

ASSESSING HUMAN CAPITAL DEVELOPMENT AND EMPLOYEE PERFORMANCE IN ORGANISATIONS

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ABSTRACT

The study focused on human capital development and employee performance. The aim of the study was to investigate the influence of human capital development on employee performance in organization. The study concludes that human capital development is a veritable means of achieving employee performance in terms of waste minimization, cost minimization, on-time delivery and output quality. Thus, committing resources in educating employees; investment in employee mentoring programmes; and empowering employees to perform their assigned jobs will enable employees to perform their jobs to achieve waste minimization, cost minimization, on-time delivery and output quality. Also, the performance of the employees will be enhanced organisations, give support to the employees by caring for employees' socio-emotional needs and well-being, rewarding excellence and providing conducive work environment. Therefore, the study recommends that organizations should commit resources in educating the employees, invest in employee mentoring programmes; and empower employees in order to enhance employee performance on assigned jobs.

Keywords: Human Capital Development, Employees Performance, Organizations

INTRODUCTION

In today's global business organizations, the desire to improve performance and productivity has become a very crucial issue as every firm struggle to outwit the other. The quest for achieving high level of productivity through employee performance appears to be one of the most widely researched area in literature of organizational behavior (OB) and human resource (HR) management (Schiemann, 2009; Lawler & Worley, 2006; Bommer, Johnson, Rich, Podsakoff & MacKenzie, 1995). Most organizations strive to gain competitive advantage in the business space by ensuring that their workforce out perform the workforce of other players in the same industries. To realize this objective, organizations have to appreciate that achieving employee performance is a critical aspect of effective human resource management (Bateman & Snell, 2007; Fay & Luhrmann, 2004), which depends on other factors or variables to be activated. Such factors include but not limited to investing in the development of human capital of organizations. Human Capital as described above principally consists of the knowledge, skills, and abilities of the people employed in an organization (Armstrong, and Baron, 2005). For firms to remain competitive and sustain their competitiveness in the business space, it is convenient that firms leverage on the competence of their employees for competitive advantage. One of the major strategies upon which a firm can increase the effectiveness and efficiency of their employees is by continuously developing them (Marimuthu, Arokiasamy & Ismail, 2009). Most organizations today seek to optimize their employees performance through comprehensive human capital development programmes targeted at not only achieving business goals of earning huge profits, but more importantly, to enhance long term survival and sustainability of their businesses. Going by the universal relevance of human capital, it has been holistically described as "the knowledge, skills, abilities, competencies, and attributes embodied in an individual that facilitate the creation of personal, social and economic well-being" (Organization for Economic Co-Operation & Development or OECD, 2001) cited in (Marimuthu, Arokiasamy & Ismail, 2009). Undeniably, several literatures point to the fact that studies have been conducted on human capital

development by many scholars. Chigozie, Aga and Onyia (2018) carried out a study on "effect of human capital development in organizational performance in manufacturing industry in South-East" in Nigeria. Muathe (2018) examined "human capital development and organizational performance: review and critique of literature and a research agenda" in Kenya. Equally, Emerole, Ibeh and Sampson (2016) carried out an investigation on "effect of human capital development programme in optimizing employee performance: A study of Abia State house of assembly" in Nigeria. Again, Marimuthu, Arokiasamy and Ismail (2009) researched on "human capital development and its impact on firms performance: evidence from developmental economics" in Malaysia. The above studies' conceptual framework relied on dimensions such as training, skills acquisition, education, workshops, seminars, conferences, internships, and health, safety and environment in the review of human capital development.

Human Capital Theory

Human Capital Theory (HCT) is the first theoretical foundation upon which this study is anchored. The theory was propounded and made acceptable by Schultz (1961). While the idea of investing in human capital was first developed and advocated by Adam (1963). He argued in one of his magnum opus titled "The Wealth of Nation" that the differences in the ways employees with higher levels of education and training perform their jobs is visible or can be identified through the accruable returns which is capable of repaying the costs expended in acquiring those skills. Economists in the like of Elliot (1991) added to the theory of human capital by considering human capital in terms of quality, not quantity, of the labour supply. The theory suggests that investing in human capital development which could take the form of education, mentoring, empowerment or training increases the performance of employees by imparting useful knowledge, abilities, attributes and skills into them, resulting in positive attitudes, aptitudes, and other acquired traits that contribute to quality production in their work places (Becker, 2009). The theory further emphasizes the effect of cost implication on the organizations while developing their employees, like Drucker (1954) suggested that time, energy and resources should not be expended on incompetent worker but should be expended on competent employees to make them star performers. However, human capital development should be seen as an investment since the outcome translates from personal income to optimal performance on the part of the employee towards outputting quality work for the organization. Becker (1994) maintains that human capital is substitutable but not transferable like other factors of production. He therefore, considered human capital as a means of production in which additional investment brings about additional output. In other words, firms have to strategize towards increasing the number of its employees with requisite skills, experience or knowledge that are essential to the growth of the organization and also improves the value of its workers (Eigbiremolen & Anaduaka, 2014). Ejere (2011) noted that the peculiarity of the human element of the organization over other factors of production is that only human beings are capable of learning, being creative, innovative, imaginative, etc. Human Capital Theory is therefore value-adding and centers on people management, strategic investment and operational decisions that any firm could engage in at both managerial and corporate levels.

Undoubtedly, Investment in human capital can happen through committing resources in education, mentoring and empowerment among others. Going by human capital theory, the most competitive firms and the most successful countries are those that manage their human capital in the most effective and efficient manner, by providing their employees with opportunities for development, encouraging them to invest in self-development, providing a good learning environment, including social capital as well as skills and training (Becker, 2002). The theory goes further to argue that human capital development in the form of education impacts on both national, firms and individuals' economy. It consistently maintained that those with higher educational attainment earn higher than those who are less educated and also tend to perform better than less educated employees (Golden & Katz, 2008). One major argument against this theory holds that no

conclusive empirical evidence has shown that those with higher education are paid higher because of their superior performance (Blaug, 1972; Wiles 1974; Golden & Katz, 2008). But Hanushek and Woessmann (2015) quantified and attributed the very high cost of low skills experienced by organizations to low level of human capital development targeted at education.

Systems Theory

One of the founders of Systems theory was the biologist Ludwig Von Bertalanffy, who applied it in his article published in 1951 (Sapru, 2013). He is often attributed to have advanced the frontier of General Systems Theory. The theory was initially applied to the principles of natural and physical sciences (biology, physics and engineering). Later on, it embraced other fields such as philosophy, sociology, organizational theory, management and economics among others. It is pertinent to mention here that, the system theory originally centered more on the classical approach which is more concerned with the technical requirements of organizations; later the human relations approach emerged and emphasized more on psychological and social aspects, and the consideration of human needs. The system theory attempts to reconcile the two extremes by focusing on the organization as a whole that have interrelated subsystems that have to interact to achieve a common goal. Barnard (1938) quoted in Sapru (2013) suggested the need for cooperative actions in organizations. He believed that employees' ability and their commitment and contribution to the achievement of common purpose were necessary for the existence of a firm.

In the views of Simon (1960) quoted in Sapru (2013), management is seen in terms of decision-making; and the sole concern is how decisions are made and how decision-making can be improved. The concern here is that decision made should be such that will impact on employees to make them perform satisfactorily. In other hand, while making-decisions, management should create opportunity that will enable organizations interact with the external environment and maintain a synergy between the internal affairs of the organization and the external business environment; which is termed an open system. This theory assumes that an organization or an individual employee cannot develop in a vacuum, they have to expose themselves to the external world for learning and development to happen. In the organizational context, human capital is a sub-system and a system of its own because human resources are the prime movers of all other physical resources and transform those input resources into valuable output in the form of products and/or services. This transformational process involves a lot of capacity building in terms of skills and knowledge improvement and development processes, given that human efforts are required to augment the performance by familiarizing with new ways of doing things and changes in human behavior. The focus of this theory is to maintain a continuous trend of human capital development in the practice of Human Resource Management.

Concept of Human Capital Development

Schultz (1993) while describing human capital referred to it as an important elements that is capable of determining economic growth. He further referred to human capital as the stock of productive knowledge and skills possessed by workers. Human capital can be classified in the similitude of property, that is, knowledge and skills possessed by an individual (Beach, 2009). Human capital is assumed to be important in itself but also important is the accumulation process. This perspective stresses on knowledge and skills obtained through educational activities (De la Fuente & Ciccone, 2002). The other perspective of human capital is closely linked to the production-oriented perspective of human capital (Dae-Bong, 2009). Rosen (1999) argued that human capital amounts to people investing in themselves to increase their skills, knowledge, potentials and competence for enhanced performance and productivity. More elaborately, developing human capital has been defined as 'an aggregation of factors such as education, experience, training, intelligence, energy, work habits, trustworthiness, and other initiatives that

affect the value of a worker's marginal product' (Frank & Bemanke, 2007). The paradigm shift in the global economy skewed toward knowledge-based sectors (such as research and development, science and technology, pharmaceuticals and ICT-based sectors), has stimulated policy makers to pay more attention to skills and human capital development (OECD, 2001).

Human capital theory which is assumed to be an improvement on the marginal-productivity theory has long become a leading means of understanding how wages are determined. The theory of human capital was largely discussed by Gary S. Becker, an American student of Theodore Schultz. The human capital theory, views schooling (formal education) and training as an investment in skills, knowledge and competences (Becker, 1993 & Becker, 1964). It maintains that earnings in the labour market is a function of the quality and quantity of information and skills set which an individual or employee possesses. Based on rational thinking, it portends that for any investment made by an individual or employee, it is expected that there will be a return on such investment. Therefore, it is believed that individuals make decisions on the education and training they receive as a means of improving their knowledge, skills, and competencies to further augment or improve their performance and productivity. That is to say, the investments in human capital depends on the cost of acquiring the skills and the returns that are expected from such investment in human capital.

Employee Performance

Several organizations interpret performance of their staff to be a way of appraising employee effectiveness. Boateng (2012) posits that performance measurement is a means by which an accomplished task is determined and special recognition given. Therefore for performance to be ascertained, realistic targets have to be set and required efforts have to be expended within a specified time frame for its accomplishment. Performance measurement is therefore a system of rating the performance of employees whether as a group or individual. There are several indicators used by different organizations to measure performance of their employees. Some of these include; output quality, quantity of work output, resource utilizations, and/or cost effectiveness of the work. Zeb-Obipi (2015) in his work "corporate productivity performance: a harmonist framework" measured performance with indicators such as time minimization, cost minimization, and waste minimization. All these are measures or indicators to determine the level of employee performance against a set of standards within the performance appraisal process.

However, this study is not intended to investigate performance measures or appraisal. From the studies so far, it has become essential for firms to strategize in order to optimize employee performance. Firms according to Hilson and Banchirigah (2009) should be structured to achieve employee performance. The firm with the intention to optimize employee performance needs to be responsive to the business context and the methods of meeting societal expectations. The firm should strike a balance between the inherent needs of business they are in and what helps flourish the key traits of the employee to meet firms' goal. To fully utilize human resource practices to achieve organizational survival and sustainability, effective employee performance management system needs to be put in place. The performance-driven objective of firms should be in synergy with the organizational policies so that the entire process moves away from being event-driven to become more strategic and people-oriented (Mone & London, 2018; Jena & Pradhan, 2017; London, 2003).

One major concern that have been agitating the minds of many researchers, organizational behaviour experts and human resource practitioners is why no consensus approach or strategy to achieving employee performance and why do some organizations perform better than others? Preliminary studies suggested that juicy and mouth watery incentives and remuneration schemes can motivate employees toward meaningful job participation (Friedman & Sunder, 1994; Roth, 1995; Sprinkle, 2000).

Human capital development and Employee performance

Human capital development refers to the processes that relate to training, education and other professional initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee's satisfaction and performance, and eventually on a firm's performance (Ukenna, Ijeoma, Anionwu & Olise, 2010). The ever changing business environment expects organizations to pursue superior competitive advantages through strategic business plans which incorporate creativity and innovativeness. This is necessary for their long term sustainability. Indisputably, developing human capital of the organization is the needed strategic option of the organization that can play a significant role in enhancing firms' competitiveness (Barney, 1995). Several studies have been carried out on human capital development and their implications on both employee and firm performance; results shows that, human capital enhancement will result in greater competitiveness and performance (Agarwala, 2003; Selvarajan, Ramamoorthy, Flood, Guthrie, MacCurtain & Liu, 2007). In relation to this, the meaning of employee performance could vary. Nevertheless, some clear indicators of employee performance in the context of human capital development could be put forward. Employee performance in this study can be seen from four perspective: waste minimization, cost minimization, on-time delivery and output quality.

Similarly, performance is one of the elements that can be evaluated in all organizations. Mathis and Jackson (2009) opined that performance is about "quantity and quality" of output, timeliness of output, presence, efficiency and effectiveness of work complemented by employees. The success of organizations is dependent extensively on the capabilities and expertise of the human capital. Gratton (2000), suggested that investing in an organization financially and technologically is capable of bringing improvement in the organization. This however cannot be sustained in the long run. Only the attitudes, skills and capabilities of people are very essential to the sustainability of the competitive advantage of the organization. It is anticipated by managers that after equipping the employees with the necessary knowledge, skills, abilities, attributes, and required work behaviour their performance will be positively affected. Therefore, it was not out of place for this study to focus on the association existing between human capital development and employees' performance.

CONCLUSIONS

This research reviewed several extant literature on human capital development and employees' performance Findings of the study which were based on the literature review, and the empirical review of earlier works on similar research effort indicate that human capital development has positive significant influence on employee performance. Human capital development when made a strategic option for building workers knowledge, skills, abilities, competence and required work behaviour will be a veritable means of achieving employee performance.

RECOMMENDATIONS

Based on the outcome of the reviewed literature, The following recommendation are hereby made:

1. The understanding of employees' performance in relation to human capital development should not be perceived as a phenomenon that only adds 'to the profit margin of firms; rather it should also be seen as a phenomenon that is transforming the entire workforce as the most 'valuable assets'. Hence, companies in oil and gas exploration and production should therefore, come up with some effective investment plans targeted at developing the various aspects of human capital as not only does it result in employees' performance but also direct firms to attain greater performance, become more innovative and remain competitive for their long term survival.
2. Companies in oil and gas business should plan to invest in the development of their employees which will help them not only to maintain their core competences but also to enhance their productivity and level of performance.

3. Management of oil and gas firms should take seriously the issue of organizational support (working conditions, work place equity and fairness, management behaviour supporting subordinates, employee participation in decision making, etc) to ensure that periodic review and improvement are carried out which will create conducive atmosphere for transfer of knowledge and learning which will increase the degree or level of employee performance.
4. Management of oil and gas firms should ensure employees are properly and effectively empowered to minimize time spent in supervision. deploy

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