

**KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**COLLEGE OF ART AND SOCIAL SCIENCES**

**SCHOOL OF BUSINESS**

**EFFECTS OF HUMAN CAPITAL MANAGEMENT ON THE PERFORMANCE OF  
REGIONAL EDUCATION DIRECTORATE, KUMASI-ASHANTI REGION**

**By**

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## Declaration

I hereby declare that this submission is my own work towards the Master of Business Administration (Human Resource Management–Option) and that, to the best of my knowledge, it neither contains material previously published by another person nor material which has been accepted for the award of any other degree of the University or elsewhere, except where due acknowledgement has been made in the text.

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## Abstract

Despite the importance many institutions recently attach to their Human Capital as an asset and partner with whom the long term objectives and goals can be achieved, there is much to be desired. It is perceived that, a lot of Human Capital practices that have been adapted by most organisations have effects on the performance of the organisation in the long run. This dissertation therefore, sought to investigate the existence of Human Capital Practices at the Regional Education Directorate, Kumasi; assessing Human Capital practices, positive work attitude, effects of Human Capital and challenges. The research design for this study was descriptive and the researcher relied on questionnaire as a primary source of gathering data and reviewing available literature a secondary way of gathering information. The researcher applied quantitative method. Most respondents agreed that Human Capital Management practices, training and development, and positive work attitude existed at the Regional Education Directorate, Kumasi. Significant number of respondents realized that there was partiality in the manner compensation and rewards were given, coaching and mentoring was least applied to enhance performance. Majority of respondents were neutral about policies, procedures and decisions. However, the findings revealed that, Human Capital contributes to high performance and also enhances performance. After conducting the research, and making analysis of the data, the researcher recommends that as direct beneficiary of the policies, procedures, and decision, it is fair that employees also participate in taking such decisions so that they will be ready to help implement it. Shadowing, Coaching and Mentoring should be instituted to help develop Human Capital to prevent scarcity of key skills. Again, the researcher recommends that an appraisal system should be instituted to make compensation effective and fair according to an employee's performance. Last but not the least, the researcher recommends that, all stakeholders should continue to put in place the right administrative structures to help maintain this healthy and positive finding.

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## Dedication

I would like to dedicate this research work to the Lord Almighty who has protected, guided and sustained my life in making it possible for me to reach this height on the educational ladder. Secondly to my dear husband Chief Insp. William Adu – Quaye, my sweet and precious children Naana Acquch Adu – Quaye, Teresa Kufour Adu – Quaye, Nana Kofi Osei-Owusu, William Adu – Quaye and last but importantly to my wonderful mother Ms Rebecca Owusua Nsowah.

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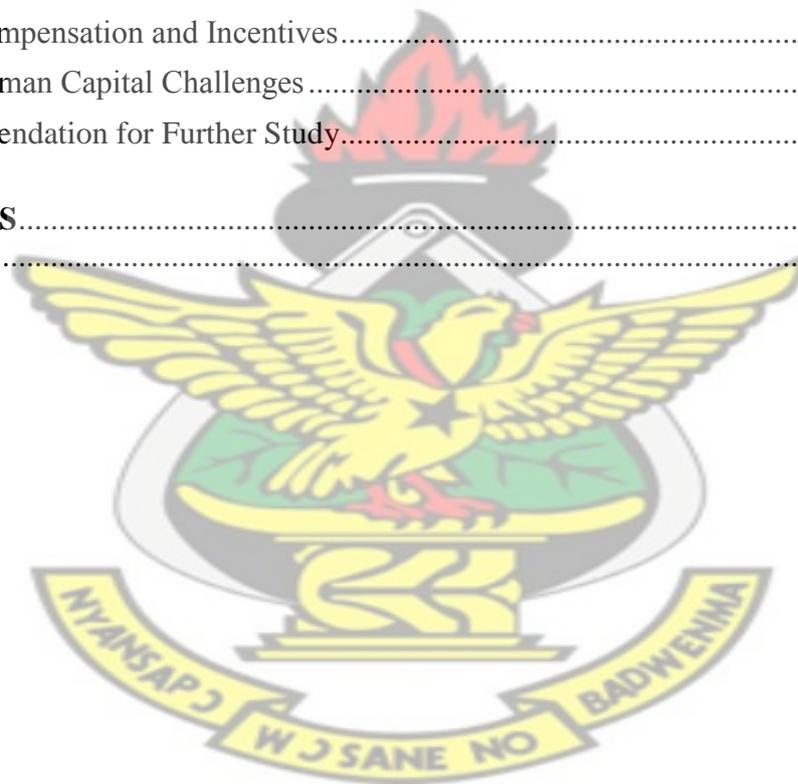


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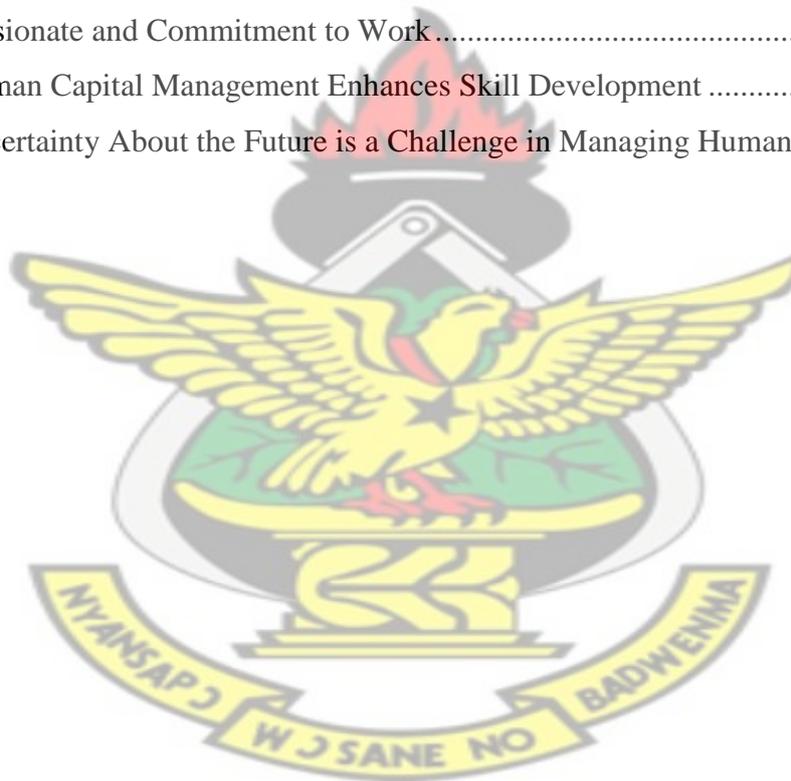
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# CHAPTER ONE

## INTRODUCTION

### 1.0 Background of the Study

The idea of human capital, and being able to develop and expand human capital in a society, is relatively new at least in the sense of economic and social development principles. Exogenous factors such as technological change have been seen as necessary to encourage successive growth and development. It was only in the latter parts of the 20th century that endogenous factors, such as human capital development, were recognised as important. But it was certainly only towards the end of the 20th century that greater recognition was given to the role of people and human capital development in the public sector. Now such recognition is commonplace, but the detailed implications and the ways of dealing with human capital formation in the public sector are not always well appreciated.

As business evolves, most Human Resource departments have undergone a seismic shift. No longer viewed as a back-Directorate function, Human Resource now play a critical role in organizational growth, performance, and profitability. As a result, Human Capital Management professionals now adopt new set of skills focused on driving business outcomes and balancing two very different and often contradictory personas. On one hand, they are required to focus on relationship-building initiatives by navigating through complex organizational hierarchies and bridging the gap between employer and employee. Meanwhile, they also behave as finance professionals by measuring and monitoring workforce and talent initiatives with an understanding of the impact to the bottom line.

The recruitment of academically qualified employees is a necessary start for sustainable human capital development in all organizations (Ebiringaet. al., 2010). Human capacity has become a critical index of competition in the world of business to the extent that the

development of such capacities through training has become top priority in designing the strategic plan of business organizations (Tim & Brinkerhoff, 2008). The above assertion seems more important for the educational system of Ghana and other developing nations as they brace up ever increasing challenges of advancement in technology, deregulation, and globalization.

Some definitional discussion from Becker (1985) says that “The human capital is similar to ‘physical means of production’, e.g., factories and machines: one can invest in human capital (via education, training, medical treatment) and one's income depends partly on the rate of return on the human capital one owns. Thus, human capital is a stock of assets one owns, which allows one to receive a flow of income, which is like interest earned. Human capital is substitutable: it will not replace land, labour, or capital totally, but it can be substituted for them to various degrees and be included as a separate variable in a production function”.

In relation to education, capacity for educational planning, and management of the education sector is fundamental both for making more effective use of resources and for enabling other stakeholders including civil society and community to contribute to education provision, Education Strategic Plan (ESP), (2003-2005).

Bohlander et al., (2001) define human capital as “knowledge, skills, and capabilities of individuals that have economic value to an organization.” The Organisation for Economic Cooperation and Development (OECD, 2001) describes human capital as “the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being.” Dess and Pickens (1999) also define human capital as “capabilities, knowledge, skills, and experience, all of them embodied in and inseparable from the individual.”

Thus, human capital development is any activity which increases the quality of the employee. Training is a primary mechanism by which human capital is developed. Marimuthu et al.,(2009) describe it as the knowledge and training required and undergone by an employee that increases the individual's capabilities in performing activities of economic values.

The theory of human capital was proposed by Schultz (1961) and developed by the Nobel prize-winning economist Gary S. Becker in his seminal work on the economics of employer-provided training (1962, 1964). Human capital theory advocates that education or training imparts useful knowledge and skills to workers which in turn increase their productivity and incomes (Becker, 1964). Becker distinguishes between specific human capital and general human capital. Specific human capital includes expertise acquired through education and training which is specific to a particular firm (firm-specific or context-specific skills). General human capital (general skills), on the other hand, is knowledge gained through education and training which is valuable across board (e.g., reading and writing).

Becker,(1964) views human capital as similar to "physical means of production", e.g., factories and machines: one can invest in human capital (namely education, training, medical treatment) and one's outputs depend partly on the rate of return on the human capital one owns. Thus, human capital is a means of production, into which additional investment yields additional output.

A number of authors have criticised the human capital theory for being too simplistic in its analysis of employee productivity and have argued that education alone cannot lead to organisational productivity but must be complemented by other variables. Levin and Kelley (1994) have pointed out that economists and other social scientists have overestimated the payoffs from increased education and ignored complimentary inputs such as, training, contract terms, and management practices which must exist for education to improve

productivity. According to Thurow (1975), productivity is largely characteristic of jobs rather than of workers; employers use education credentials to select workers because better-educated workers can be trained for specific jobs more quickly and at a lower cost than their less-educated peers. Spence (1973) also posits that education may simply be a market signal of the potential productivity of a worker since there is hardly any other way for firms to determine the productive attributes of a worker. Notwithstanding these criticisms, “Becker’s human capital concept has been resilient and still remains the principal theoretical construct that is used for understanding human capital investment, both from the perspective of the individual and the firm” (Bassi and McMurrer, 2006).

Employers are concerned or very concerned about the shortage in skilled talent. Multinational organizations seeking to strengthen their talent pool would be wise to focus on their most important asset – their current employees.

Human Capital Management is the approach to staffing that recognizes this need and supports continuous improvement of employees – not only to increase their level of skill for your business, but also to reward their loyalty by offering them new and exciting challenges.

### **1.1 Problem Statement**

According to (Admad,2009) the biggest challenge facing the public sector in recent times is how to build and enhance a cadre of highly qualified, highly abled and highly motivated human capital at all levels of public institution. Therefore modernizing the public service and transforming its human capital are efforts essential to provide excellence and high quality public service to the stakeholders and clients in the 21st century.

Leaders from business, foundations, higher education, and government believe improved educational sector performance is essential and possible through proper human capital management.

To achieve such major changes in the system and its performance, the educational institutions must include human capital practices that will help improve their skills and also motivate staff and professionals at all levels of management to implement the strategies. But the current system does not recruit, train, compensate, develop positive work attitude, or manage the top talent, i.e., the human capital, needed to accomplish these goals.

As a result of these, performance over the years have not been enhanced to enable the Education officers to be on top of what the government expects them to do. These problems have therefore provoked a study on the effects of human capital on performance at the Regional Education Directorate, Kumasi.

## **1.2 Objectives of the Study**

The objectives of the study are grouped into two. These are general objective and the specific objectives.

### **1.2.1 General Objective**

The general objective of the study is to examine the effects of Human Capital Management practices on the performance of staff at of at the Regional Education Directorate, Kumasi.

### **1.2.2 Specific Objectives**

The following were the specific objectives of the study

- a) To fine out the existence of the human capital practices at the Regional Education Directorate in Kumasi.
- b) To ascertain how positive work attitude and employee behaviour translate into the performance of Human Capital at the Regional Education Directorate, Kumasi..
- c) To examine the effects of human capital on the performance of employees at the Regional Education Directorate, Kumasi.

- d) To find out the challenges faced by management at the Regional Education Directorate in managing human capital..

### **1.3 Research Questions**

The research questions to be address by this study includes;

- a) What Human Capital practices exist at the Regional Education Directorate, Kumasi?
- b) How does positive work attitude and employee behaviour translate into organisational performance at Regional Education Directorate, Kumasi?
- c) What are the effects of Human Capital on the performance of the employees at the Regional Education Directorate, Kumasi?
- d) What are the challenges facing management in managing Human Capital practices at Regional Education Directorate, Kumasi?

### **1.4 Significance of the Study**

Human Capita Management has become a very important statement nowadays and so for institutions that desire to achieve their mandates, it is imperative that they adopt this management principle. The study will therefore be of great benefit to the management of Regional Education Directorate, Kumasi since it would bring to light the benefits of human capital management. This study would be significant for providing an insight into how the organisation can effectively streamline its human capital practices to improve staff performance.

The study may also help improve training and career development practices in Education Directorate, Kumasi by providing information on the importance of involving employees in decisions and policies of the organisation. The findings of this study will contribute and complement the already existing knowledge and literature on the role of performance on human capital management particularly in Kumasi and the public services sector in Ghana.

The study will also benefit academia because it would serve as a basis for further research into the subject matter especially in the training and human resources development.

### **1.5 Brief Methodology**

The philosophy behind this study was exploratory as the research seeks to explore the effects of Human Capital Management on employee performance. Both primary and secondary sources of data was be used. Semi – structured interviews of Regional Education Directorate, Kumasi.. The collected primary data was analysed using Statistical Package for Social Sciences and presented using excel generated tables and figures while literature review was mainly from secondary sources such as books and journals.

### **1.6 Scope of the Study**

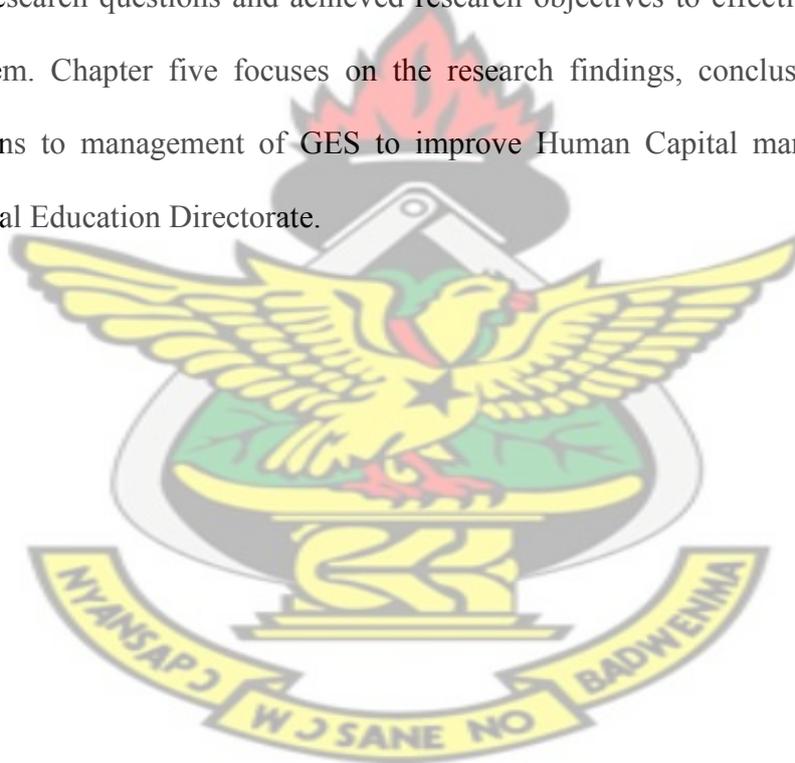
The study is limited to Regional Education Directorate, Kumasi in terms of the effects of human capital on performance which is a major bottleneck in the education sector. Specifically, the study is conducted in the Regional Education Directorate, Kumasi - Ghana. The study seeks to research into the effects of human capital management on the performance of GES staff.

### **1.7 Limitations of the Study**

The researcher encountered the following problems in undertaking this study: the time frame given to complete the study did not allow an in-depth investigation into the study. Difficulty in choosing a researchable topic was a great limitation to the study. Also, retrieving questionnaires from respondents was a great hindrance to the study. The problem of inadequate funds limited the extent to which the researcher was able to move around to collect data. In addition, the trustworthiness of some respondents might have lead to inaccurate conclusion if false information was provided.

## 1.8 Organisation of the Study

The study is organised into five chapters. Chapter one gives a general background and introduction on the research problem, objectives, research questions, scope, limitations and the plan of the study. Chapter two deals with the review of relevant literature pertaining to the research problems and concepts particularly as they apply to Regional Education Directorate. Chapter three explains the research methodology used for collecting, coding and analysing the primary data. This chapter also explains how and why the data is analysed. Chapter four is a discussion of the results of the questionnaires distributed and how these responses have answered the research questions and achieved research objectives to effectively address the research problem. Chapter five focuses on the research findings, conclusions drawn and recommendations to management of GES to improve Human Capital management at the Kumasi Regional Education Directorate.



## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter reviews literature that relates to the study. The review serves as a framework that guides the analysis. Areas looked at include: the concept of Human Capital Management Human Capital practices, Evaluation of employee performance, Human resource management and performance, challenges facing it and Conceptual Framework.

#### 2.1 The Concept of Human Resource Management and Human Capital Management

In general human capital management and human resource management (HRM) possess many similarities when compared. Initially, Human Resource Management developed as a management concept which lays emphasis on the individual worker and the need to treat people as assets rather than cost (Wilkinson1990; Beaumont, 2003).Guest (1987:504) identifies three main approaches to HRM:

Firstly, HRM as a new title for personnel management, pointing that organisations rename their personnel department without necessarily changing practices, secondly, HRM as a way of reconceptualising and reorganizing personnel roles and describing the work of personnel department, and thirdly HRM as a totally new approach for management with a distinctiveness which lies in the integration of human resource into strategic management and the emphasis on full and positive utilization of these resources. HRM is therefore defined as :“A set of policies designed to maximize organisational integration, employee commitment, flexibility and quality of work. Within this model, collective industrial relations have at best only a minor role” (Guest 1987:503).Storey (1992) therefore defines HRM as a distinctive approach to employment management which seeks to achieve competitive advantage through the strategic deployment of highly committed and capable workforce, using an integrated

array of cultural, structural and personnel technique (Storey 1995). The definition by storey (1992) further high lights the unitary aspect of HRM as effective management that reaffirm employees' commitment to the realization of company goals. The two definitions by Guest (1987) and Storey (1995), suggest that there is an individualistic and unitarist nature of HRM. Legge (1995; 1998) however, argue that HRM policies are adapted mainly to drive managements interest, the wellbeing of employees is only factored in, as a means to an end (achieving organizational goals and targets). Boateng (2010), summarised HRM as consisting of management activities related to investing in human resources: acquiring employees, assessing their performance, providing training and development, and determining the appropriate level and type of compensation, etc. He further highlight that regardless of whether the organization has a human resource manager or department, each manager is responsible for assessing needs and for managing his or her own human resources- from interviewing and selecting job applicants to estimating future needs, appraising performance, identifying training needs, and keep employees who excel, because the organization's competitive advantage is tied so closely to its human resources.

According to Malone and Edvinsson (1997), the sum of employee's skill, abilities, experience and knowledge is known as Human Capital. Human capital includes the training, experience, judgment, intelligence, relationships, and insights of individual managers and workers in a firm (Barney, 1991). Human capital literature focuses on attributes an individual possesses as e.g. education and experience. These attributes represent an asset both at individual and at organizational level. For an individual, more education and experience provide a satisfactory position in the job market, and shield one's position against environmental turbulence. More human capital leads to higher compensation and personal rewards: workers with more education and experience tend to be paid more than those with less. Not surprisingly, investments in education become a personal asset, that gives lifelong returns (Becker 1964).

To build human capital, HRM develops strategies for ensuring a workforce with superior knowledge and skills. This means recruiting to find the best talent, enhancing their skills and knowledge with training programs and opportunities for personal and professional development, and providing compensation and benefits that enhance the sharing of knowledge and appropriately reward people for their contributions to the organization. Human resource managers also help create an environment that gives highly talented people compelling reasons to stay with the company (Boateng, 2010).

## **2.2 Theoretical Perspective**

This study is conducted within human theory.

### **2.2.1 The Human Capital and Abilities, Motivation and Opportunity (AMO) Theory**

Human resource practices can influence a firm's future return through the embedding of resources in people which is called investing in human capital (Becker, 1962). The core concept of human capital is that people possess skills, experience, and knowledge that have economic value to firms. This human capital theory was first proposed by Schultz (1960) to examine the economic value of education, but more recently it has been used in the human resource practices field. Firms attain human capital through recruiting employees with high levels of skills and knowledge, much of these skills and knowledge are intangible, including such abilities as solving problems, coordinating, and making decisions in new situations (Becker, 1962). These intangible skills and knowledge constitute idiographic resources which create competitive advantage to firms (Liu et al, 2010).

Human capital is of value to a firm but it is transferable, it is embodied in employees, who are free to move from one place to another, especially for employees with general human capital (Becker, 1964). The contribution of human capital to a firm's performance largely depends on employees' willingness to perform. This is consistent with the AMO theory (abilities,

motivation and opportunity to participate) proposed by Appelbaum et al (2000). The AMO theory states that a firm's performance is a function of employees' ability, motivation and opportunity to participate. Firms can generate competitive advantage through improving employees' ability, motivation and provide employees opportunities to participate in value creation, which will result in higher productivity and better organisational performance (Appelbaum et al., 2000). This theory explains how the HPWS functions from the individual employees' perspective (Liu, 2010).

The concept of motivation refers to internal factors that impel action and to external factors that can act as inducements to action (Locke & Latham, (2004). The three aspects of action that motivation can affect are direction (choice), intensity (effort), and duration (persistence). Motivation can affect not only employees' acquisition of skills, and abilities but also how and to what extent they utilized their skills and abilities (Locke, & Latham, 2004). Motivation is often described as being "intrinsic" or "extrinsic" in nature. Over three decades of research has shown that the quality of experience and performance can be very different when one is behaving for intrinsic versus extrinsic reasons (Ryan, & Deci, 2000). Intrinsic motivation is defined as the doing of an activity for its inherent satisfaction rather than for some separable consequence. When intrinsically motivated, a person is moved to act for the fun or challenge entailed rather than because of external prods, pressures or rewards (Ryan, & Deci, 2000). The concept of intrinsic motivation has roots in people's psychological needs to feel competent and experience which influences psychological growth and self-actualization (Maslow, 1943).

After psychologists introduced the concept of intrinsic "needs," management scholars developed the important distinction between intrinsic motivation – a hypothetical construct presumably residing within the person—and intrinsically motivating tasks (Bateman & Crant, 2005). Herzberg (1966) described tasks as intrinsically motivating when they are

characterized by key “motivators” such as responsibility, challenge, achievement, and variety. Later, Hackman, & Oldham,(1980) extended Herzberg’s work by developing a model suggesting the specific work characteristics and psychological processes that increase employee satisfaction and the motivation to excel. These theories center on the issue of the organization’s effect on an individual employee’s ‘cognitive growth’,(Locke,& Latham, 2004).

For instance, an organization which provides or creates a favourable working environment for employees through the provision of task characteristics such as tasks variety, task significance, and autonomy necessary to do their work, and the accompanying psychological processes, can increase employee satisfaction and motivation to excel in their work. This is because the resulting work environment affects individual employees’ cognitive growth, and thus can be a source of empowerment. This therefore highlights the criticality of empowerment. Empowerment—is defined as a constellation of experienced psychological states or cognitions (Spreitzer, 1998). Although early work on empowerment focused upon organizational structures, practices and policies as indicators of empowerment, research now considers them as contextual antecedents of psychological empowerment (Seibert, Silver, & Randolph, 2004).This perspective addresses employees’ experience of empowerment. Psychological empowerment is defined as an individual’s experience of intrinsic motivation that is based on cognitions about him- or herself in relation to his or her work role (Spreitzer, 1995).While various authors (Spreitzer, 1996) have noted some contextual antecedents in the literature, in this study I focused on HPWS. This is because the constituent dimensions of HPWS such as high levels of training, decentralization, participation in decision making, and information sharing collectively, reflect an empowering structure and describe some of the social structural sources of empowerment identified in the literature (Spreitzer, 2008). In this study, I test a theory of intrinsic motivation (empowerment)by examining psychological

empowerment as a mechanism through which experienced HPWS influences service OCB (Spreitzer, 2008).

### **2.2.2 Empirical Evidence**

Although there is no empirical research in the area of strategic HRM that has examined these specific linkages from High Performance Work System to the level of human capital and collective normative contract, or the level of human capital and collective normative contract to HR-related outcomes, previous empirical research has examined the relationships between High Performance Work System and some of the HR-related outcomes such as turnover and labor productivity, as well as HR-related outcomes to firm/unit performance. For example, Huselid (1995) found that turnover rate and labor productivity mediated the relationship between High Performance Work System and two indicators of firm performance, i.e., logarithm of Tobin's Q (market value of the firm / replacement costs of its asset) and gross rate of return on capital for the manufacturing companies. Batt (2003) found significant relationships between High Performance Work System and labor productivity, and High Performance Work System and turnover rate for small companies and service companies, respectively. Similarly, Ichniowski, Shaw, and Prennushi (1997) found a positive relationship between innovative work practices and labor productivity for steel finishing lines. However, none of the studies examined the level of human capital or collective normative contract as additional mediating mechanisms between High Performance Work System and (firm) performance (Takeuchi, 2003).

In addition, in the strategy literature, Carpenter, Sanders, and Gregersen (2001) found a relationship between CEO's international assignment experiences (as representing the level of human capital) and multinational companies' return on asset. Hitt et al., (2001) found a relationship between human capital and performance of law firms (net income to total firm revenue). However, these studies did not examine the relationship between High Performance

Work System and the level of human capital or the level of human capital and HR-related outcomes. Thus, it is unclear if the level of human capital indeed acts as a mediator of the relationship between High Performance Work System and HR-related outcomes. Therefore, one of the contributions of the dissertation is explicating this mediating mechanism through the resource-based lens. In addition, investigating the mediating influences of collective normative contract and HR-related outcomes are other contributions that I intend to make in this dissertation (Takeuchi, 2003).

## **2.3 Human Capital Management Practices / Components of Human Capital Management**

There is no agreement on what constitutes Human Capital Management practices let alone a prescribed set of them, (Boxall, 2007). Researchers have over the years proposed countless varied lists of practices however; there is no agreement on what or which practice qualifies as an aspect of HRM (Beer et al 1984; Storey 1995; Guest 1997; Boselie et al. 2005). It is interesting to note that there are still some practices that form the core of the various practices proposed. These include recruitment and selection, training and development, performance management and reward scheme, however, others such as job design and employee involvement are more sporadic and are yet to gain grounds in the HRM literature. Guest (1997) however puts forward seven practices namely, selection, training, appraisal, rewards, job design, involvement and status and security. However, the study focuses on six out of the seven practices in its analysis. Selection of the practices for study is based on its recurrence in the literature reviewed, its significance and measurability. The following is a list of the practices and definitions in relation to this study (Thompson, 2007).

### **2.3.1 Human Resourcing**

Resourcing is a concept that has emerged with the use of the term ‘human resource planning’ as we shall see later. It involves a process of enabling the organisation to have the right

people, doing the right jobs at the right time. This is in line with the challenges facing managers in staffing organisations. It is about planning for the number and quality of employees required under different job categories and to make sure that staffing process such as recruitment, selection, placement, promotions, transfers and downsizing are effective. (Itika, 2011)

### **2.3.2 Recruitment and Selection**

This involves two interrelated processes, recruitment is the process of generating a pool of capable people to apply for employment to an organisation while selection is the process by which specific instruments are employed to choose from a pool of applicants persons most suitable for the job taking into consideration management goals and legal requirements (Bratton and Gold 2003:221). Armstrong (2001: 385) categorizes recruitment and selection into three stages: defining requirement, attracting candidates, selecting candidates respectively (Thompson, 2007).

The recruitment and selection process is one of the most important HRM function as it is the point of entry into most organisations and in addition where most organisations recruit talents that drive their goals and interest. It also reflects the requirements and philosophy of the organisation as reflected in the calibre of people chosen for the job. Various techniques are employed in the recruitment and selection process and these include various forms of interviews, assessment centres, curriculum vitae, references amongst others (Thompson, 2007).

Also termed as selective hiring, this practice can ensure that the right people, with the desirable characteristics and knowledge, are in the right place, so that they fit in the culture and the climate of the organization. Moreover, pinpointing the right employees would decrease the cost of employees' education and development. Schuster (1986) argued that

selective hiring is a key practice that creates profits. Huselid (1995) examined HR practices of high performance companies and found that attracting and selecting the right employees increase the employee productivity, boost organizational performance, and contribute in reducing turnover. (Boateng, 2010)

Pfeffer (1986) argued that selection or hiring standards reflect not only organizations' skill requirements but also the preferences of various groups for such standards and their ability to enforce these preferences. Michie and Quinn (2001) proposed that a possible indirect link between selective hiring and organizational performance can be the forging of internal bonds between managers and employees that creates the work culture for productivity growth. Collins and Clark (2003) argued that the practice of selective hiring results at sales growth. Paul and Anantharaman (2003) pointed out that an effective hiring process ensures the presence of employees with the right qualifications, leading to production of quality products and consequently in increase of economic performance. Cho et al. (2005) examined pre-employment tests as a key component of selective hiring and found that when employed, these tests can select employees that stay with a company longer. Passing pre-employment tests may give an applicant a stronger sense of belonging to the company, resulting in higher degrees of commitment if employed. Cardon and Stevens (2004) pointed out that for small companies recruiting is often problematic. This can be due to several reasons such as limited financial and material resources and jobs with unclear boundaries responsibilities, which decreases their potential to hire qualified candidates (Boateng, 2010).

### **2.3.3 Training and Development**

“Training is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience” (Armstrong 2001:543). Training can be on the job or off the job depending on the need in question. Appropriate training is required for various needs such as: to solve pertinent problems, to

boost performance, and also for continuous development of human resource. The practice is one of the most important aspects of HRM needed to keep organisations ahead of their competitors Hilb (1992). A rigorous study conducted by Koch and Mcgrath (1996) demonstrated that firms that engage in systematic training of their workforce are more likely to enjoy the rewards of a more productive workforce (Thompson, 2007).

Training can be defined as a learning activity which is directed towards the acquisition of specific knowledge and skills for the purpose of an occupation or task. (Cole, 2002). The focus of training however is on the job or task to be performed. For example, the need to have efficiency and safety in the operation of particular machines (Appiah, 2010).

According to De Cenzo and Robbins (1996), “training is basically a learning experience, which seeks a relatively permanent change in an individual's skills, knowledge, attitudes or social behaviour. This means that, there is the need to improving employee’s skills and knowledge so that he or she becomes efficient to work on both present and future jobs and tasks. Almost all organizations have recognized the importance of training to the development of their organizations. The birth of new technologies has made certain jobs and skills redundant. As a result there is an increasing emphasis on the need for a skilled and highly trained workforce. Many of the jobs and skills that have been replaced by machines, equipment and other technological devices are as a result of their unskilled nature, thus this emphasizes the need for labor to attain more education and skills to be able to secure employment in the future (Appiah, 2010).

For a training program to be successful there is the need for the organization to identify the training needs of the organization. The organization can measure if the training has been successful or not if the trainees do not learn what they are supposed to learn, thus do not perform better than they used to. However, if trainees return empty from the course designed

for them without any substantial contribution, it could also mean that even though the organization might have done all that is necessary to ensure a successful training program, the wrong candidates might have been selected for the training program (Appiah, 2010).

Since the performance of the organisation depends on the competence of the workforce, training and development are important, not only for the present job but also for the future job and organisation. The head of the personnel department has to design tools for assessing the need for training that will be used to identify training and development gaps and develop effective strategies and programmes for training and developing staff. In most large organisations and more so in government ministries, there are departments and officers responsible for ensuring that personnel training and development functions are carried out effectively (Itika, 2011).

Training and development may be related to firm performance in many ways. Firstly, training programmes increase the firm specificity of employee skills, which, in turn, increases employee productivity and reduces job dissatisfaction that results in employee turnover (Huselid, 1995). Secondly, training and developing internal personnel reduces the cost and risk of selecting, hiring, and internalizing people from external labour markets, which again increases employee productivity and reduces turnover. Training and development like job security requires a certain degree of reciprocity: A company that trains and develops its employees enhances their performance. This increases employees' productivity, commitment, and lowers turnover (Boateng, 2010).

Companies may also assist their employees in career planning. In doing so, companies encourage employees to take more responsibility for their own development, including the development of skills viewed as significant in the company (Doyle, 1997). Barringer et al., (2005) compared rapid-growth and slow-growth firms and found that rapid-growth firms

depend heavily on the abilities and efforts of their employees to maintain their growth-oriented strategies. The fast-growth firms used training programs to achieve their objectives and emphasized employee development to a significantly greater extent than their slow growth counterparts. Therefore, training and employee development practices are more common in rapid-growth firms than slow growth ones. examined the growth strategies in the retail sector and suggested that modern retailers should place more emphasis on the policies and practices that could contribute to staff retention, rather than on the immediacy of recruitment and selection (Boateng, 2010).

Zhu (2004) reviewed the changes in the area of human resource development in Japan and observed that some companies and industries have shifted towards a more strategic approach that emphasizes the impact of effective learning at both individual and organizational levels on long term organizational competitiveness. Husiled (1995) found that the education and development of employees have a significant effect both upon the personnel productivity and the short-term and long-term indicators of organizational performance (Boateng, 2010).

Ngo et al. (1998) investigated the effects of country origins on HR practices of firms from the United States, Great Britain, Japan and Hong Kong operating in Hong Kong. Study results showed that structural training and development and retention-oriented compensation were related to various measures of firm performance. Paul and Anantharaman (2003) in searching the links between human resource practices and organizational performance, proposed that career development programmes demonstrate a true interest of the organization for the growth of its personnel, which, in turn, stimulates commitment and devotion, which, subsequently, raises personnel productivity and consequently economic output. Cerio (2003) examined the manufacturing industry in Spain and found that quality management practices related to product design and development, together with human resource practices, are the most significant predictors of operational performance. Michie and Quinn (2001) investigated

the relationships between UK firms' use of flexible work practices and corporate performance and suggested that low levels of training are negatively correlated with corporate performance (Boateng, 2010).

#### **2.3.4 Pay and Remuneration**

An inclusive and effective HRM strategy has a coherent approach to rewards as one of its most central component (Armstrong and Murlis 1991; Poole and Jenkins 1997). The remuneration process is crucial and a source of contention in most organisations. It deals with rewarding people in accordance with their value in the organisation. It is concerned with both financial and non-financial rewards and embraces the strategies, philosophies plans and processes employed by organisations to develop and maintain reward systems.

#### **2.3.5 Job Design**

Job design and specification is one of the least stated HRM practice in management literature. However, writers such as (Guest 1997; Armstrong 2001) have identified it as necessary in strategic HRM. Davis (1966 in Armstrong 2001:280) defines it as “the specification of contents, methods and relationships of jobs in order to satisfy technological and organisational requirements of the job holder”. Armstrong (2001) identifies two main aim of the practice that is to satisfy requirements of the organisation for efficiency and quality service delivery and also to satisfy individual need for interest, challenge and accomplishment. Several approaches can be applied in job design and these include, job rotation, job enrichment, autonomous work groups (Armstrong 2001: 282; Thompson, 2007).

#### **2.3.6 Compensation and Incentive Policies**

Performance-based compensation is the dominant HR practice that firms use to evaluate and reward employees' efforts (Collins and Clark, 2003). Evidently, performance-based compensation has a positive effect upon employee and organizational performance (Brown et

al. 2003; Cardon and Stevens, 2004). However, there is scarce evidence on the effects of compensation policy of firm growth. Empirical studies on the relationship between performance related pay and company performance have generally found a positive relationship, but a growing body of empirical evidence suggests that it is not just pay level that matters, but pay structure as well (Wimbush 2005; Singh 2005; Boateng, 2010).

Barringer et al., (2005) conducted a quantitative content analysis of the narrative descriptions of 50 rapid-growth firms and a comparison group of 50 slow-growth companies. Results demonstrated that employee incentives differentiated the rapid-growth from the slow-growth firms. Firms that were eager to achieve rapid-growth provided their employees financial incentives and stock options as part of their compensation packages. In doing so, firms managed to elicit high levels of performance from employees, provide employees the feeling that they have an ownership interest in the firm, attract and retain high-quality employees, and shift a portion of a firm's business risk to the employees. Delery and Doty (1996) identified performance-based compensation as the single strongest predictor of firm performance. Both performance-based compensation and merit-based promotion can be viewed as ingredients in organizational incentive systems that encourage individual performance and retention (Uen and Chien, 2004, cited by Cho et al. (2005). Collins and Clark (2003) studied 73 high-technology firms and showed that the relationships between the HR practices and firm performance (sales growth and stock growth) were mediated through their top managers' social networks. Cho et al. (2005) suggested that incentive plans is effective in decreasing turnover rates. Banker et al. (2001) conducted a longitudinal study of the effectiveness of incentive plans in the hotel industry and found that incentive plans were related to higher revenues, increased profits, and decreased cost. Paul and Anantharaman (2003) found that compensation and incentives directly affect operational performance.

To be effective, compensation practices and policies must be aligned with organizational objectives. While performance-based compensation can motivate employees, sometimes employees perceive it as a management mechanism to control their behaviour (Lawler and Rhode, 1976). In such a case, employees are less loyal and committed, thus compensation plans have the opposite than desired outcome (Ahmad and Schroeder, 2003; Rodriguez and Ventura, 2003; Boateng, 2010).

Employee turnover can significantly slow revenue growth, particularly in knowledge-intensive industries (Baron and Hannan, 2002). Given that much of the tacit knowledge resides within employees, significant turnover poses a threat to firm performance and its future growth potential. With high turnover rates, firm growth flees away along with leaving managers who often become employers of rival firms or establish themselves rival firms.

It plays a motivational role in management hence the importance attached to it. Pay strategies include performance related pay, production based pay, skill based, knowledge based and base pay (Brown, 1989; Thompson, 2007).

The words 'compensation' and 'reward' are often used interchangeably in contemporary personnel management. Although in principle, the two concepts may mean the same thing, they have different philosophical roots. Whereas the former is based on the interpretation that work is not necessarily a good thing and hence those who work lose something which should be compensated, the later considers work positive and something which has to be rewarded depending on the quantity and quality of accomplishment. Therefore, employees need different types of compensations or rewards for the effort they expend on the job and enable the organisation function. It is the duty of the human resource department through the responsible officers to evaluate different types and levels of jobs in order to develop

appropriate compensations or rewards in terms of pay and other incentive packages (Itika, 2011).

### **2.3.7 Employee Involvement**

The concept of treating employees as the most important asset of an organisation is an underlying assumption of HRM. As such to facilitate and enhance greater employee influence and involvement is obviously basic to successful HR practice in organisation.

Poole and Jenkins (1997) proposed three principle routes to greater employee involvement which includes: Legislated standards on employee participation (example work councils, support for employee financial participation) trade unions for both formal and informal collective bargaining and management initiatives to support employee participation in the work itself and to provide opportunities for employees to voice their views on development and problems (see Beer et al. 1984; Poole and Mansfield, 1993). It must be noted that these HRM practices entail more than discussed here, however, so far as this study is concerned it was not feasible to identify all the elements each practice encompass. Thus, the need to focus on some significant aspects of each practice as manifested in the organisation (Thompson, 2007).

### **2.3.8 Performance Management/ Appraisal**

Performance management is considered one of the most important and positive developments in the field of HRM. The term was coined by Beer and Ruh in 1976 but was hardly used until the mid 80's (Armstrong 2001). It is defined as: "a strategic approach to delivering sustained success to organisations by improving the performance of people who work in them and developing the capabilities of teams and individual contributors" (Armstrong and Baron, 1998 see Armstrong 2001: 467). Performance appraisal serves as continuous assessment update that informs both management and employee of contributions made by employees to

organisational success. It is usually driven by line managers and supervisors since they have direct access to observable performance information. The need to tie it to pay and rewards has been the thrust of most HRM discourse. It includes the use of continuous assessment by managers and group assessment using frameworks developed by the organisation (Thompson, 2007).

The personnel department has to initiate the system, process, techniques and tools of individual, teams and organisational performance measurement. It has to ensure that performance targets for individuals, teams, sections and departments are set and agreed upon and measures to address performance gaps are in place and are working. This is not an easy task because it requires a value judgement about employees. Indeed, there are no other areas of personnel management that make personnel officers more uncomfortable and unpopular than the appraisal function. This is because whatever process or tool is used to appraise staff and reward them accordingly, there is always tacit or explicit dissatisfaction from staff based on the feelings that such decisions were biased. Progress has been made towards improving staff appraisal systems, which will be covered later under performance management (Itika, 2011).

The history of performance appraisal is quite brief. Its roots in the early 20th century can be traced to Taylor's pioneering Time and Motion studies. But this is not very helpful, for the same may be said about almost everything in the field of modern human resources management. There is, says Dulewicz (1989) "a basic human tendency to make judgments about those one is working with, as well as about oneself." Appraisal, it seems, is both inevitable and universal. In the absence of a carefully structured system of appraisal, people will tend to judge the work performance of others, including subordinates, naturally, informally and arbitrarily. The human inclination to judge can create serious motivational, ethical and legal problems in the workplace.

Without a structured appraisal system, there is little chance of ensuring that the judgments made will be lawful, fair, defensible and accurate. Performance appraisal systems began as simple methods of income justification. That is, appraisal was used to decide whether or not the salary or wage of an individual employee was justified. The process was firmly linked to material outcomes. If an employee's performance was found to be less than ideal, a cut in pay would follow. On the other hand, if their performance was better than the supervisor expected, a pay rise was in order. Little consideration, if any, was given to the developmental possibilities of appraisal. It was felt that a cut in pay, or a rise, should provide the only required impetus for an employee to either improve or continue to perform well (Boateng, 2010).

There are many reputable sources - researchers, management commentators, who have expressed doubts about the validity and reliability of the performance appraisal process. Some have even suggested that the process is so inherently flawed that it may be impossible to perfect it (Derven, 1990 cited by Cho et al. 2005) at the other extreme; there are many strong advocates of performance appraisal. Some view it as potentially “the most crucial aspect of organizational life” (Lawrie, 1990 cited by Cho et al. 2005). Between these two extremes lie various schools of belief. While all endorse the use of performance appraisal, there are many different opinions on how and when to apply it. There are those who believe that performance appraisal has many important employee development uses, but scorn any attempt to link the process to reward outcomes - such as pay rises and promotions.

Managers and appraisers commonly dislike appraisals and try to avoid them. To these people the appraisal is daunting and time-consuming. The process is seen as a difficult administrative chore and emotionally challenging. Appraisals are much easier, and especially more relaxed, if the boss meets each of the team members individually and regularly for one-to-one discussion throughout the year (Balkin, 1990). Performance appraisal practices that

provide good feedback to employees and give them a view of their longer-term progress within the company particularly in terms of training and career development opportunities are important ways of enhancing employee commitment (Boateng, 2010).

#### **2.4 Measurement of Human Capital Management**

Another issue that is critical to fully understand the HRM-firm performance relationship pertains to the conceptualization of performance (Becker & Gerhart, 1996; Rogers & Wright, 1998). As noted by Wright (1998), there seems to be a consensus within the realm of strategic HRM that maximizing organizational performance, particularly financial performance, is the major goal to be achieved. This preference for financial measures of performance has been shown by Rogers and Wright (1998) who reviewed the literature and noted that out of 80 dependent variables included in the strategic HRM research, accounting measures such as return on asset, return on equity, profits, and sales and market measures such as stock price and Tobin's Q were used in more than half of the research.

However, the "appropriate dependent variable will vary with the level of analysis" (Becker & Gerhart, 1996: 791). At the business unit-level of analysis, perhaps the productivity of research and development personnel or their turnover rate may be more important for firms pursuing a differentiation strategy whereas the productivity of a firm's production staff may be more critical for firms following cost leadership strategy. For example, efficiency-based financial measures such as return on assets or return on equity may be more appropriate for firms pursuing cost leadership strategies in most of their business units whereas sales growth (ratio) or revenue growth (ratio) may be more appropriate for firms pursuing product differentiation strategies for the majority of their business units. Thus, it may be more appropriate for strategic HRM research to include multiple indicators of firm performance and make differential predictions based on them. Dyer and Reeves (1995) noted different types of performance measures that are most appropriate for strategic HRM research. They

proposed that four effectiveness measures are (1) human resource outcomes such as absenteeism, turnover, job satisfaction, and individual or group performance, (2) organizational outcomes such as productivity, quality, and service, (3) financial or accounting outcomes such as profitability, return on assets, and return on invested capital, and (4) stock market performance (stock value or shareholder return). Again, pointing to the fact that determination of which performance measures to include may be affected by the specific context of the research. For instance, turnover or retention rate may be more important for information technology companies that are knowledge intensive than for manufacturing companies that produce standardized products. Or, turnover or retention rate may be more critical for firms that utilize team-based production.

## **2.5 Evaluation of Employee Performance**

When evaluating the performance of employees, it is very important to have a check list that will be used consistently in measuring the performance of all employees. The techniques for measuring the performance of employees may differ from every company. Some of these evaluation techniques are:

### **Ambition/Initiative**

Is the employee able to show he has a vision and goals towards his job and makes the initiative to achieving these goals and vision.

### **Attitude/Cooperation**

Does the employee have a positive attitude towards his fellow employees and his work and also he is able to work on different task?

### **Communication Skills**

Is the employee able to communicate effectively with other employees and customers? Has he been able to solve issues due to his communication skills?

## Focus

Whether the employee is focused on his job and is able to distinguish his task from personal assignments.

## 2.6 Human Resource Management and Performance

It is exceptionally sanctioned factor that excessive competence and skills are very important for the future success and security of an organization. It is commonly accepted that the education and training that a person attains during a span of his professional career increase his abilities and potential to work, resolve problems and carry out innovation so human capital actuate the process of originating goods & services together With contemporary innovations required for the market. At present, the affiliation among the aspects of human capital and economic evolvment is abundantly accepted (Awan and Sarfraz, 2013).

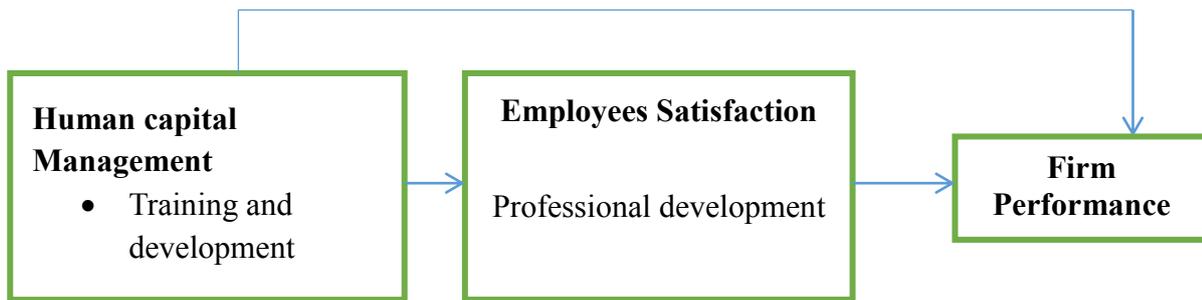
The precedence of unconfined and distinct training is recognized by everyone. The leading augmentation directed by Paul Chapman in 1993 in the speculation of training is the separation between two types of trainings, Specific training and General training. General training in particular escalates the prospective output which is for every firm in the market. Specific training is particular is associated with the firm and its relevant job. Usually it's because of the unique composition of the work and other organizations can't benefit much from it (Awan and Sarfraz, 2013).

The ability of general training to enhance the prospective out of a worker comes with a risk that the worker might leave the organization after getting the training, this way the organization that initially provided the training bears a loss of training cost. So if the employer is providing its worker with general training either he should use a contract for the worker to work for him for specific years so that he gets the benefit of that training. The current market now a days faces increasingly rapid amount of changes in technology, systems

and products. Usually most of the organization make investments in training of their employees because they believe that it will lead to higher performance and it will give them results (byAlliger,1997andKozlowski, 2000).Any how there have been a number of debates on the affiliation of employees training on organizational performance. Devanna and colleagues projected a criterion in 1984 that articulates the relation of human resource management (HRM) and performance which describes that training of employees increase their productivity and performance which as a result increases firm performance(Awan and Sarfraz, 2013).

In 1987 Guest developed a theoretical framework the emphasizes the effect of HRM policies on human resource and organization performance. The model developed by Guest is used as a systematic foundation for examining the affiliation of the policies developed by HRM and organizational performance because of its unobstructed and permissive usage for experimental testing. He associated employee's dedication as an important factor for achieving organizational goals, associating the employees with the performance of the organization. Human capital investments contribute towards the improved strategic integration, employee commitment, quality and flexibility. These way Human capital investments provide a way for high job performance, cost effectiveness, problem solving and lesser level of turn overs, absence and grievance (Awan and Sarfraz, 2013).

Another model of theoretical framework which also interrelates the practices of human resource with the strategic plan of the organization and the standards of outcome is the one disclosed by McMahan and Wright in 1992. They presented a total of six hypothetical figures from the fields of economics, finance and organizational theory and in which three presented the relationship of training and organizational performance, (Awan and Sarfraz, 2013).



**Figure 2.1: Human Capital Management**

Source: Awan and Sarfraz, 2013

However, this relationship is not clearly proven (Weiss, 1995). For the organization, employing skilled workers makes satisfactory outcome possible and allow better repositioning if environmental jolts occur. The sum of individual competencies (skills are used interchangeably) represents the stock of human capital of an organization. Note that the concept of human capital and research on human capital and productivity, tend to ignore under which conditions organizations actually activate, combine, and use competencies of individuals (Hall 1988; Pfeffer, 1994). Surprisingly, recent literature focussing on knowledge-intensive companies shares a similar view. This literature focuses more on employee competence and on rough measures of internal structures (Sveiby, 1997), thus ignoring the social side of any organization and its impact on performances (Greve, 2006).

Human resource management strives to advice organizations to hire individuals that have skill needed to get tasks accomplished. Organizations try to optimize the composition of human capital and change this composition according to task requirements. By summing up skills and competencies of an individual it is possible to assess her level of human capital. By piling up skills and competencies of several workers it is possible to estimate the level of human capital an organization can mobilize to serve its purposes (Greve, 2006). Although these two are different units of analysis, human capital literature assumes a common framework. Individuals and organizations are treated as perfectly interdependent. Studying productivity, the human capital approach attributes increases in productivity to higher

education levels of the work force. Econometricians try to explain human capital effects on productivity on a macro level by controlling for a set of other factors. However, the human capital approach falls short in convincingly explaining processes by which attributes of individuals contribute to organizational productivity. The relationship between personal attributes or human capital in general and organizational performance becomes problematic, if not tautological; better resources ought to deliver better results (March and Sutton 1997; Greve, 2006).

Most studies on productivity and human capital have been done in settings with few controls on intervening variables. Organizational resources, hierarchical controls, and routines all affect productivity. To estimate effects of human capital apart from other influencing factors, we need to study organizations in which work heavily depends on individuals and their expertise. Organizations that have problem solving tasks as their prime activity, would satisfy this condition (Greve, 2006).

Quite often such work takes place in project groups. Depending on the specific tasks at hand, different types of human capital may be more or less productive. One study of Research and Development organizations found that scientists having a Ph.D. have higher productivity than those with Master degrees. Since this study there have been very few attempts to measure effects of human capital directly on performance despite arguments about the importance of competence in Research and Development and other problem solving work. Some settings may require general human resources that cover several areas of knowledge; other settings may require highly specialized professionals to solve the tasks of the organization. Some work requires combining different skills to complete a project, but the degree of specialization may impede cross-disciplinary communications.

Assuming that an organization is able to compose work groups containing the necessary skills with individuals that can communicate with each other, we would expect the human capital component to contribute to productivity, particularly if impeding structures are absent. Thus, the compositions of human capital in work groups and organizations have additive effects on productivity (Greve, 2006).

One of the most famous studies about the relationship between HRM practices firm performance was conducted by Huselid (1995). He tested the existence of a linkage between high performance work practices and firm performance using data from 816 publically owned companies. He used three indicators (turnover, stock value and profitability) to represent firm performance. The findings of his research indicate that high performance work practices had a significant impact on labour productivity and employee turnover (Liu, 2010).

Large scale research about the HR - performance relationship in UK was conducted). This research was conducted among the UK small and large organisations, and consisted of data based on the 1998 Workplace Employees Relations Survey (WERS 1998). This research tested the relationship between the use of HRM practices and organisational performance outcomes. Performance measures in this study included firms' financial performance, labour productivity, and quality of products and service. The study found that high performance work practices had positive effects on workplace performance. High performance work practices were positively associated with increased labour productivity, financial performance and quality of product service. This study also found a positive association between greater use of HRM practices and the number of employees' positive job experiences.

Guthrie (2001) conducted a firm-level research study in New Zealand, using a sample consisting of 164 firms. He intended to examine the relationship between 20 high involvement work practices and firm performance, including employee retention and

productivity. The findings of this study showed that firms that feature extensive use of high involvement work practices experience an increase in productivity. Another example was conducted by Datta Guthrie and Wright (2005). They tested the moderating effects of industry characteristics on the relationship between HPWS and firm's labour productivity. The result of this study supported some of their hypotheses, while the results also show a strong positive relationship between HPWS and labour productivity (Liu et al., 2010).

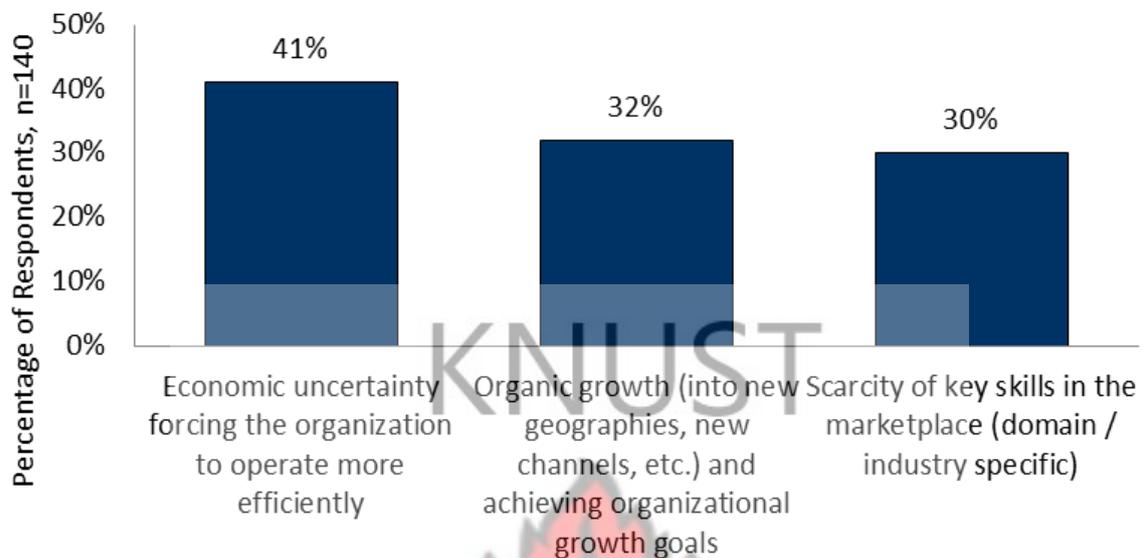
The studies detailed above examine the relationship between HRM practices and productivity, and show support for the resource based view and AMO theory that employees can be resourceful to the company. They also suggest that when employees are managed well, they can contribute positively to the company's productivity. However, there are still relatively few studies that identify a positive relationship between HRM and firm performance. This may be due to various reasons such as methods of data gathering and analysis. However, the studies presented above have showed adequate evidence to support the argument that HRM practices, if used well, are much more likely to have a positive impact on productivity outcomes (Liu et al, 2010).

### **2.7 Challenges in Managing Human Capital**

Most organizations are unclear about the future of today's economy and its impact on organizational growth. This uncertainty forces them to make leaner and smarter decisions — particularly around talent. As a result, the top pressure facing Human Capital Management professionals today is the need to operate more efficiently in today's economic climate (41%). For many organizations, increased efficiency will not only improve processes but will enable them to continuously outperform competitors. In addition, organizations cited organic growth (32%) and the scarcity of key skills (30%) as top pressures (see Figure 2.1). Understandably, organizations looking to gain competitive advantage must move outside of

their comfort zones and expand their footprint in new geographies, markets, and industries.

As these organizations grow, the shortage of key skills is often exacerbated.



**Figure 2.1: Pressures Driving Human Capital Management in 2013**

Source: Aberdeen Group, 2012

Even for companies that practice Human Capital Management, there are key trends in today's business environment that should be considered to avoid undermining your talent management program. Here are the top five challenges that will alter Human Capital Management needs among companies in the coming years: (Wobi, 2013)

### **Globalization**

Today's workforce is increasingly global. Employees work outside of their organizations' home country. From compensation planning to performance reviews and learning tools, a widespread workforce demands integrated Human Capital Management. And, integration adds to financial success – companies can gain 38% more profit per employee by standardizing their global Human Capital Management processes.

## **Demographics**

According Bureau 2007, Gen X and Gen Y employees bring new tools to the workplace, which need to be embraced and cannot be avoided if companies want to retain top talent. Frost & Sullivan research found that employees rely on mobile devices to complete their daily workload. Additionally, social media is expanding beyond community managers in usability. Executives view social media as an efficient collaboration tool. Human Capital Management mobile tools, social integrations and clear communication of social media policies are non-negotiable in this environment.

## **Integration**

Simple is smarter. According to the Accelerated Development Programme Research Institute, on average, companies need to manage more than 8 HR and payroll systems or vendors. Diverse systems result in added strain on their HR team. Over half of human resource staff time is spent on administrative tasks, and most of their time is wasted on feeding data into multiple systems. Moving forward, the integration of these often disparate systems will become a necessity in order to help reduce errors, avoid duplicated efforts, minimize manual labor and free up HR staff to focus on more strategic activities. Bureau, 2007

## **Compliance**

Also Bureau 2007, states that maintaining compliance with constantly changing employment laws, labor practices, taxation, data privacy, and equal opportunity is often costly and time consuming. In the past year alone, nearly 20,000 new pieces of legislation were enacted affecting employers worldwide. Compound that with shorter compliance deadlines on employment tax regulations, where implementation periods of months are now condensed to days and compliance may be keeping business leaders up at night. In

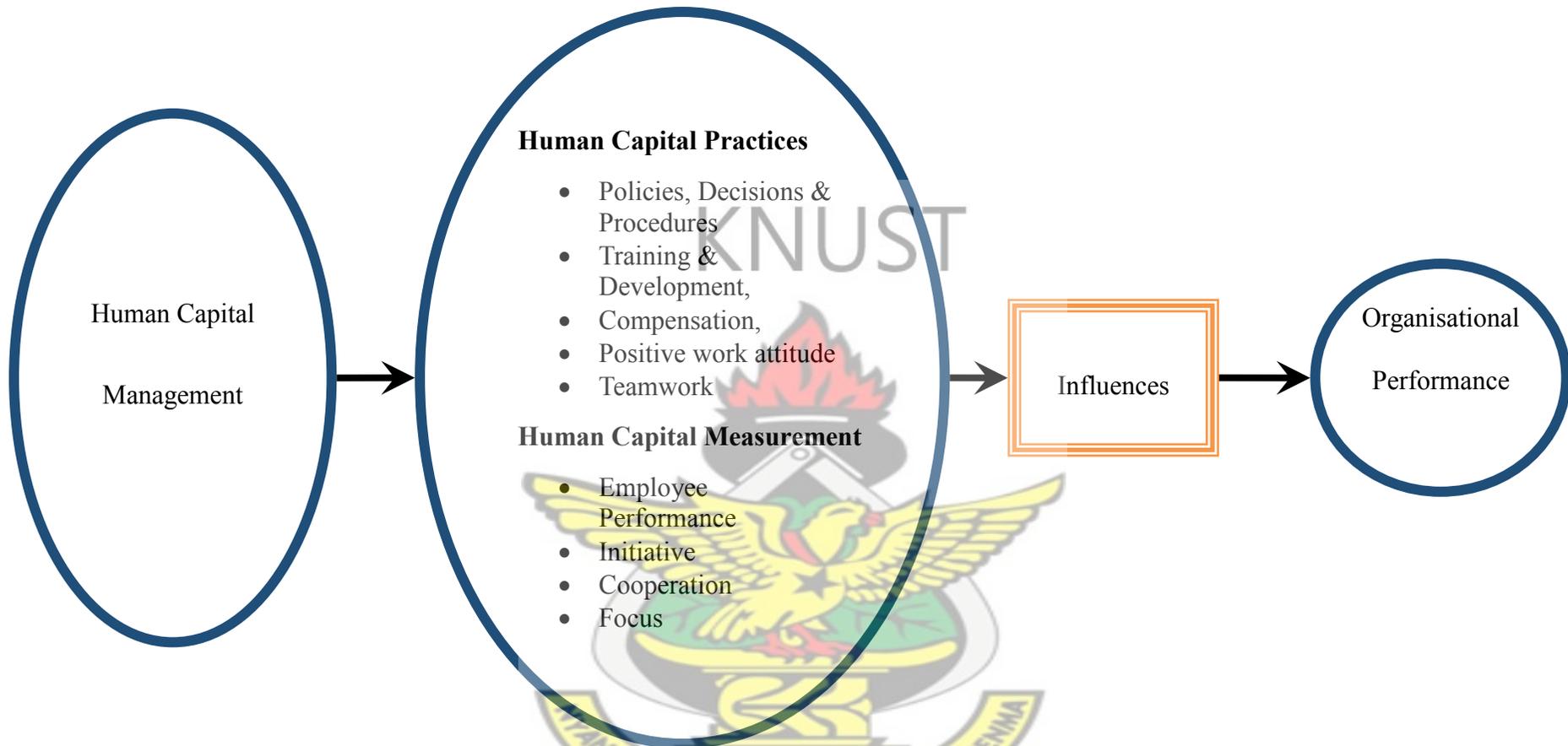
fact, ADP research confirms that more than half of human resource leaders identify compliance as their number one challenge.

### **Cost Containment**

Nearly every business is focused on managing the bottom line. Controlling costs across diverse global markets is critical for success. Poor human capital planning can be a major drain on costs, whether due to process inefficiencies or the inability to retain key talent, creating the added stress of recruiting additional employees and reinvesting time, attention and capital. Studies have shown that North American firms that institute a human capital management strategy are able to reduce their total cost of ownership – the total amount spent per employee on all HR-related services – by an average of 26%.

Beyond hiring and retaining top talent, proper talent management has been shown to have measurable impact on business results. According to findings from Bersin by Deloitte, effective use of Human Capital Management strategies have been shown to increase a company's ability to respond to economic conditions and reduce the chances of having to execute a major lay-off.

It will be interesting to see to see how global companies face these workforce challenges and meet their needs for skilled talent.



**Figure 2.2: Conceptual Framework on Effects of Human Capital Practices on Performance**

Source: Author's Own Constructs, 2014

## 2.8 Conceptual framework

This conceptual framework broadly proposes the linking together of Human Capital Practices and Human Capital Measurement. On the left is Human capital Management. The next two diagrams shows human capital practices and Human Capital Measurement. The over all framework influences organizational performance.

Human capital practices include recruitment and selection, employee involvement, payment and remuneration, performance appraisal, job design, compensation, training and development, human resourcing and team working are contingent on performance. Human Capital Measurement is included and it is very important because it allows an organization to evaluate its employees.

For an organization's Human Capital to function effectively, the Human Capital Practices and Human Capital Measurements must lead to organizational performance. The purpose of this study was to find out if Human Capital Practices existed at the Regional Education Directorate, Kumasi and also if positive work attitude and employee behavior leads to organizational performance. Training and development, employee behavior, team work, coaching and mentoring can also improve performance at GES, Kumasi.

An employee need to be committed to work and the company on the other hand is obliged to pay them well and at the right time. Since employees are direct beneficiaries, they need to be involved in every decision taken process. If Human Capital can contribute to the desired organizational performance, then the right Human Capital Practices and Measurement must correspond with the needs of employees The figure 2.2 above illustrates the overall framework for this thesis.

## CHAPTER THREE

### METHODOLOGY AND ORGANISATIONAL PROFILE

#### 3.0 Introduction to Methodology

This chapter deals with the research procedure adopted for the study. Among other things, it describes the research design, area of study, population and sampling techniques used for the study. The chapter further describes the methods and instruments used for data collection and analysis of the data collected.

#### 3.1 Research Design

This study adopted a descriptive research design. According to Best and Khan (1995), descriptive research answers the questions, who, what, where, when and how. In descriptive study, the issues have occurred and the researcher selects the relevant variables for analysis of their relationships. The main reason for choosing descriptive research is to observe, descriptive and document the effect of training and development on the performance of staff of the Regional Education Directorate, Kumasi.

#### 3.2 Sources of Data

This study used two main types of data viz. Primary and secondary data. Primary data were collected from the administration of questionnaire to relevant respondents. Secondary data was gathered through review relevant documents, journals, thesis, books and records of Regional Education Directorate HRMD Directorate-Kumasi

#### 3.3 Population

The population chosen by the researcher for this study will include the management and supporting staff and teachers. Management constitute the Regional Director and the four frontline managers (Human Resource, Planning, Supervision and Administration and finance)

and the supporting staffs include welfare, statistics, pre-school and registry respectively in the Regional Education Directorate in Kumasi. Teachers constitute those in the Directorate.

### **3.4 Sample Size and Sampling Techniques**

According to Russell (2001), in many practical situations, the sample size of a study is mostly or entirely based on non-statistical criteria. However, the sample size must be of adequate size, relative to the objectives of the study. It must be “big enough” that an effect of such magnitude as to be of scientific significance will also be statistically significant. It is just as important, however, that the study not be “too big,” where an effect of little scientific importance is nevertheless statistically detectable.

Accordingly, the researcher employed a sample size of 110 people comprising of Management, Supporting Staff of the Directorate and Teachers in the Directorate. These respondents were selected using a combination of probability and non-probability sampling methods. The Regional Director was selected purposively, so that the researcher could get detail facts about procedures and decisions within the Directorate; Staff of the Directorate was selected using convenient sampling method and the Teacher respondent were selected using a simple random sampling method.

### **3.5 Data Collection Instrument**

The main instruments used in collecting data for the study were questionnaire. The questionnaires were used to solicit response from the Regional Director of the GES - Kumasi and Staff and Teachers of the Regional Education Director. Both instruments were developed to solicit responses relevant to the objectives of the study.

### 3.6 Data Analysis Techniques

The data analysis involved reducing the raw data into a manageable size, developing summaries and applying statistical inferences. In the first place, the data collected were edited to detect and correct possible errors and omissions that are likely to occur, to ensure consistency across respondents. The data were then coded and entered into SPSS software that was used for the analysis. The analysis was mainly descriptive and inferential in nature with the objectives of the study in mind. Results from the analysis of the data were then presented in tabular form, graphical and narrative forms.

A summary of the research methodology in terms of the sample size, sampling technique and instruments used is presented on Table 3.1 below;

**Table 3.1 Summary of Research Methodology**

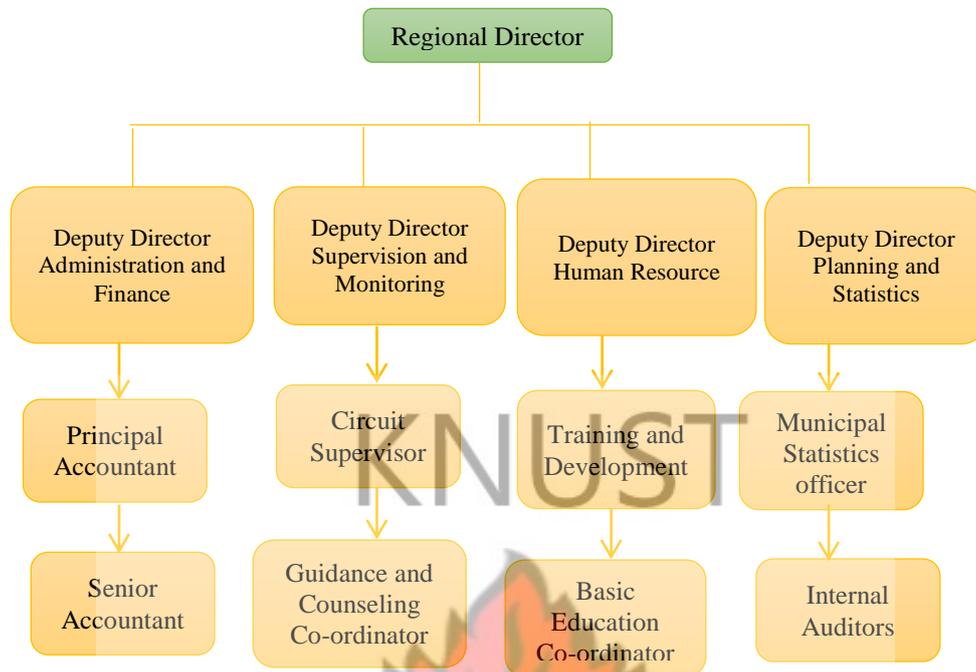
| <b>Distribution</b>             | <b>Sub-sample Size</b> |
|---------------------------------|------------------------|
| Management                      | 5                      |
| Supporting Staff of Directorate | 45                     |
| Teachers in the Region          | 60                     |
| <b>Total Staff</b>              | <b>110</b>             |

*Source: (Author's Own Construct, 2014)*

### 3.7 Profile of the Ashanti Regional Directorate of GES

The Regional Education Directorate, Kumasi was established in September, 1948. There have been eight (8) Regional Directors since its establishment. The current Regional Director is Kofi Sarfo Kantanka. He took over from Mr. Onyina last years. Regional Education Directorate, Kumasi has four (4) frontline managers which comprises of Human Resource Manager, Supervisor, Administration and Finance and Planning and Data Collection. There are about One Hundred and eighty five (185) supporting staff in the Directorate.

### Staffing in Regional Education Directorate-Kumasi



**Figure 3.1 Organogram of Kumasi Regional Education Directorate of GES**

*Source: GES files, July, 2014*

Each frontline has supporting staff who work under him. The frontline Manager then reports to the Regional Director.

Regional Education Directorate – Ashanti, is engaged in implementing Pre-Tertiary Education policies of government. That is, to ensure that all Ghanaian children of school-going are provided with quality formal education and training.

It is also tasked to create an enabling environment in all educational institutions and management positions that will sustain effective teaching and learning in schools and promote management efficiency within the service.

Regional Education Directorate – Kumasi is engaged in monitoring and supervising teachers to give out their best in achieving its mission and vision of providing quality education to school-going children. Again, the organization is committed to controlling the financial

budget and the general administration in the region. The organization is also engaged in training and developing programmes which will help schedule officers and teachers to be effective and efficient in improving the general performance of teacher, pupils/student and officers in the region. (GES Ashanti Region, HCMD files, 2014)

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## CHAPTER FOUR

### DATA PRESENTATIONS ANALYSIS AND DISCUSSION OF FINDINGS

#### 4.0 Introduction

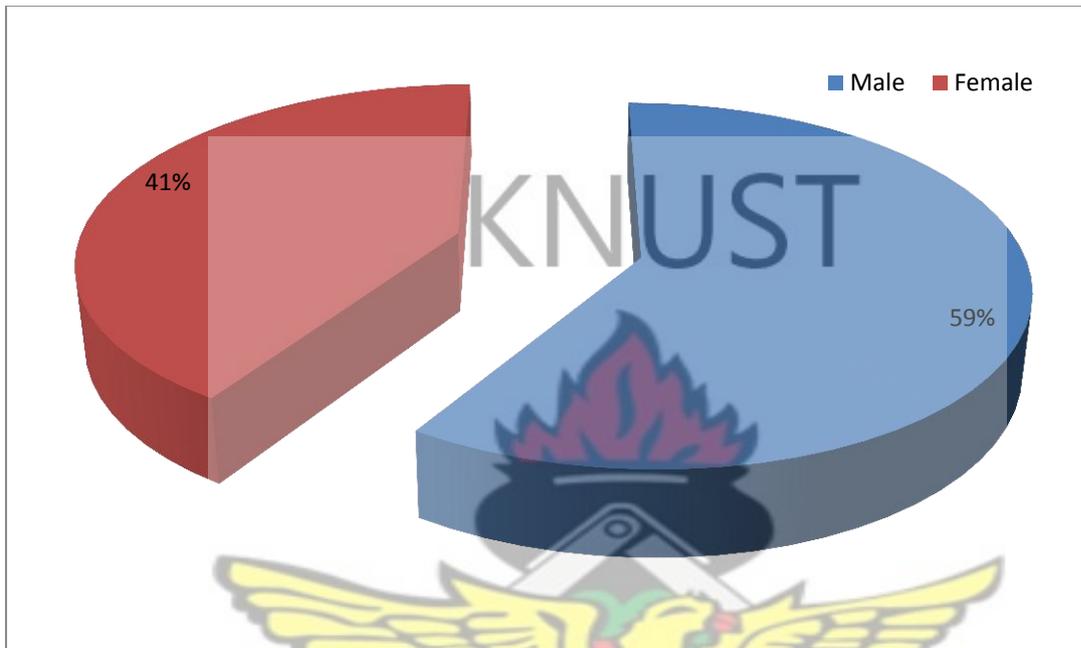
This chapter has provided a critical analysis of data obtained from the field. It takes into consideration the effects of Human Capital Management on the performance of Regional Education Directorate in the Ashanti Region of Ghana. In order to achieve the desired objective of this chapter, the chapter has further been divided into five main sections. The first section presents the demographic characteristics such as gender, age, educational level, years spent in the service as well as respondents' categories of job in the service. The subsequent sections present critically the specific objectives of the study. Thus, the second section examines existence of Human Capital Management practices in Regional Education in Ashanti Region. The third section deals with positive work attitude and individual development. The fourth section tackles effects of Human Capital Management on performance. The last section captures challenges in managing human capital.

#### 4.1 Demographic Characteristics of Respondents

In every research, there is the need for certain personal information regarding respondents who took part in the study. This information helps readers of particular research to have a fair idea of the category of respondents who took part in the study. Variables of gender, age and years of association with the organisation was inquired in the questionnaire to know the social and demographic features of respondents. This therefore helps policy makers in decision making. For the purpose of this study, the following personal information of respondents has critically been analysed.

### 4.1.1 Sex of Respondents

Sex plays a very critical role in decision making in an organisation especially in the education sector. Following this, attempt was made to determine the sexes of respondents. Figure 4.1 shows the sex of respondents.



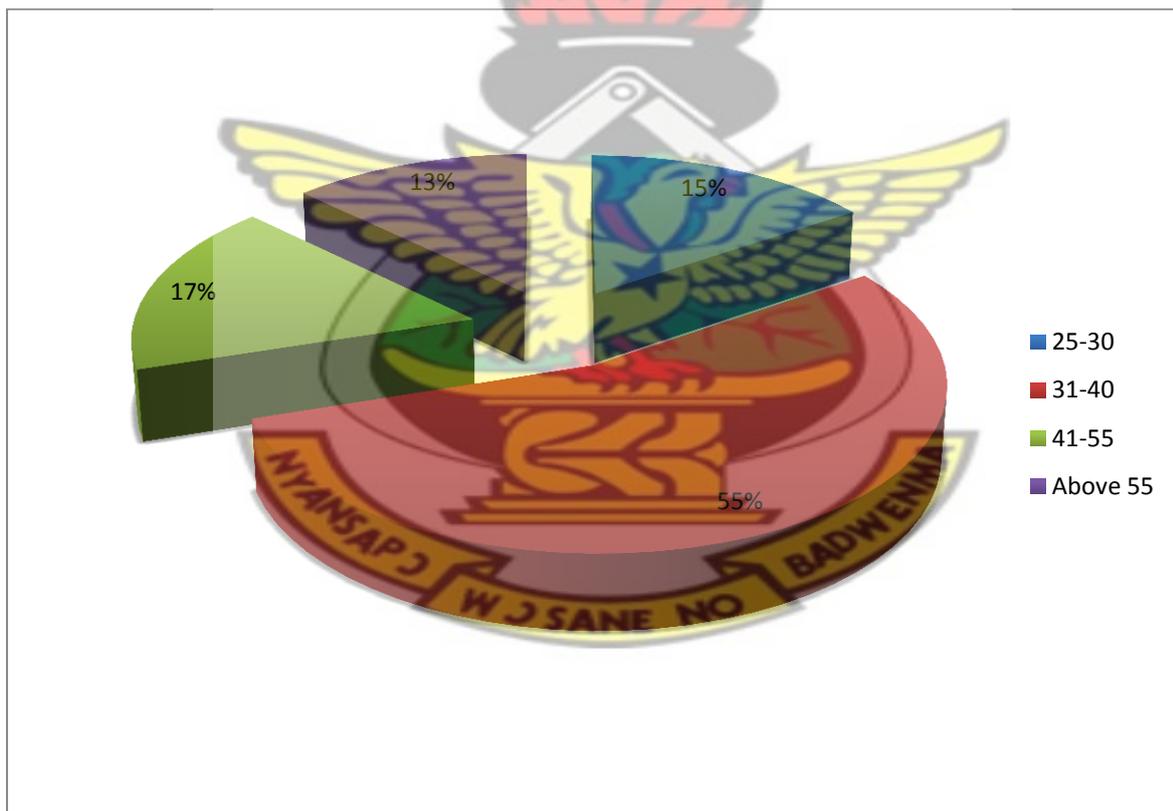
**Figure 4.1: Sex of respondents**

**Source: Field Survey, 2014**

The sex distribution as shown in figure 4.1 indicates that 65(59.09%) of the respondents were males while 45(40.91%) were females. It is inferred that there is vast different between the sex distribution, and for that matter it is not a reflection of the national trend as there are more females in Ghana than males. The result indicates that the likelihood of an employee in the Regional Educational Directorate being a male is higher than those likely to be females. This is in consonance with the general perception that males dominate when it comes to numbers in the workplace. Government and for that matter policy makers must take it into consideration.

#### 4.1.2 Age of Respondents

The age of respondents is also presented in this section. Figure 4.2 depicts the frequency and percentage of each age category distributed over five age groups. Also, 17(15.45%) were between ages of 25 and 30, 60 (54.54%) were between the ages of 31 and 40 while the age 41-55 group constituted 19(17.27%). Moreover, 14(12.73%) as evident from figure 4.2, the age group with the highest percentage is 31-40 while the age group with the lowest percentage is 55 and above. It is evident that majority of respondents were in the age group of 31 – 40 a percentage of 60(55%). The researcher is of the view that it is a healthy finding for the organisation. It is a healthy finding because majority of the work group is in the productive age and it shows that the organisation has a future.

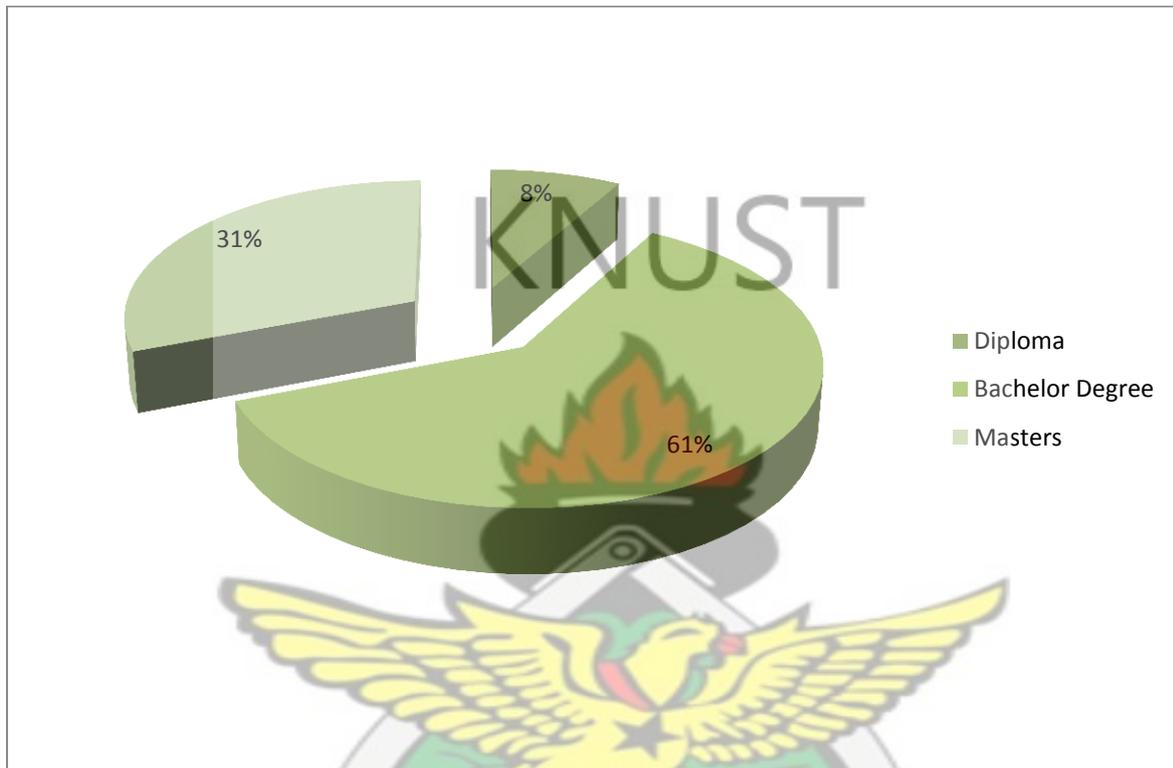


**Figure 4.2: Age of respondents**

**Source: Field survey, 2014**

### 4.1.3 Educational Qualification of Respondents

Examining the educational qualification of respondent, is a critical factor in determining peoples in-depth understanding of a problem. Following this, the study elicited respondents' educational levels. Figure 4.3 shows educational levels of respondents.



**Figure 4.3: Educational Qualification of Respondents**

**Source: Field survey, 2014**

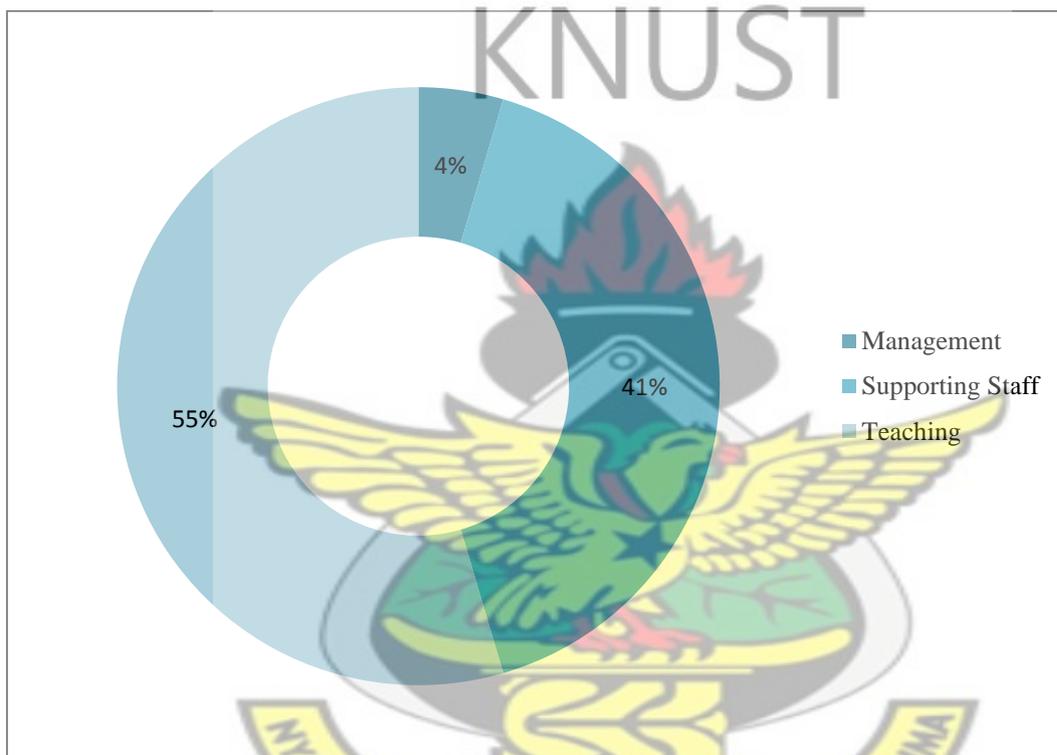
Educational qualification shows a dominance of those with Bachelor's degree. Significantly, these respondents constituted 67(60.91%). Whiles 34(30.91%) of them were master's holders. Only 9% of the respondents were holders of Diploma certificates. Significantly none of them had a PhD. This shows that one is likely not to find a PhD holder in Regional Education Directorate, Kumasi.

From the findings, it can be deduced that the educational qualification of respondents were higher since all the respondents had attained formal education. This has a number of positive implications to the study since most of the respondents due to their better educational

background demonstrated in-depth understanding of the problem under study. This has therefore helped to ensure reliable results and findings.

#### 4.2.4 Category of Job of Respondents

The categories of job of respondents were found to be many per the study conducted. These included management, supporting and teaching. Table 4.4 provides details of the category of job of respondents.



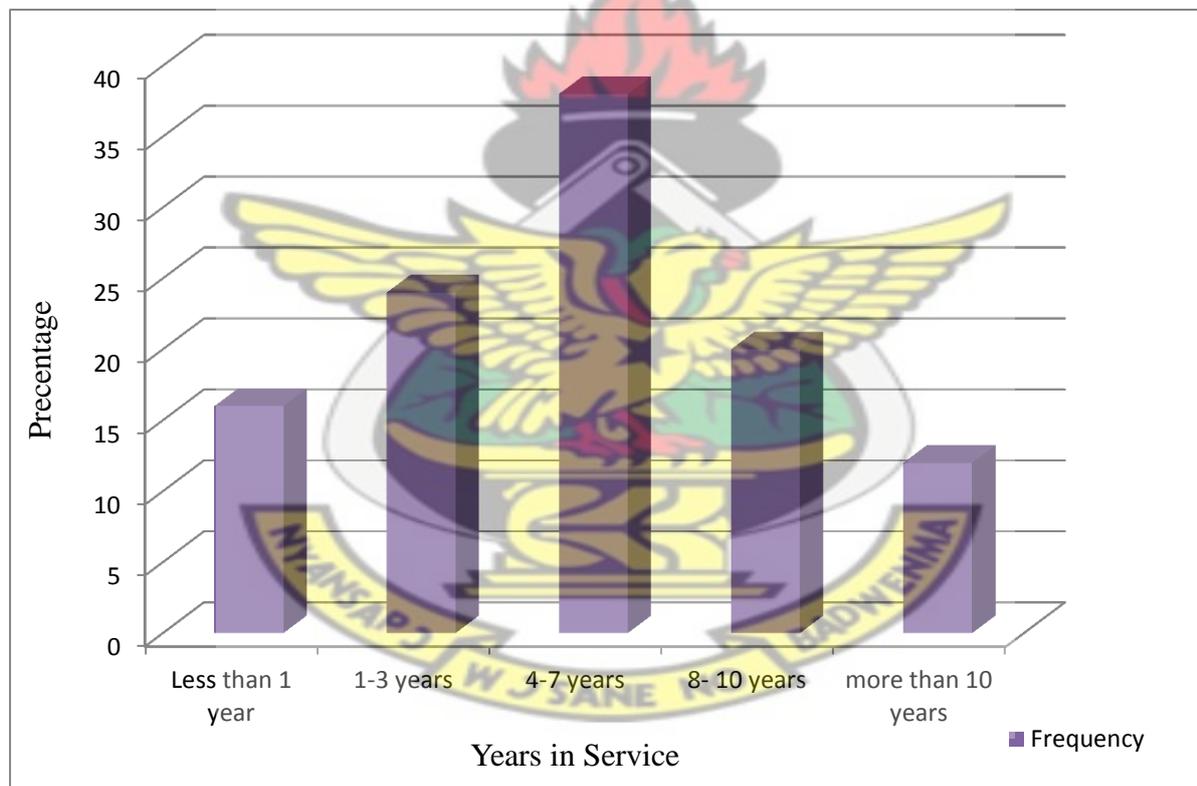
**Figure 4.4: Category of Job of Respondents**

**Source: Field survey, 2014**

It is deduced from Figure 4.4 that 48(43.62%) of the respondents were teaching staff whereas 58(52.73%) were supporting staff. Also, 4(3.64%) of the respondents constituting the minority were those in management position. These figures indicate that in effect those in management position are few. This calls for a review to help in the effective management of human capital in the organisation.

#### 4.1.5 Years Spent in the Service

Years spent in a service are very significant in decision making process, especially during identification of problem. Hence, finding out the effects of Human Capital Management on the performance of Regional Education Directorate requires respondents who have spent long time in the service. During the survey, the number of years spent in the service became necessary. It helped to determine respondents' level of familiarity and their knowledge on the problem under study. Again, it also helped to determine the consistency in the trends on the effects of Human Capital Management on the performance of Regional Education Directorate in Ashanti Region. Figure 4.5 shows respondents' years spent in the service.



**Figure 4.5: Years spent in the service**

**Source: Field survey, 2014**

The years spent in the service are identified in the bar. These included less than one year, 1-3years, 4-7years, 8-10years and more than 10 years. Regardless of these variations, majority of the respondents had spent between 4 and 7 in the service. They constituted 38(34.55%) of

the total respondents. Whereas 24(21.82%) were between the ages of 1- 3. Again, 8 – 10 respondents constituted 20(18.18%). The survey also revealed that, 16(14.55%) have spent less than 1 year at the Regional Education Directorate, Kumasi. Only 12(10.91%) constituting the least respondents had spent more than 10 years in the service.

#### 4.2 Existence of Human Capital Management Practices in Regional Education

One of the first objectives was to examine the existence of Human Capital Management practices at the Regional education Directorate, Kumasi using management, supporting staff and teachers. The focus was to identify which practice was frequently used to help improve performance of employees. Existence of Human Capital Management Practices in Regional Education Directorate helps to improve educational performance in a country. Following this, it became prudent to elicit information from the respondents about training and development exists to help improve performance of employees. Table 4.1 provides responses of respondents about whether or not training and development exist to help improve and retain employees.

**Table 4.1: Training and Development Exist to Help Improve Performance**

| Responses         | Frequency  | Percent      |
|-------------------|------------|--------------|
| Strongly agree    | 35         | 31.82        |
| Agree             | 36         | 32.73        |
| Neutral           | 29         | 26.36        |
| Disagree          | 6          | 5.45         |
| strongly disagree | 4          | 3.64         |
| <b>Total</b>      | <b>110</b> | <b>100.0</b> |

Source: Field survey, 2014

Majority of the respondents agreed that training and development exist to help improve performance of employees. These respondents constituted 36(32.73%) of the total respondents following the field survey. Moreover, 35(31.82%) of the respondents strongly

agreed to this claim. However, 6(5.45%) of the respondents constituted those who disagree and 4(.64%) strongly disagree that training and development exist to help improve and retain workers. This is at variance with Boateng, (2010), that training and development like job security requires a certain degree of reciprocity. A company that trains and develops its employees enhances performance and also increases employee productivity and commitment. Regardless of the variations in the responses, one can say that indeed training and development exist to help improve performance of employees. This conclusion was drawn based on majority decision.

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#### **4.2.1 Compensation and incentives are given without partiality**

This finding indicated that compensation and reward was given with partiality and it is in variance with Armstrong and Murlis, (1991). Poole and Jenkins, (1997) assert that an inclusive and effective Human Capital Management strategy has a coherent approach to rewards any one of its most central component. The process is crucial and a source of contention in most organisations. It deals with rewarding in accordance with their value in the organisation. They further stated that, it is concerned with financial and non-financial rewards. It looks at the strategies, philosophies and processes employed to develop and maintain rewards and compensation systems.

Following this, the researcher took a bold decision to determine whether compensation and incentives are given to respondents without partiality, the researcher asked questions pertaining to this issue. Table 4.2 gives a clear summary of the responses of respondents about whether compensation and incentives are given without partiality in the organisation.

**Table 4.2: Compensation and Incentives are given without Partiality**

| <b>Responses</b>  | <b>Frequency</b> | <b>Percent</b> |
|-------------------|------------------|----------------|
| strongly agree    | 17               | 15.45          |
| Agree             | 6                | 4.45           |
| Neutral           | 8                | 7.27           |
| Disagree          | 45               | 40.91          |
| strongly disagree | 34               | 30.91          |
| <b>Total</b>      | <b>110</b>       | <b>100.0</b>   |

**Source: Field survey, 2014**

Most of the respondents could not hide their sentiment with regard to whether compensation and incentives are given without partiality. They articulated their concerns that compensation and incentives are given with partiality. Thus, making majority 45(40.91%) of the respondents to disagree with the claim that compensation and incentives are given without partiality. Furthermore, 34(30.91%) of the respondents strongly disagreed that compensation and incentives are given without partiality. However, only few of the respondents constituting 17(15.45%) and 6(4.45)% strongly agreed and agreed respectively that compensation and incentives are given without compensation. This finding is largely consistent with Itika's, (2011) assertion that employees need different types of compensation and rewards for their efforts. It is the duty of the human resource department through the responsible officers to evaluate different types of jobs in order to develop appropriate compensations and rewards in terms of pay and other incentive packages.

#### 4.2.2 Procedure, Policies and Decisions

Consistent application of procedure, policies and decisions to all employees in Regional Education Directorate is highly debatable. In order to clear off the mind of the researcher, attempt was made to delve into whether procedure, policies and decisions are applied consistently to all employees. Table 4.3 gives details of whether procedures, policies and decisions are applied consistently to all employees in the Regional Education Directorate.

**Table 4.3: Procedure, Policies and Decisions**

| <b>Responses</b>  | <b>Frequency</b> | <b>Percent</b> |
|-------------------|------------------|----------------|
| Strongly agree    | 19               | 17.27          |
| Agree             | 9                | 8.18           |
| Neutral           | 57               | 51.87          |
| Disagree          | 17               | 15.45          |
| strongly disagree | 8                | 7.27           |
| <b>Total</b>      | <b>110</b>       | <b>100.0</b>   |

**Source: Field survey, 2014**

About 19 (17.27%) of the respondents strongly agreed that procedure, policies and decisions are applied consistently to all employees. Also, 9(8.18%) of the respondents agreed that procedure, policies and decisions are applied consistently to all employees. Besides, about 17(15.45%) and 8(7.27%) of the respondents disagreed and strongly disagreed respectively that procedure, policies and decisions are applied consistently to all employees. However, majority of the respondents constituting 57(51.87%) were neutral as to whether procedure, policies and decisions are applied consistently to all employees. This is because management most of the time high jack the formulation of policies and decisions. But in contemporary Human Capital Management, employees must be involved in policies and decision formulation to help achieve the objectives of the organisation. It is clear therefore that, in terms of policies, procedures and decisions in Regional Education Directorate, Kumasi,

respondents are neutral. Guest further pointed out that there is an affiliation between policies and organisation performance. He associated employee's dedication as an important factor for achieving organisational goals. Awan and Sarfraz (2013), stated that human capital investment contributes towards an improved strategic integration, flexibility, quality and performance. This does not mean that policies and decision should be imposed on employees. The objective should be formulating policies and taking decisions involving the employees. This means that these respondents are not sure whether or not procedure, policies and decisions are applied consistently to all employees in the Regional Education Directorate.

### 4.2.3 Couching and Mentoring

Subsequently, respondents were made to determine whether couching and mentoring are applied to enhance performance in regional education Directorate. Table 4.4 gives details of it.

About 18(16.36%) of the respondents strongly agreed that couching and mentoring are applied to enhance performance in Regional Education Directorate. Moreover, 6(5.45%) of the respondents agreed that couching and mentoring are applied to enhance performances. However, 10(9.09%) of the respondents could not tell whether couching and mentoring are applied to enhance performance in Regional Education Directorate.

**Table 4.4: Couching and Mentoring**

| Responses         | Frequency  | Percent      |
|-------------------|------------|--------------|
| Strongly agree    | 18         | 16.36        |
| Agree             | 6          | 5.45         |
| Neutral           | 10         | 9.09         |
| Disagree          | 60         | 54.55        |
| strongly disagree | 16         | 14.55        |
| <b>Total</b>      | <b>100</b> | <b>100.0</b> |

Source: Field survey, 2014

Despite this, majority of the respondents disagreed that coaching and mentoring are applied to enhance performance in Regional Education Directorate. These respondents constituted 60(54.55%) of the total respondents. Not only that but also, 16(14.55%) of the respondents strongly disagreed that coaching and mentoring are applied to enhance performance in Regional Education Directorate. In totality, about 69.10% of the respondents disagreed that coaching and mentoring are applied in Regional Education Directorate. The general indication therefore is that coaching and mentoring least enhance performance based on the responses of respondents. This confirms the general perception that most supervisors prefer helping employees fix every problem rather than teaching them how to fix it so that in their absence they can fix it themselves. *‘Teach me how to fish but do not fish for me.’*

#### 4.3 Positive Work Attitude and Individual Development

It is an accepted fact that positive attitude towards work is needed in every organisation so that it can stimulate the growth of the organisation. Table 4.5 gives details of whether good interpersonal development leads to positive work attitude and individual development.

**Table 4.5: Good Interpersonal Development**

| Responses      | Frequency  | Percent      |
|----------------|------------|--------------|
| strongly agree | 50         | 45.45        |
| Agree          | 35         | 31.82        |
| Neutral        | 13         | 11.82        |
| Disagree       | 12         | 10.91        |
| <b>Total</b>   | <b>110</b> | <b>100.0</b> |

**Source: Field survey, 2014**

A majority of the respondents strongly agree that good interpersonal development leads to positive work attitude and individual development. This was confirmed by 50(45.45%) of the respondents following the field survey. Again, 35(31.82%) of the respondents strongly agree

that good interpersonal development leads to positive work attitude and individual development. Besides, 13(11.82%) of the respondents were neutral, meaning they could not determine whether good interpersonal development leads to positive work attitude and individual development. However, 12(10.91%) of the respondents disagree on the ground that good interpersonal development does not lead to positive work attitude and individual development. Despite the differences in responses, it can be said that good interpersonal development leads to positive work attitude and individual development. This was confirmed by majority of the respondents.

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#### 4.3.1 Conducive Working Environment

Conducive working environment is absolute for the success of every organisation. Regional Education Directorate is thus expected to ensure conducive working environment for its workers. Consequently, majority of the respondents 46(41.82%) strongly agree that conducive working environment leads to positive work attitude and individual development. This is inconsonance with what Deming, 2009 states that physical working environment can cause stress which hinders employees from performing and given out their best.

**Table 4.6:ConduciveWorking Environment**

| <b>Responses</b>  | <b>Frequency</b> | <b>Percent</b> |
|-------------------|------------------|----------------|
| Strongly agree    | 46               | 41.82          |
| Agree             | 41               | 37.27          |
| Neutral           | 7                | 6.36           |
| Disagree          | 5                | 4.55           |
| Strongly disagree | 11               | 10             |
| <b>Total</b>      | <b>110</b>       | <b>100.0</b>   |

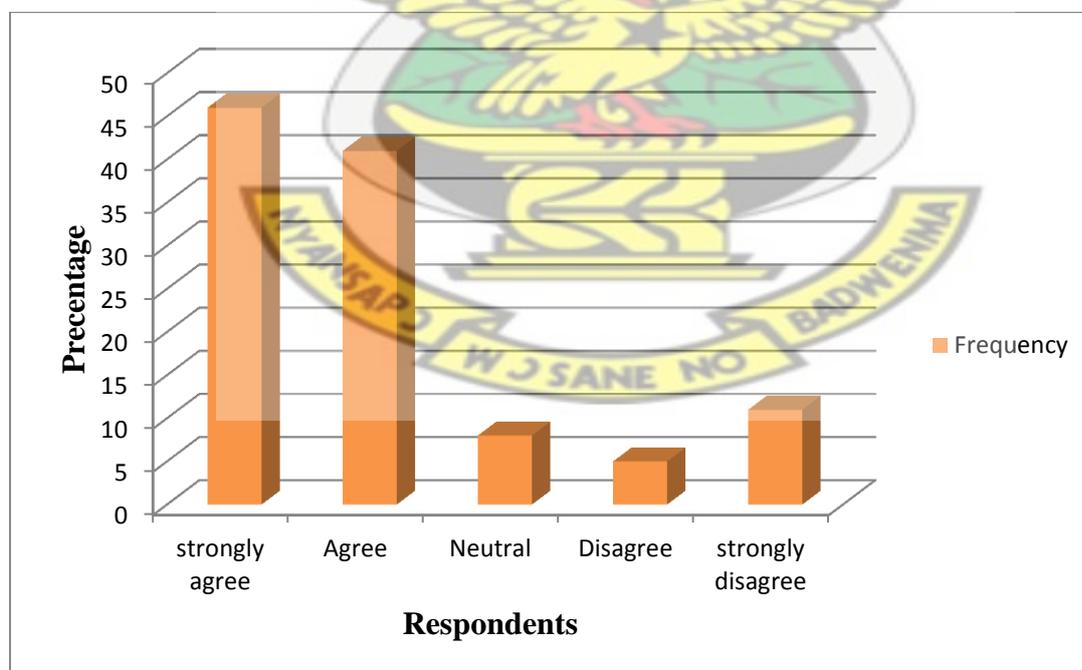
Source: Field survey, 2014

The above table 4.6, 41(37.27%) of the respondents did agreed that conducive working environment leads to positive work attitude and individual development. However, 5(4.55%)

and 11(10%) of the respondents disagreed and strongly disagreed that conducive working environment leads to positive work attitude and individual development. Regardless of the variations in responses, a total of 87(79.09%) of the respondents (constituting those who strongly agreed and disagreed). Hence, conducive working environment leads to positive working attitude and individual development.

#### 4.3.2 Work as a Team and Ready to Take Initiative

Consequently, majority of the respondents did strongly agreed that work as a team and ready to take initiative leads to personal development. These respondents constituted 46(41.82%) of the total respondents. This is in consonance with Marchington, 1999 assertion that employees who work in teams generally report higher levels of satisfaction than their counterparts working under more traditional regimes. 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.

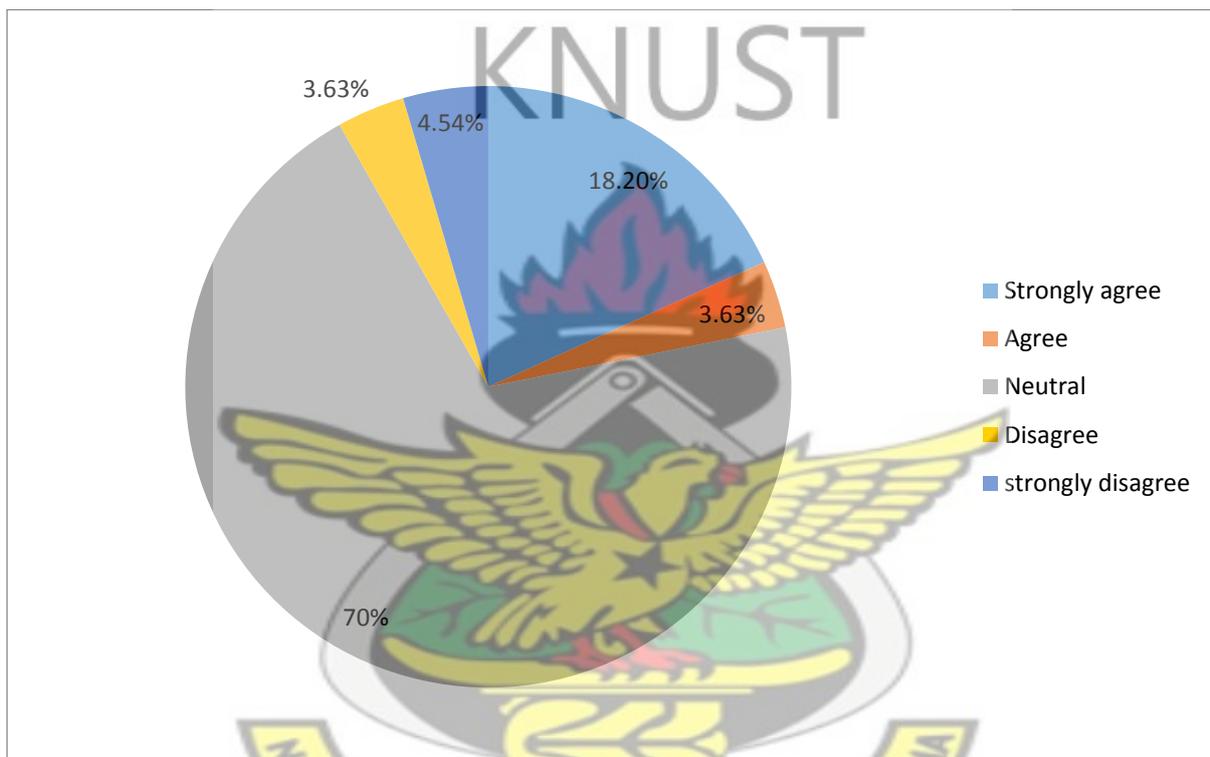


**Figure 4.6: Work as a Team and Ready to Take Initiative**

Source: Field survey, 2014

Also, 41(37.27%) of the respondents agreed that work as a team and ready to take initiative leads to personal development. However, 5(4.55%) and 11(10%) of the respondents disagree and strongly disagree that work as a team and ready to take initiative leads to personal development. The general conclusion is that work as a team and ready to take initiative leads to positive work attitude and individual development.

### 4.3.3 Commitment and Passion in the Working Environment



**Figure 4.7: Passionate and Commitment to Work**

Source: Field survey, 2014

The general perception that individual development and commitment to an organisation leads to positive work attitude is in consonance with Poole and Jenkins (1997). They identified three principles of routes that can lead to employees involvement to include standards of participation, salaries that management initiate to support employees and participation in work. They further stated that opportunities must be created for employees to voice their view on the performance of the organisation.

About 20(18.20%) of the respondents strongly agreed that passion and commitment to work leads to positive work attitude and individual development. However 4(3.63%) and 5(4.54%) of the respondents disagreed and strongly disagreed to the claim that passionate and commitment to work leads to positive work attitude and individual development. Surprisingly, 77(70%) of the respondents were neutral as to whether passionate and commitment to work leads to positive work attitude and individual development. This means that most of the respondents are uncertain that passionate and commitment to work leads to positive work attitude and individual development.

#### 4.4 Effects of Human Capital Management on Performance

Again, it was the objective of the study to ascertain respondent's perception on the effects of Human Capital Management on performance in the Regional Education Directorate. The response categories ranged between 'Strongly agree' to 'Strongly disagree' which was divided into five point verbal numerals scale.

A majority of the respondents did strongly agreed that Human Capital Management contributes to high performance. These respondents constituted 51(49%) of the total respondents following the field survey. Table 4.7 gives details of it.

**Table 4.7: Human Capital Management Contributes to High Performance**

| <b>Responses</b>  | <b>Frequency</b> | <b>Percent</b> |
|-------------------|------------------|----------------|
| strongly agree    | 51               | 49.0           |
| Agree             | 21               | 19.0           |
| Neutral           | 26               | 24.0           |
| Disagree          | 9                | 7.0            |
| strongly disagree | 3                | 1.0            |
| <b>Total</b>      | <b>110</b>       | <b>100.0</b>   |

Source: Field survey, 2014

This confirms the perception that employees are assets and not liability to the organisation and it is in consonance with Awan and Sarfraz (2013) assertion that organisations who invest huge amount of money in training their employees believe that it will lead to higher performance and it will give them results.

It is inferred from table 4.7 that, 19% of the respondents agreed that human capital management contributes to high performance. However, 26(24%) of the respondents could not tell whether human capital management contributes to high performance. Hence they were neutral. Moreover, 9(7%) and 3(1%) of the respondents respectively disagreed and strongly disagreed that human capital management contributes to high performance. It can be concluded based on the findings that human capital management contributes to high performance.

#### 4.4.1 Human Capital Management Minimizes Mistakes

When a question was asked about whether human capital management minimizes mistakes, several responses were given by respondents. Some strongly agreed and agreed whereas others strongly disagreed and disagreed to this claim. Table 4.8 gives a clear picture of the responses of respondents with regard to whether or not human capital management minimizes mistakes.

**Table 4.8: Human Capital Management Minimizes Mistakes**

| <b>Responses</b>  | <b>Frequency</b> | <b>Percent</b> |
|-------------------|------------------|----------------|
| strongly agree    | 21               | 18.0           |
| Agree             | 41               | 38.0           |
| Disagree          | 31               | 29.0           |
| strongly disagree | 17               | 15.0           |
| <b>Total</b>      | <b>110</b>       | <b>100.0</b>   |

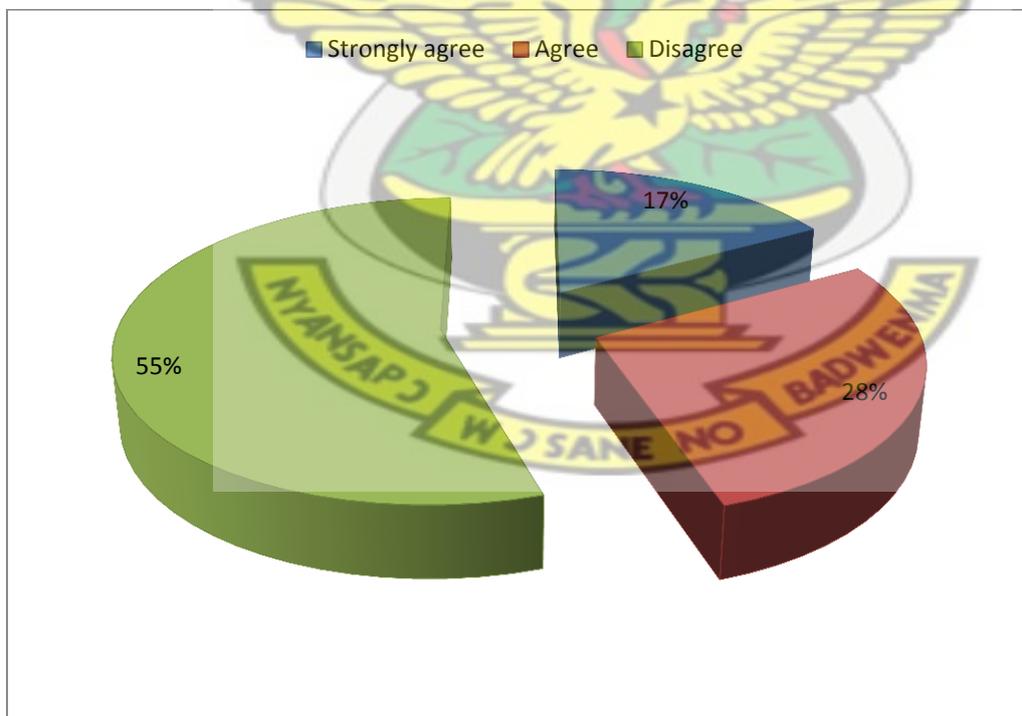
Source: Field survey, 2014

Most of the respondents agreed that human capital management minimizes mistakes. These respondents accounted for 41(38%) of the total respondents. Again, 21(18%) of the respondents strongly agreed that Human Capital management minimizes mistakes. However, sums of 44% of the respondents disagreed and strongly disagreed that human capital management minimizes mistakes. Despite these responses, majority of the respondents still express their concerns that human capital management minimizes mistakes. The general perception that ‘practice makes man perfect is in consonance with this finding on effects of Human Capital on performance.

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#### 4.4.2 Human Capital Management Enhances Skill Development

It is an established fact that properly managed Human Capital Management has the potential of enhancing skill development. In the light of this, it became prudent during the field survey to find out whether human capital management enhances skill development.



**Figure 4.8: Human Capital Management Enhances Skill Development**

Source: Field survey, 2014

About 17(15.45%) of the respondents strongly agreed that human capital management enhances skill development. Also, 28(25.45%) of the respondents agreed that human capital management enhances skill development. This means that a total of 65(59.09%) of the respondents strongly agreed and agreed that human capital management enhances skill development. Surprisingly, majority of the respondents disagree with this claim on the ground that human capital management enhance skill development.

#### 4.5 Challenges in Managing Human Capital

The study further examined challenges in managing Human Capital Management. Respondents were to indicate what they see to be challenges in managing human capital at the Regional Education Directorate, Kumasi. The various responses obtained are depicted in the table below.

##### 4.5.1 Decreased efficiency

Human capital is the greatest assets in every organization. Unfortunately, certain challenges work against the success of human capital management. Hence, this section tackles some of the challenges in managing human capital. One major challenge in managing human capital is decreased efficiency. Table 4.9 shows the rate at which respondents agreed that decreased efficiency is a challenge in managing human capital.

**Table 4.9: Decreased Efficiency**

| <b>Responses</b> | <b>Frequency</b> | <b>Percent</b> |
|------------------|------------------|----------------|
| strongly agree   | 41               | 39.0           |
| Agree            | 58               | 55.0           |
| Neutral          | 4                | 4.0            |
| Disagree         | 7                | 2.0            |
| <b>Total</b>     | <b>110</b>       | <b>100.0</b>   |

Source: Field survey, 2014

Examining decreased efficiency as a challenge in managing Human Capital, it was clear from the table that most employees representing 58(55%) believed that decreased efficiency is in the increase. Despite the observation of employees wanting to appear loyal, the urge to be effective for the success of the organization is driven by their efficiency. This is at variance with Rhodes and Eisenberger (2002) assertion that in organization support theory, workers obligation to give out their best leads to increased efforts and better performance. Also 41(39%) strongly agreed that decreased efficiency is a challenge in managing human capital. This means that in all, about 94% of the respondents agreed that (constituting those who strongly agreed and agreed) decreased efficiency is a challenge in managing human capital. Few of the respondents disagreed with this claim. The general indication is that decreased efficiency is a major challenge in Human Capital Management in the Regional Education Directorate in Ashanti Region.

#### **4.5.2 Scarcity of Key Skills**

About 45(42%) of the respondents agreed that scarcity of key skill is a challenge in managing Human Capital. This means that cumulatively about 99(92%) of the respondents articulated their concerns that scarcity of key skill is a challenge in managing human capital. Hence, scarcity of key skill is also a challenge in managing human capital based on the responses of respondents.

Pinkus et al, (1997) Stated that some settings may require general human resources that covers several areas of knowledge: Others may require highly specialized employees to solve the task in an organisation. This is because some work requires combining different skills to accomplish. The degree of specialisation is very paramount. Again this is in consonance with Kupritz (2002) assertion that physical, social and psychological condition can decrease employees experience at work – can either encourage or discourage the transfer of skills and knowledge.

**Table 4.10: Scarcity of Key Skills**

| <b>Responses</b> | <b>Frequency</b> | <b>Percent</b> |
|------------------|------------------|----------------|
| Strongly agree   | 54               | 50.0           |
| Agree            | 45               | 42.0           |
| Neutral          | 11               | 8.0            |
| <b>Total</b>     | <b>110</b>       | <b>100.0</b>   |

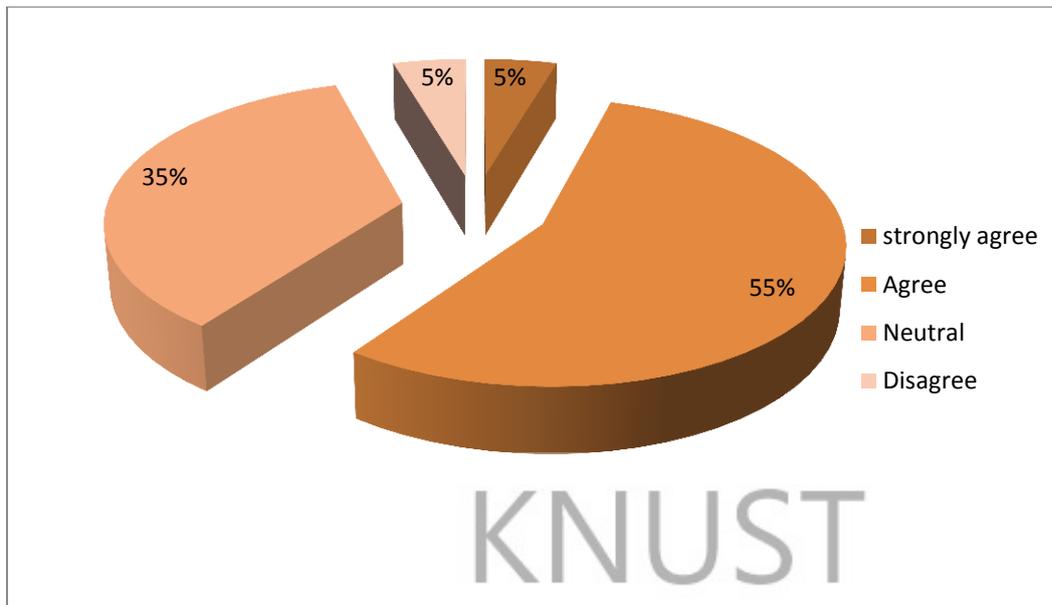
Source: Field survey, 2014

Furthermore, majority of the respondents constituting 54(50%) of the total respondents strongly agreed that scarcity of key skill is a challenge in managing human capital. Table 4.10 gives further details of it.

#### **4.5.2 Uncertainty about the future is a Challenge**

Lastly, attempt was made to elicit information from the respondents as to whether uncertainty about the future is a challenge in managing human capital. Human capital is of value to a firm but it is transferable, it is embodied in employees, who are there to move from one place to another, especially for employees with general human capital. The contribution of human capital to a firm's performance largely depends on employee's willingness to perform.

This is also consistent with AMO theory (abilities, motivation and opportunity to participate) as proposed by Appelbaum et al (2000).



**Figure 4.9: Uncertainty About the Future is a Challenge in Managing Human Capital**

Source: Field survey, 2014

Majority of the respondents constituting 58(55%) agreed that uncertainty about the future is a challenge in managing human capital. Also, 7(5%) of the respondents disagree that uncertainty about the future is a challenge in managing human capital. However, 38(35%) were neutral as to whether uncertainty about the future is a challenge in managing human capital. From the foregoing responses, it can be deduced that uncertainty about the future is a challenge in managing human capital at the Regional Education Directorate, Kumasi.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

#### 5.0 Introduction

In summarizing the study based on the data collected from the field, certain revelations were made. These revelations are presented in this chapter based on which conclusions are made, followed by recommendations to help manage human capital to improve performance.

#### 5.1 Summary of Findings

The study sought to examine the various human capital practices at the Regional Education Directorate, Kumasi and its effects on performance by soliciting views of management and employees. Most of the data pointed to the fact that, human capital practices like conducive work attitude, training and development, positive work attitude, teamwork, policies and procedures also existed to help improve performance. They were quick to add that management need to involve employees in formulating policies, procedures and decisions. Employees strongly agreed that compensation and rewards is administered with partially and coaching and mentoring is least applied at the Regional Education Directorate, Kumasi.

The researcher concluded that HR practices existed at the Regional Directorate. The studies further revealed that majority of the respondents were of the view that, human capital enhances performance and also minimises mistakes. However, one surprising revelation was that, respondents disagreed with this claim that human capital management enhance skill development at the Regional Education Directorate, Kumasi. Generally, scarcity of key skills, decreased efficiency and uncertainty about the future is raised. Management and Employees agreed that this is a big challenge in managing Human Capital will welcome measures to help avert this outcome at the Regional Education Directorate , Kumasi.

### **5.1.2 Existence of Human Capital Management Practices in Regional Education**

A majority of the respondents agree that training and development exist to help improve performance of employees in the Regional Education Directorate (see table 4.6). With regard to compensation and incentives, the finding revealed that it was given with partiality; hence, it was noted that partiality in terms of giving compensation and incentives is very high in the Regional Education Directorate, Kumasi. Pertaining to procedures, policies and decisions being applied consistently to all employees in Regional Education Directorate, Kumasi. Majority of the respondents were neutral as to whether procedure, policies and decisions are applied consistently to all employees. Furthermore, majority of the respondents disagree that coaching and mentoring is applied to enhance performance in the organisation. The general indication therefore is that coaching and mentoring least enhance performance based on the responses of respondents.

### **5.1.3 Positive Work Attitude and Individual Development**

A majority of the respondents strongly agreed that good interpersonal development leads to positive work attitude and individual development. Moreover, majority of the respondents agreed that conducive working environment leads to positive work attitude and individual development. Lastly, most of the respondents did agreed strongly that working as a team and ready to take initiative leads to personal development. Thus, it can be concluded that work as a team and ready to take initiative leads to positive working attitude and individual development in the Regional Education Directorate, Kumasi. This is a healthy finding that needs to be maintained and if possible improved by management at the Regional Education Directorate Kumasi.

### **5.1.4 Effects of Human Capital Management on Performance**

From the study, most respondents see human capital management as contributing to high performance. It is a healthy development and must be sustained by management and

stakeholders. Again, most of the respondents agreed that human capital management minimizes mistakes. Moreover, majority of the respondents disagreed that human capital management enhances skill development. Meaning, human capital management does not enhance skill development. This was the most surprising result.

### **5.1.5 Challenges in Managing Human Capital**

Analysis of the conducted research in Regional Education Directorate shows that, the most significant challenge appears to be uncertainty about the future. Again, based on the responses of the respondents; the study revealed that decreased efficiency is also a challenge in human capital management in the Regional Education Directorate in Kumasi. Moreover, the study revealed that scarcity of key skill is a challenge in managing human capital. This was agreed by majority of the respondents.

### **5.2 Conclusion**

The central objective of the study was to examine the effects of human capital management on the performance of Regional Education Directorate in Kumasi. In order to achieve the objective of the study, a total of 110 respondents were contacted through the administration of questionnaires. These respondents included management, supporting staff and well as teaching staff.

The study has revealed that the effects of human capital management on the performance of Regional Education Directorate are intense. It was revealed from the study that training and development exist to help improve performance of workers in the Regional Education Directorate. Also, compensation and incentives are given with partiality in the Regional Education Directorate in Kumasi. Besides, employees feel that, they are not involved in the formulation of procedures, policies and decisions at the Regional Education Directorate. Throughout the study, the issue of coaching and mentoring least enhance performance.

Positive work attitude and individual development depends on several factors in the Regional Education Directorate. These factors include good interpersonal development, conducive working environment and etc. Consequently, human capital management contributes to high performance as well as minimizes mistakes. However, it was noted that human capital management does not enhance skill development. In fact, this was the most surprising result. However; challenges such as decrease efficiency and scarcity of key skill are fighting against managing human capital. This means that for human capital management to enhance the performance of Regional Education Directorate staff, these challenges have to be dealt with. In the light of these challenges, the study recommended that when policy makers are implementing any policies aimed at improving human capital management on the performance of education in Ghana, particularly Regional Education Directorate, Kumasi they should focus on these challenges so that human capital management can enhance the performance of Regional Education Directorate in Ashanti Region.

### **5.3 Recommendations**

Based on the findings, the following are recommended:

#### **5.3.1 Coaching and Mentoring**

The study has revealed that coaching and mentoring is not applied at Regional Education Directorate, Kumasi to help in improving the performance of employees. It is therefore recommended that management should consider as a matter of agency the need to collaborate with resource persons and consultants to acquire the requisite training and skills in mentoring and coaching. They should intend organise periodic in service training and workshops to help the various unit heads to also support employees to take initiative and bold decisions for the benefit of the organisation.

### **5.3.2 Good Interpersonal and Positive Work Attitude**

It emerged from the study that majority of the respondents have positive work attitude, good interpersonal relationship, team work and a conducive working environment. The researcher therefore recommends that management at the Regional Directorate, Kumasi and all stakeholders should continue to put in place the right administrative structures to help maintain this positive finding.

### **5.3.3 Policies, Procedures and Decisions**

The researcher recommends that employees views and contributions should be sought by management and government during decisions making and policies formulation. The study revealed that the views of were not sought in the formulation of policies, procedures and decision. Employees would therefore be encouraged to identify and own the solutions to their own problems. Employees involvement at every level in decision making, will not only build trust among employees but to go a long way to prevent certain unhealthy and destructive work attitudes and behaviours. As a direct and beneficiary of the procedures and decisions, it is fair that they also participate in taking such decisions so that they will be ready to implement it.

### **5.4.4 Compensation and Incentives**

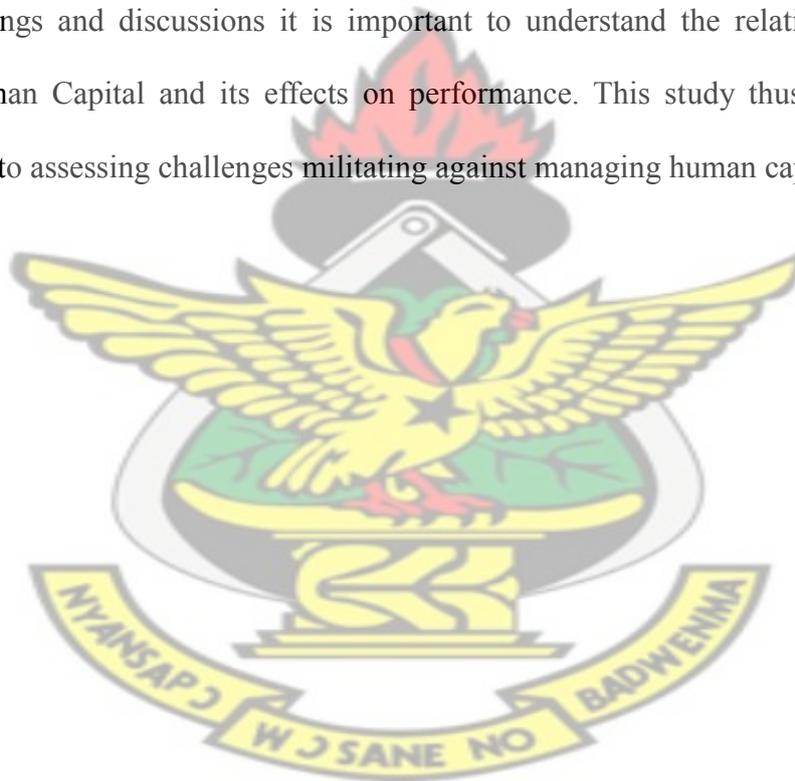
From the survey employees think that compensation and incentives are given based on partiality. The researcher recommends that, an appraisal system should be instituted so that it would be contingent on performance. Targets too should be set as a guide for giving incentives and compensating employees. Also a neutral person or an expert can be consulted in managing this issue. When this occurs, employees will try to reach the set target and finally have trust and confidence in management at the Regional Education Directorate, Kumasi.

#### **5.4.5 Human Capital Challenges**

Looking at the crucial and critical nature key skills play in an organisation, it is recommended that when planning, development of key skills should be one of the organisation priorities. Coaching and Mentoring can be instituted to prevent scarcity of key skills. This can be done through individual learning in terms of upgrading oneself regularly. Shadowing can also be another way of preventing scarcity of key skills at the Regional Education Directorate, Kumasi.

#### **5.5 Recommendation for Further Study**

Based on findings and discussions it is important to understand the relationship between Managing Human Capital and its effects on performance. This study thus recommends a further study into assessing challenges militating against managing human capital.



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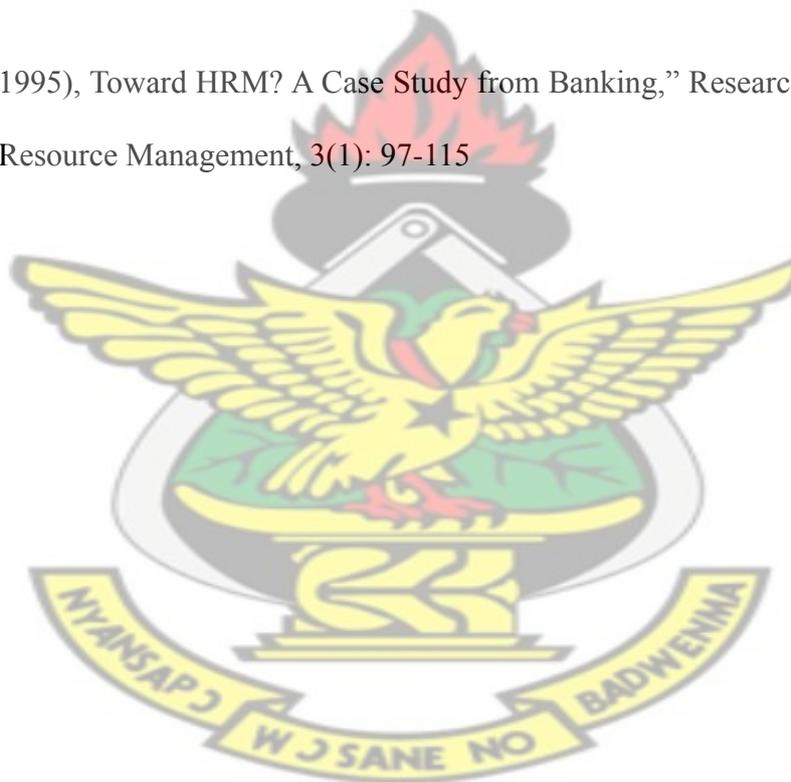
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## APPENDIX

### ADMINISTERED QUESTIONNAIRE

#### KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

#### COLLEGE OF ART AND SOCIAL SCIENCE KNUST SCHOOL OF BUSINESS

#### DEPARTMENT OF MANAGERIAL SCIENCE QUESTIONNAIRE

I wish to introduce myself to you as a Master of Business Administration (MBA) student of the School of Business, Kwame Nkrumah University of Science and technology. As part of the programme, I am required to write a thesis whose title is 'Effects of Human Capital Management on the Performance of Regional Education Office, Ashanti Region'. Your organization has granted me permission to use it as my case study organisation. Consequently, sampled employees of which you are a member, are required to fill in the questionnaire and interview guide you have. I would be most grateful if you could please spare some few minutes of your precious time to answer all the questions before you. You are assured that all the data/information you provide would be treated with utmost confidentiality. I thank you in advance for your co-operation.

#### **SECTION E: Basic Demographic Data**

| <b>1. Gender</b> | <b>Tick</b> |
|------------------|-------------|
| Male             |             |
| Female           |             |

|             |  |
|-------------|--|
| Age (years) |  |
| 25 – 30     |  |
| 31 – 45     |  |
| 40 – 55     |  |
| Above 55    |  |

|                                  |             |
|----------------------------------|-------------|
| <b>2. Educational Background</b> | <b>Tick</b> |
| Diploma                          |             |
| Bachelor                         |             |
| Masters                          |             |
| PhD                              |             |

|  |             |
|--|-------------|
| <b>3. What Job Category Do You Belong?</b> | <b>Tick</b> |
| Management                                 |             |
| Supporting                                 |             |
| Teaching                                   |             |

|                                     |  |
|-------------------------------------|--|
| <b>No of years spent in service</b> |  |
| Less than 1 year                    |  |
| 1-3 years                           |  |
| 4-7 years                           |  |
| 8-10 years                          |  |
| More than 10 years                  |  |

Key – 1 – Strongly Agree    2 – Agree    3- Neutral    4 – Disagree    5 – Strongly Disagree

| 4. SECTION A: Existence of Human Capital Management Practices in Regional Education - Kumasi | Tick |  |  |  |  |  |
|--|------|--|--|--|--|--|
| Training and development exist to help improve and retain employees                          |      |  |  |  |  |  |
| Compensation and Incentives are given without partiality                                     |      |  |  |  |  |  |
| Procedure, policies and decisions are applied consistently to all employees                  |      |  |  |  |  |  |
| Coaching and mentoring are applied to enhance performance                                    |      |  |  |  |  |  |

Key – 1 – Strongly Agree    2 – Agree    3- Neutral    4 – Disagree    5 – Strongly Disagree

| 5. SECTION B: Positive Work Attitude and Individual Development | Tick |  |  |  |  |
|---|------|--|--|--|--|
| Good interpersonal relationship                                 |      |  |  |  |  |
| Conducive working environment                                   |      |  |  |  |  |
| Work as a team and ready to take initiative                     |      |  |  |  |  |
| Passionate and commitment to work                               |      |  |  |  |  |

Key – 1 – Strongly Agree    2 – Agree    3- neutral    4 – Disagree    5 – Strongly Disagree

| <b>6. SECTION C: Effects of Human Capital Management on Performance</b> | <b>Tick</b> |  |  |  |  |  |
|---|-------------|--|--|--|--|--|
| Human capital management contributes to high performance                |             |  |  |  |  |  |
| Human capital management minimizes mistakes                             |             |  |  |  |  |  |
| Human capital management enhances skill development                     |             |  |  |  |  |  |
|   |             |  |  |  |  |  |

Key – 1 – Strongly Agree    2 – Agree    3- Neutral    4 – Disagree    5 – Strongly Disagree

| <b>7. SECTION D: Challenges in Managing Human Capital</b> | <b>Tick</b> |  |  |  |  |  |
|---|-------------|--|--|--|--|--|
| Decrease efficiency                                       |             |  |  |  |  |  |
| Scarcity of key skills                                    |             |  |  |  |  |  |
| Uncertainty about the future                              |             |  |  |  |  |  |
|   |             |  |  |  |  |  |