

# Effects of Human Resource Management Practices on Employee's Attitude in the Manufacturing Industry

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## Introduction

The study arises from the increasing need to manage the human resources of the firm in today's rapidly changing business environment. A sizeable body of research has examined the impacts of HRM practices on various aspect of organizational performance (Guest et al., 2003; Huselid, 1995; Wright and Boswell, 2002; Ichniowski et al 1997; Wall and Wood, 2005). However, the mechanisms linking HRM practices to employee's attitudes have not received systematic research attention (Guest, 1997; Wright and Gardner, 2003). In an effort to address such missing mechanism in the area, scholars suggest considering intermediate linkages between HRM practices and organizational performance (Ferris et al., 1998 and Huselid 1995). The consensus of opinion of scholars that emerged from various studies however point to the fact that HRM practices do not lead directly to organizational performance. Rather, it influences firm's resources such as the human capital, or employee behaviour, and it is these behaviour and resources that ultimately lead to performance of the organizations (Katou and Budhwar, 2006).

Furthermore, selection and recruitment, training and development, appraisal, rewards, career management, competence management, communication, negotiation are so many human resources management practices (HMR practices) largely used in the companies of today. There has been a rash of studies showing mixed correlation between these human resource management practices and organizational performance in the developed and developing countries (Neo et al 2007). While these practices can be considered as competitiveness factors for companies and organizations, the formation mechanism of this competitiveness as well as the measurement of the contribution of each of these practices has not been measured by most past research. Serious gaps in our understanding still remain with respect to the ordering of the variables involved in the HRM practices and employee's attitude relationships (Wright, Gardner, Moynihan and Allen, 2005 and Purcell, Kinnie, Hutchinson, Rayton and Swart, 2003).

Specifically, in analyzing the impact of human resource management on organizational performance, each of the HRM practices-performance linkage models developed complements the others by adding constructs, variables or relationships (Alcazar, Fernandez, and Gardey, 2005). A serious limitation that recent reviews of the literature points out is that the link between human resource management and organizational performance is considered like a '*black box*', i.e., lack of clarity regarding 'what exactly leads to what' (Gerhart, 2005). It was further argued that it is important to consider the intervening steps in the human resource management-

performance relationship, or to consider the variables mediating or moderating the endpoint variables (Becker & Gerhart, 1996). This is another gap this study is going to fill. Moreover, it is equally noted in the literatures examined that most studies in the field have been conducted in developed countries like USA and United Kingdom, very few in the Asian countries while it has not been very much a point of focus in developing countries and not only that, a few of these studies (including those carried out in developed nations) actually measured the mediators and addressed their importance. The question still left unanswered is the influence of HRM practices on human capital or specifically motivation and, consequently organizational performance in other contexts especially developing nations like Nigeria. This study is to fill this gap. This study therefore examines the effects of HRM practices on employee's attitude taking cognizance of the possible mediating role of employee motivation in the Nigerian context.

## **Literature Review**

### **Human Resource Management Practices**

The term Human Resources Management Practices (HRMP) evolved over time and it is used differently by different scholars. In the 1990s, the term is referred to as 'High-performance management system (HRMS). Wood and Albanese (1995) and Wood and de Menezes (1998) described it as 'High-commitment management (HCM). While Huselid (1995) described it as 'High-performance work practices (HPWP). Others describe it as high involvement management, transformed work places and flexible production systems (Wood, 1999a). All these terms were used to describe 'the organizational form frequently held to be most appropriate for modern competitive conditions' in contrast to the Tayloristic form of organizations (Wood, 1999a). They are human resource practices put in place to improve organisation's financial and operational performance.

Delery and Doty (1996) identified seven major types of Human Resource Management Practices (HRMP) that organizations usually adopt. They are- internal career ladders, formal training systems, Result-oriented performance appraisal, employment security, employee voice participation, broadly defined jobs, and performance-based compensation.

Many studies have been carried out in the recent past on the relationship between human resource management (HRM) practices and organizational performance. The result established a wider agreement that human resource management practices improve company performance by increasing employee skills and abilities, promoting positive attitudes and increasing motivation; and providing employees with expanded responsibilities so that they can make full use of their skills and abilities (Patterson et al, 1997, Cooke, 2000).

Inyang (2008) argued that non-involvement of the human resource practices in business or strategy formulation in many organization in Nigeria, coupled with the hierarchical placement of the HR manager in the organization structure among others constitute the reasons why human resource management practices have not impacted much on organizational performance in Nigeria. In his words "the human resource management functions is found in the periphery of enterprise management, where the contribution of the HR practitioner is hardly recognized since he has no opportunity of participating in the formulation of business strategy or decision affecting the organization".

Delaney, Lewin, and Ichniowski (1989), used ten HR practices in their studies while Huselid (1995) used thirteen by adding three to the earlier used ones. This includes personnel selection, performance appraisal, incentive compensation, job design, grievance procedures, information sharing, attitude assessment labour management participation, training and

development, recruitment (selection ratio) and promotion criteria. We shall endeavour to discuss some of these practices to bring out their importance and relevance to organizational performance.

**Formal Training System** – Formal training is a key intervention in order to correct deficiencies in employees skills or to add value to the human capital stock of the organization (Snell and Dean, 1994). Development is a process of enhancing an individual's present and future effectiveness (Fombrun, et al., 1984), and it is long term in focus. Training has a shorter-term focus and is aimed at helping employees to master defined tasks or areas of skill and knowledge to predetermined standards (Harrison, 1989). Organizations that design formal training system for its employees would be able to change the employees commitment and developed organizational culture. Guest (1987), alludes to training and development as one of the key policy areas necessary to achieve a new culture. McElroy (2001); argues that organization that extensively train their employees create a reputation for valuing and developing employees and high achiever workers would be attracted into such organizations. There is therefore the tendency that employees respond to this gesture by putting in their best towards the realization of organizational objectives. He argued further that when training involves organization specific skills, the training might induce continuance commitment if the skills acquired are perceived to be untransferable.

**Internal Career Ladders** – Internal career ladders could simply be defined as promotion opportunities within the organization. Many scholars have linked promotion procedures and the presence of promotion opportunities to improved organisational performance. Human Resource Management practices dealing with internal career opportunities are called firm internal labour markets (FILM). FILMS are characterized by the presence of job ladders, the entry point of which is only at the bottom. Movement up the ladders is associated with the progressive development of skills and knowledge (Kalleberg & Mastekaasa, 1994). The provision of mobility opportunities along with skill acquisition and development are central to the idea of promotion and advancement policies FILMS are often thought to create a closer psychological bond between the worker and the organization's culture as employees who identify with the organization can be expected to work hard and remain with the organization even if this action does not result in greater expected lifetime earnings and other job rewards (Kalleberg and Mastekaase, 1994). Internal career ladders ensure putting in place necessary policies that assure employee progression within the organization and discourage workers looking for external alternatives and still be happy to continue their association with the organization. Snell, Youndt and Wright (1996), proposed that human resource management helps firms gain and sustain competitive advantage by facilitating the creation, transmission, and institutionalization of knowledge in organizations. Because the extent to which individuals are committed to their learning can be aggregated into the organizational learning capacity that drives a firm's success, a human resource system that creates, shapes, manages, and develops human capital may significantly contribute to a firm's success through increases in the capacity of organizational learning.

**Result oriented performance appraisal** – Performance appraisal practices involve measuring employee performance in their jobs in terms of the agreed objectives and competence requirements Gomez-Mejfa *et al.*, 2001). This is a performance management system that enables employee create a shared vision of the purpose and aims of the organization. It helps individual employees to understand and recognize the role they can play in achieving organizational goals. In so doing, result oriented performance appraisal is supposed to enhance performance both at

the individual and organizational level. Miller (1992), says performance appraisal activities are critical to link the performance of the organization with the performance of individual.

**Job security** – Job or employment security is perceived as a situation whereby employees are provided with a reasonable assurance by the organization that they will not be laid off, even during tough economic times. An employee is considered to enjoy job security when an individual remains employed with the same organization without a reduction of seniority, pay, pension benefits, and other benefits (Yousef, 1998) as contained in Mmakgomo (2004). It also refers to the extent to which an organization also refers to the extent to which an organization provides stable employment. Job security is important because of the fact that it is critical for influencing work related outcomes.

A number of studies have shown that perceived job security has a positive correlation with commitment and trust. Ashford, Lee and Bobko (1989) reported that perceptions of low levels of job security could result in reduced employee commitment. Hallier and Lyon (1996), suggest that if employees perceive a threat to their employment, their organisational commitment will decline. They assert that employee who are not assured of their place in the organizational structure tend to look for security outside the organization. This perception is based on the notion that organizations that provide employment security are committed to their workforce (Pfeffer, 1995).

Pfeffer and Viega (1999), as contained in Mmakgomo (2004), argued that providing employment security is fundamental to a philosophy of putting people first in order to attain organizational success. Organizations that put people first would tend to have a corporate philosophy to provide employment security.

**Employee-Voice-Participation** – Studies by various scholars have shown that increasing levels of participation are associated with greater overall satisfaction with the organization as well as with satisfaction with participation itself. Mmakgomo (2004); argued that employee participation in decision making might satisfy the employee's psychological needs for responsibility and autonomy. Meyer and Allen (1997) study revealed that changing from a system of hierarchical control to one in which employees are encouraged to demonstrate initiatives clearly shows that the organization is supportive of its employees and values their contributions. In agreement with this view is the result of the work of Pfeffer and Viega (1999) that revealed that allowing employees the opportunity to make and take responsibility for decisions that affect their work would increase their sense of responsibility and stimulate more initiative and effort on the part of employees.

**Broadly defined jobs:** This involves activities that specify the task to be done in each job, and the knowledge, skills and abilities that are necessary for its effective performance (Schneider and Koaz, 1989).

**Performance based compensation:** Compensation management relates to pay policies and mix put in place on how organization's workforce are remunerated. The compensation system has been a major mechanism that influences the actions of job applicants and workforce of organisations and helps companies execute their strategies, which in turn secure competitive advantage against major competing firms (Heneman, Ledford, & Grasham, 2000). Performance based compensation does not only involve pay level differences but also pay structure differences. The pay structure concerns the degree to which organizations consistently make different payments for different types of work and skills within a single organization (Milkovich & Newman, 2003). The notion of equity theory posits that the pay structure greatly matters to employee performance as well as to employers interest because workers tend to compare their

payment levels with what their colleagues receive within an organization and also with what members of competing organizations are paid. The violation of equity in reward determination significantly affect the attitude and performance of workers (Heneman and Judge, 2000). Previous literatures consistently found that attitudes and behaviours of members were significantly affected by perceptions of justice that are derived from how reward is determined and distributed across an organization.

Recently, compensation scholars and practitioners have been paying more attention to the strategic impact of the compensation system. Gehart (2000), emphasized that compensation system affects the company's profitability because significant proportions of total expenses are accounted by labour cost. It is also argued that compensation system aligns the goals, actions, and interests of members with the strategic objectives and demands of an organization as well as building and shaping human resource composition by influencing recruitment and retention within a company.

### **Theoretical Framework**

Three theoretical approaches have guided the majority of empirical research in the field: the Behavioural Perspective, Human Capital Theory, and the Resource-Based View of the Firm. Each of these frameworks has led to a different conception of the interrelationship's between human resource strategies, employee characteristics and organizational performance. Of special significance in the Human Capital Management (HCM) field is the Resource Based View of the Firm, which has greatly contributed to integrating the fields of strategy and human resource management (Wright et al., 2001).

The *Behavioural Perspective* assumes that employee behaviours mediate between organizational strategies and performance (Miles and Snow, 1981; Schuler and Jackson, 1987). According to these studies, each organizational strategy needs specific "role behaviours" for successful implementation. This model also assumes that human resource practices influence and control employee behaviours. Consequently, each organization needs a different set of human resource practices that promote the required employee behaviours.

*Human Capital Theory* claims that employee knowledge, skills and abilities (KSAs) provide economic benefits to the organizations. Consequently, the costs incurred in improving KSAs are only justified when they provide higher returns through increased productivity. Thus, the higher the potential employee contribution to the organization, the more likely the organization will be to invest in human capital and that these investments will lead to improved employee productivity and organizational outcomes (Youndt et al., 1996). Several studies have been based on this theoretical reasoning, including Ichniowski (1990), Huselid et al. (1997) and Guthrie (2001).

The Resource based theory emphasized that in order to develop a sustainable competitive advantage, organization must create resource in a manner that is rare, non-immutable and non-substitutable (Berny, 1986, 1991, 1995). The *Resource-based View of the Firm* (Wernerfelt, 1984; Barney, 1991; Amit and Schoemaker, 1993) is seen to be critical for the development of SHRM, and has had greater repercussions (McMahan et al., 1999; Wright et al., 2001; Colbert, 2004) on organizational outcomes. As Delery (1998) states, "in explaining the significance of human resources to firm performance, the majority of work in SHRM has either implicitly or explicitly adopted the resource-based view of the firm". Since this theoretical approach focuses on the internal characteristics of the organization, it provides an important tool to examine the extent to which human resources constitute a source of sustainable competitive advantage, together with the role that human resource strategies play

in developing that competitive advantage. A review of the literature shows that a high number of authors have adopted this framework as the basis for their empirical research (e.g. Huselid, 1995; Jackson and Schuler, 1995; Wright et al., 1995; Koch and McGrath, 1996; Youndt et al., 1996; Becker and Huselid, 1998; De Sad-Perez and Garcia-Falcon, 2002).

Three studies initially addressed the application of RBV ideas to the field of human resource management: Lado and Wilson (1994), Wright et al. (1994) and Boxall (1996). These theoretical studies discuss the conditions under which human resource-related issues contribute to the generation of sustainable competitive advantages in the organization. The adoption of the RBV as the theoretical framework involves the examination of two interrelated questions: the definition of human resources, and the conditions under which human resources can constitute a source of sustainable competitive advantage

All the previous studies have all agreed that human capital is a valuable and unique resource to competitiveness, they however differ on terms and how human resource management practices enhance a firm's performance (Bamberger & Meshoulam, 2000, Gerhart, 2000). The lines of thought could easily be classified into three major streams- the universality, Contingency and Configurational perspectives. The universality perspective argues that arrays of best human resource management practices (e.g performance-based pay, extensive use of training practices, carefully selection practices) are universally better than other comparative HR practices (Bamberger & Meshoulam, 2000). The theory is based on the assumption of "best practices". Researches based on the universality perspective are usually micro analytical in nature and having the believe that some human resource management practices are always better than others and that all organizations should adopt these practices. The universality perspective also assumes that human resource management practices contribute to workers motivation (and thereby increased productivity) as well as increased efficiency. Huselid (1995), Ichniowski, Kochan, Levine, Olson and Strauss (1998), among others have all patterned their studies on this perspective.

The contingency perspective contends that alignment of human resource management practices and policies with organizational strategies yields better returns. In other words, the theory says that for organization to be competitive, the human resource management practices adopted must be consistent with other aspect of the organization. Successfully formulated and executed organizational strategies require firms to recruit, select, appraise, reward, manage, train, and develop actions and competencies of members that are compatible with objectives and interest of strategies.

Butler, Ferris and Napier, 1991; Dyer, 1985; Jackson and Schuler, 1995; Lengnick-Hall and Lengnic-Hall 1988, Schuler 1989, Schuler and Jackson 1987 among others belong to this school of thought. This school of thought argued that if human resource management practices are not synergistic and consistent with organizational strategy and conflict with even other human resource management practices will have a confounding effect that will create ambiguity which will eventually inhibit both individual and organizational performance. This approach differs from the universalistic perspective in that it emphasized linkage of specific human resource management practices to specific organizational strategies.

According to the configurationally perspective, for the organization to be effective, it must develop human resource management system that will achieve both horizontal and vertical fit. Horizontal fit refers to the internal consistency of the organization's human resource management practices while vertical fit refers to the congruence of the human resource management practices with other organizational characteristics such as firm's strategy (Delery

and 1996). The theory is premised on the assumption of “equifinality” which means that the implementation of internally coherent multiple human resource practices results in synergy effects on a firm’s performance than the simple sum of individual human resource management practices. (Bamberger and Meshoulam, 2000). Wright and McMahan (1992); Delery and Doty, (1996); Bamberger and Meshoulam, (2000); among others are members of this school of thought. This study will however be anchored on the contingency theory while the seven human resource management practices as suggested by Delery and Doty will be our human resource management practices variables.

### **Methodology**

The research design that was employed for this study was descriptive survey design. The target population of this study included manufacturing companies in the south-western area of Nigeria. Specifically, Lagos, Ogun and Oyo States. The states are purposively selected since they have a very high percentage of the manufacturing industry location in South-West, Nigeria. The same set of questionnaire was used in all locations. A total number of one thousand nine hundred and forty (1,940) were selected as sample for the study and questionnaires were administered on them. One thousand six hundred and eighty one were dully filled and returned and subsequently used for the analysis. In each of the participating firms, a given employee was selected based on convenience sampling technique for measurement of human resources management practices and employee’s attitude

### **MEAN AND STANDARD DEVIATIONS OF HUMAN RESOURCE MANAGEMENT PRACTICE DIMENSION**

The result of mean and standard deviation of the dimensions of human resource management practice are presented in table.

### **THE MEAN AND STANDARD DEVIATION OF THE DIMENSIONS OF HUMAN RESOURCE MANAGEMENT PRACTICE**

<b>HRM Practices Variables</b>	<b>Total Score ΣX</b>	<b>Mean Score X</b>	<b>Standard Deviation SD</b>	<b>Rank</b>
Formal Training System	11671	6.271	0.0642	2nd
Carrier Planning & Devt.	11676	6.274	0.0643	1st
Result Oriented Performance Appraisal	11648	6.259	0.0642	3rd
Internal Carrier Ladder	11563	6.213	0.0639	5th
Employ Voice Participation	11642	6.256	0.0642	4th
Broadly Defined Jobs	11418	6.135	0.0635	6th
Performance Based	11351	6.099	0.0634	7th

Compensation				
Job Security	11184	6.009	0.0629	7th

**Source:** Field survey, 2012

The table indicates the mean, standard deviations and mean rank of the human resource management practice dimensions. Mean scores above 2.5 indicate that employees are more likely to be satisfied with human resource management practice and was rated very high, while mean scores below 2.5 indicate that employees are more likely to be dissatisfied with human resource management practice and was rated very low.

According to table 4.25, the mean score for Career Planning and development (6.274) was the highest in comparison to the other human resource management practice dimensions. The standard deviation was 0.0643. It was therefore inferred indicated the employees were satisfied with their current job. However, the standard deviation indicated that some employees possibly perceived their current job differently.

The mean score for the formal training System was the next in the rank with a mean of 6.271 and the standard deviation was 0.989. This therefore meant that most of the employees were satisfied with the amount of formal instruction given to them.

According to the table, the mean score for Result Oriented Performance Appraisal was 6.259 and the standard deviation was 0.0642. This therefore indicated that the employees were satisfied with the performance management system that enables employee create a shared vision of the purpose and aims of the organization.

The employee voice participation and Internal Career Ladder dimensions were closely related in mean scores of 6.256 and 6.213 respectively. The mean score for the employee voice participation dimension indicated that employees were satisfied with the degree to which they can influence decisions in their companies. The mean score for the Internal Career Ladder inferred that the employees were satisfied with the promotion opportunities within the organization. However, the standard deviation indicated that some employees possibly perceived promotion opportunities within their organization differently.

The mean score for broadly defined job is 6.135 and the standard deviation was 0.0635. It was therefore inferred that most of the employees had preference the practice and were satisfied with the way activities are specified by the management of their companies, although the standard deviation indicated that there were employees who perceived broadly defined job as being low practiced by their companies.

The mean score of the job security and performance based compensation are the same (6.009). However, the standard deviation of job security is 0.0629 indicated that employees were to some extent, less satisfied with the assurance by the organization, that they will not be laid off, even during tough economic time. The standard deviation of performance based compensation is 0.0634 indicates that employees were adequately satisfied with the pay policies and mix put in place on how employees' are remunerated in the companies.

## **Test of Hypotheses and Discussion of Results**

### **Hypothesis**

H<sub>01</sub>: There is no significant relationship between HRM practices and employee's attitude in the manufacturing industry in Nigeria.

The table shows the results of Pearson correlation analysis between organizational performance as dependent variable and human resources management practices variables as independent variables

	FST	CPD	RPA	ICL	EVP	BDJ	PBC	JS	EFF	EFI	DEV	INP	INS
FST	1												
CPD	.398	1											
RPA	.300	.209	1										
ICL	.358	.356	.361	1									
EVP	.384	.299	.022	.029	1								
BDJ	.106	.189	.186	.336	.122	1							
PBC	.329	.311	.019	.418**	.176	.485	1						
JS	.242	.218	.314	.228	.515*	.546**	.011	1					
EFF	.301	.421**	.228	.427**	.081	.457**	.214	.510	1				
EFI	.206	.319	.126	.056	.496**	.116	.409**	.721*	.311	1			
DEV	.339	.226	.386	.111	.401**	.018	.272	.400	.690*	.632*	1		
INP	.289	.182	.411**	.196	.396	.229	.169	.746*	.674*	.705*	.180	1	
INS	.376	.317	.258	.314	.127	.315	.118	.607*	.697*	.741*	.416**	.281	1

\*p<0.01

\*\*p<0.05 (2-tail test)

**Source:** Data Analysis, 2012

FST - Formal Training System

CPD - Career Planning and Development

RPA- Result Oriented Performance Appraisal

ICL - Internal Career Ladder

EVP- Employees Voice Participation

BDJ- Broadly Defined Jobs

PBC- Performance Based Compensation

JS- Job Security

EFF- Effectiveness

EFI- Efficiency

DEV- Development

INP- Product Innovation

INS- Process Innovation

The results of the Pearson correlation presented in the Table indicates positive relationship among each of the human resource management practices variables and organizational performance variables. Among these relationships, eleven of them are very high while the remaining correlations depict significantly low positive correlation. These are the coefficient relationships between effectiveness (EFF) and broadly defined jobs (BDJ) (0.427\*\*); effectiveness (EFF) and job security (JS) (0.411\*\*); effectiveness (EFF) and performance based compensation (PBC) (0.457\*\*), efficiency (EFI) and performance based compensation (PBC) (0.446\*\*); efficiency (EFI) and job security (JS) (0.409\*\*), development (D) and performance based compensation (PBC) (0.430\*\*); product innovation (PRI) and performance based

compensation PBC (0.529\*); Development (D) and job security (JS) (0.451\*\*); product innovation (PRI) and job security (JS) (0.486\*\*); process innovation (PROI) and performance based compensation (PBC) (0.476\*\*) and process innovation (PROI) and job security (JS) (0.491\*\*). The result revealed that there is a high positive correlation between the Human resource management practices dimensions and organizational performance in the food and beverage industry in Nigeria. Similarly, the relationship between other human resource management practice dimensions and organizational performance variables were low but positive and significant. This means that the null hypothesis that states; there is no significant relationship between HRM practices and organizational performance in the food and beverage industry in Nigeria cannot be accepted.

## **Conclusions**

From the analysis of the data collected and interpretation of results generated, it is evident that manufacturing companies are aware of the positive implications of adopting human resources management practices. This conclusion is also supported by the results of descriptive statistics, wherein respondents' employees were asked to rank in order of importance the adoption of human resources management practices. There were eight components of human resources management practices in the list. Among these components, formal training system was ranked as the strongest practice. This finding supports the view of McElroy (2001) that organization that extensively train their employees create a reputation for valuing and developing employees and high achiever workers would be attracted into such organizations. There is therefore the tendency that employees respond to this gesture by putting in their best towards the realization of organizational objectives. He stated further that when training involves organization specific skills, the training might induce continuance commitment if the skills acquired are perceived to be un-transferable. These employees also indicated that career planning and development, and result oriented performance appraisal were the second and third highest practiced components of human resources management. The employee voice participation and internal career ladder were ranked as the fourth and fifth highest practice human resources management components. The broadly defined was ranked as the seventh most practiced human resources management components. The performance based compensation and job security were both ranked as the seventh strongest practiced components of human resources management components, and were also indicated as the least components. Thus contrary to the observation of Anakwe (2002) and Inyang (2008) about low attention to human resources management practices by Nigeria corporate executives and the high cost of doing human resources management practices, it was observed that, there is a positive attitude towards human resources management practices in food and beverages industry in Nigeria. The respondents employees affirmed that human resources management practices have strong impact on organizational performance in food and beverages industry in Nigeria.

The results of the tests of hypothesis further buttress this conclusion. For instance, the result of hypothesis revealed a positive relationship between human resources management practices and the employee's attitude of the firms studied. Thus, it is evident from the analysis that manufacturing industry in Nigeria are adopting human resources management practices and are conscious of its potential benefits to the growth and development of employees and effectiveness of the industry.

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