



## Relationship between Human Resource Management Practices and Employees Performance in Selected Banks within Kano Metropolis, Nigeria

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### ABSTRACT

This study was conducted to determine the association between Human Resource Management Practices and employees' performance in selected banks within Kano metropolitan city. A survey research design was adopted and Random sampling technique was used to collect data for the research. A questionnaire with the total of 28 items was distributed among employees of banks for data collection. To investigate the relationship between the independent variables and dependent variables, Pearson correlation coefficients were used. The result indicated that HRM practices (compensation, Performance Appraisal and training) have positive impact on employees' performance.

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### Introduction

Among the assets business organisations possess, human resources (HR) is the most important being used for achieving competitive advantage; HR management, if compared with other assets, is very challenging to manage. Therefore, every organisation needs strong and effective Human Resource Management (HRM) practice (Hafsat, Namrah, & Shazad, 2015). According to Robbins (2012) HRM Practice are broadly divided into three with sub-division in each activity. The first deals with identification and selection of competent employee. It contains HRM planning, recruitment and selection. The second is providing current skill and knowledge to the employee. It contains sub-division of training and development. Lastly, act of retaining competent employees and its sub-division of performance management, compensation and benefits as well as career development. These and matters related to people in an organisation is usually handled by human resource manager. Therefore, in today's modern business, Human Resource Management (HRM) practices are becoming more essential in attainment of competitive advantage. No matter the size of organisation, Human Resources (HR) constitutes a vital area of study (Teresia, 2015). Through careful HRM, good opportunities and efficiency can be created in the production process. Organisation gains competitive advantage through effective management of HR vis-a-vis employees' performance (Terasia, 2015). To this end, therefore, recruitment and selection, training, performance appraisal and employees reward are considered as the essential aspects of HRM practices.

Previous studies indicated the relationship between HRM and employees' performance in different countries and areas; so, there is a need to study the relationship between the HRM practices and employee performance in banking sector within

Kano metropolis. The related research was conducted by Osinbanjo, Kehinde and Abiodon (2012) to examine the effect of HRM practice (training and development, working condition) on employee satisfaction in intercontinental bank and Ecobank. The result indicated that HRM practice has a significant effect on employees' satisfaction. Similarly, Annanthlakshmi and Fadumo (2014) conducted a study on the impact of HRM practice on employee performance, the result showed significant relationship between training, performance appraisal and employee's performance; while the relationship between employee participation and performance was insignificant. Abdulhameed, Zubair, Ali and Arslan, (2014) used only one variable which is compensation to investigate its impact on employee performance in Pakistani banking sector.

In the light of the above background, the aim of the study is to examine the relationship between human resource practices and employee performance in the banking industry within Kano, Nigeria.

### Literature Review

Human Resource Practice is one of the major activities of management that involves taking decision and all actions that affects the relationship between employees and organization. Furthermore, HRM is defined as management of all activities that are related to work place and employees in an organization (Mariyam, & Zubair, 2015). According to Armstrong (2012), the term HRM fundamentally replaced Personnel management and is defined as management of employees and their needs in organisation. In recent definitions, Human Resource is defined to involve certain functions such as: planning, recruiting, selecting, managing performance and reward, managing employee wellbeing, training and developing and managing employee relation in

order to attain organisational objectives through contribution of individual (Armstrong & Taylor, 2014).

### **HRM Planning**

In order to secure right employees into an organisation, Human Resource manager have to decide on the number of employees needed at present or in the future and the vacancies/positions that the incoming personnel will fill. This process is known as HR planning, Manpower planning or employee planning (Anyadike & Nkechi, 2013). The process involves systematic analysis of organisation manpower in order to determine future demand of the organization; thus, shortage or excessive use of manpower will be avoided (Kurfi, 2013). HR planning is concerned with predicting the business demands for manpower and using required strategy to meet these needs. It also constitutes anticipating manpower demands and strategic action. The former involves estimating how many? And the types of HR required at every place in the organisation. While the latter deals with staffing activities (Anya, Gift & Umoh 2017). HR is a continuous and dynamic process with interrelated activities that need modification and updating in accordance with the situation. It plans and develops programs like recruitment, performance appraisal and training to ensure achievement of organisational as well as people needs (Anyadike & Nkechi, 2013). A sound Human Resource planning will guide the Human Resource manager to recruit and select appropriate employees to the organisation. This is because through Human Resource planning, Human Resource manager has information on the right number, qualifications of employees and the position /vacancy to be employed and fill accordingly.

### **Recruitment Function**

Once HR manager performed his planning activities, he will come up with either shortage or excess of personnel in the organisation. If a vacancy exists, manager will be guided by the information obtained from Human Resource planning activity to do recruitment (Robbin, 2012). Cole (2002) perceived the principal reason of recruitment as an act of stimulating enough and suitable potential employees to seek for a vacancy in organisation. He added that the main aim of selection is to identify those who are most suitable among the applicants and persuade them to accept the job.

Therefore, the two activities are interlinked. Selection is the continuation of recruitment. To conduct these activities effectively, organization is to established adequate policies and procedures i.e. code of conduct of the organisation in its areas of activity. The policy contains detailed plan and procedure for recruitment (Cole, 2002). Similarly, according to Armstrong (2012), recruitment is the process of finding and engaging the organisation manpower needs; while selection is deciding on the candidates to be appointed for the job.

### **Performance Appraisal**

Performance management systems give a manager room to know whether his employees are performing their job efficiently and effectively or they need improvement. The practice sets performance standard that are used to measure employee's performance. The way a manager evaluates employee performance in called performance appraisal. The performance appraisal allows for the following:

- Manager to decide employees pay increment and other rewards
- Manager to decide whether an employee needs training or development
- Employees to know acceptability or otherwise of his performance by management of the organization through feedback from the appraisal exercise (Armstrong, 2012)

Performance appraisal is a systematic method by which a superior evaluate his subordinate's performance (Joshi, 2013). The activity of performance appraisal is categorized into two informal and formal appraisals. Informal is continuing evaluation of subordinate's performance in his day-to-day interaction by his superior. While formal appraisal is done in more rational and orderly manner when compared to informal (Cole, 2013)

### **Methods of Performance Evaluation**

Performance appraisal method is divided into traditional and modern methods. According to Joshi (2013), traditional method lays emphasis on personality traits of an individual such as initiative, dependability, responsibility, drive, creativity among others. While modern method put more emphasis on job achievement, i.e. evaluations of work results. According to Kurfi (2013), traditional and modern appraisals are based on downward and upward appraisal, both are carried out on an employee by filling out form, but point of division is about the person who will evaluate the employees. In traditional method, the form is filled by immediate supervisor and checked by supervisor's boss in some cases it is done by committee this is called downward appraisal. On the other hand, modern method, in addition to downward appraisal, has the following features: subordinate evaluating the supervisory officer, colleague and peers appraisal, self-appraisal, identifying area requiring future training and development in some organization individual customer/supplier contribute in the evaluation. Cole (2013) argued that one of the key elements that appraisal form can be devised is the focus of the appraisal which can be Job or person. If the focus is on the job, the appraisal looks for success in achieving job targets. An appraiser evaluate job holder's person qualities if the focus in on the person.

### **Manpower Training**

According to Senyucel (2009), training is a planned process of changing- through learning experience- attitudes, knowledge or skill behavior in order to attain effective performance in an activity or range of activities. According to Cole (2013), training is any learning activity which is aimed at acquiring specific knowledge and skill for the purpose of task accomplishment. Therefore, the learning method to organisational employees is considered as training and development. As business live in changing environment, job demands change so also employee has to change. Senyucel (2009) emphasized that training and development of an organisational employee need to be reviewed regularly. This has to start from recruitment to retirement. He added that to be able to measure achievement and improve future efficiency, an organisation has to assess its investment in training and development.

### **Benefits of Training**

Training is a very important tool of HR manager. Firm that has superior training programmes has advantage over firm that does not have. Malik, (2018) and Cole, (2013) highlighted that the benefits of training is viewed in two ways: to organization and employee. Organisation could enjoy benefits of training in the following ways: Improvement of productivity and services to customer; enhance employees' motivation; achieving improved job performance and productivity; maintaining suitable and sufficient range of skills among employees; supporting work experience and other forms of on the job development in a planned way; knowledge and skill development in the workforce.

### Methods of Training and Development

Methods of training and development are broadly divided into two these are: On the job and Off the job trainings. On the job is the type of training that is given to employees while they performing their job in their work place. Off the job training entails sending employees out of the work environment to get the knowledge (Nassazi, 2013). According to Cole (2013), each category has certain areas that it gives more emphasis in the learning process. For example, off-the-Job training locations like educational institution emphasis on: acquiring knowledge, gives background knowledge, developing knowledge of general principles. In an on-the-job location, training is more specific of local and in a real situation.

### Employee Compensation

All sets of rewards that employee receive from employer for the worth of job done to the organisation is called compensation (Kurfi, 2013). According to Saira, (2012) compensation is the way of providing monetary value to personnel in exchange of the work they performed. She also added that compensation can be as a tool for hiring skilled employee, rewarding performance, reduce employee turnover and encourage company loyalty. Compensation plays vital roles in determining relationship between employer and employee and it reveals an indication of appreciation from employee (Khalid & Ilyass, 2016)

### Types of Compensation

Compensations for performance are generally divided into two: financial and non-financial compensation (Kurfi, 2013). Financial compensation are monetary rewards that employee receive directly or indirectly from an employer. It can be in form of: wages, bonuses, cash based fringe benefits. On the other hand, non-financial compensation are non-monetary rewards given to all categories of personnel due to specific accomplishment. These include: insurance, job security, recognition, medical facility for the staff and their family among others

### Theoretical Framework

There are number, of perspectives and theories that explain possible link between HRM and performance. Some of them are hereby reviewed:

### AMO Theory and KSA Theory

The formula AMO was first time coined by Boxall and Purcell in 2003 (Armstrong, 2014). It stated that the

performance is a function of Ability + Motivation + Opportunity to participate.

The theory showed employee activities are influenced by Human Resource practice and it also indicated that motivation and opportunity to participate will have an impact on organizational performance (Byremo, 2015). This theory is similar to another one called KSA (knowledge Skills and Abilities) theory Huselid (1995). Knowledge, Skill and Abilities (KSA) theory suggests that Human Resource practice will: Increase knowledge, skills and abilities of an employee, motivate employees to leverage their KSAs, encourage the employee to do so will continuously generate growth and success for the organization. Hence, the two similar theories could be used to expalain the research variables in this studies namely: Human Resource Practices and organizational performance.

### Hard and Soft HRM

Hard HRM model put more emphasis on resource aspect of HRM; Legge called this "Utilitarian instrumentalism". The model stresses that HR policies, system and activities will be merged with business strategy. Thus, HR, in this view, is a factor of production. The model does not view HR as a source of energy creation, but passively to be supplied and positioned as number and skills at the appropriate price (legge, 1995). According to Armstrong (2014), Hard HRM stresses on quantitative, calculative and business strategy side of managing HR in a rational way as that of any other economic factor.

In contrary, Soft HRM stresses on human as referred to by Legge as "Developmental Humanism". Soft model considers employees as proactively rather than passively as inputs into process of production. It assumes employees as capable of development, trustworthy, and cooperative which obtained through participation (Legge, 1995). Mariyam and Zubair, (2015) explained that in the soft version, employees are important resources and add value to the organization; employees are treated as individual not like other resources. Employees require training and development with careful management to develop quality, commitment and flexibility. On the other hand, hard version showed that employees will be treated like other organizational resources for the benefit of the organization. Armstrong (2014) and Gill (1999) pointed out that many organisations, at the rhetorical level, adopted HRM Soft model but in reality it appears Hard approach.

## CORRELATION ANALYSIS

**Table 1. Correlation Matrix.**

Correlations		Employees' Performance	Training	Performance Appraisal	Compensation
Employees' Performance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	82			
Training	Pearson Correlation	.439**	1		
	Sig. (2-tailed)	.000			
	N	82	82		
Performance Appraisal	Pearson Correlation	.521**	.684**	1	
	Sig. (2-tailed)	.000	.000		
	N	82	82	82	
Compensation	Pearson Correlation	.226*	.436**	.522**	1
	Sig. (2-tailed)	.041	.000	.000	
	N	82	82	82	82

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

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

### Research Design

In this research quantitative research approach was used this is because quantitative research includes surveys and the use of questionnaires for data collection. Quantitative research is about asking people for their opinions in a structured way so that research can produce hard facts and statistics to guide decision making. The staff of the banks are divided into three of which one category constitutes the research focus. Therefore, the population of this study is 100 members of staff in retail banks within Kano metropolis. Using Krejcie & Morgan's sample size determination table, the sample size for the study stands at 82 bank employees.

### Instrument for Data Collection

The survey instrument was used in this study and it was adapted from various studies. The questionnaire used in this study contains 28 questions and are broadly divided into three sections. The first section of the questionnaire measures the employee's performance; the second section of the questionnaire measures the extent to which human resource practices (Training, performance appraisal and compensation) are being practiced in the organization. Respondents are requested to rate these aspects based on a five-point Likert scale ranging from 1=strongly disagree, 2=disagree, 3=indifferent, 4=agree and 5=strongly agree. Finally, the third section of the questionnaire gathers information on the profile of respondents.

### Results Presentation and Analysis

#### Summary of Findings

From the result in table 1 above, using Pearson correlation analysis, all the variables have positive and significant correlations with each other. The magnitude of correlation among the variables is not so high therefore fear of multicollinearity is avoided in this data. Among the three HRM practices in the selected banks, compensation shows lowest relationship with employees' performance (with  $r = 0.226$  and  $0.041$  level of significance). Performance appraisal has high level of correlation with employees' performance with  $r = 0.52$  and  $0.000$  level of significance. This was followed closely by training ( $r = 0.439$  and  $0.000$  level of significance). Although, all the independent variables i.e. HRM practices are found to be significantly with each other, training and performance appraisal recorded the highest correlation coefficient value of  $r = 0.684$  and  $0.000$  probability value.

#### Discussions

The results found here is in line with: Nongmaiten and Kassa, (2016) conducted a research on the impact of Human Resource Management practice on organisational performance. The correlation analysis showed that Human Resource Management practice has positive relation with organisational performance. Saira, (2016) in her work impact of Human Resource Management on employee performance applied Pearson correlation on the data to check the relationship between Human Resource Management practices. The Pearson correlation for the employee performance with compensation ( $r=.775$ ), career planning ( $r=.796$ ), performance appraisal ( $r=.790$ ), training ( $r=.781$ ) and employee involvement ( $r=.876$ ) show a positive relationship. The results indicates that all the variables are statistically significant at ( $p<.05$ ). A research conducted by Akram, Khalid and Ungkus (2016) on the impact of Human Resource Management on employees' performance in Islamic University of Gaza (IUG) in Palestine the correlation analysis showed that the relationship of the entire Human Resource Management practice (recruitment and selection, training and

development, compensation and incentives, performance appraisal) are positively related to employees performance. Maqsood and Ilyas (2014) correlated between Human Resource Management practices and employees performance the result showed positive relationship between the employees' performance and career planning, training, compensation, employee participation and performance appraisal. Correlation coefficient value corroborates moderate and strong relationship between variables. In Ahmad and Jameel, (2016) research, Pearson correlation's result shows all variables (staff selection, promotion opportunity job security employees' performance and job satisfaction) are positively and significantly correlated. It showed that the highest level of correlation exists between performance and promotion opportunity and the lowest exist between promotion opportunity and staff selection. According to Malik, (2013) research there is strong positive correlation between compensation and employee performance ( $0.34$ ). All the variables are having positive correlation with employees' performance. Training has ( $0.66$ ), performance appraisal ( $0.47$ ), career planning ( $0.29$ ), employee participation ( $0.56$ ) job definition ( $0.34$ ) and selection ( $0.29$ ).

#### Conclusion

The purpose of this research work was to examine the relationship between HRM practices and employees' performance in some selected banks within Kano Metropolis. In addition to this main goal, sub goals were developed to assist the achievement of the purpose of the study. Based on the findings of this study, it is hereby concluded that relationship exists between HRM practice and performance of employees in their jobs. All the three variables have positive relationship with employee performance. Performance appraisal and training are the variables that have more impact on employees' performance than compensation.

#### Recommendations

As the conclusion of this study showed, the relationship between HRM practice and employees performance, it is recommended that the banks should continue to emphasis and promote these practices. The banking industry should use different reward and recognition programs to promote high performance. The banks should conduct extensive and regular training programs to increase job performance of their employees. As performance appraisal contributes high to employees' performance, the banks should reduce evaluation period so that the employees will be evaluated more frequently annually. Lastly other aspects of HR practice should be investigated.

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