

INFLUENCE OF HUMAN CAPITAL DEVELOPMENT ON ORGANIZATIONAL EFFECTIVENESS IN THE NIGERIA MANUFACTURING FIRM

⁽¹⁾ABIORO Matthew Adekunle * ⁽²⁾ADEWOYE Jonathan Oyerinde

⁽³⁾ONIGBINDE Isaac Oladepo ⁽⁴⁾OYETAYO Oluwatosin Juliana

*¹Department of Business Administration, Federal University of Agriculture, P.M.B. 2240, Abeokuta, Ogun State, Nigeria

E-mail: abioroma@funaab.edu.ng

²Department of Management and Accounting, Ladoko Akintola University of Technology, Ogbomosho, Oyo State, Nigeria

³Department of Business Administration & Marketing, McPherson University, Seriki Sotayo, P.M.B. 2094, Abeokuta, Ogun State, Nigeria

⁴Department of Banking and Finance, Federal University of Agriculture, P.M.B. 2240, Abeokuta, Ogun State, Nigeria

ABSTRACT

This study examines the influence of Human Capital Development on organizational effectiveness. The specific objectives were to investigate the effect of training and development, performance management system, compensation and reward on organizational effectiveness. A survey research design was used to select a sample size of three hundred and fifty-five (355) from the total working population of three thousand one hundred and ninety-five (3195) employees of Nigerian Breweries. A structured questionnaire was administered to elicit information from the respondents. In analyzing the data both descriptive and inferential statistics was adopted. The findings showed a significant effect of training and development ($R^2=0.620$; $P=0.000$); performance management ($R^2=0.084$; $P=0.000$) on organizational effectiveness; and a positive significant relationship between compensation and reward ($r=0.107$; $P < 0.05$) and organizational effectiveness. The study concludes that human capital development plays a significant role in the effectiveness and performance of any organization. The study therefore recommends that organization should adopt a very efficient performance management system to critically appraise their employees and provide timely and adequate feedback as regard their contribution to the overall organizational performance.

Keywords: Human Capital development, Compensation, Effectiveness, Performance management and Reward.

1. Introduction

The twenty-first century organizations are faced with the task of achieving the best possible results in terms of efficiency and effectiveness when it comes to products/service

delivery and profit maximization with available employees at their disposal. Hence, the concept of human capital development (HCD) has emerged as a strategy to enhance the capacity of available employees in organizations for

performance. Studies have shown that the success of an organization is highly dependent on the skills, knowledge and experience of its employees, which is a direct product of adequate human resource development capability of that particular organization (Rao, 2000; Mohammed, 2016). In recent times, world attention is being focused on the importance of human capital development as panacea to problems associated with economic growth of nations. This is due to the fact that the growth of tangible capital stock of a nation depends to a considerable degree on human capital development.

It is logical therefore to say that, without adequate investment in developing human capital which is the process of increasing knowledge, skills and the capacities of people in the country, the possibility of the growth of that nation might be minimal (Uthman, 2014). Human capital has been recognized as one of the key determinants of growth today (Okoye and Ezejiofor, 2013). According to Aswathappa (2000), human resource is perhaps the most important component of an organization. Therefore, they constitute the active agents that harness and combine other resources towards the accomplishment of organizations goals.

Consequently, organizations must have competent employees who are able to carry out assigned tasks for the purpose of attaining organizational goals. It has long been recognized that employees' competence on a job is acquired not only by formal education but also through experience gained in the work environment and through the acquisition of specific skills and knowledge on the job through training and development. The need for dynamism in the business environment and growing competition among business firms have forced companies to constantly evolve new ideas in order to succeed. To ensure sustainable relevance, firms must constantly be

innovative by evolving new procedures and products in a competitive environment. This is achievable through efficient human resource (Onuka and Ajayi, 2012).

Intellectual assets of any organization can differentiate it from others and can provide strong basis for its competitive position among competitors. In any organization, employees are considered the essential strategic asset. Therefore, employees could be a competitive advantage if their organization provides more attention and invest in developing employees' skills at the workplace (Falola, Osinbajo, and Ojo, 2014).

Therefore, organization should prioritize the development of the human element to maximize talents, skills and ability which will automatically reflect on the company's profit. Paymaster and Lyndon, (2014). identified manpower training and development as the critical variables in the performance function of organizations. This happens to be the vehicle through which the knowledge, skill, and attitudes requisite for the running of organizations are passed on to the people who make the organizations to achieve their goals. Training is a very important part of the human capital development (HCD) activity of human resource management practice.

Research have shown that one of the major challenges facing modern organizations in the twenty-first century is on how to put in place strategies to motivate and encourage their employees to get committed to organizational ideals and aspirations and also on how to translate these ideals and aspirations into enhanced productivity of the workforce and the organization (Gberevbie, 2012). Where manpower resource development of an organization is not given the appropriate attention, the implication could be poor organizational performance and poor corporate image. Therefore, the question of whether

human capital development improves or worsen organizational effectiveness is still worthy of further research. Also the specific objectives of this study is to investigate the effect of training and development, performance management system and compensation & reward as variables of HCD on the effectiveness of organization.

Research Hypotheses

The following hypotheses were stated in a null form. These are:

Hypothesis I

Ho: Training and development has no significant effect on organizational effectiveness.

Hypothesis II

Ho: Performance management system has no significant effect on organizational effectiveness

Hypothesis III

Ho: Compensation and reward has no significant relationship with organizational effectiveness

2. Review of Literature

2.1 Theoretical Framework

There have been various theories propounded to explain the relevance of human capital development. However, this research will be anchored on social learning, reinforcement and human capital theory respectively.

2.1.1 Social Learning Theory

In social learning theory, employees acquire new skills and knowledge by observing other members of staff whom they have confidence in and as well believe to be credible and more knowledgeable (Abdul and Aamer, 2011). The theory posited that training and learning is influenced by person's self-efficacy and his ability to successfully learn new skills which can be influenced by encouragement, oral persuasion,

logical confirmation, and observation of others.

2.1.2 Reinforcement Theory

Reinforcement theory believed that training is a strategic tool to make job interesting to the workers and it provides the avenue for the employees to improve themselves for optimal performance which can culminate to promoting employees for outstanding performance, innovation, creativity as a result of training attended.

2.1.3 Human Capital theory

The Human Capital Theory refers to the aggregate stock of competences, knowledge, social and personal attributes embodied in the ability to create intrinsic and measurable economic value. The basic concept of human capital theory is that investments in individuals can be mathematically measured based on the economic value they are able to contribute to the society. It allows individuals to calculate the expected future returns of an investment in education. In addition, human capital theory's utility allows individuals to quantify the value of their intangible assets such as education and social status.

2.2 Conceptual Framework

Human resource refers to as human capital for utilization, harnessing, development and direction of a nation's objective. It is also all about the formation of values and attitude. Therefore, human capital development is a universal norm and not a view concept. Furthermore, "human resource" means the power of human physical strength. Also, it refers to power in terms of the workers availability to a particular group or required for a particular task in any organization, be it educational, service or industrial organization.

Human capital development (HCD) plays a vital role in relation to organizational

effectiveness. This is because everything that needs to be conducted is run by the human resources in the hope to achieve optimal results according to organizational goals as collective team efforts between employees and their employers. HCD is a series of activities that support behavioral change and learning opportunities for employees (Akram, Ungku, and Khalid, 2016). HCD activities aim to develop employee skills and resilience to the current and future demands of the organization. The overall objective of HCD activities is to achieve high performance. Akram, et al (2016) provides for specific examples of development activities to include training and development, feedback and appraisal, career planning and development, and change management. The foregoing implies that there is a relationship between HCD capability of an organization and higher productivity of the employees of that particular organization.

2.2.3 Concept of Training and development

Training and Development basically deals with the acquisition of understanding, know-how, techniques and practices. In fact, training and development is one of the imperatives of human resource management as it can improve performance at individual, collegial and organizational levels. As the process of increasing one's capacity to take action, organizations are now increasingly becoming particular with organizational learning and therefore collective development. According to Nicole (2015), training and development is beneficial not just for the organization itself but also to the individual employees. On the one hand, training and development leads to improved profitability and produce more positive attitudes toward profit orientation, improves the job knowledge and skills at

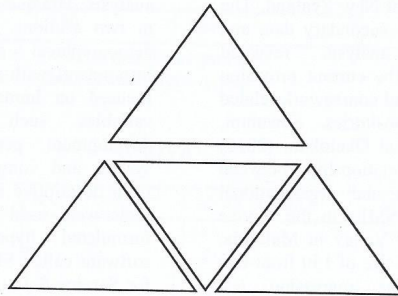
all levels of the organization, improves the morale of the workforce and helps the employees identify with organizational goals. On the other hand, training and development benefits individual employees through helping them make better decisions and effective problem solving, assisting in encouraging and achieving self-development and self-confidence, helping an employee to person handle stress, tension, frustration, and conflict, increasing job satisfaction and recognition and moving the person toward personal goals while improving interaction skills. Training is requisite to enhancing workers capability, reasoning faculty and competence which will improve organizational performance and as well help in gaining competitive edge (Aborampah and Darkwa, 2016). Training and development *increases* employees' efficiencies, innovation, invention, capacity to accept new technologies and techniques. It is important to note that organizations must be able to identify the needs for training and development and select techniques suitable for these needs, plan how to implement them and thereafter evaluate the outcome (Ejiofor and Mbachu, 2001).

2.2.3.2 The Need for Human Capital Development

The importance of human capital development in nation growth has been extensively discussed and demonstrated by outstanding scholars all over the worlds. Wehelmina, (2015) is of the view that human resources are not capital, neither are they income nor material resources that constitutes the ultimate basis for the wealth of a nation. Capital and natural resources are passive factors of production; human beings are the active agents who accumulate wealth, exploit material resources, build socio-economic and political organization and carry out national development. Highly skilled human resources are pre-requisite for overall economic and national

development. Huselid, (1995) further opined that security of qualified personnel has impeded the economic growth and development in Nigeria. The overriding importance of human capital development without which we overcome the continuing shortage of trained people as we strive to throw off the bonds of economic backwardness and seek to achieve the socio-economic objective of

our national development plan. In all economic activities, human effort is necessary to work machines, milk cows, harvest crops, load a van, sell goods, and keep accounts and so on. This human effort which is vital to production is called labour. It can be manual (working with one's hand or it can be mental labour using head or brain).



Source: Authors (2019)

Fig.1:Researcher Conceptual Model

2.3 Empirical Framework

Kaplan and Norton, (2001) investigated employee perceived training effectiveness and its relationship with employee attitudes in five large companies in Greece. They used 134 employees for the study and the multiple regression and Spearman correlation tests revealed that training influenced employees' commitment, job satisfaction and motivation in different industries. They also found that commitment, job satisfaction and motivation were highly correlated. Gamage and Imbulana (2013) also examined training and development and performance of employees in the Sri Lankan telecommunication industry. Based on 226 employees, the correlation tests showed that training and development propelled employees to increase production in the telecommunication company. In the same

vein, training and development affected employees' punctuality, absenteeism and satisfaction.

In a related development, Onuka and Ajayi (2012) studied the effects of manpower development on workers' job performance. One hundred Cadbury employees in Nigeria were interviewed and the Pearson correlation tests found that manpower development affected the company employees' productivity and organizational performance in terms of profitability. In addition, training and development affected employees' efficiency and effectiveness. Ekhsan and Othman (2009) researched on recruitment and selection and training/development practices in two Japanese electronics companies in Malaysia. The study was based on 29 employees and the descriptive statistics indicated that training and development led to overall organizational effectiveness. Also, the

companies placed much premium on applicants and organizational fit in recruiting and selecting people. Baek and Kim, (2014) studied five district councils in Ethiopia and with a sample size of 100 employees, the Pearson correlation and linear regression tests showed that training and development influenced employment performance.

Deadrick and Gardner, (1997) examined training needs of repository staff in Australia and New Zealand. The study was based on secondary data and the qualitative analysis revealed significant gaps in the current provision of formal training and coursework related to institutional repositories. Sowunmi, Eleyowo, Salako, and Oketokun, (2015) investigated the relationship between training approaches and organizational performance in 10 SMEs in the service sector in the Klang Valley in Malaysia. They used a sample size of 150 front-line employees and the regression test indicated that both formal and informal training methods influenced employees' performance. However, based on the above assertions, this study intends to expand the frontiers of knowledge by evaluating the influence of human capital development vis-à-vis organizational effectiveness in the Nigeria manufacturing sector of the economy.

3. Methodology

The focus of this present study is on Nigerian Brewery, Iganmu, Lagos State. A descriptive design was adopted; this assist to facilitate the collection of primary data through the design of questionnaires that was used to elicit data from the respondents. However, three hundred and fifty-five (355) close ended questionnaires were administered to the respondents, out of which two hundred and fifty-eight (258) were found useful for the analysis. The questionnaire was structured in two sections. Section A focused on demographical characteristics of the respondents with six questions, Section B focused on human capital development variables such as; training and development, performance management system and compensation and rewards. Both descriptive and inferential statistical tools were used in the analyses of the formulated hypotheses. A statistical software called SPSS (Statistical Package for Service Solution) was used to analyze the data.

Analysis of Questionnaire

A total number of 355 structured questionnaires were distributed among the respondents, out of which two hundred and fifty-eight (258) were appropriately filled and returned. Given this, it implies that approximately 72.7% of the administered questionnaires were retrieved. The tabular presentation of the questionnaire analysis is given below;

Table 1 Analysis of Response Rate

Questionnaires	Nigerian Breweries	Percentage (%)
Returned	258	72.7
Not returned	97	27.3
Total distributed	355	100

Source: Field Survey, 2019

4. Test of Hypotheses and Discussion of Results

Correlation and regression analysis were used to measure the effect and relationship of independent variables and dependent variable of hypotheses 1, 2 and 3.

Hypothesis One

H₀: Training and development has no significant effect on organizational effectiveness

Table 2a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.038 ^a	.620	.134	1.84866

- a. Predictors: (Constant), Training and development
- b. Dependent variable: Organizational effectiveness

Table 2b ANOVA^a

Sum of Squares	Df	Mean Square	F
.845	1	.845	1.247
591.235	173	3.418	
592.080	174		

- a. Predictors: (Constant), Training and development
- b. Dependent variable: Organizational Effectiveness

Table 2c Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	8.535	.454		18.817	.000
Training and Development	.130	.061	.038	.497	.620

- a. Dependent Variable: Organizational effectiveness

Interpretation of result

The result from table (2a-c) explain the results of the regression analysis. The analysis revealed that there is a significant effect of training and development and organizational effectiveness; ($R^2=0.620$, Adjusted $R^2= 0.134$, $P=0.000$). These indicates that of the variation in organizational effectiveness, training and

development accounted for 3.8%. Also, the F-values statistics (1.247) shows that the overall equation is significant at (Sig. level=0.000; $P< 0.05$). Therefore, the null hypothesis (H_0) which state that there is no significant effect of training and development on organizational effectiveness is hereby rejected and the alternative accepted.

Hypothesis Two

H₀: Performance management system has no significant effect on Organizational effectiveness

Table 3a Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.290 ^a	.084	.079	2.02081

- a. Predictors: (Constant), Performance management.
- b. Dependent Variable: Organizational effectiveness

Table 3b ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	64.633	1	64.633	15.827	.000 ^b
	Residual	706.476	173	4.084		
Total		771.109	174			

- a. Predictors: (Constant), Performance Management
- b. Dependent Variable: Organizational effectiveness.

Table 3c Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	5.501	.496		11.095	.000
Performance Management				3.978	
1	.265	.067	.290		.000

- a. Dependent Variable: Organizational effectiveness.

Interpretation of result

The result from table (3a-c) explain the results of the regression analysis. The analysis revealed that there is a significant effect of Performance management on organizational effectiveness; ($R^2=0.084$, Adjusted $R^2= 0.079$, $P=0.000$). These indicates that of the variation in organizational effectiveness, performance

management accounted for 29.0%. Also, the F-values statistics (15.827) shows that the overall equation is significant at (Sig. level=0.000; $P< 0.05$). Therefore, the null hypothesis (H_0) which state that there is no significant effect of performance management on organizational effectiveness is hereby accepted and the alternative accepted.

Hypothesis Three

H0: Compensation and reward has no significant relationship with organizational effectiveness.

Table 4 Correlations

		Compensation and Reward	Organizational Effectiveness
Compensation and Reward	Pearson Correlation	1	.107
	Sig. (2-tailed)		.000
	N		258
Organizational Effectiveness	Pearson Correlation	.107	1
	Sig. (2-tailed)	.000	
	N	258	258

** . Correlation is significant at the 0.01 level (2-tailed).

Interpretation of result

Pearson correlation value of hypothesis is 0.107 (10.7%). It shows that there is Weak positive relationship between the dependent and independent variables with r value of 0.107 which is greater than 0.01 (1%). Hence, it is concluded that there is a significant relationship between compensation and reward and organizational effectiveness. Therefore, the decision would be to reject the null hypothesis (H₀), which state that, there is no significant relationship between Compensation and Reward and Organizational effectiveness and accept the alternative hypothesis.

5.2 Conclusion

This study examines the influence of human capital development on organizational effectiveness. Findings

5.3 Recommendations

From the conclusion above, given the positive and significant influence of human capital development on

from the study reveals that all the three variables which represent human capital development (training and development, performance management and compensation and rewards) play a significant role in the development of an individual which can translate into a performing and effective organization. The result further shows that training and development, performance management and compensation and rewards is a veritable tool that can be adopted by enterprises to achieve increase in employees' productivity and commitment. The study concludes that, given the responses from sampled workers from the company, there is need to invest more in human capital development most especially in the area of training (on-the-job and off-the-job) in order to achieve both employees and ultimately the organizational stated goals and objective.

organizational development in the manufacturing sector, taking Nigerian Breweries as a case study, the below recommendations were made as follows;

- i. appropriate measures should be put in place by manufacturing industries to organize necessary, efficient and productive on-the-job and off-the-job trainings for their employees as this has proven to boost innovation and creativity in employees, leading to an increase in organizational productivity.
- ii. organizations and firms should adopt a very efficient performance management system to critically appraise their employees and provide timely and adequate feedback on their performance and contribution to the overall organizational performance as this helps in motivating the workers to work harder and better in order to improve on their performance.
- iii. organization needs to put in place an efficient compensation and reward system that is solely based on merit and employees' performance. When adequately rewarded for their performances, employees are well motivated to do their job and increase their performance, thereby raising organizational effectiveness.

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