DETERMINANTS OF EMPLOYEE PRODUCTIVITY IN LISTED MANUFACTURING FIRMS IN SOUTHWESTERN NIGERIA

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ABSTRACT

This study analysed the level of employee productivity and identified the factors influencing employee productivity in the listed manufacturing firms in Southwestern Nigeria. It also assessed the individual and joint roles of factors influencing employee productivity and discussed the challenges to employee productivity in the firms in Southwestern Nigeria. These were with a view to providing information on the determinants of employee productivity in the listed manufacturing firms in Southwestern Nigeria.

This study adopted a descriptive survey and made use of primary data. The population for this study comprised of the twenty-one (21) consumer goods manufacturing firms listed on the Nigerian Stock Exchange. From this population, seven (7) Fast-Moving Consumer Goods (FMCG) firms were purposively selected from the listed firms on the Nigerian Stock Exchange having their headquarters based in Lagos. The selected fast-moving consumer goods firms have a higher frequency of purchase and are characterized with low price and inventory turnover. A sample size of 394 (using Yamane's formular) was drawn from the population of 24,590 employees. Structured questionnaire was used to elicit information from the respondents. The data collected were analysed using percentages, factor analysis, correlation, hierarchical linear regression and ANOVA

The results showed that level of employee productivity in the listed manufacturing firms in Southwestern Nigeria was rated to be 58.3% The results also showed that the factors influencing employee productivity were management (23.1%), personnel (21.8%), technical (16.5%), finance (14.8%), production (13%) and organisational factors (10.8%). The study further showed that the individual factors such as finance (t = 0.818; $p > 0.05$), production (t = 1.281; $p > 0.05$),

management ($t = 0.931$; $p > 0.05$) and technical ($t = 0.742$; $p > 0.05$) had positive but insignificant relationships with employee productivity while the joint factors such as personnel ($t = -2.932$; $p < 0.05$), and organisational factors ($t = -3.906$; $p < 0.05$) had significant relationships with employee productivity. The study further showed that the major challenges to employee productivity were inadequate opportunity for knowledge accumulation and application (63.5%), zero feedback on employees' performances over time (57.7%), insufficient production capacity due to lack of facilities (54.2%), and inability to ensure implementation and improvement recommendations (47.4%).

The study concluded that management, organisational, technical, personnel and finance were the major determinants of employee productivity in the listed manufacturing firms in Southwestern Nigeria.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The business environment is progressively more competitive and firms are forced to advance their level of competencies and enlarge their capabilities so as to be more cost effective, creative and more competitive in the industry (Awan & Tahir, 2015). Firms' ability to compete depends on their financial strength, resources; tangible (facilities) and intangible resources (patents), technical knowhow and their employees. The most tactical of these resources is the employee. Employees are mainly considered as the main support for a business and most instrumental in its development (Mosammod & Kabir, 2011). They are the most important tool and essential part of an industry through which productions are managed (Alamdar, Muhammad, & Wasim, 2012). They are trusted with the optimal usage of the industry's supply in achieving daily tasks and the broad aims and purpose of the firm. Besides, there is greater reliance on employees' intellectual capabilities in industries rather than on physical inputs.

Alamdar *et al*., (2012) discovered that over the years, no industry is known to have reached and maintained a soaring rate of productivity without a rational number of good employees. The combination of competent employees, equipment and set of procedures adopted and involved in a firm will determine their level of productivity. In spite of a business size, higher employee productivity is very crucial in its profits enhancement and competitive stability in the industry. Industries have begun to realize the significance of employee productivity and are discovering new means of attaining productivity by the adoption of new and better technology, offering conducive work environments, flexible timing, good pay and benefits, organisational commitment, supervision, promotion and advancement opportunities among others (Shane, 2017). Productivity sustainability should not only depend on employees alone; the firm should create an accommodating work culture and environment. Industries can keep their productivity high by encouraging their employees to achieve more.

According to Ataullah and Sahota (2014), a firm can extremely utilize its employees to attain competitive advantage by increasing their level of productivity. High employee productivity can be an essential indication of the progress in sales or market growth. Though, it is acknowledged that employee productivity may not necessarily be a pointer of the effort of each employee, but it still provides a useful measure of the rewards to labour as a factor in the manufacturing process. In many firms with large endowments of employees, measuring the productivity of employee can be agreed upon as an important way to grasp the changes occurring in the market and the worldwide market. It is also useful in providing insights to the industries' policy makers regarding trends in profitability, likewise the increase in market share and their sales growth.

According to Jane (2015), there were no specific principles stated for the measurement of outstanding business achievements most especially employee productivity and also revealed that it might mean a brilliant idea to measure employee's productivity from the employees overtime hours spent at the work, the level of sales and other tasks completed by employees, the total amount of sales made, level of solutions provided to customers complaints and problems on consistent basis, the number of new customers gained to the firm, the expenses per sale/new customer acquisition in the firm and the rate of employees' total output in the firm among others.

In the past decade, employee productivity has been on a decline in the manufacturing firms across the developing countries (Chad, 2016) which have affected the prologue and circulation of new products in the market while in the developed countries, it is otherwise. Up to date, productivity has broadly received recognition in the industry and has become one of the most vital aspects in the manufacturing firms (Ali & Mohsen, 2011). In every firm, the aim of every manager is to see that productivity is improved and efficiency is also achieved which is dependent on some factors. A review of previous studies shows that employee productivity is determined by various factors. Kirgu (2002), Obng'o (2009) and Kimi (2005) in the study of Kenya manufacturing firms indicated that there are several factors that determine employee productivity and most industries perceive the strength of these factors in different degrees because of its major influence on the employees' level of productivity at their work places (Al Hussami 2008, George & Jones, 2008). Choudry (2009) in his study, revealed distinctly that the productivity rate of African is disheartening. In 2015, employee efficiency level in sub- Saharan Africa industries happened to be the least in all the regions of the world. In addition, Choudry (2009) placed emphasis on the necessity to concentrate on the level of education attainment with respect to productivity. Abdulla (2009) in his view affirmed all these in his work and are all connected with employee productivity.

Global industry and firms constitute majorly competitors, irrespective of the industry the firms are operating. For a competitive advantage to be expanded, it is very essential for firms to highly utilize the benefits derived from their employee's productivity as a competitive instrument for success in achievement of organisation objectives (Sylvester & Nkiru, 2015). In order to remain in the market in the face of inconsistencies, organisations are concentrating more on activities within such as their employee productivity and the resources made available. In the OECD 2015 data, 38 countries were listed as the most productive worldwide. The United States is assumed to have the highest most productive hirelings as regards numbers of these hirelings and the average work hours used by them. Andrews (2015), explained that companies at the global productivity