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## A STUDY ON FINANCIAL IN COUNTRY EFFECTS THE HUMAN RESOURCE DEVELOPMENT

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### ABSTRACT

Building on strategic human resource management (SHRM) literature, we investigate the effect of human resource development (HRD) on the operational and financial performance of manufacturing organizations. We identify four different approaches to HRD that reflect management-driven or employee-focused HRD efforts with either quantitative or qualitative focus. We further propose that HRD practices predict organizational performance by shaping the competence and commitment of employees that reflect the prevailing, untested assumption in the SHRM literature. Multi-source data collected from 207 manufacturing companies at three time points over a five-year period largely support our theoretical propositions. Financial investment and managerial support for HRD show positive effects on employee commitment but not on competence. Perceived benefits of HRD enhance both employee competence and commitment, whereas the amount of participation in HRD is not a meaningful predictor of those employee outcomes. A series of structural equation models confirms that HRD practices improve employee competence and commitment that have direct effects on operational performance of the organization which ultimately shapes its financial performance. The present study elaborates distinct values of different HRD practices, and highlights the significance of employee outcomes as the mediating mechanism between HRD and organizational performance.

### 1.0 SCOPE OF WORK

The present crisis, however, is very different from earlier ones, in that it has spread very rapidly to all countries in the world and – he asserts – we are very close to a global collapse. This, in other words, is the first true global crisis. Our study aims to discover what action Hungarian companies plan to take in relation to human resource management and, concurrently, knowledge-management in this financial and economic

crisis. With a brief review of the literature we demonstrate the role of knowledge and human capital in a period of depression and we then present the findings of empirical research which we undertook in Hungary from November 2008 to February 2009 and, in early March 2009, in Slovakia. We finally attempt to draw conclusions by means of a country comparison, at the same time

highlighting both the limitations of our research and our future related plans.

Studies have shown that for any organization to achieve enhanced service delivery and profitability; competent employees are required. In this regard, human resource development (HRD) of an organization could be seen as strategy to improve the capacity of employees, bring about organizational commitment (OC) and promote performance. The paper empirically examines the impact of HRD and OC on financial sector employees in Nigeria. Findings show a strong impact of HRD and OC on performance of employees. In addition, literature reveals the need to tackle the issue of unethical behaviour (corruption) amongst banks' staff at all levels as basis to eliminate failure and bring about enhanced performance in the Nigerian banking sector. The paper therefore recommend among others the enforcement of stiffer penalty for bank employees found engaging in unethical practices as a way of overcoming the challenge of unethical behaviour of staff for sustainable growth in Nigeria.

## **2.0 OBJECTIVES OF THE STUDY**

- To study the effects of human resource development on operational and financial performance of manufacturing companies: a large-scale, longitudinal analysis
- To work on human resource management and human resource development: evolution and contributions
- To study the impact of training and development on organizational performance

- To design human capital development and its impact on firm performance: evidence from developmental economics
- To study impact of human resource development and organizational commitment on financial sector employees

## **3.0 METHODOLOGY**

### **Research Setting and Data Structure**

We used Human Capital Corporate Panel (HCCP) data to empirically test the present hypotheses. A stratified, random sample was drawn from private business organizations with 100 or more employees in the manufacturing industry in Korea. The effect of HRD on firm performance should be more pronounced in manufacturing organizations than in service organizations. Manufacturers largely depend on the ability of their HRD Practices, Employee Outcomes, and Organizational Performance employees in order to improve product quality and adapt to technological changes. Contrary to service organizations, where employee ability and motivation are usually shaped by informal socialization and interactions with customers, employee KSAs needed in manufacturing companies are often organization-specific and technical.

Thus, employees must receive formal training on engineering and technical skills related to the products and production procedures. The corporate data were collected at three time points: 2005 (T1, N = 303), 2007 (T2, N = 314), and 2009 (T3, N = 336). Of the initial sample, we identified 207 organizations that participated in all three waves of data collection. These

organizations had, on average, 739 employees and represented diverse manufacturing industries, including energy, automobile, steel, electronics, computer, chemical products, and machinery. For the 207 organizations with complete survey data, we identified matching financial performance data for 2009 as archived by the Korean Information Service (KIS). This time-lagged research design corresponds with the conceptual model summarized in Figure:

- (a) HRD practices were reported by HRM directors and employees at T1,
- (b) Employee competence and commitment were rated by departmental managers and employees at T2, and
- (c) Operational performance was evaluated by departmental managers at T3.

T3 data were collected in the middle; thus, operational performance measure and financial performance data for the entire year have partial temporal overlap, and the two measures can be regarded as contemporaneous. However, both performance measures were collected after the assessments of HRD practices and employee outcomes. The temporal gap between the predictors and the organizational performance measures was more than two years, which is sufficient to test the long-term effects of HRD on organizational performance.

### **HRD Practices, Employee Outcomes, and Organizational Performance**

In each organization, different groups of organizational members participated in the corporate survey over a period of five years. The T1 sample was composed of HRM and strategy directors of each organization and

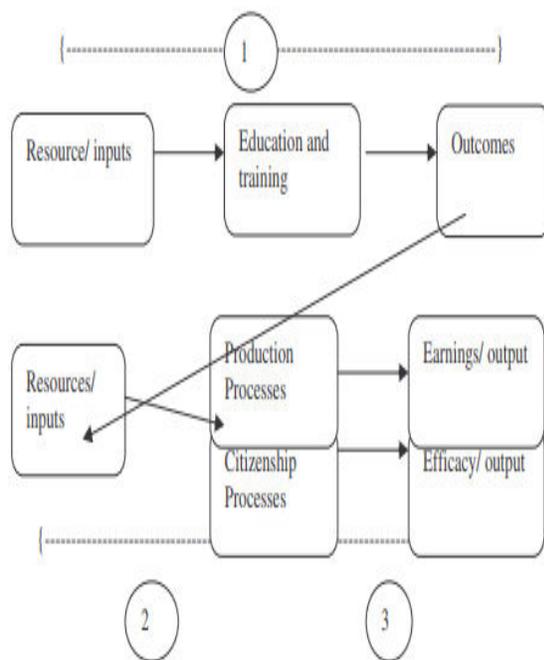
6,973 organizational members, including office workers, engineers, and manufacturing supervisors and workers. On average, there were 33.69 (SD = 19.92) participants per company, composed of 85.4% males with a mean age of 41.8 years (SD = 8.11) and an average organizational tenure of 14.27 years (SD = 7.29). For the T2 data, 1,202 departmental managers and 4,630 organizational members completed the survey. The T2 participants included 85.9% males with a mean age of 39.9 years (SD = 7.95) and an average organizational tenure of 12.7 years (SD = 7.52).

Finally, the T3 sample was composed of 1,093 departmental managers, with an average of 5.28 (SD = 1.84) managers per company. The T3 manager sample included 97.6% males with an average age of 42.9 years (SD = 5.41) and an average tenure of 14.0 years (SD = 7.07). Measures The present data represent assessments of various organizational practices and processes by multiple constituents. All variables were assessed by multi-item measures using a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree). Individual responses were aggregated to the organization level for analysis. All scales exhibited acceptable within organization agreement and intra class correlations, suggesting that employees and managers of the same organization possessed shared perceptions regarding the present constructs.

### **Human Capital Theory**

From the perspective of Classical Economic Theory, human capital considers labour as a commodity that can be traded in terms of purchase and sale. This classical theory very

much focuses on the exploitation of labour by capital. However, unlike the meaning traditionally associated with the term labour, human capital refers to the knowledge, expertise, and skill one accumulates through education and training. General-purpose human capital is knowledge gained through education and training in areas of value to a variety of firms such as generic skills in human resource development. Regardless of the application, Becker considers education and training to be the most important investment in human capital.



**Figure a Model of Human Capital Theory**

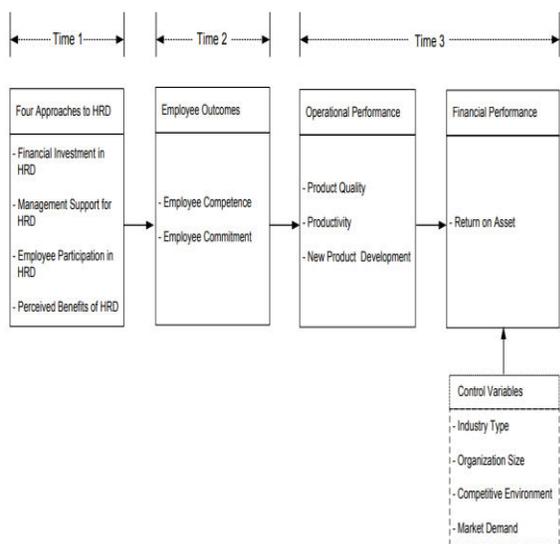
## 4.0 RESULTS

Hypothesized Model and Alternative Models

The hypothesized structural model produced good fit to the data (Hu & Bentler, 1999):  $\chi^2$  (df = 39) = 54.74,  $p = .11$ ; CFI = .97; RMSEA = .036; AIC = 150.74. Following the recommended procedure, we checked the possibility that theoretically plausible alternative models offer a better explanation

of the observed patterns in the data. For example, although we hypothesized the full mediation, the mediated relationships shown in Figure 1 could be only partial rather than full. Thus, as reported in Table 2, we tested the possibility of partial mediation by adding the following direct effect paths: (a) direct effects of HRD on operational performance (Alternative Model 1), (b) direct effects of HRD on financial performance (Alternative Model 2), and (c) direct effects of employee outcomes on financial performance (Alternative Model 3).

In all three cases, the partial mediation model with additional direct paths failed to improve the model fit significantly ( $\Delta\chi^2$  (df = 4) = 3.22,  $p > .50$ ; ( $\Delta\chi^2$  (df = 4) = 4.46,  $p > .20$ ; ( $\Delta\chi^2$  (df = 2) = 1.35,  $p > .50$ , respectively) and all the added paths were not significant. In Alternative Model 4, we modified the model so that HRD practices and employee outcomes have independent effects on operational performance, instead of having a mediated relationship. This model produced a poor model fit:  $\chi^2$  (df = 45) = 93.88,  $p = .001$ ; CFI = .86; RMSEA = .073; AIC = 185.88. Another possibility is that corporate efforts for HRD (financial investment and management support) shape employee experiences of participation and perceived benefits of HRD, which may have direct implications for employee outcomes (Alternative Model 5). This alternative model exhibited good fit to the data; however, the hypothesized model still offered a better explanation of the data. Hence, the present data support the overall conceptual framework depicted in Figure.



**Figure Theoretical Framework Predicting Organizational Performance Identification of Respondents**

The respondents were within the different departments which are; customer care centre, the loan relation office, the teller, internet control, branch operator supervisor and the branch manager. Below is a table showing how the workers in the different departments responded to questions.

**TABLE Identification of respondents**

DEPARTMENTS	FREQUENCY	PERCENTAGE
Customer Care Centre	6	20
Loan Relation Office	8	26.7
Internal Control	7	23.3
Teller	5	16.7
Branch Operator Supervisor	4	13.3
Total	30	100%

From table above, is shown that most of the respondent in the loan relation office freely expressed their idea to the questionnaire with a percentage of 26.7, followed by the customer service with 20 %, the teller with 16.7 %, and lastly by the branch operator supervisor.

### Administration of Data Collected

A closed ended questionnaire is that which the questions have all the possible answers pre-response categories and the respondents are asked to choose amongst the answers provided. An example of a closed ended questionnaire has responses like YES or NO, multiple choice questions A, B, C and scale questions such as agree, disagree.

### Analysis of Data Collected

Here, data will be presented based on the training and development and of what impact it has on the organizational performance. Samples of seven were asked and below are some of the questions posed:

### Table Are the employees adequate in what they do

RESPONS E	FREQUENC Y	PERCENTAG E
YES	20	66.6
NO	10	33.3
Total	30	100%

From the analysis, 66.7 % of the staffs believed NFC Kumba branch employees do their jobs adequately, 33.3 % were of the opinion that they are not adequate for it.

**TABLE Do employees face difficulties in their jobs with the global changes?**

RESPONS E	FREQUENC Y	PERCENTAG E
YES	14	46.7
NO	16	53.33
Total	30	100%

From table four it shows that most of the employees have knowledge of technology with about 53.3 % while some do not have a good knowledge to use the computers apart from specialized programs that are used in the organization with a percentage of 46.7.

**Table Are the training needs of workers identified?**

RESPONS E	FREQUENC Y	PERCENTAG E
YES	12	40
NO	18	60
Total	30	100%

The above table shows that most of the respondent believed their needs are not identified or is provided in an ad hoc manner with a percentage of 60, while only 40 % were of the opinion that their needs are identified. The interpretation of results is based on the questionnaire which was administered to the respondents. These questionnaires were administered and collected at the spot and some direct interviews were made which gave the researcher immediate feedback. The personal characteristics of study include attributes such as; age, gender, status, longevity and academic qualification. These studies have proved such traits on the effectiveness of studies. From the analysis above, it proves that if training needs are being identified and programs organized and conducted to address the needs, it will go a

long way to improve not only the performance of workers, but that of the overall organization. This is so because it goes to supplement the workers and vision of the organization. This therefore proves the positive hypothesis which says; training and development of human resource is an issue which must be taken seriously into consideration, for the world is ever changing and easy as different new ways and methods of doing things changes. It is thus necessary for organizations to keep their work force up to date and this will go a long way to increase the overall success of the organization.

## 5.0 CONCLUSION

This paper explored the current literature on human capital and its impact on firm performance. The conceptualization of human capitals is closely linked to some fundamentals of economics and firm performance. Studies also clearly substantiate the fact that financial performance is positively impacted through the consideration of human capitals. In light of this, the understanding of firm performance in relation to human capitals should not be regarded as a phenomenon that only adds 'more zeros' in a firm's profits; it is rather transforming the entire workforce as the most 'valuable assets' in order for the organization to pave ways for greater achievements via innovativeness and creativity. Hence, companies should therefore, come up with some effective plans especially in investing the various aspects of human capital as not only does it direct firms to attain greater performance but also it ensures firms to remain competitive for their long term survival.

To reap the full benefit of training initiatives as well as development programs, the researcher recommends thus: training needs should be done more professionally in conjunction with individuals involved together with human resource personnel. Everyone should agree what the training is lacking and what the training is lacking for instance; they need to identify what is lacking and what attitudes need that needs to be changed. Also, workers being employed should be those who at least have a preknowledge of technology so not to shy away from educative programs due to ignorance or shame.

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