
HUMAN CAPITAL PLANNING AND ORGANIZATIONAL PERFORMANCE IN THE NIGERIA PUBLIC SECTOR

Wurim, Ben Pam

National Directorate of Employment, Plateau State

ABSTRACT

Human capital is one of the most critical of all resources at the disposal of any organisation, whether, public or private. The right quality and quantity of human capital (employed) is a measure of an organisation's strength, health, success and security. The main thrust of this paper is to critically assess the prospects of human capital planning in the achievement of organizational performance. A hypothesis in line with this objective is drawn and tested based on the data generated through a questionnaire. The survey investigation method was used in collecting the primary data for the study. The sample consisted of 349 top, middle and low levels management staff of five public sector organisations in Nigeria. The result shows that adherence to human capital planning in Nigerian public sector organisations significantly impact organizational performance. Based on the aforementioned, the paper concluded that Human capital planning significantly accounts for improvements in organizational effectiveness in Nigerian public organisations. The paper recommends that human capital planners in the public sector of Nigeria should be properly educated and trained in scientific human capital planning if organizational performance must be increased; and advocacy should be adopted by public sector organisations to influence the enactment of detrimental laws and legislations that have direct bearing on the human capital planning processes of their organisations.

INTRODUCTION

The workforce serving in the Nigerian public service at all tiers of government is mostly bloated, unwieldy and ineffective. The service, which used to be the engine room of progressive policy formulation and implementation and the sole provider of basic social amenities that sustained livelihood and propelled economic development of the country has since degenerated into a creaky apparatus of political patronage that ignores merit and puts round pegs in square holds (Abdullahi, et al, 2001:72). The provision of basic infrastructure and socio-economic goods and services like power, water, railway, road construction and maintenance, security, agriculture, finance, education and many others have continually eluded the common man (Adeyemo et al, 2008:30). Power Holding Company of Nigeria, a government company saddled with the responsibility of electricity generation and distribution in the country had generation capacity of about 3,000 mega watts as at 31st December, 2008. This is a far cry from the over 10,000 mega watts needed in the country (PHCN, 2009:3). The story is even worst in the Nigerian Railway Corporation, the Nigerian Police Force, state and federal water works, and road construction and maintenance units among others. As a result of the aforementioned, the Nigerian public service witnessed series of reforms between 1934 and to date without much success. Resultantly, the sector operates far below expectation with escalating personnel costs, problems of productivity and

redundancy, inefficiency in the use of resources, faulty recruitment of employees, inadequate training, lack of clear objectives, and absence of replacement charts/succession plans, massive purges, corruption and nepotism which have in turn weakened the ability of government to carry out its functions effectively (World Bank, 1991:23). More worrisome is the fact that, in spite of the huge sums of money spent by the Nigerian government on the personnel that man public sector undertakings in Nigeria, such government organisations have continued to operate far below In the 2007 fiscal year alone, N1.05 trillion was spent by the federal government in offsetting personnel and other recurrent costs. (FRN, Appropriation Acts, National Assembly, 2007: vi-vii). The federal government of Nigeria currently desires to become one of the 20 largest economies in the world by the year 2020. There is no better and ready instrument available to government to achieve this vision than an effective public service. Vision 20:2020 is largely a Nigerian government programme. It comes to reason then that the public service has a big role to play in its execution and attainment. This is so because the success of any government initiative is directly dependent on the ability and willingness of the public sector to execute. But it has been established that the public service is sick and barely performs its ordinary function of service delivery. The implication of this on the present public sector is that drastic measures must be taken to revitalize the human capital serving in this sector, re-engineer and reposition it for service delivery so as to be able to contain with the challenges that go with Vision 20: 2020.

STATEMENT OF THE PROBLEM

Despite various government interventions through reforms, the Nigerian public sector's score-card has remained poor performance and inefficiency. The cumulative effect on the sector is the closure or privatization and commercialization of several public enterprises. Also, in spite of the huge sums of money spent by government on the personnel of government organisations, they still operate below expectation with low productivity, high rate of employee turnover and absenteeism. Where the human capital is not planned, organizations will be confronted with the problem of over or under staffing, inability to attract and retain the people required and difficulty in the development and training of highly talented personnel. Other problems will include the inability to provide realistic staffing projections, escalating personnel and other related costs, and the inability to utilize resources effectively and efficiently. The present situation in the Nigerian public sector where inefficiency and ineffectiveness abound and the supply of basic social amenities erratic seems to imply the absence of proper human capital planning processes. It will therefore be pertinent to examine human capital planning processes in the Nigeria public sector organizations with a view to highlighting prospects. The general thrust of this paper therefore, is to critically evaluate human capital planning in the Nigerian public sector. Specifically, the paper seeks to assess the prospects of human capital planning in the achievement of organizational performance.

METHODOLOGY

The research design used for the study is the survey research method. Primary data for the study were sourced from five public sector organisations namely: National Directorate of

Employment (NDE), Power Holding Company of Nigeria (PHCN), Plateau State Water Board (PSWB), Federal Ministry of Finance (FMF) and Nigerian National Petroleum Corporation (NNPC). The population of the study includes all the 10,127 top, middle and lower management staff of the five organisations. Given that the population of the study is finite, the Taro Yamane (1964) statistical formula for selecting a sample was applied. The formula is given as:

$$n = \frac{N}{1 + N(e)^2}$$

Where: n = Sample size; N = Population; e = level of significance (or limit of tolerance error) in this case 0.05; 1 = Constant value

This gives a sample size of 385. For its data collection, a suitable Likert Scale (5 Points) questionnaire was designed and developed. For its data collection, a suitable Likert Scale (5 point) questionnaire was designed and developed. Respondents were requested to determine the idea of agreement or disagreement on the 16 statements under the three sections contained in the instrument. The data so collected was then analyzed using the Kruskal Wallis test statistic. The Kruskal-Wallis one-way analysis of variance by ranks named after William Kruskal and W. Allen Wallis is a non-parametric method for testing equality of population medians among groups. It is identical to a one-way analysis of variance with the data replaced by their ranks. It is an extension of the Mann-Whitney U test to 3 or more groups (Kruskal et al, 1952: 583-621). The test statistic is given by:

$$K = \frac{12}{N(N+1)} \sum_{i=1}^g n_i \left(\bar{r}_i - \frac{N+1}{2} \right)^2$$

$$= \frac{12}{N(N+1)} \sum_{i=1}^g n_i \bar{r}_i^2 - 3(N+1)$$

where: n_i is the number of observations in group i ; r_{ij} is the rank (among all observations) of observation j from group I ; N is the total number of observations across all groups and $\bar{r} = \frac{1}{2}(N+1)$ is the average of all the r_{ij} .

However, the Kruskal-Wallis computer-statistical package for social sciences (SPSS)-16.0 version was used to test the three hypotheses.

Theoretical Considerations

Human capital is one of the most critical of all resources at the disposal of any organization, whether, public or private. It is a truism that organizations are managed and staffed by people and without people, organizations cannot exist. This is because it is the knowledge, skills and abilities of individuals that create value to the organization (Armstrong, 2003). Davenport as cited in Armstrong (2003:353), observes that people possess innate abilities, behaviors and personal energy and these elements make up the human capital they bring to their work. And it is they, not their employers, who own this capital and decide when, how and where they will contribute it. The right quality and quantity of human capital is a measure of an organisation's strength, success and security. Sen (2007:8) agrees that human capital is a key economic resource which demands the same attention from an

enterprise as planning its finance, equipment, raw materials, production or services, sales, investments or profits; a company cannot forecast its future human capital requirements with any degree of accuracy unless these are related to future investments, production or services, business or sales levels. Rao et al (1991:44) define human capital planning as the process of determining human resources requirements in terms of number, kind, place and time for doing the right kind of jobs, which result in long run maximum individual and organizational benefits. It involves projecting and forecasting present personnel functions into the future which would be affected by organizational plans and business environment, both internal and external. In the handbook of Human Resources Administration (1986:10), human capital planning has been defined as the process by which a firm ensures that it has the right number and kinds of people in the right places at the right time, doing things for which they are economically most useful. It is a method for determining future staffing requirements and developing action plans for meeting them. Factors to consider include the current level of skills in an organisation, and the expected vacancies due to retirement, promotion, transfer, sick leave, discharge or other reasons. In this process, any expansion or contribution in the operations and technological changes arising out of expansion, modernization and / or diversification programs, if any, that may affect the organisation is taken into consideration. On the basis of such analysis, plans are made for redeployment of employees, as well as recruiting new people.

Based on the different HCP theories, several human capital experts at one time or the other have developed different methods or processes to be followed in planning for human capital. As a result, there are different approaches currently in use. They vary from fairly simple qualitative methods based on individual or group judgements to highly complicated methods involving sophisticated statistical techniques and computerization. According to Mathis & Jackson (2003:36), the human capital planning process begins with considering the organizational objectives and strategies. Then both external and internal assessments of human capital needs and supply sources must be done and forecasts developed. Key to assessing internal human capital is having solid information accessible through a human resource information system (HRIS). Once the assessments are complete, forecasts must be developed to identify the relationship between supply and demand for human capital, management then formulates human capital strategies and plans to address the imbalance, both short and long term. The picture of human capital planning described above is shown in figure 1.1.

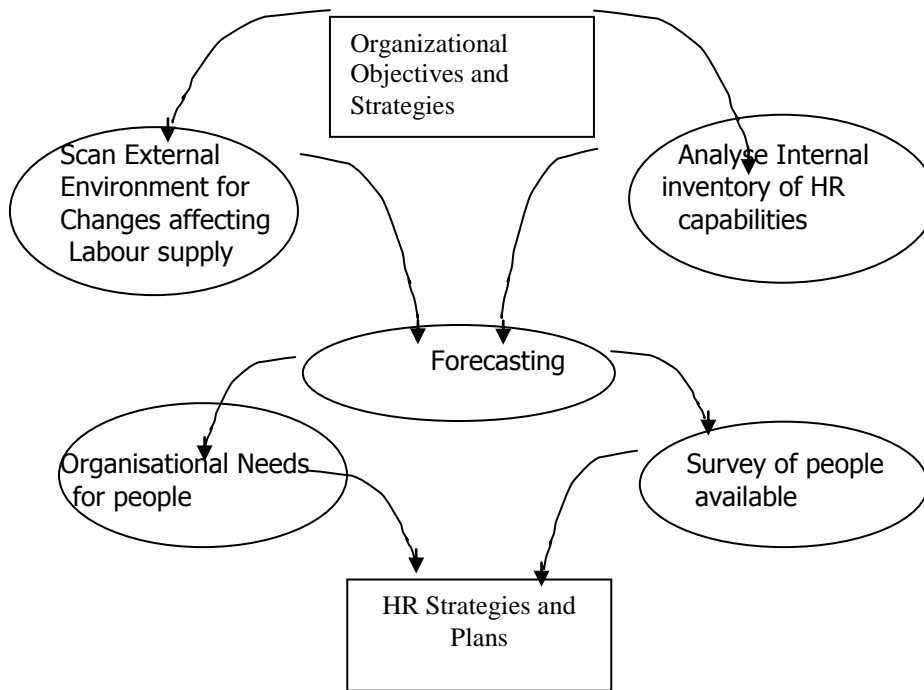


FIGURE 1.1- Mathis & Jackson’s Concise Human Capital Planning Process

Source: Mathis & Jackson (2003:34), *Human Resource Management* Singapore: Thomson Inc.

Mathis & Jackson conclude their human capital planning process by observing that human capital strategies are the means used to anticipate and manage the supply and demand for human capital. These human capital strategies provide overall direction for the ways in which human capital activities will be developed to provide more specific direction for the management of human capital activities. In drawing the human capital plans, long term organizational plans dictate the direction. Aswathappa (2005:72) is also of the opinion that the human capital planning process is a linear one originating from the environment scanning and organizational objectives of the business and extending to human resource demand and supply forecasts, human resource implementation and terminating in control and evaluation mechanisms. However, the process of human capital planning is not necessarily a linear one, starting with the business strategy or organizational objectives and flowing logically through to resourcing, flexibility and retention plans. Hendry, as cited in Armstrong (2003:366), supporting this position suggests that the human capital planning process may be circular rather than linear, with the process starting anywhere in the cycle. For example, scenario planning may impact on resourcing strategy. Alternatively, the starting point could be demand and supply forecasts which form the basis for the resourcing strategy. The analysis of labour turnover may feed into the supply forecast, but it could also lead directly to the development of retention plans. It cannot be assumed that there will be a well articulated

business plan as a basis for the human capital plans. The business strategy itself may be evolutionary rather than deliberate; it may be fragmented, intuitive and incremental. Resourcing decisions may be based on scenarios riddled with assumptions that may or may not be correct and cannot be tested. Resourcing strategy may be equally vague, or based on unproven beliefs about the future. It may contain statements, about for example, building the skills base, that are little more than rhetoric. There are reservations therefore, about the extent to which this process can be formalized. Armstrong goes on to suggest that what may emerge is simply a broad statement of intent, although this could be sufficient to guide resourcing practice generally and would be better than nothing at all. The degree to which human capital planning can be carried out systematically will depend on the nature of the organisation. If the future is fairly predictable, then formal planning might be appropriate. If it is not, the approach to human capital planning might have to rely on broad scenarios rather than precise forecasts.

Armstrong's human capital planning process is summarized below.

- i) Business strategic plans, defining future activity levels and initiatives
- ii) Resourcing strategy: planning to achieve competitive advantage by developing intellectual capital – employing more capable people than rivals, ensuring that they develop organizational specific knowledge and skills, and taking steps to become an employer of choice.
- i) Scenario planning: assessing in broad terms where the organisation is going in its environment and the implications for human capital requirements.
- ii) Demand/supply forecasting: estimating the future demand for people (numbers and skills), and assessing the number of people likely to be available from within and outside the organisation.
- iii) Labour turnover-analysis: analyzing actual labour turnover figure and trends as an input to supply forecasts.
- iv) Work environment analysis: analyzing the environment in which people work in terms of the scope it provides for them to use and develop their skills and achieve Job satisfaction.
- v) Operational effectiveness analysis: analyzing productivity, utilization of people and the scope for increasing flexibility to respond to new and changing demands.

In practice, some organisations hardly complete the human capital planning process cycle thereby reducing the exercise to an unproductive management activity instead of an important component of the overall strategic planning process of an organisation. Nkomo (1988: 66-72), bothered about the incomplete practices adopted in the use of human capital planning process made an attempt to streamline a basic but complete frame work for strategic human capital planning system. She views planning as consisting of three separate but inter-related activities which include (i) establishing objectives; (2) developing strategies; and (3) formulating specific plans and programs to achieve objectives. According to Nkomo, these three basic activities can be achieved by the use of six essential elements in a strategic human resource planning system. They include: Environmental Analysis, Analysis of business objectives and strategies, internal human resource analysis, future human capital demand

forecast, generating and developing human capital strategies and objectives and evaluation and review. From the various contributions of experts so far reviewed, it is clear that several experts on the subject agree on many key steps and / or issues in the human capital planning process like: Environmental scanning and human capital objectives and policies, assessment of existing human resource conditions, generation / development of human capital strategies and programs, and control and evaluation. However, Armstrong (2003:366) believes that there exist some variations in opinion concerning some minor issues, styles or procedures.

DISCUSSION AND IMPLICATIONS OF FINDINGS

The questionnaire was distributed to 385 top, middle and lower levels staff of the five selected public sector organizations and 349 copies representing 92% were completed and returned. The questionnaire contains 17 questions relating to the level of human capital planning practices and the achievement of organizational effectiveness in the organisations under study. The questions covered human capital planning processes like analysis of the needs, experience and expectations of a particular job before a 'fit' person is employed; scientific forecast (prediction) of staff requirements before recruitment; the utilization of existing and qualified staff to fill vacancies instead of recruiting from outside; and subvention from government and /or internally generated income determines the number of employees. Also, the questionnaire covered organizational effectiveness indices like productivity of employees, profitability of the organisation, knowledge of organizational policies and rewards. The analysis shows that the total observed response frequency is 4, 537 with observed frequencies of SA = 1,106 or 25%, A = 1,824 or 40%, UD = 669 or 16%, D = 664 or 15% and SD = 174 or 4%. This information is used to test hypothesis 1 with the result as shown in Table 1.2 We set out to provide the necessary lead for empirical examination of the prospects of human capital planning in the achievement of organizational performance. For this reason, hypothesis one was formulated thus:

H₁: Human capital planning significantly accounts for improvements in organizational performance.

The Kruskal-Wallis computer-statistical package for social sciences (SPSS)-16.0 version was used to test this relationship. The result of the Kruskal-Wallis test showing the relationship between human capital planning and organizational performance (as shown on Table 1.2) reveal that the human capital processes positively affect organizational effectiveness and productivity by 55 %.

Table 1.2 Result of the Kruskal-Wallis Test Showing the Relationship between Human Capital Planning and Organizational performance and Productivity

	Human Capital planning
Chi-Square	0.220
Df	1
Asymp. Sig. – Organizational Performance	0.550

Source: Field Survey, 2012

Statistical Decision

Level of significance = 0.05; Sample size (n) = Test statistics = Kruskal-Wallis; Decision criterion = Reject H_0 if K_c Calculated > $k_t = 0.5$. Since $K_c = 0.55 > k_t = 0.5$, we reject H_0 and accept H_1 . It was concluded that certain human capital planning processes positively affect effectiveness and productivity in Nigerian public organisations. The assumptions underpinning the practice of HCP are that people are the organisation's key resource, and organizational performance largely depends on them. If therefore, an appropriate range of human capital processes and policies are planned, developed and implemented effectively, human capital will make a substantial impact on firm performance. The holy grail sought by the objective of the study on human capital planning is to establish that a clear positive link between HCP practices and organizational performance exists. The study therefore attempts to answer two basic questions: do HCP practices make a positive impact on organizational performance, and if so, how is the impact achieved? The result of the test of hypothesis agrees with the Matching Theory (Fombrun theory) which states that HCP culminates in 'performance' and that where HCP is undertaken even at minimal levels, the results are: increases in employee productivity and organizational effectiveness (Bratton, 1999: 17-26). The result also agrees with the submissions of Rundle (1999:1) and Muller (2001: 86 – 94) who affirm that "it is evident that human capital planning invigorates employees who in turn translate these synergies into organizational effectiveness". Armstrong (2003: 361) also claims that research studies have found proper human capital planning to significantly improve organizational effectiveness. Human capital planning as claimed is based on empirical evidence that people are an organisation's most important strategic resource. Human capital planning addresses human capital needs both in quantitative and qualitative terms. This involves looking at broader issues relating to the ways in which people are employed and developed. The end result is a vibrant workforce that brings about organizational effectiveness. Guest (1987: 503-21; 1989a) also confirms the result of this hypothesis testing by asserting that HCP leads to high commitment: behavioural commitment to pursue agreed goals and attitudinal commitment reflected in a strong identification with the enterprise. Guest also asserts that HCP leads to high quality: this refers to all aspects of managerial behaviour that bear directly on the quality of goods and services provided,

including the management of employees and investment in high quality employees. This also positively confirms the result of the test. Ulrich (1997:23 – 27) points out that 'human capital planning practices seem to matter', logic says it is so; survey findings confirm it. However, direct relationships between investment and attention to HCP practices are often fuzzy, however, and vary according to the population sampled and the measure used'.

RECOMMENDATIONS

The responses obtained from respondents showed that there is a high level of application or presence of human capital processes in the public organisations of Nigeria. Where human capital planning processes are conscientiously pursued, imbalances in surpluses and or deficits of employees can be detected and handled before they become unmanageable leading to decrease in personnel costs. In view of the findings and conclusion above, the following recommendations are hereby submitted:

- 1) Planners and managers of human capital in the public sector of Nigeria should be educated and trained in scientific human capital planning with the aim of replacing the guess work and intuition currently in use.
- 2) Managers and planners of human capital should make deliberate efforts to study the opportunities and threats imbedded in each environmental factor with a view to incorporating such findings in their human capital plans.
- 3) Specific environmental factors that negatively affect productivity should be tactically dealt with so as to improve workforce productivity and the overall efficiency of the organisation.
- 4) Public organisations should as a matter of urgency undertake deliberate training programs to equip workers with updated technologies that would increase the competitiveness of Nigerian organisations with those of multinationals. This is the only way to overcome the force of globalization and international competition.
- 5) Various actors in human capital planning and management, especially the Human Resource Departments of public sector organisations should adopt advocacy with the aim of influencing detrimental laws and legislations that have direct bearing on the operations of their organisations.
- 6) Since human capital planning and forecasting is an interdisciplinary activity, there should be a combination of the technical skills of statisticians, economists, behavioural scientists and human capital managers and planners in planning the human capital in public organisations.

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