

IMPACT OF TALENT MANAGEMENT ON ORGANISATIONAL PERFORMANCE OF NIGERIAN BANKS

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Abstract— This study examines the impact talent management on organisational performance of Nigerian banks. The study aims at assessing the impact talent management on organisational performance of Nigerian banks. The study applied historical research design using time series data. The analysis covered a period of 1997- 2013 and the following variables: bank performances, talent management and average schooling of employees. The researcher used secondary data while E- View 7.0 was used to analyse the data. The study employed linear regression method using dynamic ordinary least squares. The study established that talent management and average years of schooling of employees significantly improves bank performances in Nigeria. However, the study establishes that on the job training has no significant impact on banks' performances in Nigeria. The study established that talent management has a significant impact on banks s' performances in Nigeria. On this note, it is recommended that Nigerian banks should continuously improve the quality of managing their talent which includes recruitment, training and development and retention of employees among others.

Keywords- Talent Management, Organisational Performance Nigerian Banks and Fitch Rating

I. INTRODUCTION

In a completely volatile and uncertain world today, Talent management is a very dynamic strategy to be in tune with the changing times. Even with millions of unemployed in major

markets around the world, organizations are hard pressed to find the skills that they need [1]. Thus, success in achieving organizational objectives requires talented resources that are capable of thinking and doing things differently. The basic features of talent in the work place relates to skills, knowledge, cognitive ability and potential for development. It also provides a distinction between those individuals that have the potential to make a difference, and the rest of the workforce. Those identified as talented are usually liked with leadership and managerial, technical or specialist positions thus talent serves to those limited number of people who possess the highest quality of managerial and leadership skills [2]. However, talent management is the systematic attraction, identification, development, engagement/retention and deployment of those individuals who are of particular value to an organization, either in view of their high potential for the future or because they are fulfilling business/ operation critical roles [3].

Talent management plays major role in the development of firm value. Organizations invest huge amount of capital to adopt technology and develop infrastructure to increase growth but strategies and policies does not fulfil the desired result due to inefficient manpower both who make strategies and operate these technology [4]. Reference [5] describes 'focus' and 'fit' as two key dimensions of managing talent in organization. The term 'focus' provides clear picture of the strategies of the organization and the term 'fit' represents the work force that supports to achieve strategic objective of the organization.

Today's economic operations especially of banks are knowledge-based and for a bank to meet the

challenge of dynamism of business and the ever-growing global interconnectivity of banking operations, great attention must be paid to talent management. The satisfying of ₦25 billion capitalization by banks, construction of captivating structures, and acquisition of modern physical assets cannot in themselves translate to operational success, unless with the competences, skills, talents and creativity of the available human resources.

Talent has become a precious commodity and the Nigeria banks are not an exception and how organizations manage talent has potential to greatly impact on their performance. This is due to the challenge imposed on business as a result of:

- The recent economic downturn where keeping ahead of competitors to survive and flourish has become imperative.

- Competition between employers has increased dramatically from regional to the global levels as a result of the globalization process.

Fitch ratings have declared that Nigerian banks are operating in increasing difficult conditions and this may result in a sharp deterioration of their profitability, asset quality, liquidity and capital ratios. Fitch explained that Nigerian banks have had to contend in recent months with the increased vulnerability of the oil and gas sector, pressure on the naira, the slower economy and tightening bank liquidity. These are all credit negative for the sector. Since the beginning of August, public sector deposits which represent around 8% of total system deposits have exited the commercial banks and must be held at a single treasury account (TSA) at the central bank [6]. These add pressure to liquidity and thereby translate to weaker bank financial metrics for the year.

With all these happenings, banks have felt the need to cut expenses and which has become an ideal environment to execute a talent management system in the banking sector. In the light of the above, the study tends to assess the impact of talent management on organizational performance in Nigerian banks.

II. LITERATURE REVIEW

A. Talent Management

The basic purpose behind talent management development is to improve the process of recruitment, selection, retention and employee development in order to meet current challenges faced by organization and improve organizational performance by fulfilling organizational needs [7]. Further, Burbach and Royle cited in [8] viewed talent management from three perspectives firstly; TM should be seen as a combination of standard human resources management practices such as recruitment, selection and carrier development. The second perspective focuses on the creation of large talent pool which has the requisite skills and knowledge necessary for an organization. The third perspective regards talent as a resource to be managed primarily according to performance levels or as an undifferentiated good, based on the organizational needs. As such talent management is an umbrella phrase which includes employee recruitment, retention, performance management and human resource development. Effectively talent management enables organizations to successfully compete in an increasing global economy by effectively identify, harnessing and retaining the human power within.

Human resources are a critical element in achieving competitive advantage. This is supported by reference [9] who mention that human capital is a source of unrivalled advantage in a competitive and complicated world. Therefore, talent management should form an integral part of the central activities underlying human resource management. Without properly established and designed talent management procedures, there is a potential that unqualified and incompetent employees end up being employed. Talent management has the capacity to form a key part of the process of managing and leading people in order to meet organizational objectives and improve efficiency and effectiveness..

B. Review of Empirical Studies on Talent Management :

A research conducted on talent management in public sector organizations of Nigeria, using both primary and secondary data and particularly questionnaire as instrument for primary data collection and the findings revealed that talent

management significantly impacts employee productivity and organizational effectiveness [10]. Also a research conducted on the measures of successes recorded when proactive talent management practices were applied on the employees of Cargill, an international provider of Food and Agricultural services based in Chicago, USA, it was discovered that talent management single handily contributed to more than 70% increase in employee productivity. The study also showed a sudden increase in the quantity and quality of output, timeliness of output, presence at work and cooperativeness [11]. The research study on talent management found a strong relationship existing between coherent talent management processes on one hand and employee job, knowledge, quality and quantity of output, initiative, leadership abilities, supervision, dependability, co-operation, judgment, versatility and health on the other hand. In order words, the study concludes that deliberate efforts to improve on talent management processes like recruitment selection and placement, training and development, compensation, performance appraisal, turnover management, employer-labour relationship; health, safety and welfare, succession planning and promotion bring about specific improvements in employee productivity and organization performance. [12]

More so, the study conducted on the impact of talent management on organizational efficiency on Central Bank of Nigeria, Kaduna. Fifty respondents were randomly selected from the managerial cadre. Data was collected with a well-structured questionnaire and analysed. The study found out that talent management has significantly impact on organizational efficiency on the Central Bank of Nigeria, Kaduna. [13]

Also the research conducted on relationship between talent management and organizational success using descriptive correlation, the results showed a strong correlation between talent management and organizational services in the department of youth and sports Azerbaijan [14].

III. RESEARCH METHODOLOGY

This study applied historical research design using

time series data. The time series data are obtained from Fact Book (various editions) and from CBN and National Bureau of Statistics (NBS) statistical bulletin. The period of analysis covered a period of 1997-2013. The data covers the following variables: bank performances (BANKPERF), talent management (TALMGT), on-the-job-training (OTJTRAINING) and average schooling of employee (SCHOOLG). BANKPERF is defined to mean the average rate of return on capital employed that is net profit after tax divided by the total value of shareholding. Talent management measured the quality of recruitment, training and development, retention of the banks of 5 rating ranging from 1 to 5. On- the- job-training refers to the learning on the job by employed, a sort of learning by experience. It is the mean experience gained by employees. Schooling refers to the number of years of employee of the bank.

This study employed linear regression method using dynamic ordinary least squares (DOLS) as developed by [15]. The method makes use of the past, present and future estimated lagged values of variables. The model employed in the estimation is stated as follows:

$$BANKPERF_{it} = \beta_1 + \beta_2 TALMGT_{it} + \beta_3 OTJTRAINING_{it} + \beta_4 SCHOOLG_{it} + \epsilon_{it} \quad (1)$$

The expected signs of the estimated regression are: $\beta_1 < or > 0, \beta_2, \beta_3$ and $\beta_4 > 0$.

IV. RESULTS AND DISCUSSION

The results of the DOLS regression is presented in table 1 below. Column one of the table shows the variables of independent variable. Column two gives the parameters of the estimated regression. Column three gives the standard errors (Std errors), column four gives the t-ratios or t-statistic (t-statistic). Column five gives the probability value (P-value).

C. Table 1: Regression model using DOLS (BANKPERF is the dependent variable)

Variable	Coefficient	Std Error	T-statistic	Probability
CONSTANT	-78.53	28.61	-2.745	0.0911
TALMGT	5.084	1.300	3.9102	0.0024
OTJTAINING	0.052	0.791	0.066	0.9486
SCHOOLG	6.9025	2.522	2.737	0.0193
ADJUSTED R SQUARE	0.933			

Source: Estimated by the researcher from secondary data using E-views 7.0

The regression results show that all the estimated variables exhibited the expected signs. The model employed has a strong explanatory power. It explains over 90 percent of the bank performances in Nigeria. This is demonstrated by the high value of adjusted R square value. The model also shows that talent management has the second highest contribution to bank performances in Nigeria. A unit improvement in talent management can improve the performances of banks by over five folds. The contribution of talent management is statistically significant at 5% significance limit.

Years of schooling has the highest contribution to bank performers. The contribution margin shows that a marginal unit increase in years of schooling will improve performances by over 6 folds. The years of former education, therefore exerts the highest contribution to bank performances in Nigeria. However, the analysis of the result shows that on-the-job –training exerts no significant impact on the bank performances in Nigeria. This is demonstrated by the high values of the probability of the t-ratio and evidenced by low value of the t-ratio. Thus, it can be said that talent significantly contributed to bank performers in Nigeria.

From the above results and analysis, this study established that talent management and average years of schooling of employee significantly improve bank performances in Nigeria. However, the study establishes that on –the –job- training has no significant impact on banks’ performances in Nigeria. The finding of this study that talent management significantly influenced banks performances agreed with existing empirical literatures. These empirical literatures are those of [9] and [13] which showed that talent management improves performances in the public

sectors and [11], [12] and [14] in the private productive sectors.

The findings of this study imply that effective talent management is an effective tool in remaining competitive in the banking sector of the Nigerian business. The study also demonstrated that high talents that acquired through formal training from primary, to secondary and tertiary institutions are very vital for the competitiveness in the banking sector. This means that the higher the higher the number of years of schooling the higher the productivity of employee and organisational output. On – the- job –training, however, has no impact on the competitiveness of the bank. The reason is probably that all the banks have given adequate on-the-job-training to their employee. This does not mean that on-the-job-training is not important but it is minimum bench mark to avoid a bank falling behind others in performances]

V. CONCLUSION AND RECOMMENDATIONS

This has established that talent management has a significant impact on bank performances in Nigeria. This means that improvement in the quality of talent management can enhance the performance of the bank involved. On the basis of this it is recommended that Nigerian bank should continuously improve the quality of managing their talent which includes recruitment, training and development and retention of employee among, others.

The study also found that the average schooling of employee also substantially engendered the performances of commercial banks in Nigeria. This implies that the more formally trained staff

the bank has, the higher the performance the bank is expected to be. This study, therefore, recommends that Nigerian banks employed highly trained work force to make them more productive and be more efficient. This will enhance their performances.

The study, however, found that on-the-job-training has no significant contribution to bank performances in Nigeria. This finding may tend to show that on-the-job-training is not important in any bank achieving its objectives in Nigeria. This is, however, not the case. It only means that all the banks have not given enough on-the-job-training to their staff and as such it does not confer competitive advantage to any bank. If a bank fails to carry out enough on-the-job-training of its staff, the consequence will be grievous. The efficiency of its services will drop as well as its performances. The policy recommendation is that the banks must improve their present level of on-the-job-training.

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