

## APPLICATION OF STRATEGIC HUMAN RESOURCE MANAGEMENT IN MANUFACTURING ORGANIZATIONS IN ENUGU STATE

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### Abstract

*Transformation comes to manufacturing firms in different dimensions such as new leadership, advance technology, merger, acquisition, divestiture, restructuring, regulatory compliance or reaction to changes in market conditions. The study tests these hypotheses that strategic human resource management has positive effect on organizational expansion; that human resource management challenges can increase labour turnover. Data were sourced from both secondary and primary sources. The data were analyzed using tables, percentage, mean and chi-square. It was found out that the practice of strategic human resource management is that people are the organization's key resource and organizational expansion largely depends on them. It was also found out human resource management practices such as poor selection, inadequate training, low morale and lack of motivation can trigger employee low performance and labour turnover. It was recommended that an appropriate range of human resource policies and processes should be developed and implemented effectively to enable employees make a substantial effect on firm productivity. The implication of the study is that unless a firm can attract, retain, develop, manage and motivate its employees it will be more difficult for the firm to meet the increasing demand for service improvement, modernization and high performance.*

**Keywords:** Application, Human Resource, Management, Strategic

### Introduction

Organizations are always in a state of transformation; which creates tension and strain in an organization. Organization transformation is referred to as a drastic, abrupt change to total structures, managerial processes, procedures, and organization cultures. Employees who make up an organization's human resource are considered to be one of the most important resources of business organizations. Other resources of an organization like money, product, technology, markets, economies of scale and others things can still provide competitive leverage but an organization's human resources are more vital for its sustainability.

To compete successfully in these ever changing environment organizations need to improve their performance by paying more attention to increasing employees' influence on the business as well as the effects of processes, procedures, the physical business environment, and the technology and tools that can increase performance.

A high performance organization invests in its human resources and supports both their technical and innovation skills and their social skills; to promote good interpersonal relationships in the organization which can be of comparative advantage to the company. Human resource management aims to ensure that the organization obtains and retains the skilled, committed and well-motivated workforce it needs. This can be accomplished by taking necessary steps to assess and satisfy future employees' needs and to enhance and develop the capacities of employees, their contributions, potential and employability in providing learning and continuous development opportunities. It also involves the operation of recruitment and selection procedures, management development and training activities necessary to the needs of the organization to accomplish its goals in the face of change.

### **Statement of problem**

Strategic shifts such as new products development and services delivery, market expansion, innovative technology, change in leadership, or mergers and acquisitions, affects employees. Challenges of lack of skilled labour, heavy competition among firms, technological problems, and low productivity may lead to a high rate of poor performance and poor product implementation while placing a serious limitation on product expansion and increase in productivity.

Many business firms are experiencing poor performance as a result of lack of effective and efficient human resource. Also many employees are departing the workforce thereby leaving a leadership vacuum. It is against this background that the study examined the effects of strategic human resource management for increase performance in a transformational organization

### **Objectives of the study**

The specific objectives of the study include:

1. To determine the extent effective strategic human resources management can enhance organizational expansion.
2. To determine the effect of strategic human resources management on labour turnover.

### **Literature Review**

Management has accepted that people, not products, markets, cash, buildings, or equipment, are the critical differentiators of a business enterprise. All the assets of an organization, other than people, are inert. They are passive resources that require human application to generate value. The key to sustaining a profitable company or a healthy economy is the productivity of the workforce that made up the organization. Berth (2012) examines strategic human resource management as the "creation of linkage or integration between the overall strategic aims of business and the human resource strategy and implementation".

Strategic human resource management (SHRM) is an approach to managing human resource that supports organizational goals and outcomes with a strategic framework. The approach focuses on employees' issues, matching resources to future needs, structure, quality, culture, values and commitment. Susan (2005) asserts that human resource management is the function within an organization that focuses on recruitment of, management of and providing direction for the people who work in the organization. Human resource management is the organizational function that deals with issues related to employees; which include compensation, hiring, performance management, development, safety, wellness, benefits, employee motivation, communication, administration and training (Susan, 2012).

Effective human resource management enables employees to contribute effectively and productively to the overall company direction and the accomplishment of the organization's goal and objectives (Eze, 2012). The essence of human resource management in organization is to organize or perform activities that will enable an organization acquire the diverse human resources that can help an organization operates its core technology in order to attain its goals.

### **Theoretical framework**

Specific theories that have been considered necessary to strategic human resource management (SHRM) include Resource dependence theory (RDT), and Theory of Performance (TOP). Resource dependence theory (RDT) by Jeffrey Pfeffer and Gerald R. Salancik developed in 1978 is concerned with how organisational behaviour is affected by external resources the organisation utilises, such as raw materials. The theory is important because an organisation's ability to gather, alter and exploit raw materials faster than competitors can be fundamental to their success. RDT is underpinned by the idea that resources are pivotal to organisational success and that access and control over resources is a basis of power. Strategies must be carefully analysed, considered and put in place in order to access material resources.

Theory of Performance (TOP) by Don Elger in 2000 posits that human beings are capable of extraordinary accomplishments. It was developed and relates six foundational concepts to form a framework that can be used to explain performance as well as performance improvements. The resource-based view suggests that human resource systems can contribute to maintain competitive advantage through the development of competencies that are firm specific (Lado, and Wilson 1994). The sustained superior performances of many firms have been attributed to unique capabilities for managing human resources to gain competitive advantage.

### **Human Resource Planning**

Human resource planning is the process that identifies current and future human resources need for an organization to achieve its goals. Lazar (2001) opines that human resource planning is the process of getting the right people, with the right skills in the right jobs at the right time. Geek (2012) describes human resource planning as classic human resource administrative functions and the evaluation and identification of human resources requirement for meeting organizational goal; which requires an assessment of the availability of the resources that will be needed to accomplish the goals.

Human resource planning may also be defined as a strategy for the acquisition, utilization, improvement and preservation of the human resources of an organization for high performance. It is the activity of the management which is aimed at coordinating the requirement for and the availability of different types of employees. This involves ensuring that the organization has the right kind of people at the right time and adjusting to the requirement of the available human supply.

Lazar (2001) on a study of effects of manpower on organizational productivity maintains that the major activities of human resource planning include:

1. Forecasting future manpower requirement;
2. Inventorying present manpower resources and analyzing the degree to which these resources are employed optimally;
3. Anticipating manpower problems by projecting present resources into the future and comparing them with the forecast of requirement; and
4. Planning the necessary programmes of recruitment, selection, training etc for resource development of future manpower requirement.

### **Objectives of Strategic Human Resource Management**

Franklin (2010) maintains that the objective of human resource planning is the hiring, development and retention of employees in the achievement of organizational goals. This is achieved by analysing the current labour force and aligning it with future employment and planning for the future. The main objective of strategic human resource management is to produce an intelligible and realistic understanding in the minds of top management that the organization adapts to technological, social, political, economical and environmental changes more rapidly and effectively according to the needs and situations.

Gaurav (2011) on the study on the strategic role of human resource management enumerated the roles of human resource planning in an organization for effective performance to include:

(1) *To make optimum utilization of human resource:-* Human resource management helps to make optimum utilization of the human resources on the organization. It helps to avoid wastage of human resources,

(2) *To forecast manpower requirement:-* it helps to forecast the future manpower requirement of all organization. It helps to forecast the number and type of employees who will be required by the organization in a near future.

(3) *To provide adequate manpower:-* Every organization requires manpower to conduct its business activities. It provides different types of man power as per the need of the organization.

### **Effects of Strategic Human Resource Management on Productivity**

Barol (2012) maintains that poor human resource planning has a great impact on any organization; which plays necessary and invaluable role in administrative functions within the organization. The author opines that bad management of human resource can results in:

(a) Unproductive staff which are not existed or involved in their profession.

(b) Lack of motivation which ultimately results in decreased productivity.

(c) Unorganized and poorly planned recruitment and hiring of employees

(d) High labour turnover can be as a result of poor planning from HR.

(e) Employment and labour regulations can be negatively impacted by poor planning.

(f) Without proper employee screening it can open up the possibility of hiring unqualified workers or employees with criminal record to receive employment.

Keeping the employee well informed, trained and effective in their occupation requires effective planning by human resource. Productivity is one of the most essential components of a successful business but this can only be achieved with quality employees who are engaged and enthusiastic about their task (Barol, 2012).

Harbison (1993) opines that human resources are not capital, neither income nor material resources but constitutes the ultimate basis for the wealth of a nation. Capital and natural resources are passive factors of production; human beings are the active agents who accumulate wealth, exploit material resources, build socio-economic and political organization and carry out national development.

The most interesting is the quality of labour. Whether human resource is good or bad depends on several factors; which includes education, training, personal health, organization of labour work conditions, attitudes towards the work, relationship between the top management and the low level worker.

### **Problems of Strategic Human Resource Management**

Rapid economic transformation, globalization and environmental factors are posing great challenges continually to human resource management. David (2013) groups them into three key challenges.

1. *Competitive forces:* New competitive forces are creating new pressures for organizations to respond to service and quality product delivery in very different dimensions. These competitive forces place tremendous demands on organizations to embrace advanced technology and alternative relationships, sometimes with competitors.
2. *Customer expectations and values:* Customers have become very demanding; they expect responsiveness, quality, and bundling of services, so that the services they receive are total solutions rather than just parts of the solution. This is creating significant challenges for organizations that want to survive in a competitive world.
3. *Access to capital:* Organizations often have great difficulty responding effectively to these pressures because of the lack of available capital. This results to downsizing, mergers and acquisitions.

Others include:

- a. The ability of most manufacturing organizations to manage their resources effectively
- b. Many constraints are facing the implementation of programs and policies.
- c. High rate of absenteeism and high labour turnover which is a factor of poor service conditions and poor management development programs.
- d. Inadequate supply of raw materials and spare parts for the servicing and maintenance of equipments which are old, obsolete and need replacement.
- e. Lack of motivation in increasing workers effectiveness and royalty.

The human resource management function has consistently faced a battle in justifying its position in organizations. When there are enough budgets, organizations engages on training, staffing, rewards and employee co-operative systems, but when faced with financial difficulties, Human Resource systems get cutbacks.

Agbe (2009) asserts that SHRM needs to achieve the following strategic goals in order for the organization to gain and sustain competitive advantage:

- (i) To invest in people through the introduction and encouragement of learning processes designed to increase capability and align skills to organizational needs,
- (ii) To ensure that the organization identifies the knowledge required to meet its goals and satisfy its customers and takes steps to acquire and develop its intellectual capital,
- (iii) To define the behaviours required for organizational success and ensure that these behaviours are encouraged, valued and rewarded,
- (iv) To encourage people to engage wholeheartedly in the work they do for the organization, and
- (v) To gain the commitment of people to the organization's mission and values.

### **Benefits of Strategic Human Resource Management**

Strategic human resource management can facilitate a number of benefits to the organization.

Fitz-enz, (2000) identifies several benefits of strategic human resource management as follows:

- (i) Contributing to the overall goal accomplishment and the survival of the organization,
- (ii) Supporting and successfully implementing business strategies of the organization,
- (iii) Creating and maintaining a competitive advantage for the company,
- (iv) Improving the responsiveness and innovation potential of the organization,
- (v) Increasing the number of feasible strategic options available to the organization,
- (vi) Participating in strategic planning and influencing the strategic direction of the organization as an equally entitled member of top management, and
- (vii) Improving cooperation between the HRM department and line managers.

### **Empirical Analysis**

Arthur (1994) on the study of data from 30 US strip mills to assess impact on labour efficiency and scrap rate by reference to the existence of either a high-commitment strategy or a control strategy found out that organizations with a high-commitment strategy had higher levels of both productivity and quality than those with a control strategy.

Huselid (1995) conducted analysis on the responses of 968 US firms exploring the use of high performance work practices, found out that productivity is influenced by employee motivation; financial performance is influenced by employee skills, motivation and organizational structures.

Huselid and Becker (1996) on the study of an index of HR systems in 740 firms created to indicate the degree to which each firm adopted a high-performance work system found out that firms with high values on the index had economically and statistically higher levels of performance.

Becker, Apple and Argo (1997) on the study of outcomes of a number of research projects were analysed to assess the strategic impact on shareholder value of high performance work systems found out that high-performance systems make an impact as long as they are embedded in the management infrastructure.

Patterson, Christopher and Clark (1997) examined the link between business performance and organization culture and the use of a number of HR practices found out that HR practices indicated significant variations in profitability and productivity. Two HR practices that were particularly significant are: (1) the acquisition and development of employee skills and (2) job design including flexibility, responsibility, variety and the use of formal teams.

Thompson (1998) on the study of the impact of high-performance work practices such as team-working, appraisal, job rotation, broad-banded grade structures and sharing of business information in 623 UK aerospace establishments found out that the number of HR practices and the proportion of the workforce covered appeared to be the key differentiating factors between more and less successful firms. On the further work of Guest, Delery and Doty (2000) on which 835 private sector organizations were surveyed and interviewed with 610 HR professionals and 462 chief executives found that a greater use of HR practices is positively associated with higher levels of employee commitment and contribution; which in turn linked to higher levels of productivity and quality of services. Purcell, Wright and Dunford (2003) on a longitudinal study of 12 companies in Bath to establish how human resource management impacts on organizational performance found that the most successful organizations had what the researchers called 'the big idea'. Clear evidence existed between positive attitudes towards HR policies and practices, levels of satisfaction, motivation and commitment, and operational performance.

### **Methodology**

The study examines the effect of strategic human resource management on a transformational organization for organizational performance in using Nigerian Breweries Ltd, Ama, and Innoson Technical & Industrial Ltd a subsidiary of Innoson group of companies. These manufacturing companies are located in Enugu State, Nigeria. A sample size of three hundred and thirty (330) from a population of one thousand eight hundred and seventy-five (1875) was derived using Williams (1986) formula. Both primary and secondary sources of data were utilized. The primary data were gathered with the aid of structured questionnaire. Out of the 330 copies of the questionnaire distributed to these organizations, 316 copies representing 96% of the questionnaire administered were returned and accepted for analysis. The data obtained were analyzed using frequencies, tables, percentages, mean and the hypotheses tested with chi-square. The likert-opint scale was adopted for analysis, namely: strongly agree; (SA); Agree (A); Undecided (UD); Disagree (DA); and Strongly Disagree (SD). Each level is assigned a number ranging from 5 (SA)

to 1 (SD). The mean value of 3.00 was computed. This means that variable with a mean of 3.00 or above may be accepted while all others with a mean below 3.00 were rejected. The following alternative hypotheses were postulated to guide the study.

1. H<sub>1</sub>: Strategic human resources management has positive effect on organizational expansion.
2. H<sub>1</sub>: Strategic human resources management challenges can increase labour turnover.

### Data Analysis

**Table 1: Need for Strategic Human Resource Management in Organizations**

Options	SA (5)	A (4)	UD (3)	SD (2)	D (1)	n	$\bar{X}$	Remarks
Optimum utilization of human resource	152	106	0	41	17	316	4	Accepted
Forecasting manpower requirement	173	118	0	9	16	316	4	Accepted
For succession plan	195	96	0	5	20	316	4.3	Accepted
Competitive advantage	198	118	0	0	0	316	4.6	Accepted
Maintain stability	184	132	0	0	2	316	4.6	Accepted
Increase performance	180	131	0	5	0	316	4.5	Accepted
Identification of knowledge/skills	20	16	8	27 2	0	316	2.3	Rejected

Source: filed survey 2016

In the above table 1, mean responses from 3.00 and above were accepted as the need for strategic human resource management in organizations, while mean response below 3.00 was rejected.

**Table 2: Mean Responses on of Strategic Human Resources Management Challenges**

S/no	Options	SA (5)	A (4)	UD (3)	SD (2)	D (1)	N	$\bar{X}$	Remarks
1	Competitive forces	198	118	0	0	0	316	4.6	Accepted
2	Customers' expectations/Value	202	70	-	44	-	316	4.7	Accepted
3	Availability of capital	110	60	-	140	6	316	3.4	Accepted
4	Programs/policies implementation	75	50	-	141	50	316	2.9 4	Rejected
5	Skills drain	195	96	0	5	20	316	4.3	Accepted
6	Change in Technology	173	118	0	9	16	316	4	Accepted
7	Changing quality of workforce	180	131	0	5	0	316	4.5	Accepted
8	Government regulations	20	16	8	272	0	316	2.3	Rejected
9	Knowledge explosion	145	110	5	35	21	316	3.9	Accepted
10	Lack of commitment of employees	110	20	0	135	51	316	3	Accepted

Source: filed survey 2016

In the above table 2, mean responses from 3.00 and above were accepted as challenges confronting strategic human resources management, while mean response below 3.00 was rejected.

**Table 3: Mean Responses of Positive Effects of Strategic Human Resources Management on Organizational Performance**

Serial No.	Options	SA (5)	A (4)	UD (3)	SD (2)	D (1)	N	$\bar{X}$	Remarks
1	Higher performance	152	106	0	41	17	316	4	Accepted
2	Goal accomplishment	173	118	0	9	16	316	4	Accepted
3	Improve innovation	145	110	5	35	21	316	3.9	Accepted
4	Organization harmony	195	96	0	5	20	316	4.3	Accepted
5	Align skills and Increase capability	198	118	0	0	0	316	4.6	Accepted
6	Commitment of employees	184	132	0	0	2	316	4.6	Accepted

Source: filed survey 2016

In the above table 3, mean responses from 3.00 and above were accepted as effects of strategic human resources management on organizational performance, while mean response below 3.00 was rejected.

### Test of Hypothesis I

H<sub>1</sub>: Strategic human resources management has positive effect on organizational expansion.

**Decision criterion:** Accept null hypothesis if the calculated X<sup>2</sup> value is less than the critical (α) value; otherwise reject the null hypothesis.

The researcher tested the hypothesis using Chi-square (x<sup>2</sup>) statistical tool as thus:

$$X^2 = \sum \frac{(f_o - f_e)^2}{f_e}$$

Therefore x<sup>2</sup> = chi-square

F<sub>o</sub> = observed frequency  
 f<sub>e</sub> = expected frequency  
 Σ = summation sign

Using chi-square (x<sup>2</sup>)

Since n = 316

$$e = \frac{316}{2} = 158$$

### Degree of Freedom (df)

(C-1) (R-1)

(1-1) (2-1)

(0) (2)

df = 2

Level of Significance (0.05) at critical value = 3.84

**Table 4: Calculated X<sup>2</sup> Value**

Responses	Fo	Fe	fo – fe	(fo -fe) <sup>2</sup>	$\frac{(fo - fe)^2}{fe}$
Large extent	244	158	86	7396	46.8101
Little extent	72	158	-86	7396	46.8101
				<b>X<sup>2</sup> =</b>	<b>93.6202</b>

**Decision Rule**

Since the critical value  $x^2$  (5.99) is less than the calculated  $x^2$  value (93.62), we reject the null hypothesis and accept the alternative hypothesis which stated that strategic human resources management to large has positive effect on organizational expansion.

**Test of Hypothesis II**

H<sub>1</sub>: Strategic human resources management challenges can increase labour turnover.

Degree of Freedom (df)

(C-1) (R-1)

(1-1) (2-1)

df = 1

Level of Significance 0.05 at critical value = 3.84

**Table 5. Calculated X<sup>2</sup> Value**

Responses	Fo	fe	fo – fe	(fo -fe) <sup>2</sup>	$\frac{(fo - fe)^2}{fe}$
Challenges exists	309	158	148	21904	138.63
No challenge	7	158	-151	22801	144.31
				<b>X<sup>2</sup> =</b>	<b>282.94</b>

**Decision Rule**

Since the critical value  $x^2$  (3.84) is less than the calculated  $x^2$  value (281.58), we reject the null hypothesis and accept the alternative hypothesis which said that strategic human resources management challenges can increase labour turnover.

**Findings**

The findings of the study revealed that strategic human resources management has positive effect on organizational expansion. Effective strategic human resource management can result in higher employee performance, goals accomplishment; improve innovation, increase capability and skills. It was also found out that strategic human resources management challenges can increase labour turnover. Human resource management practices such as poor selection, inadequate training, low morale and lack of motivation can trigger employee low performance and labour turnover. For effective interaction of people with technology and process, the people in the organization have to be competent enough, with the required knowledge, skill and abilities.

### **Conclusion**

Strategic human resource management is based upon the recognition that organizations can be more effective if their human resource is managed with human resource policies and practices that deliver the right number of people with the appropriate behaviours, the needed competencies and the necessary level of motivation to the organization.

### **Recommendation**

It was recommended that an appropriate range of human resource policies and processes should be developed and implemented effectively, so that human resource will make a substantial effect on firm performance. The implication of the study is that unless a company can attract, retain, develop, manage and motivate its employees it will find it more difficult to meet the increasing demand for service improvement, modernization and high performance.

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