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Strategic Human Resource Management and Service Innovation of Selected Deposit Money Banks in 'Lagos State' Nigeria

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Abstract
Strategic human resource management has been taken into account as a key element to innovation capability since the human element is involved within the innovation process. Technological change have revolutionized the processing and analysis of financial data, as well as delivery systems, which reduced bank costs, increased lending capacity and improved the quality and variety of banking services available to customers. However, many deposit money banks across the world have been suffering from the unstable performance and insufficiency of managerial competence owing to professional strategic human resource management practices and the lack of expert manpower. In spite of various studies on strategic human resource management practices and firm performance, not much attention has been given to test the effect of strategic human resource management practices on service innovation in the banking sector. Hence, this study examined the effect of strategic human resource management dimensions on service innovation of selected deposit money banks in Lagos State, Nigeria. Cross-sectional survey research design was adopted. The population was 300 directors, top management staff and human resources managers of six selected deposit money banks in Lagos State Nigeria. A sample size of 261 was found usable. Purposive sampling was adopted. A validated questionnaire was used to collect data. Cronbach's alpha reliability coefficients for the constructs ranged from 0.76 to 0.88. The response rate was 87.0%. Data were analyzed using descriptive and inferential statistics. Findings revealed that strategic human resource management dimensions had significant effect on service innovation of the selected deposit money banks in Lagos State, Nigeria (Adj. $R^2 = 0.254$, $F(4,256) = 23.120$, $p < 0.05$). The study concluded that strategic human resource management dimensions had significant effect on service innovation of the selected deposit money banks in Lagos State, Nigeria. The study recommended that banks must be strategic in her human resource management processes by anticipating actions of their competitors in order to sustain, grow and protect their innovative capabilities.

Keywords: *Strategic human resource management, Innovative performance, Service innovation, Technology, innovative capabilities.*

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I. Introduction

Banking is a rapidly changing industry, and the biggest paradigm shift that has occurred is the move to digital only banks through innovations. Innovation provides the opportunity for firms to improve the quality of services and products, increase process efficiency, reduce costs, meet the changing demands of the market, increase profit, gain a bigger market share and differentiate themselves from the other competitors (Gideon, 2019). It is proven that organizations with a higher level of innovativeness are more successful in responding to the increasing demands of changing environments; also, they perform better in developing essential capabilities which allow banks to achieve a higher market share. However, innovative performance cannot be achieved without proper manpower. Thus, the increasing significance of people to organisational success has been observed to have corresponded with the rise of Strategic Human Resource Management (SHRM) as a field of study on a global scale. In the last two decades researches have shown that strategic human resource management (SHRM) is likely to be one of the most important determinants of sustained innovativeness (Daniel & Raquel, 2015).

The impact of new technologies on the banking industry has been a key feature of research over the past twenty years. Several studies have examined patterns of adoption of innovations. However, many deposit money banks across the world have been suffering from the unstable performance and insufficiency of managerial competence owing to professional strategic human resource management practices and the lack of expert manpower. Also, the challenges were linked with poor board and management oversight, inadequate facilities, foreign exchange trading, fraud, reliance of public sector deposits, dwindling quality of asset and inconsistency in human capital management (Mutheu, Kiflemariam & Ngui, 2017).

The ability to innovate is increasingly viewed as an important factor in developing and sustaining competitive advantage (Tidd, 2014). It is no longer adequate to do things better; it is about doing new and better things. Much emphasis has been placed on building innovative organisations and the management of the innovation process, as essential elements of organisational survival (Brown, 2017). Innovation is a basic source of competitiveness in modern knowledge-based economies. It results in increasing living standards and contributes to the solution of environmental and social challenges. Innovative businesses benefit the economy, delivering added value, high quality jobs, successful business, better products and services for customers, and new, more environmentally friendly processes (Kihumba, 2018). However, innovations have posed various challenges to regulators and banks themselves while the breakdown of barriers to the supply of financial products and the large volume of risk pooling and shifting within and across borders has increased the network interconnections within the global financial system. This has added to the system's complexity and corresponding evolution of financial system risks posing major challenges for financial institutions and for authorities charged with maintaining financial stability (Nigel, Penalver & Nicholas, 2018).

Globally, the banking industry has undergone a substantial change over the years. However, Japan and much of Western Europe are currently belabored by negative rates, with negative yield extending over short, medium, and long durations in some countries. Meanwhile, many central banks outside the Eurozone and Japan, including the U.S., and many Asia-Pacific countries, have also become markedly more dovish as financial activities head toward 2021, responding to the weaker economic outlook by lowering policy rates and easing financing conditions (Global banking outlook, 2018). Despite the importance of a robust and well-rounded financial system, many developing countries, particularly in sub-Saharan Africa, remain financially under-developed. Banks continue to lend little domestically and access to commercial finance, via bank deposits, remains low in the majority of low-income Sub-Saharan African economies (Chadha & Parimoo, 2017). South Africa, Tanzania, Senegal, Angola, Botswana, Kenya, Madagascar, Ghana and more sub-Saharan African countries where financial development has occurred are not seeing as much growth and particularly inclusive performance as might be expected. Several explanations have been put forward, including the suggestion that slow pace of technology adoption is a result of deregulation, or of successive banking crises (Global banking outlook, 2018). Although innovation continues to enjoy massive interest on the part of business researchers, in sub-Saharan Africa the key factors influencing customers' adoption of such innovations in the banking industry have not been empirically examined (Chadha & Parimoo, 2017).

According to Abaenewe, Ogbulu and Ndugbu (2013), Nigerian banks have been generally slow in adopting new and modern innovative ways of improving service delivery to their customers, and the reasons were attributable to their lackadaisical attitude toward the development of new financial innovations. Also, the payback period for the initial capital outlay were longer and unacceptable to management and shareholders, innovative activities were sluggish which led to slow financial performance in terms of efficiency and profitability, also banks had peculiar issues such as internet frauds, frequent breakdowns of their computing systems and lack of personnel with requisite skill and commitment, which adversely may affect existing and potential customers.

The issue of human resource management has been a debated topic for business and professional organisations. Modern view and approach see workers and employees as human capital (Chadha & Parimoo, 2017). Recruiting difficulty has continued to increase over the last five years, and competition for talent is high (Society for Human Resource Management, 2017). The management of human resource is complex and problematic because the individuals as workers hardly adapt or voluntarily embrace the objectives of the organisation. As individuals, the employees have needs, aspirations, motivations, desires and interests which influence their behaviour at work, however, these objectives are sometimes in conflict with the corporate objectives of the enterprise. Empirical studies (Anyim, 2014; Burton, 2013; Kane, 2016; Nel, 2015 and Swanepoel, Slabbert, De Bruyn, & Joubert, 2012) have shown that poor human relations at work, neglect of staff welfare programs and lack of motivation are often the factors that cause industrial strife and declining productivity in the work setting.

Review on several literature on service innovation points out that this area although on the rise is still under-researched (Amit & Shoemaker, 2016). According to Hanif and Asgher (2018), despite their massive socioeconomic relevance, services and service innovation are under-researched phenomena. According to Joly, Teixeira, Patricio and Sangiorgi (2019), despite appeals for more research in this area, a service-related research gap remains mainly in the realm of service innovation. Further evidence thus needs to be gathered and understood in order to make development in this field (Rubalcaba, Michel, Sundbo, Brown, & Reynoso, 2012). Services and innovation in services have long been overlooked. Banking sector in the country case is one of the most developed, innovative, high-performing, dynamic and competitive sectors, hence the primary choice for this study. Based on the foregoing issues, gaps and problems identified, this study investigated the effect of

Strategic Human Resource Management (SHRM) dimensions on service innovation of selected deposit money banks in Lagos State, Nigeria.

II. Literature Review

Diverse views and scholarly discourse are embraced in this section along theoretical, conceptual and empirical lines on the subject matters of Strategic Human Resource Management dimensions (Capacity building, Performance management, Employee motivation and Participative decision making) and Service innovation.

2.1 Strategic Human Resource Management

The idea that the human resources of a firm can play a strategic role in the success of an organisation has led to the formation of the field of research often referred to as strategic human resource management (SHRM) (Allen & Wright, 2016). Wright and Gardner (2003) defined strategic human resource management as "the pattern of planned human resource deployments and activities intended to enable the firm to achieve its goals". Many authors (Delery, 2013, Hendry & Pettigrew, 2017, Purcell, 2011, Storey, 2012, Walker, 2016) view SHRM as an integrated process which tests organisations' ability to effectively plan, develop and implement HRM systems in order to be in line with their business strategy. This has to be achieved having in mind organisations' internal and external contingencies. In essence, SHRM provides a unifying interactive framework for not only combining different HR policies and practices together, but also aligning the overall HRM system with organisations' business strategy. Strategic human resource management (SHRM) refers to the plans of an organisation and intentions on how the business goals have to be achieved with the use of human resources or people (Allen & Wright, 2016).

2.2 Service innovation

Service innovation looks at the organisation's engagement in various innovation activities to enhance customer satisfaction, including after-sale services, warranty policy, maintenance routines, and order placement systems (Gopalakrishnan & Damanpour, 2015). Service innovation is a new service or such a renewal of an existing service which is put into practice and which provides benefit to the organisation that has developed it; the benefit usually derives from the added value that the renewal provides to the customers (Wagner, 2013). Service innovation is a new service experience or service solution that consists of one or several of the following dimensions: new service concept, new customer interaction, new value system/business partners, new revenue model, new organisational or technological service delivery system (Nordin, 2017). Service innovation process is the process through which the renewals described are achieved (Toivonen & Tuominen, 2016).

2.3 Strategic Human Resource Management dimensions and Service innovation

Vui-Yee (2015) study entitled: "The Impact of Strategic Human Resource Management on Employee Outcomes in Private and Public Limited Companies in Malaysia". The study investigated the interaction effects of human resource management practices (recruitment and selection, training and development, compensation, performance management, employment security and work–life balance) on employee outcomes (organisational commitment, turnover intention, employee involvement and job satisfaction). The results showed that HRM practices mediate the interaction of business strategy and employee outcomes.

Duade (2011) in assessing the relationship between financial innovation and commercial banks performance in Nigeria used fifteen (15) major banks in the Country. Findings revealed that technological innovation influenced banks employee's performance, customer's satisfaction and improvement in banks profitability. Muthoni (2013) undertook the study determining the causal effect of financial innovation on financial performance of insurance companies in Kenya. Results indicate the relationship between new product and financial performance is insignificant. Results reveal that operations process and system innovation is statistically significant in explaining return on assets of insurance companies. Mabrouk and Mamoghli (2010) in their study on Dynamics of Financial Innovation and Performance of Banking Firms: Context of an Emerging Banking Industry, analyzed the effect of the adoption of two types of financial innovations namely; product innovation (telephone banking and SMS banking) and service innovation (Magnetic strip card (debit, ATM and credit card), Automatic cash dispenser; (Automatic teller machine; Electronic payment terminal) on the performance of banks. They found out that first mover initiative in service innovation improves profitability while process initiative has a positive effect on profitability and efficiency. Banks that imitate are less profitable and less efficient than first movers.

Underpinning Theory

The Resource based theory and the Dynamic Capability Theory was adopted for this study. The resource-based view theory which was propounded by Pfeffer & Salancik in 1978 proposes that firm competitive advantage comes from the internal resources that it processes (Wernerfelt, 1984; Barney, 1991), the RBV provides a legitimate foundation upon which HRM researchers can argue that the people and human resources of the firm do, in fact, contribute to firm-level performance and influence strategy formulation (Allen & Wright, 2016). The resource based view focuses on the unique internal resources within firms and exploiting firm specific assets to achieve competitive advantage. The Dynamic Capability Theory which was initially introduced by David Teece and Gary Pisano in 1994, was also adopted because its main principle is that an organisation is seen as a collection of resources that are simultaneously valuable, rare, imperfectly imitable and non-substitutable, these variables essentially enable the company to reap superior rents (Bowman & Ambrosini, 2003). The justification for these theories was based on their theoretical explanation related to the variables in this research.

The RBV has been criticized because it is static and does not explain how a specific resource can create sustainable competitive advantage while firms do not have enough knowledge about the productivity of each individual asset (Cumberland, 2006). In addition, the concept of firm specific resources is ambiguous and it is not easy to operationalize measurement items for them (Knott, 2009). According to Arend and Bromiley (2009) the Dynamic Capability Theory lacks clear theoretical foundation and clarity in terms of its most basic aspects including how they are defined. This is reflected in the various assumptions adopted by theorists (Arend & Bromiley, 2009; Di Stefano, Peteraf and Verona, 2010). According to Zahra, Sapienza, and Davidsson (2006) the greatest source of confusion comes from the disagreement about whether a “DC refers to substantive capabilities in volatile environments or to the organisations ability to alter existing substantive capabilities, regardless of the volatility”. The inconsistencies regarding its foundations can limit “fruitful conversation”, hamper progress, prevent empirical research and lead to illogical augment.

III. Methodology

This study adopted cross-sectional survey research design which facilitates the use of a structured research instrument in obtaining data for the analysis. This research design was appropriate for this study because it allowed the researcher to explain and translate the response from the respondents to determine the link between the independent and dependent variable and utilized descriptive and inferential statistics, to investigate the effects of Strategic Human Resource Management (SHRM) dimensions on service innovation of selected deposit money banks in Lagos State, Nigeria. The adoption of this design was consistent with the studies of (Garbie and Al-Hosni 2014; Khoshlahn and Ardabilia 2016, Mahmoud and Yozgat 2017; Cohen, West and Aiken 2014; Sampath and Krishnamoorthy 2017; Tabe-Khoshnood and Nematizadeh 2017; Taghizadeh and Shokri, 2015).

The population was 300 directors, top management staff and human resources managers of six selected deposit money banks in Lagos State Nigeria. A sample size of 261 was found usable. Purposive sampling was adopted. A validated questionnaire was used to collect data. Cronbach’s alpha reliability coefficients for the constructs ranged from 0.76 to 0.88. The response rate was 87.0%. Data were analyzed using descriptive and inferential statistics. The principal factors investigated were measured on a six-point scale with anchors ranging from Very High (VH) to Very Low (VL) = 1, for the independent and dependent variables respectively. Multiple regression equation developed along the dependent and independent. Thus, the models can be represented as follows:

Functional Model

Y = f (X)

Y = Dependent Variable

X = Independent Variable

Y = Service Innovation (SI)

X = Strategic Human Resource Management (SHRM)

X = (x1, x2, x3, x4) Where;

x1 = Capacity Building (CB)

x2 = Performance Management (PM) x3 = Employee Motivation (EM)
x4 = Participative Decision Making (PDM)

Y = (SI)

Where;

Y= Service Innovation (SI)

Functional Relationship (Fn.)

Y = f(x1, x2, x3, x4)

$Y = \beta 0 + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \varepsilon i$ ---------------------- Eqn1

β0 = constant of the equation or constant term, β1 = estimated Parameters, μ = Error or stochastic term and the apriori expectations are that with a p value of < 0.05; the hypotheses will be rejected.

IV. Presentation of Results and Interpretations

Demographic presentations of data findings from the questionnaire survey revealed the researcher distributed 300 copies of questionnaire to directors, top management staff and human resources managers of the selected deposit money banks in Lagos State Nigeria: First Bank of Nigeria; United Bank for Africa Plc; Zenith Bank Plc; Ecobank Nigeria Plc; Sterling Bank Plc; and Wema Bank Plc. From these, 261 of them were dully filled and returned to the researcher. This formed 87% of the targeted respondents hence the return rate. However, the main hypothesis of the study which states that Strategic human resource management dimensions have no significant effect on service innovation of the selected deposit money banks in Lagos State, Nigeria was subjected to a multiple regression analysis and the results are presented in Table 1

Table 1: Summary Results of Multiple Regression Analysis of Strategic Human Resource Management Dimensions on Service Innovation of the selected deposit money banks in Lagos state, Nigeria.

Model	*B*	*T*	*Sig.*	*F*(4,256)	R^2	Adj. R^2	F(Sig)
(Constant)	3.054	1.546	0.123	23.120	0.265	0.254	0.000
Capacity Building	0.043	0.425	0.671				
Performance Management	0.142	2.164	0.031				
Employee Motivation	0.038	0.573	0.567				
Participative Decision Making	0.582	4.990	0.000				

a. Dependent Variable: Service Innovation

b. Predictors: (Constant), Participative Decision Making, Performance Management, Capacity Building, Employee Motivation

Source: Researcher's Field Survey Data (2020)

Table 1 presents the multiple regression results for the effect Strategic human resource management dimensions (capacity building, performance management, employee motivation and participative decision making) on service innovation of the selected deposit money banks in Lagos state, Nigeria. The results revealed that performance management ($B = 0.142$, $t = 2.164$, p

= 0.031<0.05) and participative decision making (*B* = 0.582, *t* = 4.990, *p* = 0.000<0.05) have positive and significant effects on service innovation of the selected deposit money banks in Lagos state, Nigeria. While capacity building (*B* = 0.043, *t* = 0.425, *p* = 0.671>0.05) and employee motivation (*B* = 0.038, *t* = 0.573, *p* = 0.567>0.05) have positive but insignificant effect on service innovation of the selected deposit money banks. This implies that performance management and participative decision making are significant predictors of service innovation of the selected deposit money banks in Lagos State.

The results further reveal that strategic human resource management dimensions (capacity building, performance management, employee motivation and participative decision making) explained 25.4% of the changes or variation in service innovation of the selected deposit money banks in Lagos state (*Adj.* R^2 = 0.254). However, the model did not explain 74.6% of the variation in service innovation of the selected deposit money banks, implying that there are other factors associated with service innovation of the selected Money deposit banks in Lagos State were not captured in the model. This concurs with Graham and Coffman (2012) that *R-squared* is always between 0 and 100%: 0% indicates that the model explains none of the variability of the response data around its mean and 100% indicates that the model explains the variability of the response data around its mean. In general, the higher the *R-squared*, the better the model fits the data.

The *adjusted R square* was slightly lower than the *R-square* which implied that the regression model may be over fitted by including too many independent variables. This indicated that the set of independent variables were important factors that need to be enhanced to service innovation of the selected Money deposit banks in the study area. Also, the results of Analysis of Variance (ANOVA) for regression coefficients used to test the significance of the overall regression model revealed F ratio of 23.120 with p-value of 0.000 which was less than 0.05 [$F(4,256)$ = 23.120, p= 0.000]. This shows that the overall model was significant in predicting the effect of Strategic human resource management dimensions on service innovation of the selected Money deposit banks. This means that at least one of the Strategic human resource management dimensions has an effect on the service innovation of the selected Money deposit banks in Lagos state.

In coming up with the final regression model to predict service innovation of the selected Money deposit banks in Lagos state, the Strategic human resource management dimensions which are statistically significant were retained in the model while variable(s) not statistically significant are excluded (has no predictive power). The multiple regression model from the results is thus expressed as:

SI = 3.054 + 0.142PM + 0.582PDM ……………………… Eq. (i)

Where:

SI = Service innovation

PM = Performance Management

PDM = Participative Decision Making

From the above regression equation above, it was revealed that holding performance management and participative decision-making constant (at zero), service innovation of the selected deposit money banks will be 3.054. This implies that if performance management and participative decision-making take on the values of zero (do not exist), there would be 3.054 times level of repetition of the service innovation of the selected deposit money banks in Lagos state, Nigeria. The model shows that a unit change in performance management and participative decision making respectively will leads to 0.142 and 0.582 unit changes in service innovation of the selected Money deposit banks. The results reveal that participative decision making (B = 0.582, t = 4.990, p = 0.000<0.05) was the most significant predictor (among Strategic human resource management dimensions) of service innovation of the selected Money deposit banks while performance management was the least significant predictor of service innovation of the selected Money deposit banks in Lagos state Nigeria (B = 0.142, t = 2.164, p = 0.000<0.05). Since some of the regression coefficients were significant at 5% significance level as indicated in Table 1, the null hypothesis was rejected. Therefore, the null hypothesis one (H01) which states that strategic human resource management dimensions have no significant effect on service innovation of the selected deposit money banks in Lagos State, Nigeria is hereby rejected.

V. Discussion

The first objective was to evaluate the effect of strategic human resource management dimensions on service innovation of the selected deposit money banks in Lagos State, Nigeria. The result of the multiple regression analysis provided an overall significance view. The combination of the independent variables was significant in predicting service innovation of selected deposit money banks. In other words, performance management and participative decision making have statistically significant combined effect as the independent variables and were significant in predicting the effect of strategic human resource management dimensions on the dependent variable - service innovation. It further showed that a unit increase in performance management and participative decision making of the selected banks by 0.142 and 0.582 respectively will bring about a corresponding increase in service innovation. Strategic human resource management dimensions have statistically significant combined effect on service innovation of the selected deposit money banks in Lagos State, Nigeria.

The results of this study are in congruence with the findings of earlier scholars like Vui-Yee (2015), Sanchez, Marin, & Morales (2015), Duade (2011), and Mabrouk and Mamoghli (2010). Vui-Yee (2015) confirmed a strong positive relationship between strategic human resource management and service innovation of Private and Public Limited Companies in Malaysia. The finding also revealed that SHRM practices mediate the interaction of business strategy and employee outcomes. Furthermore, the impacts of business strategy and HRM practices on employee outcomes in public limited companies are only slightly different from the ones implemented in private limited companies. The findings are also in agreement with those of Sanchez, Marin, & Morales (2015) that established that knowledge management strategies positively influence firm performance through certain high performance work practices - selective staffing, intensive training, active participation, comprehensive performance appraisal, and performance-based compensation. Thus, highlighting the mediating role of human resource management in this relationship and the Need to align human resource practices with organisational strategies.

Similarly, the agrees with a study by Duade (2011) that found that strategic human resource management influenced banks service innovation, employee’s performance, customer’s satisfaction and improvement in banks profitability. Mabrouk and Mamoghli (2010) in their study established that first mover initiative in service innovation improves profitability while process initiative has a positive effect on profitability and efficiency. Banks that imitate are less profitable and less efficient than first movers. However, the finding is not in agreement with those of Muthoni (2013) whose results indicate that the relationship between new product and financial performance is insignificant. Results reveal that operations process and system innovation is statistically significant in explaining return on assets of insurance companies.

The findings of this research work give credence to the theoretical assumption of both the Resources Based View and Dynamic Capability Theory. They both emphasize combination of resources and capabilities can engender the growth in advantages which consequently leads to superiority above competitors. This would reflect in several innovative performances like service innovation.

VI. Conclusion and Recommendations

Considering the above findings, this study concluded that there was statistically significant effect of strategic human resource management dimensions (capacity building, performance management, employee motivation and participative decision making) on service innovation of selected deposit money banks in Lagos State, Nigeria. Theoretically, the outcome of this study is in line with resource based theory and dynamic capabilities theory which are the baseline theories for this study. These theories were selected to guide this study variables because their perspectives are tied to the focus of the study and the variables under investigation. This study proposed appropriate HRM strategies, policies, processes, programmes and practices and the possible outcomes in bank settings. It also provide insights into adopting the “best fit” practices as strategic response for banks in the near future. The study also to add to the knowledge of SHRM concepts in the Nigerian corporate world and serve as reference for future studies.

The findings of this research provided useful insight for the government agencies with regards to formulating policies and taking the appropriate measures toward designing strategies for improving deposit money banks operations and overall performance of players in the banking industry. However, the study recommends that deposit money banks should key in to the enormous benefits of adopting strategic human resource management practices as it is suggested that full employment of strategic human resource management practices in organisational management processes creates improved overall service innovativeness. To increase the overall innovative performance of deposit money banks, managers need to be intentional in adequately adopting strategic human resource management practices such as capacity building, performance management, employee motivation and participatory decision making. Therefore, deposit money banks in Nigeria should fully and continuously adopt strategic human resource management strategies so as to achieve overall innovative performance. Future researchers could carry out a comparative study of other industries and banking industry so as to observe and compare this study findings with other industries and this will enable the researcher to compare results. Future researchers could consider incorporating government policies on deposit money banks, strategic entrepreneurship, knowledge management and political and economic crisis on overall innovative performance so as to gain further insight on the study.

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