

# Corporate Social Responsibility

## Chapter 4

### Human Capital Development and Organizational Performance in Commercial Banks

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#### **Abstract**

The importance of human capital development in an organization can never be over emphasized. He equally stated that technological development and innovations taking place every day has rendered today's skills and method ineffective for tomorrow's activities. Managements must therefore, help their employees acquire relevant skills and confidences necessary to help their organizations survive, grow and acquire competitive edge over competitors. Human capital may determine both the added value created in the economy through direct participation in the production process, or growth rate through its innovative capacity. This of course is possible with developed human capitals. Scholars assert that human capital development has become a critical index of competition among business organizations that such development has helped in designing the strategic plan of business organization. They pointed that the human capital held by employees in an organization are those resources that can contribute to competitiveness and high productivity if management will know how to train and recapitalize the resources by putting them in a favourable internal context of the organization. Human capital development has been found to correlate positively with organizational survival, improved corporate performance, and corporate effectiveness among other organizational positive outcomes.

#### **Introduction**

Organizations seek to optimize their workforce competences, capabilities, skills and knowledge through calculative and comprehensive human capital development programs for long term survival and sustainability. This study therefore hopes to capture the concepts of human capital and human capital development in relation to corporate performance of the organizations, using these financial institutions as our elements of survey. Developed and developing countries are all placing emphasis on human capital development towards accelerating economic growth by devoting necessary resources, time and efforts to update the knowledge and skills of their workforce towards improved/increased effectiveness and performance of their organisation. Specifically, it is expedient that countries and industries invest necessary resources in developing human capital which have a linear positive relationship on their performance and productivity. Based on this, most company executives view people as the most critical competitive differentiator. In this vein, Obasi (2019) defines human capital as the knowledge, skills and abilities that make it possible for people to do their jobs at workplace and describes it as an intangible business asset. Similarly, Olaniyan and Okemakinde (2018) describes human capital as representing the investment people make in themselves that enhance their economic productivity and stressed that investment in education has positive correlation with economic growth and development.

No man can mind his own business today without helping to mind somebody else's business: responsibility overlaps on all fronts of society. In line with this, Johnnie (2000) viewed management development as a course of action designed to enable the individual to realize his potential for growth in the organization. In its entirety, the term 'human capital development' is a process or at best programs designed to improve the technical, human relations and conceptual skills necessary for future work activities. Thinking and acting strategically about human capital

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development is the lifeblood of most high-performing businesses and organizations. This onerous commitment reflects an understanding that an organization's success is defined in large part by the performance of its employees and the quality of service or product they produce.

## Concept of Human Capital Development

Human capital development is fundamental for organizational efficiency and corporate performance, and therefore, is a major challenge of management and leadership (Abejirindu, & Chioma, 2021). It refers to all effort put in place to make an individual acquire all necessary skills, competencies, knowledge and attitudes that is capable of making such person develop technical, relational and conceptual abilities that will make him successfully carry out assigned tasks and responsibilities. Human capitals are today being utilized by organizations as a prelude to gain competitive edge over rivals, and for other positive organizational outcomes. Marimuthu *et al.*, (2009) notes that firms seek to optimize their workforce not only to achieve business goals but most importantly for a long-term survival and sustainability. Moreover, sustained human capital development results to increase productivity, profitability and long-term competitiveness (Oforegbunam and Okorafor, 2010; Josan, 2013). The aim of human capital development is to transform employees into a more tangible asset, and to match them to organizations strategic needs. Other scholars describe it as a human resource management strategy aimed at developing the skills, abilities and experience of people through recruitment, consultancy or subcontracting or grown by training and developing existing employees. Organizations with an internal job market orientation, for example most large German and Japanese companies have made a practice of growing or developing their own talents whereas the externally-oriented businesses typical of Anglophone countries have tended to buy in skilled people.

In his contributions, Price (2011) opines that human capital development (HCD) is a strategic approach in investing in human beings (human resources). It draws on other human resource processes, including resourcing and performance assessment, to identify actual and potential talents. Human capital development provides a framework for self-development, training programs and career progression to meet organization's future skill requirements. Learning in workplace has a linear relationship with development of individuals on the job also enhances employee engagement and motivation. Systematic human capital development maximizes the human capital of organization, devoting time, money and thought to improve the pool of essential competencies among its staff. This has a general impact on business performance by enhancing product knowledge and service expertise, motivating staff, drawing on their talents and demonstrating that they are valued by the organization. It is also claimed to empower staff, allowing individuals to take a measure of control over their own careers and develop life patterns that offer increased opportunity and satisfaction both to the employee and the organisation. Sambrook (2001), human capital development has its roots in the early organisation development interventions of the 1940s, but the term was first used by Nadler in 1972. Nadler (cited in Nadler and Nadler, 1989) described human capital development as organized learning experience provided by employers, within a specified period of time, to bring about the possibility of performance improvement and/or personal growth. There seem to be a symbiotic relationship between human capital development and organisational performance. This is because development of human resources through training, seminars, workshops and conferences go a long way to develop t the corporate image and potency of organisation. Human resources are the most vital resource of any organisation used to coordianate and control other resources. Develop the human being; you have developed these resources effectively and efficiently. However, there is a long-standing tendency to regard training as something done to lower-level worker, whereas development is a process experienced by managers – hence, 'management development'. This seems to be incompatible with the central rhetorical principle of human resource management that all employees are assets whose competencies need to be developed. It is appropriate therefore to regard training and development as an integral aspect of human capital development.

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## Dimensions of Human Capital Development

### On-the-job training

On-the-job training refers to a structured or non-structured system of training that occurs in the workplace (Rothwell and Kazanaz, 1994). It may also be called job instruction training. On the other hand, on the job learning (OJL) is a knowledge learned on the job without assistance; what the learner does on his/her own to gain information and skills on the job. This is not structured and usually happens without a trainer or organizational control. Unstructured on-the-job training is a more informal system of job shadowing where the trainee follows the trainer around and either observes the work or performs the work.

However, Edem (2019) describes on the job training as a planned, structured training carried out at the trainees workplace. The trainings sometimes happen in specific on-sit areas other than the trainee's office. It is a training carried out to bridge identified performance gaps of employees and it is done mostly in-house during working hours and in the company's premises. In this respect, the work itself becomes an integral part of the training provided (Bass, 1989, Tews and Tracet, 2008).

The modern era is witnessing rapid changes in the domain of information technology. This change is eventually responsible for evolving economic and political structures which define the trends in modern global environment. Consequently, this leads in promoting the concept of globalization and also aids in restructuring the businesses. Top level practitioners are responding to these changes by focusing more on organizational and human resource performance and consider it as a vital tool for achieving both long-term and short-term organizational aims and objectives. For any modern enterprise, human resources (HRs) are considered one of the most valuable company assets, since there is a very strong nexus between effective human resource management (HRM) practices and subsequent organizational performance (Purcell et al., 2003) cited in (Bouris and Sahinidis, 2007).

**Coaching:** Coaching involves an ongoing demonstration, guidance, instruction and teaching in a job situation by the supervisors. The performance and learning of the trainees or employees are continuously monitored and necessary appreciations and corrections are introduced, and transfer of learning to actual work situation is made certain.

It is a training or development process through which an individual is supported while achieving a specific personal or professional competence result or goal (Wikipedia, 2021). The individual receiving coaching may be referred to as 'coachee'. Occasionally, the term coaching may be applied to an informal relationship between two individuals where one has greater experience and expertise than the other and offers advice and guidance as the other goes through a learning process, but coaching differs from mentoring by focusing upon competence specifics, as opposed to general overall development. Some coaches use a style in which they ask questions and offer opportunities that will challenge the coachee to find answers from within him/her. This facilitates the learner to discover answers and new ways of carrying out the assigned task based on their values, preferences and unique perspectives.

**Mentoring:** Mentoring is another method of training wherein the mentor possesses specific knowledge, skills, abilities and experience in problem-solving, conflict resolution, communication, defining objectives and planning (Hartenian, 2003). It refers to a relationship between a young person and an adult in which the adult provides the young person with support as he faces difficult periods, faces new challenges or correct earlier problems, (Emecheta, 2007). Mentors teach, guide, help, assist, counsel and inspire their protégé. The activities of a mentor revolve around counseling, teaching on the job, protecting, challenging, and helping the protégés, and endorsement of activities, friendship and demonstration of trust. Mentoring activities speeds up socialization in the workplace, encourage mentees' social interactions and provide opportunities for quality interpersonal interactions, as well as improve employee's commitment to their

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organizations. Mentoring as an on-the-job training process is most suitable in the banking industry where newly employed recruits are placed on corporate mentoring and supervision to ensure they are in line with the culture and tradition of effective and efficient service delivery of the banking industry.

**Role Play:** According to Blake (2019), role-playing, or learning through acting, is a technique that requires participants to perform a task in a realistic situation assuming it is real life. Role-playing is one of the effective methods to learn and gain experience. Role play or role playing allows a learner to assume the role or tasks of a job by practicing or simulating real working conditions. The objective of role playing is to learn, improve or develop upon the skills or competencies necessary for a specific position. Applying what you learn in a simulated situation allows you to be more effective and comfortable in a real situation. With role play, a learner can practice several things simultaneously, can get real time feedback, and can adjust their behavior almost immediately.

## Off-the-Job Training

Off-the-job training can be described as learning which is undertaken outside of day-to-day work duties and leads towards the achievement of the apprenticeship. This training takes place within the apprentice's normal (contracted) working hours. The off-the-job training must be directly relevant to the apprenticeship. This entails group discussion, one-on-one tutorials, lectures, reading, training courses and workshops. This type of training enables participants to learn and apply new skills and knowledge to bear in the organisation in a safe working environment. This training refers to an education method where employees learn more about their job or the latest advancements in their field at a location away from their workplace. It is a kind of training that enables employees perform their job more efficiently.

Unlike on-the-job training, off-the-job training can take place near the workplace or somewhere further away, such as at a resort or at a training center. When employers hold training away from the workplace, it helps minimize distractions which ensure employees can fully focus on the material they're learning.

During this training, employees express their views and opinions and explore new ideas to bring to the workplace. Before the conclusion of the training, employees typically receive some form of evaluation. For example, they may receive an evaluation that tests their understanding of the knowledge the instructor taught them during the off-the-job training. The evaluation measures the performance and participation of each trainee.

Since this kind of training module requires a certain amount of commitment from both the organization and the participants, it's important to be clear why it matters. Off-the-job training is crucial because it helps apprentices to: Better understand their role and expectations, Increase their knowledge base in their sector, Develop better networking skills and connections, rectify their mistakes by applying the leanings from the off-the-job training and evaluate their progress and performance in relation to the standards explained in an off-the-job training program.

**Seminar:** A seminar may be defined as a gathering of people for the purpose of discussing a stated topic (Wikipedia). Such gatherings are usually interactive sessions where the participants engage in discussions about the delineated topic. The sessions are usually headed or led by one or two presenters who serve to steer the discussion along the desired path.

A seminar may have several purposes or just one purpose. For instance, a seminar may be for the purpose of education, such as a lecture, where the participants engage in the discussion of an academic subject for the aim of gaining a better insight into the subject. Other forms of educational seminars might be held to impart some skills or knowledge to the participants. Examples of such seminars include personal finance, web marketing, real estate, investing or other types of seminars where the participants gain knowledge or tips about the topic of discussion. Of course, a seminar can be motivational, in which case the purpose is usually to inspire the attendees to become better people, or to work towards implementing the skills they might have learned from the seminar. For instance, a business seminar with a financial theme

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could be for the purpose of teaching small business owners how to pitch to investors or to write a solid business plan, and to motivate them to get started right away. Sometimes, seminars are simply a way for businessmen and women, or other like-minded people, to network and meet other attendees with similar interests. Such seminars provide opportunities for the attendees to make some potentially valuable contacts that can help them move to the next level in their careers or endeavors.

**Workshops:** The main difference between seminars and workshops is that seminars are usually more academic and less hands-on than workshops. Seminars are events that are mostly geared towards educational topics and usually feature one or more experts on the subject matter.

**Workshops:** On the other hand, workshops are generally less formal and require more attendee participation than seminars. The main thrust of workshops is for the participants to gain new skills during the event under the guidance of the instructor.

**Conferences:** Lectures and conferences are traditional and direct methods of instruction. Every training program starts with lecture and conferences. It is a verbal presentation for a large audience. However, the lectures have to be motivating, and creating interest among trainees. The speaker must have considerable depth of knowledge in the subject. This mode of training is common in the banking industry and universities, mostly for newly recruited professionals.

## Skills Transfer

Skills transfer is the effect of practicing ability on the learning and performance of a skill. For example, there is likely to be some positive transfer when a gymnast who has developed the abilities of balance, coordination, and flexibility engages in the skill of dancing. Transfer of skills is also related to transfer of training or transfer of knowledge or development. This is because when skill is transferred from the teacher to the learner, training is implicitly taking place and knowledge is acquired for improved performance and development. Senior staff of banks including their ICT professionals undertake in transfer of skills to junior workers and other workers who are not ICT-compliant.

On the other hand, transfer in human resource management is a process of placing employees in positions where they are likely to be more effective or where they are yet to get more job satisfaction. In this case there is no change in the responsibility, designation, status or salary of the employee. It is a process of employees' adjustment with the work, time and place. Transfer may also be made as a disciplinary action on staff.

According to Flippo (1999), a transfer is a change in job where new job is substantially equal to the old in terms of pay, status and responsibilities. Changes in organization structure, technology and change in knowledge, skills, aptitude and values of employees need movement of employees from one job to another and from one place to another. Generally, transfer leads to the development of the employee because, through this, he acquires new skills and responsibilities.

**Neutral or zero transfer:** Zero transfer simply means that previous skills or information have zero effect on learning new skills or information. In other words, in this case the old information neither helps nor hurts the new information or skill.

When learning of one activity neither facilitates nor hinders the learning of another task, it is a case of neutral transfer which is also referred to as zero transfer. For example, knowledge of history can in no way affect learning of driving a car or a scooter. This may have a neutral effect on the learner.

**Positive transfer of skills:** Positive transfer is the improvement or embellishment of current knowledge by acquiring additional skills, knowledge, training or education. It is more or less a foundation for more knowledge acquisition in relation to learning noble ideas similar to previous

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ideas acquired. It is the transfer that reflects the learning of one skill that facilitates the subsequent learning of another. It is evidenced when training of one type of skill metamorphose into another dimension useful to the individual and to the organization. For instance, learning as a cashier in the bank counter can generate to the employee becoming a bank supervisor, knowledge of analogue typewriter can facilitate the knowledge and speed in the use of the computer or other word processing packages. Knowledge of Biology as a science subject can develop the knowledge of Physics or Chemistry. Here, performance of a task improves as a result of demonstration of other related skills/tasks by the employee. It is not difficult to acquire an in-depth knowledge of a skill or subject once the foundation of that skill has been laid via training, coaching, seminar or any other form of orientation. Hence, when two skills acquired by the learner are similar and the learner is proficient in them, positive transfer has taken place.

**Stimulus Generation:** Stimulus generation is skills learned previously and brought to bear on a general situation, rather than on a specific situation. When a response from a stimulus that has been reinforced where another stimulus is present for the first time, a stimuli or expectation has been created (McNeile, et al, 2014).

When identical behaviors are aroused as a result of similar experiences, stimulus generation has occurred. (Larman and Valentino, 2015). Ivan Pavlovs classical conditioning experiment with the salivated dog is another typical example of stimulus generation.

The implication of this component of skills transfer on employee is that the worker learns proactively and will always be ready and effective in the discharge of that responsibility he has been accustomed with.

## Concept of Organizational Performance

Organisational performance is a complex and multidimensional phenomenon in the business literature. It comprises of the results of an organisation or the actual outputs of an organisation, which can be measured against intended outputs, goals and objectives. It also involves three areas associated with the organisation which includes, but not limited to the following; financial performance (return on investments, profits etc), shareholder return (economic value added, total shareholders etc) and the product/service market performance (market share, sales margin etc, Gavrea, et al 2011). Performance is a tool that can be used to measure the level of achievement or policy groups and individuals. Performance is a translation of performance that is often interpreted as appearance, demonstration or achievement (Keban, 2004). It also agrees with Mangkunegara (2008) that the term performance comes from the word job performance or actual performance that is the performance or achievement to be achieved. Murphy (1990) states that performance is a set of behaviors relevant to the goals of the organization or organizational unit of the workplace. While the meaning of organizational performance is as a description of the level of achievement of the implementation of an organization's tasks in an effort to realize the goals, goals, mission and vision of the organization (Bastian, 2001). Then another definition of organizational performance proposed by Paso long (2007) is the work achieved by employees or group of employees within an organization, in accordance with the authority and responsibility of each in an effort to achieve the objectives of the relevant organization legally, not violating the law and in accordance with morals and ethics. Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). Organizational performance also the success or fulfillment of organization at end of program or projects as it is intended (Wikipedia). Thus it can be said organizational performance is a picture of the work of the organization in achieving goals that of course will be influenced by resources owned by the organization. The resources in question can be physical such as human and non-physical resources such as regulations, information, and policies, to better understand the factors that can affect an organization's performance. The concept of organizational performance also illustrates that every public organization provides services to the public and can be measured performance by using existing performance indicators to see whether the organization has done a good job and also to

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determine whether the established goals have been achieved or not. According to Stout (1999) describes performance measurement as the process of recording and measuring the achievement of activities in the direction of mission accomplishment through the results of products, services or processes.

**Conclusions** Generally, employees with relevant skills, values and uniqueness are qualified as human capital. Human capital development is the process that relates to the development activities which an organization undertakes to equip and improves the skills, talent, competencies, knowledge and creative abilities of its workers. It also consists of all activities undertaken by an individual to develop his skills, competencies, abilities, knowledge and expertise to effectively handle work tasks. The developments of human capital are therefore vital. Furthermore, Tim and Brinkerhoff, (2008) opines that human capacity has become a critical index of competition in the world of business to the extent that the development of such capacities through training has become top priority in designing the strategic plan of business organizations. No doubt, organizations are recognizing the importance of investing in their employees now more than ever before. Organizations are beginning to understand that to survive and achieve their goals in the present global business environment; they need to place more emphasis on training and development of their workforce.

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