

## Human Capital Development and Organizational Performance in the Food, Beverage and Tobacco Industry in Lagos State, Nigeria

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### Abstract

*The role of human capital in the transformation of material resources into finished goods and services cannot be overemphasised considering its significant importance in any productive organisation. As important as human capital is in the transformation process, inadequate training and development have over time rendered this objective impossible with severe effect on the organisational performance level. This situation has become more worrisome in the Nigerian Food, Beverage and Tobacco industry. The present study focused on human capital development and organisational performance in the Food, Beverage and Tobacco Industry in Lagos State, Nigeria. Total copies of two hundred and seventy-six (276) returned questionnaire was used for data analyses. A stratified random sampling technique on the basis of the respondents' job classification in each of the seven companies was used to administer the research questionnaire. The study used Pearson coefficient of correlation to test the research hypothesis. The coefficient of correlation indicated there is a significant relationship between human capital development and organisational performance with 0.000 value at 0.001 percent (2 tailed). The study concluded that human capital development may improve the performance of the seven manufacturing companies investigated. The study, thus, recommended that human capital development should be accorded a premium place in the upgrading of people skills, knowledge and abilities particularly when it comes to preparing and grooming people for the present and future roles in an organisation.*

Keywords: Human capital, Human Capital Development, Training, Development, Organisational Performance, Manufacturing Companies.

### 1.0 Introduction

Human capital remains an important factor in the productivity function of an organisation (Schultz, 1961; Becker, 1962) and recently, being identified as a factor influencing competitiveness among firms (Bartel, 1989; Senker and Brady, 1989; Howell & Wolff, 1991; Prais, 1995). The development of modern ideas about human capital could be traced to the work of Theodore Schultz and Gary Becker. Becker (1964) used the terms 'general' and 'specific' human capital (Becker, 1964). Importantly, human capital has been theoretically and empirically linked to organisational performance (Seleim, Ashour & Bontis, 2007).

According to Coleman (1988), human capital refers to the individuals' knowledge, skills and abilities that are needed for changes in economic growth. Such individuals' knowledge, skills and abilities can be secured through a formal training and education. Rodrigues, Dorrego & Jardon, (2010) also classified human capital in form of competencies such as skills and technical-know-how available in an economy. Noudhaug (1998) established that human capital influences performance in any economy system.

Human capital development is the process of helping people to acquire expertise. In an organisational context, it is the process by which the organisations help their employees to acquire knowledge, skills and abilities through continuous and deliberately planned processes with the aim of performing various tasks associated with their present or expected future roles (Mueller, 1982).

Similarly, Harbison and Myers (1964) define human resource development as a process of increasing knowledge, skills and capacities of the people in a society. In this study, human resource development and employees' training and development are used interchangeably.

Although, several studies have attempted to show a link between human capital (resource) development and organisational performance but due to a number of methodological reasons, the weight of evidence is beginning to look more compelling (Stiles & Kulvisaechana, 2003). In spite of this, research has also established that there is a significant relationship between human capital development and organisational performance but in different dimensions (Education and economic growth, (Hanushek & Kimko, 2000; Psacharopoulos, 1973); productivity (Denison, 1967, 1962) and earnings growth (Becker, 1964; Schultz, 1971).

The significant importance of human capital in the growth and development of any nation cannot be over-emphasised (Becker, 1964; Harbison and Myers, 1964). Also, it has been proved in the literature that human capital is a critical factor to the success of any organisation either for-the-profit and non-for-the profit making (Noudhaug, 1998; Choudhury & Nayak, 2011). However, the present state of human capital development in some of the manufacturing companies in Nigeria is very pathetic and calls for further research (Dawodu, 2016).

According to Dawodu (1998), the relationship between human resource development and organisational performance has been proved to be positive in the Nigerian banking industry. The implication of this is that training and development may assist an organisation in achieving better results. Several other studies have also established the significant contribution of training and development to the organisational performance (Bassi & McMurrer, 2007; Armstrong, 2004). Whereas, Garavan (1997) admits that employees' pre-training is very important for effective performance while Partlow (1996) stresses that trained employees do perform better as compared to untrained one. As a matter of necessity, it is very necessary for an organisation to give their employees adequate training and development programme in order for them to achieve their goals in a better way (Kaynak, 2003; Flynn, Schroeder & Sakakibara, 1995). It is in line with the above-stated problem analysis; the main objective of the present study is to investigate whether there is a relationship between human capital development and organisational performance in Food, Beverage and Tobacco industry in Lagos State, Nigeria.

The study was however guided by one main research question and hypothesis:

H<sub>a</sub> Is there any significant relationship between human capital development and organisational performance?

One research hypothesis was also formulated for statistical verification:

H<sub>0</sub> There is no significant relationship between human capital development and organisational performance.

## **2.0 Theoretical Framework**

### **2.1 Human Capital Development Theory**

Human capital theory can be traced to Friedman's neoclassical ideas of 1976 as well as the influential Chicago School approach to economics. Human capital theory core elements were developed by contributors such as Shultz, Mincer, and Becker (1992). Shultz, et al, (1992) extend the discussion in economics to human behaviour. Friedman (1976) argues that investment on education and training are the most relevant contributions that can be expended on any people. The main proposition of human capital theory according to Friedman, is that the more education acquired the more pecuniary and or non-pecuniary returns. Such returns may be present at distinct levels of (a) individual (i.e., performance), (b) organisation (i.e., productivity/profit), and (c) national (i.e., quality products and services). The key emphasis according to Shultz, et al (1992) is that, if human resource is heavily invested on in terms of training, retraining and management development, the probability of achieving the best from such an individual is very high.

In another perspective, human capital theory also postulates that some labour is more productive than the other as result of more resources that have been invested into their training (Mueller, 1982). One of the key tenets of the human capital theory is that like any other business investments, an investment in skill-building

would be more profitable and likely to take a longer period over which the returns from such investment can be accrued (Mueller, 1982, p. 94).

Studies have shown that investments in human capital including training, retraining and development positively influenced organisational performance (Kraiger, McLinden & Casper, 2004). As result, training and development will continue to be a valued component in the modern-day management of human resources (Patlow, 1996).

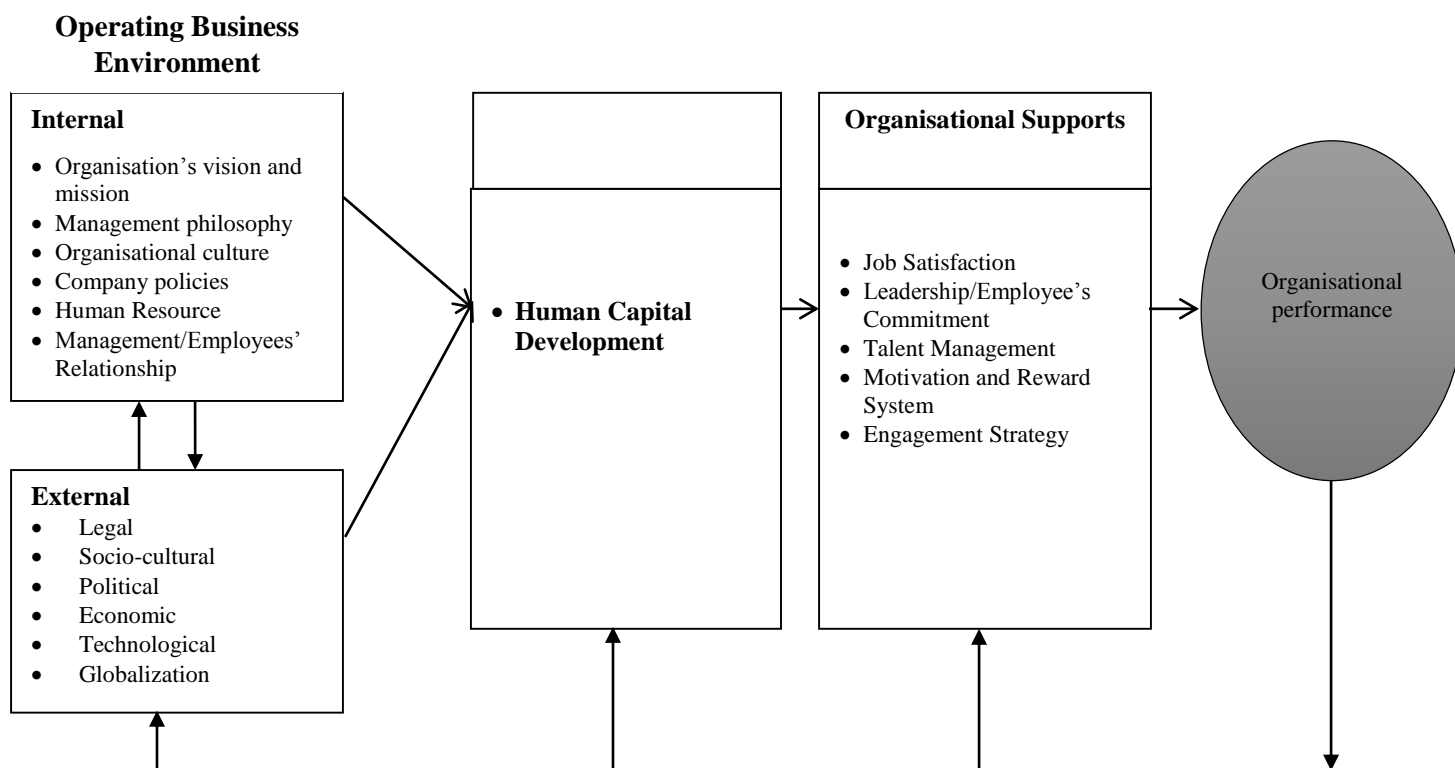
## 2.2 Fredrick Taylor Scientific Theory (1911)

Scientific management theory was developed by Sir Fredrick Taylor in 1911. Taylor's scientific management theory analysed and synthesizes workflow system in an organisation. The main objective of scientific management theory is the improvement of economic efficiency, especially, the labour productivity.

Among the key assumptions of scientific management theory are the minimization of wastage, scientific selection and scientific training of workers. Taylor might have realized that a well-trained worker would add better value to an organisation in terms of performance as well as a reduction in material wastage. Thus, he emphasised on the need for scientific training of employees in the workplace. Based on Taylor (1911) scientific management theory and in line with the present study objective, employees' training and development need to be accorded a top priority in the organisation in order to improve the skills, abilities and attitude of the workforce which will therefore make them positive contributors to the achievement of the set goals.

## 2.3 Study Conceptual Framework

**Figure 2.1:** Conceptual Framework Showing Relationships between the Business Environment, Human Capital Development, Organisational Supports and Organisational Performance.



**Source:** Dawodu, A. A. (2016)

As shown in figure 2.1 above, human capital development and organisational performance are the central themes in the study conceptual framework. Human capital development is the independent variable which

contributed significantly to determining the effectiveness of employees' training and development programme in an organisation. Organisational performance, on the other hand, is the dependent variable. In this study, organisational performance was measured using firm's sales turnover, sales growth, profitability, and operational efficiency.

#### **2.4 Literature Review**

The influence of human capital management on organisational performance was investigated by Ajisafe, Orifa, and Balogun (2015). The study interviewed sixty-two senior employees from five banks out of the twelve commercial banks in Ondo town in Nigeria. The independent variables included work process, access to materials, selection procedure, promotion, training/development opportunities, leadership behaviour and operational procedure while the dependent variable was performance measured using profitability. The result arising from their analysis revealed that human capital management has a significant and positive influence on organisational performance. The study recommended that training and development programmes should be prioritized in the banking industry and that bank workers should be encouraged to develop their careers in order to guarantee their job security. Based on Ajisafe et.al (2015), it can be adequately established that if employees' training and development is properly design and implement in an organisation, it may likely influence organisational performance positively.

In another study, Mba and Tonye (2014) investigated human resource development and organisational performance in Nigerian Liquefied Natural Gas Company Limited (NLNG). The study used a descriptive research design to sample the opinion of 370 respondents using Yamane (1964) to determine the sample size. The study operationalised human resource development practices to include training, development and employees' motivation/commitment while the organisational performance was measured using individual employee's contributions to overall job performance. The study in the end found that the practice of training and development in (NLNG) provide their employees with greater intrinsic rewards other than the traditional human resource development tools. The study further revealed that there is a significant relationship between human resource development practices (i.e., training and development). In addition, increased employees' motivation and commitment also helped the organisation to continue to meet its set objectives.

Obisi and Anyim (2012) examined the importance of strategic human resource development to sustainable economic growth. They argued that despite several economic reforms programs embarked on by the Nigeria government, few successes were recorded owing to the nation's poor attitude towards the training and development of its citizens. The study further established that strategic importance of human resource development cannot be overemphasised especially in a situation where there is a need for meaningful change.

Similarly, Dawodu (1998) investigated the impact of training and development in Nigerian banking industry using First Bank of Nigeria Plc as a reference. A sample size of one hundred and twenty-five respondents which cut across all cadres of employees at the bank headquarters office in Lagos, Nigeria were surveyed to determine the influence of training and development programmes on the bank performance. Chi-square statistical method were used to analyse the data and the result showed that effective training of employees as well as continuous development activities may contribute to effectiveness and efficiency on their employees with a positive implication on the bank performance.

Dawodu (2011) further established that one of the solutions to the global economic meltdown in the year 2007 and 2009 was the massive investment on employees' training, retraining and development. Accordingly, the study avers that despite series of downsizing, rightsizing and restructuring embarked upon by many organisations during and after the economic meltdown, one established fact is that only human resource was able to proffers lasting solutions to some of the aftermath problems created. By implication, this to a large extent suggests that the role of human capital in proffering solution to the organisational challenges including financial, material or technical cannot be underestimated. This, therefore, implies that human capital development apart from being a key predictor of organisational performance must also remain as a continuous exercise in the organisation.

In another research, Hill and Lent (2006); Satterfield and Hughes (2007) also inferred that training and development programmes lead to improved job performance and other positive changes (e.g., acquisition of new skills); it also improves organisational performance (Kraiger, 2002). Barber (2004) study also found that on-the-job-training leads to greater innovation and tacit skills that result in a positive performance. Skill upgrading within informal training from the Indian auto mechanic was investigated by Barber (2004). The study measured performance using skills acquisition and innovativeness. In the end, the result showed that relationship between training and firm's performance was highly significant.

### 3.0 Methods.

#### 3.1 Research Design

In this study, the researcher adopts the descriptive design using a survey method. According to Kellinger (1986) and Bordens and Abbot (2002), the reason for adopting a survey design is because of its use which enables the researcher to collect more information from a representative sample of a large population.

#### 3.2 Population of the Study, Sample Size and Sampling Procedures

The population of this study is three thousand, one hundred and fifty (3150) employees of the seven (7) manufacturing companies in the Food, Beverage and Tobacco industry operating in Lagos State, Nigeria. Out of the population of three thousand, one hundred and fifty (3150) employees, a sample size of three hundred and ninety (390) respondents from the seven (7) manufacturing companies which represent 13 percent of the total population were used for the study. De Vaus (1996) posits that a sample size should be a minimum of 10 percent of the total population. The choice of this number was informed by the researcher's effort in retrieving as many copies of the questionnaire from the respondents. The stratified randomised sampling method was employed since the topic under study cut across all categories of employees in these organisations. In addition, Darehzereshki (2013) supports the population of the study and sample size.

#### 3.3 Validity and Reliability of the Research Instruments

According to Cronbach (1951), the reliability test of an instrument must at least be 70 percent and above for it to be acceptable for use for the measurement of internal consistency of the research instrument scale. In line with Cronbach (1951), the reliability and validity coefficient for human capital development and organisational performance which is 0.81 indicating that the research instrument used in the study is fit to measures what it is meant to measured.

#### 3.4 Methods of Data Analysis

The demography of the study respondents was presented in simple frequency distribution tables. Descriptive statistics such as frequency count and percentage were used to measure demographic characteristics of respondents as well as the analysis of the individual response to research questions. The data were processed and analysed with the aid of Statistical Package for the Social Sciences (SPSS) version 17.

### 4.0 Results and Discussion

This part of the study centered on the results of surveys including the demographic profile of the respondents used in the study. Tables were used to analyse the personal details of each of the respondent's as well as other relevant information while other statistical techniques were employed to test the formulated hypotheses.

#### 4.1 Descriptive Data Analysis

**Table 4.1 Analyses of Responses to the Study's Research Questions**

Variables	N	SA		A		D		SD		MIS
		Freq	%	Freq	%	Freq	%	Freq	%	
There is a relationship between human capital development and performance of the	276	36	13.0	160	58.0	68	25.0	11	4.0	2.80

manufacturing companies in the Food, Beverage and Tobacco industry in Lagos State.										
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#### 4.5.1 Human Capital Development

To establish whether there is a significant relationship between human capital development and performance of the seven manufacturing companies, the table 4.1 above showed that responses have the mean item score (MIS) of 3.16. However, 45 or 16.3 percent of the respondents disagreed and 231 or 83.7 percent respondents which were in absolute majority agreed with the item statement. From this analysis, it may be established that there is a significant relationship between human capital development and organisational performance.

#### 4.6 Test of Hypothesis

In this study, one research hypothesis was tested in order to achieve the study objective and to provide an answer to the research question raised. The major findings from the analysis are as follows:

##### Hypothesis One

Ho<sub>1</sub>: There is no significant relationship between human capital development and organisational performance.

#### Table 4.4 showing the result of Pearson's Product Moment Correlation showing between Human Capital Development and Organisational Performance.

Human Capital Development Pearson Correlation	.333**
Sig. (2-tailed)	.000
N	276

To determine whether there is a significant relationship between human capital development and organisational performance, the above Pearson's product moment correlation in table 4.4 shows that  $r = 0.333$ , while  $p$ -value is 0.000 which is less than 0.001 significant level. Thus, there is a significant positive relationship between human capital development and organisational performance. In other words, we reject Ho and accept Hi indicating that there is a significant relationship between human capital development and performance of manufacturing companies in Food, Beverage and Tobacco sector in Lagos State.

#### 5.0 Conclusion

Human capital development in terms of employees training, retraining and development in the organisations have come to stay with us as long as the transformation of material resources into finished goods and services are concerned. From the study theoretical and literature point of view, it has been established that effective human capital development may have a positive contribution to the organisational performance. In view of this, the profit-making and non-for-the profit-making organisation have in the recent time to classified employees' training, retraining and development as a critical strategic stand-point.

Human capital development is crucial to the organisational survival, continuity and/or failure depending on the value placed on it by the concerned organisation. However, where little or no premium is placed on employees' training and development, it may lead to a serious continuity challenge. Several organisations who have achieved some steady growth in their operational performance over the time have affirmed that effective employees' training and development programme have helped in the pursuit of their overall goals. In view of the foregoing, this study raised the following conclusions: The study concluded that identifying training and development needs, designing and implementation of its outcomes in most appropriate ways will help to position the organisation to have readily available well-trained talents for pursuing its present and future goals if the conceptual framework provided for the study strictly adhere to. In addition, the study also stressed that for training and development programmes to work effectively in an organisation, the selection of employees for training, retraining and development programmes in the organisation must be based on objectivity.

#### 5.1 Recommendations

The main aim of this study was to investigate human capital development and organisational performance in the Food, Beverage and Tobacco industry in Lagos State, Nigeria. The study carried out a synopsis of human capital development in its entirety and thereby establishes how it would influence organisational performance. Based on the study analyses and conclusions raised above, the following recommendations as result of their far-reaching implications both in terms of practical application and theoretical insight were raised in this study.

Human capital development was conceptualized in this study to denote an investment on organisation's employees in terms of training and development programme with the aim of improving their job performance. According to Harbison and Myers (1964), human resource development (HRD) is the process of increasing knowledge, skills and capacities of all the people in a society. By implication, the main rationale behind any training and development programmes in an organisation is to equip the employees with the appropriate skills, knowledge and attitudes in order to perform work effectively and to also assist the organisation to achieve its stated objectives. From the present study stand point, the seven manufacturing companies surveyed attest to the fact that training, retraining and development of employees have contributed in no small measure to the improved operational and strategic performance. In view of this, the present study recommended that any organisations, whether government, private, large, small, for-profit making and non-profit making should embrace the concept of human capital development as important tool for their consistent improved performance. As a social entity, an organisation is a combination of people, technology and other business environmental factors. Despite the significance of the environmental factors that the organisation required to be functional, people remained a major element in the coordination, processing and transformation of material resources into finished products. As such, this means that the people are key to organisational success; training and development therefore should be placed on high priority and must also be a continuous process in an organisation in order to prevent any operational hitches.

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