Human Capital Development and Organizational Resilience in Selected Manufacturing Firms in Rivers State

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Abstract: This study examined human capital development and organizational resilience in manufacturing firms. The research adopted a cross- sectional survey. Using simple random sampling technique and Taro Yamen's formula, 119 managers were drawn from the 31 manufacturing firms in Port Harcourt. The statistical tool adopted was spearman rank order correlation coefficient with the aid of statistical package for social science version 20. The findings showed that performance management and training have influence on organizational agility and organizational adaptive capacity in manufacturing firms. From the findings, we concluded that human capital development has significant influence on organizational resilience. The study therefore recommend that organizations should constantly train their employees and ensure that they participate in certain goal setting decisions as it will enable them adapt easily to change and remain flexible in an unstable environment.

Keywords: Human capital development, organizational resilience, performance management, training, organizational agility, organizational adaptive capacity.

1. INTRODUCTION

The nature of the business environment has made modern organizations become aware of the need to prepare for the unexpected. The dynamic nature of the environment makes it imperative for organizations to embrace proper human capital development so as to achieve resilience. The attacks of September 11th recorded a great shock causing the stock market to drop sharply. It destroyed about 18,000 small businesses and almost 3,000 people died (New York City Officer of the comptroller 2001). According to Iwan (2000) the Indian ocean Tsunami resulted to the death of approximately 131,000 people, displacing 37,000 and damaging about 8,000 houses. Organisations are now reminded that the unexpected still happen considering the emerging threat of a pandemic and the Hurrican Katrina (www.resorgs.nz).

According to Wildarskey (1988) the ability to handle unexpected dangers after their occurrence is resilience. Advanced organizations that have an embedded resilience capacity may be able to seize opportunities in addition to invoking protective activities – bouncing toward as opposed to bouncing back.

In the present environment where the unimaginable is getting at its peak, organizations and their various units may not have all it takes to anticipate every challenge that comes their way (Weick, Sutcliffe & Obstfeld, 1999). Organizational resilience holds onto practice in risk management and on existing literature.

According to Mitroff (2005) organization resilience is a steadily process that supports performance in the organization and crisis situation. A set of four abilities identified by Hollnagel et al (2000) which define the quality of ressilience are: the ability to react to different challenges; to anticipate disruptions; to learn from experience and ability to carefully observe what is happening.

In order for organizations to gain competitive advantage, they should leverage on employees as a competitive weapon. Organizations focus have been on how to improve on employees productivity to drive higher value for them. This improvement can be done through comprehensive human capital development programe which enables for organization's long term survival and sustainability. To effectively operate in an unstable and complicated environment, employees should acquire knowledge, skills and experience.

A lot have been written over the years on human capital development and economic growth in Nigeria. (Okorafor & Oforegbunam, 2010; Manmuthu & Arokiasamy ,2009). However, we are not aware of a unified empirical work done on human capital development and organizational resilience in manufacturing firms in Nigeria. To cover the knowledge gap, the study seeks to examine the relationship between human capital development and organization resilience of selected manufacturing firms in Rivers State.

Statement of the Problem:

The Nigerian manufacturing sector is facing challenges such as inflation, decrepit infrastructure, low investment, high cost of production, low level of technology, low capacity utilization and poor power supply (Anyanwu, 2000).

In the light of these challenges facing Nigerian manufacturing sector, the interest in exploring organizational resilience is principally to identify the factors that enable organizations resist the negative impacts of crises and adapt in ways that enable them stand in a changing environment. The work seeks to examine how effective human capital development is in helping manufacturing firms achieve agility and organizational adaptive capacity. To explore this, the key questions concern the extent to which performance management and training relate to organizational agility and organizational adaptive capacity:

a) To what extent does performance management affect organizational agility?

b) To what extent does performance management affect organizational adaptive capacity?

c) To what extent does training affect organizational agility?

d) To what extent does training affect organizational adaptive capacity?

2. LITERATURE REVIEW

2.1 Concept of Human Capital and Human Capital Development:

All over the world, human capital is on daily basis drawing attention in all aspects of life. Schultz (1979) postulates that human capital entails investing on individuals through education and training. The performance of individuals can be enhanced through education and training.

Human capital according to Marshal (1998) refers to the education and training an individual receives in an organization. Human capital are those values, skills and training which cannot be separated from the individual. Marimuthu et al (2009) identifies training, education and other professional initiatives as those processes which will increase employee's performance.

The success of every organization lies on the human capital which consists of people working in it. Human capital development entails adding value in people by educating, mentoring, supporting, training, internships and organizational development. For an organization to succeed, it must not overlook the development and growth of people in it. The framework where employees skills, knowledge and abilities can be developed is referred to as human capital development (Heathfield, 2011). According to Heathfield, performance management, mentoring, employee training, employee career development are ways of developing human capital.

According to Cohen (1999) the knowledge, skills and experience that an employee has is the human capital that paves way for an organization. Organizations today are making efforts on how to build up human capital and sustain their intangible assets.

Many definitions of human capital points to its important for organizations. Specifically, for organizations to gain competitive advantage, they must invest and train their workforce.

The dimensions of human capital development include performance management and training.

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2.1.1 Performance Management:

Armstrong (2000) refers to performance management as a way of involving employees by managers to work as a team in order to achieve an expected results. This ensures an easy flow of communication between the manager and individual about performance and development needs.

Armstrong & Baron (1998) posit that performance management entails developing the capabilities of employees working in an organization in order to deliver sustained success.

Hartle (1995) integrated performance management into two namely vertical and horizontal.

1. **Vertical Integration:** This type of integration is achieved in two ways. The first enables individual objectives and business strategic plans and goals to be integrated. These objectives work hand in hand with each other starting from top management level down to the individual level. Hartle emphasized that these objectives should be a two way process whereby individuals and teams will be given the chance to generate their own goals in the organization. It entails a downwards flow and a bottom up process and stated that managers should agree on an objectives through an open dialogue with employees.

Secondly, that the core values organizations adopt and the capabilities individuals achieved can only take place through vertical integration.

2. **Horizontal Integration:** This refers to the process of relating human resources strategies such as valuing, involving, developing and paying people with performance management strategies. Performance management's impact on organizational effectiveness can be improved because it is a means of integrating the various approaches that organizations can adopt to develop people.

The Performance Management Process include:

1) **Defining goals:** Goals should be clearly stated and be related with the corporate strategy. Managers should incorporate employees when setting organizational goals. Both should share functions and responsibilities as individuals work within a SMART goal structure. SMART stands for specific, measurable, achievable, relevant and timely.

2) **Monitoring Progress on Goals:** In order to know when an employee needs coaching assistance, managers should endeavor to be alert in knowing the progress on goals of that employee. Employees also need to monitor their own progress on goals.

3) **Appraisal Process:** It entails listening, observing, giving feedback and motivating employees in order to get the best out of them. Creating avenue to ascertain employees assimilation based on what they have learnt and providing means for them to develop the skills is a major part of appraisal.

4) **Pay-for-performance compensation:** It serves as a way of bringing employees to align with the aims and objectives of the organization. Rewarding of employees who meet the goal or exceeds expectation can come in form of bonuses, recognition through awards, pay rises etc.(www.successfactors.com).

2.1.2 Training:

Training is a way of impacting knowledge, skills and competencies to an individual. The ability of organizations reaching their destinations within a specified time is as a result of training received by employees. For human capital to be developed, organizations must not do away with training. Organization training it's workforce enables them to gain competitive edge in the business environment. It helps to enhance the productivity of any organization. The behavior of an individual can be shaped to follow to a particular pattern through training. It can also been seen as the teaching and learning given to employees which enables them acquire knowledge, skills and abilities required for a particular job. Organizations to ensure that their employees are trained not withstanding their various qualifications and skills (Flippo, 1971).

The following are reasons why organizations must train their employees:

a) Change in the job assignment: Promotion brings about training in order to equip the old and new employees.

b) Human relations: Organizations need to train it's employees so as to maintain a good human relations with the external and internal environment.

c) Environmental changes: Employees should be trained to get acquainted with the latest technology and knowledge.

d) Organizational complexity: In order to cope with the complexities that arose as a result of modern technological upgradation and diversification, employees need to be trained.

Methods of Training:

1) On-the-job training: Here employees are trained while discharging their duties. A lot can be learnt as it involves the real work environment. There are other ways on-the-job training can take place. They include:

a) Coaching: This involves providing instructions to trainees in order to learn skills by an experienced staff.

b) Mentoring: Here an established member is allocated to each training who acts as a helper to trainees.

c) Job rotation: Here they rotate roles for members to enable

the necessary skills needed for a particular job.

2) Off-the-job training: This involves a situation where an individual is taken to a different working place. There is full concentration on learning and the materials for it are supplied. It can be in form of role playing, stimulations, case studies and lectures.

2.2 Organizational Resilience:

Resilience, a concept originally derived from the field of ecology. It is seen as the ability of recovering and maintaining a state which existed before the disturbance occurred (Constas & Frankenberger, 2013). According to Hamel and Valikangas (2003) the issue of resilience came about because of the need for corporation to respond to turbulent times caused by natural disaster, economic downturns, and man-made disasters. They argued that it is only those organizations that anticipate, respond to threats and ready to adapt to unexpected disruptions in the environment that can succeed. Hamel and Valikangas (2003) asserted that successful organizations should constantly adapt and to reflect the changing external environment. The need for resilience is particularly important for organizations providing goods and services and to fashion out ways to prevent disruptions in their operations processes.

The measures of organizational resilience include organizational agility and organizational adaptive capacity.

2.2.1 Organizational Agility:

More recently, researchers have evoked agility to describe and explain organizational responses in contexts as diverse as information systems (Sarker & Sarker, 2009) market orientation (Grewal & Tansunaj, 2001) strategic alignment (Tallon & Pinsonneault, 2011) and social computing. Agility is the alertness to the changing situations in the work environment and the capacity to utilize the available resources in reacting to those changes on time.

Changes that drive an organization to be agile come from every aspect of the external environment, including politic, economics, society and technology, as well as the internal environment, such as internal strategy and organization structure (Oosterhout et al 2006; Sharifi & Zhang, 1999). Changes in customer preferences, and rapid technological advances or strategic moves by aggressive competitors result in sustained competitive advantage being difficult to achieve (D'Aveni, 1994). Organizational agility is the capacity of an organization to quickly recognize, utilize opportunities and tackle threats in an unstable environment. Mathiassen & Pries- Heje; Ganyuly et al(2009) refer to organizational agility as an enabler of competitiveness and a key business factor.

Organizations that operate in a dynamic environment require greater agility than those that operate in less turbulent business environment (Moritra & Ganesh 2005; Tallon, 2008)

Agility involves all aspect of organization architecture such as technology, business processes, people, information and strategy. Likewise, various studies focus on agility from an overall organizational perspective (Arteta & Giachetti 2004; Dove 2005, Sambamurthy et al 2003) or more specifically on particular areas of an organization.

Organizational agility focuses on rapidity because for organizations to survive in the business environment, speed must not be overlooked. Time in organizational agility can be viewed in two aspects. First, it is how fast an organization can anticipate and react to threats and opportunities.

Second, is how long organizations keep competitive edge over their competitors before been copied (Mathiassen & Pries – Heje 2006) To ensure that no threats or opportunities are missed, agile organizations require sensing and responding to changes to be quick and happen in real time (Panka; et al 2009; Seo et al 2006)

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2.2.2 Organizational Adaptive Capacity:

Adaptive organizations therefore need to have a core value that encourages learning and experimentation across the entire organization, which implies that learning becomes more important than fearing failure. Adger (2006) posits that the capacity of a system to enlarge the various variability which it can handle and change so as to accommodate environmental disruptions is adaptive capacity.

Lind and Seigerroth (2000) asserts that for organizations to become frontrunners always, they should become adaptive. Organizational adaptability is the organizations capacity to anticipate and respond to external threats and opportunities; influence the environment in its favour; cope with challenges and achieve change in the most appropriate way (Cohen and Levinthal, 1990) Adaptability can be promoted in an organization by valuing agility. Questions on which market to serve, what customers need and how to bring about innovations are been asked.

Relationship between Human Capital Development and Organizational Resilience

In organizational studies, perspectives of resilience have referred to an ability or capacity to withstand shocks (Sutcliffe & Vogus, 2003) or the ability to handle unforeseen dangers after their occurrence (Wildarsky, 1988) According to Lengnick-Hall and Beck (2005) more recent conceptions of organizational resilience focus on expanding the concept beyond "bouncing back" and including other areas such as retaining and improving adaptive capacity, learning and transformation. Key to developing that capacity depends on organizations workforce – its human capital. The ability of employees and the knowledge they acquire are the only irreplaceable capital an organization possesses.

As a guide to this study, the following hypotheses have been formulated.

Ho1: There is no significant relationship between performance management and organizational agility.

Ho2: There is no significant relationship between performance management and organizational adaptive capacity.

Ho3: There is no significant relationship between training and organizational agility.

Ho4: There is no significant relationship between training and organizational adaptive capacity.

3. RESEARCH METHODOLOGY

The cross-sectional survey of the quasi-experimental design was adopted for the study. The study focused on the (31) registered manufacturing firms in Port Harcourt and the unit of analysis was at the organizational level focusing on the managers of the various firms. The population of the study consisted of 170 managers and sample size was determined using Taro Yamen's formula which gave a total of 119 managers. 119 copies of questionnaire were distributed and when retrieved, only 102 were appropriately filled and was used for the analysis. The simple random sampling technique was used in selecting the respondents. The Spearman's Rank Order Coefficient statistical tool was used to test the hypotheses formulated with the aid of statistical package for social science (SPSS).

4. RESULTS AND DISCUSSIONS

Hypothesis one:

H1: There is no significant relationship between performance management and organizational agility in manufacturing firms.

Table 1: Test of relationship between performance management and organizational agility

			Performance Mgt	Org Agility
Rho	PM	Corr Coef	1.000	.899[**]
		Sig. (2-tailed)	.	.000
		N	102	102
	OA	Corr Coef	.899[**]	1.000
		Sig. (2-tailed)	.000	.
		N	102	102

**. Corr is sig. at the 0.01 level (2-tailed).

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The result of the analysis in the table above shows a significant correlation (r = .899**, n = 102, p < 0.01). Hence, there is a strong relationship between Performance Management and Organizational Agility in the manufacturing firms in Port-Harcourt. Based on this, the null hypothesis was rejected.

Hypothesis Two

H2 : There is no significant relationship between performance management and organizational adaptive capacity.

Table 2: Test of relationship between performance management and organizational adaptive capacity.

Correlations

			Performance Mgt	Org Adaptive Capacity
rho	PM	Corr Coef	1.000	.916**
		Sig. (2-tailed)	.	.000
		N	102	102
	OAC	Corr Coef	.916**	1.000
		Sig. (2-tailed)	.000	.
		N	102	102

**. Corr is sig. at the 0.01 level (2-tailed).

The result of the analysis in the table above shows a significant correlation (r = .916**, n = 102, p < 0.01). Hence, there is a strong relationship between Performance Management and Organizational Adaptive capacity in the manufacturing firms in Port-Harcourt. Based on this, the null hypothesis was rejected.

Hypothesis Three

H3: There is no significant relationship between training and organizational agility.

Table 3: Test of relationship between training and organizational agility.

Correlations

			Training	Org Agility
Rho	TR	Corr Coef	1.000	.789**
		Sig. (2-tailed)	.	.000
		N	102	102
	OA	Corr Coef	.789**	1.000
		Sig. (2-tailed)	.000	.
		N	102	102

**. Corr is sig. at the 0.01 level (2-tailed).

The result of the analysis in the table above shows a significant correlation (r = .789**, n = 102, p < 0.01). Hence, there is a strong relationship between training and organizational agility in the manufacturing firms in Port-Harcourt. Based on this, the null hypothesis was rejected.

Hypothesis Four:

H4: There is no significant relationship between training and organizational adaptive capacity.

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Table 4: Test of relationship between training and organizational adaptive capacity

Correlations

			Training	Org Adaptive Capacity
rho	TR	Corr Coef	1.000	.847[**]
		Sig. (2-tailed)	.	.000
		N	102	102
	OAC	Corr Coef	.847[**]	1.000
		Sig. (2-tailed)	.000	.
		N	102	102

**.Corr is sig. at the 0.01 level (2-tailed).

The result of the analysis in the table above shows a significant correlation (r = .847**, n = 102, p < 0.01). Hence, there is a strong relationship between training and organizational adaptive capacity in the manufacturing firms in Port-Harcourt. Based on this, the null hypothesis was rejected.

5. DISCUSSION, CONCLUSION AND RECOMMENDATION

The tables revealed that there exists a positive relationship between performance management and training on the various constructs. It implies that it is in the interest of individual organization and the nation to optimize its human resources by investing in the skills of its workforce, its human capital. The human capital is a crucial component of an organization's overall competitiveness. Based on the discussion, we conclude that the proper application of human capital development such as performance management and training can be used to achieve organizational agility and organizational adaptive capacity in manufacturing firms, thereby making organizations become resilient.

6. RECOMMENDATION

For organizations to become adaptive, they must allow transformation to occur through learning and this can be achieved when employees are adequately trained on all organizational functions so that they can carry on any activity when the need arises. Employees should be regularly sent in development programmes for necessary conceptual skills and technical know-how for overcoming any challenge posed by the environment.

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