

Management of Human Capital Change, its Implications for Business Growth and Survival in Nigeria

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Abstract

This study centers on the major changes in human resources that have plagued small scale organizations in the recent times especially in this hard time of Global economic meltdown and the methods of adjustment that best worked for them toward sustainability and improved productivity. The methodology adopted was weighted mean and Pearson correlation co-efficient. The finding reveal that small scale organizations mostly adopt the strategy of reduction in staff salaries followed by downsizing exercise before recruiting more qualified staff and thereafter applying job enlargement and/or enrichment options. Moreover, not all change processes lead to improvement in organizations productivity as exposed in the literature. The area of practical implication suggests that a more inward approach of scanning through the existing staff and training from within be adopted as these may pose cheaper options as well as lead to more satisfied workforce.

Key Words: Management, Human Capital Change, Business Growth, Survival,

Background to the Study

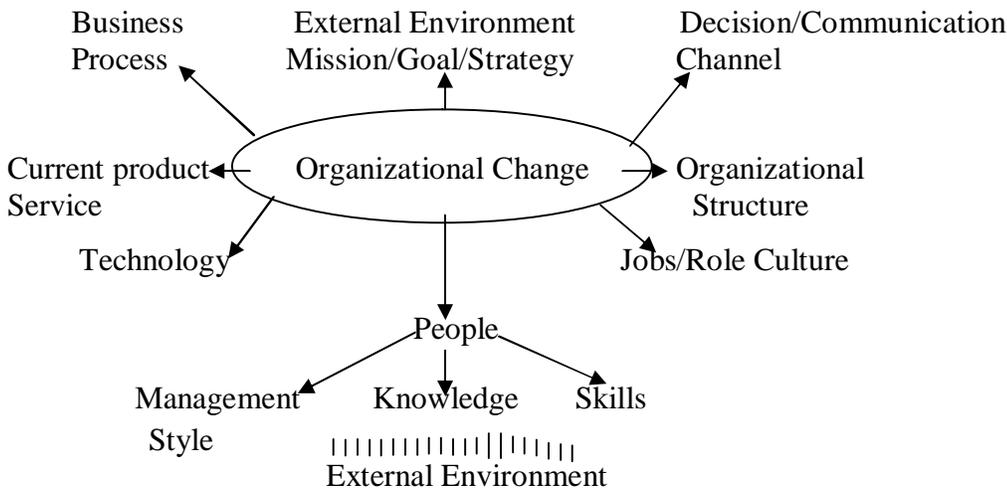
Change is regarded as the only permanent phenomenon and, therefore, needs to be viewed very seriously. The world is changing everyday and faster than anybody can hardly grapple with. These changes could be disruptive or constructive, immense or minimal, traumatic or ameliorative, all embracing or restricted (Osioma 2004). Carefully handle, they could mark a turning point for money organization but if shoddily and recklessly handled, they could spell doom and disaster (Wikipedia 2007). Though the negative impact of change is suffered by all categories of organizations yet large ones are known to better able adapt to change due to their size and diversified nature than smaller ones that find it more difficult to adjust (Mcshane and Glinow, 2000).

However, in both large, medium and small scale organizations, the human capital is the most hardly hit by any change process because of the strategic position they occupy in the production process, being the major determining force and playing a dominant role in the direction an organization goes. How this vulnerable group is handled and the strategies adapted thereafter, become very important toward the growth, survival and eventual sustenance of any organization.

Change implies some type of transformation that is passing from the former state or conditions to the present state. It involves alteration or mutation (Osioma, 2004) and introduces the unfamiliar within an environment. Sometimes changes can stir the air and cause some turbulence depending on how sudden it comes upon on an organization.

Change can be triggered from either the internal or the external environment of any organization and can create knock-on effects within an organization. According to Robbrus and Sanghi (2006), the following forces of change were identified; nature of the workforce, technology, economic shocks, competition, social trends and world politics. These changes are more grandiose seemingly emanating from the organizational external environment. Once change occurs in an organization, it affects all parts of the organization and this is epitomized in Coles (2005) change model.

Figure 1: Organizational Change and Key Organizational features



Source: G.A. Cole (2005). Management Theory and Practice (6th edition).

Once there is a change, organizations must change either to respond to such circumstances termed reactive change or they may change because they have decided to change, termed proactive change (Cole, 2005) or planned change (Stoner, et al. 2008). In reacting to corporate change, two viewpoints can be adopted and these are the perception that there is a strategic problem and consensus about its nature and, a willingness and capability to change (Cespedes, 2006). Whichever viewpoint an organization choose to adopt, organizational response to change may fall into these four categories according to Osisioma, 2004.

Receptive: - where there is a consensus about the problems and a willingness to solve it.

Immobilized: - where there is no real perception of significant problems to be solved though there are no particular barriers to change as such.

Recalcitrant: - where there is an agreement that there are strategic problem that require change but no willingness or ability to change.

Intractable: - where there is neither perception of strategic problem, nor the ability to change.

Dealing with the change process depends on the willingness of managers, the change agents, who must carry along the staff to another level required for the survival of the organization. In any circumstances, managers must learn to build and manage a human group that is capable of anticipating the new, capable of converting its vision into technology, products, processes and services and willing and able to accept the new”. (Ejiofor, 2008)

Change must, therefore, be managed and not avoided and organizations should always seek and imitate change as a survival strategy. “Change or die” is a metaphor for accepting and adopting change as a necessary aspect of life that progressively obviates obsolescence. These facts notwithstanding, organizations have a tendency to resist change (Desster, 2008).

However, Managers may refuse to adapt to a new and competitive environment either because of organizational inertia or myopia (Osisioma, 2004). Organizational inertia may result from the unwillingness to leave the Comfort Zone-past routines attitudes or postures which have worked with good dividends while organizational myopia, which can be inform of faulty perspective and cognitive brasses of individuals or groups in the organization, can also serve as constraining factors. With organizational myopia, manager may seek out and give credibility only to information that conforms their preconception, while ignoring those that tend to conflict with them (Donnelly et al., 2005). Also, individual resistance can arise as a result of parochial self-interests, misunderstanding, lack of trust, differing assessments or low tolerance for change (Donnelly et al., 2005). Other reasons for resistance can also derive from fear of the unknown, economic factors, habit and selective information processing (Robins and Sanghi, 2006).

Over the years, many methods have been devised for dealing with change, some of these methods are investment in education which can lead to Human Capital Development that is a critical instrument to nation's technological and economic development, communication, participation, facilitation and support, negotiation and manipulation, and co-operation (Robbins, 2000; Stoner et al; 2008, Adetoso et al, 2012). There are also other approaches that can be used in changing people's behaviours toward accepting change. There are Lewin's three stage model adapted by Mcshane and Glinow (2000), Cole (2005) and Robbins, (2000); Action research and organizational Development (OD). Lewin's model involves unfreezing existing behaviour and gaining acceptance for change; changing behavior by adopting new attitudes and modifying behavior through change agents; and refreezing new behavior by reinforcing new partners of thinking or working (Cole, 2005). Action research involves five steps of analyzing; group feedback and action evaluation. Organizational development, on the other hand, is a collection of planned interventions, built on humanistic democratic values that seek to improve organization effectiveness and employee well being (Robbins et al; 2008). The major forms of organizational development are seminars and training for the staff in the organization to improve their performance whereby developing the organization (Oladejo, 2013), sensitivity training, survey feedback, process consultation, team building, intergroup development (Robbins, 2000) and coaching and counseling (Mcshane and Glinow, 2000).

Problem Statement

It is intriguing to discover in today's business environment, that most business that are making waves never existed beyond few decades. In the same vein, most companies in the past, that roamed their environments like dinosaurs, are today extinct or too flaccid to make earth-breaking impact. Change has caused all these. Companies that have realized the inevitability of change have accepted the onerous tasks of managing it. Others that believed otherwise, have unwittingly surrendered themselves to change, to tweak the way it deems fit.

Change is so fundamental to all things in the world that it is the most important obstacle to overcome in the game of survival of the fittest. It is constant for all times. This immutable principle may have been the *raison detre* behind the craving by many to understand change, as a phenomenon from wider and deeper perspectives. Consequently, this perhaps has attached to the field of management and indeed the entire sciences, as well as humanity, avalanche of change theories, postulations and practices.

No doubt, human capitals still remain an evitable part in the total production process. Organizations exist for performance and result and the human capital is seen as contributing tremendously toward achieving such. However, whenever change occurs, the possibilities of employees being the most vulnerable and disadvantaged is high, it therefore, behooves on management the change agent to take initiatives toward providing proper and adequate guidance and support to ensure a more gradual merging-in of the human capital during such times only careful and well taught out strategies can be beneficial to all and sundry within the organization.

Objectives of the Study

- To identify the effect of human capital change in recent business organizations
- To identify if major changes in human capital has actually helped business organizations toward sustainability and improved productivity.
- To identify the attitude/reaction of employees towards human capital change.

Methodology

A random selection was made of 35 small scale businesses in Oyo State, precisely in Ibadan, the State capital, these small business have existed for more than ten (10) years and employ between forty and sixty staff. Thirty five sets of questionnaires were shared out to only Managing Directors /Managers of the organizations but only thirty were duly completed, returned and used for the study. Altogether three hypotheses were formulated and tested using the Pearson Correlation Coefficient. Simple percentiles and weighted means and Pearson correlation Co-efficient were adopted in the collation and analysis of collected data. The five-point likert scale was mostly adopted in the questionnaire.

$$\text{Coefficient of correlation} = r_{xy} = \frac{S_{xy}}{S_x S_y}$$

Table I: major of change in small scale organizations

Forces for Change	No of organization	Percentage (%)
Technological Trend	27	90
Economic Trend	23	77
Socio-Cultural Trend	10	33
Competitive Trend	25	83
Political/Legal Trend	20	67

Source: Field Survey, 2013.

As indicated by Table I, it shows that the main area of change in small scale organizations is technological trend while the least area of change is social-cultural trend. As reflected by the analysis, technological trend account for 27 out of 30 organizations studied, and account for 90%, Economical trend is 23 out of 30 which is 77%, socio-cultural trend is 10 out 30 which translated to 33%, competitive trend account for 25 out of 30, that is 67%. In a nutshell, this shows that technological trend has been the leading source of change while socio-cultural factor has been the least source of change in organizations.

Table II: Major options in Dealing with Human Capital Change Management.

Human Resources Options	Strategy Disagree (1)	Disagree (2)	Undecided (3)	Agree (4)	Strategy Agree (5)	Total	Weight Media Scores
Work simplification and enrichment	18	3	2	3	4	30	2.07
Job enlargement and enrichment	4	5	2	2	17	30	3.77
Downsizing of staff	3	3	2	2	20	30	4.10
Team Building	12	6	1	2	9	30	2.67
Employee empowerment through increased participation	23	3	-	2	2	30	1.57
Reorganization and staff unit restructuring	7	6	2	3	12	30	3.23
Recruitment of more qualified employees	6	3	1	5	15	30	3.67
Training of existing employees	10	5	1	5	9	30	2.93
Reduction in staff salaries	1	2	1	3	23	30	4.50
Job Rotation	10	3	5	5	10	30	3.07

Source: Field Survey, 2013.

As reflected by table II, the best option in dealing with human capital change is better resolved by reduction in staff salaries which gives a weight mean scores of 4.50 followed by downsizing of staff with weight mean scores of 4.10 followed by Job enlargement and enrichment with weight mean scores of 3.77, while recruitment of more qualified employees accounted for weighted mean scores of 3.67. Also, reorganization and staff units restructuring account for weighted means score of 3.23. The least option to be considered in dealing with human capital change management is empowerment through increased participation with weighted mean scores of 1.57.

Test of Hypotheses

The Pearson product moment correlation co-efficient was used to test the hypotheses: the calculation reveals that the sample test statistic $t = -7.8865$ is greater than the critical t value -2.92 thus, rejecting the null hypothesis between “reduction in staff salaries and adjusting to a change process”.

Thus, it is hypothesized that the downsizing exercise within organizations does not depend on the occurrence of change.

Since $t = 11.5961$ is greater than the critical t value of 2.92 , the null hypothesis is again rejected. This implies that a change process in an organization may lead to downsizing and the associated consequence

Since the calculated $t = 2.93$ is marginally greater than the critical value of 2.92 , the null hypothesis is therefore rejected meaning that there is a positive relationship between organizational productivity and change process.

Findings and discussion

The research findings reveal that within the last ten years, the leading source of change has been technology based technology other source of change in a descending order are from competitive trends followed by socio- cultural trends followed by socio-cultural trend as the least.

In general, change processes often result in reduction in staff salaries and include recruitment of more qualified staff, job profiling and re-organization and restructuring. Job rotation, training of existing staff, use of work teams, work simplification and employee empowerment are consequential effects as well.

Conclusion

Where change is appropriately communicated to all employees, it has the potential of successful implementation and management. For planned change, employee should be made to participate in planning as much as possible. They should be informed of the possible gains which are likely to accrue to them and others from the whole exercise. This will actually prepare their minds before any steps which may affect them adversely are taken and as such minimize resistance. The downsizing exercise may actually become a last resort if an inward look has thoroughly been taken and other more subtle approaches like training existing staff that have requisite qualifications are adopted. Small scale organizations should also be more proactive and inward looking in with it as well as lead to increased satisfaction

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