HUMAN RESOURCE MANAGEMENT PRACTICES AND ORGANIZATIONAL PERFORMANCE IN NIGERIAN FIRMS

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Abstract
Human resource management practices have attracted research attention over the past decade because of its potential impact on the overall operation and outcomes of firms’ activities. Although the impact of human resource management (HRM) practices on organizational performance has emerged as the dominant research issue in the personnel/HRM field, little has been done in the developing nations. This paper outlines the effect of human resource management practices on various measures of performance using food and beverage industry as a case study. Data were collected from a survey of 1,940 firms operating in the industries in Nigeria. The findings of this study indicated that human resource management (HRM) practices have different impact on performance measures such as effectiveness, efficiency, development and innovation. While all the human resource management constructs examined for this study were positively related to innovation, formal training system had negative impact on the efficiency of sampled organization. Internal carrier ladder was also negatively related to effectiveness and efficiency of the sampled organization. Overall, with the exception of direction of impact, most of the constructs are significantly related to organization performance especially in the food and beverage sector.

Keywords: human resource management practices, performance, efficiency, effectiveness, innovation

Introduction
Despite claims that human resource practices such as formal training can enhance organization-level performance and firm competitiveness, few studies have been able to confirm this relationship empirically, and still fewer have been able to systematically describe the manner in which human resource practices influence performance especially in developing nations. Human resource management practices (HRMP) have attracted research attention over the past decade because of its potential impact on the overall operation and outcomes of firms’ activities.

Research studies have established significant relationships between measures of HRM practices and performance of firms (Huselid, 1995). While these studies have been useful for demonstrating the potential value created through HRMP, they have revealed very little regarding the mechanism through which HRMP influenced organisational performance (Wright and Gardner, 2002) and this has been referred to as the “Black box” problem (Purcell, et al., 2003). On the contrary, Katou and Budhwar (2006) argued that HRMP do not directly lead to organisational performance rather, it influences firms’ resources such as employee behaviour, and it is these behaviour and resources that ultimately lead to performance of the organisations.
While abundance of literature show that much research attention has been given to the relationships between HRMP and firm performance (Wright and Gardner, 2003), the cross-level issues such as influence of HRMP on non financial performance have largely been ignored. The purpose of this study, therefore, is to examine how HRMP impacts organizational performance. Specifically, we attempt to answer the research questions: What is the impact of HRMP on organizational effectiveness? What is the impact of HRMP on organizational efficiency? What is the impact of HRMP on organizational development? What is the impact of HRMP on organizational innovation?

Approaches to the measurement of organizational performance have been varied. Researchers have used outcome variables such as productivity (Ichniowski et al., 1997) and gross rate return on assets and Tobin’s q (Huselid, 1995) as measures of corporate financial performance and market share (Becker and Gerhart, 1996). Further, there has been debate over the nature and causes of these performance outcomes. Purcell (1999) has argued that empirical research has been limited in regard to the causal path involved in the link between HRM and enhanced performance, much of which is assumed rather than tested.

Studies on the impact of HRM practices on organizational performance have been conducted dealing with different industries at the same time (Huselid, 1995) and this has been criticized in the literature. Ichniowski, Shaw and Prennush (1997) supported the advantage of studying within a single industry by suggesting that measurement of organizational performance, HRM practices, and control variables were more precise when a study focuses on a particular industry. Serious gaps in our understanding still remain with respect to the ordering of the variables involved in the HRM practices and performance relationships. The review of literature further points out that the link between human resource management and organizational performance lacks clarity regarding ‘what exactly leads to what’ (Gerhart, 2005).

Various studies have confirmed the positive impact of SHRM on organizational performance (Huselid, 1995; Huselid and Becker, 1996; Huselid et al., 1997). Recently, researchers have begun to examine the impact of HRMP on HR effectiveness and have discovered an unexpected negative relationship (Bennett et al., 1998). To date, little is known concerning how HRMP influence the product innovation and effectiveness of Food and beverage industry. This is understandable because of the different levels of analysis. That is, while HRMP research uses organizations as the unit of analysis, it largely ignores the differences in effectiveness, efficiency and innovation of the organization as measured of performance.

Katou (2009) in his study examined the mechanisms through which Human Resource Development (HRD) leads to organizational performance using Structural Equation Model (SEM). The analytical tool was specifically used to test a research framework that is constituted by a set of causal relationships between organizations and other contingencies such as resourcing and HRD, skills, attitudes and behaviours and organization performance. Data used for the study were gathered from organizations in the manufacturing sector of Greek His findings shows that HRD have positive impact on organizational performance and the impact is serially mediated through skills, attitudes and behaviour and moderated by resourcing organizational context and other contingencies. The study does not only support that HRD positively influence organizational performance, it also explains the mechanisms through which HRD improves organizational performance in the Greece manufacturing setting. Rizov and Croucher (2009) examined how far collaborative types of HRM practices, including group-based forms, are associated with improved firm performance in European countries. Two Human Resource Management practices were examined. These are the “collaborative” and “calculative” HRM practices. Their findings show that in those countries where the institutional setting is least conducive, collaborative organizational level practices (characterized by valuing employees as assets and core partners, creating and communicating a culture of partnership between employer and employees as well as among employees, communicating organization’s mission, values, goals and strategy statement through explicit open communication policy and strong support for employees consultative bodies like unions and committees enhance the labour extraction process and lead to superior firm performance. Calculative practices have a weaker impact on the labour extraction function and firm performance.

Adeyeye (2009a) studied the effect of Human Capital Development practices on organizational effectiveness in Nigerian banks. He used both descriptive statistics and Pearson product movement correlation to analyze data generated from questionnaire administered to selected banks in Lagos State, Nigeria. The result of the study indicates that Nigerian banks are actively involved in Human Capital
Development Practices and thus has significantly enhanced the bank's effectiveness. The study, however, is limited as only four selected Human Capital Development Practices were examined individually. The author in fact rightly pointed out that the result of the study needs to be viewed with caution, as the result does not allow any assertion of causality. This is a very fundamental limitation of the study.

Adeyeye (2009b) in another study examined the relationship between size of the organization and human resource management practices in the Nigerian Universities. The result indicates that size did not correlate with the usage of human resource management best practices. Both big and small Universities use similar and identical human resource management practices.

Khan (2010) examined the effects of HRM practices on organizational performance in Oil and Gas Industry in Pakistan. A total of 150 managers of 20 randomly selected firms of Oil and Gas Industry were administered questionnaires. Five HRM practices were investigated namely: training and development, recruitment and selection, compensation and reward, performance appraisal and employee relation. The effects of these practices were examined on subjective measures of performance (product quality, productivity efficiency, and overall perceived performance compared to industry average). Factor analysis was performed to identify HRM practices. The regression analysis conducted indicated a positive and statistically significant association of these practices with organizational performance.

Gurbuz and Mert (2011) examined the impact of strategic human resource management (SHRM) on organization performance in Turkey. Empirical results show that SHRM and selection/development practices have direct and positive effects on financial/market performance and operational performance while only selection development practices have positive effect on turnover. Following the dearth of literature on impact of human resource management practices on overall performance of food and beverage industry in Nigeria, this seeks to evaluate this important aspect with a view to providing guideline for similar industry in developing nations.

Methodology

The survey research design was adopted for this study because the information obtained from the sample can then be generalized for the entire population. This study relies mainly on primary source of data. Structured questionnaire were designed and constructed to gather information from the respondents of the selected listed firms in the Food and Beverages industry in Nigeria. The population for this study is the entire workers of the listed food and beverage industry in Nigeria which include Nestle Nigeria Plc, Cadbury Nigeria Plc, Nigeria Bottling Company Plc, Seven Up Plc, Dangote Flour Mills Plc, and Flour Mills of Nigeria Plc. The choice of these companies is due to their impressive progress in food and beverages industry which has invariably been expanding seriously lately in Nigeria. The selected companies are also dominant firms in the food and beverages industry with several years of existence in Nigeria. The total workforce in the six listed companies is nineteen thousand four hundred and sixty-five (19,465) which constitute the study population. Since it was impossible to reach all employees of these organizations, it was therefore necessary to sample the population and make generalization from the result of the statistical analysis of the data collected. As such One thousand Nine hundred and Forty (1940) respondents who accounted for about 10% were conveniently picked for the study by respective officers at the corporate affairs department (at the instance of the Human Resource Manager) to distribute and collect the questionnaires within the organization. The lead contact person (at the corporate affairs) approached through the Human Resource Manager was instructed to distribute the questionnaires across the entire departments of the organization. Data collected were analysed using multiple regression model. Explicitly, the model is specified as:

\[ Y_i = \alpha + \beta X_i + \epsilon_i \]  

Where \( Y \) represents the dependent variable measured by organizational performance and the indices measured are effectiveness, efficiency, development, and innovation.

\( X \) represents the independent variables of HRM practice such as internal carrier ladder, employee security, employee voice participation, result oriented performance appraisal, broadly defined jobs, performance based compensation and formal training were measured.

\( \alpha \) is the intercept while \( \beta \) is the parameter to be estimated and \( \epsilon \) is the error term.
Results and Discussion

Table 1 shows the impact of human resource management practises on organizational performance measured by four performance variables; effectiveness, efficiency, development and innovation. In the effectiveness model (Table 1), the explanatory variables accounted for approximately 50% of the variation in the organizational performance measured by effectiveness. Training is found to be positive and significantly related to effectiveness of organization ($\beta = 0.367, t = 15.56$) at 0.05 level. The result indicates a direct relationship between formal training and effectiveness, implying that improved training would raise the level of effectiveness of organizations. In other words, when organizations adopt the best-practices, such as training their organizational effectiveness will be enhanced. This provides support to the universalistic perspective of HRM practices (Kochan and Osterman 1994; Huselid 1995). It can no longer be taken for granted that employees will arrive at work with all the requisite skills. Too much of what goes on in today's organization requires specific adaptation. The most knowledgeable and skilled worker still requires training so as to fit into the organization and become a valuable contributor to the team (Quinn, Anderson, and Finkelstein, 1996). The chief function of the supervisor is the development of the people in their unit. Managers who have often been promoted from a technical position must remember that they are now the coaches; others have the responsibility of caring out the plays on the field. The manager/coach can have the greatest effect only by assuring that the employee/player is truly prepared for action. While the importance of training and development is now recognized, it remains a neglected area. Carrier planning and development is also found to be positively and significantly ($\beta = 0.349, t = 15.79$) related to effectiveness of organization. Result oriented performance is also found to be positively and significantly ($\beta = 0.075, t = 3.277$) related to effectiveness of organization. These findings imply that an enhancement of carrier planning and result oriented performance of personnel would raise organizational effectiveness.

Results-Oriented Performance Appraisal

Performance appraisal is used as an aid in making judgment decisions pertaining to promotion, demotion, retention, transfer, and pay. It is also employed as a developmental guide for training needs assessment and employee feedback. Performance appraisal also aids with a number of more general organizational functions as a means for validating selection and hiring procedures, promoting employee-supervisor understanding, and supporting an organization's culture. The environment in which welfare reform has occurred extensively involves measurable goals and objectives. Employees perceive that these have been transferred from the organization to individual performance appraisals.

On the contrary, internal carrier ladder is found to be negative and significantly related to effectiveness of organization ($\beta = -0.118, t = 5.14$). The result indicates that a unit rise in internal carrier ladder does not imply a rise in the effectiveness of organization. A career system is necessary to focus individual attention on the strategic issues facing an organization over the long term. Objectives and reward systems tied to the short-term lead to dysfunctional behaviour and goal displacement. A long-term perspective induces organizational commitment and loyalty. It enables individuals and organizations to invest in training and productivity improvements knowing that they will reap the benefits from that enhanced knowledge and technique.

Employee voice participation is found to be positive and significantly related to effectiveness in organization ($\beta = 0.118, t = 5.547$), implying a direct relationship between employee voice participation and effectiveness of organization. Efforts to change a perceived negative situation give rise to voice. Voice is seen to represent a political dimension that can encompass a gamut of behaviours ranging from grumbling through participative management to full scale democracy. It represents a viable, non-market means for assuring organizational survival. While voice focuses internally on the advocacy of reform, loyalty represents the employee's willingness to "stand up" for the organization. In this instance advocacy is in response to outside criticism and is an expression of confidence in the organization.

Broadly defined jobs is found to be positive and significantly related to effectiveness of organization ($\beta = 0.055, t = 2.223$) implying direct effect of broad definition of jobs on effectiveness of organization. The "triumph of technique over purpose" is also evident here. The rigidity invested in the use of pay scales denies organizations the flexibility to adjust to and meet change. Individuals cannot readily be reassigned duties. This is especially a problem if those duties are from jobs officially designated as having lower grades. Similarly, job security is found to be positive and significantly related to effectiveness of organization ($\beta = 0.42, t = 6.313$). Employee rights and the mechanism for enforcing them (i.e., the
grievance process) serve as a safeguard for assuring that employees are accorded the basic dignity that every human being is entitled to. Like similar safety devices, we hope that we never will really need to use them. While most organizations would prefer to do without such legal and formal systems, reality requires them. If there were no past abuses, there would be no need for laws prohibiting such practices. Job security remains a hallmark of public employment in the counties. This is actually an advantage in that it allows the professional employees to devote their attention to doing the job rather than worrying about having the job.

In the efficiency model (Model 2; Table 1), carrier planning and development (β = 0.133, t = 5.361), result oriented performance (β = 0.074, t = 2.87), employee voice participation (β = 0.055, t = 2.29), broadly defined jobs (β = 0.099, t = 3.58), and job security (β = 0.258, t = 10.21) are found to positively and significantly influenced efficiency of organizations at 0.05 level. This imply that carrier planning and development, result oriented performance, employee voice participation, broadly defined jobs, and job security, impact directly on the efficiency of organization. A rise at the operating level of each of the variables is expected to raise the efficiency of food and beverage organizations. On the contrary, formal training system (β = -0.161, t = -6.07), internal carrier ladder (β = -0.098, t = -3.67) have negative but significant effect on efficiency of food and beverage industry, implying that raising the level of efficiency is not limited to training system and internal carrier ladder of employees unlike raising the level of effectiveness of organizations.

In the organizational development model (Model 3), training (β = 0.184, t = 7.00), carrier planning (β = 0.382, t = 15.59) and result oriented performance (β = 0.139, t = 5.42) are the significant variables influencing organizational development of food and beverage industry. These variables impact positively on organizational development implying that efforts at ensuring continuous training, carrier planning and result oriented performance of employees would enhance organizational development in the food and beverage industry. Meanwhile, internal carrier ladder (β = -0.148, t = -5.60) and broadly defined jobs (β = -0.104, t = -3.83) are found to have negative but significant impact on organization development. Employee voice participation and job security are however not significant.

In the innovation model (Model 4, table 1), all the explanatory variables accounted for about 40% in the variation of organization performance measured by innovation (R² = 0.399). The explanatory variables with the exception of job security impact positively on organization innovation at 0.05 levels.

Table 1: Impact of HRMP on Organizational Performance

<table>
<thead>
<tr>
<th>Explanatory Variables</th>
<th>Model 1 (Effectiveness)</th>
<th>Model 2 (Efficiency)</th>
<th>Model 3 (Development)</th>
<th>Model 4 (Innovation)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>t-stat</td>
<td>β</td>
<td>t-stat</td>
</tr>
<tr>
<td>Formal training system</td>
<td>0.367</td>
<td>15.56*</td>
<td>-0.161</td>
<td>-6.07*</td>
</tr>
<tr>
<td>Carrier planning and development</td>
<td>0.349</td>
<td>15.79*</td>
<td>0.133</td>
<td>5.361*</td>
</tr>
<tr>
<td>Result oriented performance</td>
<td>0.075</td>
<td>3.277*</td>
<td>0.074</td>
<td>2.876*</td>
</tr>
<tr>
<td>Internal carrier ladder</td>
<td>-0.118</td>
<td>-5.14*</td>
<td>-0.098</td>
<td>-3.67*</td>
</tr>
<tr>
<td>Employees voice participation</td>
<td>0.118</td>
<td>5.547*</td>
<td>0.055</td>
<td>2.299*</td>
</tr>
<tr>
<td>Broadly defined jobs</td>
<td>0.055</td>
<td>2.223*</td>
<td>0.099</td>
<td>3.587*</td>
</tr>
<tr>
<td>Job security</td>
<td>0.142</td>
<td>6.313*</td>
<td>0.258</td>
<td>10.21*</td>
</tr>
<tr>
<td>Constant</td>
<td>-0.006</td>
<td>-0.866</td>
<td>.846</td>
<td>11.29*</td>
</tr>
<tr>
<td>R²</td>
<td>0.504</td>
<td>0.250</td>
<td>0.379</td>
<td>0.399</td>
</tr>
<tr>
<td>F-stat</td>
<td>171.072*</td>
<td>56.064*</td>
<td>102.669*</td>
<td>110.889*</td>
</tr>
</tbody>
</table>

Source: Data analysis, 2012
Conclusion
The study examined the impact of human resource management practices on four organizational performance measures: effectiveness, efficiency, development, and innovation. Food and Beverage companies are in a position requiring effective response to increased competitive pressures, including the formal training of personnel function into human resource management. However, the results of our research show that this training has been conducted with a limited success. While all the human resource management constructs examined for this study were positively related to innovation, formal training system had negative impact on the efficiency of sampled organization. Internal carrier ladder was also negatively related to effectiveness and efficiency of the sampled organization. Overall, with the exception of direction of impact, most of the constructs are significantly related to organization performance especially in the food and beverage sector.

References
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