the receiver. Specifically, the locus of this viewpoint is the psychological process the receiver undergoes to interpret messages. Since this process cannot be externally observed as the necessary conceptual filters are internal, researchers can only measure input and output and *infer* receiver orientation. Thus, if a message is communicated to employees, their view as to what they understand is the output, which can then be used to infer the efficacy of the sender as well as the receiver's conceptual filters. This view is distinct from the mechanistic approach because it looks at the informational environment and hidden cognitive processes rather than channels of transmission to explain why messages are received as intended. For this research, the perceptions of communication by management and employees would be an indicator of the communication environment; any differences noted would be an indication of differences in conceptual factors rather than transmission processes.

53

Interpretive-symbolic perspective: In the previous perspectives, communication processes were deemed determined by the organisation rather than vice versa. The interpretive symbolic perspective however focuses on individuals within the organisation being responsible for shaping their social reality because they have the ability to communicate. This perspective focuses on congruence or shared understanding of organisational members and emphasises how climatic factors can affect the interpretive process. This view allows an exploration of communication using the viewpoint of organisational members. Thus the communication climate becomes an indicator of what the organisation is rather than an indicator of what it has.

Systems-interaction perspective: In this perspective, communication is examined qualitatively through interaction analysis that focuses on the patterns of message behaviour rather than on cause and effect. It views communication as an act of participation but does not view it as something that is done in the manner of the mechanistic and psychological perspectives. For a quantitative study, this view would not be appropriate.

Krone et al. (1987) discuss and caution against several aspects of the above definitions and emphasise that though the four perspectives draw from different assumptions about communication, they are not mutually exclusive. They also stress that the majority of studies tend to be carried out with a combination of mechanistic and psychological models. Thus, the literature on communication deals with specific communication processes within an organisation that might have intermediate outcomes on the employee perceptions of flexibility, adaptability and integration.

Measurement of communication climate: For the purposes of this research, aspects of the first three models of communication could be combined to define a measure of communication climate. Such a measure would include a consideration of the channels of communication (mechanistic), the

54

understanding of employees (psychological viewpoint) and the employees' propensity to gather organisational information and shape their own understanding (symbolic interpretive). The systems interaction perspective would be omitted because of its unsuitability to quantitative measures. However, as the focus of each of the three remaining perspectives is different there is a danger of mixed empirical results, increased confusion and theoretical contradictions. On the other hand, this distinctiveness allows a combination of perspectives for a broader view on communication (Mott, 1972).

Herbert (1976) suggests that an aggregation of individual perceptions of communication processes can be used to measure communication climate. However, this raises the issue of a communication black box as it is not clear how these perceptions influence performance. A helpful view of communication is proposed by Pfeffer (1998) who includes information sharing as a high performance work practice and justifies this on two counts: Firstly, he states that open sharing of information on financial performance, strategy and other organisational features are a concrete sign of trust in the employees and prevent rumours from taking root. Secondly, he asserts that information sharing is essential for good teamwork and encourages the sharing of ideas within an ' informed context. However, the method for measuring information sharing is not consistent in the literature and researchers have used different measures to evaluate the extent of information sharing. For example, Patterson et al. (1997) measure the frequency of downward communication by management to employees whilst Huselid (1995) measures the proportion of employees consulted by attitude surveys. It is therefore difficult to compare results across the studies.

An inherent risk with measurement of communication climate is the confounding of variables: 'Does the perception of the process at a given point in time give an accurate measure of climate? I.e., if one perceives that communication is good, does that necessarily mean that one is accurately ' informed?' This problem could be minimised by conceptualising communication

climate as a mix of the quality and quantity of information and the extent to which organisational members understand information transmitted to them in the manner intended by the sender.

In summary, this chapter has outlined three modes of theorising about strategic human resource management and examined some of the problems of measuring their effectiveness. Moreover, organisational communication climate was discussed and a case made for exploring its association with the efficacy of human resource management practices within the contingency model. The different perspectives influencing research and measurement of communication climate were also examined. In the next chapter, the conclusions from the literature review are presented and the gap in knowledge identified. The research hypotheses developed from the literature are also presented.

CHAPTER 4

LITERATURE REVIEW
Conclusions and hypotheses

The literature review in the preceding chapters, helped to frame the research problem, and identify the relevant concepts and methods of study. This chapter outlines the main conclusions drawn from the literature review and states the hypotheses explored by the research. It also states the potential contribution of this study to the area of knowledge in light of the gap uncovered.

From the literature, a consistent conclusion among researchers is that organisations can use their human resources to achieve competitive advantage. To do this, they should use strategic human resource management practices for recruiting, developing and retaining the best employees to implement the organization's competitive strategy and achieve better performance. There are mixed views as to how we can further our understanding of the processes that result in competitive advantage and better organisational performance and there is ambiguity about the underlying reasons for the human resource management and organisational performance relationship.

Wright and McMahan (1992) emphasise the need for theory building and the importance of developing models that enhance our understanding of human resource management practices and their impact on organisational outcomes. However, Dyer (1985) and Bacharach (1989) note that the study of strategic human resource management lacks a strong theoretical foundation. Whilst there have been considerable efforts to investigate the area empirically, there is neither a single theory of human resource management nor agreement as to how human resource management should be investigated. Rather, there are different ways of theorising about the relationship between human resource management practices and organisational performance.

These modes of theorising follow from the resource based view of the firm and have been reviewed in detail in chapter 3. They share a common focus on the proposition that organisations can gain perform better by using their rare and inimitable human resources. The other resources such as capital and technology are deemed easy to replicate whilst a highly trained workforce with superior industry knowledge would be less so. The three dominant modes of theorising in the literature can be classified as universalistic, configurational and contingency following Delery and Doty (1996).

The universalistic mode is based on the prescriptive notion that high performance work practices or best practices of human resource management will lead to better organisational performance. Such practices will include extensive recruitment, selection and training procedures that enhance organisational performance; attitude surveys, job design, formal information sharing and incentive-based compensation systems (Huselid, 1995; Pfeffer, 1998). Many of these practices have been shown to be positively related to organisational performance but there is no one definition of the variables or how to measure them.

The configurational view is based on the idea that a combination of mutually reinforcing practices can be used by organizations to elicit desired behaviours from their staff and enhance performance. Such desired behaviours include employee collaboration or commitment to the organization, which should result in better performance (Lepak & Snell, 2000).

The contingency theorists advocate that the relationship between human resource management practices and organisational performance will be contingent on environmental factors such as strategy. They take the view that contextual factors should always be considered as the environments in which organisations operate will differ. Thus, studies should include external and internal contextual variables. An evaluation of external context will normally include an assessment of fit between strategy and the environment and an evaluation of internal context will include an examination of the organization climate. Because the climate construct

58

consists of many domains, researchers have to select the domains that best match the areas of interest. For this research, the communication climate domain was selected because it straddles the individual and organisational levels of analysis. Furthermore, it might be a key factor in the organisation's adaptation to the external environment through its shared understanding of mission and strategy. It may also be a key factor in the organisation's internal integration and development of a common language and group norms i.e. a common understanding of what is required.

Strategy is the alignment of intended actions to the organisational goal of achieving competitive advantage via better organisational performance. It cannot be implemented effectively unless it is integrated with human resource management practices. Organisational climate might also have an association with organisational performance. There are many dimensions of the organisational climate but communication is highlighted as a clear influence on desired/actual individual behaviours and organisational outcomes. This is especially evident in the role behaviour perspective and the fact that formal information sharing is considered a high performance work practice. Furthermore, flexibility and ability to learn faster than the competition have also been identified as a source of better organisational performance.

It therefore seems reasonable to deduce that expeditious communication of the firm's strategy to employees will enhance their ability to learn faster than the competition. Thus the communication climate will have links to organisational performance. There is little empirical evidence of this linkage as recent research on climate and its links to effectiveness have addressed climate in general but not communication specifically (e.g., Schneider et al., 1994). However some communication related research by Cotton (1993: 3) has shown that employee involvement is ' a participative process to use the entire capacity of workers, designed to encourage employee commitment to organizational success. This process typically comes about by giving employees some combination of information, influence and incentives'.

59

The empirical support for all three dominant modes of theorising, suggests that there is no best way of linking people with the firm. Overall, there is no clear indication of which human resource management practices are needed for superior performance as different organisations operate under different conditions. The lack of consistency highlights the complexity of organisational investigations. Researchers have little control over the types of organisations to which they are granted access and no control over the types of practices utilised by those organisations. Researchers are therefore concerned about accurate measurement of human resource management practices and the evaluation of their impact on organisational performance.

Across all perspectives, there is a consistent observation that there are different practices that have similar labels and this can lead to inappropriate comparisons of studies (Huselid, 1995; Marchington & Grugulis 2000). It is therefore important that what is being measured is clearly defined. Furthermore perceptual measures tend to be used for the various practices and the tendency is to rely on one respondent from within the organization. It is therefore useful to have multi-rater data to act as a confirmatory check. Quantitative data are most widely reported in the literature but complementing them with qualitative data enhances their richness. Measures of organisational performance have also been of concern but there is general agreement that multiple measures of performance should be used in empirical investigations. The most frequently used measures are voluntary employee turnover, productivity and profitability.

The Knowledge Gap
To date there has been limited empirical research that compares the three modes of theorising about strategic human resource management. There is also no known research to date on ascertaining how strategy, human resource management practices and communication climate interact within a contingency perspective to enhance organisational performance. Some researchers have also highlighted the need for cross-national HRM studies in developing countries

(Budhwar & Debrah 2001a). They stress that with increased globalisation, foreign direct investment and international competitiveness, it is imperative that developing countries keep up with practices in developed nations. To aid this, a good starting point is that research in developing country contexts should examine established models and theories and explore their applicability in new and different contexts. Currently, as there has been little empirical research outside of Anglo-American contexts with the exception of China, there is limited knowledge of whether the dominant modes of theorising in the Anglo-American literature can be applied in different national or cultural contexts

I perceived this theoretical gap in the literature and decided to empirically explore the applicability of the three dominant modes of theorising in a non Anglo-American context. It is assumed that universal acceptance of the strategic human resource management perspective will be enhanced if it is researched and analysed in different national contexts so that factors which might impact on the effectiveness of human resource management practices can be identified.

It is also assumed that any findings may be of practical use. Global competition is increasing and organisations are under pressure to improve their performance and returns to stakeholders. There is a noticeable increase in off-shoring or the transfer of work from industrialised to less industrialised economies to reduce costs and gain competitive advantage. For multi-national companies seeking to do business in different environments, this raises the question of which human resource practices to use in other countries for maximum performance. The current tendency is for multi-nationals to impose their practices on the developing economy without due consideration of country-specific factors. Similarly, companies in developing economies have to compete against multi-nationals and try to emulate their imported practices without adequate knowledge of how appropriate they are for the local environment. A bridging of the theoretical knowledge gap would therefore be useful for practitioners.

Problem statement and research goal

Becker and Gerhart (1996) suggest that research should aim to build full causal models of the human resource systems/ organisational performance relationship. The primary goal of this research is to investigate the relationship between human resource management practices and organisational performance using universalistic, configurational and contingency models. Barney (2001), Begin (1991) and James et al., (1992) also suggest that organisational performance should be studied with reference to contextual factors and infer that moderating variables should also be explored. Following this, an additional goal when testing the contingency model is to ascertain the extent to which strategy and the organisational communication climate mediate or moderate the human resource management and organisational performance relationship. There have also been calls for research outside the usual Anglo-American setting (Budhwar & Debrah 2001b). Thus this study is set in a new and unexplored developing country.

In summary, the current research aims are:

- To test three theoretical models of the human resource management/ organisational performance relationship.

- To ascertain the applicability of the models in a developing country.

- To contribute to the body of theory by expanding the generalisability of existing theoretical models of the human resource management and organisational performance relationship.

- To contribute new findings on communication climate as an important contextual variable

- To make practical contributions that may enhance the application of human resource management theory in organisations.

- To highlight directions for future research.

The planned research is expected to be significant, as it will test existing theoretical models in a new research setting. The research also seeks to explore the effects of an organisational communication climate on the relationship between human resource management and organisational performance. This has received little research attention. The results are expected to extend existing knowledge, suggest new relationships between phenomena and contribute towards development of theory and practice.

Research hypotheses arising from literature review conclusions

The strategic human resource management literature highlights the importance of human management practices for organisational outcomes such as profitability, productivity and employee turnover. Researchers such as Schuler and Jackson (1977) discuss the strategic advantage of high performance work practices aimed at producing better performance. These include recruitment and selection, induction, appraisal, training and compensation schemes. Huselid (1995) and Pfeffer (1998) similarly suggest that such practices will include extensive recruitment, selection and training procedures that enhance organisational performance; attitude assessment, job design, formal information sharing and incentive-based compensation systems.

These universalistic models of human resource management are based on the view that some human resource management practices are better than others and organisations should adopt bundles of these strategic 'best practices' for better performance (Delery & Doty, 1996). However it is not clear what aspects of performance will be impacted. It is also not clear what combination of practices gives rise to better outcomes. It is therefore assumed that any of the performance measures may be influenced. It is also assumed that the effects of the practices are additive and that more practices are better i.e. five practices are better than four regardless of the practices.

63

Furthermore, it is assumed that the effects of additive practices will be from bundles of related practices as well as from overall bundles of all practices. It is therefore, hypothesised that:

> *Hypothesis 1:* 'Best practice' human resource management will be positively associated with organisational performance.

It is also hypothesised that:

> *Hypothesis 1a:* Best practice selection and recruitment will have a positive association with organisational performance.

> *Hypothesis 1b:* Best practice performance appraisal will have a positive association with organisational performance.

> *Hypothesis 1c:* Best practice training will have a positive association with organisational performance.

> *Hypothesis 1d:* Best practice compensation will have a positive association with organisational performance.

Much of the previous work in strategic human resource management has focused on linking the existence of various human resource management practices to performance. More recently, the focus has been more on investigating *how* human resource management practices affect performance. So, rather than measuring the existence of practices and linking these to performance outcomes, researchers explore the mechanisms that may result in the efficacy of practices. Lepak and Snell (2002) discussed the architecture of human resource management practices and stated that firms should use different configurations of these practices to manage their workforce depending on the type of employees.

These configurations will comprise mutually reinforcing practices designed to elicit different desired behaviours from the employees. Lepak and Snell held the view that organisations should try to retain those employees that contribute most to strategic objectives and those whose skills are not easily available. By retaining such workers, the organisations avoid wasting the costs of selection and training and achieve better efficiency. Since all organisations strive for maximum performance, any retained employees would be expected to work productively and contribute to maximum profitability. Lepak and Snell concluded that organisations should try to retain their knowledge-based workforce where intellectual competencies are vital, by configuring their management practices to elicit commitment from the workers. This implies that the better the fit of human resource management configurations to the workforce, the better the performance of the company in terms of employee retention. It also implies that by retaining the workers, the organisation's strategic objectives will be met; workers who are committed to working for an organisation will be more productive and efficient and contribute more to profitability. It is therefore hypothesised that:

Hypothesis 2a: In a knowledge-based workforce, commitment-based HRM will be positively associated with employee retention.

Hypothesis 2b: In a knowledge-based workforce, commitment-based HRM will be positively associated with organisational efficiency.

Hypothesis 2c: In a knowledge-based workforce, commitment-based HRM will be positively associated with employee productivity.

Hypothesis 2d: In a knowledge-based workforce, commitment-based HRM will be positively associated with organisational profitability.

Lepak and Snell also concluded that a knowledge-based workforce with specialist but easily transferable knowledge should be encouraged to work together for better organisational outcomes; therefore, a collaboration-based configuration of human resource management practices should be used. This implies that employees who work collaboratively would be less likely to leave and would be more efficient and productive, thereby contributing to organisational profitability. It is therefore hypothesised that:

Hypothesis 3a: In a knowledge-based workforce, collaboration-based HRM practices will be positively associated with employee retention.

Hypothesis 3b: In a knowledge-based workforce, collaboration-based HRM practices will be positively associated with organisational efficiency.

Hypothesis 3c: In a knowledge-based workforce, collaboration-based HRM practices will be positively associated with employee productivity.

Hypothesis 3d: In a knowledge-based workforce, collaboration-based HRM practices will be positively associated with organisational profitability.

The contingency perspective is concerned with the strategic orientation of the organisation's human resource management practices. Guest (1987) in his discussion of integration of HRM and business strategy suggests that a strategy must have internal fit. In other words, strategy should be aligned to internal practices such as human resource management. The strategically oriented human resource management practices would then be used to enhance the implementation of the strategic objectives of the organisation. Internal fit would be the extent to which strategy and human resource management practices are aligned. The extent to which the objectives are met

66

will be reflected in the measures of organisational performance. It is therefore hypothesised that:

> *Hypothesis 4*: Overall strategic orientation of human resource management practices will be positively linked to organisational performance.

It is also predicted that:

> *Hypothesis 4a*: Strategic orientation of selection and recruitment practices will be positively linked to organisational performance.

> *Hypothesis 4b*: Strategic orientation of induction practices will be positively associated with organisational performance.

> *Hypothesis 4c*: Strategic orientation of training practices will be positively associated with organisational performance.

> *Hypothesis 4d*: Strategic orientation of performance appraisal practices will be positively associated with organisational performance.

> *Hypothesis 4e*: Strategic orientation of compensation/ pay practices will be positively linked to organisational performance.

The concept of strategic human resource management deals with the primary contingency factor of strategy. A strategy is concerned with the alignment of intended actions to the goals of achieving better organisational performance. As discussed earlier, Porter (1980) argued that a firm could gain a sustainable competitive advantage and perform better by adopting one of three generic strategies. Firstly, the company could set out to become the lowest cost producer in an industry. Typically, the lowest cost producer would sell a

standard product and work at reaping economies of scale on all inputs while charging the market price for its product.

Secondly, a differentiation strategy could be followed where the supplier seeks to be unique in an area that is valued by the buyer. In the banking industry, this would be for example, in the area of service or processes that allow for speedier transaction times. Another area of differentiation could be a unique product, but this would be more probable in an industry which has protective patents e.g. the pharmaceutical industry. It would be virtually impossible in the banking industry, which has no product patents.

Thirdly, the company could adopt a focus strategy. This would involve an organization tailoring its strategy to serve a particular niche to the exclusion of all others. Guest (1987) observes that a strategy must have external fit. Thus, the association of strategic human resource management with performance would depend on the fit or appropriateness of the above three generic strategies with the wider industrial environment: something that would normally be considered when considering strategic options. Furthermore, a good degree of external fit would be expected to positively moderate the relationship between human resource management and performance. Conversely, a bad fit would be expected to have a negative association with performance. It is hypothesised that:

> *Hypothesis 5a:* An organisation's strategy will be linked to its performance.

> *Hypothesis 5b:* Strategy will moderate the human resource management and organisational performance relationship.

Miller and Shamsie (1996) highlight the need to consider contexts (e.g. stable vs. volatile environments), which influence performance. Most of the empirical work concerning strategic human resource management has been

carried out in highly industrialised and developed 'Western' environments. This research setting is Nigeria, a volatile environment with a developing economy profile. It was anticipated that there might not be well-established human resource management systems in such an environment. It might be crucial for management to communicate desired behaviours and strategic plans to its employees and ensure their understanding. The communication climate was therefore expected to have an impact on the relationship between strategy, human resource management and performance. It is therefore hypothesised that:

> *Hypothesis 6:* Good communication climate will be positively linked to organisational performance.

> *Hypothesis 6a:* Communication climate will influence the human resource management and organisational performance relationship through a positive interaction effect i.e., communication climate will be associated with stronger linkage between strategic human resource management and performance.

> *Hypothesis 6b:* Communication climate will positively influence the association between strategy and organisational performance.

In summary, hypotheses 1-1c relate to the universalistic perspective that adopting best practices leads to better performance. Hypotheses 2 and 3 relate to the configurational perspective that predicts that human resource practices configured to fit employment characteristics lead to better performance. Hypotheses 4 to 6 relate to the contingency perspective as contextual factors such as strategy, and communication climate are considered and it is expected that performance will depend on a number of situations involving these factors. When viewed in an integrated manner, hypotheses 3-5 predict that strategy combined with strategically–oriented human resource management practices and good communication climate will

69

lead to better performance. The research framework for testing these hypotheses and the operationalisation of its key constructs are discussed in the next chapter.

CHAPTER 5

THE RESEARCH MODEL

Operationalisation and definition of variables

In this chapter, the proposed research framework is outlined, and the research model is operationalised. The variables of interest are defined in more detail and the research strategy and design are discussed.

Research Framework

A systemic framework for exploring the hypothesised links between human resource management and organisational performance is presented in figure 1 below.
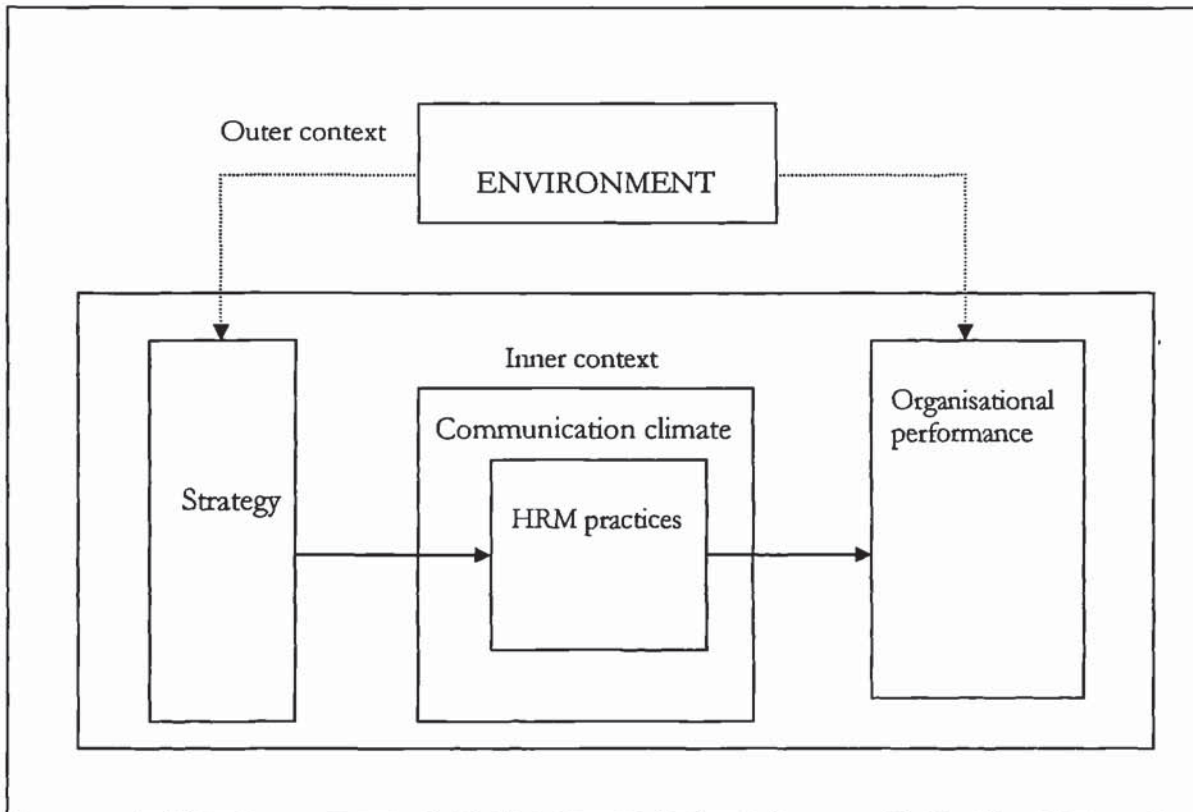
Figure 1. Simple representation of the research framework

The research model uses a flexible framework that can accommodate the three theoretical perspectives. It assumes that the human resource management system

will include a set of practices that are always aimed at eliciting those role behaviours that have been identified for effective performance under each model.

The universalistic view examines the human resource management practices that are considered as best practices and predicts a linkage to organisational performance. The configurational view examines the impact on organisational performance of practices designed to elicit collaborative behaviour and commitment to the organization. The contingency view does not have a prescriptive view of human resource practices and introduces the linkage of external and internal factors to the formulation of strategy. It assumes that strategy should be responsive to the environment and that human resource practices should be aligned to strategy for better performance outcomes. The contingency view also considers the influence of the internal organisational context (i.e., communication climate). As discussed in the previous chapters, strategy implementation may depend on how well informed employees are about organisational mission, goals and vision. The communication climate may therefore moderate the linkage between human resource practices and organisational performance. It may also have a direct association with organisational performance.

The overall research framework is based on the premise that the organisation is a composite of sub-units each with their own processes. These sub-units interact to give desired outputs. Thus, processes and outputs are determined by a continuous dynamic interaction of external contextual factors and the organisational reaction to them. A broad conceptualization of the research is that it is an examination of a series of causally linked processes embedded in an influencing environment i.e., an open systems perspective.

Operationalisation of the research model

Based on the literature, the independent, dependent and contingency research variables are operationalised as follows.

72

Independent variables

Human resource management practices are operationalised as those practices that are specifically adopted with the aim of achieving better organisational performance. These practices are in respect of selection and recruitment, induction, training, appraisal and pay and their constituents will vary with the perspective being examined.

Universalistic human resource management practices will comprise a bundle of best practices that are expected to result in higher performance. Such practices will include selective hiring on the basis of trainability, aptitude, commitment and technical ability. They will also include extensive training practices, high compensation based on organisational performance and performance appraisals that give feedback on productivity and employee developmental needs.

Configurational human resource management practices will be a set of mutually reinforcing practices aimed at ensuring the collaboration and commitment of knowledge workers considered as strategically important to the organization. To elicit collaboration, human resource management practices will focus on ensuring that selection, recruitment and training practices focus on the employees' propensity to work in teams. Their performance appraisals will also focus on their perceived ability to work with others. To elicit commitment, the organization will focus on training and paying its employees well, and will ensure that employees are aware of how much they contribute to strategic objectives through regular feedback in their performance appraisals.

Strategically oriented human resource management practices are contingent on the kind of strategy being implemented by the organization. If for example a company were implementing a service differentiation strategy, it may recruit customer friendly employees whereas a firm implementing a technology strategy would place its emphasis on selecting people with technical ability.

73

Contingency variables

Strategy is operationalised as the dominant strategy pursued by an organization. Most organisations will pursue a mix of strategies but Porter's (1980) typologies assume that one strategy will be most prevalent. With a differentiation strategy, firms will operate on the basis of product differentiation, service differentiation or technology and processes differentiation. With a focus strategy, firms will focus on a particular market segment of the market. A firm can also seek to be the cost leader and presumably supply services at the lowest cost. The research model assumes that the dominant strategy chosen by an organization will be the one deemed by the organisation to be most appropriate for the environment.

Communication climate is operationalised as a composite of the ways in which organisational objectives are communicated to employees and the level of employees' awareness of corporate objectives. The two factors are quite separate, as employee awareness may not be consistently correlated with the number of ways in which strategy is communicated. An additive scale can measure the number of ways of communicating strategy. However the employees' level of awareness will be measured by taking perceptual data from the employees. The communication climate is consistently presented as a set of observable behavioural norms, which can be quantitatively measured through the perceptions of organisational members.

Dependent variables

Organisational performance is operationalised by using financial and operating performance indicators for employee retention profitability, productivity, and efficiency and. As per the literature, return on equity (profitability) is a good measure of financial performance as it is an index of the longer-term returns on funds invested by stakeholders. The contribution by each employee to the financial turnover of the organisation is a measure of productivity.

The cost to income ratio in the banking industry is considered a standard measure of operating efficiency as it compares the cost of producing a unit of output with the return. The lower the ratio, the more efficient the organization is perceived and the more likely it is to be generating higher value added for each unit of cost including staff costs.

Another indicator of performance is the employee voluntary turnover rate. This is based on an assumption that involuntary turnover such as retrenchment may be due to economic factors or changes in strategy that have necessitated the need for cuts in employee numbers. Voluntary resignations however are deemed to arise out of employee perceptions of the organization and may be linked to factors such as de-motivation, lack of job satisfaction or employees' perceptions of their organizations as incompetent. High voluntary turnover is an indicator of unsatisfactory organisational performance as recruitment and training resources are wasted if employees do not stay long enough for an organization to recoup the investment made in them.

Evaluation of possible research strategies

Before deciding on a research strategy, a number of potentially limiting factors had to be addressed. The overriding aim was to collect the data needed to explore the research problem. The key concerns were to ascertain what data were required; the sources of the data; how to collect the data and in what way. Once the data were collected, how would they be analysed and interpreted?

From a purely practical viewpoint, the research had to be carried out within strict time limits. In order to access a large number of organisations in the limited time available, it was decided that structured interviews, questionnaires and quantitative methodology would be adopted. The core constructs at the heart of this research were well suited to this methodology, though previous empirical work has highlighted difficulties of measurement (Delery & Doty, 1996; Huselid, 1995). However the methodology chosen was deemed appropriate, as the primary concern was to get a generalisable picture of the relationships between

variables. In addition, the underlying research framework has positivist leanings and the relationships being explored had been considered in previous research using quantitative methodology. This methodology seems appropriate for hard, reliable and valid data collected through a highly structured process.

However, there were potential pitfalls with the chosen methodology, which are highlighted in the literature (Huselid & Becker, 1996). For example, researchers have consistently expressed the opinion that longitudinal research produces more useful results. This research was designed to use longitudinal performance data and to address the limitations that had been identified in previous work. However, longitudinal data might not be available for all measures of performance so it might be difficult to test the direction of some of the associations found.

Guest (2001) clearly discussed the problems of measurement inherent in human resource management research and attempted to resolve these by using two surveys as test cases. He considered all the variables that are usually measured in human resource management research i.e., *human resource management* practices, outcome measures such as financial performance and intervening variables such as employee satisfaction. He also discussed different ways of measuring practices. He focused mainly on the persistent problem of the nature and measurement of human resource management practices as well as the inadequacy of some theories due to their under-specification. He suggested that competing theories should be tested and that multiple respondents across the organization should be asked about human resource practices.

He also warned that low levels of agreement among multiple respondents in the same organization should not be surprising. He suggested that differences might be due to the fact that workers are likely to respond to questions about work practices in terms of their own personal experience, which can be very different. Guest also warned about giving equal weighting to individual practices to form an additive scale and suggested that practices should be selected based on some

76

universal theories. However, he did not detail any means of weighting the practices and this suggests that equal weighting for practices on additive scales will continue to be used till a firm theory for weighting is developed.

Guest also examined output variables and highlighted the possibility of finding relationships between human resource management variables and return on assets or return on investment without being able to explain why. He therefore suggested the use of multiple outcome measures that might explain results better. Overall, Guest surmised that despite all the methodological problems, human resource management research is still worthwhile especially if it is longitudinal and data collection tools are carefully structured.

There are other limitations of quantitative methodology apart from those highlighted by Guest (2001). For example, in predetermining the relationships being sought, the discovery of other relationships that might emerge with qualitative research might be excluded. Furthermore the interpretation of the statistical data might be richer if the views of the people within the organisation were sought and it could be ascertained why they have responded in a certain way. This would give a deeper insight into the meanings attached to their responses and minimise researchers' subjective interpretation of the data.

Qualitative methodology could have been used to explore the research problem. However, ethnography or naturalism can take a long time and, from a purely practical viewpoint, was not appropriate and could not be completed within the doctoral research time limit. Almost certainly, a fluid unstructured method of study would result in an overrunning of the deadline. Furthermore, if the methodology chosen had included participant observation within an organisation, the researcher (who in turn, could be influenced by the participants) could have subtly influenced the actions and perceptions of the people within the organisation.

Qualitative research has other limitations and Silverman (2001) summarises the main problems of qualitative research as anecdotalism and reliability. The former deals with issues such as the extent to which important data are omitted when the research report is written whilst the latter deals with how sound the conclusions reached are. However, a variety of data gathering and analytical techniques can be used to reduce their impact (Bennet, 1986). Such techniques include the use of multiple raters and statistical measures of determining inter rater reliability or the internal consistency of responses from multiple respondents.

The research strategy

The overriding criteria for choosing the research strategy were to ensure the best approach for answering the research problem within the constraints of time, budget and feasibility. The research was not funded in any way and would involve a considerable amount of travel so it had to be designed in a manner that would optimise the use of time and be within the researcher's budgetary resources.

The research problem had been well defined, but as the study was to be based on testing modes of theorising in a previously unexplored context it could be described as exploratory. In addition, the study would introduce the investigation of a previously unexplored contingency variable. However, as some of the results expected were based on the theories in the literature and on past research, it could also be expressed as descriptive research. As with most studies in the literature, quantitative methodology was chosen.

In choosing a quantitative approach, a natural scientific model involving deductive research was decided upon and a longitudinal design was selected (Bryman 2001: 41). This would allow collection of quantitative and quantifiable data on the main concepts of interest (competitive strategy, human resource management practices, and communication climate) at around the same time

from a variety of sources, which could then be examined to detect patterns of association with longitudinal measures of organisational performance.

This approach has merits and demerits. The major advantages are the possibility of carrying out a scientific study in which reliability, replicability and validity of the data can be ascertained. There are statistical methods for measuring reliability and determining whether respondents to survey based questions have shown consistent patterns in their responses to certain issues. A properly documented study will also be replicable as the procedures for selecting participants, designing the measures and analysing the data will be detailed. The validity of longitudinal studies is not always clear-cut; such studies tend to produce linkages rather than unambiguous causal relationships. However, the availability of prior year and subsequent year data makes it possible to use regression analysis, test for direction of associations found and make causal inferences.

The research design

The overall guiding principle for the research design was the need to produce desired information given the time constraints. A longitudinal design was chosen after a detailed consideration of the literature and the advantages and disadvantages of the method. Arising out of the hypotheses, the major concepts to be measured, were:

(i)   **The independent variable: human resource management**

- A measure of the number of best practices adopted by the organization (under the universalistic model)
- A measure of the commitment based configuration of human resource practices adopted by the organisation (under the configurational model)
- A measure of the collaboration based configuration of human resource practices adopted by the organisation (under the configurational model)
- A ranking of human resource management practices according to their strategic orientation (under the contingency model).

(ii) The contingency variable: strategy

- An indication of the predominant strategy implemented by the organization chosen from a list of generic strategies

(iii) The contingency variable: communication climate

- A measure of the extent to which employees personally learn about strategy
- A measure of the extent of organisational communication using an indicator of the number of practices used to communicate organisational strategy and objectives
- A measure of perceptions from within the company of employee awareness of corporate objectives.

(iv) The dependent variable: organisational performance

- Financial measures of profitability and productivity and efficiency using the following metrics; return on equity, contribution to corporate earnings per employee and operating cost as a percentage of net earnings.
- Human resource management measures of employee retention i.e. employee voluntary turnover rates.

For this study, the data collection tools were structured interviews and survey questionnaires. The main study was to be conducted in a single industry, with a large enough sample of organizations, to examine within-industry differences.

The research design was to be implemented in three parts:

1) A study to define the communication climate variable for which there was no readily available measure.

2) A preliminary study to test the applicability of the communication climate measure. Ideally, the measure would have been piloted in the research context for which it was meant. However as timeliness was an issue, the preliminary study was to be carried out using a sample that had been used by the Corporate Performance Programme in collaboration with the Centre for Economic Performance, London School of Economics. The data were longitudinal and had been used to demonstrate an association between human resource practices and performance, my area of research interest. However, communication climate had not been investigated in the study. My main interest in the data was the possibility of formulating a reliable communication climate scale.

3) A main study of a sample of Nigerian banks using primary data collected on human resource management practices, strategy and the communication climate. In addition, secondary longitudinal performance data would be used to explore links among the variables and test the predictive quality of findings in the main study wherever possible in order to determine direction of the relationships found.

In conclusion, this chapter has outlined the research framework, operationalised the research variables and detailed the research strategy and design. The next chapter describes the context chosen for the research.

CHAPTER 6

THE RESEARCH CONTEXT

The Nigerian banking industry

The factors that influenced the choice of the research context are briefly described in this chapter and the main features of the chosen context are outlined.

In order to explore the generalisability of the theories arising from Anglo-American research, it was decided that the research would be carried out in a developing economy. Furthermore, I decided to conduct the research in the Nigerian banking industry. Certain key factors were considered before the final research context was chosen. Firstly, because of the quantitative methodology selected, the context in which the research was to be carried out should allow a statistically acceptable number of organisations to be included in the research sample. Many industry segments in Nigeria such as the petro-chemical and manufacturing sectors consist of fewer than twenty organisations so these would not have been appropriate for the study. The banking industry has about ninety banks in total and it was felt that this would provide a more appropriate sample size.

Secondly, it was important that companies in the chosen context should have some form of human resource management practices that would lend themselves to measurement even if they were not as formal or long-established as the ones in developed countries. Nigerian banks are modelled on foreign banks (some of them were former subsidiaries of banks such as Barclays bank and Standard Chartered bank) and had human resource systems that seemed appropriate for the research design (Ovadje & Ankomah, 2001).

Furthermore, the chosen context had to be sufficiently sophisticated for reliable measures of performance to be taken. The banking industry is highly regulated in Nigeria and banks have to submit regular financial reports and publish their annual audited accounts. In addition, the regulatory authorities and some credit rating agencies continuously use performance data to assess the viability of banks and monitor their operations. There are therefore reliable and comparable measures of performance.

The decision to carry out the research in a different and hitherto unexplored environment gave rise to other considerations. As research of this type had not previously been carried out in Nigeria, there was no opportunity to refer to any previous research for information on the environment. However Hoskisson, Eden, Lau and Wright (2000) discuss the special methodological and empirical challenges of carrying out research in developing economies. These include sampling and data collection, performance measurement and timing issues. They also caution that theories developed in developed economies might not be appropriate for emerging economies.

In addition as developing economies are unstable, a higher possibility of extraneous variables impacting on performance outcomes should be anticipated. To minimise the effect of such factors, it was considered appropriate to find an industry that was so regulated that it could be assumed that the companies within it face similar environmental conditions and that any differences in performance could only be attributed to differences in their strategies, the relative effectiveness of their internal processes or differences in their employees' behaviours.

It was also assumed that choosing a regulated industry would increase the possibility of obtaining secondary data from industry analysts or bodies to which accounts had to be rendered. Hoskisson et al. (2000) highlight the problems with data collection in developing economies and mention that financial reporting may not be based on developed market standards.

Moreover, the comparability of financial data may be limited by volatility of political and economic systems. After due consideration, and based on the high likelihood of gaining access and comparable data, it was decided that the context for the study would be the Nigerian banking industry; highly regulated, one of the largest African economies and a market with which I was familiar and confident of gaining access to a good number of relevant organisations.

The Nigerian banking industry

Nigeria is situated in West Africa. Its *lingua franca* is English but there are about 10 main tribal groupings speaking over 300 local languages with distinct dialects. It is the most populous country in Africa and at the end of 2002, had an estimated population of 122 million representing a 3.1% growth rate on 2001. The Federal Office of Statistics bases the estimates given on 1991 census figures.

The major contributors to Nigeria's Gross Domestic Product (GDP) are Agriculture (41%), Manufacturing (6%), Crude Oil (9%), Trading (11%), Finance and Insurance (10%), Telecommunications (2%), Government and Other Services (20%).

The Nigerian banking industry as at December 2002 was made up of 90 banks with 3018 branches. According to the National Deposit Insurance Corporation (NDIC) eleven banks were considered distressed or potentially distressed and with one new entrant, there were effectively 78 banks in operation. As the top three banks account for approximately 60% of industry activities, the industry is essentially an oligopoly.

The Central Bank of Nigeria (CBN) is the chief regulator and supervisor of the banking industry and is responsible for setting guidelines on interest rates, capital, liquidity, cash reserves, loans and ownership. There are regular CBN inspections to ensure compliance with regulations and banks are

84

subject to penalties for non-compliance. The first banks to operate in Nigeria were wholly owned local subsidiaries of leading international banks such as Barclays Bank and Standard Chartered Bank. British banks were at the forefront of the Nigerian banking industry because of Nigeria's past as a colony of Great Britain and the predominance of British trading companies operating in Nigeria. French and American banks such as Banque National de Paris, Chase Manhattan and First Chicago that started expanding internationally in the 1970s later joined them. These early banks were partly nationalised in the seventies.

In the 1980s, there was a large increase in the number of banks owned by local investors. Consequently, banks that were in operation before 1985 are termed 'old generation' banks and post 1985 banks are called 'new generation banks'. In 1994, there was a banking crisis and some banks failed. In addition to action by the CBN, a Failed Bank Tribunal was set up to bring the persons responsible for bank failures to justice. The National Deposit Insurance Corporation (NDIC) was also set up to insure customers' deposits up to a limit of 100,000 naira (approximately £400). The regulatory powers of the CBN were also strengthened. Between 1994 and 2003, thirty-six banks were liquidated or had their licenses revoked. This led to a tightening up and a slowdown in the licensing of new banks. However, the operating licenses of some of the failed banks were bought over by new investors and the banks were renamed and re-launched.

The banking industry is considered one of the most profitable and important sectors in Nigeria. It is the principal vehicle for making local and foreign currency payments. In 2001, banking industry assets totalled two trillion naira (approximately eight billion pounds sterling) or 53% of gross domestic product (GDP). This contrasts sharply with more developed economies such as England, where the comparative ratio is closer to 150%. Local currency deposits of one trillion naira (approximately four billion pounds) represented 28% of GDP and industry gross earnings were 273 billion naira (just over a

billion pounds) or 6.8% of GDP (Agusto 2001). In 2002, the contribution of the banking industry to GDP was about the same at 7.0%.

The industry is characterised by high nominal growth with total assets doubling every three years. However this phenomenal growth rate is somewhat tempered by the low level of confidence in the local currency, the high nominal interest rates and high inflation. The banks are generally inefficient as evidenced by the 2001 cost to income ratio of 67% compared with the international benchmark of no more than 50%. (Agusto 2001) Some of the inefficiency is due to banks not reaping economies of scale by pooling resources. For example, banks do not share their automatic teller machines so customers can only withdraw money from machines installed by their own banks.

There are also high costs attached to attracting deposits. Many banks employ staff with high 'social capital' or the ability to leverage their family and political connections to obtain customer deposits. These staff are often paid a salary as well as a commission for large deposits they attract to the bank. This contributes to inefficiencies in the system. In the past, staff have been known to collect their commissions and then move deposits to other banks in order to share additional commissions with their counterparts in those banks.

The banking industry is one of the most attractive employers in the country and employs about 66,000 people directly. In a country where annual per capita income averages £205.00, annual salaries for bank employees range from about £2170.00 at entry level to six figure sums at the top of the profession. In 2002, per capita income fell because the population growth rate (3%) exceeded the national income growth rate of 2%. Each year about 2 million school leavers enter the job market. The economy is not strong enough to stimulate or create new jobs to absorb the new entrants.

86

Graduates often have to compete for the few places available in the banking industry through a series of aptitude tests and interviews.

The banking industry is fiercely competitive and most branches are in the urban commercial centres. The CBN seeks to encourage banks to make their branches accessible to the under-banked population and mandates that banks should open branches in the rural areas where about 55% of the population live. However, competition is tough in these rural areas as there is little trust in banks and, in any event, little money to deposit. Overall, it has been estimated that a high proportion (about 80%) of the nation's currency operates outside the banking industry but in spite of this, the industry achieves average return on equity of 40% (Kalu & Barsky, 1999).

Over the past decade, the new generation banks have led the way in introducing innovative marketing techniques and new technology to the industry. Many of these newer banks are owner-managed and highly entrepreneurial with little or no Government involvement or foreign ownership. Coupled with superior technology, they have outperformed the older generation banks in terms of profitability and productivity though there are still large differences in their asset bases. In 1998, new generation banks accounted for 42% of industry net assets but generated 62% of industry pre-tax profits. The older banks have therefore been forced to improve their operations and have tended to opt for complete re-engineering of their internal processes rather than incremental changes in order to become more efficient.

The Agusto Report, the leading industry report in Nigeria presents the key factors deemed necessary for success in the Nigerian banking industry:

- A strong capital base which will allow banks to cushion their risks and enhance their lending capacity.
- Large market share of stable low cost deposits and liabilities.

- A strong credit culture with lower nominal interest rates that will allow businesses to use debt efficiently.

- Ability to use technology effectively for better performance. This ability is currently restricted by the unsatisfactory state of the national infrastructure especially telecommunications, roads and power. Consequently telephone banking, which some banks have introduced cannot be utilised fully.

- Good governance through Board members and shareholders who support management but ensure discipline and compliance with regulations.

- Productive and well-qualified staff led by professional and disciplined management.

- Strong processes, procedures and controls for monitoring compliance especially in the areas of operations management, credit risk management, treasury management, technology and human resource management.

- Strong and sustainable annuity earnings which ensure that high levels of profit are generated and retained so that the bank's capital base can be regularly strengthened.

The reports also highlight the major risk areas in the industry as:

- The macro-economic environment – the need for a stable political environment enhanced by appropriate monetary and fiscal policies is deemed desirable in order to ensure that investors earn real and healthy returns on their investment.

- Credit losses – These currently average about 10-15% of the loan portfolio and are a major cause of banking industry distress. Banks have to compete for good credits. There is a tendency to lend to less credit worthy individuals willing to pay higher charges. The greater risk involved ultimately leads to higher rates of default.

- Illegal practices – These are mostly in relation to foreign exchange practices. In recent times, the CBN has toughened its stance on non-compliance and meted out severe sanctions for breaches.

- Asset/liability mismatches – This has tended to arise in banks that take short-term deposits from state owned organisations and convert the funds into longer-term loans. They then fund the resulting mismatch by relying on the inter bank market; a very expensive and risky way of funding.
- Fraud losses from forged cheques and fraudulent transfers are a hazard in the industry, though in financial terms they are not that serious.
- Systemic risk arising from deteriorating economic conditions.

The 2001 Agusto report had a positive outlook for the banking industry. It described the condition of the industry as very strong though certain weaknesses were noted in some tiers of the industry. The analysts at Agusto were of the view that another shakeout in the banking industry was imminent as a result of competitive pressure by new entrants and the drive for efficiency by the biggest three banks. They also forecast strong profitability but envisaged that the top ten banks would increasingly control a greater proportion of the industry's assets and profitability. Overall, it was felt that the economic fundamentals of the banking industry were strong but that the operating environment remained very risky. The industry was designated an 'acceptable risk'.

In the 2003 Agusto report, it was concluded that the industry would be controlled largely by a few old and new generation banks and that any fringe players would merge with bigger banks in the long run or be acquired outright. Somewhat differently from 2001, they concluded that adverse changes in economic conditions posed only a moderate risk but awarded the industry an 'acceptable risk' rating as in previous years.

In 2003 a financial consultant and the former chief financial officer of Citibank Nigeria commented on the state of the industry, 'The latest Basle capital accord throws up new challenges .... Meanwhile, the biggest banks are getting bigger and more efficient and the smaller banks must look beyond the peddling of foreign ,exchange if they are to survive. Only well run,

professionally managed, financially disciplined banks will survive these changes; others will become more irrelevant or be swallowed up in mergers or acquisitions.' (Oyinkan Adewale, Agusto industry report 2003 p.7).

In the same report, another banker Ayodele Arogbo of FSB international bank said, 'Nigerian banks will need to significantly invest to build up the capabilities and competencies of their people as well as forge major strategic alliances e.g. with technology and telecommunications companies and foreign banks.'

Overall, it appears the industry is highly competitive and faces a number of challenges, but is growing and trying to overcome the obstacles to development. Banks are considered strategically important in the Nigerian context and are exposed to international best management practices. Some are subsidiaries of international banks such as Citibank and Standard Chartered Bank. In the industry reports it has been recognised that banks need to have strong, professional management and to pay attention to their human resources. This suggests that the industry is an appropriate context for research as there is awareness of the possible effects of managing human resources effectively.

In July 2004, the Central Bank of Nigeria gave notice requiring all banks to comply with a minimum capital requirement of 25 billion naira (approximately US$180 million) up from 2 billion naira within 18 months. It is expected that this new requirement will lead to mergers and acquisitions with an increased focus on the resultant entities aiming to retain the best employees. Thus, the predictions of an industry shakeout per the 2003 Agusto report seem to be coming true and this research appears even timelier.

In summary, the Nigerian banking industry provided a robust research base, with 78 functional banks, a significant number of educated employees (many

90

of them educated abroad or exposed to international working conditions) and the high possibility of access to reliable and comparable audited financial data. There was also general industry awareness of the need to develop human resource capabilities and professional management. It was assumed therefore, that banks would have some form of human resource management practices to investigate. Conducting the research in a single industry provides a control for between-industry differences. Because the industry is regulated, strategic choice is limited and it is therefore possible to examine a narrower range of strategies and perhaps draw more meaningful conclusions than with a highly deregulated industry. i.e. regulation is expected to increase the homogeneity of strategies across the industry.

Because this researcher had once carried out work in the industry, it was possible to gain access to the banks where senior officials were known to her and to ensure expediency of access. It was also hoped that those who gave initial access would assist with access to other banks. In the following chapter, there is a description of the preliminary studies carried out in the U.K. before commencing the main research in Nigeria.

CHAPTER 7

DEVELOPING A COMMUNICATION CLIMATE MEASURE

This chapter describes the development of a multi-dimensional measure of communication climate for use in the main research study. It was necessary to develop a measure because none was readily available.

Background

From the literature review, it was deduced that communication climate is an important contextual variable that could be an influencing variable in the human resource management and organisational performance relationship. This was based on the premise that human resource management processes do not automatically elicit desired behaviours from employees and that individuals are influenced by formal and informal communication by their peers and from the organisation. Thus, organisational communication intervenes between the organisational context and employee behaviours.

Furthermore, the literature review revealed a variety of methods for measuring climate in general. In the current research, communication climate was operationalised as a component variable of the contingency model. As there was no ready measure of communication climate, there were some methodological issues concerning how communication climate should be defined and measured. Most empirical studies have tended to use aggregated responses of individuals' responses to survey questions about practices and procedures in their organisations. As the research setting was overseas, there were time constraints and it would not be possible to develop a measure and pilot it in Nigeria. I therefore explored the feasibility of developing a reliable measure of communication climate using available data.

The data

A more detailed description of the data is presented in the next chapter, but a short summary is as follows. There were data available on human resource management practices, organisational performance and organisational climate. The data had been collected by the Centre for Economic Performance (CEP) from manufacturing organisations and had been used in a longitudinal study exploring the strategic human resource management and corporate performance relationship (Patterson et al., 1997). The findings had demonstrated causal relationships between human resource management practices and organisational performance.

The CEP data had also been used in an extension study, which investigated the influence of human relations climate and performance climate on this relationship (Neal et al., 2005). In this study, human relations climate was defined as a measure of the extent to which employees perceived attributes of the workplace as being beneficial to their well being. The performance climate was a measure of the extent to which employees perceived that the organisation emphasised performance and goal attainment.

Human resource management practices were found to both mediate and moderate the relationship between human relations climate and productivity. Human resource management practices and human relations climate were also found to moderate the relationship between performance climate and productivity. Performance climate was the only factor found to influence profitability. The researchers suggested that a climate, in which performance is strongly emphasised, might only be effective when progressive human resource practices were used and employees feel valued and involved. However, the study concluded that more work still had to be done on matching human resource practices with other organisational attributes. Consistent with this directive, my study aimed to explore the influence of a climatic factor on the links found between human resource management and productivity.

Defining and testing the communication climate measure

One of the organisational climate dimensions measured in the CEP study was labelled 'Communication' but it had no significant associations with the human resource management and performance relationship. The organisational climate survey had been administered to 5500 employees in 54 companies and tapped 17 climate dimensions in total (West, Patterson, Lawthom & Matlis, 1997). The communication scale was designed to capture 'the openness and effectiveness of communications systems within and between levels' and included statements such as ' important information is often not communicated to people'.

This was somewhat different from my operationalisation of the communication climate concept for the current research i.e. 'The extent of employee awareness of organisational goals and corporate strategy'. A decision was therefore taken to draft a communication scale that would tie in with my operationalisation, using questions in the original survey instrument used for the CEP research. Eight items were selected for the scale. Two of them had been included in the measure of communication in the original study. The remaining six were selected from other climate dimensions that had been examined in the original study. For example,

- the vision: the extent to which employees understand the company vision and long-term aims;

- performance feedback: the extent to which information about job performance is fed back to employees; and

- reviewing objectives: the extent to which organisational members take action in changing objectives, strategies or team processes in order to achieve successful outcomes.

The underlying reason for choosing the items was that, they appeared to have face validity for indicating the extent to which employees understand the organisational strategy and how aware they are of their success in fulfilling

organisational goals. The items also had face validity for indicating the effectiveness of the communication processes within the organisation. The final eight items selected for the communication scale were:

1. People have a good understanding of what we are trying to do
2. People usually receive feedback on the quality of work they have done
3. Everyone who works here is well aware of the long-term plans and direction of the company
4. Changes are made without talking to the people involved in them
5. People can quickly get hold of information when they need it
6. There are often breakdowns in communication here
7. People in different departments are prepared to share information
8. There are regular discussions as to whether people in the organisation are working effectively together.

A factor analysis for this new scale was carried out using Principal axis factoring. This resulted in one factor being extracted with α reliability of .84 and factor loadings higher than .5 for all scale items. (See Table 1 for the Factor matrix)

TABLE 1

Factor Matrix, Factor Loadings and Reliability for Communication climate scale (UK manufacturing data)

	Communication climate scale $\alpha = .84$ (N=)	
	Composite items	**Factor loading**
1	Good understanding	.59
2	Feedback on quality of work	.64
3	Everyone is aware of company's long term direction	.67
4	Changes are made without talking to people concerned (reverse coded)	.68
5	Quick information as needed	.65
6	Often breakdowns in communication (reverse coded)	.71
7	Different departments share information readily	.58
8	Regular discussions on effective working	.54

The next chapter describes the preliminary test of this measure using the same data set from which it was developed. The probable impact of communication climate had not yet been tested using the CEP data. This was an opportunity to define and test the communication climate variable and use the process as a pilot study.

CHAPTER 8

THE PRELIMINARY STUDY

Testing the effect of communication climate in the UK manufacturing industry

This chapter describes the preliminary study that was carried out to test the communication climate measure developed in the previous chapter. The study explored the role of communication climate in the contingency model of the human resource management and corporate performance relationship. *The study also provided an opportunity for a preliminary exploration of some of the main research hypotheses using data from the UK manufacturing industry.*

Ideally, a pilot study should be carried out within the main research sample in order to ensure that the questions being asked are applicable to the sample population. However, because, in this instance, the main research setting was overseas and the researcher was aware that access granted would be in a very limited timeframe, a pragmatic decision was taken to conduct a preliminary study using data that had already been used to confirm the link between human resource management and performance. The preliminary study tested the effect of communication climate on this relationship, using the communication climate measure developed in the previous chapter. *This was defined as a measure of employee awareness of organisational goals.*

The data

The original study was supported by the Economic and Social Research Council and carried out by the Corporate Performance programme based jointly at the Centre for Economic Performance, London School of Economics and the Centre for Innovation at the University of Sheffield. It was a ten-year longitudinal study (1990-2000) with data collected at two time points. The study was aimed at identifying the determinants of manufacturing company effectiveness. Specifically it sought to: (i) examine the direction of relationships between organisational climate and economic performance, (ii) explore the nature and direction of the relationship between economic performance and

97

employee job satisfaction, and (iii) identify managerial practices that best predict successful economic performance, innovation, employee health, job satisfaction and organisational commitment.

Original data had been collected using structured interviews conducted with chief executives and human resource or other senior managers. Information collected was on various company matters including human resource management practices and competitive strategies. Questionnaires were administered to employees of 55 companies at time T1, 33 companies at time T2 with 18 companies' data available for T1 and T2. The survey covered organisational climate, job satisfaction, organisational commitment and job design. Some demographics information such as the names and locations of the participant organisations were also collected.

Participants

Despite numerous challenges in getting companies to commit to the research, data were gathered from a variety of sources at different time points, over ten years. Single site manufacturing companies in the United Kingdom were identified from sector databases as well as the local chambers of commerce and trade associations. Additionally, the single site companies were single product operations with less than 1000 employees. The reasons for the selection criteria are described in detail by the original researchers (West et al., 1997) but a summary is presented here. The single site approach meant that the companies were relatively small and therefore comparable. The single product ensured limited diversity of product types so that processes within the organisations were relatively uniform and could be described at the firm level. The organisational type also meant that comparisons were sensible as the companies had similar characteristics and any differences noted were more likely to be down to practices in the organisation rather than size or type.

The measure of organisational climate was also expected to have increased validity because the employees in a single site, single product operation would be

98

more likely to be describing organisational practices and procedures common to all employees. With a multi-site organisation, there would be a higher likelihood of variation in perception and a probable reduction in validity of the organisational climate measure.

Data Collection

The data were collected through interviews with 4 or 5 senior personnel selected by their companies as the most suitable respondents for the questions being asked. Usually, the interviewees were the chief executive, sales director, production director, technical director and personnel director. The interviewers were all qualified industrial psychologists trained in administering the interview schedule and all the interviews were audio taped. Interviewers worked in pairs and independently rated companies on various aspects of their functioning. Pearson's product moment correlation coefficient(r.) was used to check inter rater reliability. These ranged from $r = .79$ to $r = .87$, indicating high inter rater reliability.

The topics covered by the structured interview included questions about the organisational structure and performance; market environment; competitive strategies; aspects of production and human resource management practices. Questions were also asked about industrial relations, equal opportunities and research and development practices.

The questions relating to group level and business unit performance, strategy and human resource management were of particular interest, as these were measures particularly important in linking human resource management to performance and it was useful to know how the original measures had been taken, so the proposed research methods could be better formed.

Human resource management: The person with primary responsibility for human resource management was asked for information on the personnel function, including who was responsible for personnel matters, how many levels from the board the person was, how many people are employed in the function and what their qualifications were. Questions were also asked about the existence of a personnel strategy, the main objectives for personnel over the next three years, and the extent to which personnel is involved in the corporate strategy development. Interviewees were asked to describe the profile of employees they were likely to need in the future, and what was being done to ensure that these people would be in their posts. The managers were also asked about human resource planning and succession planning. Specific questions were also asked about human resource management practices.

Recruitment and selection: Managers were asked to describe the typical procedure for filling vacancies, the induction process for new employees and the methods used for evaluating whether induction has been satisfactorily completed.

Training: The appropriate manager was asked about the overall training strategy if any, the main objectives over the next three years and modes of assessing training needs of employees. Information was also gathered on the training budget and how it compared to previous years'. Respondents were also asked whether management development programmes included performance appraisal, annual performance reviews, assessment and development centres, planned job rotation and high- flyer schemes.

Appraisal: Information was gathered on the existence of formal appraisal systems, who was appraised, how long the schemes had been operated and whether appraisals were linked to pay. Information was also gathered on appraisers' training and whether there was a monitoring system to ensure appraisals were carried out correctly.

Rewards: Questions were asked about rewards and how the companies saw their rates in comparison with their local competitors as well as the details of pay within their company e.g. bonuses, performance related pay and non-monetary benefits. Interviewees were also asked about changes that had taken place in recent years regarding human resource management practices and how extensive these had been on a four point scale ranging from 1 - 'minor' to 4 - 'major'.

Productivity: Productivity data and prior year productivity data were obtained from company financial and management accounts. For the analyses, Productivity was calculated as turnover *per employee where turnover was* standardised by industrial sector to allow comparability.

Control variables: These included prior productivity measures and industry sector. Dummy variables were set up to classify whether participant organisations belonged to the Engineering sector or the Rubber/ Plastics sector.

Based on the conclusions of the literature review detailed in previous chapters, the hypotheses for the preliminary study were:

> Hypothesis P1
>
> *Human resource management practices will have a positive association with productivity.*

> Hypothesis P2
>
> *Communication climate will positively moderate the relationship between human resource management practices and productivity.*

Data analysis - Preliminary hypotheses testing

A Correlation matrix was run for all the research variables. Hierarchical regression analysis were then used to test for direct effects of human resource

101

management practices on productivity and explore the preliminary hypothesis that communication climate would moderate the relationships. In all the regressions, prior productivity and sector type were controlled for and the communication measure developed in the previous chapter was used.

Results

A summary of the descriptive data is displayed in Table 2 and a correlation matrix of all dependent and independent variables is presented in Table 3. As shown in Table 3, there were significant correlations between Productivity and prior productivity. Productivity was also significantly correlated with communication climate, recruitment and appraisal. Companies in the engineering sector were likely to be less productive than companies in the plastics sector. Training, recruitment and appraisal practices were all highly inter-correlated. They were also significantly and positively correlated with communication climate. Pay was not significantly linked to any of the other variables.

TABLE 2.

Means and standard deviations of dependent variable, control variables,

HR variables and communication climate (UK manufacturing sample).

	N	MIN	MAX	MEAN	SD
Dependent variable					
Productivity	99	1.23	4.62	2.63	.49
Control variables					
Prior productivity	104	1.72	4.96	2.80	.47
Sec 1- dummy variable for engineering sector	154	0	1	n/a	n/a
Sec 3 – dummy variable for rubber/ plastics sector	154	0	1	n/a	n/a
HR Practices					
Training	109	1.13	4.5	2.64	.81
Selection	111	1.67	4.67	2.99	.60
Recruitment	111	1.67	4.67	2.99	.60
Appraisal	110	1	5	2.04	1.12
Contingent pay	109	0	3	.78	.81
Communication climate	46	2.06	2.94	2.42	.22
Valid N	41				

TABLE 3.

Correlations of Dependent and Independent variables (UK manufacturing sample)

	Variables	1	2	3	4	5	6	7	8	9
1.	Productivity	1								
	Control variables									
2	Prior Productivity	.72†	1							
3	Engineering sector	-.40†	-.15	1						
4	Rubber/ Plastics sector	.10	-.07	-.50†	1					
5	Communication climate	.30*	.07	-.30*	.20	1	·			
6	Training	.16	.10	-.01	.05	.47**	1			
7	Recruitment	.23*	.18	-.13	.06	.42**	.54†	1		
8	Appraisal	.23*	.17	-.15	.06	.41**	.41†	.38†	1	
9	Pay	.11	.13	-.04	.13	.09	-.13	.10	.15	1

† Correlation is significant at the 0.001 level (2- tailed)   ** Correlation is significant at the .01 level (2-tailed)

* Correlation is significant at the .05 level (2-tailed)

The results of the regressions are displayed in Tables 4 and 5. Table 4 shows the direct effects of human resource management practices on productivity. Table 5 shows the results of tests of moderating effects of communication climate and HRM practices on Productivity.

As shown in Table 4, there were significant direct effects of Recruitment (.17, p<.05) and Training (.20, p<.01) on productivity. No other significant direct effects were indicated. Interestingly, in Table 5, Appraisal was the only human resource management practice to have a direct effect on productivity (.42, p<.05). However, there were interactions reported for Training and Communication climate (-.25, p<.05) and Pay and Communication climate (-.42, p<.01).

Hypothesis P1 is partially supported as Recruitment, Training and Appraisal were shown to positively impact productivity, though not consistently.

Hypothesis P2 is supported as Communication climate interacted with Pay and Training to impact productivity.

TABLE 4.
Results of Regression Analyses of the Effect of HR Practices and Communication climate on Productivity in UK Manufacturing Industry sample[a].

Variables	Productivity & Recruitment		Productivity & Training		Productivity & Appraisal		Productivity & Pay		Productivity & Communication	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Controls										
Prior Productivity	.62†	.60†	.62†	.60†	.62†	.60†	.61†	.62†	.52†	.51†
Sector 1	-.24	-.18	-.24*	-.23*	-.24*	-.21*	-.24*	-.23*	-.17	-.11
Sector 3	.08	.12	.08	.07	.08	.09	.08	.09	.23	.22
Direct effects										
HR Practices										
Recruitment		.17*								
Training				.20**						
Appraisal						.15				
Pay								.39		
Communication climate										.24
R²	.52	.54	.52	.56	.52	.53	.52	.52	.44	.50
ΔR²		.02		.04		.01		.00		.06
F	22.43	22.62	22.43	23.82	27.43†	22.09†	26.86†	20.26†	8.76	7.88
df	3,77	4,76	3,77	4,76	3,77	4,76	3,75	4,74	3,33	4,32
n	81		81		81		79		37	

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*p<.05 **p<.01 †p<.001

TABLE 5.
Results of Regression Analyses testing direct and moderating effects of communication climate and HR practices on Productivity in UK Manufacturing Industry sample[a].

Variables	Productivity & Recruitment			Productivity & Training			Productivity & Appraisal			Productivity & Pay		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Controls												
Prior Productivity	.53**	.48**	.45**	.53†	.47**	.41**	.53†	.51†	.46**	.52†	.48**	.67†
Sector 1	-.14	-.05	-.09	-.14	-.07	-.05	-.14	-.00	-.00	-.14	-.09	-.06
Sector 3	.26	.29	-.22	.26	.22	.23	.26	.26	.27	.26	.26	.29
Direct effects												
Communication climate (CC)		.15	.23		.12	.07		.14	.11		.25	.18
HR Practices:												
Recruitment		.17	.13									
Training					.27	.35						
Appraisal								.26	.42*			
Pay											.08	.07
Moderation												
CC x Recruitment			-.25									
CC x Training						-.25*						
CC x Appraisal									-.28			
CC x Pay												-.42**
R²	.45	.52	.58	.45	.55	.61	.45	.55	.60	.45	.52	.65
ΔR²		.07	.06		.10	.06		.10	.05		.07	.13
F	8.78†	6.50†	6.57†	8.78†	7.40†	7.53†	8.78†	7.32†	7.38†	8.59†	6.21**	8.78†
df	3, 32	5, 30	6, 29	3, 32	5, 30	6, 29	3, 32	5, 30	6, 29	3, 31	5, 29	6, 28
n	36			36			36			35		

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*p<.05 **p<.01 †p<.001

Plots of the significant interaction effects shown in Table 5 between Communication Climate and Training and Communication Climate and Pay are displayed in Figures 2 and 3.
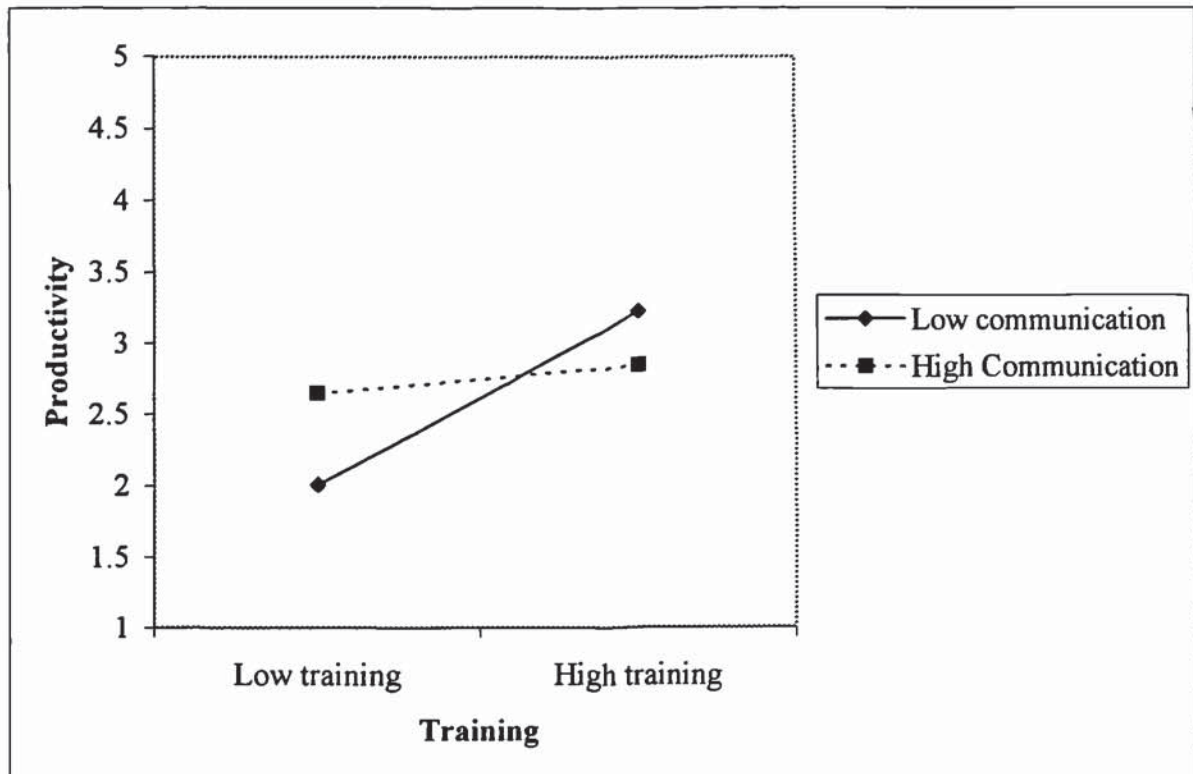
Figure 2. Interaction of communication climate and training on productivity in UK manufacturing sample

As shown in Figure 2, where there was low training and low communication, productivity was significantly lower than when there was low training and high employee awareness. In fact, there was little difference in productivity when training was low or high so long as employee awareness was high. This suggests that employee awareness is very important for productivity levels and that if employees understand what is expected of them, the level of training makes little difference to their productivity. It also suggests that communication can be substituted for training to some extent.
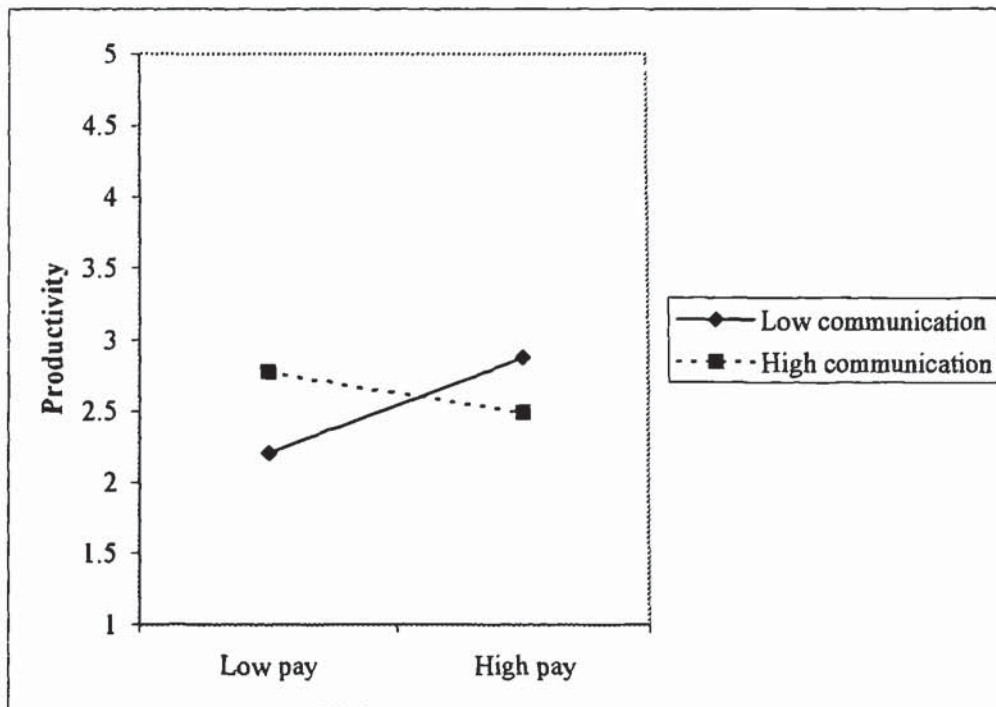
Figure 3. Interaction of pay and communication climate on productivity in UK manufacturing sample.

As shown in Figure 3. there was an interaction effect of pay and communication climate on productivity. Productivity was highest where there was high pay and low communication. Interestingly, productivity was lowest when communication was low and pay was low. However when pay was low and communication high, productivity was higher than when pay was high and communication high. This seems to suggest that even when pay is low, a high level of communication improves worker productivity. When pay is low and communication is low, productivity is much less.

Discussion and implications

The interaction between training and communication climate suggests that communication fulfils the same objectives as training to some extent. This has potential cost implications for organisations; i.e. improving communication climate specifically, employees' awareness can save the company some training expenses and increase productivity. Similarly, the interaction between pay and communication suggests that communication climate, to some extent, compensates for the loss in

motivation and consequent loss in productivity that would be expected with lower levels of pay. The indication that high levels of pay and low communication yield the best productivity levels could be due to the nature of the manufacturing industry. It suggests that in manufacturing, the lower status workers who would normally earn less, need more communication of organisational goals to produce more. However, higher status workers who get paid more, may not require the same levels of information and may be considered more productive because of their level in the organisation.

At a practical level, it appears that improvements could be achieved by ensuring regular communication and exchange of information on company objectives, especially to lower paid workers. Regular feedbacks as to how well objectives have been met and monitoring of employee understanding might ensure a stronger communication climate and could lower the costs of training. It seemed that the 8-item communication scale tested above might not be adequate for the main study, given the observations above. The communication climate measured awareness but not the processes used to ensure that awareness. It was therefore decided that an additional three areas would be investigated. Employees would be asked to indicate the extent to which they agree with the following statements:

- Is strategy formally communicated to employees?
- Are performance measures regularly fed back to employees?
- Does management negotiate and consult with employee representatives over work related matters?

These questions had been used before in a Deloitte employment survey in 1999 and appeared to have face validity for assessing some means of communication that could be considered a part of communication climate. In summary, it was decided to include the eleven items in the communication climate questionnaire and these eleven items were designed to give an indication of employee awareness of organisational objectives.

Furthermore, the preliminary results seemed to indicate that communication climate should capture the breadth of communication in the organisation. It was therefore decided that employees should be asked about the number of ways in which the organization communicated with them and the number of ways employees personally sought to understand organisational objectives. Thus, communication climate would have three dimensions:

- Employee learning about strategy
- Extent of organisational communication about company matters and
- Employee awareness (the scale tested by the pilot study)

To ascertain employee learning about strategy, employees would be asked to indicate how they learn by ticking a list of practices (newsletter, email, team briefing, memos, intranet, website etc). The responses would be used to form an additive scale labelled *information scanning*.

To ascertain how the organization communicates other company matters, employees would indicate by ticking a list of practices (newsletter, email, team briefing, attitude surveys, suggestion schemes, memos and other means) The responses would be used to form an additive scale labelled *information transmission*.

These lists of practices were devised using some of the questions that had been asked in the CEP study. In addition, it was decided that the questions would be addressed to a sizeable number of employees within each company and the mean of their responses would used to indicate the communication climate. By using multiple respondents from within the organisation, it was hoped that there would be a better measure of the communication climate than one obtained from just one respondent.

Conclusion

In summary, the communication climate measure developed in the previous chapter had been tested in a preliminary study using UK manufacturing company data. It had

been re-labelled employee awareness as the communication climate construct was expanded from one to three dimensions. As hypothesised, employee awareness was found to have a moderating effect on two aspects of the human resource management and organisational performance relationship. Specifically, employee awareness positively moderated the impact of training on productivity in a UK manufacturing industry sample. Employee awareness also moderated the impact of pay on productivity. It remained to be seen whether similar relationships would be found in the main study set in the Nigerian banking industry. The other two dimensions of communication climate, information scanning and information transmission were untested and it remained to be seen whether they would turn out to be reliable measures of communication climate. It also remained to be seen whether these aspects of communication climate would have any influence on the human resource management and corporate performance relationship in the Nigerian banking industry. In the following chapter, the methods for the main study are described.

CHAPTER 9

THE MAIN STUDY

Testing three models of HRM in the Nigerian banking industry

This chapter gives a detailed account of the methods used to carry out the research. This includes descriptions of the sample, participants and data collection process. The measures, instruments used, and the data analyses performed are also described.

Sample and procedure

The target population for the study was all of the 89 banks in Nigeria. One-page letters soliciting research access were sent out in December 2002/ January 2003 to the chief executives of all the banks in Nigeria. The letters briefly summarised the purpose and design of the research and requested access to the bank. A brochure of the Aston Business School and information on the Work and Organisational Psychology Group were enclosed with each letter. The chief executives were assured of confidentiality and promised an executive summary of the research findings, which could prove useful to them (see Appendix A for a sample of the letter).

The letters were drafted by the researcher but signed by Professor M.A. West as Director of Research. There were two reasons for this; firstly, *the researcher's* husband was chief executive of one of the banks and some potential participants were worried that their proprietary information might be passed on *to a competitor.* It was therefore necessary to assure them that the research was genuinely an academic process not aimed at breaching confidentiality or favouring any particular participants. Secondly, a letter signed by a professor from an overseas university was likely to carry more credence than a letter from a 'student' and strengthen the impression that the research was significant. More importantly, subsequent feedback indicated that it gave the banks the impression that they had been recognised as important and worthy enough to be included in such significant international research.

By the end of January 2003, only seven indications of willingness had been received by email, post or fax. Post research feedback revealed that most banks get a lot of research requests and tend to be reluctant participants in research. The researcher therefore had to persevere and maintain constant personal contact to gain access. Follow up phone calls and personal visits over the seven months to September 2003, resulted in 42 banks granting access and being visited for data collection (see Appendix B for a list of the participant banks). There was no criterion for selection other than an indication of willingness to participate from the banks contacted.

Data collection

This type of study had not been carried out before in this environment. It was not clear how well the measures derived from Anglo-American studies would transfer to an African environment. It was also not clear how reliable the information gathered would be. Multiple measures and data collection instruments were therefore used to increase the possibility of gathering useful data. By the end of October 2003, data collection was halted as it was getting prohibitively expensive, time was running out and there were signs of 'participant fatigue' and 'participant avoidance'.

There were five sources of data:

- A structured interview schedule for chief executives
- A structured interview schedule for human resource managers
- A human resource management practices questionnaire
- A communication climate questionnaire for employees
- A local banking industry survey

Instrumentation

Structured interviews

Interview schedule. The interview questions were aimed at gathering some general information about the banks as well as information on strategies, human resource management practices and communication (see Appendices C & D).

Interview pre-tests: Due to time constraints, it was not possible to conduct a full pilot of the interview schedules. However, some pre-testing was carried out, a few minor corrections were made and the final interview schedules were finalised. The questions were discussed with lecturers at the Lagos Business School who were familiar with banking strategy in Nigeria. The questions were also discussed with researchers at Agusto & Company Limited, a local credit rating bureau with considerable knowledge of the Nigerian banking industry. Furthermore, the interview questions were pre-tested with three chief executives and two human resource managers to ensure that the questions were unambiguous and relevant to the environment.

The pre-test proved very useful. For example, during the pre-test, I was advised by two chief executives that product differentiation was not an executable strategy in the Nigerian banking industry and should not be included in the list of strategies. I explained that the strategy was derived from theory and it would be better to leave it in to be tested rather than delete it on the basis of their opinions. I also explained that it was possible that some chief executives would select it as their dominant strategy so their range of strategy choices should not be restricted. Product differentiation was retained in the final list of strategy options.

During the pre-test, it was also decided that the interview schedule should be revised so that chief executives and human resource managers would be asked similar sets of questions. It had originally been planned that the chief executives would be asked questions on demographics and strategy and the human resource managers were to answer questions on human resource practices and communication. However, I was advised that depending on the size of the bank and the responsibilities given to the human resource manager, the appropriate person to answer some of the questions on human resource practices might be the chief executive rather than the human resource manager. Similarly, depending on length of service with the organisation, a longer serving human resource manager might give more useful insight into the bank's strategy than a relatively new chief executive. Thus, two sets of interview questions were scheduled in order to get the fullest information possible. The

interview questions for the human resource managers and the chief executives were essentially the same except for the human resource manager being asked for more specific details on recruitment practices.

The pre-test concluded with some practice interviews to ensure the interview could be carried out within forty to sixty minutes. The lower limit was particularly important as the first set of chief executives contacted indicated that an hour of their time was too much for them to give up, but were receptive to giving up 40 minutes.

The interview process: At the start of each interview, the interviewees were reminded of the research aims and were given a research outline (see appendix E). Notes were taken as many chief executives and human resource managers made it clear that they did not wish to be recorded on audiotape. The note taking made the interview process much more formal and helped to keep all but the most effusive respondents to the structure of the interview. Interviews were carried out in the offices of the chief executives and human resource managers. Most of the interviews were completed without interference but there were a few interruptions due to normal work requirements. One chief executive disengaged and refused to continue with the interview because he felt he needed board approval to answer the questions being asked. The interview questions were divided into four sections:

1. General information: In the first part, Section A, questions were about demographic and control variables. These included items such as the type of bank, how long it had been in operation, the lifecycle stage of the bank and questions about dependent variables such as staff retention (voluntary and involuntary turnover rates).

2. Strategy: The second part, section B, was related to strategy and strategic orientation of human resource practices. It included a list of five competitive strategies, which the respondents were asked to rank in order of applicability to their organisation (1 – 'the most applicable' to 5 – 'the least applicable'). The five

116

strategies listed were adapted for the banking industry from Porter's 1985 generic competitive strategy typology.

They were:

- Product differentiation – *creating a competitive edge through quality; offering products not available from competitors or offering products customised to customer needs.*

- Process differentiation – *creating a competitive edge through efficient processes and technology.*

- Cost leadership strategy – *gaining a competitive edge by being the lowest cost provider in the industry and using this to lower or control prices in the market place.*

- Focus strategy – *aiming at a narrow, specialised segment of the industry in terms of markets, customers or geographical coverage.*

- Service differentiation - *gaining competitive advantage through the provision of superior, consistent, prompt and reliable customer service.*

Interviewees were asked if they had a formal strategic plan, and if so, the period it was designed to cover. They were also asked to state the extent of any re-engineering within their organisations. Interviewees were also asked to indicate on a scale of 1-5 (1 – 'not at all' to 5 – 'completely') the extent to which the strategic planning process was linked to human resource management functions. To support their ratings, the respondents were asked to describe *how* they were linked. This was to minimise the possibility of influences such as social desirability on the responses given. It was expected that if respondents actually had to describe how their practices and strategies were linked, they were more likely to give a rational explanation rather than one designed to impress the researcher.

3. <u>Strategic orientation of human resource management practices</u>: Section C contained questions about the linkage of human resource practices to organisational objectives. The section was sub-divided into five parts:

The HR function: The first section included questions about the level of responsibility for the human resource manager. Interviewees were also asked to indicate the human

117

resource managers' proximity to the board and the level of their involvement in executive decisions. On a scale of 1 – 'not at all' to 5 – 'completely', the respondents were asked to what extent the human resource department had a role in formulating strategy. Respondents were then asked to indicate the role of human resource in the running of the bank and to highlight any innovations in the previous two years. They also had to describe any shortcomings of the human resource department. Questions were also asked about the systems used to produce management reports as well as which management reports were actually produced. Finally, questions were asked regarding the specific human resource practices used for selection and recruitment, appraisal and remuneration, compensation and rewards and training and development. These were as follows:

Selection and recruitment: The selection and recruitment questions were designed to elicit information on the extent to which the selection process was linked to company strategy. Interviewees were also given a list of selection practices (e.g., assessment centres, criterion-based interviews, skills-based tests) and asked to indicate which ones were used in their banks. There were also questions related to the induction process for new employees at different levels and the processes used to ensure people in the organisation understood what the organisation required of them.

Appraisal: The appraisal questions were designed to gather information on the appraisal process such as its basis, frequency and extent of linkage to organisational strategic objectives. Each question was to be answered as a choice of 'yes' or 'no', but there was also opportunity for respondents to describe their answers in more detail. Examples of questions asked were (i) *is appraisal based on criteria derived from strategy?* and (ii) *if yes, give an example.*

Compensation/ rewards: These questions were designed to gather data on the types of remuneration systems used: whether these were tied to strategy, company performance or individual level performance; and the extent to which the reward system was applied in the organisation.

118

Training and development: Training questions were about the frequency of training, types of training and the processes used to ensure employees are encouraged to develop themselves. Interviewees were also asked about the linkage of training to strategy.

4. Communication: The questions in Section D of the interview were about the interviewees' perceptions of communication within their banks. Respondents had to indicate how strategy and other matters were communicated to employees. They also had to indicate the frequency of communication, the breadth and quality of communication and their perception of employees' understanding of organisational messages.

The questionnaires

The human resource management practices questionnaire: The Lepak and Snell (2002) survey questionnaire was used to gather data on the 'best practice' human resource management practices used by the participant organisations. Mindful of the observation by Wright et al (1999) that there is potential for common method variance when responses are sought from just one person, the managers were asked to complete one questionnaire and give another to a colleague within their department who could answer the questions knowledgeably. This was intended to provide a check on the reliability of answers.

The questionnaire was considered appropriate as it was designed for use with knowledge workers such as those in the banking industry. The questionnaire was also pre-tested for face validity. The original Lepak & Snell (2002) questionnaire contained 51 items and this was pre-tested for this study with the help of two human resource managers who had also helped with fine-tuning the interview schedule. Ten items were discarded on their advice, as they were not deemed appropriate for the banking industry or were ambiguous. Two examples of the discarded statements are, *'these employees perform jobs that are extremely simple'* and *'compensation for these employees is based on hourly pay.'*

119

The final 41 items were related to a range of selection and recruitment, training, appraisal and compensation practices. Respondents were asked to indicate (on a Likert scale of 1- 'strongly disagree' to 5 – 'strongly agree'), the extent of their agreement with a range of statements on their bank's human resource management practices (see Appendix F for a copy of the full questionnaire). Examples of statements related to best practices are as follows:

The **selection and recruitment** section consisted of 9 items. For example,

- The recruitment/selection process emphasises their ability to collaborate and work in teams
- The recruitment/selection process focuses on selecting the best all round candidate regardless of their specific job
- The recruitment/selection process focuses on their ability to contribute to our strategic objectives
- The recruitment/selection process involves screening many job candidates

The **training** section consisted of 10 items. For example,

- Our training activities are comprehensive
- Our training activities are continuous
- Our training activities emphasise improving current job performance
- Our training activities strive to develop firm-specific skills and knowledge

The **performance appraisal** section consisted of 12 items. For example,

- Performance appraisals are based on input from multiple sources (peers, subordinates etc.)
- Performance appraisals are based on objective quantifiable results
- Performance appraisals are based on team performance
- Performance appraisals focus on their ability to work with others
- Performance appraisals measure productivity and feedback

The **compensation/rewards** section consisted of 10 items. For example,

- Compensation/rewards are based on the going rate
- Compensation/rewards have a group based incentive component
- Compensation/rewards have an individual incentive/bonus component
- Compensation/ rewards include an extensive benefits package.

The statements on recruitment and selection, training and performance appraisal were also supplemented by questions on whether there were formal strategy documents for those practices and which occupational groups within the organisation had access to the practices. In addition, there were two questions related to job design and the bank's policy regarding teamwork. These were, *'Does the bank have a policy of promoting team working....where groups of employees work interdependently and autonomously to achieve shared work goals?'* and *What percentage of staff work in teams?*

The configurational human resource management practices statements were derived by combining some of the statements from the various sections detailed above.

Statements about the **collaboration-based** configuration included the following four items:
1. The recruitment/selection process emphasises their ability to work in teams
2. Our training activities focus on team building and interpersonal relations
3. Performance appraisals are based on team performance
4. Performance appraisals focus on their ability to work with others

Questions about the **commitment-based** configuration consisted of the following 9 items:
1. The recruitment /selection process places priority on their potential to learn (i.e., aptitude)
2. Our training activities are continuous
3. Our training activities strive to develop firm-specific skills/ knowledge

4. Performance appraisals are based on input from multiple sources (peers, subordinates etc.)

5. Performance appraisals emphasise employee learning

6. Performance appraisals focus on their contribution to our strategic objectives

7. Performance appraisals include developmental feedback

8. Compensation/rewards include an extensive benefits package

9. Compensation/rewards provide incentives for new ideas

Overall, two sets of measures were to be obtained from the questionnaire. Firstly, four additive scales for recruitment, training, appraisal and rewards were used as indicators of best practices human resource management. The underlying assumption was that banks with a greater number of best practices would have a better human resource management function. Secondly, two additive scales developed by Lepak and Snell (2002) for *commitment* and *collaboration-based practices* were used as measures of configurational human resource management.

Communication climate questionnaires: The questionnaires were given to the human resource managers, who agreed to have them completed anonymously by at least 50 employees in each participant bank. Hard copies of the questionnaires were distributed to employees and according to feedback, they completed the questionnaires in about ten minutes. The human resource managers collected the questionnaires on completion. The ideal method for selecting the employees would have been through random selection, but the reality of research is that it is not always possible to study a truly random sample. The method of administering the questionnaires raised the possibility of bias. For example, the human resource managers may have specially selected the employees who completed the questionnaire and their responses might therefore not be representative of the typical views across the bank. However, some of the human resource managers stated that due to time pressure, they had distributed the questionnaires to whoever happened to be willing to complete them.

Each questionnaire began with a brief statement explaining the reason for the survey and the assurance of confidentiality and anonymity of responses. At the end of each questionnaire there was a short note thanking the employees for their help (see Appendix G for a copy of the questionnaire). The main climate questionnaire was made up of five sections:

General information: Section 1 asked for demographic details such as how long the person had been employed, whether they were male or female and what their professional rank was i.e., senior management, management or non-management.

Strategy: In section 2, respondents were asked to indicate the strategy most applicable to their organisation out of five generic strategies:

- Product differentiation
- Process differentiation
- Cost leadership
- Focus
- Service differentiation.

Communication: Sections 3 and 4 were used to gather two kinds of communication climate data. Firstly, information about how employees sought information about strategy and other matters; employees were asked to indicate which of the following eight practices they used personally to learn about company strategy i.e., their information scanning methods:

1. Newsletter
2. E-mail
3. Team briefings
4. Memos
5. Intranet
6. Website
7. Other means
8. 'I don't learn about strategy'.

Respondents were also asked to indicate which, of the following seven practices were used by their banks to communicate other company matters i.e., information transmission methods:

1. Newsletter
2. E-mail
3. Team briefings
4. Attitude surveys
5. Suggestion schemes
6. Memos
7. Other means.

Finally, in section 5, respondents were asked to indicate (on a scale of 1 - 'strongly disagree' to 5 - 'strongly agree'), the extent to which they agreed with 11 statements on employee awareness. These were:

1. People have a good understanding of what the organization is trying to do
2. People usually receive feedback on the quality of work they have done
3. Everyone who works here is well aware of the long term plans and direction of the company
4. Changes are made without talking to the people involved in them
5. People can quickly get hold of information when they need it
6. There are often breakdowns in communication here
7. People in different departments are prepared to share information
8. There are regular discussions as to whether people in the organisation are working together effectively.
9. Strategy is formally communicated to all employees
10. Performance measures are regularly fed back to employees
11. Management negotiates and consults with employee representatives over work-related matters.

Secondary Performance data - Nigerian banking industry survey reports

There was one also secondary source of data; the Agusto & Company Limited banking industry survey which is published annually. Longitudinal financial performance data were obtained from the company after a written undertaking by the researcher that the information would be used for research purposes only. Performance data from the Agusto industry reports were available for 35 banks in 2003, 36 banks in 2002 and 36 banks in 2001. However, consistent secondary data were not available for some of the banks in the research sample. In some years, some banks were excluded from the banking survey but were included in other years. Subsequent year performance data for 2004 were also received for 25 banks. The financial measures of performance were as follows:

Profitability – Measured by return on equity i.e., *profit attributable to ordinary shareholders expressed as a percentage of average equity*. Average equity was calculated as the average of previous and current years' equity. This ratio indicated a pre-tax return to investors and the return earned on shareholders' equity. By using the pre-tax profits, any distortion due to differential tax rates was eliminated. The use of a ratio also eliminated any size effects.

Productivity - The contribution to organisational earnings per employee calculated as *(Net corporate earnings before tax/ average number of employees for the year)*. This measure had an inbuilt control as it took into consideration the number of employees i.e., the measure is the productivity per employee.

Efficiency – This was represented by the cost to income ratio expressed as *total operating costs (including staff costs) as a percentage of corporate net earnings before tax*. The lower the ratio, the greater the efficiency as it cost less to produce more.

See Table 6 for a summary of the primary data collected.

TABLE 6

Analysis of primary data collected for Nigerian banking industry study

DATA COLLECTION TOOL / RESPONDENTS	FREQUENCY OF RESPONSES	RESPONSES AS % OF TOTAL SOUGHT	RESPONSES AS % OF INDUSTRY TOTAL (N=78)
STRUCTURED INTERVIEWS / CHIEF EXECUTIVES	31	78	37
STRUCTURED INTERVIEWS / HUMAN RESOURCE MANAGERS	39	93	50
HUMAN RESOURCE PRACTICES QUESTIONNAIRES / HUMAN RESOURCE MANAGERS	36	86	46
COMMUNICATION CLIMATE SURVEY / EMPLOYEES	34 banks (1,599 employees)	N/a (A pre-determined selection of employees was surveyed)	2.4

Though the overall sample of 42 banks covered about 70% of the population, it was a small sample in terms of power so the interpretation of statistical results was cautious. However, it was still a substantial sample for finding moderate and large effects. For example, the power for finding a correlation of 0.5 with 42 cases was as high as 0.92; even when there were a few missing values. For example, when only 30 cases were usable, the power was still 0.80; the level usually used as acceptable. For

finding a moderate correlation of only 0.35, the power was below this level (i.e., 0.61). This means that an effect of this size was still almost twice as likely to be found as not.

Measures – Independent variables

Human resource management practices variables: These measures were operationalised in different ways in accordance with the universalistic, configurational and contingency models being tested. The universalistic *'best practices'*, configurational *'commitment-based practices'* and *'collaboration-based practices'* were measured by five-category Likert scales on the human resource management practices questionnaire using items adapted from Lepak and Snell (2002). High values from these measures were consistent with high levels of the relevant human resource management practices. Conversely, low values represented low levels of the human resource management practices. The contingency measure, *Strategic orientation of human resource management practices* was derived from the researcher's ratings of the qualitative information obtained through the structured interviews with chief executives and human resource managers. Low ratings represented lower linkages of human resource management practices to strategic objectives. Conversely, high ratings were consistent with higher linkages of human resource management practices to strategic objectives.

Contextual variables: These consisted of 2 variables that might be linked to the contingency model of the effectiveness of human resource management practices; strategy and communication climate.

Strategy was measured by using the choice of strategy indicated by the chief executive as being most applicable to their bank during the interview.

Communication climate was measured in three parts: (1) *information scanning;* a measure of the methods by which employees learn about the organisation's objectives, (2) *information transmission;* a measure of the number of methods used by

127

the organisation to communicate company matters and (3) *employee awareness*, a measure of the extent of employees' awareness of organisational goals.

Information scanning and information transmission were measured using an additive scale of dichotomous variables coded '1' if a particular method was used and '0' if not. High values were indicative of more methods being used. Employee awareness was measured using an eleven-item, five-category Likert scale. High values on the scale were related to higher levels of employees' awareness of organisational goals.

Dependent variables

Organisational performance: The objective financial measures of profitability, productivity and efficiency were obtained from the Agusto banking survey. Measures of employee turnover were obtained from the structured interviews.

Control Variables

Available prior performance data were selected as control variables as they were significantly correlated with subsequent performance as shown in Table 7.
Prior year data were available for productivity, profitability and efficiency.

Several other control variables (e.g. stage of organisational development, age and size of bank) were considered and discussed with some bankers. Their view was that the type of bank and the number of employees should be the main control variables as these were the factors most likely to be linked to performance. As the number of employees was already built into the productivity per employee measure, it was decided that 'type of bank' might be a control variable. The types of banks were:

- commercial wholesale banks
- commercial retail banks
- investment banks
- universal banks

Correlations for performance and the control variables are shown in Tables 7 and 8.

128

TABLE 7

Means, Standard deviations and correlations of performance variables with prior performance data.

Performance Variables	Mean	S.D.	1	2	3	4	5	6	7
1 Voluntary turnover rate (%)	7.80	6.69							
2 Efficiency ratio	66.61	15.00	0.08						
3 Productivity per full-time employee (N000)	8015.56	5653.47	0.25	-0.60**					
4 Profitability (Return on equity)	35.46	19.35	-0.07	-0.66**	0.29				
5 Prior year efficiency ratio	54.18	40.56	0.05	0.51**	-.34	-.17			
6 Prior year productivity per full-time employee (N000)	7144.14	4584.09	0.03	-0.54**	0.84**	0.05	-.41*		
7 Prior year profitability	49.75	23.94	-0.30	-0.19	-0.16	0.51**	-0.03	-.03	1

** p<.01
*p<.05

TABLE 8
Correlations of Performance variables with Type of Bank

	Variables	1	2	3	4	5	6	7	8
PERFORMANCE									
1	Efficiency ratio	1							
2	Profitability (Return on Equity)	-.66**	1						
3	Productivity per full time employee (N000)	-.60**	.28	1					
4	Voluntary turnover rate	.08	-.07	.25	1				
TYPE OF BANK									
5	Commercial retail	.10	.18	-.36*	.14	1			
6	Commercial wholesale	-.14	.28	.39*	.14	-.45*	1		
7	Investment	-.44*	-.05	.56**	-.06	-.17	-.07	1	
8	Universal	.23	-.46**	-.13	-.25	-.67**	-.29	-.11	1

** p<.01   *p<.05

Preliminary data analyses

Preliminary data analyses were carried out to establish the reliability of the data. All responses were coded and descriptive statistics frequencies and correlations were calculated for all data sets. Data were reverse coded where appropriate. Factor analyses were carried out and the resultant scale reliabilities checked. Cronbach's alpha (α) was used as the measure of reliability of internal consistency of the scales (Nunnally & Bernstein, 1994). Inter-class correlations were computed for employee data and human resource practices data and inter-rater reliability (ICC (2)) of the responses from multiple raters was checked (Bliese, 2000). The procedures used are detailed as follows.

Human resource management practices: Factor analyses were performed for items related to the four *best practice* scales and the two *configurational* scales derived from the human resource practices questionnaire. Principal axis factoring was used to extract one factor and to calculate the factor loading of each item in the scale. Any items with loading of less than .40 were discarded. No rotation was carried out as only one factor was extracted. By extracting one factor only, it was assumed that the most important underlying construct could be uncovered. This would increase the possibility of the scales being measures of single constructs as unidimensionality implies that a single factor suffices to account for the correlation among the items.

The analyses were done separately for each scale, as the research sample was small with only 38 cases. Opinions vary as to ideal sample size for factor analysis, but one rule of thumb is 'there should be at least 10 times as many subjects as variables' (Nunnally, 1978: p.421). However Wolins (1982) asserted that the required sample sizes vary and are dependent on several issues such as the number of factors expected and the magnitude of the correlations among variables. Pedhazur and Schmelkin (1991) stated that in general, larger samples are required when data consists of single items as compared with data consisting of multi-item scales. Overall however, there seems to be agreement that large samples are essential for stability of factor analyses. What appears to be in dispute is the definition of 'large'.

With this study, even if the entire bank population had been used, there would not have been a large enough sample for an 'optimal' factor analysis. A pragmatic decision was taken to run factor analyses with the available data. The unidimensionality of the scales was increased by rejecting any items with a factor loading of .40 or less. This method was consistent with the suggestion by Pedhazur and Schmelkin (1991) and would help determine if the Nigerian data could be structured in the manner observed in previous Anglo-American research. For example, the scale reliabilities in the Lepak and Snell (2002) study were greater than 0.80. It was assumed that if the scales could be replicated in the current research setting with such a small sample, the structures could be deemed stable.

The scale reliabilities (α) and inter rater reliability (ICC (2)) of the human resource managers and their subordinates' responses were computed. All the scales were reliable ($\alpha > .70$). However, though the inter-rater reliability for the training scale was .71, it was less than .50 for the commitment, collaboration, recruitment, appraisal and compensation scales. Ideally, ICC (2) on all scales should be .70 or more (Nunnally & Bernstein, 1994) so this was not a satisfactory situation; the human resource managers and their subordinates seemed to agree only on the training practices used in their organisations.

The low agreement between human resource managers and colleagues' responses could be due to the fact that staff in human resource departments tend to focus on a narrow task such as training and might therefore not know as much as their manager about other practices. The human resource manager however would be expected to know about the entire human resource function and related practices. A pragmatic decision was therefore taken to use the human resource managers' responses only. It was assumed that the human resource managers would have given more accurate responses about the practices in their organisations than their subordinates.

Factor analyses and scale reliabilities were then re-computed for the human resource management scales using data from the human resource managers' responses only.

132

The principal axis factor analysis method was used to extract the dominant factor in each of the four best practice scales and the two configurational scales. Tables 9 -14 show the factor matrices and factor loadings after discarding items with a factor loading less than .40 for the human resource management practices scales. The reliabilities are also shown and as they were all above .70, they were satisfactory. Overall therefore, the best practices scales were reliable but based on a single respondent's responses.

TABLE 9

Factor Matrix, Factor Loadings and reliability for Recruitment scale[a]

	Recruitment scale $\alpha =. 76$ (N=30)	
	Composite item	**Factor loading**
	(Our selection and recruitment practices..)	
1	emphasise their ability to collaborate and work in teams	.61
2	focus on selecting the best all round candidate regardless of their specific job	.53
3	focus on their ability to contribute to our strategic objectives	.57
4	involve screening many job candidates	.59
5	are comprehensive (uses interviews, tests etc.)	.62
6	place priority on their potential to learn (e.g. aptitude)	.71

[a]Loadings less than .40 are not shown

TABLE 10

Factor Matrix, Factor Loadings and Reliability for Training scale[a]

	Training Scale $\alpha = .86$ (N=30)	
	Composite items (our training activities..)	Factor loading
1	are comprehensive	.71
2	are continuous	.56
3	emphasise improving current job performance	.68
4	emphasise on-the-job experience	.77
5	focus on team building and interpersonal relations	.48
6	strive to develop firm-specific skills and knowledge	.83
7	are planned and designed systematically	.77
8	complement other human resource activities	.70
9	thorough training effectiveness analysis	.60

[a] Loadings less than .40 are not shown

TABLE 11

Factor Matrix, Factor Loadings and Reliability for Performance Appraisal scale[a]

	Performance appraisal scale $\alpha = .91$ (N=33)	
Composite items		**Factor loading**
1	based on input from multiple sources (peers, subordinates etc.)	.60
2	based on objective quantifiable results	.82
3	based on team performance	.68
4	assess compliance with preset behaviours, procedures and standards	.84
5	assess quality of output	.66
6	assess quantity of output	.65
7	*emphasise employee learning*	.77
8	focus on ability to work with others	.78
9	focus on contribution to strategic objectives	.74
10	include developmental feedback	.45
11	measure productivity and feedback	.81

[a] Loadings less than .40 are not shown

TABLE 12

Factor Matrix, Factor Loadings and reliabilities for Rewards scale[a]

Rewards scale $\alpha = .78$ (N=28)	
Composite items	**Factor loadings**
(Our compensation and rewards ...)	
1 are based on the market wage	.73
2 are based on equity with peers	.47
3 are have a group based incentive component	.50
4 have an individual incentive/bonus component	.55
5 include an extensive benefits package	.87
6 *include employee stock ownership packages*	.49
7 provide incentives for new ideas	.62

[a]Loadings less than .40 are not shown

TABLE 13

Factor Matrix, Factor Loadings and Reliabilities for Commitment scale[a]

	Commitment scale $\alpha = .82$ (N=26)	
	Composite items	Factor loading
1	Our training activities are comprehensive	.44
2	Our training activities are continuous	.56
3	Our training focuses on firm-specific skills	.54
4	Performance appraisal relies on input from many sources	.43
5	Performance appraisal focuses on employee learning	.73
6	Performance appraisal focus on contribution to our strategic objectives	.85
7	Performance appraisal includes developmental feedback	.70
8	Compensation …extensive benefits	.62
9	Compensation and rewards and incentives for new ideas	.70

[a] Loadings less than .40 are not shown

TABLE 14

Factor Matrix, Factor Loadings and Reliability for Collaboration scale[a]

	Collaboration scale $\alpha = .73$	
	Composite items	Factor loading
1	Recruitment focuses on their ability to work in teams	.83
2	Team building	.58
3	Team performance	.66
4	Ability to work with others	.52

[a] Loadings less than .40 are not shown

138

Communication climate. This was a three dimensional measure comprising *information transmission, information scanning* and *employee awareness.* Additive scales were computed for the first two dimensions using responses to the questions on methods used for communicating strategy and personally learning about strategy. The number of methods used by employees for personal learning about strategy was labelled *information scanning.* The number of methods used by the organisation to communicate with employees was labelled *information transmission.* For each method indicated by employees, a point was given. Thus if an employee ticked 2 modes of information scanning and 3 modes of information transmission, those variables would have values of 2 and 3 respectively. An aggregate dimension was also established by summing up the scores for information scanning and information transmission. This measure represented the total number of ways in which an employee learnt about strategy and other company matters and was labelled *aggregate employee information.*

Finally, the dimension *employee awareness* was measured on an 11-item, 5-factor Likert scale using the measure developed from UK Manufacturing data. The level of within organisation agreement in climate perceptions was evaluated using the $r_{wg(j)}$ statistic (James, Demaree & Wolf, 1984). The mean level of $r_{wg(j)}$ was .92 ranging from .83 to .96. As all values were above .70, the level was considered acceptable. The inter rater reliability was also acceptable (ICC(2)= .86). The data were aggregated to give an overall scale mean for each bank. A factor analysis was performed using principal axis factoring to extract one factor and the scale was found to be reliable (α=.83). All eleven items in the employee awareness scale had factor loadings >.40. The factor matrix for employee awareness is shown in Table 15 and the descriptive statistics for all the communication climate dimensions are shown in Table 16.

TABLE 15
Factor Matrix, Factor Loadings and Reliability for Employee Awareness Scale

	Employee Awareness scale $\alpha = .83$ (N=34)	
	Composite items	Factor loading
1	Good understanding	.63
2	Feedback on quality of work	.64
3	Everyone is aware of company's direction	.62
4	Changes are made without talking to people concerned (reverse coded)	.44
5	Quick information as needed	.56
6	Often breakdowns in communication (reverse coded)	.49
7	Different departments share information readily	.47
8	Regular discussions on effective working	.58
9	Strategy is formally communicated	.59
10	Performance measures fed back	.62
11	Negotiation & consultation with employees	.54

TABLE 16

Descriptive statistics for Communication Climate variables (N=35)

Communication Climate variables	Minimum	Maximum	Mean	Standard deviation
Information Scanning	1.13	3.18	1.93	.43
Information Transmission	1.21	2.57	1.78	.34
Aggregate employee information	2.42	5.75	3.68	.71
Employee Awareness	2.96	3.57	3.27	.18

Strategy: The chief executives who drive strategy and lead their organisations, were deemed most likely to give an accurate description of strategy. They were asked to rank five strategies using Porter's 1980 typology in the order of greatest applicability to their bank. The reliability of their responses could not be tested however. The most applicable strategy was assigned a numeric code of '1' and the least applicable strategy a '5'. Strategy was then operationalised as a dichotomous variable so that the most applicable for each bank was coded as '1' and all other strategy options treated as dummy variables coded '0'.

Strategic orientation of human resource management practices: The researcher's external ratings of the strategic orientation of selection, induction,

141

training, appraisal and compensation human resource management practices were derived from the qualitative data elicited in the interviews. To ascertain the strategic orientation of human resource practices, the interview schedules were reviewed and coded. However, there were instances where the respondents were asked for further details of their initial 'closed' response e.g., after indicating the extent to which strategy and human resources were linked on a numeric scale, the interviewee had to describe *how* they were linked. The researcher rated all the qualitative statements and assigned a numeric code. The researcher's ratings were based on *answers to the* questions ' How strategically oriented is the human resource process?' i.e., 'how well are the practices targeted to achieving strategic objectives?' Ratings spanned 1- 'not at all' to 5-'completely'. An index was also given for the strategic orientation of human resource management practices overall (see Appendix H for ratings guide).

A co-rater also reviewed the qualitative data and gave an additional independent external rating of the human resource management practices. The co-rater had expert knowledge and experience of research in the field of human resource management and performance. It was agreed that the two raters should rate the qualitative responses of the chief executives and the human resource managers' interviews independently on the basis of established criteria. The raters rated five banks together in order to calibrate their responses. They then rated the remaining banks independently. It was agreed that any ratings that might differ materially (i.e. by more than one point), would be discussed and a second rating made. If there were still material disagreement, a mutually agreed referee would be selected to resolve the issue.

The inter-rater reliability was ICC (2) > .80 for all the external researcher ratings and was therefore satisfactory. The ICC (2) for the various practices rated were as follows: Overall human resource management practices ICC (2)=.83, selection and recruitment ICC(2)=.94, induction ICC(2)=. 86, pay ICC(2)=.81; training ICC(2)=.90 These values demonstrated the high agreement between the researchers in respect of their assessment of strategic orientation of the human resource

practices. The descriptive statistics for the strategic orientation ratings are shown in Table 17.

TABLE 17
Descriptive statistics for
Strategically Oriented Human Resource Management Practices (N=40)

Strategically Oriented Human Resource Management Practices	Minimum	Maximum	Mean	Standard deviation
Selection & Recruitment	1.75	4.00	3.03	.59
Induction	2.00	4.50	3.14	.58
Training	1.50	4.50	2.93	.79
Appraisal	2.00	4.50	3.19	.61
Rewards/ Compensation	1.50	4.00	3.00	.63
Overall HR	1.50	4.50	2.80	.76

Organisational performance: A preliminary review of the performance measures revealed significant and unusual negative values in an industry that is very profitable. For example, the minimum value for return on equity was negative (–111.90%) compared with a maximum value of 73.10% and a mean of 31.25%. The minimum value for productivity per employee was also negative (-785,000 Naira) and the maximum was 25.2 million Naira. The minimum efficiency ratio was also negative (-911.3) and indicated that costs were generating losses, not income. One participant bank was found to be an 'outlier' that was distorting the analyses. The bank was operating in unusual circumstances as it was undergoing a major turnaround operation by new owners seeking to rescue it from the brink of collapse. As this bank was not typical of the industry and in order to increase the reliability of the data, the outlier was excluded.

143

The minimum, maximum and mean values of current and prior year performance variables with the outlier deleted are shown in Table 18 below.

TABLE 18.
Descriptive Statistics for performance variables (N=34)

Performance variables	Minimum	Maximum	Mean	Standard deviation
Profitability (% Return on equity)	1.90	73.10	35.46	19.35
*Productivity per employee (N000)	3125.00	25200.00	8015.56	5653.47
Efficiency ratio	30.90	95.50	66.61	15.00
Employee turnover (%)	0.50	30.00	7.80	6.68
Prior year profitability (%)	10.30	104.90	49.75	23.94
*Prior year productivity per employee (N000)	2648.00	23917.00	7144.14	4584.09

*Productivity is stated in Naira (N), the Nigerian unit of currency; (£1≈N250)

Summary of preliminary data analysis

In summary, the various measures of human resource management practices were found to be reliable although they were based on a single rater's responses. The researcher ratings of the strategic orientation of human resource management practices were reliable as they had high inter-rater reliability. The person responsible for defining and driving strategy within the organization indicated their organisation's dominant strategy, but their reliability could not be checked. The measures for communication climate included a reliable scale derived from items with high levels of within organisation agreement and inter-rater reliability between respondents. The performance measures were deemed reliable because they were from a reputable agency and because the potential distortion in the results had been avoided by deleting an outlier. Overall, the measures being used were considered good measures likely to give robust results. However, due to the sample size and the fact that single raters' responses were being used for some of the measures, the results would have to be interpreted cautiously.

Main data analysis – Hypotheses testing

The main part of the data analysis involved aggregating the data, matching the files and running the correlation matrices for all the data. For each hypothesis being tested, significant correlations ($p<.05$ and $p<.01$) were explored further using a series of hierarchical regression analyses of all the performance variables. To ascertain the direction of any relationships reported, stepwise regressions were performed for any significant relationships after controlling for prior year performance and type of bank. If there was still a significant relationship, a further regression analysis was performed to ascertain if subsequent year performance could be predicted after controlling for current year performance. The results for all the procedures carried out are reported in the following chapter.

CHAPTER 10

THE MAIN STUDY

Results of hypotheses testing

The results of the study are presented in this chapter. First there is a summary of the descriptive statistics and the bivariate correlations. The findings of the regression analyses used for the research hypotheses testing are then presented and briefly discussed. The chapter concludes with an overview of the main findings with reference to the models under investigation.

Descriptive data

Participants. As previously mentioned, 42 banks participated in this study. The largest bank had 339 branches and the smallest, 3 branches. The bank with the largest number of employees had 7,630 whilst the bank with the least number had 60. The oldest bank had been operating for 109 years and the newest, for just under three years. All the participant banks had their head offices in Lagos. However, this was not expected to bias the data since, of all the banks in Nigeria, only three had their headquarters elsewhere.

Of the 31 chief executives interviewed, the longest serving had been in office for 13 years and the shortest serving had been in office for approximately 6 months. Of the 39 human resource managers interviewed, 36 also completed the human resource practices questionnaire. The smallest human resource department had one member of staff whilst the largest had 138 staff members.

The employee communication survey was completed by 1,599 employees (62% male and 38% female) from 34 banks. Of these, 96 (6%) classified themselves as senior management, 471 (29.4%) as middle management and 924 or 57.8% as non-management (i.e. junior staff). Approximately 7% of respondents did not indicate their management level. The majority of respondents (1278) had worked at their respective banks for between one and ten years. Of the minority, 210 had worked between ten

and twenty years and 68 had worked for over 20 years with their respective banks. The descriptive data for all the research variables are reported in Table 19.

Table 19
Descriptive Statistics of independent and dependent variables

	Variables	N	Minimum	Maximum	Mean	Std. Deviation
1	Voluntary turnover rate	37	0.00	30.00	7.80	6.68
2	Efficiency (operating cost/net income x 100)	34	30.90	95.50	66.60	15.00
3	Productivity per full time employee (N000)	34	3125.00	25200.00	8015.56	5653.47
4	Profitability (Return on equity)	34	1.90	73.10	35.46	19.35
5	Best practice training scale	31	2.30	5.00	3.94	.59
6	Best practice performance appraisal scale	32	2.45	4.91	3.91	.61
7	Best practice recruitment scale	32	3.17	5.00	4.24	.51
8	Best practice compensation scale	31	2.00	4.83	3.37	.81
9	Configurational HR - commitment scale	32	2.11	4.89	3.83	.59
10	Configurational HR - collaboration scale	32	2.00	4.75	3.67	.74
11	Overall Index of HR strategic orientation	40	1.50	4.50	2.79	.76
12	Strategically oriented Selection and Recruitment	40	1.75	4.00	3.03	.59
13	Strategically oriented Induction	40	2.00	4.50	3.14	.58
14	Strategically oriented Training	40	1.50	4.50	2.94	.79
15	Strategically oriented Performance appraisal	40	2.00	4.50	3.19	.61
16	Strategically oriented Pay	40	1.50	4.00	3.00	.63
17	Information scanning (by employees)	35	1.13	3.18	1.93	.43
18	Information transmission (by company)	35	1.21	2.57	1.78	.34
19	Aggregate employee information learning	35	2.42	5.75	3.68	.71
20	Employee awareness	34	2.95	3.71	3.34	.22

The correlations between the research variables are reported in Table 20 and a summary of the correlations presented below.

Correlation analyses – Dependent and Independent variables

Performance: Some of the performance variables were significantly correlated. The efficiency measure (operating cost as percentage of net earnings) was negatively correlated with profitability (-66, $p < .01$) and productivity (-.60, $p < .01$). This suggested that higher efficiency was associated with higher productivity and profitability i.e. the banks with relatively higher productivity and profitability were more efficient than other banks as each unit of their costs generated more earnings.

Universalistic/Best Practice HRM: Some of the 'best practices' human resource management scales were also highly correlated e.g., Recruitment was significantly and positively correlated with Training (.65, $p < .01$) and Appraisal (.67, $p < .01$). This may have been due to common underlying themes for the component practices. For example, all the scales included practices that focused on teamwork and the ability to work with others. There was also a common focus on the employees' ability to contribute to the company's strategic objectives. None of the best practices scales were significantly correlated with any measures of performance.

Configurational HRM: The configurational scales were also significantly correlated; the collaboration-based configuration was highly correlated with the commitment–based configuration (.75, $p < .05$); this was because their composite items were extracted from the same universalistic scales. For example, both configurational scales contained items related to best practice performance appraisal and training. The 2 configurational scales were also positively and significantly correlated to the 4 universalistic scales (between .44 and .81, $p < .01$). This was because the human resource management configurations designed to elicit collaboration or commitment were comprised of items from the universalistic practices.

149

The commitment-based configurations were also significantly and positively correlated with strategically oriented training practices (0.46, p<. 01). This suggested that companies with practices designed to elicit commitment were more likely to have training practices oriented to corporate strategy. Collaborative human resource practices were also found to be significantly and positively correlated (0.40, p<. 05 not shown in table) with management's view of how well employees understood company strategy.

This suggested that management' views on employees' understanding were more likely to be positive when there were collaborative work practices in place. There were significant inverse correlations between voluntary turnover and commitment–based HRM practices (-.38, p<. 05) and collaboration-based practices (-.49, p<. 01). This suggested that banks with commitment-based and collaboration-based configurations of human resource management practices were more likely to retain their employees.

Strategically oriented HRM: The scales for strategically oriented human resource management practices were all significantly inter-correlated except for the rewards scale, which was not significantly correlated to any of the other strategically oriented HRM measures. There was a significant and inverse correlation between employee turnover and strategically oriented recruitment (-.38, p<. 05). This suggested that employees of firms with strategically oriented recruitment practices were less likely to voluntarily resign. There was also a significant and positive correlation between strategic training and productivity (.34, p<. 05). This suggested that companies with employees who were trained to fulfil organisational strategic needs were likely to be more productive.

Communication Climate: The communication climate variables, *information scanning* and *information transmission* were highly correlated (.75, p<. 01) and this suggested that firms with employees who actively sought information were likely to use more methods of disseminating information to the employees. However, no significant correlation to employee awareness was

reported i.e., the number of ways in which employees sought or received information was not associated with their awareness of or understanding of organisational goals. Employee awareness was significantly and positively correlated with best practice training (.41, p<. 05). Significant direct links were also reported between communication climate and performance i.e., information scanning and information transmission were significantly correlated with productivity (.43, p<. 05) and (.44, p<. 05) respectively.

Strategy: Focus strategy was significantly correlated with communication climate; with information scanning (.43, p<. 05) and with information transmission (.44, p<.05). Focus strategy was also significantly and positively correlated with productivity (.44, p<.05). This suggested that banks operating a focus strategy were more likely to be productive than other banks and have a better communication climate.

Product strategy was significantly and positively correlated with employee voluntary turnover, which suggested that banks operating a product strategy were likely to have lower employee retention rates. Product strategy was also inversely correlated with strategically oriented recruitment (-.38, p<.05), commitment-based HRM (-.41, p<.05)) and collaboration-based HRM (-.49, p<.05). This suggested that banks operating a product strategy were not likely to orient their recruitment towards their strategic objectives. They were also less likely to have human resource management practices designed to elicit employee commitment or collaboration.

To summarise the correlations, best practice HRM did not have any significant associations with performance. Commitment and collaboration based configurations of HRM practices were significantly and negatively correlated with voluntary turnover. Strategically oriented selection and recruitment practices had a negative relationship with employee turnover and strategically oriented training practices had a positive relationship with productivity. Product strategy had a significant correlation with voluntary turnover and Focus strategy had a positive correlation with productivity.

151

Communication climate (information scanning and transmission) was also significantly and positively correlated with productivity.

.

TABLE 20
Correlations of Dependent and Independent variables

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24
Performance																								
1 Efficiency																								
2 Profitability	-.66**																							
3 Productivity /fte[b] (N000)[c]	-.60**	.29																						
4 Voluntary turnover rate	.08	-.07	.25																					
Best Practice HRM																								
5 Recruitment	.04	-.15	.05	-.25	[.76]																			
6 Training	.24	-.19	-.18	-.19	.65**	[.76]																		
7 Appraisal	.07	-.02	-.06	-.34	.67**	.70**	[.86]																	
8 Compensation	-.02	-.05	.20	-.10	.20	.45*	.59**	[.91]																
Configurational HRM																								
9 Commitment scale	-.02	-.05	.03	-.38*	.60**	.71**	.89**	.68**	[.78]															
10 Collaboration scale	.08	-.11	-.08	-.49**	.76**	.80**	.77**	.44*	.75**	[.82]														
Strategic orientation HR																								
11 Overall HR	-.19	.11	.26	-.03	.01	-.06	.09	.05	.05	.17	[.73]													
12 Recruitment	.11	.07	.10	-.38*	-.14	.06	-.06	.01	.00	.05	.45*													
13 Induction	.16	-.10	.08	-.22	-.13	.11	.08	.08	.05	.12	.47**	.65**												
14 Training	-.13	.13	.34	.03	.15	.21	.37*	.18	.46**	.27	.40*	.33*	.47**											
15 Appraisal	-.25	.14	.25	-.27	-.10	-.04	.03	.09	.07	.03	.52**	.63**	.57**	.19										
16 Pay	-.13	.03	.32	-.02	-.05	.12	.13	.41*	.19	.04	.13	.11	.17	.31	.30									
Communication climate																								
17 Info scanning	-.32	.35	.43*	.03	-.36	-.10	-.08	.32	.05	-.19	.24	.32	.18	.11	.21	.23								
18 Info transmission	-.32	.25	.44**	.17	-.43*	-.30	-.33	-.10	-.24	-.38	.27	.18	.08	.13	.11	.15	.75**							
19 Aggregate employee info.	-.36	.32	.48**	.09	-.42*	-.20	-.19	.15	-.06	-.28	.29	.28	.16	.17	.19	.24	.95**	.92**						
20 Employee awareness	.28	-.19	-.04	-.13	.23	.41*	.30	.19	.30	.41*	.28	.24	.31	.17	.19	.15	.02	.02	.01					
Strategy																								
21 Product strategy	.13	-.16	-.14	.41*	-.04	.11	-.25	-.23	-.24	-.29	-.13	-.41*	-.24	-.27	-.17	.06	-.15	-.05	-.12	-.12				
22 Technology strategy	a	a	-.14	.09	.03	-.11	-.05	-.30	-.16	-.05	-.29	-.16	-.18	-.08	-.19	-.14	-.32	-.24	-.30	-.33	-.05			
23 Cost control strategy	.01	.26	-.19	-.16	.04	.07	.28	.18	.16	.00	-.16	-.03	-.24	-.02	-.17	.22	.08	.11	.10	-.23	-.09	-.05		
24 Focus strategy	-.16	-.11	.44**	.01	-.18	-.15	-.07	.26	.10	-.13	-.04	.21	.15	.20	.10	.15	.24	.25	.26	-.10	-.13	-.07	.13	
25 Service strategy	.12	-.08	.03	.05	.20	.12	.00	-.11	-.12	.13	.10	.14	.13	-.01	.04	-.29	-.11	-.18	-.15	.16	-.27	-.15	-.27	-.41*

** Correlation is significant at the 0.01 level (2-tailed)   * Correlation is significant at the 0.05 level (2-tailed).

a Cannot be computed because at least one of the variables is constant.
b Productivity per full time employee
c Expressed in Naira the local currency (N250 ≈ £1.00)
Scale reliabilities [α] are in parentheses on the diagonal.

Control variables – Prior performance and Type of bank

Prior year performance data were significantly and positively correlated for all financial measures of performance i.e., prior year efficiency was significantly correlated with efficiency (.51, p<.01), prior year profitability was significantly correlated with profitability (.51, p<.01), prior year productivity was significantly correlated with productivity (.84, p<.01)).

The different types of banks were also found to have significant links to measures of performance. Investment banks were significantly more likely to have lower costs as a percentage of their net earnings and be more efficient than other types of banks. Universal banks were significantly likely to be less profitable than other types of banks. Commercial wholesale banks and Investment banks were found to have positive and significant associations with Productivity; Commercial retail banks were found to have a negative and significant association with productivity. No significant associations were reported between voluntary turnover rate and any type of bank. It was decided that any regression analyses of Efficiency, Profitability and Productivity would be controlled for prior performance and the type of banks for which significant correlations had been reported e.g., a regression for profitability would control for prior year profitability and universal banks.

Regression analyses

The relationships suggested by the correlations in Table 20 were investigated further with regression analyses controlled for prior year performance and type of bank. Hierarchical regression models were used to examine the hypothesised linkage of human resource management practices with organisational performance using universalistic, configurational and contingency models. In each regression, the control variables (prior performance and type of bank) were entered in steps 1 and 2 wherever applicable. The independent variables (human resource management practices) were entered one at a time in the subsequent steps. The results of

154

the regression analyses of the effect of best practices HRM on performance (after controlling for prior performance and type of bank) are reported in Tables 21 and 22.

Best practice HRM: In Table 21, no significant associations were found for any measures of best practice HRM with efficiency, after controlling for prior year efficiency and type of bank. Prior year efficiency was significantly associated with efficiency in all the regression models; however, investment banks were not significantly associated with efficiency throughout the regression. This suggested that prior performance was a significant predictor of efficiency, but the type of bank was not.

Similarly, no significant linkages were found with best practices and profitability but the control variables (prior year profitability and universal bank) were consistently and significantly associated with profitability. Universal banks were found to be consistently, significantly and negatively associated with profitability and prior performance consistently predicted profitability. The results also suggested that Universal banks could be predicted to be less profitable than other banks even after controlling for prior year performance and utilising best practice human resource management.

In Table 22, the results of the regressions showed no significant linkages of best practice HRM to productivity and voluntary turnover. However, prior year productivity was consistently and significantly linked to productivity ($p < .001$) and commercial wholesale banks were consistently more likely to be productive than other types of banks. Overall, no relationships were found between any measures of performance and best practices.

TABLE 21
Results of Regression Analyses of the effect of Universalistic 'best practice' Human Resource Management on Efficiency and Profitability[a]

Variables	Efficiency						Profitability					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Controls												
Prior Performance	.58**	.47*	.49*	.51*	.51*	.53*	.71†	.47**	.50**	.50**	.50**	.60**
Type of bank												
Investment		-.31	-.36	-.30	-.34	-.36						
Universal								-.47**	-.44*	-.44*	-.43*	-.42*
Universalistic (best practice) HRM												
Recruitment			.19	.04	.11	.17			-.16	-.15	-.15	-.02
Training				.22	.28	.25				-.02	-.01	-.11
Appraisal					-.15	-.21					-.01	-.24
Compensation						.08						-.30
R²	.34	.42	.46	.49	.50	.50	.50	.67	.69	.69	.69	.72
ΔR²		.08	.04	.03	.01	.00		.17	.02	.00	.00	.03
F	10.38**	7.02*	5.04*	4.02*	3.16*	2.49	20.30†	19.16†	13.59†	9.64†	7.26†	6.59†
df	1, 20	2, 19	3, 18	4, 17	5, 16	6, 15	1, 20	2, 19	3, 18	4, 17	5, 16	6, 15
n	22						22					

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*$p<.05$
**$p<.01$
†$p<.001$

TABLE 22

Results of Regression Analyses of the effect of Universalistic 'best practice' Human Resource Management on Productivity and Voluntary Turnover[a]

Variables	Productivity						Voluntary Turnover			
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 1	Model 2	Model 3	Model 4
Controls										
Prior	.94†	.74†	.75†	.75†	.75†	.74†				
performance										
Type of bank										
Comm. retail		-.03	-.03	-.03	-.03	-.01				
Comm. wholesale		.20*	.20*	.21*	.21*	.21*				
Investment		.21*	.20	.21	.21	.17				
Best practice HRM										
Recruitment			.00	-.01	-.01	-.10	-.23	-.18	-.13	-.07
Training				.00	.03	.05		-.06	.10	.05
Appraisal					-.02	-.11			-.29	-.34
Compensation						.15				.12
R²	.89	.93	.93	.93	.93	.94	.05	.05	.09	.10
ΔR²		.04	.00	.00	.00	.01		.00	.04	.01
F	159†	57.66†	43.4†	34.16†	27.3†	24.3†	1.41	.71	.82	.65
df	1,20	4,17	5,16	6,15	7,14	8,13	1,26	2,25	3,24	4,23
n	22						28			

[a] Standardised Beta Coefficients are shown

df = Degrees of freedom (regression, residual)

*p<.05
**p<.01
†p<.001

Hypothesis 1 predicted that best practice human resource management would be positively associated with organisational performance i.e., high levels of best practices for selection and recruitment, appraisal, training and compensation would be associated with increased organisational performance.

Hypothesis 1 and Hypotheses 1a to 1d are not supported, as the number of 'best practices' regarding selection and recruitment, appraisal, training and compensation was not found to be significantly associated with any aspect of corporate performance.

Configurational HRM: Table 23 reports the results of the regression analyses of the effects of configurational human resource management practices on measures of performance after controlling for prior performance and type of bank. The commitment scale was found to have no significant association with efficiency, profitability or productivity. However, it was found to be inversely and significantly associated with voluntary turnover (-.38, $p < .05$). This suggested that the firms with human resource management practices configured to elicit commitment were more likely to retain their employees. As prior year data were not available for employee voluntary turnover, it was not possible to determine direction of the association. Furthermore, the association was no longer significant once the collaboration scale was entered into the regression analysis. This suggested that firms that used commitment-based practices had lower turnover but this association could be masked by the introduction of collaboration-based practices.

TABLE 23

Results of Regression Analyses of the effect of Configurational Human Resource Management Practices on Bank Performance

Variables	Efficiency				Profitability				Productivity				Voluntary Turnover	
	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2	Model 3	Model 4	Model 1	Model 2
Controls														
Prior performance	.59**	.48**	.52**	.51*	.70†	.50**	.49*	.51†	.94†	.81†	.80†	.79†		
Type of bank														
Comm. Retail														
Comm. Wholesale										-.01	-.01	-.01		
Investment										-.16*	.18*	.17		
Universal		-.30	-.29	-.32		-.39*	-.41*	-.38*		-.16	.17	.18		
Configurational HRM														
Commitment-based			.12	.04			.05	.18			.04	.06	-.38*	-.04
Collaboration-based				.25				-.20				-.03		-.46
R^2	.35	.43	.45	.48	.49	.60	.60	.62	.89	.92	.92	.92	.15	.24
ΔR^2		.00				.11	.00	.02		.03	.00	.00		.09
F	12.05**	8.03**	5.37**	4.30*	20.8†	15.6†	9.96†	7.66**	180†	54.7†	42.1†	33.3†	4.84*	4.26*
df	1,22	2,21	3,20	4,19	1,22	2,21	3,20	4,19	1,22	4,19	5,18	6,17	1,28	2,27
n	24				24				24				30	

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*p<.05, **p<.01,   †p<.001

Hypothesis 2 a predicted a link between commitment–based configuration and employee voluntary turnover.

Hypothesis 2a was supported as there was an association between the commitment configuration and employee voluntary turnover when used independently of the collaboration configuration.

Hypotheses 2b – 2d predicted there would be linkages between commitment–based human resource management practices and efficiency, productivity and profitability.

Hypotheses 2b-2d were not supported as no significant linkages were reported between commitment-based configurations of human resource management practices and efficiency, productivity or profitability.

As reported in Table 23, the collaboration scale was inversely linked with profitability, productivity and employee turnover but these associations were not significant. However, if collaboration was entered first in the regression, it was significantly linked to voluntary turnover (β =.49, p<.01). When commitment was entered in the regression, the relationship was no longer significant and neither commitment nor collaboration configurations were significantly linked to voluntary turnover. This suggested that collaboration-based HRM practices and commitment-based practices had a significant association with lower voluntary turnover if they were used on their own but if used together, the relationship was no longer significant as any effects found could not be wholly attributed to either configuration.

Hypothesis 3a predicted a link between collaboration-based configuration and employee voluntary turnover.

Hypothesis 3a was supported as the collaboration-based configuration was linked to lower voluntary staff turnover and better employee retention.

160

Hypotheses 3b – 3d predicted that collaboration–based human resource management practices would be associated with efficiency, productivity and profitability.

Hypotheses 3b-3d were not supported as no significant linkages were reported between collaboration-based configurations of human resource management practices and efficiency, productivity or profitability.

Strategically oriented human resource management practices: The results of the regression analyses of strategically oriented human resource management practices on efficiency, profitability, productivity and voluntary turnover are reported in Tables 24 and 25. All the measures of performance except productivity had significant associations with strategically oriented human resource management practices.

TABLE 24
Results of Regression Analyses of the effect of Strategically Oriented Human Resource Management Practices on Efficiency and Profitability[a]

Variables	Efficiency								Profitability							
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
Controls																
Prior performance	.50**	.38*	.41*	.42	.43*	.40*	.54**	.55**	.58*	.40*	.40*	.38*	.37*	.37*	.37*	.30*
Type of Bank																
Investment																
Universal		-.44*	-.42*	-.42*	.39*	-.39	-.25	1.31		-.43*	-.44*	-.46*	-.41*	-.41*	-.41*	-.49*
Strategically oriented HRM																
Overall HR			-.27	-.26	-.39*	-.38*	-.34*	-.34*			.03	-.05	.03	.01	.01	-.02
Recruitment				-.07	-.34	-.45	-.24	-.23				.14	.32	.46	.45	.55*
Induction					.39	.56	.84**	.88**					-.26	.48	-.49	-.65*
Training						-.20	-.31	-.29						.30	.30	.50*
Appraisal							-.69**	-.68**							.03	.17
Compensation								-.03								-.31
R²	.25	.34	.41	.42	.46	.49	.71	.71	.34	.49	.49	.51	.53	.60	.60	.64
ΔR²		.09	.07	.01	.04	.03	.22	.00		.15	.00	.02	.02	.07	.00	.04
F	8.78**	6.51**	5.64**	4.14*	3.83*	3.40*	6.90**	5.75**	13.24**	12.14**	7.8**	6.03**	5.06**	5.18**	4.24**	4.32**
df	1, 29	2, 28	3, 27	4, 26	5, 25	6, 24	7, 23		1, 26	2, 25	3, 24	4, 23	5, 22	6, 21	7, 20	8, 19
n	31								28							

[a] Standardised Beta Coefficients are shown

*p<.05; **p<.01

df = Degrees of freedom (regression, residual)

TABLE 25
Results of Regression Analyses of the effect of Strategically Oriented Human Resource Management Practices on Productivity and Voluntary Turnover[a]

Variables	Productivity								Voluntary Turnover					
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Controls														
Prior year Performance	.89†	.82†	.80†	.80†	.81†	.72†	.75†	.75†						
Type of bank														
Comm. retail		.01	.01	.01	-.00	-.01	.01	.03						
Comm. Wholesale		.25**	.24**	.24**	.23**	.23**	.25**	.25**						
Investment		.06	.06	.06	.04	.07	.10	.11						
Strategically Oriented HRM														
Overall HR			.04	.04	.06	.07	.07	.06	-.03	.17	.17	.14	.15	.15
Recruitment				.00	.03	.13	.15	.17		-.46*	-.47*	-.45	-.42	-.43
Induction					-.05	-.17	-.11	-.13			.02	-.04	-.03	-.03
Training						.17	.13	.17				.11	-.11	-.12
Appraisal							.13	-.11					-.05	-.03
Compensation								-.06						-.04
R^2	.80	.85	.85	.86	.86	.87	.88	.88	.00	.17	.17	.18	.18	.18
ΔR^2		.05	.00	.01	.00	.01	.01	.00		.17	.00	.01	.00	.00
F	104.37†	33.46†	25.94†	20.63†	16.95†	16.35†	14.76†	12.77†	.04	3.41*	2.21	1.71	1.34	1.09
df	1,26	4,23	5,22	6,21	7,20	8,19	9,18	10,17	1,35	2,34	3,33	4,32	5,31	6,30
n	28								37					

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*p<.05; **p<.01; †p<.001

In Table 24, strategic orientation of overall HR practices was negatively associated with the efficiency measure i.e., banks with strategically oriented human resource management practices overall were more efficient as every unit of cost would generate more earnings. No other significant associations were reported for overall strategic orientation.

Hypothesis 4 predicted that good strategic orientation of organisational human resource management practices overall, would be positively associated with performance.

Hypothesis 4 is partially supported as overall strategic orientation of HRM practices was positively and significantly associated with efficiency but not with other performance measures.

Strategically oriented recruitment was significantly and positively linked to profitability and negatively linked to voluntary turnover. This suggested that banks with strategically oriented recruitment were more likely to be profitable and less likely to lose their staff. No other significant relationships were reported for strategically oriented recruitment.

Strategically oriented induction had a significant and positive association with the efficiency measure (Table 24, Efficiency models 7 and 8). This suggested that banks with strategically oriented induction practices achieved worse operating cost to income ratios i.e., they were less efficient as their costs were a higher percentage of net earnings than other banks. In addition, strategically oriented induction practices were significantly and inversely associated with profitability (Table 24, Profitability model 8). No other significant associations were reported between induction practices and the other measures of performance.

Strategically oriented training was significantly and positively associated with profitability in the regression model, which included all the other human resource variables (Table 24, Profitability model 8). However, there were no other significant links reported with other measures of performance.

164

Strategically oriented performance appraisal practices were inversely and significantly correlated with efficiency i.e., banks with strategically oriented appraisal were more efficient. However, no significant links were reported with the other performance measures. No significant associations were found for any strategically oriented compensation practices and measures of performance.

Hypothesis 4a predicted that firms with strategically orientated selection and recruitment practices would have better organisational performance.

Hypothesis 4a is partially supported as there were significant links reported between strategically oriented selection practices and voluntary turnover for some of the regressions.

Strategically oriented induction was positively linked to the efficiency ratio i.e. firms with strategically oriented induction practices had a higher cost to income ratio and were therefore more inefficient. Strategically oriented induction was also associated with lower profitability.

Hypothesis 4b predicted that strategic induction would be positively associated with organisational performance.

Hypothesis 4b is not supported as the effects found were in the opposite direction to the predictions.

Strategically oriented training was significantly correlated with productivity per employee (0.34, p=.05) and this suggested that they would be associated with higher contribution to corporate earnings by employees. However, the relationship was not significant in the regression.

Hypothesis 4c proposed that strategically oriented training practices would be linked to better performance.

165

Hypothesis 4c is partially supported as training was significantly and positively linked to profitability but not to other measures of performance.

Strategically oriented appraisal practices were significantly and negatively associated with the efficiency ratio i.e., firms with more strategic orientation of their appraisal were likely to have lower cost as a percentage of net earnings and be more efficient. Hypothesis 4d predicted that strategic orientation of appraisal practices would be positively associated with organisational performance.

Hypothesis 4d is partially supported as strategically oriented appraisal is significantly and positively associated with efficiency.

Hypothesis 4e predicted that strategically oriented compensation practices would be . positively linked to organisational performance.

Hypothesis 4e is not supported as no associations were reported for any measures of performance.

Having tested the hypothesised relationships between the human resource practices and performance, the relationships between performance and strategy were tested. Table 26 reports the results of the regression analyses of dominant strategy on performance. In all the controlled regressions, prior performance was a significant predictor of efficiency, profitability and productivity.

Strategy

There was a significant and inverse relationship between product strategy and profitability in the controlled regression. Product strategy was also positively and significantly related to voluntary turnover (.47, p<.05). These findings suggested that banks adopting a product strategy were less likely to retain staff and less likely to be profitable.

.

Hypothesis 5a predicted that an organisation's strategy would be linked to performance.

Product strategy was linked to higher employee voluntary turnover and lower profitability.

Hypothesis 5a is supported as strategy was linked to productivity and voluntary staff turnover.

Few direct associations of strategy with performance were found in the regressions. However, as strategy was a contingency variable, tests of moderation were performed to explore whether strategy had an effect on the relationships between human resource management practices and performance. The results of the regressions reported in Table 27 show that Focus strategy negatively moderated the impact of training on productivity. The interaction is illustrated in figure 4.

Hypothesis 5b predicted that strategy would moderate the human resource management and corporate performance relationship.

Hypothesis 5b was partially supported

TABLE 26
Results of Regression Analyses of the effect of Dominant Strategy on Bank Performance[a]

Variables	Efficiency			Profitability			Productivity			Voluntary Turnover
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3	Model 1
Controls										
Prior year Performance	.54**	.42*	.50*	.61**	.41*	.39*	.89†	.82†	.76†	N/a
Type of bank										
Comm. Retail								.02	.06	N/a
Comm. Wholesale								.25	.30*	N/a
Investment										N/a
Universal		-.31	-.38*		-.48**	-.60**		.06	.09	
Dominant Strategy										
Product			.22			-.35*			-.95	.47*
Cost Control			.11			-.11			-.08	.04
Focus strategy			.37			.01			.31	.15
Service Strategy			.08			-.03			.18	.21
Technology & processes[b]										
R²	.29	.37	.48	.37	.56	.67	.80	.85	.86	.21
ΔR²		.08	.11		.19	.11		.05	.01	
F	10.31**	7.13**	3.05**	14.50†	15.31†	6.88†	99.93†	31.77†	14.07†	1.92
df	1, 25	2, 24	6, 20	1, 25	2, 24	6, 20	1, 25	4, 22	8, 18	4, 29
N	27			27			27			34

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)   N/a- prior data unavailable

[b] This variable is constant or has missing correlations and is deleted from the analysis   *p<.05; **p<.01 ; †p<.001

TABLE 27

Results of Regression Analyses of the moderating effect of Strategy and Training on Productivity in Nigerian banks[a]

Variables	Productivity				
	Model 1	Model 2	Model 3	Model 4	Model 5
Controls					
Prior year Productivity	.89†	.82†	.73†	.72†	.69†
Type of bank					
Comm. Retail		.02	.03	.04	.02
Comm. Wholesale		.25	.25*	.26*	.22
Investment		.06	.11	.12	.08
Training			.13	.13	.10
Focus strategy				.03	.16
Moderation					
Focus strategy x training					-2.5*
R^2	.80	.85	.86	.87	.90
ΔR^2		.05	.01	.01	.03
F	99.93†	31.77†	27.04†	21.54†	24.23†
df	1, 25	4, 22	5, 21	6, 20	7, 19
N	27				

[a] Standardised Beta Coefficients are shown

df = Degrees of freedom (regression, residual)

*p<.05 ; **p<.01 ; †p<.001

169
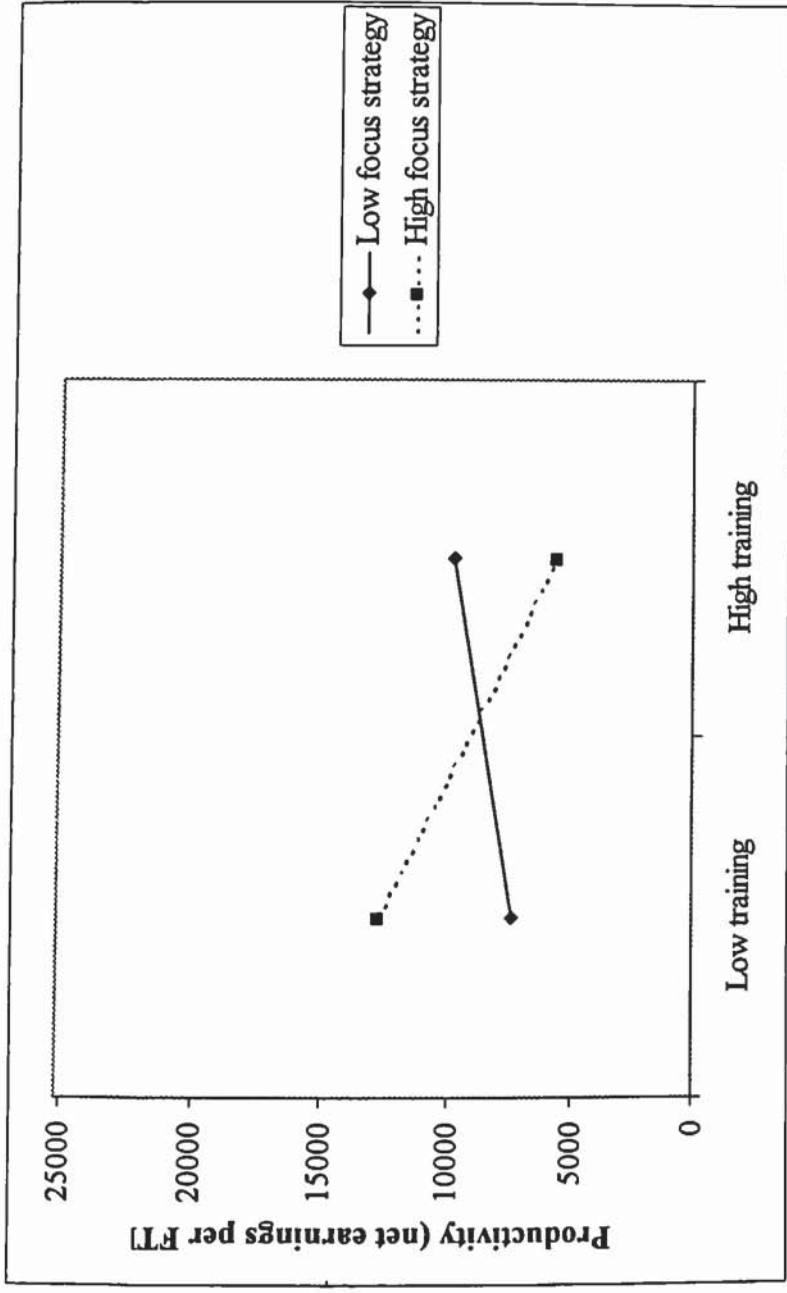
Figure 4. Interaction effect of focus strategy and training on productivity in the Nigerian banking industry

Communication climate

The results of the controlled regression analyses summarised in Tables 28 and 29 showed that information scanning was consistently, significantly and positively associated with profitability. This suggested that banks with employees that personally learn about corporate strategy were more profitable. Furthermore, information scanning showed a significant association with productivity (model 3). However, the effects of information transmission and employee awareness in the regression masked the association. This suggested that any effects found for productivity might not be solely due to information scanning.

The hypotheses developed in respect of the communication climate were based on the literature and seemed appropriate in light of the preliminary study in the UK manufacturing industry. In that study, communication climate (specifically employee awareness) had moderated the impact of training and pay on productivity. Contrary to expectations, in the Nigerian banking industry, none of the communication climate variables had a moderating effect on any relationships between human resource management practices and performance.

TABLE 28.
Summary of Regression analyses for the effect of Communication Climate on Efficiency and Profitability[a]

Variables	Efficiency					Profitability				
	Model1	Model 2	Model 3	Model 4	Model 5	Model 1	Model 2	Model 3	Model4	Model 5
Controls										
Prior year performance	.50**	.38**	.32	.31	.30	.59**	.44*	.51**	.48**	.43*
Type of bank										
Comm. retail										
Comm. wholesale										
Investment										
Universal		-.33	-.34	-.37	-.42*		-.39*	-.30*	-.31	-.35
Communication climate										
Info Scanning			-.28	-.42	-.48			.42**	.48*	.54*
Info transmission				.18	.17				-.08	-.11
Employee awareness				.43	.17					-.09
R²	.25	.34	.42	.43	.46					
ΔR²		.09	.08	.01	.03					
F	8.09**	6.14**	5.38**	4.03*	3.37*	12.4**	10.07**	12.81*	9.24*	7.19**
df	1,24	2,23	3,22	4,21	5,20	1,23	2,22	3, 21	4,20	5,19
n	26					25				

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*p<.05; **p<.01; †p<.001

TABLE 29.

Summary of Regression analyses for the effect of Communication Climate on Productivity and Voluntary Turnover[a]

Variables	Productivity					Voluntary Turnover		
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 1	Model 2	Model 3
Controls								
Prior year performance	.90†	.83†	.74†	.74†	.75†			
Type of bank								
Comm. retail		-.01	-.03	-.03	-.03			
Comm. wholesale		.22*	.21*	.21*	.20*			
Investment		.04	.09	.09	.07			
Universal								
Communication climate								
Info Scanning			.19*	.20	.18	.02	-.23	-.23
Info transmission				-.01	-.05		.34	.35
Employee awareness					.03			-.03
R^2	.81	.86	.89	.89	.89	.00	.05	.05
ΔR^2		.05	.03	.00	.00		.05	.00
F	103.86†	32.2†	32.4†	25.63†	20.91†	.02	.78	.51
df	1,24	4,21	5,20	6,19	7,18	1,30	2,29	3,28
n	26					32		

[a] Standardised Beta Coefficients are shown   df = Degrees of freedom (regression, residual)

*p<.05 ; **p<.01 ; †p<.001

Hypothesis 6 predicted that firms with better communication climate would have better performance.

Hypothesis 6 was partially supported; communication climate was positively associated with productivity and profitability but not with voluntary turnover and efficiency.

Hypothesis 6a predicted that communication climate would moderate the human resource management and organisational performance relationship.

Hypothesis 6a was not supported; no moderating effect was found for any dimensions of communication climate.

Hypothesis 6b predicted that communication climate would moderate the strategy and organisational performance relationship.

Hypothesis 6b was not supported; no dimensions of communication moderated the relationship between strategy and performance.

All the research variables were reviewed further for any additional correlations that might aid the discussion of the findings; it was found that the number of tools used to communicate was inversely correlated to the collaboration configuration. Collaborative human resource practices were found to have a significant negative correlation (-0.38 p<.05) with the number of information transmission tools used by the banks to communicate with employees; The higher the number of tools used, the less likely the adoption of human resource practices designed to elicit collaboration. This suggested that a good communication climate negated the need for collaboration-based human resource practices. It could also mean that companies with collaboration-based configurations did not need to communicate strategy and other company matters as extensively.

The efficiency indicator was significantly and negatively correlated with profitability (.66, p<. 05) and productivity (-.60, p<.05). This suggested that firms

with lower cost to income percentage (i.e. higher efficiency) were likely to have higher profitability and productivity. Voluntary turnover was significantly and positively correlated (.44, p<.05) with staff costs per full time employee. This suggested a link between voluntary turnover rates and costs of staff and strengthened the appropriateness for voluntary turnover as a performance indicator.

To summarise, the regression analyses showed that best practice human resource management was not linked to any aspects of performance. Collaboration-based HRM and commitment-based HRM were associated with voluntary turnover if each set of practices was used independently. There were associations between efficiency and strategically oriented induction, appraisal and overall HRM. There were links between profitability and strategically oriented recruitment, induction and training. There were also links between strategically oriented recruitment and voluntary turnover.

Contrary to expectations, communication climate did not moderate any of the human resource management and corporate performance relationships. However, communication climate was positively linked to profitability and productivity. Focus strategy moderated the relationship between training and productivity and banks operating a product strategy were likely to have lower profitability and high employee turnover.

Overall, the relationships reported were considered robust as the regressions were controlled for prior performance and type of bank where appropriate. The results did not support the universalistic model as no linkages were reported between best practices and organisational performance. However, there was support for the configurational model; HRM practices designed to elicit commitment or collaboration were linked to lower voluntary turnover. The contingency model was also supported as some strategically oriented HRM practices were positively linked to performance. However, contrary to expectations, strategically oriented induction practices had negative associations with profitability and efficiency. Focus strategy moderated the relationship

between training and productivity. Communication climate did not have any moderating effects contrary to the hypotheses.

To aid recall, the study results are summarised in Table 30 and discussed more fully in the following chapter.

TABLE 30

Summary of hypotheses testing results

HR PRACTICES	EFFICIENCY	PROFITABILITY	PRODUCTIVITY	EMPLOYEE RETENTION
Collaboration				• ++
Commitment				• ++
Strategically oriented HR overall	• ++			
Strategically oriented selection & recruitment		• ++		• ++
Strategically oriented Induction	• –	• -		
Strategically oriented training		• ++		
Strategically oriented appraisal	• ++		• ++	
Product strategy		• -		• -
Information scanning		• ++	• +	
Focus strategy x low training			• ++	

- • + + = positive associations
- • - = negative associations

CHAPTER 11

DISCUSSION

This research study empirically investigates the organisational performance implications of three human resource management theoretical models in a developing country. It adds to the efforts being made to examine the relationship between human resource management practices and organisational performance in developing countries and is the first study of its kind in the Nigerian banking industry. Overall, the results demonstrate the importance of considering different elements of HRM and Performance when exploring the relationship between them. The effects observed suggest that no single theoretical model can fully explain how human resource management practices are associated with organisational performance. In this study, the results provided no support for the *universalistic model but showed clear support for the configurational and* contingency models. The study also provided an opportunity to develop a reliable communication climate measure using data from a UK Manufacturing sample.

Furthermore, the study was an opportunity to gain insight into the HRM practices in Nigeria and note the differences between them and *the practices in* Anglo- American settings. It was noted, for example, that the banking industry in Nigeria is less efficient than in the UK. This is due to some country specific problems. For example, there is poor infrastructure; power, roads, light and security systems could be much improved. Automating more processes could reduce the problems of inefficiency, but this is thwarted by the poor infrastructure. Moreover, corruption is considered endemic in Government institutions. Many of the banks rely on Government deposits so their staff may engage in unethical practices to gain such deposits. Few feel they have a choice, but one bank in particular, categorically refuses Government deposits and is one of the best performers in the industry.

Some of the practices that were noted as 'normal' for the Nigerian context included recruitment based on nepotism, social connections and tribal preferences. Nigeria has about 300 local languages and dialects though the *lingua franca* is English. Banks tend to recruit people who can speak local languages for

their branches located across the country. This is considered a strategic practice necessary for bank officers to gain the trust of customers. It is especially important since a lot of trust was lost after the financial crisis of the 90's. Because of the corrupt environment and the risk of fraud, many banks recruit people they know in order to counter this risk. However many of the banks do not put their candidates through rigorous selection processes in order to ensure they are qualified for the job.

Many banks had appraisal systems that were not very objective and were heavily influenced by the appraisee's biodata. i.e., Employees were likely to be rated on the basis of their qualifications rather than on their competence. One manager said 'If someone has an MBA, they cannot get a bad appraisal.' As training needs are extracted from appraisals, there is the likelihood that faults are carried through the HRM system.

Despite the cultural and environmental influences, the resource- based view of human resource management seems to be valid for this study. The banking industry has similar goals to banks in more developed countries i.e. to provide services and make profits using internationally influenced processes. In order to provide these services as profitably as possible, they recognise the need to develop their people management practices for better performance.

The theoretical implications of the results of the study are discussed below. These are followed by a review of the practical implications and limitations. Suggestions are also made for future research.

Theoretical implications

<u>The universalistic model</u>

The results do not support previous research findings (e.g. Huselid, 1995; Delery & Doty, 1996; Bae & Lawler, 2000) that firms adopting universalistic best practices will experience a performance advantage compared to firms that adopt other practices. One reason for the results found could lie within the nature of the model itself. The universalistic model can be considered as a closed system that does not take cues from the internal or external environment. The practices

179

within it are prescriptive and adopted without reference to the organisations' specific circumstances i.e., it is a 'one size fits all' approach. However, these results show clearly that practices that work in one particular research context may not work in another context i.e., 'one size does not fit all'. Bae and Lawler's study of Korean firms concluded that firms that strongly value HRM are more likely to adopt universalistic practices. It could be that Nigerian firms don't value HRM highly; therefore they have adopted lower levels of best practice human resource management. On the other hand, though Nigeria and Korea are classified as developing countries, they have certain differences that could account for the inconsistent findings. For example, Nigeria is a low-income country while Korea is a middle-income country. Furthermore, Korea is a member of the OECD (Organisation for Economic Cooperation and Development) that includes countries such as Australia, Canada, United Kingdom and the United States with world-class institutions. Korea is therefore more likely to have practices similar to those of the developed country members of the OECD.

Huselid (1995) proposed that performance gains associated with 'best practices' could not survive into perpetuity. He argued that according to economic theory, the returns from investments in 'best practices' would be driven towards equilibrium as more firms adopt such practices over time. The Nigerian banking context is regulated and has many similar generic practices. Because of this high level of homogeneity, it could be that 'best' human resource practices give limited opportunity for creating firm-specific human resources that are rare, inimitable and therefore likely to enhance organisational performance.

The configurational model

HRM practices that were designed to elicit commitment and collaboration from knowledge workers were found to have a positive relationship with employee retention. The results suggest that in the Nigerian banking industry, there is a positive relationship between employee retention and HRM practices designed to elicit commitment and collaboration from its knowledge workers. These results supported the findings of Lepak & Snell (2000) who concluded that knowledge

workers should be managed by using commitment-based and collaboration-based configurations of a number of best practices.

Their conclusion was consistent with the resource-based view that emphasises the importance of retaining highly skilled and rare human resources for better performance. The results also extend the study by Lepak and Snell (2000), which was merely descriptive and did not actually explore any quantitative links with performance. They assumed that committed employees would stay and collaborate to contribute positively to organisational performance. The current findings show that there is some association between human resource management configurations and organisational performance though no significant association was found for financial measures of performance. However, the results contradict the assertion by Lepak and Snell (2002) that multiple configurations of human resource management practices can be used simultaneously to manage knowledge workers. The results show that each of the configurations should be used independently, not together.

The configurations of human resource management practices in the study were designed to elicit indications of employee commitment and collaboration and the results showed that these configurations were indeed related to employee retention rates. However, as past and predictive data for employee voluntary turnover rates were not available, it was not possible to test for direction of the association. However it can be logically inferred that firms had lower turnover because of their collaborative and commitment based practices. Companies with lower voluntary turnover rates would not need to adopt collaborative and commitment based human resource practices.

The findings for the configurational model are interesting because the human resource management practices examined were part of the universalistic bundle of best practices. For example the scale that was used to measure collaboration consisted of four items selected from best practice measures of recruitment, training and performance appraisal that had not on their own made any impact on performance. It suggests that some best practices will impact organisational performance only when they are combined with other best practices in a

181

particular configuration designed to elicit certain desired behaviours. It also implies that organisational performance is not affected by the number, but by the combination of practices.

The contingency model

The results demonstrate strong support for the contingency model of the human resource management and organisational performance relationship. The contextual variables of strategy and communication climate are shown to have a direct relationship with organisational performance as well as some indirect and moderating links to the relationship between human resource management practices and organisational performance.

The results seem consistent with the assertion by Guest (1987) that strategy should have external fit with the environment if it is to have a positive impact on performance. A focus strategy (Aiming *at a narrow specialised segment of the industry in terms of markets, customers or regional scope*) appeared to be the most appropriate strategy for the banking industry as it had a positive interaction effect with training on productivity. Companies with low training and a focus strategy were the best performers.

The product-based strategy (*Creating a competitive edge through quality, offering products not available from competitors or offering products customised to customer needs*) appeared to be the most inappropriate for the banking industry as it was positively related to voluntary turnover rates. This suggests that banks adopting a product strategy are likely to have low employee retention because once the employees know that the bank is not headed in the right direction they might leave. However, as data for prior and subsequent year turnover were not available direction of the association could not be established. However, product strategy was also negatively associated with profitability after controlling for prior profitability and this suggests that a product strategy may be responsible for lower profitability. This seems to indicate that product strategy is inappropriate for the Nigerian banks.

Guest (1987) also proposed that strategy should have internal fit i.e. that internal practices should be aligned to strategy. This seems to be supported by the results that show that the strategic orientation of overall human resource management

182

practices will be positively linked to efficiency i.e. costs will generate higher income for the organisation. Strategic orientation of selection and recruitment practices is linked to a lower employee voluntary turnover rate. This suggests that practices that are aligned with organisational objectives will have a positive association with performance. However, as voluntary turnover rate data were only available at one point in time, it was not possible to ascertain direction of the relationship. Thus, it is not clear whether firms with higher voluntary staff turnover are likely to have less strategic selection practices or whether less strategic selection practices result in higher voluntary employee turnover.

Strategically oriented training practices were positively associated with profitability. These results could be interpreted in either of two ways. Firstly, it is possible that training employees on specific matters necessary to implement strategy leads to better performance. As prior performance was controlled for in the regressions, this is a likely explanation. Alternatively it could be that better performing organisations can afford strategically oriented training for their staff. i.e., only better performing companies can afford the costs of developing firm-specific resources. This highlights a potential limitation of the resource-based view in that it does not explicitly consider costs of developing the rare resources needed for better performance.

Strategy also had a moderating effect on the HRM and performance relationships. A focus strategy moderated the relationship between strategic training practices and productivity. The results show that higher levels of strategic training are generally associated with high levels of profitability. However training has an influence on productivity through an interaction with focus strategy. Specifically, productivity for firms with low levels of strategic training was positively moderated by the adoption of a focus strategy. However productivity was lower where the firm adopted a focus strategy but had high levels of strategic training. There may be two possible explanations for this. Firms not utilising a focus strategy might benefit more from strategic training because their employees need to increase their productivity through extra knowledge gained in training. On the other hand, firms where employees are expected to execute a focus strategy may have lower productivity because the training gives them extra

183

information. This might cause a distraction and a dissipation of effort leading to lower productivity.

Communication climate was also found to be a major contingency factor. The component dimensions tested were (i) employee personal learning about strategy (*information scanning*) (ii) number of ways in which company communicates strategy (*information transmission*) (iii) Aggregate of dimensions (i) and (ii) (*aggregate employee learning*) (iv) employee awareness of strategy (*employee awareness*). In the Nigerian study, information scanning was strongly and positively associated with profitability. This suggests that information scanning has positive links with financial measures of performance i.e. the more ways in which employees learn about corporate objectives, the less money has to be spent on them to reap better returns in the longer term. Information scanning was also linked to productivity although this effect was masked by the introduction of the other communication climate dimensions into the regression. Overall, the effects on profitability and productivity indicate that there are cost benefits to be gained by ensuring communication of objectives to employees.

However, in the Nigerian study, no dimensions of communication climate moderated any of the HRM and performance relationships. This was unexpected as in the UK manufacturing industry pilot study, employee awareness moderated the impact of training on productivity. There was little difference in productivity when training was low or high so long as employee awareness was high. In the main study however, employee awareness was not found to moderate the relationship of training or any other human resource management practices with organisational performance. The differences in findings could therefore be due to differences in the research contexts and economic environment. Bower & Schneider (1986) raised the possibility of different findings between service and manufacturing industries. The different findings could be because the pilot study was undertaken in a manufacturing industry in a developed country and the main study in a service industry in a developing country.

Overall, communication climate appears to be an important factor in the human resource management relationship even though the effects found were for

184

different dimensions of the communication climate. In the manufacturing industry, employee awareness was the dimension found to moderate training and productivity whilst in the banking industry study, it was not significantly linked to any aspects of performance. This finding adds to the literature on the relationship between organisational climate and aspects of organisational performance (Ostroff & Schmitt 1993, Schneider et al 1998). It demonstrates that different aspects of communication will be linked to different aspects of performance, depending on the context. Some studies have considered climate, but few have narrowed their focus to determine which particular aspects of organisational climate impact organisational performance. Interestingly, the findings regarding communication climate are similar to the best practices view of information sharing proposed by Pfeffer (1998).

Summary

In summary, the different theoretical perspectives examined appear to influence different aspects of organisational performance. Higher levels of strategically oriented human resource management practices are significantly related to higher levels of organisational performance. Specifically, banks with higher levels of strategy-related training achieve higher levels of productivity per employee. Similarly, banks with progressive selection and recruitment practices were found to have lower voluntary employee turnover. Firms high in commitment and collaboration configurations of human resource practices were found to have lower employee turnover.

Overall, the results suggest that contingency theory is the most applicable to a developing country contrary to findings by Bae and Lawler (2000). In Nigeria, the combination of human resource management practices, strategy and communication climate enhanced performance to a greater degree than the configurational and universalistic models. However, the models are not mutually exclusive As Bae and Lawler (2000) and Becker and Gerhart (1996) observed, the best practice and contingency models are not necessarily in conflict but may be simply operating at different levels of the HRM system. This suggests that a case could be made for an integrated model combining features of the universalistic, configurational and contingency models.

185

Practical implications

The results have practical implications for organisations and practitioners. Multinational companies frequently adopt a universalistic model and impose the human resource management system designed at head office on their foreign subsidiaries and affiliates. These human resource management systems are sometimes imposed with minimal consideration of the country or economic environment. Such multinationals should be aware of the possibility of their prescriptive practices failing to positively impact performance when transferred to different environments. Similarly, local organisations should be aware that simply adopting best practices suggested in Anglo- American research, without reference to other contextual factors may not lead to expected performance enhancement. For example, family connections, social networks or tribal grouping should be considered in addition to other strategic selection criteria such as the right academic qualifications and competencies. This is already being done to some extent but it is worthwhile stressing that local considerations and international standards are not necessarily mutually exclusive and can be complementary or reinforcing.

The findings in the tests of the *configurational model should be of help to cost* conscious organisations that wish to adopt best practice but balk at the potential costs of implementing a long list of practices. These results show that it is not the number of practices adopted that is crucial to performance enhancement, but the way in which the practices are configured. Thus, companies could be advised that fewer practices can be adopted at a lower cost and organisational performance can be enhanced though the appropriate combination of such practices.

Companies should also endeavour to choose the most appropriate strategy for their environment. The relationship between a product- based strategy and poor performance could be due to the fact that banking products cannot be patented. Thus, competitors can easily replicate any new products introduced by one bank and any chances for achieving competitive advantage through product innovation are limited.

Many chief executives in the Nigerian banking industry and other developing countries typically use outside consultants to help with strategy development. Some of the consultants' suggestions are made with reference to strategies that have worked for similar organisations in other environments but may not necessarily be appropriate for the client environment. Similarly, many multi-national companies decide on a global strategy and do not always consider country contexts. These types of approaches can negatively affect productivity and firms should ensure that they make appropriate strategic choices after thoroughly considering the environment.

Costs are always a concern to organisations and the findings in respect of the training, selection and recruitment practices have cost implications for organisations as profitability and efficiency were consistently affected. Firstly, strategically oriented recruitment practices lead to greater employee retention. Therefore costs of recruitment, training and compensation are optimised as employees stay with the organizations, which in turn are able to reap longer-term returns on their investments. Secondly, The perceived wisdom is that utilising strategically oriented human resource management practices results in less money being wasted on practices that are not relevant to strategy.

However, the results seem to suggest that induction may be strategic, but does not lead to better outcomes in terms of efficiency and profitability. This could be due to two reasons. Firstly, because more learning in banking is on-the-job the lessons of induction may not be readily transferred to the workplace. Secondly, some banks run induction processes for several months at the end of which inductees are required to pass an exam or leave. This means that induction can be very expensive and does not necessarily lead to the employee being retained or the bank reaping the returns of its induction expenses. Banks may therefore wish to consider minimal induction processes that can be translated directly to the workplace, thereby conserving resources.

The communication climate also has cost implications for organisations. In the pilot study, the training/productivity and pay/ productivity links were moderated by communication climate. This suggests that communicating frequently to

employees and ensuring they are highly aware of strategic objectives could reduce some costs of training. Similarly, the findings in the Nigerian study suggest that communication climate can lead to greater profitability and productivity Organisations should encourage their staff to learn about organisational strategy and organisational goals. They should endeavour to use this relatively cost effective method of conveying strategic objectives for greater returns.

Strategy was found to have important associations with performance. For the Nigerian banking industry, product strategy was shown to be inappropriate and focus strategy more appropriate for the environment. However, it is not clear how organisations should decide *a priori* on the strategy that has best external fit and the inference that focus strategy is the most appropriate for the banking industry is derived from the results. It may be that focus strategy is the most appropriate because, due to the relatively small size of the economy, the Nigerian banking industry does not reap the economies of scale which are a feature of banking industries in more developed countries. Therefore, a focus strategy may be the most appropriate as the bank can concentrate on a niche segment and avoid a 'middle of the road' strategy (Porter 1985).

As the research ended, the research results became even more significant. A new regulatory directive in Nigeria will necessitate the consolidation of the banking industry through mergers and acquisitions. It was anticipated that this shrinkage of the number of key players in the industry would result in high levels of redundancies, and pressure on banks to retain only the best employees. They will be expected to employ their best efforts (including utilising effective human resource management practices) to maximise organisational performance. The findings of the study were therefore likely to be useful for banks wishing to revamp their human resource systems to ensure that they select the best employees and retain them. They might find it useful to know that induction practices need not be extensive and that their focus should be on training, appraisal and communication.

The study demonstrated that organisational outcomes could be influenced significantly by contextual factors such as competitive strategy and the extent of

its fit with the external environment. Strategy was found to have direct links to organisational performance. In addition, it moderated the effect of training on productivity.

Human resource managers have typically been viewed as solely responsible for attracting, motivating and developing staff. This study demonstrates the linkage of these activities to better organisational performance. Human resource managers should argue more for relevance and involvement in strategic processes and can justify their requests for resources needed to recruit, develop and retain employees by citing the potential organisational rewards from such strategic practices.

Limitations

Like prior empirical work, the major limitations of this study are either methodological or related to conceptual and measurement issues. The first concerns the sampling method and sample size. Random sampling was not used in the selection of organisations and participants. Any bank that indicated a willingness to participate was selected. There is therefore the possibility of selectivity bias in that organisations that felt they were good performers were more likely to take part in the research. Employees surveyed were those who agreed to complete the questionnaires. The resultant sample of 42 banks covered about 70% of the population but is a small sample in terms of power. There is a relatively low level of power for finding small effects. However, this is still a substantial sample for finding moderate and large effects.

Furthermore, the sample was not evenly matched as the banks were of different sizes and ages though size was controlled for in the measures of productivity. Results and hypotheses that are not confirmed should however be interpreted with caution. As the study was carried out in Nigeria using tools developed in a different national and industry setting, the findings of this study might not be suitable for generalisation without further research. However, the study results might be generalised to similar industries set in similar environments. The generalisation of the results to the whole of the Nigerian banking industry has also been enhanced by the deletion of an outlier that initially distorted the

findings. In testing the configurational model, an assumption was made that all employees in the bank were knowledge workers. It is likely however that some of the employees are responsible for more mundane tasks and would not normally be considered critical to implementation of strategy or described as knowledge workers. This raises the possibility that the configurations can be used for all types of workers to elicit commitment and collaboration.

In tests of the universalistic model, there was no exploration of differential impact of individual practices in the scales. It was assumed that a greater number of best practices were better and the mean of responses on one scale was taken as index of the best practice. Thus, a high score on another component would compensate for a low score on one variable. This method could have masked very low or very high scores on different practices for the different banks which had similar performance outcomes i.e. the practices actually being used might be different, but performance outcomes might be similar.

The measure of strategy that was used was the chief executives' indication of the strategy most applicable to their organisations. Many of the chief executives said they used a combination of strategies but indicated the dominant strategy. The results therefore, may not reflect the contribution of any other strategies to outcomes and may overstate the effect of the dominant strategy.

Another limitation of this study was the reliance on single raters' responses to the human resource practices survey. In the absence of confirmatory data, the human resource practices data should be interpreted with caution as the managers may have responded according to how they felt their human resource management practices *ought* to be rather than how they *really* were. If time had not been an issue it may have been useful to re- administer the questionnaire to the same human resource managers and calculate a test- retest measure of inter-rater reliability in order to ascertain how consistent and reliable the managers' responses were. The researchers' external ratings of strategic orientation of human resource practices may have been subject to 'halo effects' or heterogeneity bias. This has been somewhat mitigated by the high inter-rater reliability of researcher and co-researcher's ratings.

190

A further limitation of this study was the collection of strategy, human resource management and communication climate data at a particular point in time. If it had been possible to assess all these measures at multiple points there would have been stronger bases for testing direction of the relationships found. However, future and past performance data were available, and by controlling for prior year it was possible to exclude other explanations that might indicate reverse linkages. For example, by controlling for prior year efficiency it was possible to infer that changes in efficiency were attributable to the adoption of strategically oriented appraisal. Overall however, the data did not take into account the potential of time lags between the implementation of practices or strategies and changes in performance.

Additional longitudinal data would have been useful for assessing the predictive nature and the direction of the relationships found for voluntary employee turnover. Finally, the research may have overlooked organisational level characteristics that might have impacted some of the relationships observed. For example, the levels of technology used in the organization could be responsible for some of the productivity ascribed to human resource management practices.

Directions for future research

There are opportunities for future research that might address the limitations outlined above. Wherever possible, research should be carried out on larger samples and with more evenly matched organisations Future research should check the applicability of this model in different industry settings and different countries. It would be particularly useful if research could be carried out in multinational companies and their subsidiaries in developing countries. Future studies should also consider using multi-rater methods for perceptual responses from within the organization in order to counter the risk of low reliability that may arise with a single respondent.

Some of the cultural factors that could affect implementation of HRM practices were identified but could not be explored in depth because of the time limitations. Future research should study the peculiarities of developing country

contexts in more detail to aid the effective design of strategic but culturally appropriate HRM systems.

This study has highlighted the importance of strategic fit. Future research could explore this issue to determine the best ways of ascertaining environmental fit of strategy. The communication climate measure might be used in more studies in order to determine whether it is a robust measure and whether its composite dimensions are good indicators of communication climate. The employee awareness dimension was tested in the pilot study and main study with different results. It may be that the other two dimensions that were tested in the main study will also elicit different results in different research contexts.

Future research should also investigate the factors that may moderate or mediate the relationships found and expose the innards of the black box. For example, the relationship between information scanning and longer-term profitability might be due to employee motivation. Future researchers should focus on refining the measures used for human resource management practices, as this will enhance replication of studies and comparability of results. Finally, longitudinal data on human resource management practices, organisational strategy, climate and employee turnover should be used to determine more precisely the direction of relationships found. The above limitations and suggestions for further research should in no way diminish the central conclusions of this study.

CHAPTER 12

CONCLUSION

The main purpose of most organisational research is to find reasons for why some organisations are more effective or successful than others. One body of research that has become well established in the Anglo-American literature is concerned with human resource management and its links to corporate performance. With widespread globalisation of business and increasing competitiveness, it has become imperative that organisations in less developed countries keep abreast of their counterparts in developed countries. They should consider factors such as improved infrastructure, education and human resource development. This will improve their chances of successfully meeting the standards of service and manufacturing delivery that are expected in the developed world, thereby aiding their own economic growth and development.

Similarly, organisations in developed countries need to know more about the less developed environments in which they are increasingly operating and to which they tend to globally transfer their HRM practices. It has been consistently indicated that due consideration should be given to the local context and the challenge then, is to find what is suitable and applicable in a given context. To aid mutual acquisition of knowledge by developing and developed countries, it seems logical to explore how applicable the well-established human resource management systems of the developed world are, in less developed contexts.

Thus, the purpose of this study was to ascertain the extent to which human resource management theories originating in developed country contexts apply in less developed settings by testing three dominant modes of theorising (universalistic, configurational and contingency) in the Nigerian banking industry. The main research idea and the research setting were in response to calls by previous researchers to fill the empirical and theoretical gaps that currently exist, not only in the body of knowledge but also in carrying out investigations in environments with a dearth of research.

Furthermore, the research findings were expected to have implications for practitioners especially in multi-national companies and Nigerian banks.

A major contribution to knowledge is that there is now available empirical data to support assertions about the relevance of the three models in the Nigerian banking industry, a previously unexplored research context. This study demonstrates that different assumptions inform the theories about the nature of the human resource management and organisational performance relationship and that these give rise to different outcomes. If the universalistic model alone had been examined, the failure to find any direct effects would have led to the erroneous conclusion that HRM practices are not linked to Nigerian bank performance. The consideration of the configurational and contingency models revealed some links between HRM practices and performance.

Furthermore, some of the hypothesised variables within the research framework can now be more clearly defined using the results of the research. For example, the research hypotheses did not specify which aspects of performance might be linked to the various HRM practices being examined. Now, by combining aspects of the operational model outlined in Chapter 5 (Figure 1.) with the results summarised in Chapter 11 (Table 30), specific links between variables can be shown in the empirical research model (see Figure 5) specific to the Nigerian Banking Industry context. For example, the research model predicted linkages between HRM practices and organisational performance in very broad terms. In figure 5, there are more specific links such as those between strategically oriented training and profitability and commitment based HRM and employee voluntary turnover.
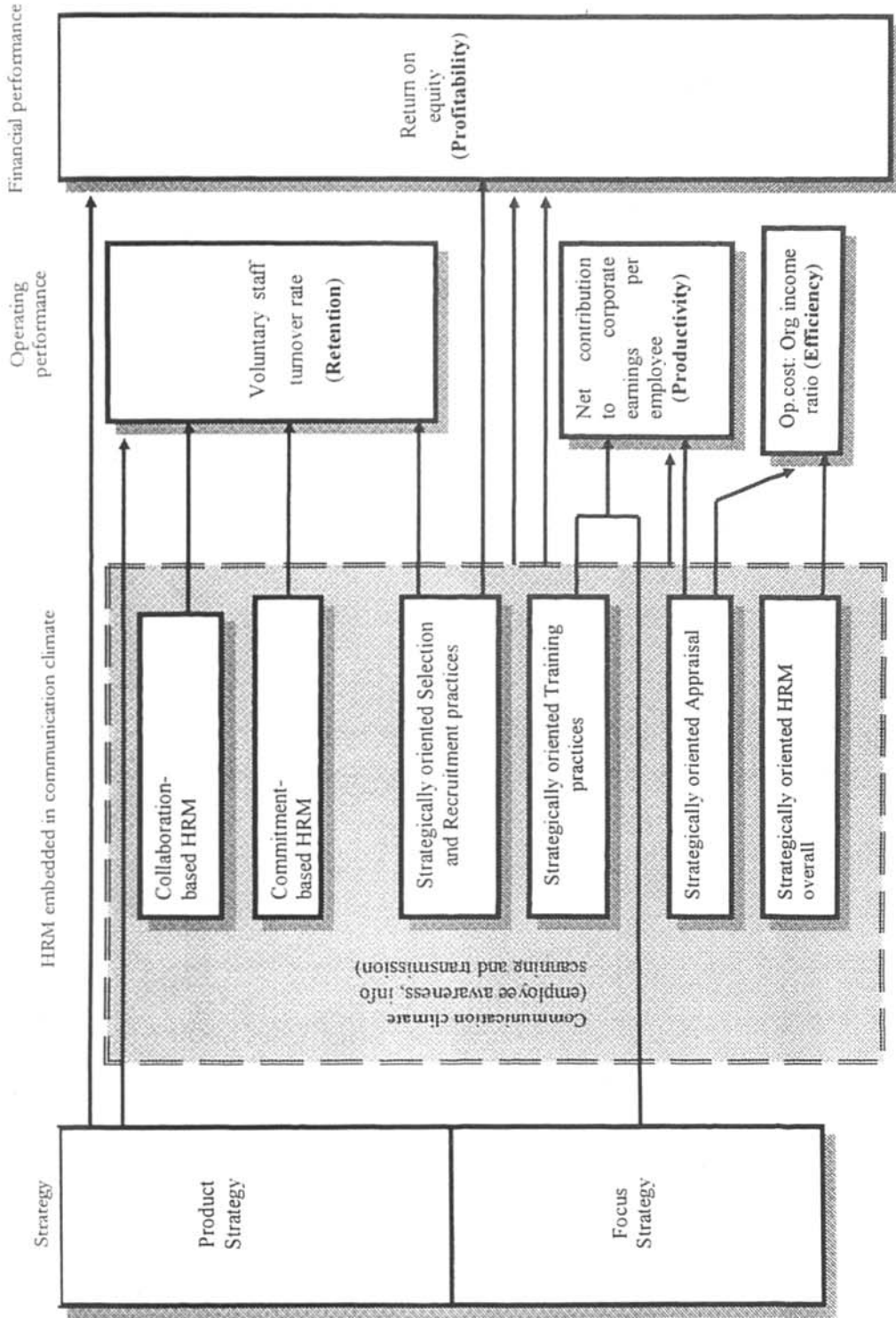
Figure 5. HRM and Performance: Key determinants in the Nigerian context

The model may be a useful framework for future researchers wishing to explore dominant HRM models in developing country contexts. There are challenges associated with developing country management and research. The external environment can be an impediment due to economic instability and uncertainty. There is also a high likelihood of political volatility. However, the model may be helpful in investigating the antecedents of organisational performance and will help to facilitate the identification of HRM predictors of better performance. As the model is by no means complete, it provides a framework that can be extended or adapted to take account of additional contextual variables in line with future researcher needs.

For example, more has to be done to ascertain the possible role of socio cultural factors and other intervening variables in the relationships found. Further longitudinal research also needs to be carried out to firmly establish the direction and nature of causal relationships highlighted in the model.

In summary, the empirical model can be a useful model for future research but further research still needs to be carried out to address some of the limitations of this study and by implication the research framework. For example, it would be particularly useful to have a more precise operationalisation of the strategic orientation of HRM practices to enhance comparability of future research findings. Similarly, it would be useful for future researchers to determine whether the collaboration-based and commitment- based HRM are applicable to all categories of workers or just the knowledge workers. It would also be useful to have similar measures of organisational performance to enhance comparability among studies.

The research findings have limited generalisability and much more has to be done within developing country settings to extend our understanding of the applicability of theories originating from developed country contexts. However, the findings of the study overall have implications for human resource managers who may find it useful for proactively linking their work

to their organisations' strategic processes for better organisational performance.

For example, this study explicitly links the organization's communication climate to financial measures of performance. As the communication climate influenced HRM and performance in different ways in the UK and Nigeria, there may be cultural and environmental constraints not accounted for and these would need to be examined in the future. The results of this study suggest that Human resource managers should advise their organisations to continuously share information with their employees. They should place an emphasis on ensuring that strategic processes and practices are communicated to employees in as many ways as possible to enhance employee awareness and increase corporate performance. Employees should also be encouraged to personally learn about organisational strategy as this is linked to longer-term profitability.

This research does not support the universalistic perspective which associates prescribed best human resource management practices with better organisational performance. It could be that the banks surveyed had not adopted or implemented best practice human resource management practices efficiently. Future researchers could test whether the universalistic model works in other developing country settings.

Some of the best practices embedded within the universalistic model were found to be effective when configured differently and combined with other practices to elicit commitment and collaboration from Nigerian bank employees. These findings build on and extend the descriptive American study by Lepak & Snell (2000). The study demonstrates the applicability of the configurational perspective to knowledge workers in a developing country and explicitly links the commitment based and collaboration based configurations to an actual measure of organisational performance namely, voluntary employee turnover. Future researchers could chose to investigate which configurations will be linked to the financial measures of performance.

The study also strongly supports the contingency perspective and demonstrates relationships between human resource management practices, strategy, communication climate and organisational performance. An important contribution of this study was to demonstrate that organisational performance is highly dependent on choosing a strategy that is appropriate for the environment. An environmentally inappropriate strategy was shown to have negative associations with employee retention. As economic environments are dynamic, organisations will have to constantly and proactively review their strategies to ensure they have external fit with the environment. Strategy should also have internal fit and the results demonstrated that strategically oriented human resource management systems enhanced organisational performance. Recruitment and training decisions should be specifically tailored to strategic objectives, thereby enhancing productivity and employee retention. Moreover, recruitment decisions should consider cultural features such as tribes and social networks. Furthermore, these human resource systems could include best practices that are configured in order to enhance collaboration, commitment and employee retention.

Overall the results of this study clearly demonstrate the importance of strategic human resource management practices and communication for organisational performance especially in terms of productivity, profitability and employee turnover. As the different practices examined were not mutually exclusive, a case can be made for an integrated approach to human resource management that may have important performance implications. As discussed in the previous chapter, the adoption of new practices for enhanced corporate performance need not cost more and may even cost less than the current human resource management system. Organisations in developing economies such as Nigeria may therefore find it appropriate to implement an integrated human resource management process involving aspects of the universalistic, configurational and contingency models to enhance their performance. Furthermore, the demonstrated links between human resource management and organisational performance should buttress

the argument for human resource managers to be more involved in strategy implementation.

This research gives important empirical insight into issues affecting organisational survival through its people. It is also distinctive because no such study has ever been carried out in Nigeria. To date much of the literature on Nigerian HRM has been descriptive and has suggested that HRM is limited in the Nigerian context. The study adds to the body of knowledge by showing strong empirical support for the human resource management and organisational performance relationship in the banking industry and introducing a new communication climate measure. It also illustrates the applicability of some findings in developed economies to developing economies.

This study makes a strong case for more research on human resource management in Africa and developing countries. Whilst data collection might be challenging, there is considerable scope for research and it is hoped that future researchers will consider these less popular environments. It is important for academics and practitioners alike to challenge the pervasive application of Anglo-American theories which might not appear to give due consideration to contextual peculiarities. Useful lessons can then be more fully drawn about appropriate human resource management, not only for the academic world but also for management in Africa and the rest of the developing world.

References

Aboud, J. 1990. Does performance-based management compensation affect corporate performance? *Industrial & labour relations review* 43:52-73

Agusto 2001. *Banking Industry Report* Agusto & Company Ltd. Nigeria

Agusto 2003. *Banking Industry Report* Agusto and Company Ltd. Nigeria

Anakwe, U.P. 2002. Human Resource management practices in Nigeria: challenges and insights. *International Journal of Human Resource Management* 13:7 1042-1059

Bacharach, S.B. 1989. Organizational theories: some criteria for evaluation *Academy of Management Review* 14: 496-515

Bae, J., & Lawler, J.J. 2000. Organisational & human resource management strategies in Korea: Impact of firm performance in an emerging economy *Academy of Management Journal* 43:502-517

Baird, L., & Meshoulam, I. 1988. Managing two fits of Strategic human resource management *Academy of Management Review* 13:116-128

Baker, K.A. 2002. Organizational communication http://www.sc.doe.gov/sc-5/benchmark Department of Energy

Barney, J. 1991. Firm resources and sustained competitive advantage. *Journal of Management*, 17: 99-120

Barney, J. 2001. Is the resource-based 'view' a useful perspective for strategic management research? Yes. *Academy of Management Review*, 26(1) 41-46

Baron, R.M., & Kenny, D.A. 1986. The moderator-mediator distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51:1173-1182

Barrette, J., & Ouellette, R. 2000. Performance management: Impact of the integration of strategy and coherence of HRM systems on organizational performance. *Industrial Relations*, 55(2): 207-226

Becker, G.S. 1964. *Human Capital.* New York: Columbia University Press

Becker, B. & Gerhart, B. 1996. The impact of human resource management on organizational performance: progress and prospects. *Academy of Management Journal* 1996, 39(4): 779-801

Becker, B., Huselid, M., Pickus, P., & Spratt, M. 1997. HR as a source of shareholder value: research and recommendations *Human Resource Management Journal, 31*(1): 1-8

Begin, J.P. 1991. *Strategic Employment Policy.* Englewood Cliffs New Jersey Prentice -Hall

Bennet, R. 1986. Meaning and method in management research, *Graduate Management Research,* vol.3 no.3

Bertalanffy Ludwig von 1950. General Systems theory: Foundations development, applications New York: George Braziller cited in Hatch, M.J (1997*) Organization Theory.* Oxford University Press

Bliese, P.D. 2000. Within-group agreement, non–independence and reliabilities: Implications for data aggregation. In K.J. Klein & S.W.J. Kowolski (Eds.), *Multi-level theory, research and methods in organizations: Foundations, extensions and new directions (pp349-381).* San Francisco: Jossey-Bass

Boulding, K.E. 1956. General Systems theory – the skeleton of science. Management Science, 2 197-208 cited in Hatch, M.J (1997*) Organization Theory* Oxford Univ. Press

Boyatzis, R. 1982. *The Competent Manager. A model for effective performance.* New York: Wiley

Branine, M. 2001. Human resource management in Algeria pp 155-173 in P. S. Budhwar and Y. A Debrah (eds.) *Human Resource Management in developing countries.* London: Routledge

Bretz, R., Milkovich, G., & Read, W. 1992. The current state of performance appraisal research and practice: concerns, directions and implications. *Journal of Management,* 18:111-137

Bryman, A. 2001. *Social Research Methods.* Oxford University Press

Budhwar, P., & Al-Hamadi, A.B. 2005. *Value Orientations and Practices in Oman.* Paper presented at the EIASM 20th Workshop on Strategic Human Resource Management. Brussels, April 28-30, 2005

Budhwar, P.S. & Debrah, Y. 2001a. Rethinking comparative and cross-national human resource management research. *International Journal of Human Resource Management* 12(3): 497-515.

Budhwar, P.S., & Debrah, Y. 2001b. International competitive pressures and the challenges for HRM in developing countries pp.238-254 in *Human Resource Management in developing countries* by P S. Budhwar and Yaw A Debrah (eds.) London: Routledge

Budhwar, P.S., & Debrah, Y.A. 2005. International HRM in developing Countries pp.259 –278 in H. Scallion and M.Linehan (eds.)*International Human Resource Management. A critical text* Hampshire U.K: Palgrave Macmillan.

Campbell, J.P. 1997. On the Nature of Organizational Effectiveness pp13-55 in *New Perspectives on Organizational Effectiveness* by Goodman, Pennings and Associates. Jossey- Bass, San Francisco

Cascio, W.F. 1991. *Costing human resources: The financial impact of behaviour in organisations* (3rd ed) Boston PWS-Kent

Clampitt, P., & Downs, C. 1993. Employee perceptions of the relationships between communication and productivity: a field study. *Journal of Business communication,* 30, 5-28

Cooper, K.J. 1997. Creating culture and climate in a start-up company: an organizational development plan. *Dissertation Abstract – International section A: The Sciences & Engineering* vol. 58 (4-B): 2163

Cotton, J.L. 1993. *Employee involvement: Methods for improving performance and work attitudes.* Newbury Park, CA: Sage

Deal, T., & Kennedy, A.A. 1982. *Corporate Cultures: The rites and rituals of corporate life,* Reading, MA: Addison-Wesley

Debrah, Y.A. 2001 Human resource management in Ghana pp 190-208 in P. S. Budhwar and Y. A Debrah (eds.) *Human Resource Management in developing countries.* London: Routledge

Delaney, J.T., & Huselid M.A., 1996. The impact of human resource management practices on perceptions of organisational performance. . *Academy of Management Journal,* 39:949-969

Delaney, J.T., David, L., & Ichniowski C. 1989. *Human resource policies and practices in American firms.* U.S Dept of Labor: US Government printing office.

Delery, J.E., & Doty, D.H. 1996. Modes of theorising in strategic human resource management: Tests of Universalistic, Contingency and Configurational performance predictions. *Academy of Management Journal,* 39:802-35

Deloitte & Touche in association with Aston Business School & Centre for Economic Performance at the London School of Economics (1999) *Business Success and Human Resource Management Survey.*

Denison, D. 1997. *Corporate culture and Organizational effectiveness,* New York: John Wiley

Drenth, P.J.D., H. Thierry & C.J. de Wolff (Eds.) 1998. *Handbook of Work and Organizational Psychology (2nd Edition).* East Sussex: Psychology Press Ltd.

Dyer, L. 1984. Studying human resource strategy: An approach and an agenda. *Industrial Relations,* 23: 156-169

Dyer, L. 1985. Strategic Human Resources Management and Planning, in K.M. Rowland & G.R. Ferris (Eds.) *Research in Personnel and Human Resources Management.*, vol.3. JAI press

Eisenberg, E.M., & Riley, P. 2001. Organizational Culture: In Jablin, .F., Putnam, L., Roberts, K., & Porter, L., (Eds.) *Handbook of Organizational Communication: An interdisciplinary perspective*; London: Sage: 291-322

Falcione, R.L., Sussman, L., & Herden, R.P. 1987. Communication climate in organizations: In Jablin, .F., Putnam, L., Roberts, K., & Porter, L., (Eds.)*Handbook of Organizational Communication: An interdisciplinary perspective*; London: Sage: 165-194

Fisher, B.A. 1978. *Perspectives on human communication.* New York: Macmillan

Fisher, C.D., Schoenfeldt, L.F., & Shaw, J.B. 1999. *Human Resource Management* 4th Edition Houghton Mifflin Company Boston, New York.

Flamholtz, E., & Lacey J. 1981. *Personnel Management: Human Capital theory and human resource accounting.* Los Angeles CA: Institute of industrial relations UCLA

Fombrun, C., Tichy, N.M., & Devana, M (Eds.) 1984. *Strategic Human Resource Management.* New York: Wiley

Frederiksen, N. 1986. Toward a broader conception of human intelligence. *American Psychologist, 41:445-452*

Goetzmann, W.N., & Gatska, S.J. 1999. The development of Corporate Performance Measures: Benchmarks before EVA (July 12 1999) *Yale ICF Working paper no 99-06* http://ssrn.com/abstract:170674

Goodman, P., Pennings, J., & associates (Eds.) 1977. *New Perspectives on Organizational Effectiveness.* San Francisco CA: Jossey-Bass

Goodman, S.A. & Svyantek, D.J. 1999. Person organization fit and contextual performance: Do shared values matter? *Journal of Vocational Behaviour,* 55(2): 254-275

Gronhaug, K., & Haukedal, W. 1989. Environmental imagery and strategic action. *Scandinavian Journal of Management,* 4(1/2) : 5-17

Guest, D. 1987. 'Human resource management and industrial relations.' *Journal of Management Studies,* 24: 503-21

Guest, D. 1997. Human resource management and performance: a review and research agenda. *International Journal of Human Resource Management* 8(3): 263-276

Guest, D. 2001. Human resource management: when research confronts theory. *International Journal of Human Resource Management* 12(7): 1092-1106

Guest, D. & Peccei, R. 1994. The nature and causes of effective human resource management. *British Journal of industrial relations* 32(2): 219-242

Guthrie, J.A. 2001. High Involvement work practices, turnover and productivity: Evidence from New Zealand. *Academy of Management Journal* 44: 180-190

Guthrie, J.P, Grimm, C., & Smith, K., 1991. Environmental change & management staffing: an empirical study. *Journal of Management.* 17:735-48

Guthrie, J.P., & Olian, J.D. 1991. Does context affect staffing decisions? The case of general managers. *Personnel Psychology* 44: 283-296

Harel, G.H., and Tzafrir, S.S. 1999. The effect of human resource management practices on the perceptions of organisational & market performance of the firm. *Human Resource Management*, 38:185-199

Hatch, M.J. 1997. *Organization Theory.* Oxford University Press

Herbert, T.T. 1976. *Dimensions of Organizational behaviour.* Macmillan Publishing Co. Inc New York

Hofstede, G. 1991. *Cultures and Organizations: Software of the mind.* Maidenhead, Berkshire: McGraw Hill

Hoskisson, R.F., Eden, L., Lau, C.M., & Wright, M. 2000. Strategy in Emerging Economies *Academy of Management Journal,* 43(3):249-267

Huang, T 2001. Human resource management in Taiwan pp. 56-74 in P. S. Budhwar and Y. A Debrah (eds.) *Human Resource Management in developing countries.* London: Routledge

Hunger, J.D, & Wheeler, J.L. 1997. *Strategic Management.* Reading, Mass. Addison- Wesley

Huselid, M.A. 1995. The impact of high performance work practices on turnover, productivity and corporate financial performance. *Academy of Management Journal,* 38:635-672

Huselid, M.A., & Becker, B. 1996. Methodological issues in cross – panel estimates of the HR-firm performance link. *Industrial Relations* 35:400-422

Huselid, M., Jackson, S.E, & Schuler, R.S. 1997. Technical and strategic human resource management effectiveness as determinants of firm performance. . *Academy of Management Journal, 40:171-188*

Ichniowski, C., Shaw, K., Prenushi, G., 1994. The impact of human resource management practices on productivity. *Columbia Business School Working paper 015* Columbia Business School

Jackson, S.E, & Schuler, R.S. 1995. Understanding human resource management in the Context of Organisations and Their Environments. *Annual Review of Psychology, 46:* 236-264

James, L.R., Demaree, R.G., Mulaik, S.A., & Ladd, R.T. 1992. Validity generalisation in the context of situational models. *Journal of Applied Psychology,* 77:3-14

Johnson, G., & Scholes, S. 1993. *Exploring Corporate Strategy Text and Cases* (3rd ed) London: Prentice hall.

Johnson, N.B., Sambharya, R.B., & Bobko, P. 1989. Deregulation, business strategy & wages in the airline industry. *Industrial Relations,* 28: 419-430

Kalu, P., & Barsky, J. 1999. *A Special international report on Nigeria.* The Washington Times: Newsword Communication Inc.

Kamoche, K . 2001. Human resource management in Kenya pp 209-221 in P. S. Budhwar and Y. A Debrah (eds.) *Human Resource Management in developing countries.* London: Routledge

Kamoche, K. 1996. Strategic human resource management within a resource capability view of the firm. *Journal of Management Studies,* 33(2): 213-33

Katz, D., and Kahn, R.L. 1978. *The social psychology of organizations* (2nd ed) New York: John Wiley

Ketchen, J., Thomas, D., & Snow, C. 1993. Organisational configurations and performance: a comparison of theoretical approaches. *Academy of Management Journal,* 36(6) 1278-1313

Klemp, G.O. Jnr. 1980. *The Assessment of Occupational Competence.* Report to the National Institute of Education, Washington, DC

Kopelman, R.E., Brief, A.P., & Guzzo, R.A. 1990. The role of climate and culture in Productivity; In B. Schneider (Ed) *Organizational climate and culture.* San Francisco, Jossey- Bass.

Koslowski, S.J., & Salas, E. 1994. A multi-level organization systems approach for the implementation and transfer of training. In J.K. Ford and associates (Eds.) *Improving Training effectiveness in work organisations.* Hillsdale, NJ: Erlbaum

Kotter, J.P., & Heskett, J.L. 1992. *Corporate Culture and Performance.* New York: Free Press

Krone, J., Jablin, F., & Putnam, L. 1987. Communication Theory and organisational communication: Multiple perspectives. In Jablin, Putnam, Roberts & Porter (Eds.) *Handbook of Organizational communication: an interdisciplinary perspective.* New York: Sage: 18-40

Lado, A.A, & Wilson, M.C. 1994. Human resource systems and sustained advantage: a competency based perspective. *Academy of Management Review*, 19:699-727

Lawler, E.E. 1992. Total quality – oriented human resource management. *Organizational Dynamics* 20(4): 29-41

Lawler, E.E., Mohrman, S.A., & Ledford, G. E. 1992. Employee involvement and total quality management. San Francisco: Jossey-Bass

Lee, J., & Miller, D. 1999. People matter: Commitment to employees, strategy and performance in Korean firms. *Strategic Management Journal*, 20: 579-593

Legnick-Hall, C.A., & Legnick Hall, M.L. 1988. Strategic human resource management: A review of the literature and a proposed typology. *Academy of Management Review*, 13:454-470

Leonard, J.S. 1990. Executive pay and firm performance. *Industrial & Labor relations review*, 43: 13-29

Lepak, D.P., & Snell, S.A. 2002. Examining the HR architecture: the relationships among human capital employment and human resource configurations. *Journal of Management*, 2002 28(4) 517-543

Lincoln, J.R. 1993. Work organization in Japan and the United States. In B. Kogut (ed) *Country competitiveness: Technology and the organising of work*. Oxford: Oxford University Press

Lumpkin, G.T., & Dess, GG. 1996. Clarifying the Entrepreneurial Orientation construct and linking it to performance. *Academy of Management Review* 21(1): 135-172

Macduffie, J.P., & Krafcik, J. 1992. Integrating technology and human resources for high-performance manufacturing. In T. Kochan & M. Useem (Eds.) *Transforming Organisations*. New York: Oxford University Press

Makhamreh, M. 2000. Corporate Performance in Jordan: A study of the banking sector. *The Arab Bank Review*, 2(2) :40:48

Marchington, M., & Grugulis, I. 2000. 'Best practice' human resource management: perfect opportunity or dangerous illusion? *International Journal of Human Resource Management*, 11(6): 1104-1124

Mellahi, K & Wood, G.T. 2001. Human Resource management in Saudi Arabia pp 135-154 in P. S. Budhwar and Y.A Debrah (eds.)*Human Resource Management in developing countries* London: Routledge

Miles, R., & Snow, C.C. 1978. *Organization strategy, structure and process*. New York: McGraw Hill

Miles, R., & Snow, C.C. 1984. Designing Strategic human resource systems. *Organizational Dynamics,* 13:36-52

Miller, D., & Shamsie. J. 1996. A contingent application of the resource based view of the firm: the Hollywood film studios from 1936-1965 Academy of Management Best Papers Proceedings 1995 55th annual meeting of the Academy of Management Vancouver BC Canada cited in Schuler R.S. & Jackson S.E. Eds. (1999) *Strategic Human Resource Management.* Oxford: Blackwell

Morgan, G. 1979, 1986. *Images of Organisation.* Beverly Hills CA Sage

Mott, P.E. (1972) *Characteristics of effective organizations.* New York: Harper & Row.

Neal, A., West, M.A., & Patterson, M., 2005. Do organisational climate and strategic orientation moderate the relationship between HRM and productivity? *Journal of Management,* 31(4) :1-21

Nunally, J.C., & Bernstein, I.H. 1994. *Psychometric Theory* (3rd ed.). New York: MacGraw Hill

Ogbonna, E. 1996. Managing Corporate Culture: Fantasy or Reality? *Human Resource Management Journal,* 3 (2): 42-54

Ogbonna, E., & Whipp, R. 1999. Strategy, culture and HRM: Evidence from the UK food-retailing sector. *Human resource Management Journal,* 9(4): 75-90

Ostroff, C. & Schmitt, N. 1993. Configurations of organisational effectiveness and efficiency *Academy of Management Journal* 36: 1345-61

Ovadje, F. & Ankomah, A. 2001. Human resource management in Nigeria pp 174-189 in P. S. Budhwar and Y. A Debrah (eds.) *Human Resource Management in developing countries.* London: Routledge

Park, W. 2001. Human resource management in South Korea pp34-55 in P.S. Budhwar and Yaw A Debrah (eds.) *Human Resource Management in developing countries* London: Routledge

Patterson, M., West, M., Lawthom R., & Nickell, S., 1997. *Impact of People Management Practices on Business Performance.* London IPD

Pedhazur, E., & Schmelkin L. 1991. *Measurement, design and analysis: an integrated approach.* Hillsdale NJ: Lawrence Erlbaum

Penrose, E.T. 1959. *The theory of the growth of the firm* New York: Wiley

Pfeffer, J. 1994. *Competitive Advantage through people: Unleashing the power of the workforce.* Boston MA: Harvard Business School Press

Pfeffer, J. 1998. *The Human Equation*, Boston MA: Harvard Business School Press

Pieper, R., (Ed) 1990. *Human Resource Management: an international comparison* Berlin: Walter de Gruyter.

Porter, M.E. 1980. *Competitive Strategy*. New York: Free Press

Porter, M.E. 1985. *Competitive Advantage: Creating and sustaining superior performance*. New York: Free Press

Prahalad, C.K., & Hamel, G. 1990. The core competencies of the organisation *Harvard Business Review*, May-June: 79-93

Prahalad, C.K., & Hamel, G. 1994. *Competing for the future*. Boston: MA Harvard Business School Press

Priem, R.L., & Butler, J.E. 2001a. Is the resource-based view a useful perspective for strategic management research? *Academy of Management Review*, 26(1) 22-40

Priem, R.L., & Butler, J.E. 2001b. Tautology in the Resource based view and the implications of externally determined resource value. *Academy of Management Review*, 26(1) 57-65

Richard, O.C., & Johnson, N.B. 2001. Strategic human resource management effectiveness & firm performance. *International Journal of Human Resource Management*, 12: 299-310

Rousseau, D.M. 1988. The construction of climate in organizational research. In C.L. Cooper & I.T. Robinson (Eds.) *International review of Industrial and Organizational Psychology*, (vol.3): 139-158 New York: Wiley.

Rynes, S.L., & Boudreau, J.W. 1986. College recruitment in large organisations: practice evaluation and research implications. *Personnel Psychology*, 39:729-57

Schneider, B. 1986. National vs. Corporate Culture: Implications for human resource management. *Human Resource Management*, 27:133-148

Schuler, R.S. & Jackson, S.E. 2005. A Quarter Century Review of Human Resource Management in the US: The Growth in Importance of the International Perspective. *management revue; The International Review of Management Studies*, 16(1): 11-35

Schuler, R.S. 1992. Strategic human resource management: linking people with the needs of the business. *Organizational Dynamics*, 21: 19-32

Schuler, R.S. & Jackson, S.E. 1987. Linking competitive strategies with Human Resource Management Practices *Academy of Management Executive*, 93:207-219

Silverman, D. 2001. *Interpreting Qualitative data; Methods for analysing talk, texts and interactions.* London, Sage

Smircich, L. 1983. Concepts of Culture and Organizational Analysis. *Administrative Science Quarterly,* 28: 339-358

Taylor, F. 1947. *Scientific Management.* Harper & Row, London

Terpstra, D.E., & Rozell, E.J. 1993. The relationship of staffing practices to organizational level measures of performance. *Personnel Psychology,* 46: 27-48

Tichy, N., Fombrun, C., & Devanna, M.A. 1982. Strategic human resource management. *Sloan Management Review,* 23(2) Winter: 47-61

Ulrich, D. 1991. Using human resources for competitive advantage. In R. Kilman, I Kilman & Associates (Eds.) *Making organizations competitive.* San Francisco, CA: Jossey-Bass

Vanderburghe, C. 1999. Organizational culture, person-culture fit, and turnover: a replication in the healthcare industry. *Journal of Organizational Behaviour,* 20 (2): 175-184

Von Krogh, G., Ichijo, K., Nonaka, I. 2000. *Enabling knowledge creation: How to unlock the mystery of tacit knowledge and release the power of innovation:* Oxford University Press

West, M.A., Patterson, M.G., Lawthom, R., & Matlis, S. 1997. *The Sheffield Organizational Effectiveness Programme: A Description of Methods.* Institute of Work Psychology. University of Sheffield

Whetten, D.A. 1989. What constitutes a theoretical contribution? *Academy of Management Review,* 14 (4): 490-495

Wickens, P. 1987. *The Road to Nissan.* London: Macmillan

Williamson, O.E. 1981. The economics of organization: a transactions cost approach. *American Journal of Sociology,* 87:548-77

Wolins, L. 1982. *Research mistakes in the social and behavioural sciences.* Ames, IA: Iowa State University Press

Wood, G.T. & Mellahi, K. 2001. Human resource management in South Africa pp.222-238 in P. S. Budhwar and Y. A Debrah (eds.) *Human Resource Management in developing countries.* London: Routledge

Wright, P.M. 2000. Theoretical and empirical challenges in studying the HR practices-firm performance relationship. Paper presented at the EIASM Strategic Human Resource Conference, Fontainebleau March 30 cited in Robertson, I., Callinan, M. and Bartram, D. (2002) (Eds.).*Organizational Effectiveness: the role of psychology.* West Sussex: John Wiley

Wright, P.M., & McMahan, G.C. 1992. Theoretical Perspectives for strategic human resource management. *Journal of Management*, 18:295-320

Wright, P.M., & Snell, S.A. 1991. Towards an integrative view of strategic human resource management *Human Resource Management Review*, 1(3):203-225

Watson Wyatt worldwide. 2002. The Human Capital Index; *Human capital as a lead indicator of shareholder value 2001 / 2002 survey report.* www.watsonwyatt.com

Zhong Ming, W. 1990. Human resource management in China. In R.Pieper (Ed), *Human resource management: an international comparison.* Berlin: Walter de Gruyter : 196-210

(Sent out on Aston Business School letter headed paper.)

The Managing Director
XXX Bank Limited
Xxx Street
P.M.B. xxxx
Lagos
Nigeria

December 29, 2002

Dear Sir,

Research in Strategic Human Resource Management

My name is Michael West, Professor of Work and Organisational Psychology and Director of Research at the Aston Business School in Birmingham, England. I am contacting you to invite your company's participation and enlist your support in our research activities.

I am currently collaborating on research being undertaken by Yetunde Ekpe on the effects of strategic human resource management practices on company performance. She intends to gather data on the Nigerian banking industry as little research has been carried out in Africa as a whole. This is a valuable opportunity to undertake innovative research with data from Africa.

Your company would benefit from having useful feedback and access to industry information as you will be provided with an executive report highlighting the key findings of the project with complete confidentiality and anonymity of both company and employee information.

The research itself is scheduled for the first quarter of 2003 and I sincerely hope you will grant Mrs. Ekpe access to your company.

Yours faithfully,

Professor Michael. A. West

Attachment: Aston Business School research information

211

Commercial retail **(20)**
Allstates bank
Broad bank
Citizens bank
Diamondbank
Ecobank
First Bank of Nigeria
Global bank
Guaranty Trust Bank (GTB)
Metropolitan bank
Midas bank
Oceanic bank
Omegabank
Platinum bank
Prudent
Reliance bank
Standard Trust bank (STB)
Triumph bank
Union bank of Nigeria (UBN)
United bank of Africa (UBA)
Wema bank

Commercial wholesale (7)
Africa International bank (AIB)
Capital bank (cbi)
Chartered bank
Citibank
MagnumTrust bank
Standard Chartered bank
Zenith International bank

Investment banks (1)
IBTC

Universal banks (14)
Access bank of Nigeria
Afribank
Eko International bank (EIB)
FSB International bank
Fidelity bank
First bank of Nigeria merchant bankers (FBNmb)
First city monument bank (FCMB)
Fountain Trust bank
Gulf bank of Nigeria
Leadbank
Marina International bank
NAL bank
Trust bank
Universal trust bank (UTB)

ASTON
BUSINESS SCHOOL

The role of strategy and communication in the strategic human resource management and corporate performance relationship. (Evidence from Nigeria.)

MD/ CEO Interview Schedule

SECTION A.   The Organisation

Bank name:...

Interview date   Interviewee:

Type of Bank: Commercial retail ☐ Commercial wholesale ☐
Investment ☐   **Universal** ☐

No. of branches.............. no. of employees.............. no. of HR staff...............

Total FTE   .... No. of contract staff.............

How long has current CEO been in office? ....

When did Bank commence operations? ....   i.e ......years ago

What stage would you say the bank is at in its lifecycle?

Start Up   Growing   Mature   Turnaround   Transformation

What is the voluntary staff turnover rate in your bank?

Have you had to lay off staff over the past two years?

If so how many times ?   How many staff were laid off?

Section B. STRATEGY OVERVIEW

Please rank the following strategies in the order of applicability to your organisation and indicate any which are not applicable. **(1- most applicable, 5- least applicable)**

A. Product differentiation	Creating a competitive edge through quality, offering products not available from competitors or offering products customised to customer needs.
B. Process Differentiation	Creating a competitive edge through efficient processes and technology
C. Cost leadership	Aiming to gain a competitive edge by becoming the lowest cost provider in the industry and using this to lower or control prices in the market place
D. Focus	Aiming at a narrow specialised segment of the industry in terms of markets, customers or regional scope
E. Service differentiation	Gaining competitive advantage through the provision of superior, consistent, prompt and reliable customer service

Are you undergoing reengineering in the company? Y /N

If so, is it a) On a minor aspect   b) on a major aspect   c) on the whole organisation

Do you have a formal strategic plan? Y/N   What period does it cover?
(copy sighted? Y/N   )

On a scale of 1-5 (1-Not at all 2- a limited extent 3-Considerable extent 4-Great extent 5-Completely)
To what extent would you say the strategic planning process is linked to HR? ....

How is strategy linked to HR?

214

Section C. HR FUNCTION

Who has responsibility for HR in your bank?

HR Director (Board member)
Head of HR reporting to MD
Company Secretary
Other --------------------------

Does HR head make presentations to the board? Y/N

Is there HR representation on operating committees (e.g. Exco or Techom?) Y/N

To what extent does HR have a key role in formulating strategy? (1-5)

Is there a human resource plan derived from the business plan? Y/N

What are the major HR innovations introduced in the past two years?

Were these innovations in-house or through the use of consultants?

What are the main inputs you expect to get from your HR in running the bank?

Is there anything you expect from HR but don't receive?

Does HR produce Management reports on: Absenteeism rates ☐   Cost per   ☐
recruitment

Training spend per employee ☐   employee turnover ☐   Other

Which systems does HR use to produce management reports?
Manual system ☐   Automated payroll ☐
HR package   ☐   Other ☐

C.2 Selection and recruitment

What are the attributes you look for in the people you recruit?

How are these linked to your strategy?

Has the company defined core competencies for its employees? Y/N

Is a formal job analysis system used? Y/N

Are employees recruited or matched against job and person specifications?

Which of the following are used in resourcing?-: search and selection agency ☐
☐ **advertising** , ☐ **direct entry , national youth service corps** ☐

Is there a formal induction process? Y/N
Please describe it

Is this at entry level only? Y/N

Is there a continuous process that ensures employees are kept up to date as to what is expected?

How do you get everyone to know what the organisation requires?

Is there a formal code of conduct or manual? Y/N (sighted? Y/N)

C.3 Appraisal & remuneration

Is there a formal appraisal process?

What percentage of staff are appraised? How often?

Is appraisal based on criteria derived from strategy? .....

If yes, please give an example....................

Does the company use individual objective setting?

Is Promotion based on tenure ?

Is promotion based on geopolitical considerations?

Is Promotion is based on performance appraisal?

Are high performing staff formally identified and fast tracked?

What happens to less performing staff?

C.4. Compensation / rewards

Is profit sharing a part of remuneration? Y/N

Is it based on -: Cash bonus ☐ discretionary share option ☐ profit sharing trust ☐
cash linked to company performance (phantom share) ☐

Is a performance related pay system used? Y/N

Is the performance related pay based on-:
Targets ☐   Knowledge and skills ☐   Competencies ☐ Individual performance ☐

Team performance ☐   Company performance ☐

C.5.   Training and development

Are training needs identified with reference to strategy?

How frequently are training needs assessed?

Is there a formal management development programme?

Is there individual career planning?

Do employees have personal development plans?

How often are the plans updated?

Does the company financially support employees gaining additional qualifications?

What percentage of company turnover is spent on training?

Section D. COMMUNICATION

Is the bank's business strategy formally communicated to all employees?

Who communicates this?

Do you think people understand what the bank is trying to do? Y/N

On a scale of 1-5 (1 -not at all to 5 - completely) what rating would you assign to your perception of employees' understanding of the bank's strategy?

Are productivity measures regularly fed back to employees?

How often?   By what means?

Are employees aware of the quality of work they have done?

Is there good communication between departments?

Does Management normally negotiate, consult and inform employees over work related matters?

Do employees freely communicate with Management ?

Which communication methods are used?
Newsletter ☐   e-mail ☐ team briefing ☐   attitude surveys ☐ suggestion schemes ☐
memos ☐   Regularly updated website ☐ Regularly updated intranet system ☐
Operating manuals ☐   Other _____

Does your bank have a trade union? Y/N.

Does the union play a role in communication? Y/N   (please describe)

Thank you

Please list the following strategies in the order in which they are applicable to your organisation and indicate any which are not applicable.

A. Product differentiation	Creating a competitive edge through quality, offering products not available from competitors or offering products customised to customer needs.
B. Process Differentiation	Creating a competitive edge through efficient processes and technology
C. Cost leadership	Aiming to gain a competitive edge by becoming the lowest cost provider in the industry and using this to lower or control prices in the market place
D. Focus	Aiming at a narrow specialised segment of the industry in terms of markets, customers or regional scope
E. Service differentiation	Gaining competitive advantage through the provision of superior, consistent, prompt and reliable customer service

Note

This page was detached and given to the chief executives so they could take time to read and understand the choices available. Some CEOs chose to write their rankings and hand the sheet back. Others just stated their responses aloud.

ASTON
BUSINESS SCHOOL

Human Resource Management and corporate performance. (Evidence from Nigeria.)

HR Head Interview Schedule

SECTION A.   The Organisation

Bank name:..

Interview date   Interviewee:

Type of Bank ☐ **Commercial retail** ☐ **Commercial wholesale** ☐ **Investment**
☐ **Universal**

No. of branches.............. no. of employees.............. no. of HR
staff...............

Total FTE   .... No. of contract staff.............

How long has current HR head been in office?

When did Bank commence operations? ....   i.e ......years ago

What stage would you say the bank is at in its lifecycle?

Start Up   Growing   Mature   Turnaround   Transformation

What is the voluntary turnover rate (past two years)?

Have there been lay offs recently (e.g. in the past two years)?

How often and how many people laid off?

Section B. STRATEGY OVERVIEW

Please list the following strategies in the order in which they are applicable to your organisation and indicate any which are not applicable.

A. Product differentiation	Creating a competitive edge through quality, offering products not available from competitors or offering products customised to customer needs.
B. Process Differentiation	Creating a competitive edge through efficient processes and technology
C. Cost leadership	Aiming to gain a competitive edge by becoming the lowest cost provider in the industry and using this to lower or control prices in the market place
D. Focus	Aiming at a narrow specialised segment of the industry in terms of markets, customers or regional scope
E. Service differentiation	Gaining competitive advantage through the provision of superior, consistent, prompt and reliable customer service

Are you undergoing reengineering in the company? Y /N

If so, is it a) On a minor aspect   b) on a major aspect   c) on the whole organisation

Do you have a formal strategic plan? Y/N   What period does it cover?
(copy sighted? Y/N   )

Using a scale of 1-5 (1-Not at all   2- a limited extent 3-Considerable extent 4-Great extent 5-Completely)

To what extent is strategic planning process linked to HR? ....

How is strategy linked to HR?

Section C. HR FUNCTION

Who has responsibility for HR in your bank?

HR Director (Board member)
Head of HR reporting to MD
Company Secretary
Other --------------------------

Does HR head make presentations to the board? **Y/N**

Is there HR representation on operating committees (e.g. Exco or Techom?) Y/N

To what extent does HR have a key role in formulating strategy? **(1-5)**

Is there a human resource plan derived from the business plan? Y/N

What are the major HR innovations introduced in the past two years?

Were these innovations in-house or through the use of consultants?

What are the main inputs you expect to give from your HR unit in running the bank?

Is there anything you think HR should do that it doesn't currently do?

Does HR produce Management reports on: Absenteeism rates ☐

Cost per recruitment ☐

Training spend per employee ☐   Employee turnover ☐   Other ☐

Which systems does HR use to produce management reports?
Manual system ☐   Automated payroll ☐
HR package ☐   Other ☐

Selection and recruitment

What are the attributes you look for in the people you recruit?

How are these linked to your strategy?

Has the company defined core competencies for its employees? Y/N

Is a formal job analysis system used? Y/N

Are employees recruited or matched against job and person specifications?

Which of the following are used in resourcing? -: search and selection agency ☐
advertising ☐   direct entry ☐   national youth service corps ☐

Which of the following are used in selecting the right candidate?(tick all that apply)

Curriculum Vitae ☐   Aptitude tests ☐   Skills based tests ☐

Personality questionnaires ☐   Assessment Centres ☐   Criterion based ☐
interview

Unstructured interviews ☐   Other (please specify)

Is there a formal induction process? Y/N
Please describe it

Is this at entry level only? Y/N

Is there a continuous process that ensures employees are kept up to date as to what is expected?

How do you get everyone to know what the organisation requires?

Is there a formal code of conduct/ manual? Y/N   (sighted? Y/N)

Appraisal & remuneration

Is there a formal appraisal process?

What percentage of staff are appraised?   How often?

Is 360 feedback used as part of the appraisal process? Yes formally   Yes informally   No

Is appraisal based on criteria derived from strategy?

.

Does the company use individual objective setting?

Is promotion is based on tenure ?

Is promotion based on geopolitical considerations?

Is promotion is based on performance appraisal?

Are high performing staff formally identified and fast tracked?

What happens to less performing staff?

Compensation / rewards

Is profit sharing a part of remuneration? Y/N   For what percentage of staff?..........

Is it based on -: Cash bonus ☐   discretionary share option ☐   profit sharing trust ☐
cash linked to company performance (phantom share) ☐

Is a performance related pay system used? Y/N

Is the performance related pay based on-:
Targets ☐   Knowledge and skills ☐   Competencies ☐ Individual performance ☐

Team performance ☐   Company performance ☐

Training and development

Are training needs identified with reference to strategy?

How frequently are training needs assessed?

Is there a formal management development programme?

Is there individual career planning?

Do employees have personal development plans?

How often are the plans updated?

Does the company financially support employees gaining additional qualifications?

What percentage of company turnover is spent on training?

Section D. COMMUNICATION

Is the company's business strategy formally communicated to all employees?

Who communicates this?

Do you think people understand what the bank is trying to do? Y/N

On a scale of 1-5 (1 -not at all to 5 - completely) what rating would you assign to your perception of employees' understanding of the bank's strategy?

Are productivity measures regularly fed back to employees?

How often?   By what means?

Are employees aware of the quality of work they have done?

Is there good communication between departments?

Does Management normally negotiate, consult and inform employees over work related matters?

Do employees freely communicate with Management ?

Which communication methods are used?
Newsletter ☐   e-mail ☐ team briefing ☐   attitude surveys ☐   suggestion schemes ☐
memos ☐   Regularly updated website ☐ Regularly updated intranet system   ☐
Operating manuals ☐   Other _____

Does your bank have a trade union? Y/N.
Does the union play a role in communication? Y/N   **(please describe)**

Thank you

ASTON
BUSINESS SCHOOL

APPENDIX E (1/5)
Human Resource Management in Nigerian Banks
HR practices questionnaire

Bank name ....

Job design

Does the Bank have a policy of promoting team working – that is, where groups of employees (3-15) work interdependently and autonomously to achieve shared work goals?

Yes ☐ No ☐

What percentage of staff work in teams in the Bank?

All 100%	Almost all 80-99%	Most 60-79%	Around half 40-59%	A few 20-39%	Very few 1-19%	None 0%

Recruitment and selection

Does the Bank have a formal written strategy document relating to recruitment and selection? Yes ☐ No ☐
Has this been sighted by the researcher? ☐ ☐

To what extent do you agree with the following statements?

	Strongly disagree	Disagree	Neither Agree or disagree	Agree	Strongly Agree
The recruitment/selection process assesses their industry knowledge and experience	☐	☐	☐	☐	☐
The recruitment/selection process emphasises promotion from within	☐	☐	☐	☐	☐
The recruitment/selection process emphasises their ability to collaborate and work in teams	☐	☐	☐	☐	☐
The recruitment/selection process focuses on selecting the best all around candidate, regardless of the specific job	☐	☐	☐	☐	☐

226

	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly Agree
The recruitment/selection process focuses on their ability to contribute to our strategic objectives	☐	☐	☐	☐	☐
The recruitment/selection process involves screening many job candidates	☐	☐	☐	☐	☐
The recruitment/selection process is comprehensive (uses interviews, tests, etc.)	☐	☐	☐	☐	☐
The recruitment/selection process places priority on their potential to learn (e.g. aptitude)	☐	☐	☐	☐	☐
The recruitment/selection process uses many different recruiting sources (agencies, universities etc)	☐	☐	☐	☐	☐

Training

Does the Bank have a formal written strategy document relating to training and development?   Yes   No

☐☐   ☐☐

Has this been sighted by the researcher?
Which of the following employee groups have access to a *tailored and formal written* statement about training policy entidements? Please tick the those which have such formal statements

☐   Senior Management   ☐   Management   ☐   Non- Management

☐
   Other

What percentage of the following occupational groups have had at least 3 days formal off-the-job training in the previous 12 months?

Senior Management	Management	Non-Management
%	%	%

Other
%

To what extent do you agree with the following statements?

	Strongly disagree	Disagree	Neither Agree or disagree	Agree	Strongly Agree
Our training activities are comprehensive	☐	☐	☐	☐	☐
Our training activities are continuous	☐	☐	☐	☐	☐
Our training activities emphasise improving current job performance	☐	☐	☐	☐	☐
Our training activities emphasise on the job experiences	☐	☐	☐	☐	☐
Our training activities focus on compliance with rules, regulations, and procedures	☐	☐	☐	☐	☐
Our training activities focus on team building and interpersonal relations	☐	☐	☐	☐	☐
Our training activities strive to develop firm-specific skills/knowledge	☐	☐	☐	☐	☐
Our training activities are planned and designed systematically	☐	☐	☐	☐	☐
Our training activities complement other HR activities such as selection and appraisal	☐	☐	☐	☐	☐
The bank conducts a thorough analysis of the effectiveness of its training activities	☐	☐	☐	☐	☐

Performance appraisal

	Yes	No
Does the Bank have a formal written document relating to appraisal?	☐	☐
If Yes, has the researcher sighted the document?	☐	☐

What percentage of staff in the following occupational groups have received a) an appraisal and/or b) an updated Personal Development Plan (PDP) in the past 12 months?

	% received an appraisal	% received an updated PDP
Senior Management	_____ %	_____ %
Management	_____ %	_____ %
Non -Management	_____ %	_____ %
Other	_____ %	_____ %
	_____	_____
	_____	_____

To what extent do you agree with the following statements?

	Strongly disagree	Disagree	Neither Agree or disagree	Agree	Strongly Agree
Performance appraisals are based on input from multiple sources (peers, subordinates, etc.)	❑	❑	❑	❑	❑
Performance appraisals are based on objective, quantifiable results	❑	❑	❑	❑	❑
Performance appraisals are based on team performance	❑	❑	❑	❑	❑
Performance appraisals assess compliance with preset behaviours, procedures and standards	❑	❑	❑	❑	❑
Performance appraisals assess quality of output	❑	❑	❑	❑	❑
Performance appraisals assess quantity of output	❑	❑	❑	❑	❑
Performance appraisals emphasise employee learning	❑	❑	❑	❑	❑
Performance appraisals focus on their ability to work with others	❑	❑	❑	❑	❑
Performance appraisals focus on their contribution to our strategic objectives	❑	❑	❑	❑	❑
Performance appraisals include developmental feedback	❑	❑	❑	❑	❑
Performance appraisals measure productivity and feedback	❑	❑	❑	❑	❑
The performance review/appraisal process includes mechanisms which identify potential training needs of staff members	❑	❑	❑	❑	❑

Compensation schemes	Strongly disagree	Disagree	Neither Agree or disagree	Agree	Strongly Agree
Compensation/rewards are based on straight salary	☐	☐	☐	☐	☐
Compensation/rewards are based on the market wage (going rate)	☐	☐	☐	☐	☐
Compensation/rewards are designed to ensure equity with peers	☐	☐	☐	☐	☐
Compensation/rewards focus primarily on their short-term performance	☐	☐	☐	☐	☐
Compensation/rewards have a group-based incentive component	☐	☐	☐	☐	☐
Compensation/rewards have an individual incentive/bonus component	☐	☐	☐	☐	☐
Compensation/rewards include an extensive benefits package	☐	☐	☐	☐	☐
Compensation/rewards include employee stock ownership packages	☐	☐	☐	☐	☐
Compensation/rewards provide incentives for new ideas	☐	☐	☐	☐	☐
Compensation/rewards value seniority	☐	☐	☐	☐	☐

Thank you for your time and support in completing this questionnaire.

APPENDIX F (1/2)

Employee questionnaire – HR Research Survey

....Bank:

You are being asked to complete this short questionnaire as part of a doctoral research exercise being carried out at Aston Business school, Birmingham, England. The research analysis will focus on the overall range of responses across your organisation and feedback will be given in an aggregated manner thereby protecting your anonymity. Any information that you provide will be treated as strictly confidential and individual responses to this survey are not being reported.

The questionnaire will take about 5-10 minutes to complete. There are no right or wrong answers . You are merely being asked for your honest opinion. Thank you for your help and participation in this survey.

1. First of all, please give us a little information about yourself *(Tick as applicable)*

Are you:

Senior Management ☐   Management ☐ or non- management staff ☐

Male ☐ or   Female ☐

No. of years you have worked at the bank?

Less than 1yr. ☐   1-5yrs ☐   5-10yrs ☐   10-15yrs ☐   15-20yrs ☐   more than 20yrs ☐

2. Which one of the following statements about strategy is most applicable to your organisation? *(Tick only one)*

☐   We deliver high quality innovative products to gain a competitive edge

☐   Our technology and processes give us a competitive edge

☐   Our overriding strategy is cost control and cost reduction

☐   We adopt a focus strategy aimed at a specialised segment of the industry in terms of

markets, customers or regional scope.

☐   The quality of our service gives us a competitive edge

⊘
ASTON
BUSINESS SCHOOL

3. How do you personally learn about your company's strategy? *(tick all applicable)*

Newsletter ☐ e-mail ☐ team briefing ☐ memos ☐ intranet ☐ Website ☐
Other (please describe) .... I don't learn ☐

4. Which of these are used to communicate other company matters? *(tick all applicable)*

Newsletter ☐ e-mail ☐ team briefing ☐ attitude surveys ☐ suggestion schemes ☐
memos ☐ Other (please describe) _____

5. Finally, please indicate to what extent you agree or disagree with the following by ticking the appropriate box for each statement.

		Strongly Disagree	Disagree	Neither Agree nor disagree	Agree	Agree Strongly
1	People have a good understanding of what the organization is trying to do	☐	☐	☐	☐	☐
2	People usually receive feedback on the quality of work they have done	☐	☐	☐	☐	☐
3	Everyone who works here is well aware of the long term plans and direction of the company	☐	☐	☐	☐	☐
4	Changes are made without talking to the people involved in them	☐	☐	☐	☐	☐
5	People can quickly get hold of information when they need it	☐	☐	☐	☐	☐
6	There are often breakdowns in communication here	☐	☐	☐	☐	☐
7	People in different departments are prepared to share information	☐	☐	☐	☐	☐
8	There are regular discussions as to whether people in the organisation are working effectively together.	☐	☐	☐	☐	☐
9	Strategy is formally communicated to all employees	☐	☐	☐	☐	☐
10	Performance measures are regularly fed back to employees	☐	☐	☐	☐	☐
11	Management negotiates and consults with employee representatives over work related matters	☐	☐	☐	☐	☐

Thank you.

Aston
Business School

Research Outline

Strategic Human Resource Management

A Study of the Nigerian Banking Industry

Researcher: A. Yetunde Ekpe
715 South Wing
Aston University, Aston Triangle
Birmingham B4 7ET
e.mail :ekpeay@aston.ac.uk or tekpe@aol.com

(Appendix G 2/2)

Research Aims

- To explore the relationships between strategy, human resource management practices and corporate performance.

- To ascertain the role of communication in effective human resource management

Benefits to participant organisations

At the end of the research process, the researcher will offer:

- An executive summary of research findings detailing key results

- A summary of benchmarks highlighted by the research

These may be of further use for internal training and quality improvement leading to better industry practices.

Extent of required participation

- Participant company Chief Executives will be asked to take part in a short interview of about 40 minutes.

- Human Resource Management Heads will be asked to take part in an interview of about 40 minutes and to complete a survey which takes about 20 minutes.

- HR head and Management will be asked to help with distributing and administering about 100 questionnaires to employees. These questionnaires will take about 10minutes to complete.

- These requests are indicative only and may be reduced or extended to meet the particular needs, interests and restraints of the participating organisations.

The outlined research will contribute to the researcher's PhD. The research pursues no financial interests of any kind and no financial support is being requested. Findings may result in publications in academic journals with complete anonymity of participants and organisations guaranteed. The entire project will be supervised by Professor Michael West.

APPENDIX H
Guide to external researcher ratings of interview data from CEOs and HR managers.

Extent to which strategy is used to devise Selection & Recruitment procedures
1) None
2) Very limited/ unplanned
3) Moderate with some planning
4) Good with adequate planning
5) Excellent

Extent to which strategy is used to devise Induction procedure
1) None
2) Very limited/ unplanned
3) Moderate with some planning
4) Good with adequate planning
5) Excellent

Extent to which strategy is used to devise Training plans and procedures
1) None
2) Very limited/ unplanned
3) Moderate with some planning
4) Good with adequate planning
5) Excellent

Extent to which strategy is used to devise Appraisal plan and procedures
1) None
2) Very limited/ unplanned
3) Moderate with some planning
4) Good with adequate planning
5) Excellent

Extent to which strategy is used to devise Pay and reward system
1) None
2) Very limited/ unplanned
3) Moderate with some planning
4) Good with adequate planning
5) Excellent

Extent to which strategy is used to devise overall HR plan & procedures
1) None
2) Very limited/ unplanned
3) Moderate with some planning
4) Good with adequate planning
5) Excellent