Strategic Human Resource Management and Organizational Climate in the Nigerian Banking Industry

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Abstract
This paper investigates the effectiveness of strategic human resources management (SHRM) practices on organizational climate in the Nigerian banking industry. The empirical study was conducted via a multi-respondent survey of 6, out of the 22 banks that have implemented strategic human resources management (SHRM) programme since the 2004 consolidation exercise of the Central Bank of Nigeria (CBN). Using the framework from Koys and De Cotiis (1991), factors manifesting organizational climate were canonically correlated and regressed on the key factors manifesting strategic human resources management (SHRM) practices. While strategic human resources management (SHRM) practices was measured using seven dimensions (integration of HRM with corporate strategies, delegation of HR practices to line managers, innovative recruitment and selection system, training and development system, performance appraisal system, compensation system, and career planning system) proposed by Abdulkadir (2012), organizational climate was measured through a set of questionnaire that we developed based on the eight organizational climate dimension proposed by Koys and De Cotiis (1991). Findings based on the survey revealed that strategic human resources management (SHRM) practices positively affected organizational climate in the Nigerian banking industry. Specifically, results suggest that apart from training and development and Career Planning System, Integration of HRM with Corporate Strategies, Delegation of HR practices to Line Managers, Innovative Recruitment and Selection System, Performance Appraisal System, and Compensation System are the key SHRM practices that influenced organizational climate in the Nigerian banking industry. Hence, to improve organizational climate, banks could control their SHRM practices.

1. Introduction

Strategic Human Resource Management (SHRM) implies a managerial orientation that ensures that human resources are employed in a manner conducive to the attainment of organizational goals and mission (Koys and De Cotiis, 1991; Budhwar, 2000; Teo, 2002; Cunningham and Deborah, 1995; Khatri, 1999; Abdulkadir, 2012). The increasing number of studies focusing on the relationship between strategic human resource management (SHRM) practices and organizational climate in the past few years were fuelled by the argument that access to capital and technology, are becoming less effective as they can be easily imitated by competing organizations (Koys and De Cotiis, 1991; Abdulkadir, 2012).
Consequently, human resource is argued to represent an asset that can provide a source of competitive advantage because it’s often difficult to duplicate by competitors and hard to substitute even within the same organization (Abulkadir, 2012). In other words, SHRM is hailed as one of the current drivers of competitive advantage within organizations, helping them to survive in the more competitive, customer-oriented commercial environment of today. Companies use SHRM to improve performance substantially on key processes that impact customers and organizational performance.

In addition, SHRM is a strategic process of creating sustainable competitive advantage, if well implemented (Sanda and Awolusi, 2014; Mustapha, Fakokunde, and Awolusi, 2014). In addition, the after match of the 2004 consolidation exercise in the Nigerian banking industry has seen the implementation of SHRM initiatives as a strategic imperative by many banks. Nevertheless the effectiveness of this intervention in this context has hitherto not been investigated. In other word, the importance of SHRM management has now become very important in the Nigerian banking industry. As noted by Ezeoha (2007), the banking industry is now confronted with a fundamental business challenges-survival and success in a turbulent environment. As Nigerian Banks face further deregulation, increasing competition, and continuously evolving customer demand and expectations, they have to adopt proactive approaches in other to guarantee improved performance (Adeyemi and Aremu, 2008). Many Nigerian banks have adopted SHRM as enablers to facilitate related shifts and become more adaptable so as to operate better in such dynamic business environments. Past empirical research has mostly investigated the effects of SHRM practices on financial performance (Delery and Doty, 1996) and some on efficiency and employee turnover (Huselid, 1995).

However, very few studies have examined the impact of SHRM practices on operational performance measures, such as quality, cost or delivery (Mac Duffie, 1995; Awolusi, 2014; Akinruwa, Ibojo, and Awolusi, 2013) or intangible performance measures, such as organizational climate (Kalleberg and Moody, 1994). This is on the premise that, the strategic implications of SHRM practices make tracking intangible performance measures important. In addition, since an extensive longitudinal study of the rise and fall of SHRM practices with respect to the relationship-factor of the important variables has hardly been done, in the Nigerian context, this study intends to bridge the gap. In other word, the main objective of this study is to determine the effectiveness of strategic human resources management (SHRM) practices on organizational climate in the Nigerian banking industry.

The above research objectives were investigated from theoretical and empirical perspectives by means of analyzing and discussing the existing literature as well as engaging in some in-depth survey of some selected Nigerian banks that have implemented SHRM effort in the past one decade.

2. Review of Relevant Literature

The definition of SHRM have been debated for many years, there is still no universal agreement on these definition. However, Wright and McMahen (1999) defined SHRM as the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals (Sanda and Awolusi, 2014). The definition highlights the two important dimensions that distinguish SHRM from traditional HRM, by linking HR practices with the strategic management process of the firm vertically and horizontally (Budhwar, 2000; Teo, 2002; Cunningham and Deborah, 1995; Khatri, 1999). It emphasizes that HR practices are integrated and support each other.

2.1. Theoretical and Empirical Frameworks

Much of SHRM can be deduced from existing theories within organization, marketing, and economic theories. Change management is a structured approach to shifting/transitioning individuals, teams, and organizations from a current state to a desired future state; it is an organizational process aimed at helping employees to accept and embrace changes in their current business environment (Jarrar and Aspinwal, 1999; Awolusi, 2014). Hence, an effective change agent must be able to plot where people are on the transition curve, and respond appropriately. SHRM focuses on the need of considering customer needs and requirements, as well as on value-adding as the major factors for determining competitive advantage. Adding value for customers is, by all SHRM methodologies, considered as being most of the most important contingencies.

Under economic perspective, are market power theory, transaction cost economics, increasing returns theory and resource-based theory. The market power theory is concerned with the ways in which firms can improve their competitive success, which is the ultimate goal of SHRM, by securing a stronger position in their market (Talwar, 1993). Transaction cost economics holds an assumption that SHRM are implemented in order to lower the transaction costs. The resource-based view suggests that valuable firm resources (like efficient human resource) are usually scarce, imperfectly imitable, and lacking in direct substitutes; It is about producing the most value from one's existing capabilities and resources by combining these with others' sources of advantage and, in this, ensuring complementarity is paramount (Johanson, 1990).

2.2. Strategic Human Resource Management Practices

When SHRM is properly implemented and assimilated, the incremental benefits accrued can be extremely relevant, leveraging most of the key strategic drivers in organizations (Crosby, 1979; Feigenbaum, 1951; Juran et al., 1974). Case studies have revealed that successful SHRM practices enables
different ways to manage business products and services, inducing a positive impact on business performance. Other studies have also analyzed SHRM impact on revenue-creating core processes, such as customer services, sales and distribution, resulting in a strong bottom line (Silas and Ebrahimipour, 2003). In this study, strategic human resources management (SHRM) practices was measured using seven dimensions (integration of HRM with corporate strategies, delegation of HR practices to line managers, innovative recruitment and selection system, training and development system, performance appraisal system, compensation system, and career planning system) proposed by Abdulkadir (2012). Consequently, in focusing this study, the factors listed above (Abdulkadir, 2012), were distilled and matched with various articles and empirical research on SHRM practices. They were then categorised into a number of subgroups, similar to Abdulkadir (2012) framework, representing various dimensions of SHRM practices.

Integration of HRM simply refers to the strategic alignment of HRM with business objectives and corporate strategies (Schuler and Jackson, 1999). According to Buyens and De Vos (1999), for human resource (HR) to be a strategic partner, HR managers should be involved in strategic decision making alongside other senior managers, as this will provide greater opportunity to align HR goals, strategies, philosophies and practices with corporate objectives and the implementation of business strategy (Abdulkadir, 2012). For SHRM to be effective, HR managers need to have knowledge of core markets, competitors, costs, profit indicators and stakeholders to be considered equal business partners (Chaddie, 2001). Apart from formulation of HRM strategy based on company’s vision and mission, HR managers must be involved in strategic decision making alongside other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices (Budhwar, 2000; Teo, 2002; Cunningham and Deborah, 1995, Khatri, 1999).

In addition, for SHRM practices to be successful, HR managers must participate in strategic decision-making process (Budhwar and Khatri, 2001), while the responsibility of routine execution and administration of HR practices are delegated to line managers. In addition to the provision of adequate training, resources, incentive and a communication channel to line managers, Line managers must also possess appropriate skills to execute HR practices competently and effectively to a benchmarked standard advocated by HR managers (Hall and Torrington, 1998; Teo, 2002).

A rigorous, valid and sophisticated recruitment and selection system that helps to identify the right candidate and generates a sense of elitism, creates high expectations of performance, and signals a message of importance of the people to the organization (Abdulkadir, 2012; Pfeiffer, 1994). This is to achieve a better fit between the person’s abilities and the organization’s requirement (Terpsra and Rozell, 1993).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description of factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>A1</td>
<td>HR managers are involved in strategic decision making alongside other senior managers, providing greater opportunity to align HR goals, strategies, philosophies and practices</td>
</tr>
<tr>
<td>A2</td>
<td>HRM strategy is formulated based on our company’s vision and mission</td>
</tr>
<tr>
<td>A3</td>
<td>Our HR managers are equipped with the knowledge of core markets, competitors, costs, profit indicators and stakeholders</td>
</tr>
<tr>
<td>A4</td>
<td>There is a documented HRM strategy in our company</td>
</tr>
<tr>
<td>A5</td>
<td>The role and authority of HR managers in corporate decision making are documented in our organization</td>
</tr>
<tr>
<td>B1</td>
<td>The responsibility of routine execution and administration of HR practices are delegated to line managers in our organization</td>
</tr>
<tr>
<td>B2</td>
<td>Line managers possess appropriate skills to execute HR practices competently and effectively to a benchmarked standard advocated by HR managers in our organization</td>
</tr>
<tr>
<td>B3</td>
<td>Senior HR manager providing training, resources, incentive and a communication channel to line managers, to ensure HR practices are carried out in accordance with HRM policy</td>
</tr>
<tr>
<td>C1</td>
<td>The selection system followed in our company are highly scientific and rigorous</td>
</tr>
<tr>
<td>C2</td>
<td>A rigorous, valid and sophisticated recruitment and selection system helps in identifying a right candidate with potential to perform in our organization</td>
</tr>
<tr>
<td>C3</td>
<td>A rigorous selection system generates a sense of elitism, creates high expectations of performance in our organization</td>
</tr>
<tr>
<td>C4</td>
<td>A rigorous selection system in our company signals a message of importance of the people to the organization</td>
</tr>
<tr>
<td>D1</td>
<td>The quality of current employees are enhances by providing comprehensive training and development in our organization</td>
</tr>
<tr>
<td>D2</td>
<td>There is high investments in training employees in problem-solving, teamwork and interpersonal relations in our organization</td>
</tr>
<tr>
<td>D3</td>
<td>Employees in each job will normally go through training programs every year in our company</td>
</tr>
<tr>
<td>E1</td>
<td>In our organization, performance of the employees is measured on the basis of objective quantifiable results</td>
</tr>
<tr>
<td>E2</td>
<td>Performance is evaluated on the basis of performance appraisal data</td>
</tr>
<tr>
<td>E3</td>
<td>Appraisal-based information are used for changing the selection and training of employees in our organization</td>
</tr>
<tr>
<td>F1</td>
<td>Compensation are based on employees’ performance for achieving specific goals and objectives</td>
</tr>
<tr>
<td>F2</td>
<td>Compensation is linked to the qualification of employees in their organizations</td>
</tr>
<tr>
<td>F3</td>
<td>In our organization salary and other benefits are comparable to what is generally obtainable in the industry</td>
</tr>
<tr>
<td>G1</td>
<td>Employees in my organization are encouraged to take more responsibility for their own development, including the development of the skills viewed as critical in the company</td>
</tr>
<tr>
<td>G2</td>
<td>Internal advancement opportunities in my organization are based on merit</td>
</tr>
<tr>
<td>G3</td>
<td>Our company provides clear career path information to employees</td>
</tr>
</tbody>
</table>

Source: Adapted from Koys and De Cotiis (1991); Abdulkadir (2012), Budhwar (2000); Pfeiffer (1994)
Another requirement for a successful SHRM effort is the level of investment in a comprehensive training and development that emphasizes problem-solving, teamwork and interpersonal relations (Barak et al., 1999). In addition, the Performance Appraisal System must not only be based on monitoring the development of desired employee attitudes and behaviors, this appraisal-based information must be used for changing the selection and training practices (Abdu lkadir, 2012).

As regards the compensation System, performance-based compensation could be used to provide rewards to employees for achieving the specific goals and objectives of the firm (Milkovich and Boudreau, 1998). Lastly, a well-functioning career planning system may also encourage employees to take more responsibility for their own development, this must be based on merit, in order to motivate employees toward improved organizational performance (Milkovich and Boudreau, 1998; Abdulkadir, 2012). In summary, the above literature reviews is tabulated in table 2, depicting the various dimension of SHRM in a service oriented organization. The relationship between the various construct and organizational climate are depicted in figure 1.

![Figure 1. Relationship between SHRM practices and Organizational Climate.](image)

### Table 2. The measure of Organizational Climate.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Key factors manifesting organizational climate</th>
<th>Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Self-determination with respect to work procedures, goals and priorities are encouraged in our organization</td>
<td>Autonomy</td>
</tr>
<tr>
<td>H2</td>
<td>There is togetherness or sharing within our organization setting, including the willingness of members to provide material risk in our organization</td>
<td>Cohesion</td>
</tr>
<tr>
<td>H3</td>
<td>There is freedom to communicate openly with members at higher organizational levels about sensitive or personal issues, with the expectation that the integrity of such communications will not be violated</td>
<td>Trust</td>
</tr>
<tr>
<td>H4</td>
<td>There is strict compliance with time demands, with respect to task competition and performance standards in our organization</td>
<td>Resource</td>
</tr>
<tr>
<td>H5</td>
<td>Superiors tolerate members’ behaviour, including willingness to let members learn from their mistakes without fear of reprisal</td>
<td>Support</td>
</tr>
<tr>
<td>H6</td>
<td>Members’ contributions to the organization are acknowledged and rewarded</td>
<td>Recognition</td>
</tr>
<tr>
<td>H7</td>
<td>Our organizational policies are non-arbitrary or capricious</td>
<td>Fairness</td>
</tr>
<tr>
<td>H8</td>
<td>Change and creativity are encouraged in our organization, including risk-taking into new areas where the member has little or no prior experience</td>
<td>Innovation</td>
</tr>
</tbody>
</table>

Source: Koys and De Cotiis (1991); Abdulkadir (2012), Budhwar (2000)

### 2.3. Organizational Climate

In literature, there are two different types of climate within organization, namely: organizational climate and psychological climate (Jensen, 2003; James and Jones, 1974). According to Abdulkadir (2012), when climate is measured in relation to organizational attributes, it is called organizational climate and treated as organizational property. He also defined organizational climate as the average meanings that employees attach to a particular work setting (Abdulkadir, 2012). However, in this study, organizational climate was defined and measured through a set of questionnaire that we developed based on the eight organizational climate dimension proposed by Koys and De Cotiis (1991). As depicted in table 2, the eight typical dimensions of organizational climate, according to Koys and De Cotiis (1991), are as follows: autonomy (the perception of self-determination with respect to work procedures, goals and
priorities), cohesion (the perception of togetherness or sharing within the organization setting, including the willingness of members to provide material risk), trust (the perception of freedom to communicate openly with members at higher organizational levels about sensitive or personal issues, with the expectation that the integrity of such communications will not be violated), resource (the perception of time demands with respect to task competition and performance standards), support (the perception of the degree to which superiors tolerate members’ behaviour, including willingness to let members learn from their mistakes without fear of reprisal), recognition (the perception that members’ contributions to the organization are acknowledged), fairness (the perception that organizational policies are non-arbitrary or capricious), and innovation (the perception that change and creativity are encouraged, including risk-taking into new areas where the member has little or no prior experience) (Koys and De Cotis, 1991; Abdulkadir, 2012; Budhwar, 2000; Jensen, 2003; James and Jones, 1974).

2.4. Relationship Between Strategic Human Resource Management Practices and Organizational Climate

SHRM practices became popular and have been attracting numerous studies since the 1990s. According to Abdulkadir (2012), Ferris et al. (1990) made one of the first major attempts to examine how effective management of SHRM might contribute to positive organizational performance. Based on a survey of U.S. construction companies, the study addressed the roles played by three important organizational functions and activities (the status and importance of the HRM function, the role of unions and strategic planning) on firm performance, and they found that firms that had HRM departments were generally high performers (in terms of larger total sales volume); while firms that had a higher percentage of their workforce unionized also performed better than firms with a lower percentage and, finally, firms performed better when they engaged in more formalized strategic planning (Abdulkadir, 2012; Ferris et al., 1990).

In summary, most previous studies (Huang, 1998; Som, 2008; Okpara and Pamela, 2008; Koys and De Cotis, 1991; Abdulkadir, 2012; Budhwar, 2000) often shared these positive relationships between SHRM practices and major performance indices of organizational climate, morale, financial performance, and overall performance. Consequently, based on these previous literatures concerning SHRM practices and firms’ performance, and in order to achieve the objectives designed for this study, the following research hypotheses are stated in their alternate form.

Hypothesis One (H1): Integration of HRM with corporate strategies has significant effect on organizational climate of Nigerian banks.

Hypothesis Two (H2): Delegation of HR practices to line managers has significant effect on organizational climate of Nigerian banks.

Hypothesis Three (H3): Innovative recruitment and selection system has significant effect on organizational climate of Nigerian banks.

Hypothesis Four (H4): Training and development system has significant effect on organizational climate of Nigerian banks.

Hypothesis Five (H5): Performance appraisal system has significant effect on organizational climate of Nigerian banks.

Hypothesis Six (H6): Compensation system has significant effect on organizational climate of Nigerian banks.

Hypothesis Seven (H7): Career planning system has significant effect on organizational climate of Nigerian banks.

(H1), (H2), (H3), (H4), (H5), (H6) and (H7) were set to examine the effects of SHRM practices on organizational climate in the Nigerian Banking Industry. By testing these hypotheses, an overview of successful SHRM practices towards improved organizational climate in Nigerian banks can be determined.

3. Research Methodology

Survey research design was adopted in this study. As Khong (2005) claims, survey research is an appropriate method to generalize from a sample to a population, allowing in this sense, to establish inferences over the entire population. The population of this study was 65,045, comprising all Nigerian banks, listed on the Nigerian Stock Exchange (NSE) as at 31st December, 2013 (Onikoyi and Awolusi, 2014, 2015). Since the unit of analysis in this study is the firm, a multi-rater response approach was adopted. A self-designed questionnaire was administered to both senior and management staff of the participating banks. Due to Gerhart et al. (2000) observation that SHRM effects based on single respondent surveys were significantly undermined by the presence of measurement error in the SHRM measures, for each bank, the composition of the respondents included the head of HR Department, few senior HR staff and other senior and management staff at their corporate head offices. The intended senior and management staff respondents in the participating banks are expected to be knowledgeable of the various constructs in the questionnaire, especially, in relation to SHRM and organizational climate (Khong and Mahendhiran, 2006; Sila and Ebrahimpour, 2003). From a time dimension, this research adopts a one-time cross-sectional perspective.

To get insights into the essential SHRM practices and its effects on organizational climate, in the Nigerian context, all items representing the various constructs were validated and accepted individually by two professors and five experts in human resource management, specifically in the Nigerian context. Recommendations from experts were processed after effecting necessary modifications and then, the final version of the instrument was accepted. A total of 35 respondents from two Nigerian banks (excluded from the main study) were investigated at the pilot stage of the research, using convenience sampling method (Khong, 2005). The results of the pilot test was processed and analysed. From the results of the pilot study, the mean cronbach’s alpha of all the eight constructs measuring both SHRM practices and
organizational climate were above the recommended 0.70 (table 3), hence, the set of variables were consistent in what it is intended to measure (Hair et al., 1998). In addition, all the calculated composite reliability and AVE scores were above the recommended 0.7 and 0.5 respectively; hence, the overall reliability of the whole scale (composite reliability) is assured (Hair et al., 1998). Furthermore, the robustness of Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy (at 0.599) and the Bartlett’s test of sphericity (1212.22) were also used to reject/accept the fact that the population correlation matrix was an identity matrix.

Table 3. Summary of Test Results - Reliability Analysis.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Number of Questionnaire items</th>
<th>Cronbach's Alpha (mean)</th>
<th>Composite Reliability (CR)</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration of HRM with Corporate Strategies</td>
<td>5</td>
<td>0.714</td>
<td>0.786</td>
<td>0.643</td>
</tr>
<tr>
<td>Delegation of HR practices to Line Managers</td>
<td>3</td>
<td>0.715</td>
<td>0.725</td>
<td>0.755</td>
</tr>
<tr>
<td>Innovative Recruitment and Selection System</td>
<td>4</td>
<td>0.866</td>
<td>0.884</td>
<td>0.765</td>
</tr>
<tr>
<td>Training and Development System</td>
<td>3</td>
<td>0.797</td>
<td>0.702</td>
<td>0.733</td>
</tr>
<tr>
<td>Performance Appraisal System</td>
<td>3</td>
<td>0.788</td>
<td>0.741</td>
<td>0.744</td>
</tr>
<tr>
<td>Compensation System</td>
<td>3</td>
<td>0.703</td>
<td>0.833</td>
<td>0.715</td>
</tr>
<tr>
<td>Career Planning System</td>
<td>3</td>
<td>0.789</td>
<td>0.794</td>
<td>0.677</td>
</tr>
<tr>
<td>Organizational Climate</td>
<td>8</td>
<td>0.884</td>
<td>0.782</td>
<td>0.728</td>
</tr>
</tbody>
</table>

Table 4. Participating banks in the survey.

<table>
<thead>
<tr>
<th>Name of bank</th>
<th>Total Questionnaire</th>
<th>Proportion of sampling unit (senior: management staff)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First city Monument bank</td>
<td>61</td>
<td>90:10</td>
</tr>
<tr>
<td>First bank of Nigeria</td>
<td>134</td>
<td>82:18</td>
</tr>
<tr>
<td>IBTC-Chartered Bank</td>
<td>86</td>
<td>84:16</td>
</tr>
<tr>
<td>Sterling bank</td>
<td>33</td>
<td>81:19</td>
</tr>
<tr>
<td>United bank for Africa</td>
<td>121</td>
<td>92:08</td>
</tr>
<tr>
<td>Unity bank plc.</td>
<td>52</td>
<td>87:13</td>
</tr>
</tbody>
</table>

Source: Ezeoha (2007)

Factor Analysis, via “Principal Components extraction”, was the technique used to test Discriminant Validity in this study. Factoring method used was “Principal Components”, applying an Orthogonal Varimax rotation with Kaiser’s normalization (Khong, 2005). Based on these conditions, 8 Factors were obtained (Kaiser’s criterion of retaining factors with eigenvalues greater than 1), which was consistent with the 8 variables used in the model. Since, AVE’s above 0.5 are treated as indications of convergent validity, Dillon & Goldstein (1984) posit that, a variance extracted of greater than 0.50 (table 3) indicates that the validity of both the construct and the individual variables is high; indicating that each construct was a distinct construct. In addition, tolerance and VIF coefficients are also within the acceptable range (Hair et al., 1998) to maintain that there is no evident multi-collinearity problem. Durbin-Watson also tested the assumption of independent errors. A value of 2.167 complies with the assumption of the absence of independent errors (Asteriou and Hall, 2007).

During the main study, a multi-stage sampling technique was adopted. Stratification (first stage) involved the division of Nigerian banks into two- ‘national and international bank’. ‘National banks’ are banks with national licenses, while ‘international banks’ are banks with international licenses. Consequently, three banks from each namely, First bank of Nig., Ltd., United bank for Africa, First city monument bank (international bank strata) and IBTC-Chartered Bank plc., Sterling bank, Unity bank plc. (National bank strata) were randomly selected at the second stage. The third stage involves the use of proportionate sampling method. These banks are depicted in table 4, with the allotted questionnaires, based on the total staff strength and the proportion of senior to management staff in each selected bank. The last stage involves the use of random sampling method, in selecting the final respondents for each bank, based on the total allotted questionnaires.

In all, the total questionnaire was settled at 487 (sampling unit), and same number were delivered to all participating banks, with the assistance of two trained Research Assistants. In the questionnaire, participants were asked to answer two important sections; one with regards to the SHRM practices and the other to organizational climate. In SHRM practices, they were asked to rate the degree of usefulness of 24 variables (table 1) in association with their banks’ SHRM strategies; in organizational climate, they were also asked to rate eight (8) variables (table 2). Each of the variables contained questions with the rating based on an interval scale from 1 to 5, where 1 is “strongly disagree” and 5 is “strongly agree”. The n/a (not applicable or no comment) option was included, so as to not force the respondents, by restricting them to the available options.

4. Results and Discussion of Findings

From the total distributed questionnaires (487), 287 questionnaires were returned (giving a 58.9% response rate). Out of the returned 287 questionnaires, 7 were discarded due to incorrect fillings. Consequently, 280 questionnaires were analyzed to test the hypothesized relationships between SHRM practices and organizational climate in the Nigerian
banking industry. To analyze the data collected via the survey instrument, an appropriate statistical procedure was formulated using the methodologies recommended by Hair et al. (1998). In sequential order, the recommended methodologies are: 1. factor analysis; 2. canonical correlation analysis and regression analysis.

### 4.1. Factor Analysis

This analysis is used to reduce numerous variables to a more manageable set of factors; consequently, the purpose of factor analysis, in this study, was to reduce the 32 variables, of which 24 were manifesting SHRM practices and 8 manifesting organizational climate, to a more manageable set of factors (Aaker and Day, 1986). In order to define which factors determine the Successful SHRM practices and organizational climate, confirmatory factor analysis method was employed. Consequently, the factor matrix for SHRM practices and organizational climate revealed eight significant factors, and the eight factors were extracted because their factor loadings were above the 0.7 threshold (Hair et al., 1998). The retained variables were used in estimating a model via regression analysis.

### 4.2. Correlation and Regression Analysis

In this study, the underlying hypotheses were analyzed using correlation and regression analysis. According to Hair et al. (1998), multiple regression analysis is a convenient statistical technique to be used when the researcher requires analyzing the relationship between a single dependent variable and several independent variables.

#### 4.2.1. Correlation Analysis

As shown in Table 5, training and development and Career Planning System have an insignificant positive relationship with organizational climate with a correlation (r) of 0.06 and -0.11 respectively. The remaining constructs, Integration of HRM with Corporate Strategies, Delegation of HR practices to Line Managers, Innovative Recruitment and Selection System, Performance Appraisal System, and Compensation System have a significant positive relationship with organizational climate with a correlation (r) of 0.33, 0.42, 0.32, 0.66, and 0.73 respectively.

Table 5 also shows the means, standard deviations, and correlations, which allow for some interesting observations. For instance, the high variance of the variable Training and Development System indicates that training and development in the Nigerian banking system vary widely. Career Planning System is negatively related to many of the HRM practices which implies that a bank with a high Career Planning System is less likely to foster growth in other HRM practices. In addition, the variable that measures training and development system also shows similar results.

Although it can be used for predictive purposes, canonical correlation analysis was used to identify the relationship between SHRM practices variables and organizational climate measures (Graybill, 1961; Sohel and Roger, 2003). Based on the criteria suggested by Hair et al. (1998), only the first canonical pair (Integration of HRM with Corporate Strategies) was statistically significant (see Table 6). In addition, the canonical correlation (0.5001) was moderate. The redundancy index was also found to be 0.1001, which is quite low. Although there are no guidelines about the minimum acceptable value for the redundancy index, generally the higher the value of the index the better (Sohel and Roger, 2003).

Table 6. Results of canonical correlation analysis.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Mean</th>
<th>S.D</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration of HRM with Corporate Strategies</td>
<td>3.23</td>
<td>0.48</td>
<td>1.00</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Delegation of HR practices to Line Managers</td>
<td>3.67</td>
<td>0.42</td>
<td>-0.04</td>
<td>0.36 **</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovative Recruitment and Selection System</td>
<td>3.24</td>
<td>0.45</td>
<td>-0.26**</td>
<td>0.39**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Training and Development System</td>
<td>9.62</td>
<td>2.48</td>
<td>-0.03</td>
<td>0.44**</td>
<td>0.55**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance Appraisal System</td>
<td>3.56</td>
<td>0.55</td>
<td>0.03</td>
<td>0.36**</td>
<td>0.59**</td>
<td>0.13</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation System</td>
<td>3.11</td>
<td>0.79</td>
<td>-0.16**</td>
<td>0.002</td>
<td>0.45**</td>
<td>-0.19</td>
<td>0.33**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Career Planning System</td>
<td>3.01</td>
<td>0.55</td>
<td>-0.11</td>
<td>-0.14</td>
<td>-0.03</td>
<td>-0.15</td>
<td>-0.11</td>
<td>-0.14</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>Organizational Climate</td>
<td>3.61</td>
<td>0.38</td>
<td>0.33**</td>
<td>0.42**</td>
<td>0.32**</td>
<td>0.06</td>
<td>0.66**</td>
<td>0.73**</td>
<td>-0.11</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Note: *p≤0.1, **p≤0.05, ***p≤0.001

Due to the lapses noticed in the traditional canonical pairs interpretations (using magnitude of the canonical weights),
especially, where the variables are highly correlated, canonical cross-loadings have been suggested as a preferable alternative to the canonical weights (Hair et al., 1998; Sohel and Roger, 2003). The canonical cross-loadings show the correlations of each of the dependent variables with the independent canonical variate, and vice versa (Sohel and Roger, 2003). Table 6 shows the canonical cross-loadings for the first canonical pair. A loading of at least 0.3899 is considered significantly different from zero at 0.05 level of significance (Graybill, 1961; Sohel and Roger, 2003). Accordingly, each of the dependent variables is significantly related to the independent canonical variate—canonical variate representing SHRM practices (Sohel and Roger, 2003; Gunu, 2009; Ho, 2000; Holmes-Smith, 2001). On the other hand, all independent variables (SHRM practices) except for career planning system are significantly related to the dependent canonical variate (Sohel and Roger, 2003; Ho, 2000; Holmes-Smith, 2001).

4.2.2. Regression Analysis

In order to further examine the relationships between SHRM practices and organizational climate of Nigerian banks, the seven hypotheses stated in the literature review section were tested:

Table 7. Testing the Hypotheses.

<table>
<thead>
<tr>
<th>Construct Association</th>
<th>‘α’ Level</th>
<th>Beta</th>
<th>p-value</th>
<th>Significant (yes/no)</th>
<th>Hypothesis</th>
<th>Validation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration of HRM with Corporate Strategies with Organizational Climate</td>
<td>0.05</td>
<td>0.38</td>
<td>0.0011</td>
<td>Yes</td>
<td>Accept H₁</td>
<td>Yes</td>
</tr>
<tr>
<td>Delegation of HR practices to Line Managers with Organizational Climate</td>
<td>0.05</td>
<td>0.35</td>
<td>0.0411</td>
<td>Yes</td>
<td>Accept H₂</td>
<td>Yes</td>
</tr>
<tr>
<td>Innovative Recruitment and Selection System with Organizational Climate</td>
<td>0.05</td>
<td>0.25</td>
<td>0.0471</td>
<td>Yes</td>
<td>Accept H₃</td>
<td>Yes</td>
</tr>
<tr>
<td>Training and Development System with Organizational Climate</td>
<td>0.05</td>
<td>0.11</td>
<td>0.277</td>
<td>N0</td>
<td>Reject H₄</td>
<td>No</td>
</tr>
<tr>
<td>Performance Appraisal System with Organizational Climate</td>
<td>0.05</td>
<td>0.33</td>
<td>0.0122</td>
<td>Yes</td>
<td>Accept H₅</td>
<td>Yes</td>
</tr>
<tr>
<td>Compensation System with Organizational Climate</td>
<td>0.05</td>
<td>0.37</td>
<td>0.0211</td>
<td>Yes</td>
<td>Accept H₆</td>
<td>Yes</td>
</tr>
<tr>
<td>Career Planning System with Organizational Climate</td>
<td>0.05</td>
<td>0.15</td>
<td>0.3141</td>
<td>No</td>
<td>Reject H₇</td>
<td>No</td>
</tr>
</tbody>
</table>

Note: α level denotes significant level

In Table 7 above shows that SHRM practices has a positive effect on organizational climate (p≤0.0001). This suggests that SHRM practices significantly influenced organizational climate in the Nigerian banking industry.

4.3. Discussion of Findings

As shown in Table 7, there is a strong positive relationship between SHRM practices and organizational climate with a multiple correlation (R) of 0.7111. The adjusted R² of 0.6556 implies that 65.56% of the variations in organizational climate are adequately explained by SHRM practices variables used in this study. In addition, the results of this study also indicate that SHRM is impressively being practice in the Nigerian banking industry. Specifically, findings based on the regression report revealed that apart from training and development and Career Planning System, the remaining constructs, Integration of HRM with Corporate Strategies, Delegation of HR practices to Line Managers, Innovative Recruitment and Selection System, Performance Appraisal System, and Compensation System are the key SHRM practices that significantly influenced organizational climate in the Nigerian banking industry. It therefore, implies that Nigerian banks should pay more attention to these SHRM practices with a view to improving their implementation and the organizational climate across the industry.

A positive and significant relationship obtained in this study agrees with the findings of Sohel and Roger (2003), Abdulkadir (2012), Budhwar (2000), and Jensen (2003). However, contrary to these studies (Abdulkadir, 2012; Budhwar, 2000; Jensen, 2003) training and development and Career Planning System have an insignificant positive relationship with organizational climate. This may be due to insufficient training offered to line managers which might have greatly undermined the capacity of line managers to perform SHRM activities effectively (Abdulkadir, 2012; Budhwar, 2000; Jensen, 2003). In addition, the insignificant relationships could be simply passed off as problems of new concept, data specification, procedures or even interpretation, factors other than SHRM practices (Abdulkadir, 2012).

5. Conclusion and Implications for Practice

An empirical framework was created to assess specific relationships between the SHRM practices and organizational climate in the Nigerian banking industry. The results obtained from this study indicate that strategic HRM is moderately practiced by companies operating in the Nigerian banking industry and organizational climate is reasonably enhanced by six out of the seven SHRM practices tested. The study, to this extent, has provided evidence for the value-added by strategic HRM through the integration of HR function within the organization’s key strategies and operations. The paper also associated the effects of successful SHRM effort to improved organizational climate. As a result, the measurement and structural equation contrived offered a mathematical
interpretation of how SHRM implementation can affect organizational climate. Hence, to enhance their competitive position, Nigerian banks should give high priority to their SHRM efforts.

This equation is expected to be used by banks in composing strategies to optimize their management of SHRM practices and organization climate. The model provides predictive implications on improved organizational climate, given the activities of critical factors manifesting successful SHRM practices. Moreover, the corroborated findings provide valuable implications for practice. Finally, this study is expected to provide specific direction to companies contemplating a SHRM programme, hence, the study is expected to be beneficial to Nigerian banks and other Nigerian companies alike, policy makers in private and public sectors of the Nigerian economy by, enabling better strategic and tactical judgments with regards to SHRM implementations.

However, since the perceptual views of senior and management staff in each organization was collected and for the fact that few respondents were chosen from each participant banks, it is not unreasonable to claim that a method bias may limit the research findings. However, additional guidelines might be used in future studies to minimize this potential limitation, by using different methods to measure the independent versus dependent variables or calling for multiple raters from different rater classes junior staff, consultants and customers.

References


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