

## **ADOPTION OF HIGH PERFORMANCE WORK SYSTEM IN NIGERIA MULTINATIONAL COMPANIES**

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### **ABSTRACT**

*This study looks into the introduction and results of the adoption of High Performance Work System in Nigeria Multinational Companies. It also went further to explain the relationship between Head Quarter (HQ) and Strategic Human Resource Management (SHRM) and its influences on each other. Through this, we were able to discover the cultural institutional distance between country Manufacturing firms (MNC) and the host country of branches and its effect on them. Also, the study examines the determinants and result of the adoption of HPWS in foreign branches of multinational companies and corporations. We found out that head quarters have influence on strategic human resource management orientation and HPWS adoption varied among foreign branches originating from different continents.*

**Keywords:** MNCs, Human Resource Management, Host Country, Work System, Head Quarter.

### **1.0 INTRODUCTION**

High Performance Work System (HPWS) has been defined as a set of separate but interrelated Human Resources (HR) practices, such as, selection, compensation, training and performance appraisal, which are planned to improve employees' effectiveness (Birkinshaw and Hood, 1997). Employees should possess better skills, more motivation and opportunities when these high performance practices are aligned and working in harmony (Gooderham and Nordhaug, 2006). The basic aim of high performance work system, according to (Yalabik, Chen, Lawler, and Kim, 2008) is to enable employees to exercise decision making thereby leading to flexibility, improvement, innovation and skill sharing. By facilitating the development of high performance work system, organization ensures continuous improvement in its way of life.

Through this study, managers in Multinational Companies (MNC) have also been able to function in a changing global environment and develop a refined human resource management (HRM) in managing their workforce (Taylor, Beechler and Napier 1996). This is also beneficial to the host country and corporate parent (Birkishaw and Hood 1997), thus more strategic importance is been acquired in Manufacturing firms' global success by their employees and branches (Taylor, Levy, Boyacigiller and Beecher 2008). With an growing use of high performance work system (HPWS) in manufacturing firms', additional outcomes have been determined Gunnigle et al., (2002), Marchington and Grugulus (2000), Yalabik et al., (2008).

This paper investigates the antecedents as well as consequences of the acceptance of high performance work system in the branches of manufacturing firms in Nigeria. That is, the linkage between the branch uses of high performance works system and its performances. It equally examines the disparity between branches Strategic Human Resource Management (SHRM) orientation alongside its Head office in different region of the country as a result of cultural differences (Lagos, Abuja, Port Harcourt, Calabar and Kaduna). High Performance Work System (HPWS) has also positively affected the branch performance in such a way that both the organization and employees have gained from it and thus making the organization to reach its climate and also escalating the firms' performance. The study is arranged into four sections. Section one begins with the introduction, which is then followed by Literature review in Section two. Section three presents the methodology, while the study concluded with analysis, discussion and conclusion in section four.

## **2.1 LITERATURE REVIEW**

The origin of Multinational Companies (MNCs) represents the cultural and institutional influence of strategic and operational decisions on their subsidiaries (Bae, Chan and Lawler, 1998). This Multinational Companies (MNCs) approach may be applicable to Companies within a country with deep ethnical and cultural differences. It has been realized that the greater the institution and cultural distance between firms, the harder it is to transfer Human Resource (HR) practice (Gooderhan and Nordhaug, 2006). Consequently, the cultural and institutional factors must be considered in employee relationships, as what is culturally acceptable in work situation in the North may be a taboo in the Southern Nigeria (George, Onakola and Owoyemi, 2012)

High performance work system has been seen as an added advantage for firms. In recent times, it has been observed that Multinational Companies have increasingly used High Performance Work System Gunnigle *et al.*, (2002); Marchington and Grugulus (2000); Yabalik *et al.*, (2008). The Head Office of these firms also used various methods as control devices and these consist of selecting of Branch managers, assigning expatriates, transferring corporate culture, making functions defined, job description and intermittent reporting Jaussaud and Schapper (2006); Welch and Welch, (2006). It has also been realized that the culture and climate of an organization are shaped by the Human Resource practice and in turn help to shape the Human Resource Management System.

The theoretical underpinning used in this study is the 'Innovation Diffusion Model' Rogers, (1995). An innovation is an initiative, practice, aim that is perceived to be original and new by individual or other units of an adoption while diffusion is the practice by which an innovation is transmitted through certain channels over a period of time among the members of a social system Huselid, (1995). This is a conjecture that seeks to give explanation about how, why and at what rate does new ideas and technology broadens through culture. It centres on the condition that increase or decrease the possibility that members of a particular culture will take up a new idea, product or practice.

Diffusion of innovation theory also forecast that media with interpersonal contact that gives information and influence opinion and judgment. This theory according to Rogers (1995) reveals that for an individual to make a decision to accept new ideas or innovation, such individual must have a strong attitude toward the innovation characteristics of relevant advantage, compatibility, complexity, triability and observability. Relative Advantage is the extent to which it is perceived to be superior to what its supersedes; Compatibility involves uniformity with existing value, past experience and needs; Complexity defines the difficulty to comprehend and use ; Triability is the level to which it can be experimented with a limited basis; while observability is the visibility of its end result.

The stages of innovation diffusion include:

1. Innovation
2. Early adopters
3. Early majority
4. Late majority
5. Laggard

### **3.0 METHODOLOGY**

The data for this paper were collected through a survey and questionnaires which were administered to Human Resource Directors/Managers of local branches of Multinational firms operating in Nigeria since 2009. A total number of 182 completed the questionnaire and returned it.

A self administered questionnaire in English was mailed to 1400 prospective respondent from Lagos, Ibadan and Jos jointly with a covering letter that explained the rationale behind the survey and assured the anonymity and privacy of their responses. One hundred and eighty two respondent completed questionnaires and were finally returned to their company indicating a response rate of 13%. Statistical tools used in this article include: Mean, Standard Deviation, Correlation . Mancova, Regression

To show the difference in Strategic Human Resources Management (SHRM) orientation, Head Quarter (HQ) influence and High Performance Work System (HPWS) and Manufacturing firms (MNC) to different region in Nigeria were employed to test the hypothesis concerning the antecedents and result of the adoption of High Performance Work System (HPWS) in our sample firms.

**TABLE 1:**

Manova Results for Population Size and Sample

| Variable         | Lagos      | Ibadan     | Jos        | F-Statistics | Model R-Square |
|------------------|------------|------------|------------|--------------|----------------|
| SHRM Orientation | 4.60(0.90) | 4.44(0.83) | 4.02(1.18) | 4.45         | 0.062          |
| HQ Influence     | 4.38(0.90) | 3.90(0.87) | 3.81(0.86) | 5.37         | 0.136          |
| HPWS             | 4.18(0.65) | 4.03(0.49) | 3.90(0.58) | 2.67         | 0.054          |

The table above shows the population size and sample and also the results of the questionnaire that was sent to respondents in Lagos, Ibadan and Jos and also the percentage and response rate of those that completed and returned it using MANCOVA (analysis of co-variance) as our statistical tool in calculating it.

Three hypothesis were discoverer in this journal:

**H<sub>1</sub>:** Region of origin Manufacturing firms (MNC) in relation to strategic Human Resource Orientation (SHRM).

The strategic orientation of Human Resource Management (HRM) represents the alignment of firms of Human Resource (HR) policies and practices through its strategy Burke (2006), Gomez-Mejia et al., (1995). The Western managers' values organisational culture and its relative advantage than the managers from the Eastern, Southern and Northern side of the country.

**H<sub>2</sub>:** The greater the strategic Human Resource Management, the higher the local branches will adopt High Performance Work System (HPWS).

Manufacturing firms often use different methods to control their local branches so as to guarantee that their employees operate in their best interest of the Head Quarter Birkinshaw and Hood (1997); Jaussaud and Schaaper (2006). This paper argued that High Performance Work System (HPWS) represent an important control mechanism in manufacturing firms' Edwards and Ferner (2005), Gunnigle *et al.* (2002), Rosenzwing and Nohria (1994).

**H<sub>3</sub>:** - The higher the Head Quarter (HQ) influence the more likely the branch companies will implement High Performance Work System (HPWS).

The Head Quarter (HQ) of Manufacturing firms' (MNCs) varies in their level of control over branches thus affecting their decision making. Branches with less freedom are more likely to adopt the Head Quarter (HQ) practices moved from Head Quarter (HQ) while persons with more freedom tend to follow the local norms and adopt local methods.

**TABLE 2: Mean, Standard Deviation and Correlations of Study Variable**

|   | Variable  | Mean | S.D  | 1    | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|-----------|------|------|------|---|---|---|---|---|---|---|---|----|
| 1 | Industry  | 0.18 | 0.38 |      |   |   |   |   |   |   |   |   |    |
| 2 | Firm size | 4.46 | 1.45 | 0.35 |   |   |   |   |   |   |   |   |    |

|    |                        |      |      |       |       |       |       |       |      |      |      |      |      |
|----|------------------------|------|------|-------|-------|-------|-------|-------|------|------|------|------|------|
| 3  | Lagos origin           | 0.37 | 0.48 | 0.01  | -0.03 |       |       |       |      |      |      |      |      |
| 4  | Ibadan origin          | 0.33 | 0.47 | 0.10  | 0.03  | -0.53 |       |       |      |      |      |      |      |
| 5  | Jos origin             | 0.31 | 0.46 | -0.11 | -0.00 | -0.51 | -0.46 |       |      |      |      |      |      |
| 6  | SHRM orientation       | 4.43 | 1.01 | 0.04  | 0.05  | 0.18  | 0.07  | -0.26 | 0.91 |      |      |      |      |
| 7  | HQ influence           | 4.09 | 0.91 | 0.07  | -0.23 | 0.28  | -0.13 | -0.17 | 0.43 | 0.80 |      |      |      |
| 8  | HPWS                   | 4.04 | 0.61 | 0.10  | 0.11  | 0.17  | 0.02  | -0.20 | 0.60 | 0.42 | 0.86 |      |      |
| 9  | Organisational climate | 4.07 | 0.67 | 0.04  | 0.03  | 0.22  | -0.04 | -0.27 | 0.61 | 0.28 | 0.62 | 0.82 |      |
| 10 | Branch performance     | 3.45 | 0.57 | -0.04 | -0.01 | 0.16  | 0.05  | -0.22 | 0.40 | 0.24 | 0.46 | 0.54 | 0.82 |

**TABLE 3:** Regression result of the antecedents of HPWS as well as the mediating effect of organizational climate on the HPWS performance relationship.

|                             | HPWS    |         | Organisational Climate |         | Firm Performance |              |
|-----------------------------|---------|---------|------------------------|---------|------------------|--------------|
| Variable                    | Model 1 | Model 2 | Model 1                | Model 2 | Model 1          | Model 2      |
| Industry                    | 0.08    | 0.06    | 0.03                   | -0.03   | -0.05            | -0.06        |
| Firm Size                   | 0.08    | 0.12    | -0.10                  | -0.10   | -0.15            | -0.13        |
| Lagos Origin                | 0.23    | 0.02    | 0.13                   | 0.16    | 0.14             | 0.11         |
| Jos Origin                  | 0.09    | -0.01   | -0.16                  | 0.10    | 0.10             | 0.08         |
| SHRM Orientation            |         | 0.46    | 0.38                   | 0.35    | 0.15             | 0.04         |
| HQ Influence                |         | 0.26    | -0.09                  | 0.02    | -0.08            | -0.05        |
| HPWS Organisational Climate |         |         | 0.41                   |         | 0.42             | 0.33<br>0.25 |
| N                           | 140.0   | 140.0   | 140.0                  | 138.0   | 138.0            | 138.5        |

With the tables above, we have been able to realize the mean, standard deviation, correlations and the regression of the article and how it has been used to realize the figures in the table above.

## 5.1 CONCLUSION AND IMPLICATION FOR MANAGEMENT

In this research, we have been able to discover the influence of the adoption of High Performance Work System (HPWS) on manufacturing firm's (MNC) and how it has been able to help them. In this study we have also been able to see the advantages of high performance work system, how it has been an added advantage for firms and how it has help employees in taking and exercising decisions. We have also seen how culture has posed a great problem for Head Quarters and their branches taking Kaduna, Port Harcourt and Lagos for example.

In this paper, we examined the determinants and outcomes of the adoption of High Performance Work System (HPWS) in Nigeria's branches using data collected from Human resources managers.

Nigeria branches of the American manufacturing firms have the highest level of Strategic Human Resource Management (SHRM). As we discussed further, we found that strategic Human Resource Orientation was of a great output (positively related to the adoption of high performance work system in manufacturing firms in addition with the head quarter influence). Turning to our outcomes, we found that the adoption of High Performance Work System (HPWS) was positively correlated to branch outcome. We also get to discover that our study has a lot of influences and provides a better knowledge of the management in local branches in numerous ways.

Firstly, it provides a frame work to assist the Head Quarters (HQ) of manufacturing firms' (MNCs) suitably design high performance work system for their branches. Secondly, our result illustrate the significance of treating the foreign branches as a unit of analysis in examining Human Resource Management (HRM) and its performance. It also shed more light on how the exercise of High Performance Work System (HPWS) in foreign branches can lead to higher poutput. Finally, similar to Edward and Ferner (2005) we found that nationally established pattern of overseeing human resource have not disappeared in the face of globalization. In a nutshell, we have realized that for a company to grow and perform well most especially manufacturing firms, high performance work system must be adopted.

It got to our discovery that the high performance work system branch company is without the encouragement of the mother company because to encourage a very high output from the increasing performance of the branches company and its work, it is needed that incentive, and other motivational factor should be included in the high performance work system of the manufacturing firms. During our research, we got to discover that the mediating consequence of organisational climate on the HPWS performance relationship is relative close which is not favourable in the conductional of further research on their relationship because if Lagos is said to be a commercial central and Jos a partial commercial centre due to its population concentration which mean the HPWS on the firm performance is relatively lower than that of the organisational climate.

#### **4.1 LIMITATIONS AND FUTURE RESEARCH DIRECTION**

Though this research study takes an in depths look at the adoption of high performance work system in nigeria multinational companies, it however faced some constraint which is prove for future researcher to make further research. First among the limitation is the constraint of time which delineates the comprehensive analysis of the research work. Furthermore, there is the non-availability of adequate data and information; lastly, the study was constraint with the non-availability of financial resources to make a very comprehensive on the topic.

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