

HUMAN CAPITAL MANAGEMENT AND THE GROWTH OF SMALL AND MEDIUM SCALE ENTERPRISES IN EMENE, ENUGU STATE

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ABSTRACT: *this study focused on Human Capital Management and the Growth of Small and Medium Scale Enterprises Emene, Enugu State. This study adopted a descriptive survey approach and it covered a population of 84 personnel drawn from 5 SMEs. Yaro yamene was used to select a sample of 69 respondents from the population. Data used in the study was gathered using a five point likert scale questionnaire and was analyzed using the one sample kolmogorov Smirnov statistic (K-S). The K-S value from the SPSS output for hypothesis one is 0.798 while it is 0.458 for hypothesis two. The study conclude that most SMEs do not give adequate attention to staff training and this reduces the capability of their employees to deliver on the task for which they are hired. It was therefore recommended that SMEs must as a matter of strategic urgency, rethink their human capital management practices especially in the area of the provision of staff industry-specific skill development programmes and the offering of reward and compensation packages that are competitive if they must attract and retain quality workforce which is a sine-quanon for sustainable growth.*

KEYWORDS: *Human Capital, Growth, Financial, Sales, SMEs*

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INTRODUCTION

Over the years, there has been a shift of perception on the role of Human Resource in the organization from a mere transaction and administrative resource to a strategic internal business partner. This perception is helped first by the ancient managerial belief that human resource is the single most important resource in the organization and secondly the advancement in the adoption of technology in human resource and organizational processes. Moreover, the globalization phenomenon has brought with it an increased complexity and dynamism in the operational environments of business making it imperative to change the perception of human resource. Today, human resource is perceived as a capital resource whose contribution to organizational wellbeing can be effectively quantified.

In small and medium scale enterprises, human capital management has become an issue of concern because most SMEs due to paucity of fund find it difficult to attract the right quality and quantity of personnel that can drive its vision. Moreover, as a result of size and dearth of skill, most SMEs do not give a conscientious attention to issues of human capital management. This challenge leads to a snag in capital optimization which affects the growth of the SMEs.

Human capital management is defined in this study as an integrated set of human resource practices consisting of acquisition, placement, application, training, appraisal, motivation, reward and compensation and management of the exit of the human element from the organization through voluntary resignation, death, retirement, and or outright sack. It is therefore a core function that must be performed if all organizational resources must be complementarily combined to effectively attain the growth goals of SMEs. Business growth is not a spontaneous act but one that involves carefully planned and executed strategic steps. Business growth which must be sustainable must be built and driven by human capital.

Statement of the Problem

That Human Capital Management drives the growth in every organization can never be denied, but empirical evidence for this link especially in the Nigerian clime and context is grossly inadequate. The growing consistency of SMEs inefficiency, marked by high operational costs, low productivity has affected their profitability thereby cutting down their revenue growth prospect and competitiveness and this contravenes their growth mission.

Marketing in the contemporary dynamic business environment requires the strategic engagement and constant training of a talented sales force that possesses the right skill and message to attract and retain customers. However, most SMEs are built around the founder who performs almost all the functions in the organization, thereby extricating professionalism from the activities of the organization; this creates sales problems in the organization. Therefore, in order that the growth mission is realized, there is an urgent need to identify the factors responsible for this undesirable business performance and a solution to the problem.

Objectives of the Study

The general objective of this study is to examine Human Capital Management and the Growth of Small and Medium Scale Enterprises. Its specific objectives include;

- i. Examine staff training relationship with the sales growth of SMEs
- ii. Examine the relationship between reward and compensation practices with the financial growth of SMEs

Research Questions

- i. What is the significance of the relationship between staff training and the sales growth of SMEs
- ii. What is the significance of the relationship between reward and compensation practices with the financial growth of SMEs

Hypotheses

H₀₁: Staff training does not have significant relationship with the sales growth of SMEs

H₀₂: there is no significant relationship between reward and compensation practices with the financial growth of SMEs

REVIEW OF LITERATURES

Conceptual Review

Human Capital Management (HCM)

According to Bassi, (2012) Human Capital Management can be defined as the processes and practices within an organization that align the management and development of employees with its business results. Crook et al, (2011) also defined Human Capital Management as ‘the stock of competencies, knowledge and personality attributes embodied in the ability to perform labour so as to produce economic value’ Coughlan, (2001) defined Human Capital Management as ‘the sum of knowledge, skills, experience and other relevant workforce attributes that reside in an organization’s workforce and drive productivity, performance and the achievement of strategic goals’. Baron and Armstrong, (2007) defined Human capital management as ‘a strategic approach to people management that focuses on the knowledge, skills, abilities and capacity to develop and innovate, possessed by people in an organization’. In an attempt to explain the meaning of Human Capital Management, Avninder, (2009) states that ‘HCM today is adequately managing every facet of talent and labour which requires a detailed examination of all segments of the workforce against every area of operational detail’.

Other researchers such as Stiles et al, (2011) on another level of definition presents Human Capital Management (HCM), as concerned with obtaining, analyzing and reporting on data that inform the direction of value adding strategic investment and operational people management decisions at corporate level and at the level of frontline management. It is, as emphasized by Baron and Armstrong (2007) ultimately about value. In this case, the defining characteristic of HCM is the use of metrics to guide an approach to managing people that regards them as assets and emphasizes that competitive advantage is achieved by strategic investments in those assets through employee engagement and retention, talent management and learning and development programmes. Human Capital Management provides a bridge between Human Resource and business strategy.

Components of Human Capital Management

The following are the key components of Human Capital Management

❖ *Reward, Compensation and Turnover Intention:* Organizational support theory (Eisenberger et al, 1986) suggests that employees who receive high levels of support from the organization are inclined to repay the organization by their commitment to stay and work for the organization. One essential way to reciprocate the organization’s favourable treatment is through continued participation (Allen et al, 2003). Other research works on the rewards and recognition

of employee contributions, also indicate that employees who receive more support as part of the inducements offered by the organization, would have less desire to leave the organization.

❖ *Selective Hiring:* Increasingly, employers are looking for applicants who possess a range of social interpersonal and team working skills in addition to technical ability. Sought trainability and commitment, “In a growing number of situations, it would appear that employer feel that they can provide technical training for people so long as they have the ‘right’ social skills, attitudes and commitment (Marchington et al 2003) The key point about ‘best practice’ selection is that it should be integrated and systematic, making use of the techniques which are appropriate for the position and the organization, and administered by individuals who have themselves been trained.

❖ *Extensive Training, Learning and Development:* Having recruited ‘outstanding human talent’, employers need to ensure that these people remain at the forefront of their field, not only in terms of professional expertise and product knowledge but also through working in teams or in interpersonal relations’. The use of the word ‘Learning’ is crucial as it demonstrated employer willingness to encourage and facilitate employee development rather than just providing specific training to cover short-term crises’. It is now widely acknowledged that most workers are overqualified for the jobs they do (Grugulis 2003) and as such extra training may add little to organizational performance or worker skills. Therefore the quality of training, both in terms of its focus and delivery, is clearly more important than a simple count of the amount provided.

❖ *Employee Involvement and Information Sharing:* First, open communication about financial performance, strategy and operational matters not only ensures workers are informed about organizational issues, it also conveys a symbolic and substantive message that they are to be trusted and treated in an open and positive manner. Second, for team working and to be successful, workers require information in order to provide a basis from which to offer their suggestions and contribution to improvements in organizational performance.

❖ *Self Managed Teams/Teamworking:* Team working has been identified by many employers as a fundamental component of organizational success (Marchington 1999). Evidence suggests that employees who work in teams generally report higher levels of satisfaction than their counterparts working under more traditional regimes, although they also report working hard as well. Researches in the past suggests that self-managed teams produce a form of control more powerful, less apparent and more difficult to resist than that of the former bureaucracy because it shifts the locus of control from management to workers.

❖ *High compensation contingent on Performance:* Rewards should reflect different levels of worker contribution, perhaps being paid as a regular bonus or through profit sharing schemes. Rewards should not be restricted to pay alone and it can then relate to employee contributions to organizational performance, whether on an individual, department or establishment-wide basis.

❖ *Reduction of Status differences/harmonization:* The principal point behind moves to single status and harmonization is that it seeks to breakdown artificial barriers between different groups of staff, thus encouraging and supporting team working and flexibility. Different surveys vary in their reports but the conclusion is that Human Resource practices are not embedded in a majority of work places especially in the public sector. A few have put in place coherent range of practices considered or associated with improved higher performance.

Organizational Growth

The concept of organizational growth as a topic of academic research develops by Peters and Waterman (1982) in their book “In search of excellence”. An organization developmental theory

given by Larry E. Greiner is useful when investigates the problems linked with growth on organizations and the contact of change on employees.

- Each development period is characterized by the central management way used to attain growth, while
- Each innovative period is characterized by the central management difficulty that must be solving earlier than growth will continue.

The first point of organization growth is called inspiration. This stage is conquered by the founder of the organization. Any model to measure organizational growth will remain incomplete until not counting measures of innovation in this era of globalization and competition. The European Foundation for Quality Management Model (EFQM) developed in the early nineties and other models for measurement of growth are based on nine standard including enablers and outcome (Martinsen and Dahlgaurd, 1999). For the period of the last 20 years mutually explanation and maintain ability of growth have undergone dull changes (Hermel & Pujol, 2003). According to Hillman (1994), measurement of growth is the process of evaluating an organization against a model for continuous development in order to emphasize what has been achieved and what needs civilizing.

METHODOLOGY

This study adopted a descriptive survey approach and it covered a population of 84 personnel drawn from 5 SMEs. Yaro yamene was used to select a sample of 69 respondents from the population. Data used in the study was gathered with the help of a five point likert scale questionnaire and was analyzed using the one sample kolmogorov Smirnov statistic (K-S) which is given as; $D = \text{Maximum } |F_o(X) - F_r(X)|$. Where; $\{F_o(X)\}$ = Observed cumulative frequency distribution of a random sample of n observations and $\{F_r(X) = \frac{k}{n}\}$ = (No.of observations $\leq X$)/(Total no.of observations). $\{F_r(X)\}$ = The theoretical frequency distribution. The *decision Rule* is if calculated value is less than critical value accept null hypothesis otherwise reject

RESULTS AND DISCUSSION

K-S Output for Hypothesis One

Descriptive Statistics

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
HCMandGR	25	13.8000	7.43864	.00	29.00	9.0000	13.0000	18.5000
RANKS	25	3.0000	1.44338	1.00	5.00	2.0000	3.0000	4.0000

One-Sample Kolmogorov-Smirnov Test

		HCMandSG	RANKS
N		25	25
Normal Parameters ^{a,b}	Mean	13.8000	3.0000
	Std. Deviation	7.43864	1.44338
Most Extreme Differences	Absolute	.129	.156
	Positive	.129	.156
	Negative	-.073	-.156
Kolmogorov-Smirnov Z		.646	.779
Asymp. Sig. (2-tailed)		.798	.579

a. Test distribution is Normal.

b. Calculated from data.

The K-S value from the SPSS output above is 0.798 which is greater than the 0.05 level of significance; we therefore reject the null hypothesis and conclude that sales growth of SMEs is significantly driven by their staff training programme

*K-S Output for Hypothesis Two***Descriptive Statistics**

	N	Mean	Std. Deviation	Minimum	Maximum	Percentiles		
						25th	50th (Median)	75th
RCandRG	25	13.8000	8.89288	.00	33.00	8.5000	12.0000	18.0000
RANKS	25	3.0000	1.44338	1.00	5.00	2.0000	3.0000	4.0000

One-Sample Kolmogorov-Smirnov Test

		RCandRG	RANKS
N		25	25
Normal Parameters ^{a,b}	Mean	13.8000	3.0000
	Std. Deviation	8.89288	1.44338
	Absolute	.171	.156
Most Extreme Differences	Positive	.171	.156
	Negative	-.105	-.156
Kolmogorov-Smirnov Z		.855	.779
Asymp. Sig. (2-tailed)		.458	.579

a. Test distribution is Normal.

b. Calculated from data.

The K-S value from the SPSS output above is 0.458 which is greater than the 0.05 level of significance; we therefore reject the null hypothesis and conclude that revenue growth of SMEs is significantly driven by their staff reward and compensation practices

CONCLUSION AND RECOMMENDATIONS

It is no longer a new knowledge that SMEs in Nigeria are faced with the challenge of competitiveness. One of the causes of this challenge as found through this study is their human capital management practices. This study conclude that most SMEs do not give adequate attention to staff training and this reduces the capability of their employees to deliver on the task for which they are hired. It was therefore recommended that SMEs must as a matter of strategic urgency, rethink their human capital management practices especially in the area of the provision of staff industry-specific skill development and the offering of reward and compensation packages that are competitive if they must attract and retain quality workforce which is a sine-quantum for sustainable growth.

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