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Positioning Nigerian Banks to Compete Successfully in Global Financial Markets-The Human Capital Angle

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Abstract

Human Capital is the key asset that helps the organisation to achieve its overall objectives. Up to the year 2011, banking sector is currently in short supply of people with skill and required competence. One of the issues that gave rise to Human Capital Challenge in the banking industry is the pace of post-consolidation expansion (local and offshore), insufficient focus on professional banking qualification, difficulty in attracting and retaining the right people, and acute shortage / intense competition for skilled personnel. Another angle of the reasons being that of inadequate training interventions; frequent movement of officers due to remuneration; and emphasis on marketing skills at the expense of managerial and leadership skills. Businesses with value-adding, superior propositions tend to become profitable ventures. From corporate perspective or Banker's viewpoint, in as much as it looks to identify and implement employee cost reduction initiatives, at the same time, it also finds ways of holding on to and developing its top talent. From Personal Perspective, an articulate person prepares himself to have control over his career and earn more in the shrinking global village. Individuals position themselves for global competitiveness to gain increased job mobility and leverage against unstable political environment by acquiring internationally accredited qualifications. This can be achieved by quality education from world leading institutions, joining organizations that offer international exposure, and acquisition of internationally accredited professional certification. Companies that want to keep pace with the growth anticipated in the years to come must adjust their practices to effectively attract and retain new generation of human capital; create inclusive organisations where all employees feel valued. To enhance competitiveness the banking industry need leaders who understand both local business context and global strategy so that they can think global and act local. Forward-thinking organizations use innovative talent-management approaches to gain a competitive advantage, which help them ride out of downturn and create a strong platform for recovery and growth.

1.0 Introduction

Since 2005, nothing has excited us more, as a nation, than the vision to become one of the twenty most developed economies in the world by the year 2020. Anyone familiar with the way the world economy is structured at the moment cannot but agree that the financial services sector is very critical to the realisation of that aspiration. One major outcome of the consolidation exercise was the leverage it gave some of our financial institutions, especially banks, to venture to play active roles in global financial markets. On account of these efforts, some Nigerian banks have established presence in a number of countries in West Africa, while others now have subsidiaries in such countries like the China, US and the UK. What must be understood is that playing an active role in global financial markets goes beyond establishing physical presence. It must cover a whole range of issues around capacity, service, and governance. Given this background, therefore, positioning Nigerian banks to compete successfully in the global financial markets is both important and appropriate.

The World Bank(2009) estimates that the global economy would shrink by 1.3 per cent in 2009. True to that statement, global activities retreated everywhere, in addition to unprecedented collapse in world trade, commodity prices fell sharply. As at September 2009, the world was gradually coming out of an unprecedented financial crisis in history. The depth and breadth of the global financial crisis posed some challenges for the African economies, albeit, Nigerian economy. With global activities retreating everywhere, the demand for Nigeria's exports fell sharply and remittance flows into the country significantly reduced. On the financial side, even though Nigerian banks avoided excessive exposure to toxic assets, in contrast to their counterparts in advanced economies, private capital flows retreated with both portfolio inflows and foreign direct investment falling rapidly. Fortunately, the country had built up foreign exchange reserves which had helped cushion the effects of the shock to date.

New products, new markets and new regulatory systems have radically altered the environment in which banks operate, opening new profit opportunities but also creating risks. Among the most important of these changes, is the worldwide move towards liberalization and deregulation of the banking industry. Practically everywhere, domestic banks lost the protection of strict regulatory barriers to entry, becoming vulnerable to strong competitive pressures both from other domestic financial institutions and foreign banks. The issue of competitiveness in the banking industry has received increased attention in the recent past, due mainly to the process of globalization, liberalization and consolidation in the financial services industry, and developments in information and communication technology, which has characterised many economies around the world.

From the foregoing it can be rightly observed that we live and work in a period of rapid, all-encompassing change that is driven by a number of forces. The forces pushing and pulling the world economies to what is commonly referred to as the New Economy include: 1.Technological change, which include computerization, miniaturization and advances in information technology; 2. Globalization and increase in the inter-relatedness of the world economies, which portends greater direct and indirect competition for domestic operations, as well as expanded opportunities for learning from competitors and organizational change; 3. New management practices like economic value added, total quality management and forms of work organization like high performance work; 4. New business strategies, such as pursuing 'niche' markets and smaller more flexible production runs; 5. New financial institutions and mechanisms like universal banking, growing ownership concentration in large institutional investors and innovations in debt financing.

Consequently, there is now a consensus that human capital is central to the attainment of competitive edge at all levels. For a firm to make a difference in its industry, it must parade people with the right competencies and attitudes in its employment. This is even more so in the service industry, where people make all the difference in the performance of the firm. Human Capital is the key asset that helps the organisation to achieve its overall objectives and create superior value. Businesses with value-adding, superior propositions tend to become profitable ventures. Similarly, for a nation to take its rightful place in the world, it must invest in the management and the development of its human capital.

Human Capital is a catch-all term used to describe the practical knowledge, acquired skills and learned abilities of an individual that makes him or her potentially productive and thus equips him or her to earn an income in exchange for labour. At the level of the individual, human capital is used to describe that unique value(knowledge, skills, competencies and attitude) which people bring to the production process as human beings. At the level of a firm, human capital is often used to describe the aggregate stock of the potential of the people of the firm for life-long self development, knowledge accumulation and technological advancement that is deployed to drive institutional development. At the level of a nation human capital is the aggregate stock of the potential of the people of a country for lifelong self-long self-development, knowledge accumulation and technological advancement that is deployed to drive national development.

On the other hand, global competitiveness is often used as a concept to describe the ability of a nation to produce goods and services that meet the test of international competition, while its citizen enjoy a standard of living that is both rising and sustainable. At the individual firm or sector level, global competitiveness is a concept used to describe the sustained ability of a firm or a sector to profitably gain or maintain market share in the domestic or export market. Given the lowering of trade barriers between nations, firms are increasingly forced to raise the quality of their products and/or services, as global competition for the consumer's money severely punishes inefficiencies. The four factors of competitiveness often considered are Economic Performance; Business Efficiency; Government Efficiency; and Infrastructure.

2.0 Literature Review

Atkinson and Court(1998) state that the new economy order stresses speed, performance, flexibility, collaboration, widespread enterprise restructuring, greater job instability and insecurity and increased reliance on non-standard forms of work, which include contingent work, outsourcing and temporary employment firms; flattened management structures and truncated career ladders; weakened unions and dated industrial relations systems; the demise of the "social contract" under which workers traditionally received career advancement and training opportunities, earnings growth, employee benefits and lifetime security in exchange for their abiding commitment to a single employer; and increased labour market segmentation and widening earnings and inequality; and demographic changes. Peter Drucker (2001) identified the major demographic changes the world had witnessed in the last two decades to include: the noticeable improvement in life expectancy found in all parts of the world, the shrinking of the younger population (the aging of the baby-boom generation), the emergence of the knowledge society, the knowledge work and the knowledge worker. These changes have far-reaching implications for work and workers, as well as for the system that prepares people for work and careers. A few of the implications are: First, there is a marked premium on education and skills in the labour market, as well as rising demand for broad based workplace competencies. Current skill gaps are likely to persist due to the speed of economic change and the need for continual skill upgrading. Second, there is increased job "churning", skill obsolescence and labour market volatility, all arising from the dynamics of the new economy. This dynamism is the result of the continual creation of new technologies and jobs and the displacement of old technologies, industries and jobs. Third, individuals are responsible for arranging and financing their own skill development with the government and employers as partners. This is the result of several trends. Career ladders within firms have been reduced due to the restructuring of work, outsourcing and other business practices. At the same time, workers are increasingly moving among numerous employers over time rather than pursuing a long-term career with a single employer. Although employers are investing in workers, they are most likely under-investing in low-skilled workers.

Globalization has ensured that economies are no longer isolated. With trade liberalization; countries have further opened up their economies to further greater external influence. To this extent, there is a heavy flow of capital across economies such that whatever affects an economy domestically has a great chance of affecting a lot of other economies as we have recently seen with the current global economic crises that originated from the US and spread rapidly across the globe. Information revolution has accelerated the rise of a single global economy with information becoming accessible everywhere and economies becoming more easily integrated. Over the last few years increased level of information flow has pushed the world into a more open and interconnected global economy. This has shown the openness of the global economy and the adequacy (or) inadequacy of regulation in the financial services industry. Funds are flowing across borders at unprecedented level and for Nigeria, this could be seen in the rise in FDI to the tune of USD13.95 billion an increase of 564% over USD 2.1 billion recorded in 2004.

3.0 Issues and Challenges

Following and agreeing with the arguments of Alo(2009) and Banjo(2009), to appreciate the magnitude of the limitations of the stock of human capital available to Nigerian financial institutions we take a look at the issues and challenges of human capital development in Nigeria. This is needful because any effort to position the human capital stock of our financial institutions in Nigeria for global competitiveness must take account of the issues and challenges facing human capital development in Nigeria. These include:

Poor or inadequate Investment on Health and Education: Over the years, the percentage of our national budgets allotted to education and health had been below the minimum standards set by relevant international agencies for member countries. Beyond budgetary allocations, we are yet to get the management of these two vital sectors right in Nigeria, with incessant strikes by the leading trade unions in those sectors. This can only breed unprofessionalism and incapacity.

Poor or Inadequate Strategic Planning for our Educational System: This has manifested in different ways, including poor response to the needs of the labour market, poor manpower planning by both public and private sector employers, with attendant lack of information on their current and future skill needs in a form that could be transformed into strategic planning by the education and training institutions, inadequate practical incentives for public educational institutions to change their current orientation.

Poor Infrastructure and Weak Governance Practices in many of the educational training institutions: This is often manifested at various level of the educational system in the form of mismanagement of resources, corruption, poor remuneration, out-dated performance management system.

Poor or Weak Linkage between the town and the gown: The gap between what obtains in practice or industry and what are taught in the schools results into very limited cross fertilization of ideas between the educational institutions and the communities they are supposed to serve. Support by the private sector for educational institutions has tended to focus on the provision of lecture halls, student hostels, computers, with little attention paid to curriculum development, administrative reforms, research support and building the capacity of the faculty. This has resulted to in-breeding and the emergence of an ostrich mentality.

Massive Brain Drain of academic staff: It is no more news that academic staff of Nigerian descent emigrate from Nigeria each year in search of better conditions. The poor conditions of service and poor reward system have left our tertiary institutions of learning with acute shortage of qualified academic staff.

Inadequate supply of competent manpower in the banking sector: The banking sector is currently facing acute shortage of people with skill and required competence. The reasons for this include inadequate training interventions, frequent movement of officers due to remuneration, emphasis on marketing skills at the expense of managerial and leadership skills, pace of post-consolidation expansion (local and offshore), insufficient focus on professional banking qualification, difficulty in attracting and retaining the right people, intense competition for skilled personnel.

4.0 Positioning Human Capital for Competition in Global Financial Markets

No where are the changes defining the new economy more evident than in financial markets. They are the arena where speed of innovation, new and exotic products, and mega transactions, made possible by the latest developments in information technologies, define the rules of competition. To play successfully in such markets, therefore, Nigeria firms must build their capacities in all areas. While it is relatively easy to acquire the latest technologies, it is far more difficult to source and develop the human capital required to compete successfully in this new economy in the right number and with the speed demanded by the dynamism of those markets. Given the context described above, the task of positioning our human capital for global competition must be seen as a national one deserving urgent attention. It is a task that must be tackled at various levels and one which calls for effective partnership between the public and the private sectors of the Nigerian economy. Some of the steps we need to take urgently include:

1. Increase Funding: We must design a workforce investment system that is demand driven. Public and Private Partnership must be encouraged in the provision of educational services. More budgetary allocation must be provided urgently for education and health.

2. Adoption of Strategic Planning: More accurate forecasts and projections of supply and demand of specific skills in the different sectors of the Nigerian economy should be made by experts. Better use of statistics in educational planning should be incorporated in the mechanisms of the National planning Commission.

3. Upgrade Governance Practices in our educational Institutions: There should be managerial skills development programmes for principal officers of our tertiary institutions, total overhaul of Human Resource (HR) Management practices, mandatory train-the-trainer courses for all academic staff, greater emphasis on transparency and accountability, improved remuneration for staff of educational institutions.

4. Improved Linkages of Educational Institutions with the business world: It is very important to re-orientate the existing sabbatical leave arrangement to make for the acquisition of practical experience by academic staff. Top business executives should be sponsored to spend time on the faculty of higher institutions to impart practical knowledge to academic community and gain theoretical framework. Curriculum development and practical research in schools must be restructured to provide for the needs of the industry and supported as a matter of urgency. There is need for Faculty exchange programmes across Africa and involving African academics in the Diaspora. A total re-working of the current Student Work Experience Programmes is desirable.

5. Actively promote life-long learning, re-skilling and up-grading of the Workforce: A re-orientation of the workforce to realize that they have primary responsibility for their own growth and development is necessary. Enabling environment should be created by governments and employers to encourage continuous learning by workers. There should be appropriate incentives for multi-skilling and skill up-grades.

6. Incorporate new ways of learning, including learning technologies: It is hereby advocated that financial institutions should team up and develop facilities together and share infrastructure for learning in order to update human capital for the financial services sector. They should team up and develop standard curricula for different skill sets required in the sector and back each up with integrated certification schemes for the different specialist areas in the sector.

7. Adoption of best practices in human resource management: Adoption of best practices in human resource management by players in the Nigerian financial services sector, especially in the areas of recruitment, selection and placement; Performance Management; training and development is a sine qua non.

8. Acquisition of Internationally Acceptable Qualifications: An individual could position for global competition because of any of the following reasons: to control his career and earn more, to prepare for a career in the shrinking global village, to gain increased mobility with internationally accredited qualifications and, to leverage against unstable political environment while keeping many options open. This position can be secured through acquisition of quality education from leading institutions in chosen areas of specialization, joining organizations that offer international exposure, and obtaining internationally accredited professional certification.

9. Cooperation among firms in the use of common facilities: Cooperation should be the driver of business and companies that want to be progressive should begin to do just that. Companies can share transactional services platform, share manufacturing and distribution facilities, Airtime network alliances.

10. Adoption of revised Approach: During recruitment, selection and placement, differentiate your organisation from others and match aspirations of people consistently with the organisation's goals. Companies need to differentiate their organisations from others, reinforce employee belonging through personal recognition, focus on the critical workforce segment within the organisation, and grow own labour pipeline through career mapping and structured career development interventions.

11. Retention of Diverse Talents: To remain competitive in the face of changing demographics and a narrowing talent pool, rapid globalisation and unparalleled demand for constant and rapid change, there is need to develop diversified organisation and effectively managing it. Managing effectively a diverse organisation will out-think and outperform a homogeneous organisation every single time and this is imperative for long term success. Companies that want to drive business for the future must attract and retain diverse talent. Many talented individuals leave companies not because of pay related issue but rather because of feeling marginalised as a result of the style of leadership they encounter, which is typically characterised by an inability to effectively manage diversity and this trend cannot be solved by simply offering higher salaries. Brand innovation comes with diversity. Companies cannot expect new ideas to emerge if everyone thinks the same. Companies need to generate commitment which will take care of attraction and retention of skilled talent.

12. Purposeful leadership: There is need for leaders who understand both local business context and global strategy, which will drive for organic growth in emerging markets, cost effectiveness/efficiency drive to enhance competitiveness. The rankings from the World Bank Group *Doing Business 2010* report, covering the period June 2008 through May 2009 shows the ease of doing business Index of these countries as follows: Singapore – 1, Mauritius – 17 (1), Ghana – 92 (7), Kenya – 95 (8), South Africa – 34 (2), Botswana – 45 (3), Rwanda – 67 (5), Ethiopia – 107 (9), Uganda – 112 (11), Nigeria - 125 (13). Singapore policy makers have rightly identified that nurturing human resource is the key to attract new investment as well as to sustain its position as the most resourceful hub to conduct business. Singapore has demonstrated its commitment to revitalize its policies and resources to remain the most resourceful business hub for start-up companies as well as long established companies of all sizes. Harnessing human capital through purposeful leadership is imperative.

4.1 Benefits of Positioning Human Capital in Nigerian banks

Customers Benefits: Customers enjoy the benefits of strong competition in a deregulated banking system. Competition brings about significant savings for customers and with declining margins it helps to bring about lower interest rates. It also results in a much wider choice of providers of products and services for customers.

Bank Benefits: With enhanced human resource base in the banking industry, professionalism will be enthroned with its obvious positive effects, fraudulent practices will minimize especially the ones with insider abuse of oath of secrecy. There will be transparency in bank charges to customers, unhealthy competition will stop when ethics occupies the mind of the bankers. As capacity is adequately addressed, specialization in different areas of bank commences. Bank operators will now have the gut to regulate the regulators as they now operate the banks with clean hands. Unhealthy rivalry among the banks will stop and cohesive forces take the centre stage. The concept of ombudsman has to be there to check bankers by bankers.

Benefits to the Economy: It is a general belief in the banking circle that corrupt money was imported into the bank from corrupt public sector by corrupt public authorities and this transported corruption into the bank. With ethical revolution of human capital in banking no such money can come in without commensurate penalty. This can engender sanity into the financial management in the public sector and the economy will benefit immensely from good management of public funds.

5.0 Conclusion

In this paper, attempt has been made to show that to compete effectively in global financial markets, Nigeria needs to adopt a holistic approach for its national human capital development agenda. It is a task that calls for constructive partnership between the public and the private sectors, and between the town and the gown. High quality human capital cannot thrive unless we create the right enabling environment. Some key ingredients necessary for building competitive economies and stronger countries include: open trade; education and innovation; the rule of law, property rights, effective governance; modern infrastructure, an open and deregulated economy. All these ingredients are relevant to Nigeria and other developing nations, and they have universal application. Human Capital flight (symptomatic of an environment that is not conducive) is still a major issue. We may be losing our competitive base as long as it continues.

Notwithstanding that Nigeria implemented banking sector reforms in 2004-2006 and 2009-2011, through which some strong and well-capitalised banks emerged and helped to improve the competitiveness of Nigerian banks, managing our foreign reserves and containing inflation is still very important. It is also very obligatory on the monetary authorities to keep an eye on the health of the banking system and be prepared to act decisively to mitigate any sign of distress.

To respond to the challenges of the times meant that the monetary authorities must pursue policies and take measures that will promote the health and stability of the banking system. Such policies must encompass measures that would enhance the payment system, ensure adequate liquidity and channel credit to the productive sectors. Policy makers need to accept that nurturing our human resource is the key to attracting new investment as well as becoming the most resourceful hub to conduct business in Africa. The financial services sector, in particular, must invest in developing shared infrastructure for learning; promote the development of standard curricula and certification schemes across the broad range of skills and competencies in the sector. Unless Nigeria begins to take active steps to plan and implement these programmes, the country shall continue to play at the margin of global financial markets. In Nigeria, we have our Competitive Advantage in our numerical strength, passionate and friendly people, highly educated talent base, and countless natural endowments that need to be harnessed. This is the case for positioning human capital for global competitiveness.

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