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EFFECT OF HUMAN CAPITAL MANAGEMENT STRATEGIES ON ORGANIZATIONAL EFFECTIVENESS (A STUDY OF TWO SELECTED COMMERCIAL BANKS AND PZ CUSSONS PLC, ABA, ABIA STATE)

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Abstract

This study is to evaluate the evaluate the effect of human capital management strategies on organizational effectiveness (A Study of Two Selected Commercial Banks and PZ Cussons Plc., Aba, Abia State). The specific objectives were to ascertain the effect of human capital management strategies on organizational effectiveness. The research design used in the study was a survey design. This research used both primary and secondary sources of data in the course of this study. The total population of the study was 460. The sample size of the study is 214. The study adopted a simple random sampling technique. Regression model and correlation coefficient was employed to test the dependent and independent variables of the study. A total of 214 copies of questionnaire were distributed to the First Bank Nigeria Plc., Union Bank Nigeria Plc. and PZ Cussons Aba, 11 copies of questionnaire were wrongly filled with percentage ratio of 5.1% while 203 copies of questionnaire were filled and returned. Thus, 203 questionnaires were valid for the study which shows 94.9% of the total questionnaire for this study. The findings of the study stated that there is a significant effect between human capital management strategies on organizational effectiveness. The study concluded that inadequate human capital management can have a negative effect on organizational productivity of the selected organizations. The study recommended that human capital management should be evaluated on the basis of business a whole in order to plan for the corporate functioning of the selected organizations.

Keywords: *Human Capital Management, Strategies and Organizational Effectiveness*

INTRODUCTION

Background of the Study

Human capital is a very important and relevant resource that every organization invests meaningfully into. This is because employees are the lifeline of an organization just like the veins and arteries of the body hold together the skeletal structure of human beings. An organization cannot survive if there are no employees. Organization runs with the help of individuals who contribute in their own way in its success and productivity. Employees spend maximum part of their days in offices and strive hard to achieve the goals and objectives of the organization. Employees ought to be motivated from time to time so that they can develop a sense of attachment towards their organization as well as deliver their best (Ray, 2013).

Human capital is significant and continues to remain the driving force behind other resources of labor, capital and materials, in First Bank Nigeria Plc., Union Bank Nigeria Plc. as well as PZ Cussons Plc., Aba. In the above-mentioned banks for example, money can only have value when the cashiers begin to put it into use, either to deposit it or to pay the bank customers as the case may be. This is also obtainable in PZ Cussons Plc., where big machines cannot operate themselves unless enabled by human beings. Even God, the creator of the earth recognized the importance of human capital, and so, after HE finished creating the world, he put man there to take care of it. More so, the fact that human capital is the active agent that accumulates capital, exploits natural resources, builds social, economic and political organization is also seen everywhere. It is in view of these that Ania (2015) opines that Human Capital Management is the careful selection and placement of new employees and the development and effective utilization of existing ones with a view to attaining the potential of individual employees and organizational goals and objectives. Many organizations have the culture of hire and fire; however, the researcher is of the opinion that it is not the best way of human capital management but agrees with Ania (2015) that the effective utilization of existing employees is very important even when there is great need for the careful selection and placement of new employees in First Bank Nigeria Plc., Union Bank Nigeria Plc. as well as PZ Cussons Plc., Aba, respectively. Some scholars have equally observed that some terms used to refer to the human component in an organization can appear to be dehumanizing noting that this explains why some human resources managers use the word "people” in preference to ''human resources” (Ray, 2013). From the foregoing, it can be concluded that the use of the term human capital is recognition that people in First Bank Nigeria Plc., Union Bank Nigeria Plc. and PZ Cussons Plc. respectively, are important and essential assets who contribute to the development and growth in a similar way as physical assets such as machines and money; this means that the collective attitudes, skills and abilities of people contribute to organizational performance and productivity. Therefore, any expenditure in training, development, health and support of employees should be seen as an investment and not just an expense. It is on this premise that the researcher seeks to evaluate the effect of human capital management strategies on organizational effectiveness.

Statement of the Problem

Many organizations have not been able to achieve their goals and objectives as a result of their inability to effectively manage the human capital within the organization; hence they have not played the expected vital and vibrant role in ensuring their productivity and profitability. This situation has been of great concern to the managers and various stakeholders in those organizations. One of the vital factors that could be responsible for the disable performance of most organizations is lack of adequate management of human capital which could result in decreased productivity, decline in profit due to lack of motivation for the workers, lack of effective training and development of workers which will direct them to the visions and missions of the organization. More so, Ray (2013) posits that lack of compensation packages, absence of welfare packages, inadequate health and safety measures that ensure that the threat of lives against these employees are not only prevented or curbed but also cured if their occurrence cannot be avoided in many organizations have shown their poor management of human capital within their reservoirs. Management of these organizations, no doubt, lack the foresight of what they would lose if they allow their experienced and skilled workers to leave their organizations. Management of organizations even frustrates their workers by withholding their salaries for many months without an affectionate, candid explanation, expression and empathy for the challenges those employees are facing without pay. They are also expected to get these employees adequately informed of any constraint on the part of management why their salaries are not being paid (Ufomba, 2011). This way, the employees can, at least understand with them. Some organizations even have the culture of not paying their workers the agreed salary or wage at the end of their working period as the case may be. These abovementioned problems and others can cause the employees a lot of frustrations and stress which can even lead to serious breakdown in their health conditions. These problems may not be far-fetched from what is happening in First Bank Nigeria Plc., Union Bank Nigeria Plc. and PZ Cussons Plc. respectively. The researcher is of the view that focused and visionary management of organizations, especially of First Bank Nigeria Plc., Union Bank Nigeria Plc. and PZ Cussons Plc., respectively are expected to be modeled or outstanding in the area of treating and managing their employees well through the tool of human capital management as this no doubt, will impact on the workers' performance, organizational effectiveness and efficiency, productivity and profitability which is the major goal of these profit-oriented organizations. It is against this premise that this study examined human capital management strategies on organizational effectiveness.

Objectives of the Study

The broad objective of this study is to evaluate the effect of human capital management strategies on organizational effectiveness (A Study of Two Selected Commercial Banks and PZ Cussons Plc., Aba, Abia State). The specific objectives were to:

i. ascertain the effect of human capital management strategies on organizational effectiveness

Research Questions

The following research questions are considered for this study:

i. What is the effect of human capital management strategies on organizational effectiveness?

Research Hypotheses

The following null hypotheses are in line with the objectives and research questions viz:

Ho_1: There is no significant effect between human capital management strategies on organizational effectiveness.

REVIEW OF RELATED LITERATURE

Conceptual Review

Human Capital

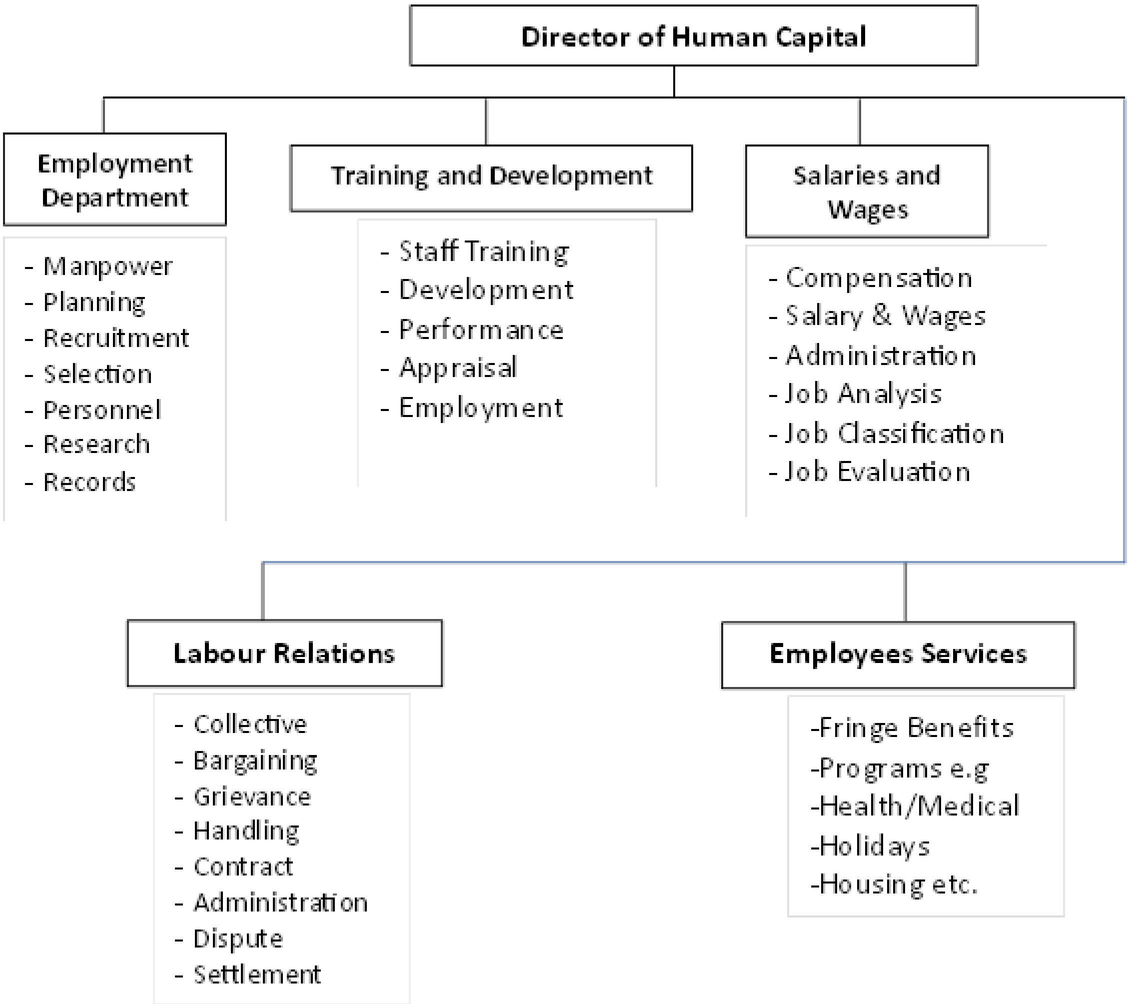
The term human capital was popularized by Gary Becker, who is an economist from the University of Chicago and Jacob Mincer. They refer to human capital as the stock of knowledge, habits, social and personality attributes, including creativity, embodied in the ability to perform labour so as to produce economic value. The Online Business Dictionary sees human capital in an organizational context as the collective value of the organization's intellectual capital (competencies, knowledge and skills). It is the organizations' constantly renewable source of creativity and innovativeness. (Online Business Dictionary, accessed 2016). The Investor's Online Word Dictionary defines human capital as the set of skills which an employee acquires on the job through training and experiences and which increases the employer's value in the market place. More so, it is the skill, talent and productivity that employees bring to an organization. In addition, human capital is a collection of resources which include all the knowledge, talents, skills, abilities, experience, intelligence, training, judgement, and wisdom possessed individually and collectively by individuals in a population.

These resources are the total capacity of the people that represents a form of wealth which can be directed to accomplish the goals of the organization or a portion thereof (www.wikipeadiaonline dictionary.com, accessed 2016). Furthermore, Rosen (2017) assert that human capital is an aggregate economic view of the human being acting within economies, which is an attempt to capture the social, biological, cultural and psychological complexity as they interact in explicit and/or economic transactions. However, the concept of human capital was originated by Theodore Schultz (2014) who elaborated this concept in 1981 as the consideration of all human abilities to be either innate or acquired; attributes which are valuable and can be augmented by appropriate investment be human capital. He refers to the term as capital produced by investing in knowledge. A more detailed definition was put forward by Bontis (2019) when they posit that human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organizations are those that are capable of learning, changing, innovating and providing the creative thrust which if properly motivated and managed, can ensure the long-term survival of the organization. Scarborough and Elias (2012) believe that the concept of human capital is most usefully viewed as a bridging concept - that it defines the link between human resource practices and business performance in terms of assets rather than business processes. They point out that human capital is to a large extent non-standardized, tacit, dynamic, context dependent and embodied in people. These characteristics make it difficult to evaluate human capital, bearing in mind that the features of human capital that are so crucial to firm performance are the flexibility and creativity of individuals, their ability to develop skills over time and to respond in motivated way to different contexts

In a similar view, Davenport (2019) opine that it is indeed the knowledge, skills and abilities individuals that create value in the market place as a means of attracting, retaining, developing and maintaining the human capital they represent. He further comments that people possess innate abilities, behaviour and personal energy and these elements make up the human capital they bring to the workplace. And it is they, not their employers, who own this capital and decide when, how and where they will contribute it. In other words, they can make choices, either to stay or to walk away from any organization (Davenport, 2019). The choices they make include how more discretionary behaviour they are prepared to exercise in carrying out their role (discretionary behavior refers to the discretion people at work can exercise about the way they do their job and the amount of effort, care, innovation and productive behaviour they display). They can also choose whether or not to remain with the organization as indicated above.

The Online Thesaurus Dictionary define human capital as the collective skills, knowledge or other intangible assets of individuals that can be used to create economic value for the individuals, their employers or their organizations. The Investopedia Online Dictionary defines human capital as a measure of the economic value of an employee's skill set. This measure builds on the basic production input of labour measure where all labour is thought to be equal. The concept of human capital recognizes that not all labour is equal and that the quality of employees can be improved by investing in them; education, experience and abilities of employees have economic value for employers and for the economy as a whole.

Fig 1: Conceptual Framework



THEORETICAL REVIEW

The Human Capital Theory by Barney (1991)

This theory is the basic theory of Human Capital Management which emphasizes the added value that employees can contribute to an organization. It regards people (employees) as important assets and stresses that investments by organizations in people will generate worthwhile returns. The theory therefore underpins the philosophies of human capital management. Human capital theory is associated with the resource-based view of the firm as developed by Barney (1991). It emphasizes that human capital is the composition of employee skills, knowledge and abilities and it is a central driver of organizational performance when the return on investment exceeds labour costs. According to human capital theory and the behavioural agency model, manager's motivation to invest in their industry and firm specific human capital depends on their perceived return on such investment. Boxall (1996) is of the view that a distinction should be made between human capital advantage and human process advantage. The former results in employing people with competitively valuable knowledge and skills. The latter, follows from the establishment of difficult to initiate, highly evolved processes within the organization, such as cross - department cooperation and executive development. Accordingly, in human resource advantage, the superiority of one firm's labour management over another can be thought of as the product of its human capital and human process advantages. Proponents of human capital theory believe there are three effective inputs that will grow intellectual capital in underdeveloped economies.

For the employer, investments in training and developing people is a means of attracting and retaining human capital as well as getting better returns from those investments. These returns are expected to be improvements in performance, productivity, flexibility and the capacity of innovation that should result from enlarging the skill base and increasing levels of knowledge and competence. Schuller (2000) suggests that the general message is persuasive; skills knowledge and competences as key factors in determining whether organizations and will prosper. This theory relates to the topic in the sense that if the three selected organizations value the contributions made by their employees, then they are sure to achieve organizational productivity.

Empirical Review

Anyanwu (2021) carried out a study the effects of training on employee productivity. The paper provides a review of the current evidence of such a relationship and offers suggestions for further investigation. He reviewed extensive the literature in terms of research findings from studies that had attempted measuring and understood the impact that training have on employee productivity across various sectors. The focal point of his review was on training practices and employee productivity and their relationship. The outcome of his findings varied. While some studies reported a positive association between training and employee productivity, some reported negative and some no association whatsoever.

Harbison (2012) investigated impacts of training on firm performance, and he outline possible reasons for his finding. According to him, responses to the survey were given during a period of financial difficulty, as reflected in the tendency to reduce training budgets as a relatively easy way to cut expenses in the periods of slack demand. Where firms offer more training, they may be doing so in an inadequate manner, either because they train in the wrong areas or because they do not follow up on the training to ensure good results. He argued further that it is clear that the link between training and productivity is a complex one, and there may be many external variables which interplay to determine the nature of the impact that investment in training has on business performance. The missing link may be in linking training investment to other business performance mechanisms, such as ensuring delivery of training that is matched to overall business objectives. He concluded that it may be that the training-productivity link is weak because it has not been understood in a broader context.

Sanusi (2017) carried out a study on the impact of capacity building on employee productivity in commercial banks in Kenya. The study argued that 37 failed banks in Kenya in 1998 would have been averted if some of the problems like weak supervision and equipping employees with expertise, necessary skills and knowledge were addressed through employee training to improve performance of the banks. His result reported a significant positive effect of training and development on employee productivity and organizational performance. Other studies also explored if there is a relationship between skills and other organizational outcomes.

Gap in Literature

A lot of literature has been reviewed on the concept of human capital management in many manufacturing organizations who utilize big machines to carry out many manufacturing works but this work has a target to further look into how human capital management can be improved in service industries like First Nigeria Plc. and Union Bank Nigeria Plc. respectively. A further gap which this work filled is the inclusion of leadership approach or style of organizations in ensuring the effective management of human capital.

METHODOLOGY

The research design used in the study was a survey design. Survey design was designed to portray accurately the characteristics of particular individuals, situations, or groups. This research used both primary and secondary sources of data in the course of this study. The population of the study is 460. The sample size of the study is 214 from Slovin's formula. The study adopted a simple random sampling technique. A series of questionnaires structured on a 5-point Likert scale, with responses ranging from 5 (strongly agreed); 4 (agreed); 3 (undecided); 2 (disagreed); and 1 (strongly disagree), was utilized in this study's data collection procedures. To test the hypotheses regression model was employed to test the dependent and independent variables of the study. A total of 214 copies of questionnaire were distributed to the First Bank Nigeria Plc., Union Bank Nigeria Plc. and PZ Cussons Aba, 11 copies of questionnaire were wrongly filled with percentage ratio of 5.1% while 203 copies of questionnaire were filled and returned. Thus, 203 questionnaires were valid for the study which shows 94.9% of the total questionnaire for this study.

DATA PRESENTATION

Table 1: Ascertain the Effect of Human Capital Management Strategies on Organizational Effectiveness

Statement	SA 5	A 4	UN 3	D 2	SD 1	TOTAL	MEAN	S.D.
Leadership/managerial development enhances organizational effectiveness	121	80	-	-	2	926	4.6	.745
Workforce training and development enhances organizational effectiveness	117	55	9	10	12	863	4.3	.945
Development and implementation of business strategies enhances organizational effectiveness	94	62	15	20	12	814	4.1	1.04

Source: *Field Survey, 2024*

The table above showed the effect of human capital management strategies on organizational effectiveness. Majority of the respondents with the highest mean scores of 4.6, 4.3 and 4.1 strongly agreed that leadership/managerial development enhances organizational effectiveness, workforce training and development enhances organizational effectiveness and development and implementation of business strategies enhances organizational effectiveness.

Testing of Hypotheses

Ho_1: There is no significant effect between human capital management strategies on organizational effectiveness.

Table 2: Regression model on human capital management strategies on organizational effectiveness

Variable	Parameters	Coefficient	Std error	t – value	P-value
Constant	β_0	0.061	0.047	1.298	.000
HCMS (X_1)	β_1	0.242	0.097	2.495**	.001
R-Square		0.578			
Adjusted R – Square		0.540			
F – statistics		7.568***			

Source: *Field Data, 2024*

Table above shows the coefficients of showed that human capital management strategies on organizational effectiveness. The coefficient of multiple determination (R2) was 0.578 which implies that 57.8% of the variations in dependents were explained by changes in the independent variable while 42.2% were unexplained by the stochastic variable indicating a goodness of fit of the regression model adopted in this study which is statistically significant at 1% probability level.

The coefficient of human capital management strategies was statistically significant and positively related to organizational effectiveness at 5 percent level (2.495**). This implies that there is a significant effect between human capital management strategies on organizational effectiveness.

SUMMARY OF FINDINGS

From the foregoing, it can be summarized that in the three selected organizations:

i. There is a significant effect between human capital management strategies on organizational effectiveness.

ii. There is a significant effect between human capital management on organizational performance.

CONCLUSION

There is no doubt that human capital is the most significant element of an organization's asset. The human capital factor is very relevant in any organization as it grants the organization to stand tall above their competitors. Human capital management is a critical factor in the achievement of organizational goals and objectives. This is because it enhances employee motivation, commitment and loyalty since it is a driving force towards achieving the organization's set goals. This sets the conclusion that inadequate human capital management can have a negative effect on organizational productivity of the selected organizations. It is therefore a paradigm shift in people management concepts and should be employed tactically by visionary organizations to keep the going concern concept of their organizations.

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