

Influence of Human Capital Development on Organizational Change in the Petroleum Industries in Kenya

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Abstract

Organizations are advised to invest long term capacity development which builds new skills to their workforce to cope with the uncertain conditions that they may face in future while improving the employee performance through superior level of motivation and commitment and building required achieve organizational overall competence level. Therefore the current paper sought to examine the influence of human capital development on organization change in the petroleum industries in Kenya. Descriptive research design was adopted. Simple and cluster sampling were used to select a sample of 234 respondents. Descriptive and inferential statistics were used to analyse the data. Results of the study revealed positive and significant influence of human capital development on organization change in the petroleum industries in Kenya.

Keywords: Human Capital Development, Organization Change.

Introduction

Human Capital Development has been defined as a key element in improving a firm assets and employees in order to increase productive as well as sustain competitive advantage (Dergisi, 2009). Improved capabilities, knowledge and skills of the talented workforce proved to be a major source of competitive advantage for organization operation in a global market (Sarason and Tegarden, 2013). Human Capital Development is the process of developing the desired knowledge, skills and abilities of the employees to perform well on the job which is achieved through effective training programs resulting into committed and motivated workforce. Organizations are advised to invest long term capacity development which builds new skills to their workforce to cope with the uncertain conditions that they may face in future while improving the employee performance through superior level of motivation and commitment and building required achieve organizational overall competence level.

According to research by Marimuthu, Arokiasamy and Ismail (2009), affirmed that Human Capital Development is one fundamental solution of the developing economics to join the international world and hence there is need to dedicate time and efforts to acquire knowledge, skills and education that culminates in what is referred to as human capital investment which has a positive impact on the performance of the firm. Researched by Youndt, Subramiam, and Snell (2004) admitted that development of human capital is a strong leadership acumen that adds value to the organization competencies which in turns becomes a boost to innovation in the company of operation. Further, research by Hsu Lin, Lawler and Wu, (2007) echoed that skilled human capital enhances the quality of the employees which later will have impact on the firm success. Good quality training program influence superior employee performance which leads to employee motivation and their needs fulfillment (Balogun & Hailey 2014). Therefore, the current study sought to examine the influence of human capital development on organization change in petroleum industries in Kenya.

Theory and Empirical Literature

The Trait Theory

Trait theory represents the earliest works on leadership which tends to point that great men possess certain superior traits or qualities that make them different from others or their followers. This, theory focused on the qualities which a leader must have and these includes; intelligence, sizable or of outstanding appearance, be of good judgment, have better initiative, must be honest, open minded, truthful and courageous and have ability to accept responsibility and that of his followers. However, despite the belief of the trait theorists, the conclusion drawn from understudying shows that there no evidence on the universal leadership traits existed.

Trait can be defined as any distinctive physical or psychological characteristics of an individual to which

his behaviour can be attributed. Taking this definition as a point of departure, it becomes essentially difficult to find consistent traits that can be associated with leaders. Past studies have shown that successful leaders that ever lived never possess all those qualities as the trait theorist would want us to believe and yet, these leaders made an impact in global politics.

The traits theory postulates that personal characteristics such as personality traits, cognitive and interpersonal skills which determines an individual's potential for leadership roles (Furnham, 2005). According to the traits theory, leadership is something intrinsic to the individual. According Kelly and Mark (2013), the nature is more important than nurture; that is to say, an individual's predisposition to leadership (his or her nature) has a greater influence than the context. Trait theory has therefore suggested that the characteristics or the personality of a person may make them an effective leader. The past academics who have studied this theory believe that potential leaders can be spotted by studying the personality traits of the individual and matching them to the characteristics of actual leaders. Trait theory was almost abandoned by leadership practitioners as leadership research evolved, but in the past few years, there has been a renewed interest and more research related to trait theory.

Human Capital and Organization Change

According to research by Ireland and Hitt (2005), argued that human capital refers to the knowledge and skills of firm's entire workforce. For the firm to generate full competitive benefits from its human capital it requires that a substantial investment. Human capital was assessed by the level of training, education, knowledge management and skills development while organization performance was assessed from the perspective of both the financial and non-financial measure by looking at the profitability, productivity and working condition/environment present. Using 200 observations, the descriptive and inferential analysis showed that human capital investment influences the organization performance both significantly and positively. Therefore, it can be concluded that the skills of the workforce should be developed through relevant training to the industry thus going beyond the soft skills acquired in school. Despite the study being a case study of pharmaceutical companies, they did not make effort to show how the leadership helps the organization performance and hence the current study will aim to fill this gap.

Marimuthu et al (2009), examined the human capital development and firm performance in the developmental economics. They argued that human capital development is one fundamental solution of the developing economics to join the international world and hence there is need to dedicate time and efforts to acquire knowledge, skills and education that will culminate in what is referred to as human capital investment which has a positive impact on the performance of the firm. Youndt et al, (2004) too admits that development of human capital is a strong leadership acumen that that adds value to the organization competencies which in turns becomes a boost to innovation in the company of operation. Further, Hsu et al, (2007) reiterates the relevance of the human capital especially to the firm that a technology based new ventures would serve to enhance the quality of the employees which later will have impact on the firm success.

Jamal and Saif (2011) investigated the human capital management (HCM) on organizational performance in institution of higher education and pharmaceutical firms in Pakistan. Using sample of 16 firms, HCM was measured by leadership practices, workforce optimization, knowledge accessibility, learning capacity and employee engagement whereas organization was checked as profit and sales growth. The results of the study, from correlation and regression analysis affirmed that there is significant and positive relationship between HCM and Organizational performance. Leaders' communication, performance feedback, supervisory skills and ability to instill confidence proved a requisite for success strategy in the company way of management to achieve their performance goals.

Research Methodology

Research Design

The paper adopted descriptive research design. Descriptive design is a relevant design when researcher wishes to developing a theory, identifying problems with current practice, justifying current practice, making judgments or determining what others in similar situations are doing (Orodho, 2009). Since the study seeks to collect information that will show influence of human capital development on organizational change in the petroleum industries in Kenya and describe the world as it exists, then this paper has proposed descriptive research design. In support of the same, other researchers have consistently used this design (Bani-Hani, & AL-Hawary, 2009; Charan, Drotter & Noel, 2005).

Target Population

A complete count of all the elements under consideration is known as target population (Kothari, 2004). In the current study the target population will be comprised of 106 CEOs and 424 board members hailing from petroleum industries in Kenya.

Table 3.1 Target Population

Category	Population size (N)	Proportion per category
CEO	106	0.2
Directors	424	0.8
Total	530	

Sampling Technique and Sample Size

Sampling technique is the procedure of selecting a subset of the target population to be a true representative in a study (Kothari, 2011). Sampling technique can be either probabilistic if all individuals have an equal chance of being considered in a study or non probabilistic if inclusion and exclusion criterion will be followed to select respondents (Kothari, 2011). In the current study simple random sampling and cluster sampling were used to select 234 respondents.

$$n = \frac{Z^2 \cdot \sigma(1-\sigma)}{e^2}$$

Where:

- n is the sample size
- Z is the Z-score and for the purpose of this study were be 1.96 in order to have a 95% confidence level
- σ is the Standard of Deviation and to be safe the decision is to use 0.5 as this is will ensure that the sample will be large enough.
- e is the margin of error and for the purpose of this study one construed to give a confidence interval of +/- 6.4%.

$$n = \frac{1.96^2 \cdot 0.5(1-0.5)}{0.064^2} = 234$$

Table 3.2 Sample Size per Stratum

Stratum	Proportion per stratum	Sample Size(n)
CEO	0.2	47
Directors	0.8	187
Total		234

Data Collection

In the current paper primary data was collected through use of structured questionnaires. The questionnaires had closed ended questions. The questionnaires in this study were ideal because the study collected information from a large sample. It also gave greater feeling of anonymity hence encouraging open responses to sensitive questions. Drop and pick later method were used to administer the questionnaires to each of the respondents. This method enabled the respondents to use their free time to complete the questionnaires based on their views and understanding on the influence of human capital development on organizational change in their organizations.

Data Presentation and Analysis

As Kothari (2011), recommended that simple graphics analysis, descriptive statistics formed the basis of virtually every quantitative analysis to data hence frequencies, percentages, means and standard deviations were appropriate statistical tools which showed the distribution. In addition, inferential statistics which include exploratory factor analysis, correlation and regression analysis were adopted. The regression equation was as follows:

$$Y = \alpha + \beta X + \epsilon$$

Where Y= Organization change X= Human Capital Development, α = Constant, β = Slope coefficient and ε = Error term

Findings and Discussion

4.1 Descriptive Analysis of Human Capital Development

Human Capital Development refers to the knowledge and skills of firm’s entire workforce (Ireland & Hitt, 2005). The third objective of the study sought to examine the influence of human capital development on organization change in the petroleum industries in Kenya. To achieve the respondents rating on a five point Likert scale was sought and study findings summarized as in Table 4.7 using mean, standard deviation, frequency and percentage. Majority 47.3% purported that to a very large extent their organization they have a database of the skills inventory for its resources. This finding is support by research Further, Hsu *et al.* (2007) which indicated that the relevance of the human capital especially to the firm that a technology based new ventures would serve to

enhance the quality of the employees which later will have impact on the firm success whereas the quality of training enhances employees performance which later will have impact on the firm success. Secondly, majority 40.9% reported that to a very large extent their organization used psychometric testing to measure individual attributes such as individual natural reflexes, tendencies, attitude and innate traits. Further, majority 44.5% reported that to a very large extent their organization has heavily invested on human capital to grow their returns. Majority 53.2% purported that to a very large extent their organizations calculates the amount of money which they spend on human capital skills development. Indeed, to evaluate returns majority 48.6% reported that they return on human capital. To attain organizational change majority 54.5% reported that they have aligned their employee values with their organization core values. In fact, majority 51.4% reported that through human capital development they have high chances of retaining their employees. To develop human capital skills majority 44.5% reported that to a very large extent all employees are involved in learning based on shared knowledge management. Concerning employee's initiatives development majority 50% reported that to a very large extent initiatives developed in the oil industry are difficult to imitate.

Further, to a large extent majority mean = 4.3, reported that their organizations are excellent in integrating through coordinating cross functional activities. To a large extent most of the petroleum industries compares employee skills with the position there are recruiting for (mean = 4.3, standard deviation = 0.8). Moreover, to a large extent petroleum industries identified employee's skills gap during recruitment process (mean = 4.3, standard deviation = 0.8). Finally, petroleum industries have to a large extent developed measures of breaching skills gaps identified during recruitment (mean = 4.4, standard deviation = 0.8). On overall human capital development has large extent on organization change in petroleum industries in Kenya. Even though context was different, the findings of study done in Pakistan authored by mirrored Jamal and Saif (2011) found a positive relationship between the organisation changes as assessed by growth of the companies and human capital management. In their study, it was further proved that feedback; communication and supervisory skills and building of confidence to workforce are a recipe for success adaptation to ever-changing environment in an organisation. In the long-term, companies jointly with the learning institutions need to implement learning based on shared knowledge to enable learners coming from school to easily adapt to work environment. Connection with this, gaps on employees' skills ought to be identified to be able to offer what is required in case of changes in organisation and its structure (Sull, 2009). Based on the above studies and findings herein, it can be said that human capital development has a role to play in the organisation change either directly or indirectly.

Table 4.1: Descriptive Analysis of Human Capital Development

	n=220						
	Not at all	Small extent	Moderate extent	Large extent	Very large extent	Mean	Std. Deviation
My organization has a database of the skills inventory for its resources	1.8	0.9	4.5	45.5	47.3	4.4	0.8
My organization uses psychometric testing to measure other attributes such as individual natural reflexes, tendencies, attitudes and innate traits	7.3	5.5	11.4	35	40.9	4	1.2
My organization invests in human capital with an aim of getting return	1.8	4.5	6.4	42.7	44.5	4.2	0.9
My organization calculates the profits it has made in after covered all of its expenses	4.5	1.8	1.8	30	61.8	4.4	1
My organization calculates the amount of money the organization has put in to develop its human capital	3.6	4.5	4.5	34.1	53.2	4.3	1
My organization calculates return on human capital investment	3.6	3.6	7.3	36.8	48.6	4.2	1
My organization has aligned employee values with core values of the organization	0	3.6	5.5	36.4	54.5	4.4	0.8
Employees with talent stay in my organization	2.7	0.9	8.2	36.8	51.4	4.3	0.9
All employees are involved in learning based on shared knowledge through knowledge management	1.8	1.8	10	41.8	44.5	4.3	0.8
Employees develop initiatives that are difficult for our competitors to quickly imitate	2.7	4.5	11.4	31.4	50	4.2	1
My organization is excellent in integrating through coordinating cross functional activities	1.8	2.7	6.4	43.6	45.5	4.3	0.8
My organization compares my employee's skills with what is required for their positions	0	3.6	7.3	40.9	48.2	4.3	0.8
My organization identify the gap on employee's skills with what is required for their positions	0.9	3.6	7.7	37.7	50	4.3	0.8
My organization determines to bridge the gap on employee's skills with what is required in their positions.	0	2.7	11.4	28.6	57.3	4.4	0.8
Overall average						4.3	0.9

Conclusion and Recommendations

Hypotheses testing results revealed positive and significant influence of human capital development on organization change in petroleum industries in Kenya. These results were in corroboration with past empirical studies as well as theoretical frameworks. Human Capital Development has played critical role in the organisation change either directly or indirectly. This finding is supported by Jamal and Saif (2011) who indicated that there is a positive relationship between the organisation changes as assessed by growth of the companies and human capital management.

The petroleum industry should continuously evaluate the skills base so as to ensure that organization change can be attained owing to heterogeneous skills composition. In order to evaluate human skills development there is need to carry out cost benefit analysis especially upon developing human skills which are geared towards organizational change. Petroleum industries must ensure that all employees are geared and motivated towards attainment of organizational goals and objectives. Motivational and employee's retention strategies must be put in place to ensure that those employees whose contribution in organizational change is paramount cannot be easily be lost especially through transfers or resignation. The management must adopt human resources management strategies which are geared towards integrating human capital to ensure that there are no gaps within an organizational structure.

Research has revealed that women in leadership account for less than 20% in the petroleum industries across the world. This findings recommends that world should produce leaders who are committed to sufficiently boost women's representation steadily and materially over time so as to reap a host benefits which included

improved organizational performance, creativity, decision making and morale. Further, strong and committed leadership presupposes that leaders genuinely believe in the business benefits of increase gender diversity. The most important tenet of success factor is the involvement of leadership in the industry to put women's career advancement at the top of their agendas, they have to be catalyst of change.

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