



## HUMAN CAPITAL QUALITY AND ENVIRONMENTAL EXPENDITURES OF SELECTED FIRMS IN NIGERIA

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### Abstract

*Human capital resource is seen as a crucial asset in every entity, and in many organisations. It constitutes the most important asset with capacity to adapt to various situations and provide solutions to complex problems. One of such complex areas is environmental concerns and their valuation. This work was conducted to assess the association amongst firms' human capital quality and their environmental expenditures. The work employed panel data technique and the quantitative method since the work relied on historical data generated from yearly (annual) reports and accounts of the selected companies. The work used data from Uniliver Plc., Dangote Cement Plc., Union Bank Plc., First Bank Plc., Okomu Oil Plc., and Total E&P for sixteen years (2004-2019). The sample was restricted to companies whose environmental data were disclosed in yearly (annual) reports or sustainability reports for the work period. The findings reveal that training budget (one of the proxies for human capital quality) has a constructive but minor association with environmental expenditures, while Tobin Q ratio (another proxy for human capital quality) has a constructive and major association with environmental expenditure. The work comes to conclusion that, the constructive but minor association among training budget and environmental expenditure suggests the need for larger training budgets, given the adaptability of human capital. This could guarantee that environmental expenditures will be more proactively controlled.*

*Keyword: Human Capital Quality, Environmental Expenditure, Tobin Q., Training budgets.*

### Introduction

In the face of assertions by managers' that their organization's human capital is their greatest major asset, a small number of them could exist capable to positively state the financial value of it and or put a figure on it in financial terms on how shifts in management style and culture affect the cost of human capital as a resources (Fulmer & Ployhart, 2014). Managerial frontrunners repeatedly recommend the interpretation that their personnel are their greatest central asset (Guest, 2001). On the part of Flamholtz (1999), it understood the description as a notion that collectively human capital is embodied in the employees and it denotes an economic resource of an organization, in this, it is expected to generate future economic benefit for the organization. The incorporated reporting in accounting practice has brought contemporary changes and may in due course lead firms and their advice-givers to know that human capital have its place on a statement of financial position on firms' financial statements. Corporate frontrunners regularly argue that people are business' greatest assets.

However, the human capital aspect does not revealed in firms' financial statements, and the salaries, wages and training costs are all expensed? The notion of

quantifying the cost of an individual member of staff and also make out such a cost on a statement of financial position may appear incredible. Then, information on firms' greatest central assets is unmistakably of value to shareholders and investors. A number of accounting professionals in the accounting productiveness have confidence that human capital should be on the statement of financial position and that the contemporary accounting standards did not get it right. Company law in a number of nations which should surpass accounting standards, needs a fair representation and presentation of the value in a business. However, if its greatest assets are not recognizes, because the accounting standards do not allow it, the question now, is financial statement fairly represent a fair presentation? (Firer, 2018).

Madhani (2015) stressed that contemporary managers are aware of the benefits gained from a well computed and presented annual report and account. Accordingly, firms that spend heavily in research, brand development and marketing of their intangibles will have core competence and competitive advantage over their competitors in the indicators of corporate financial performance. In Nigeria and Bangladesh, it has been observed that business performance and other variables connected to corporate governance have a

significant impact on disclosure of human, skill, and intellectual capital (Rahman et al., 2019). The area of human capital and firm's performance is already rich in literature. Previously Rahman et al. (2019), Abhayawansa and Azim (2014), Rashid (2013), Khan and Ali (2010), and Khan and Khan (2010) focused specifically on the extent of Intellectual capital disclosure in Bangladesh. However, few existing researches have been conducted in the areas of human capital quality and environmental disclosures of companies in Nigeria. The apparent gap in the other scholars and researchers work has necessitated the need for the conduct of this research. This study adds ground-breaking offerings to the other scholars and researchers work in several ways. Firstly, this study identifies the association amongst firms' environmental expenditure and human capital quality of selected firms on the Nigeria Exchange Group Market.

#### Hypotheses

This study was established on the following null hypotheses:

H<sub>1</sub>: There is no major association among average training budget and environmental expenditure for the employees.

H<sub>2</sub>: There is no major association among Tobin Q ratio and environmental expenditure of the companies.

#### The notion of human capital quality/accounting

The most important asset held by most of the successful firms in an organizations is their human resource. Practically every chairman commends the virtue of their firm's human resource in their annual report and account. Then again it all seems to be a part of public relations exercise more than a true belief in the cost of human capital as an asset as it remains to fail to discover its place in any firm's statement of financial position. Brummet et al. 1968 was the frontrunner of human capital accounting and they defined human capital accounting for the first time as "a tool for increasing managerial effectiveness in the acquisition, development, allocation, maintenance, and utilization of its human resources" (Butt, 2013).

#### Theoretical Framework

The philosophical approach that this work hinged on is the institutional theory. The work used the understandings from the institutional theory so that the work can relate the performance of companies with a widespread expenditure and disclosure of human capital in their annual report and accounts.

#### The Institutional Theory

Scott (2001) attributes institutions to social arrangements which function at different degrees of influence with the inbuilt capability to control

behaviour. Accordingly, the institution is required to be competent in providing and implementing lawful, ethical, and social limits and distinguishing appropriate from prohibited actions that are capable of helping in authorising actions and players, providing rules on possessions and codes of conduct to control activities in the social order. Namuyondo (2014) outlines institutions as individuals who confront managerial activities that disturb local and social associations, which are capable of influencing interrupted and endless change to necessitate firmness. The government, according to Namuyondo, is perceived as an institution with primary concern to construct a fundamental procedure that may be used to construct modifications that will eventually influence planning in an organisation, with the effect capable of preventing conflict and coinciding roles in the oil and gas firms business. This includes the necessity for societal regulation and instruction which is an obligation to ensure compliance and reward, as well as to penalise unruly behaviour using diverse actions such as discrediting, banishment, police and the law courts (Namuyondo, 2014).

Institutional theory and legitimacy theory are the common used theories (Adams et al., 2016; Ntim et al., 2017). Institutional theory is employed to comprehend the backgrounds used by diverse firms and organizations in firm-specific industry settings (Adams et al., 2016). The theory clarifies how organizations use the related kind of practices and structures to make them detectible as a surviving firm in the eyes of the regulatory bodies and to gain ample legitimacy which is related to the legitimacy theory as well. Carpenter and Feroz (2001) recognized that a firm's acceptance of a particular structure in relation to its rivals is a result of external business environment constraints, the practice which they associated with institutional isomorphism. A vital statement of this theory is that firms embrace new standards and structures in order to gain external approval in the form of reduced cost of capital and a balanced costs and benefits situation (Clegg & Hardy, 1999).

#### Empirical Reviews

Rahman et al. (2020) carried out a study in Bangladesh's chemical and pharmaceutical industries, the study looks at how firm performance is affected by intellectual capital disclosure. Twenty-one (21) listed chemical and pharmaceutical companies were utilized as a sample in the study for the years 2016-2017. The study explore the intellectual capital disclosure index developed by Rahman et al. The performance proxy variables are return on assets and return on equity. The study employs content analysis to evaluate the level of disclosure regarding intellectual capital and pooled

cross-sectional analysis was used to evaluate the correlation amongst intellectual capital disclosure and firm performance. The finding shows that there is an optimistic and substantial correlation amongst intellectual capital disclosure and firm performance. Further, a detailed analysis of the study indicates that all the constituents of intellectual capital disclosure such as internal capital disclosure, external capital disclosure, and human capital disclosure are also definitely and considerably related with firm performance.

Hamrouni et al. (2015) looked at signaling firm performance through corporate voluntary disclosure. The study examines the connection amongst business voluntary disclosure and firm performance. The analyses indicate an optimistic connection amongst disclosure indexes and company performance proxies. The finding reveals a constructive connection amongst disclosure indexes and performance measures. They make available evidence that the level of voluntary information disclosed in yearly financial report and accounts plays a substantial signaling role of firm performance. But, the magnitude of this role be contingent on the nature of the voluntary disclosure, i.e. whether it involves strategic, financial or corporate governance information. Akinlo and Iredele (2014) studied corporate environmental disclosures and market value of quoted companies in Nigeria. The study investigates corporate environmental disclosures and market value of quoted companies in Nigeria. The study found a substantial constructive link amongst corporate environmental disclosures and market value, measured by Tobin's Q ratio. Ndum and Oranefo (2021) studied human resource cost and financial performance: a study of quoted brewery firms in Nigeria. The work assessed effect of human resource cost on financial performance of listed brewery companies in Nigeria. The work made use of quantitative data and the population of the work comprises five (5) breweries companies listed on Nigerian Exchange Group as at 2019 and the period covers 2007-2019. The data were collected from the published yearly report and accounts of the companies. The finding shows that staff cost has constructive and substantial effect on the net profit margin of the companies in Nigeria, while staff cost has positive and insignificant effect on the return on assets of the firms in Nigeria.

Fulmer and Ployhart (2014) studied our most important asset": a multidisciplinary/multilevel review of human capital valuation for research and practice. In an exertion to clarify the challenges accompanying financial valuation so that intellectuals could begin to move above them, they offer a multidisciplinary review of current study that has existed apprehensive with the

approximation, disclosure, and management of the financial value that are related to an organization's of human capital assets. Chukwu et al. (2019) studied market valuation of human capital in Nigerian Banks. This work ascertains the effect of human capital on the market value of banks in Nigeria. This work used a cross sectional research design which relates human capital pointers to the market value of banks in Nigeria. The study made use of data on three (3) proxies of human capital associated to remuneration and staff strength. Relevant financial statement data spanning from 2010-2014 were collected from the yearly report and accounts of fourteen (14) banks listed on the Nigeria exchange group. The regression results of stock price on the human capital indicators reveal that only the proportion of highly paid workers has a significant effect on the market value of firms. The findings submit that the robustness of the valued human capital asset held by banks on their payrolls boosts investor confidence. In order to maintain investor trust, banks that are unable to keep a significant percentage of highly compensated employees inside their workforce structure may consider merging with other banks. The percentage of highly compensated employees at the company level influences the confidence of equity investors, so the study also has implications for bank committee payments.

Passard et al. (2012) studied accounting for human capital: is the balance sheet (statement of financial position) missing something? The study investigates the prevailing opinions regarding the inclusion of human capital in the statement of financial position.

They constructed a survey in Google Docs composed of eight (8) multiple-choice questions and one free response question. The questionnaire include questions about the personal data of the respondents and their opinions about reporting human capital as an asset on firms' statement of financial position. The questionnaire was distributed through email by providing potential respondents a URL link. The data were obtained via Google Docs in an Excel Spreadsheet. The questionnaire was sent to five hundred (500) individuals in the accounting specialization. The individuals that they administered the questionnaire to were employees of corporations and certified public accounting (CPA) companies. For the 500 questionnaire distributed, one hundred and eighty (180) individuals responded. The study found that eighty seven percent of the people provide opinions that, human capital should not be provided for and stated on firms' financial statements.

Jeroh (2013) looked at human capital accounting and the comparability of financial statements in Nigeria. This work investigates the concept of human capital

accounting as it affects financial statement analysis and decision making, since human capital is the main driver of the competitive advantage of firms internationally and Nigeria in specific. A total of one hundred and forty five (145) respondents including investors in the Nigerian capital market, practicing accountants and academics in tertiary institutions in Nigeria where involved in this work. Primary data for the study were gathered using a validated self-structured questionnaire. The descriptive and inferential statistics employed in the analysis of the data acquired at a five percent (5%) level of significance included frequency counts, straightforward percentages, and the chi-square ( $\chi^2$ ). The result shows a significant relationship between human capital accounting and the comparability of financial statements in Nigeria. Butt (2013) studied how to bring human resource asset into statement of financial position without disturbing any financial accounting standards. The aim of the study is why most firms accept the standing of their human resource assets, and no company has up till now tried to display it in its statement of financial position. He explained that there were three main issues that led to this: the first was the lack of a generally accepted method to determine the asset's value; the second was the blatant violation of accepted accounting practices; and the third was the possible tax ramifications. This work gives a solution to all these complications.

Novas et al. (2017) looked at the role of management accounting systems in the development of intellectual capital. The study examines the role of management accounting systems in the development of intellectual capital such as human capital, structural capital and relational capital and the resultant effects on organizational performance. High-level managers of Portuguese enterprises were given questionnaires to complete as part of the study. The data obtained were analysed with the aid of structural equation modeling with AMOS. The finding reveals the role of management accounting systems in the development of human capital and structural capital. Consistent with earlier studies, the results also demonstrate optimistic and statistically substantial correlations among the three aspects of intellectual capital. Finally, the finding reveals that structural capital show a strong and optimistic correlation among structural capital and organizational success. Although the correlations among management accounting systems and relational capital, human capital and performance, and relational capital and organizational performance are all optimistic, the estimate approach only permitted that a partial validation of the suggested model were not statistically substantial.

Uwuigwe et al. (2011) studied corporate social responsibility disclosures by environmentally visible corporations: a study of selected companies in Nigeria. The study ascertains environmental visibility and corporate social disclosures among listed companies in Nigeria. The study concludes that environmentally sensitive firms disclose several environmental information in the companies' yearly report. Hilorme et al. (2019) studied human capital cost accounting in the firm management system. The study covers the methodological facets of human capital cost accounting, and looked at the resource utility model and alternative costs theory. The comparative characteristic of the models of human capital costs accounting which includes asset model ("costs", chronological cost model) and resource utility model. The selection of the human capital cost accounting model is logical and is contingent upon the extent of managers' authority and duties. The qualities for selecting human capital cost accounting model were measured depending on the grouping of accountability centres. The finding of the study shows that, adding human resources in assets will necessitate monthly reduction or fluctuation in value, and it will eventually result to unwarranted increase of the cost of services they provides.

#### Methods

The study made use of quantitative data that was generated from yearly financial report and accounts of the companies. The population of the work consists of six (6) randomly selected companies from 6 sectors that registered with the Nigerian Exchange Group as at 2019. The sectors include Consumer Goods (Unilever Plc.), Industrial Goods (Dangote Cement Plc.), Financial Services (Union Bank Plc. and First Bank Plc.), Agriculture (Okomu Oil Plc.), and Oil and Gas (Total E&P). Generally, the six listed firms on the Nigeria Exchange group were used with sixteen-year period data (2004-2019). The sixteen years period was chosen basically to carry out a balanced panel while the 6 cross sectional sectors of companies were the companies that provides the data within the time frame of the study. Therefore, the data are time series and cross section (Panel). Since no studies has looked at environmental expenditure, the researchers used environmental disclosures extant literatures in the review of other scholars and researchers work as a base to their argument and judgment. This is because the expenditures are the environmental costs that were disclosed in the yearly reports and accounts of the companies.

#### Method of Data Analysis

Following the lead of similar studies, the study employs a single econometric model to achieve the findings. The first econometric model examines the

Panel Regression, the second model examines the stationarity of the variables by applying panel unit root test using the Augmented Dickey-Fuller (ADF) test in line with Dickey and Fuller (1979 and 1981).

Panel Regression

The standard regression outputs were estimated in two sections which includes the coefficient findings and the summary statistics.

Hypotheses:

$H_0: \beta > 0$  (there is unit root in the series).

$H_1: \beta_0 - \beta_1 < 0$  (the series are stationary)

The hypothesis were tested on the basis of t-statistic of the coefficient

Panel Regression Tests

Table 1: Comparison of Pooled, Fixed and Random Effects Estimates

Variables	Pooled Estimates		Rando
	Coeff	Prob.	Coeff.
C			-6.677
TB	558359.2	0.0000	-2.723
TQ	112525.3	0.0000	-12.23
R <sup>2</sup>	0.722114		0.4674
F-Test			0.7638
DW	0.107365		0.8709

Source: Author's computation, E-views 10.0

Table 1 show findings of the panel analyses of Pooled, Fixed and Random Effects Estimates of the predictor variables and criterion variable of the study.

Variance Inflation Factors (VIF) from table 2, were method of measuring the level of collinearity between the regressors in an equation. VIF show how much of the variance of a coefficient estimate of a regressor has been inflated due to collinearity with the other regressors. They were calculated by simply dividing the variance of a coefficient estimate by the variance of that coefficient had on other regressors not been included in the equation. As shown in the table above, none of the Variables has a VIF value exceeding 10 and hence all the variables are upheld in the regression model.

Table 3: Serial Autocorrelation Test  
Breusch-Godfrey Serial Correlation LM Test:

	431.842		
F-statistic	2	Prob. F(2,151)	0.5431
	455.818	Prob. Chi-Square(2)	0.1330

In table 4 above, the Ramsey RESET test were performed to check for the model misspecifications.

Decision rule: Reject  $H_0$  if test statistic is higher than critical values, otherwise do not reject.

Data Presentation

The analyses below were performed to capture the pooled estimates fixed, and random effects of the models. More so, analysis on the Panel Augmented Dickey-Fuller tests, Granger Causality Tests and the Co-integration tests were performed and stated in this work.

Panel Regression Tests

The researchers, using the panel regression analysis, examined the model based on the pooled, fixed effects and random effects. The choice of best fit among the Variables is made possible using the Hausman test.

Table 2 Regression Assumption Tests  
Tests of Multicollinearity

Variance Inflation Factors

Date: 13/06/20 Time: 02:09

Sample: 1 3000

Included observations: 3000

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	9.901211	72.98710	NA
TB	2.151210	89.11318	1.492445
TQ	5.141210	1.664540	1.1130007

Source: Author's Computation, E-views 10.0

Source: Author's computation, E-views 10.0

The analysis above shows that there is probability value of (0.5). Clearly, the result shows that there is the absence of serial autocorrelation.

Ramsey RESET Test

Equation: REGRESSION\_1

Specification: ENVE C TB TQ

Omitted Variables: Squares of fitted values

	Value	Df	Probability
t-statistic	6.31257	140	0.0065
F-statistic	151.5994 (1, 140)		0.0050
Likelihood ratio	6.7794	1	0.0051

Table 4: Ramsey RESET Test

Source: Author's computation, E-views 10.0

The performance of the Ramsey RESET test on the model shows low probability values of 0.0065 which is

lesser than 0.05. This means that there were misspecification in the model.

Table 5: Hausman Tests

Correlated Random Effects-Hausman Test

Equation: Untitled

Test cross-section random effects

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Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.718071	4	0.0055

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Source: Author's computation, E-views 10.0

A widely used class of tests in econometrics is the Hausman test. The underlying idea of the Hausman test is to compare two sets of estimates, one of which is consistent under both the null and the alternative and another which is consistent only under the null hypothesis. A large variance among the two groups of estimates is taken as evidence in favour of the alternative hypothesis. Precisely, the Hausman test helps to make a choice between fixed and random effects model fits. The null hypotheses posits that the random effect is an appropriate model fit while the alternative posits that the fixed is the appropriate model fit. The analyses from table 5 above, indicate that the fixed effect model of the panel data analysis is the appropriate model than the random effect model to analyses the results.

Table 6: Unit root property test

Augmented-Dickey Fuller Tests Results

Coefficients	ADF Values	Probability	Comments
ENVE	432.472	0.0000	I(0)
TB	76.675	0.0001	I(0)
TQ	63.8818	0.0013	I(0)

Source: Authors Computation E-views 10.0

The table 6 above, reveal the findings of the ADF Panel Unit Root Tests of all the Variables. The findings are establish to be integrated of the same order. At first

difference, the p-values are establish to be lesser than 5% stated as the degree of significance. The whole variables are shown to be stationary.

Table 7: Co-integration Test

Pedroni Residual Cointegration Test

Series: ENVE TQ TB

Date: 13/06/20 Time: 11:26

Sample: 2004 2019

Included observations: 3000

Cross-sections included: 6 (1 dropped)

Null Hypothesis: 1 cointegration eqn(s)

Trend assumption: No deterministic trend

User-specified lag length: 1

Newey-West automatic bandwidth selection and Baretlett kernel

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Alternative hypothesis: common are coefs. (within-dimension)

	Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic	-0.544540	0.0070	-0.524050	0.706
Panel rho-Statistic	-0.332485	0.3646	0.64206	0.5711
Panel PP-Statistic	-1.368044	0.0856	-1.144540	0.123000
Panel ADF-Statistic	-0.136476	0.4853	-0.60143000	0.1136

The co-integration reveals if or underwise the variables have a long-term relationship. As the table above shows in the model using the panel v-Statistic results,

the co-integration analysis met the required criteria for the acceptability of the result.

Table 8: Heteroskedasticity Tests  
Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	3.368287	Prob. F(8,151)	0.6449
Obs*R-Squared	26.01264	Prob. Chi-Square(8)	0.0010
Scaled explained SS	113000.520	Prob. Chi-Square(8)	0.0000

Source: Author's computation (2020).

Table 8 above, tests whether the variances of the models were the same over time. The rule of thumb is the use of the probability being more than 0.05. Heteroskedasticity is lack of constant error variance (Gujarati, 2013). This is a problem that makes the

standard errors biased leading to bias or invalid test statistics and confidence intervals (Wooldridge, 2010). There is Heteroskedasticity in the model since the probability value is 0.0010, which is less than 0.05.

Table 9: Granger Causality Tests  
 Pairwise Granger Causality Tests  
 Date: 04/23/20 Time: 02:18 Sample:  
 2004 2019  
 Lags: 2

Null Hypothesis:	Obs	F-Statistic	Prob.
TB does not Granger Cause ENVE	2998	4.10280	0.0023
ENVE does not Granger Cause TB		0.26823	0.7648
TQ does not Granger Cause ENVE	2998	77.1804	0.0076
ENVE does not Granger Cause TQ		0.16632	0.8468
TB does not Granger Cause ENVE	2998	3.43399	0.1330
ENVE does not Granger Cause TB		0.68893	0.5026
TQ does not Granger Cause ENVE	2998	0.37655	0.6864
ENVE does not Granger Cause TQ		0.58785	0.5559

Source: Author's computation (2020).

Table 9 above, show the results of the Granger Causality Tests and the tests test for the direction of cause between two variables. The result shows that

#### Tests of Hypotheses

Having chosen the *fixed effect* model as a better fit model, the analysis were established on the fixed effect model. The result shows that  $R^2 = 65\%$  of the variations in the criterion variable are explained by the variations in the predictor variables. F-test indicates that the overall model is statistically significant at 5% level while the Durbin-Watson statistic shows that there is no presence of serial autocorrelation.

H<sub>1</sub>: The result shows that TB is positively correlated to the ENVE over the period. As the TB increases by a unit, the ENVE increases by 1.372977 units and vice versa. Again, the result shows that TB is statistically insignificant at 5% level of significance. We therefore reject the alternative hypothesis, accept the null and conclude that there is no significant association among TB and ENVE for the time frame under study.

H<sub>2</sub>: The result shows that TQ is also positively correlated to the ENVE for the time frame of study. As the TQ increases by a unit, the ENVE increases by

there is unidirectional causality between ENVE, TB and TQ.

11.86584 per cent and vice versa. Again, the result shows that TQ is statistically significant at 5% level of significance. We therefore accept the alternative hypothesis, reject the null and conclude that there is a significant association among TQ and ENVE for the time frame under study.

#### Discussion of Results

The work has been able to dissect the association among the human capital quality and environmental expenditures of the 6 selected companies of the Nigerian Exchange Group, covering 16 years (2004-2019). As shown above, the result shows that training budget of the companies have a constructive but minor association with environmental expenditure. This means that although the companies spend on trainings, these expenditures are not enough to alter the environmental accounting procedures. The environmental accounting procedures are still the same even with the trainings (human capital development). This finding agrees with the findings of Uwuigwe *et al* (2011) who's discovered that human capital, through



the trainings offered, have constructive and major impact on the environmental accounting of the companies they sampled.

Again, the study found that Tobin Q ratio has a constructive and major association with environmental expenditure. Also, the finding agrees with that of Rahman *et al* (2020) who found a constructive and major association among intellectual capital disclosure and company performance. Further, an in-depth analysis of the study indicates that all the constituents of intellectual capital disclosure such as internal capital disclosure, external capital disclosure, and human capital disclosure are also definitely and considerably related with company performance. Furthermore, the finding agrees with the findings of Jeroh (2013) whose study reveals a significant relationship between human capital accounting and the comparability of financial statements in Nigeria. Again, the finding agrees with the findings of Akinlo and Iredele (2014) who found a substantial optimistic association among corporate environmental disclosures, measured by Tobin's Q.

#### Conclusion

The study reveals a constructive association among training budget, Tobin Q and environmental expenditure. However, a minor association is seen among TB and ENVE. Further study reveals panel ADF was stationary at first differencing for all the variables. The co-integration test also shows a long term association among the criterion and the predictor variables. The Hausman test reveals that the fixed effect model was an appropriate fit and therefore, employed to test the hypotheses of this work. This work concludes, that there is a constructive and major association among training budget, Tobin Q and environmental expenditure, but these companies need to increase their training budget to ensure the impact would be felt by their human capital.

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## A BIVARIATE ANALYSIS OF THE EFFECT OF EMPLOYEE JOB-FIT ON PERFORMANCE EFFICIENCY OF SELECTED INDUSTRIAL FIRMS IN ANAMBRA STATE, NIGERIA

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### Abstract

*Just as humans need understanding to stand well in life, so firms require workers whose skills, experience, and focus are in congruence with job requirements to stand well in the industry of business. This study therefore assessed the correlational effect of employee job fit on the performance efficiency of selected industrial firms in Anambra State, Nigeria. A total of one hundred and thirty-five (135) respondents were randomly sampled and responses generated from them via a self-structured question, which was cross-examined with the Cronbach alpha reliability test. An alpha value of 0.859 was obtained for the instrument, showing that the instrument was reliable. The study employed both descriptive and inferential statistical methods for the purpose of data analysis and hypothesis examination. Hypothesis was tested at 0.05 significance level. The findings revealed that there was a positive and significant correlation between employee job fit and firm performance ( $r = 0.814$ ,  $n = 135$ ,  $P = 0.000$ ). Consequently, the more priority given to job requirements and supplies in the recruitment and selection process, the higher the level of firm performance efficiency. The result further implies that an employee with the right skills and experience in the right job is a verified factor that contributes to firm performance. The study recommended, among others, that for firms to remain competitively effective, they should prioritize job fit during the recruitment and selection process by developing detailed or comprehensive job descriptions that lucidly define or delineate the required credentials, skills, competencies, and dispositions for job openings.*

**Keywords:** Employee Job-fit, Firm Performance efficiency, Requisite skills, Job roles requirements and supplies.

### Introduction

The concept underpinning the notion of employee job-fit finds significant expression in the metaphorical phrase “*putting a square peg in a square hole*”, which usually yields the desired results. It highlights a situation where individuals or objects flawlessly align with or fit into their assigned parts or roles. In the workplace context, this expression emphasizes the strategic significance of correspondingly fitting employees into responsibilities, positions, and roles that match and correspond with their abilities, skills, knowledge, values, professions, competence, and personality. Rajper, Ghumro, & Mangi (2020) aligned their views with the above expression by asserting thus: the right for the right place can make a big difference for the overall growth of a firm with human resources playing a vital role. To further strengthen the organization, the tasks are being assigned based on comparative and strategic scope to those of employees who possessed pertinent insights, knowledge, and competence. According to Rajper, Ghumro, & Mangi (2020), the ability of firms to drive their strategic vision, achieve competitive strength, and enhance performance is tenaciously linked to the skills, knowledge, experience, and commitment of their human elements (employees). Nugraha & Ramdansyah

(2022) lend credence to the significance of employee corresponding alignment with the right job to employee performance and firm performance efficiency. They stated that in an effort to enhance the performance of employees, firms are required to give priority attention to the job-fit initiative, which calls for a flawless match between the experience, abilities, and values of employees and the values implemented in their work. In most cases, employees are excited and intrinsically motivated when she or he finds himself or herself in the right job with the right environment. That is, a job that is compatible with their skills expectations and work value system. In other words, there exists a correlation between employee job-fit and employee effectiveness. This emphasis correlates with the views of Berahmawati, Sinulingga, & Wibowo (2019). They emphasized that a firm that gives more strategic attention to employee skills and competence in task assignment can strengthen the ties between employees and their jobs; therefore, employees will have higher levels of commitment and dedication to their jobs, and when they’re committed and dedicated, the firm’s performance efficiencies metrics will be enhanced.

Employee job fit is described by Kristof-Brown (2007) to mean compatibility between person

and his/her assigned job, responsibilities, or duties at workplace. In these contemporary times, according to Tinsley (2000), for firms to address and meet requirements of jobs and effectively drive goals, it is necessary to achieve compatibility or suitability between employee needs and job supplies to utilize their competency and experience. The employee has expected certain cognitive values, abilities, and personality fit to execute the necessary job tasks in the organization. The employee, if well fit with the job and environment, delivers maximum contentment that shows cognitive and physical satisfaction. The employee itself successfully corresponds towards personality linked to a career type and greater contentment if their employment is more stable and motivating. The job fit initiative is used to source and attract skills, values, and talent. Tak (2011) posited that employee job fit helps firms to minimize costs associated with hiring faults, enhance effectiveness, and reduce/decrease turnover intention. Furthermore, the congruence among individual orientation/values and organizational values and culture reflect the compatibility among individual employees with job tasks (Tak, 2011). Apparently, the necessity to improve the effectiveness of employees so that their compatibility and fit into the firm's job efficiency have become the goals of most servicing firms. This is due to the fact that a well-fitted employee is anticipated to demonstrate greater performance outcomes as opposed to otherwise. In contrast, the firm improves output levels and yields greater profits, which result in higher growth levels and prospects.

Employee job fit strategy has multifaceted positive contributions to employee levels of work status and organization efficiency level. It adds to and upscales employee job satisfaction and commitment to the assigned job. This is in congruence with Kurniawan (2021), who emphasizes that job contentment at the workplace is based on a person's fit for the job task, where all firm employees have their own uniqueness or distinctiveness and what is requested is the match with the prevailing terms and conditions of the work performed or carried out in order to enhance satisfaction and achieve optimal performance outcomes according to their capacities, abilities, and proficiency. Employees are more adapted to an organization where they are well aligned with or fitted to in terms of the demand of the job or how the organization meets their interests. Kahya (2009), cited in Onwuchekwu, Udekwe, & Arachie (2018), disclosed that organizational employees are more successfully effective and efficient in their jobs when the given or assigned jobs are compatible with their individual interests, aspirations, values, and abilities. According to Kristoff-Brown (2007), employee job fit is an essential

factor in the workplace that impacts employee effectiveness and firm success. When workers are more likely matched to their positions, they are more likely to be involved, efficient, active, and satisfied with their job. In contrast, having a square peg in a round hole can result in reduced performance efficiency, increased turnover, and negative results for both the firm and employee as well (Kristof, 1996). Shah & Ayub (2021) posited that there is an established connection between employee job fit and job satisfaction, which reveals a significant positive impact on firm performance efficiency. It's also noteworthy that firms involved in contracting are also one of the specific focuses for aligning employees according to their capabilities, where good employee performance will contribute to firm efficiency. Job satisfaction is also an aspect that needs to get the company's attention; if employees are satisfied, the commitment to the company will also be greater. In literature, employee performance translates into a firm's effectiveness, for they are regarded as the critical assets and resources in the course of their existence. Akpoyibo (2024) establishes that the central objective for setting up business firms by investors across the globe is shaped by the desire to gain continuous operational success and remain consistent in the pursuit of such goals. To achieve these goals, employers of labor must recognize the place of employees' performance; factors in the workplace that stimulate their job concentration and job stability should be considered. However, employee job fit is one of these factors that stimulate enhanced employee job effectiveness at the workplace.

#### Statement of the problem

The corporate world currently is becoming more and more competitively challenged due to the high dynamism in the environment, particularly in Nigeria's servicing sector. However, the survival of a firm begins with enhancing the administration of human resources, particularly the performance of its employees. Employee performance needs to always be considered by the firm to discover the capability of workers because employee performance can later be directly related to the firm. According to Kadek, Widyana, & Bagia (2022), job fit is one of the factors that influence employee performance. However, despite the significance of employee job fit in enhancing performance, many business firms still struggle to ensure appropriate fit between workers and their job roles. Poor job fit in most cases leads to poor firm outcomes. Sekiguchi (2004) highlighted that factors causing poor job fit may include, but are not restricted to, inadequate job analysis, a lack of workers growth and development prospects, and ineffectual recruitment and selection procedures. In the context of publicly listed firms in Anambra State, Nigeria, there is no

avalanche or there is limited research that highlights the correlation between employee job fit and firm performance efficiency. Even the few studies that assessed the efficacy of job fit initiatives were targeted on their relationship with employee performance and not on firm performance; *see* Onwuchekwu, Udekwe, & Arachie (2018), & Salsabila, Agus, Anang, & Hujjatullah (2023). However, without a lucid comprehension of the effect of job fit on employee effectiveness, firms may derail or might not be able to implement strategies that improve job fit and, as a result, miss chances to enhance performance efficiency and competitiveness. The understanding of the affinity that exists between employee job fit and firms' performance efficiency is therefore vital for the purpose of assisting these firms to leverage their human resources and improve overall efficiency and competitiveness. In addition, past studies had also shown that lack of right skills or right skills in the wrong job is the cause of poor or low performance among employees of the informal sector in Nigeria; *see* Salleh & Ndubisi (2006). Therefore, the capabilities of employees may be impacted in a bid to deliver expected job results (Aris, 2007). This present study is therefore envisioned to assess the relationship between employee job fit and performance efficiency of selected industrial firms in Anambra State, Nigeria. By conducting a bivariate correlation analysis, the study seeks to comprehend the nature and strength of the relationship that exists between these two constructs, thereby offering insights for practical implications for scholars, practitioners, captains of industries, and researchers as well.

#### Objective of the study

By carrying out a bivariate correlation analysis, the study seeks to underscore the nature and strength of the relationship that exists between employee job fit and firm performance so as to provide valuable insights for practitioners, captains of industries, and researchers in the fields of management, HRM, and organizational behavior. This study is therefore designed to investigate the relationship between employee job fit and performance efficiency of selected industrial firms in Anambra State, Nigeria.

#### Hypothesis of the study

To achieve the stated object, the study hypothesizes as follows:

*H<sub>0</sub>: There is no significant correlation between employee job fit and performance efficiency of industrial firms in Anambra State, Nigeria.*

*H<sub>1</sub>: There is a significant correlation between employee job fit and performance efficiency of industrial firms in Anambra State, Nigeria.*

#### Literature review

##### Employee Job Fit

Employee job fit, frequently referred to as Person-job fit is a vital factor that significantly influences the performance efficiency of employees within organizations. The concept of employee job fit has garnered significant interest in psychology literature in early times, as highlighted by renowned scholars such as Schletzer (1966), Beehr (1996), Locke (1996), & Porter (1962). According to Kilchyk (2009), fit conceptualization in the context of a work situation can be described in light of these perspectives of either demands-abilities on the part of the firm versus needs-supplies on the part of the employees, or supplementary versus complimentary perspective, which is also known as supplies-values fit. In the vein, Muchinsky and Monahan (1987) also posited that job fit can be explained using two parameters, which are; the first one is the supplementary versus complementary, whereas the second parameter is the demand-abilities versus needs-supplies. A supplementary fit is a situation in which the qualities of a person are comparable to the environment of the firm or with other employees (Sekiguchi, 2003). Conversely, however, complementary fit results when the qualities of an individual fill up an opening of the firm, therefore complementing and making the firm more complete and strategically stable for service delivery (Muchinsky & Monahan, 1987). The concept of employee job fit is very significant to apply in firms because it forms the basic foundation or building blocks in the employee recruitment and selection process (Werbel & Gilland, 1999). In addition, in previous research (Park, Monnot, Jacob, & Wagner, 2011) on 90 Asian bank employees who worked in New York, it was found that employees would look fitter and healthier and more successful (in terms of performance) if the work was matching with their personal attributes and characteristics.

According to Widodo *et al.* (2020), & Anindita (2019) collectively asserted that employee job fit is the alignment of an employee's skills, knowledge, abilities, and qualifications with the current job requirements, based on their characteristics and job responsibilities in the workplace, to Kristof-Brown (2007), employee job fit is the compatibility or fit between employee and his/her roles or duties assigned and performed at the workplace. To address demands of work, it is necessary to have a positive correlation between employee needs and job supplies to make use of their knowledge, expertise, and competency. This alignment therefore enhances better job engagement, satisfaction, and greater performance outcomes. Job-fit employees are often more enthusiastic about their jobs, and such a passion can have a positive effect on task effectiveness; having forthcoming and good communication with employees can enhance productivity as well. A happier,

engaged, and motivated employee at work often does a better and greater job, and their role is successful in the organization. It reveals good employee job fit. In furtherance to this, a business firm will have the capacity to maximize its revenue and reduce the expenses associated with employee turnover.

Performance gaps often result when there is variation between employee skills, experience, and capabilities and current job requirements. Employees are critical resources, and their commitments and performance are the drivers of organizational effectiveness. Therefore, the compatibility between the capability of employees and the prescriptions of their work is an important factor to ponder over, especially where employees are recognized as one of the critical elements and assets of the organization's assets. According to Jaya et al. (2019), if there is a similarity between a worker's qualities and his/her job roles, the worker has a performance or organization that tends to be high and low pressure. In the context of work, an employee's suitability for his/her job is imperative. Such compatibility not only enhances their experience on the job but also promotes firm efficiency in service delivery. If employees feel a match, the better and greater the job contentment felt by employees. Employee job fit initiative stimulates and steers intrinsic motivation. Kurniawan (2021) highlighted that every employee in an organization has every quality, where what employees are searching for is the fit between the capability and the task performed in order to boost satisfaction and accomplish a maximal result. Employee job fit is one of the most significant roles in employee job contentment; employee job fit directly influences employee job satisfaction and firm efficiency. Shah & Ayub (2021) posited that there are several factors that influence job satisfaction, and one of such is the strategic alignment of job requirements with the expected expertise that a person possesses that makes the work and its demand very interesting to perform. When employees' needs seemingly align with what the organization offers, their commitment and performance improve significantly; this has a correlation with firm performance efficiency. Nurtjahjono *et al.* (2020) emphasized that the first priority of organizational leaders is how to transform their employees into excellent human resources, act appropriately in the workplace, and perform admirably in light of the needs at work and comprehend the principles and values that exist and adhere to them in the performance of their tasks and duties to the organization. It's expedient to note that job fit not only influences employee effectiveness but also impacts the overall firm's performance. Efficient job fit can decrease turnover rates and boost employee work morale and satisfaction, which in turn enhance firms' overall performance efficiency and productivity.

Employee Job-Fit and Firm Performance Efficiency: The link

Apparently, recognizing how stale and prospective employees' skills, capabilities, potentials, interests, and focus align with their job roles is indeed vital for building an enduring and motivating workforce. Extant studies indicate that a good job fit, that is, assigning task roles on the basis of the employee's acquired skills, experience, and capabilities, leads to enhanced effectiveness, a satisfied work-life, morale, engagement, commitment, and firm effectiveness and efficiency. Nugraha & Ramdansyah (2022) posited that job satisfaction is one aspect that influences employee performance. The sense of contentment that employees enjoy at work will feel a positive impact from their work. When employees are satisfied with their job, it will directly translate into firm performance efficiency, where workers will put in their best efforts to meet the firm goals. In other words, the higher the level of satisfaction felt by employees when executing their jobs, the better the impact on their job outputs. Perceiving the significance of employee performance on firm performance, firms provide several conditions of work such that their workers feel satisfied at the workplace, which include job security, supportive coworkers, open communication initiatives, promotions, adequate working facilities for employees, and many more things. The firm takes this action in order to foster positive employee performance. This assertion is consistent with a study by Suwandana & Perdanawati (2020), which indicates that there is a positive and substantial relationship between work satisfaction and employee performance.

Employee job fit is a concept that considers the expertise, capability, stamina, and adaptability or suppleness of an employee to a profession or career. In other words, the fit value may be taken into account as value added to the firm by the adherence of an employee to a job role. Task descriptions and responsibilities outline the competence required to perform a job. Apparently, firms benefit significantly from fit workers, as a result, they perform predetermined tasks and responsibilities that are systematically unique to their assigned job role. In addition, precision and accuracy are some vital features of performance outcomes associated with firms that hold dear to employee job fit initiatives. These fit employees' work positions and become significant for a firm to reach goals and objectives. In this manner, it is significant for organization-fit workers. If not, the worker is not perfectly adhering to job predetermined by the difficulties of the job position, and the employee can quit the firm or be terminated for noncompliance with details and specifications. In both situations, the wage or salary paid by the organization does not

translate into a productive outcome for economic agents who continue to pay employees who do not fit the job's necessary competence and knowledge. This situation indicates how fit employment generates or yields profits or financial gains for the concern firm, that is, the surplus or excess of the marginal productivity of the employee less their salary. This is the concept of employment or job fit.

#### Synopsis of the Mechanisms of influence of Employee fit on Firm Performance

Apparently, the mechanisms via which employee fit impacts firm performance manifest in several facets. This influence, however, can better be described and understood through some of these dimensions:

##### Decrease Employee turnover

According to Samuel & Chipunza (2019), employee turnover is defined as an employee's voluntary withdrawal of membership from employers. This holds that an employee can choose at any occasion to terminate his or her employment contract with employers should the unbecoming become the becoming in the workplace. Employee turnover is also seen as the percentage of employees quitting jobs in a given period of time, but it occurs before their employee contract's expected expiration date or time (Akinruwa, Ajayi, & Akeke (2019). Welle & Koffi (2023) posited that employee turnover is the percentage of change in the working employee of an organization within a predetermined period of time. The concept of employee turnover highlights the scenario where employees in a particular workplace quit the organization's offered jobs as a result of perceived direct or indirect incongruities. In most cases, when an employee frequently quits an organization, it costs the organization substantial expenditures and time and could also result in distraction or derail the organization from the direction of goals and objective drive at that material time period it occurs. Employee turnover describes the ratio outcome of human resource inflow into and out of an organization, which usually occurs before the expiration of the contract of employment. It is a decision of action that emanates from the employee at any time period, usually before the predefined date, time, month, or year of the employment agreement. The above circumstances may be traceable to a lack of job satisfaction, a happy work life, and low work esteem. This therefore highlights the efficacy of employee job fit in the organization. In other words, when there is better job fit, it translates into a positive work attitude, a happy work life, and a better level of work esteem. When employees are happy for doing what they actually desire to do and are satisfied for actually doing what they are doing and enjoy a good level of work esteem, they're very likely

to have full concentration on the job and fewer concerns for decisions relating to quit-or-stay. Such development would eventually translate into affective commitment on the part of such staff to the organization. Further, Allen & Meyer (1990), cited in Nejib & Kakia (2019), describe affective commitment to mean the attachment of the employee to their current organization. That is, the level of engagement and identification is determined by the employee. Khan (2011) sees affective commitment as the emotional attachment of an employee to the organization, his association with it, and his involvement with it. Meyer & Herscovitch (2001) highlighted some of the advantages of effective commitment. According to them, it decreases the level of absenteeism and enhances their organizational behavior and job performance. The success of any organization undertaking can only be ensured by the unwavering commitment of employees. This assertion is in congruence with that of Akpoyibo, Tarurhor, & Isaac (2021). They opined that an organization's capability to achieve goals and service delivery in aspects such as customer's satisfaction, productivity, and profitability are collections of factors in the workplace. Foremost among these factors is the commitment of the human elements (employees) of the organization.

Job fit has a psychological inclination. It promotes an uncommon sense of attachment and affiliation between workers and their jobs in the workplace. When employees are assigned the right task, responsibility, or duties, they feel excited and fulfilled executing such; indeed, job fit initiative is a near zero-apathy strategy. In other words, employees who match or are well aligned with their roles would develop affective commitment affinity with the organization and are very less likely to quit, thereby reducing turnover expenditures and operational fluctuation often caused by disruption or interference associated with sourcing, training, and development of new workers for the quitted roles in the organization. This view corroborates that of Akpoyibo and Isaac (2021). They posited that when firms continue hiring and training new personnel, it costs them resources, time, and stress. Further, the expenditure and/or cost of employee turnover can be immense, requiring and consuming a substantial part of annual wages firms would otherwise dole out to employees. According to Alkahtani (2021), employee turnover-associated costs consist of hiring managers, advertisement expenses, cost of resource management, job imbalance, lost man hours, time, and efficiency, as well as training and development expenses for fresh recruits. Firms can incur substantial expenditures associated with frequent hiring, selection, placement, training or equipping, socialization/familiarization, fluctuation, disruption, and other indirect costs. Job fit enhances job

commitment, satisfaction, and a happy work life of employees in organizations, thereby fostering organizational performance efficiency. Similarly, when workers feel that culture, expectations, and values match those of the employer, they demonstrate higher and greater work satisfaction, dedication, and commitment. This fit fosters an atmosphere where employees are encouraged and motivated to do well, thus enhancing organization effectiveness (Slamet, Bambang, Emi, Gerry, & Fahrudin, 2020).

#### *Effect of Employee turnover on firm performance-the link*

In organizational work contexts, employee turnover has been an issue that often hoists the flag of cost burden each time it occurs. It is an unplanned exercise of human resource inflows and outflows and happens usually before the predetermined date of signed terms of employment. According to Fatimehin, Ezejiofor, & Olanye (2022), employee turnover is the mobility of workers around the economic (labor) market, between organizations, professions, and jobs, and between the states of employment and unemployment. Turnover involves both costs and benefits to a firm. Survey evidence indicates that most job separations are quits rather than firings (Baron, Hannan, & Burton, 2001), cited in Qin, Ben, Alexander, & Terry (2021). Accordingly, the voluntary departure of highly assertive, productive, and competent employees is cost-effective, particularly when their expertise, talent, punctuality, and proprietary information and knowledge transfer to a rival. Numerous additional costs are associated with both voluntary and involuntary turnover (Beyer, Cohen, Lys, & Walther, 2010; & Belo, Lin, & Bazdresch, 2014), cited in Qin, Ben, Alexander, & Terry (2021). Additionally, turnover has underlining benefits, including the substitution or replacement of a worker with a rent-seeking mindset and incompetent or underperforming employees, offering rewards to perform, and bringing fresh ideas (Hausknecht & Trevor 2011; Hancock et al. 2013). Given that most turnover is voluntary, which most likely doesn't benefit the firm financially, performance and turnover are likely to have a primarily unfavorable relationship, mostly negative. Furthermore, employees are more likely to quit the organization, and organizations are more likely to dismiss employees when performance appears to be poor, which implies even more that there is a negative correlation between performance and turnover. Organizations and components of the labor market are also likely to influence this correlation. In addition, because a certain level of turnover might be advantageous because of the substitute of underproductive workers and new workers offering fresh and new insights or ideas, however, the performance and turnover correlation may not be

negative or unpleasant when the levels of turnover are very low.

Employee turnover has been seen as a setback development and major concern on the part of the affected organization. Employee turnover is a significant cost for businesses and a key human capital metric, but firms do not disclose this measure (Qin, Alexander, Ben, & Terry, 2021). The concept has remained a matter of concern for many organizations management. The challenge in sourcing or hiring, developing, and keeping competently qualified and resourceful employees and disruption to operational processes are the most frequently cited worries among CFOs in 2019 surveyed by the Duke CFO. Many advisory firms, including the Big 4, offer advice to business managers on mechanisms to increase employee retention for their continued operational successes. Firms often show that employee churn is a significant risk factor in their filings with the SEC. To this effect, numerous firms have devised an avalanche of measures to discourage worker churn. According to Tuna (2008), some firms' owners even match managers' compensation to maintaining turnover below a given or specified level. Alex & Kazaara (2023) opined that the employee turnover issue has garnered more and increased attention from firms' management teams. This worry is made more apparent, according to Emmanuel et al. (2023), by the rising cost of employee churn or other miscellaneous costs that are typically associated with employees, such as sourcing, recruitment, selection, training, and placement. In other words, some of the particular concerns of managers, boards of directors, and other stakeholders are the adverse effects of a high rate of employee turnover, which are frequently reflected in the quality of products and services and the consistency and stability of services exchanged for money by customers and clients in general (Isaac et al., 2023). According to David et al. (2023); Julius & Nelson (2023), other additional associated costs that arise from increased rates of employee turnover are characterized as voluntary turnover costs. Employee turnover has a negative impact on employee effectiveness because it causes disruption and upheaval in their daily job effectiveness. Organizations expend huge resources annually on workforce maintenance, especially in areas such as searching, recruitment, selection, developing, and placement of new employees resulting from high levels of turnover.

So far, there is little empirical evidence in the literature that employee turnover results in enhanced firm performance; rather, there is an avalanche of evidence in the literature that turnover negatively impacts firms performance; see Hancock *et al.* (2013), Temesgen & Nigatu (2022), Nanyonga & Friday (2023), Khan,



Alam, Badar, & Ahmad (2023), Ozoh & Agari (2024), & Chukwu, Adaora, & Onyemachi (2024). Consequently, a better job fit can save firms from the worries and costs associated with employee turnover. An effective fit is a strategy to minimize employee turnover; this is one of the contributions and policy suggestions of this paper.

**Improves Job Engagement:** Its link with firm performance

ErajesvariePillay & Singh (2018) emphasized that employee engagement is a significant factor that drives firms' performance. Even so, many firms battle to sustain employee engagement as a result of some factors in the workplace, such as unbalanced job fit, poor leadership style, career development prospects, and communication. A good and balanced fit fosters better employee job engagement, which leads to higher motivation and directly enhances productivity levels. Lucidly, well-engaged employees exhibit higher degrees of creativity, commitment, and innovation to their assigned job tasks, which often have a direct relationship with firm performance. Sakthimala & Deepalakshmi (2023) posited that in today's fast-evolving business environment, firms are increasingly coming to terms by realizing the crucial role that employee engagement plays in driving long-term sustainable achievement and reaching competitive advantage. It is asserted that firms with engaged staff experience reduced rates of turnover, complaints, lower absenteeism, and improved customer satisfaction. Shrestha (2019) sees employee engagement as the emotional attachment, commitment, and active participation or involvement of employees towards their job, firm, and its strategic goals and objectives, while firm performance symbolizes the whole efficacy, productivity, and achievement of the firm. Engaged staff are inclined to go above and beyond their work demands, resulting in increased efficiency and productivity. A study conducted by Gede & Huluka (2024) revealed a strong favorable and significant correlation between employee engagement and firm performance. The findings of the study conducted by Mansor *et al.* (2023) revealed a significant relationship between employee engagement and organizational performance.

One of the key factors contributing to poor organizational performance is unbalanced and unfit job fit. This has to do with inadequate skills, knowledge, and experience in jobs requiring adequate expertise (squared pegs). Such inadequacy often leads to a performance gap with devastating implications for firm overall performance and survival in a sliding business environment. Performance gap simply means the differences (deficiency) between planned and expected performance levels and actual results, which are like

hidden fissures in a firm's performance engine. These gaps have the capacity to hinder performance efficiency, productivity, and the overall growth and stability of the competitive advantage of the firm. In other words, firms that give due attention to job fit can enhance employee engagement and achieve sustainable growth and competitive advantages.

**Increases Job Satisfaction:** Its link with firm performance

When employees find themselves doing what they desire to do and doing what they derive joy in doing, they experience increased levels of job satisfaction. Apparently, job satisfaction acts as a vital moderator between employee fit and performance. In research conducted by Dinavance & Elizabeth (2023), job satisfaction was discovered to be positively related to firm performance. Studies recommended that a strong match between employee experience and work demands enhances job satisfaction and thereby boosts employee effectiveness and firm performance. Job satisfaction means the degree to which an employee feels negatively or positively about the various aspects of job roles, the work arrangement, setting, and relationship with colleagues, remuneration, and the work itself (Baridam & Nwibere, 2008). Apparently, Puskpakumari (2008) posited that an employee with a substantial level of work satisfaction maintains a positive attitude towards their assigned duties and responsibilities, while an employee who is less satisfied with their work exhibits negative dispositions about the work. Job satisfaction is an aftereffect of employees' perception/impression of how well their duty gives those factors that are seen as important. Additionally, job satisfaction is influenced by conditions of the work environment and the general work-life balance, further linking it to firm commitment. When workers are happy and feel satisfied with their roles and environment of work, without mincing words, they are more inclined to demonstrate higher levels of commitment, dedication, and productivity to the firm's strategic goals and mission. Employees who are satisfied with their job contents and are very committed to their respective firms ensure an increase in the level of products and/or services quality, customer satisfaction, productivity, and yield/generate higher profits. Employees have more than work satisfaction; they are pleased that they can serve and are promoters of services, products, and brands of their employers. According to Bin Shmailan (2016), there is evidence that employee participation improves work performance and overall effectiveness, builds an improved and more productive work environment, and decreases absenteeism among employees and labor churn. A satisfied employee feels more at ease in the workplace, accomplishes duties more effectively, but

above all feels secure or safe with regard to his/her future and job in the organization. According to Wolniak & Olkiewicz (2019) & Niciejewska (2017), that is the reason why job satisfaction in the workplace is such a significant factor of work safety.

#### Empirical Review

Several studies (both local and international) have explored the concept of employee job fit and firm performance, as well as the dimensional mechanisms of influence of job fit on firm performance. For example, in a study by Shojaei & Karimiankakolaki (2023), job fit and organizational performance was reviewed. The study concept was conceived to investigate the correlation between job fit and organizational performance among the employees of Yasuj H Cs. The study adopted the historical cross-sectional design to explore how job fit contributes to firm performance. Additionally, prior literatures were reviewed, and factors of job fit contributing to employee and organizational effectiveness were x-rayed. The study was carried out in Yasuj, Iran, and draws data from 196 selected respondents, comprising managers of firms, experts, and staff working in health centers in Yasuj. Participants for the study were selected with the aid of convenience sampling techniques, and the data generated was analyzed by means of SPSS 20., including other statistical methods such as the Pearson correlation coefficient test to explore the strength and direction of the relationships among variables and multiple linear regression analysis to ascertain the predictive power of job fit on organizational effectiveness. A significance level of less than 0.05 was chosen as the threshold for statistical significance. The study findings revealed a direct positive and significant correlation between job fit and firm performance. The result is shown algebraically as follows:  $r = 0.633$ ,  $P\text{-value} = 0.00$ , copiously indicating a positively significant relationship. In addition, the result also indicated that all components of job fit were discovered to effectively predict firm performance ( $p < 0.05$ ). The study concludes by recommending that firms' operational management should concentrate more on improving job fit for employees so as to enhance their effectiveness.

Rizky, F. (2023) examined the influence of person job fit towards job satisfaction, organizational commitment, and citizenship behavior. The study was designed to assess the impact of job fit on organizational commitment and citizenship behavior. The study emphasizes the significance of employees as key drivers of organizational effectiveness by stating that the quality of the employee is one of the keys that can determine the improvement of an organization. The study adopts a survey and exploratory research design

and a sample of 150 respondents drawn from 180 population in M & FA and PIA in West Borneo, using 10 times formative indicators. Data collection for the study was achieved via the use of a questionnaire, and the data elicited was evaluated using the SEM, and analysis was done by the use of the Smart PLS 3.0 software application. The study findings revealed that person job fit has a significant and positive effect on organizational commitment. The study therefore recommended, among other things, that agencies should endeavor to put modernity in place to constantly strengthen and maintain the fit of their workers with their jobs, such that the employees can feel more satisfied to work in the agencies and more committed toward the agencies.

Tania, Mehwish, & Irfan (2021) analyzed the influence of person job fit and other factors in the workplace on organizational commitment. The study was designed to provide significant managerial implications for HR practitioners and policymakers at informal sector firms from a developing economy perspective. The study helps to enhance and optimize organizational commitment in the evaluation person job fit, work condition, and the mediation of job contentment. It also examines the impact of specific demographic factors on organizational commitment. Data for the study was gathered from 843 selected respondents working in the informal sector firms across Pakistan. The study respondents were white collar (managerial) employees, and the smart PLS software and SPSS were employed to perform structural equation modeling (SEM) for the study. In addition, confirmatory factor analysis was performed to test the model hypothesized for all five constructs and their respective items. The findings of the study showed that employee job fit, including other factors in the workplace such as work-life balance and job satisfaction, have a positive and significant influence on organizational commitment. The study concludes by recommending that organizations HR managers at the informal sector firms should strive to offer a better job fit such that employees are satisfied with the work and exercise effectual organizational commitment.

#### Bivariate Correlational Analysis

Bivariate analysis is a statistical technique that examines how two distinct objects or phenomena are related. The bivariate analysis seeks to ascertain if a statistical relationship exists between the two variables and, if yes, what are the strength and direction of that relationship. It's a useful method for determining or ascertaining how two phenomena (variables) are interconnected and finding patterns and trends in the data. This study is bid to explore the correlation between employee job and firm performance. That's,

how does job fit contribute to firm performance in the industrial sector.

Materials and methods

The study adopted the cross-sectional research design. This design was considered apt for the study given the fact that the study revolves around the demand and supply requirements of work and is aimed at generating data from employees of selected firms on the nexus between employee job fit and firm performance in Anambra State, Nigeria. Meanwhile, a structured and validated questionnaire and key in-depth interview chat constitute the basis for gathering the necessary data for the study. Items on the questionnaire instrument measure the employee job fit variable. The author adapted an adopted questionnaire of research conducted by Cable & DeRue (2002) that divided the employee job fit variable into two distinct dimensions, and these include the dimensions of need-supplies fit and demand-abilities fit. This questionnaire consisted of 9 statements. The standard job fit questionnaire was designed by Ahmadi (2015) and Ahmadi (2015) based on Hockman and Oldham's model (Safarkhanlou & Nezhad, 2019). The target study population was employees of selected firms such as Industrial and General Insurance Plc, Nexans Kabelmetal Plc, Berger Paints Plc, Alo Aluminum Plc, and Flight Aluminum Manufacturing Plc, Anambra State. Meanwhile, the population comprises all staff without any forms of

discrimination (all inclusive strategy). That's, the respondents comprise both male and female of different ages, academic qualifications, salary/pay grade levels, and tribes and religious affiliations. In other words, the different categories of qualification adopted were necessary because they assisted the researcher in generating non-discriminatory or biased responses for ascertaining the impact of job fit on firm performance. The population of the study is 150, comprising of senior personnel. This category was selected for the study because their roles and activities have a direct impact on how the firm's recruitment, selection, and placement policies are designed and implemented; performance, monitoring, and evaluation are also part of their engagement functions. Due to the small nature of the population, the study therefore adopted a census survey method permitting the adoption of the entire population as a sample size. The data collection instrument was designed after the 5 point Likert-type scale and was administered to the respondents. From the 150 distributed questionnaires, one hundred and thirty-five (135) were retrieved and used for the study. The study data analytical process was executed using Pearson's coefficient of correlation and linear regression with the aid of SPSS 23.0. The adapted questionnaire items were pilot tested with an initial study of 25 workers with replacements carried out to ascertain the study reliability and validity using the smart PLS criterion.

Table 1: Analysis of retrieved questionnaire

Number of Administered questionnaire	Number Retrieved	%
150	135	90%

Source: Field Survey, 2024.

Table 1 revealed that out of the one hundred and fifty (150) questionnaires administered, only one hundred and thirty-five (135) were recovered and used for data

analysis, representing ninety percent (90%) response rate. The result indicated a commendable success level.

Table 2: Analysis of retrieved questionnaire

Number of Administered questionnaires	Number of non-retrievable/ non-useful questionnaires	%	Causes
150	15	10	Not-properly assessed, mutilation, and not given attention

Source: Field Survey, 2024.

Table 2 showed that out of the one hundred and fifty (150) questionnaires distributed to the target respondents of the study, fifteen copies (15) could not be recovered due to some factors, including defacing mutilation, not being given attention, and not being

properly assessed; hence, they could not form part of the study analysis, representing a ten percent (10%) non-response rate. The result is too insignificant to have a direct consequential effect on the study outcome, hence was ignored.

Table 3: Validity and Reliability Results

Construct	Number of items	Composite Reliability	Cronbach's Alpha	Average Variance Extract
Employee Job Fit	13	0.859	0.782	0.707
Firm Performance	9	0.844	0.759	0.681

Source: Field Survey, 2024

Table 1 above indicates that the values range from 0.844 to 0.859 for composite reliability and 0.759 to 0.782 for Cronbach's alpha, respectively, for the two constructs. This suggests that all the constructs are reliable, as the values of composite and the Cronbach's alpha coefficients are greater than (>) the Hair, Hult, Ringle & Sarstedt (2017) 0.07 suggested threshold. The reliability outcome is backed by the discriminant validity values of Average Variance Extract (AVE), which range from 0.681 to 0.707, which are also greater than (>) the standard of 0.50 as postulated by Hair et al. (2017). Consequently, the 2 constructs for this study indicated significant reliability and internal consistency. Therefore, they're deemed appropriate for the type of research being done on this project. The study data analytical process was executed using Pearson's coefficient of correlation and linear regression with the aid of SPSS 23.0. These are found suitable for the nature of the study of this work.

Research Results

Utilizing the data elicited, the measures were first evaluated against the demographics of the respondents, as shown in Table 2 below. Table 2 indicates that 91 respondents (67.41%) are male staff and 44 respondents (32.59%) are female staff. This indicates that males, who predominate in the labor force of the sampled firms, are more concerned about employee job fit initiatives in the workplace and behavioral motives toward improved performance efficiency than females. In the facet of age disposition of respondents, 57

respondents (42.22%) are between the age range of 20-35 years, and 40 respondents (29.63%) are over the age range of 35-45 years. 15.56% of the respondents, (21) of employees, are of the age bracket of 46-55 years, while 12.59% of the respondents, (17) are between 56 years and above. This result holds that the vast majority of the respondents are between the ages of 20 and 55. On the aspect of marital status, it was discovered that 38 (28.15%) are married staff, 38 (28.15%) are single, while 5 (3.70%) and 10 (7.41%) are divorcees and widowed staff. This indicates that the chunks of the workers were married. 122 employees, accounting for (90.37%), are of full employment status, 3 staff reflecting (2.22%) are part-time workers, and 10 staff (7.41%) are holding contract/ad hoc employment status. On the facet of working experience, the analysis revealed that 14 staff, representing (10.37%), had worked between 1-12 months, 67 (49.63%), between 1-5 years, and 28.15% of the employees have experienced that spanned between 6-10 years, while 10 accounting for (7.41%) are holding 11-15 years, and 6 representing (4.44%) had worked for 16-20 years. 12 staff (8.89%) had FSLC/SSCE, 38 (28.15%) had OND/NCE, while 67 constituting (49.63%) hold BSc/HND Degree and 8 (5.93%) had master's or doctoral degrees, while 10 (7.40%) had professional degrees like the ACAN, CIPM, COREN, ACCA, CHRP, MNIM, CIPA, and CIPD. The above results established in overall terms that the sampled and studied firms had a balanced and well-constituted workforce with near zero discriminant factors.

Table 4: Demographics of Respondents

S/ N	Variables	Categories	Frequency (n=135)	Percentages (%)
1	Gender	Male	91	67.41 %
		Female	44	32.59%
		Total	135	100%
2	Age Range of Respondents	20-35 years	57	42.22%
		36-45 years	40	29.63%
		46-55 years	21	15.56%
		56 years & above	17	12.59%
		Total	135	100%
3	Marital Status	Single	38	28.15%
		Married	82	60.74%
		Divorced	5	3.70%
		Widowed	10	7.41%
		Total	135	100%
4	Employment Status	Fulltime	122	90.37%
		Part-time	3	2.22%
		Contract/Ad hoc	10	7.41%
		Total	135	100%
5	Working Experience	1-12 months	14	10.37%
		1-5 years	67	49.63%
		6-10 years	38	28.15%
		11-15 years	10	7.41%
		16-20 years	6	4.44%
		21 years & above	0	0%
		Total	135	100%
6	Qualification	FSLC/SSCE	12	8.89%
		OND/NCE	38	28.15%
		BSC/HND	67	49.63%
		MSC/PhD	8	5.93%
		Professional Cert.	10	7.40%
		Total	135	100%

Source: Field Survey, 2024.

#### Testing of Hypothesis

*H<sub>0</sub>: There is no significant correlation between employee job fit and performance efficiency of industrial firms in Anambra State, Nigeria.*

*H<sub>1</sub>: There is a significant correlation between employee job fit and performance efficiency of industrial firms in Anambra State, Nigeria.*

#### Bivariate Analysis (Test of Correlation)

In addition to what is earlier stated, bivariate analysis entails the test for the bivariate correlation between the dependent and independent variables of a study. However, applying the bivariate examination technique, there are stated rules guiding its application in aspects of acceptance and rejection. The decision rule is stated

below: where the P value is less than 0.05 ( $P < 0.05$ ), such a hypothesis is accepted on the evidence of significant correlation, and on the other hand, where the P value is greater than 0.05 ( $P > 0.05$ ), reject the result of such a hypothesis on the ground of insignificant correlation between the measured variables.

Table 5: Correlation of Employee Job Fit and Firm Performance Efficiency

	Variables		Employee Job	Firm Performan
Spearman's rho	Employee Job Fit	Correlation Coefficient	1	.814*** .000***
		N	135	135
	Firm Performance	Correlation Coefficient	.814*** .000***	1
		N	135	135

\*\*\*. Relationship is significant at the 0.05 level (2-tailed)

Source: SPSS Output, 2024\*\*\*

Table 3 showed that there was a positive and significant correlation between employee job fit and firm performance ( $r = 0.814$ ,  $n = 135$ ,  $P = 0.000$ ). Consequently, the more priority attention given to job requirements and supplies in the recruitment and selection process, the higher the level of firm performance efficiency. The result further implies that an employee with the right skills and experience in the right job is a verified driver of firm performance. From the hypothesis test result, the null hypothesis is rejected and the alternative accepted, establishing that there is a significant correlation between employee job fit initiative and firm performance efficiency.

#### Discussion of Findings

This research focused on the exploration of the impact of employee job fit on firm performance efficiency of selected industrial firms in Anambra State, Nigeria. The study clearly indicated that showed that in overall disclosure of the results of the study there are more male workers than female. In addition, there are more full-time workers than part-time/ad hoc workers, and we equally have more married and young workers. As predicted, the study revealed that employee job fit had a positive and strong significant relationship with firm performance efficiency. This finding corroborates with that of Shojaei & Karimiankakolaki (2023). Findings from their study revealed a direct positive and significant correlation between job fit and firm performance. The result is shown algebraically as follows:  $r = 0.633$ ,  $P\text{-value} = 0.00$ , copiously indicating a positively significant relationship.

#### Conclusion and Recommendations

The focus of this study was to ascertain the effect of employee job fit on firm performance efficiency. This study was carried out to bridge the gap in knowledge about the influence of employee job fit on firm performance efficiency in developing economies. Based on the findings of this study, it can be concluded that the need for job fit in an organization cannot be overemphasized because it brings a significant and far-reaching impact on firms, its employees, and its relevant stakeholders in the business formation of the

firm. Furthermore, it can be concluded or said that job requirements with unmatched skills supplies can significantly disrupt expectations about important issues and create a tendency that can cause the firm a great deal of challenge and plough it into operational distress and quagmire, and on the other hand, matching job demand with the required skills and expertise enhances firm effectiveness and smooth operation with the advantage of eliminating labor turnover tendencies and fosters improved job satisfaction and a happier work atmosphere. This invariably saves the firm from abrupt interruption and disruption, often occasioned by labor turnover and absenteeism resulting from a lack of satisfaction and motivation. And as such, it can be asserted that there is a significant correlation between employee job fit and firm performance efficiency. That is to say, the impact of employee job fit on firm performance is profound. An effective and strong job fit fosters improved job satisfaction, enhances job performance, and encourages firm effectiveness. Firms that prioritize a good job fit between workers and their job roles can expect to reap or witness enhanced performance results, a near-zero work apathy situation, and a more effective and engaged workforce. In most cases, employees are more inclined to perform expected tasks effectively and may even go beyond their assigned job roles when they have or feel well aligned with their present jobs. When employees are assigned jobs, tasks, responsibilities, or duties that are in congruence with their skills and expertise, they feel excited executing such; indeed, job fit is a zero-job-apathy strategy. The study also found that a better employee job fit is linked to or associated with lower levels of job-related stress, apathy, and absenteeism or truancy. Employees who are content with their given job roles are very likely to have fewer health-associated challenges, contributing to a more effective and stable work environment. Without mincing words, firms need best fit to drive critical areas of performance progress, build, and sustain competitive advantage initiatives, especially in the cutthroat business world of today. Based on the findings, the following recommendations were made:

1. For firms to remain competitively effective, they should prioritize job fit during the recruitment and selection process by developing detailed or comprehensive job descriptions that lucidly define or delineate the required credentials, skills, competencies, and dispositions. Consequently, crafting and implementing structure assessment and interview instruments can assist in identifying candidates whose competence or abilities match or align closely with job requirements.
2. To keep and/or maintain a high and result-driven level of job fit, firms should invest in continuous training and development programs. This will enhance and strengthen the employee's potential, skills, and knowledge in addition to ensuring that they remain useful and relevant to their job roles, thereby enhancing overall effectiveness or performance.
3. Also, firms should periodically evaluate the job fit of their workforce via surveys and performance reviews. This can provide a mechanism to identify any mismatches or misalignments and allow for urgent and timely remedial intervention, such as role schedules, adjustments, or additional training programs.

Apparently, by implementing these practical recommendations, firms can significantly improve and strengthen employee job fit, resulting in enhanced performance efficiency and the overall firm's success. *Just as humans need understanding to stand well in life, so firms require workers whose skills, experience, and focus are in congruence with job requirements to stand well in the industry of business.*

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