
HUMAN CAPITAL DEVELOPMENT AND ORGANIZATIONAL EFFECTIVENESS OF MANUFACTURING FIRMS IN SOUTH-EAST NIGERIA

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ABSTRACT

Human capital is a key resource that drive organizational effectiveness. This study investigated effect of human capital development on organizational effectiveness of manufacturing firms in South-east Nigeria. The study used human capital investment, career development and competency-based assessment as proxies of human capital development. The study adopted a descriptive research design and used questionnaire to collect primary from respondents. The population of the study comprise 944 employees of manufacturing firms. The Taro Yamane formula was used to arrive at a sample size of 280. The study utilized multiple regression statistic to test the effect of human capital development on organizational effectiveness of manufacturing firms. The results obtained from the data analyses revealed that human capital investment has positive and statistically significant effect on organizational effectiveness of manufacturing firms at 5% level of significance (coefficient value 0.826>0.000 p-value), career development has positive and statistically significant effect on organizational effectiveness at 5% level of significance (coefficient value 0.669>0.020 the p-value), and competency-based assessment has positive statistically significant effect on organizational effectiveness at 5% level of significance (coefficient value 0.922>0.000 p-value). Therefore, the study conclude that human capital development have positive significant effect on organizational effectiveness of manufacturing firms in South-east Nigeria; and recommends that manufacturing firms in South-east Nigeria should engage in human capital development if they desire to achieve higher productivity and improved effectiveness.

Keywords: career development, human capital development, organizational effectiveness,

INTRODUCTION

Human capital is a valuable organizational asset that help firms' growth and efficient achievement of goals. Investment in human capital through education or training is thus an important area of concern for firms (Annakis et al., 2014). Human capital must be developed and leveraged to generate returns. The global economy is entering an era of talent scarcity that, if left unaddressed, will hinder economic growth worldwide (World Economic Forum [WEF], 2013). As we move to knowledge based economy, knowledge, skills and competencies constitutes vital assets that support economic growth and reduce social inequality in developing countries. Human capital investment is key to combating high and persistent unemployment and underemployment and poverty (Ogunade, 2011).

Human capital play important role in the neoclassical analysis of labour markets because of the role it plays in wage determination. The analysis of human capital views education as one of the routes through which human capital is acquired. The basis of human capital model is that additional non-compulsory education (schooling) increases productivity of labour in a perfectly competitive market (Omolo, 2013). Grant (1991, as cited in Harcourt & Ateke, 2018) states that competent employees constitute "valuable, rare, and inimitable resources" for firms; and that it is imperative for firms to possess and deploy same to perform tasks in which they are proficient.

Every organization desire high performance, and employees are the means of achieving this objective (Marr et al., 2004). That is to say that, organizations cannot achieve high performance without paying adequate attention to human capital. Ateke and Nwulu (2019) aver that employees as the most sustainable resources that improves and renews firms; and that companies distinguish themselves and

their offerings through the competences of employees. To Bontis (2000) and Webster (2000), managerial skills generate innovation and improve business process; while Lyles (2004) submits that managerial competences and experience improve firms' performance. Human capital in a real sense is a soft asset (Seymour, 2003) that enhance firms' ability to survive the vagaries of the business-scape (Ateke & Nwulu, 2019).

Investment in human capital results in human capital development. In organizational context, human capital development is the process by which organizations help their employees to acquire or sharpen abilities required to perform functions associated with their present or expected job roles; develop their skills, and discover and utilize their potential (Abel & Deitz, 2012). Effective human capital development is achieved through training employees to become abreast of trends and to improve job performance (Mustapha, 2005).

Existing studies suggests that organization effectiveness depends on investment in human capital. Based on results obtained from a study on human resource development (HRD) and organizational effectiveness in Iraqi public universities, Kareem (2019) reports that HRD practices like development, training and development, organizational development and career development have positive and significant impact on organizational effectiveness.

Chigozie et al. (2018) in their study on human capital development and performance of manufacturing firms in South-East Nigeria found that human capital development in the form of knowledge and skills development have positive significant relationship on innovation. The study concluded that organizations that do not learn continuously and continuously list, develop, share, distribute, mobilize, cultivate, review and spread knowledge will not be able to compete effectively in the global market.

Odette et al. (2017) examined influence of strategic human capital investment on performance of coffee exporting firms in Rwanda and revealed that strategic human capital investment had positive significant influence on performance of coffee exporting firms in Rwanda. Odhongo and Omolo (2015) queried the effect of human capital investment on organizational performance of pharmaceutical companies in Kenya and found positive significant relationship between human capital investment and organizational performance.

Similarly, Ojokuku and Sajuyigbe (2015) investigated impact of human capital development on performance of small and medium scale ventures in Nigeria. The discoveries demonstrated that human capital development factors like career advancement; formal instruction; cooperation in classes, and gatherings and workshops, influence human capital development.

In view of the foregoing, this study elects to investigate effect of human capital development on effectiveness of manufacturing firms in South-east Nigeria. The specific objectives are to:

- i) Examine the influence of human capital investment on the effectiveness of manufacturing firms in South-east Nigeria.
- ii) Investigate the influence of career development on the effectiveness of manufacturing firms in South-east Nigeria.
- iii) Determine the influence of competency-based assessment on the effectiveness of manufacturing firms in South-east Nigeria.

THEORETICAL FRAMEWORK: HUMAN CAPITAL THEORY

The human capital theory (Schultz, 1961) underpins this study. Human capital theory is rooted from the field of macroeconomic. Becker's (1993) classic book, *Human capital: A theoretical and empirical analysis* with special reference to education, illustrated this domain. The theory believes that manpower development is a prerequisite for improved employee job performance.

Operational skills, knowledge and training acquired by workers influence their work perception, thus, investment in human capital adds to their value, dexterity, and abilities that enhance their job performance. The emphasis on human capital according to Udu (2014) synchronizes with the emphasis

in strategy research on core competencies, where economic rents are attributed to workers with knowledge, skills, and abilities. Human capital theory emphasizes how education and training has increasingly contributed to improved creativity and productivity of workers by increasing their productive capability (Odumegwu, 2005).

METHODOLOGY

A descriptive research design was adopted to probe the effect of human capital development on effectiveness of manufacturing firms in South-east Nigeria. The data used for this study was obtained from primary and secondary sources. 3 manufacturing firms listed in the Nigerian stock exchange located in Abia, Imo and Enugu state respectively were studied. The selection criteria were availability of data, cost effectiveness, stability and distance. The study used a derived 280 employees of the 3 manufacturing firms to serve as test units. The number collected from of each firm was estimated using Bowley's proportional allocation statistical technique. After data cleaning, data collected from 248 validly completed and returned questionnaire were used in the final analyses. Regression statistic was used for the empirical analysis aimed at estimating the influence of human capital investment on effectiveness. Multiple regression equation assumes the form:

$$Y = a + b_1X_1 + b_2X_2$$

Where X_1 and X_2 are two independent variables and Y being the dependent variable, and a , b_1 , and b_2 are the constants.

Hence, the equation of organizational effectiveness was expressed in the following multiple regression model:

$$Y_c = \beta_0 + \beta_1HCD + \beta_2CD + \beta_3CBA + \varepsilon$$

Where:

Y_c = Organizational effectiveness

HCD = Human capital development

CD = Career development

CBA = Competence based assessment

ε = error term

β_1, \dots, β_6 = represents regression coefficient or coefficient of determination (R^2) of the six explanatory variables.

RESULTS AND DISCUSSION

Table 1: Model Summary

Model	R	R-Square	Adjusted R-Square	F-Stat	P-value
	0.894	0.768	0.749	46.920	0.000
Independent Variables	Unstandardized Coefficients	Std Error	Standardized Coefficient	t-stat	Sign
C	26.920	8.751		2.638	0.000
Human capital investment	0.761	0.318	0.826	2.064	0.000
Career management	0.542	0.076	0.669	2.247	0.020
Competency based assessment	0.816	0.763	0.922	2.734	0.000
Durbin Watson	2.78538				

Source: Authors Computation 2023

The regression coefficients indicate the strength of the influence of the dimensions of human capital development (human capital investment, career management and competency-based assessment) on the independent variable (organizational effectiveness). Table 1 shows that human capital development and organizational effectiveness of manufacturing firms show a regression coefficient of 0.894 which is highly significant at 5% level of significance. The R value of 0.894 implies that there is overall strong positive influence of human capital development on organizational effectiveness. The R-square value

of 0.768 indicates that indicators of the independent variable jointly explain about 76.8% of variance in organizational effectiveness of manufacturing firms. The remaining 23.2% is explained by other variables outside this study's focus.

The F-statistics probability value of 0.000 provides sufficient evidence that the regression model is a good fit for the study. Generally, the result of the regression analysis indicates that human capital development has strong, positive and statistically significant influence on effectiveness of manufacturing firms at 5% level of significance. The adjusted R-squared which provides a more precise view of the influence of human capital development on organizational effectiveness has a value of 0.749; which implies that 74.9% variation in the dependent variable is accounted by the independent variables.

The results of this study are consistent with the findings of Adele and Ibietan (2017) and Anike et al. (2017) that human capital development improve employee's skills and knowledge towards achieving organizational goals. The results also cohere with the findings that employees are valuable organizational resources that contribute to quality output (Okochi & Ateke, 2021). Furthermore, the current results support the view of Ateke and Nwulu (2019) that service employees are instrumental to employees' companies' performance and enhance their ability to survive the vagaries of the operating environment.

SUMMARY AND CONCLUSION

This study examined influence of human capital development on effectiveness of manufacturing firms in South-east Nigeria. Responses from respondents show that human capital development strongly influence organizational effectiveness. Specifically, the responses show that human capital investment, career management and competency based assessment constitute important keys to organizational effectiveness.

The statistical analysis revealed that human capital development have positive and statistically significant influence on organizational effectiveness at 5% level of significance. Therefore, the study concludes that human capital development influence effectiveness manufacturing firms in South-east Nigeria; and effectiveness of manufacturing firms in South-east Nigeria depends on human capital development. Thus, the study recommends

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