COMPARATIVE STUDY OF HUMAN RESOURCE MANAGEMENT PRACTICES AND WORKERS PRODUCTIVITY IN MULTINATIONAL AND INDIGENOUS FIRMS IN GERMANY

BY

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ABSTRACT

The study investigated a comparative study of human resource management practices and workers' productivity in multinational and indigenous construction firms in Germany. The population of this study comprised of large and medium (MCFs and ICFs) operating within Germany. The study adopted survey research approach. Data obtained from respondents was analysed using percentages, mean item score to analyse respondents' ranked opinions based on the 5-point Likert scale. Spearman Ranked Correlation was used to analyse effects of HRM practices on workers' productivity while Mann-Whitney U-test was used to compare the practices of MCFs and ICFs. It was concluded that there is significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area. Also, there is significant difference in workers' productivity between indigenous and multinational construction firms. It was therefore recommended that the construction industries in Germany should internalize good welfare services and effective labor policies.

INTRODUCTION

Organizations are increasingly looking at HRM as a unique asset that can provide them with sustained competitive advantage (Krishnan and Singh, 2007). The organization's philosophy on how to manage its workforce, its practices and policies, therefore needs to be well defined to improve workers' productivity in the construction industry in Germany in order to provide it with the required competitive advantage of HRM practices that influences worker productivity in the construction industry in Germany.

The state of HRM practices generally in the country leaves room for improvement especially within the construction industry. Indigenous firms have not had a fair share of major

construction activities in the country, as they are often awarded to their foreign counterparts whom are considered more technically and managerially more superior and efficient in funds acquisition, HRM and project execution (Ogbebor, 2002; Oseni, 2002; Akintude, 2003).

Indigenous firms have over the years been plagued with understaffing, under-capitalization, poor project performance in terms of meeting completion dates, work quality and capital management which has often led to bankruptcy and in extreme cases, project abandonment. Preliminary studies conducted have shown that in Germany, few large companies control a large percentage of the total workload of the construction industry, while a large number of small and medium sized companies which make up the class of indigenous firms share a very low percentage of the construction workload. It is in this vain that this research seeks to review the HRM practices and policies of indigenous construction firms (ICFs) and multinational construction firms (MCFs) operating in Germany thereby identifying best practices and the level of use adopted by these MCFs to increase productivity of workers aimed at aiding the ICFs enhance their HRM practices for effective project delivery.

Statement of Research Problem

HRM and productivity is a widely considered concept in overall analysis of industrial success. Pfeffer (1994), noted that in order to achieve organisational goals and enhance productivity, flexible and capable workers play a crucial role. As a result, it is important that a construction firm adopts HRM practices that make the best use of its workers. HRM is the most important function in all organisations. It contributes to the success of the organization and creates competitive advantage for the organization. Construction-Based Organisations (CBO) exerts pressures on the workers by the very nature of their dynamic work environment which may affect their productivity, project performance and delivery. One of the main causes of project failure is the lack of effective HRM practices (Berg and Karlsen, 2007; Schmid and Adams, 2008). The HRM practice-ways of handling workers' welfare issues, recruitment and selection, training and development, human resource (HR) planning and workers' skills may determine how the worker copes with temporary work structures that makes a worker to be uncertain about his/her future and leads to reduced productivity and thus poor project delivery. However, very few research documentation on HRM practices within the construction sector are available. In the overseas perspective, according to the author, managers who have little or no knowledge in the construction activities head some private construction firms; their perception of the industry is that construction is a business and that the only requirement is financial ability. Very few works are available on the level of use of HRM as a guide for companies, especially those in the construction industry in Germany. The problem of this study is therefore concerned with understanding the level of use of HRM practices and its influence on construction workers' productivity in multinational and indigenous firms in Germany.

Objective of the Study

The aim of this study is to explore a comparative study of HRM practice and workers' productivity in multinational and indigenous construction firms in Germany. The specific objectives of the study are:

1. To determine the difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area.
2. To assess the difference in workers' productivity between indigenous and multinational construction films.

Research Questions

The following research questions will be answered:

1. What is the difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area?
2. What is the difference in workers' productivity between indigenous and multinational construction firms?

Research Hypotheses

The following hypothesis was formulated to aid in achieving the objectives of the study;

1. There is no significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area.
2. There is no significant difference in workers' productivity between indigenous and multinational construction firms.

Literature Review

The Construction Industry and HRM

HRM consists of the management activities related to investing in human resources: acquiring workers, assessing their performance, providing training and development, and determining the appropriate level and type of compensation (Sims, 2006), etc. In many medium-sized and large organizations, a functional specialist or department handles many HRM responsibilities. But regardless of whether the organization has a human resource manager or department, Eze (2008) maintains that each manager is responsible for assessing needs and for managing his or her own human resources from interviewing and selecting job applicants to estimating future needs, appraising performance, identifying training needs, and keep workers who excel, because the organization's competitive advantage is tied so closely to its human resources.

Human resource activities help organizations obtain and manage workers who have the ability and motivation for high performance (Eze 2008). To ensure that the organization has workers with the needed abilities and skills, HRM helps plan and implement strategies for acquiring and training human resources. The combined effect of these practices can enable

managers, employers and their workers to develop into a powerful source of sustainable competitive advantage. Construction activity is extremely diverse, ranging from simple housing developments to highly complex infrastructure projects (Belout, 2000). However, all types of construction project, regardless of size, have some common characteristics, which include the following:

Their unique nature: unlike other sectors, where prototypes can be tested before real production gets underway, construction projects tend to be one-off, unique organizations that are designed and constructed to meet a particular client's product and service needs. This can lead to significant risks for people working on a project, which largely arise from learning-curve problems associated with new work activities and ever-changing workplace relationships.

Their tendency to be awarded at short notice: many construction projects are awarded following a period of competitive tendering, where possibilities for thorough planning are often limited. Having been awarded a contract, a design consultancy or contractor has to mobilise a project team comprising an appropriate blend of skills and abilities to meet the project demands quickly. The resourcing function may need to respond to sudden changes in workload, as there can be no guarantee of how much work will be undertaken at any particular time (Hillebrandt and Canon 1990).

Their reliance on a transient workforce: construction projects are, for the most part, constructed in situ. Even with the increased use of off-site fabrication and the wider use of prefabricated components, the final product is normally assembled and completed in the required site location. This necessitates the employment of a transient workforce which can move from one project location to the next. This transience poses many problems for workers, such as longer working days, more expense in travelling to work and managing work-life balance issues, since their families may not be as mobile. Transience also arises within projects, since the composition of teams normally changes during different project stages, involving people from many organizations, backgrounds and locations.

HRM Practices of indigenous and Multinational Construction Firms

Armstrong (2004) maintains that few capable ICFs have emerged despite the continuous challenges and infrastructural development of the nation and their involvement in HRM practices. The MCFs appear bigger, most prominent and active participant in the construction sector. The ICFs are still perceived less qualified and competent than the MCFs. For this reason, the ICFs are less patronized. This suggests that they are probably poor performers. Although there is growing empirical evidence showing that international firms perform better in almost all areas than their indigenous counterparts (Crowe et al., 2007) but not to the extent of being the dominant player.

The results of previous study showed that the Multinational Construction Firms had transferred some organisational cultural values to the Indigenous Construction Firms in terms of management techniques and practices. It is however worthy of note that the Indigenous Construction Firms are still bedevilled by technical and managerial difficulties that make them poor performers. On the contrary, the Multinational Construction Firms are better performers. This is attributed to their skill, experience, management expertise and capacity for big projects. This comparison supports the growing evidence according to Crowe et al., (2007) that Multinational firms perform better in almost all areas than their Indigenous counterparts.

This situation also reflects the opinion of Adebayo (2000) on the industry situation in other African countries like Kenya and South African. Though the Indigenous Construction Firms seemed to be as adaptable as their Multinational counterparts, they however showed inadequate involvement of their workers. The degree to which they empower and develop the capability of their workers is less than that of their foreign counterparts. The Indigenous Construction Firms are therefore at the much lower value-added end of construction activities than the Multinational Construction Firms which are at the high value-added end of the industry due to their competitive advantage. This situation also replicates itself in some other African countries. The lesson for other countries is that without the development of appropriate HRM practices and effective organizational ingredients for facilitating improvement of the Indigenous Construction Firms they will remain a net importer of construction services and will rely on foreign construction firms for most of their important construction projects.

Imaga (2001) believes that HRM function has been elevated today because of the increasingly critical nature of problems and challenges in a more effective utilisation of human resource. When an organisation buys or invests in an expensive piece of equipment, it receives a manual containing instructions for operating it, maintaining it, and trouble-shooting when the equipment does not function as it should, but when the organisation procures its human capital, it does not receive a similar manual. This information gap on the human resource management must be filled. The role of the human resource manager is evolving with the change in competitive market environment and the realisation that HRM must play a more strategic role in the success of an organisation (Sims, 2005). Organisations that do not put their emphasis on effectively management and retraining of talents may find themselves in dire consequences, as their competitors may be outplaying them in the strategic employment of their human resource. With the increase in competition, locally or globally, organisations must become more adaptable, resilient, agile and customer-focused to succeed.

Human Resource Management Practices in the Construction Industry

The challenges faced by construction firms are important dimensions of human resource management (HRM), the policies, practices, and systems that influence workers' behaviour, attitudes, and performance (Lawler 2002). Many companies refer to HRM as involving "people practices." Figure 1.1 emphasizes that there are several important HRM practices that should support the organization's business strategy: analyzing work and designing jobs, determining how many workers with specific knowledge and skills are needed (human resource planning), attracting potential workers (recruiting), choosing workers (selection), teaching workers how to perform their jobs and preparing them for the future (training and development), evaluating their performance (performance management), rewarding workers (compensation), and creating a positive work environment (worker relations).

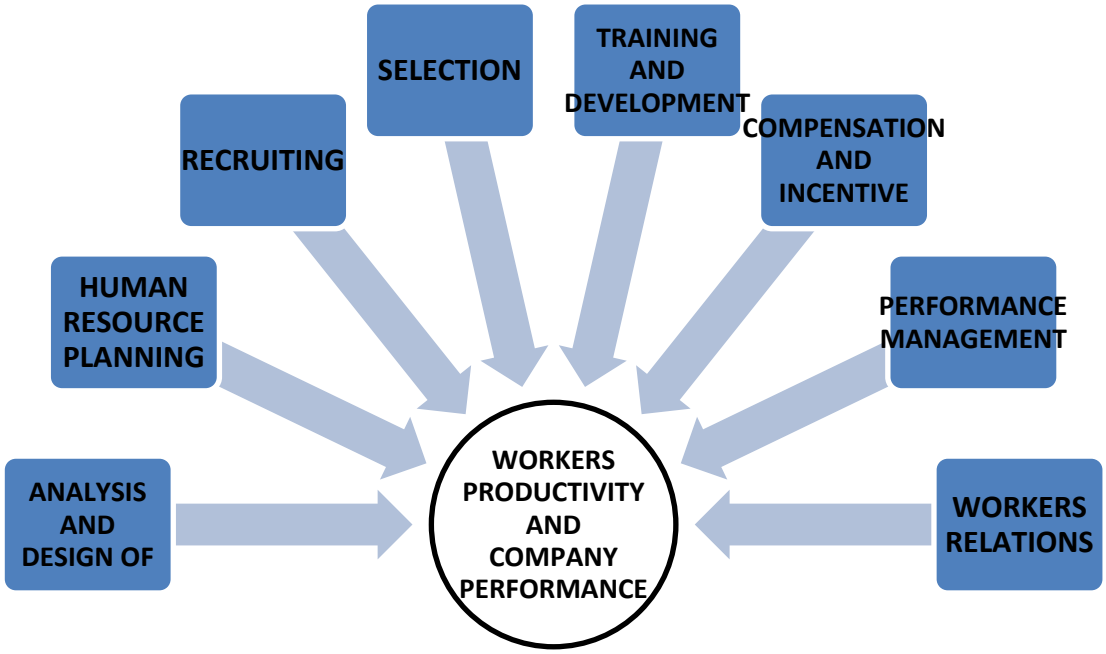

Figure 1.1 Human Resource Management practices. Source: (Lawler 2002)

An organization performs best when all of these practices are managed well. Lawler (2002) maintains that companies with effective HRM is an essential element of an organization's success, workers and customers tend to be more satisfied, and the companies tend to be more innovative, have greater productivity, and develop a more favourable reputation in the community.

Method

Research Design

This study adopted survey research approach. The design is necessary because it focuses on the examination of the extent and the influence of HRM practice and workers' productivity in multinational and indigenous construction firms in Germany.

Area of the Study

The study area for this research is Germany.

Population of the Study

The population of the study consists of large and medium (MCFs and ICFs) operating within the study area, who have valid registration with authorized bodies to practice in Germany. The reason for choosing this category of respondent is that they often head and make key HRM decisions in the construction industry.

Sampling Technique and sampling Size:

The sampling frame for this study consists of large and medium MCFs and ICFs executing public projects within the study area. The sample size for this study is sixty-two (62) construction firms.

Instrument for Data Collection:

This study adopted both primary and secondary data collection tools. The primary data was obtained from the field survey using questionnaires clearly aligned with the objectives of the study while

secondary data was obtained from comprehensive HRM literature review from the various sources including books, referred print and electronic journals.

Methods of Data Analysis:
Data obtained from respondents was analysed using percentages, mean item score to analyse respondents' ranked opinions based on the 5-point Likert scale to assess the level of use of HRM practices and evaluate factors influencing HRM practices of construction firms in the study area. Spearman Ranked Correlation was used to analyse effects of HRM practices on workers' productivity while Mann-Whitney U-test was used to compare the practices of MCFs and ICFs. All hypotheses were tested at 0.05 level of significance.

Data Analysis and Results
Research Question One
The research question sought to find out the difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area. To answer the research question, descriptive analysis was performed on the data (see table 1)

Table 1
Descriptive analysis of the difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area

Variables	N	X	Mean Difference	Remarks
Foreign	7	67.71**		
			44.42	***Remarkable Difference**
Indigene	55	23.29*		

** The highest mean score
* The least mean score
Source: Field Survey
The result of the above table 1 presents the descriptive analysis of the difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area. From the result of the analysis, it was observed that the level of HRM practices of the foreign construction firm (67.71) was remarkably higher than that of indigenous construction firm (23.29) with remarkable mean difference of (44.42). The result therefore means that there is remarkable difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area
Research Question Two
The research question sought to find out the difference in workers' productivity between indigenous and multinational construction firms. To answer the research question, descriptive analysis was performed on the data (see table 2)
Table 2

Descriptive analysis of the difference in workers' productivity between indigenous and multinational construction firms

Variables	N	X	Mean Difference	Remarks
Foreigner	7	38.00**	6.02	***Remarkable Difference**
Indigene	55	31.98*		

** The highest mean score
* The least mean score
Source: Field Survey

The result of the above table 2 presents the descriptive analysis of the difference in workers' productivity between indigenous and multinational construction firms. From the result of the analysis, it was observed that the level of workers' productivity of foreign construction firms (38.00) was remarkably higher than that of indigenous construction firm (31.98) with remarkable mean difference of (6.02). The result therefore means that there is remarkable difference in workers' productivity between indigenous and multinational construction firms.

Hypotheses Testing

Hypothesis One

The null hypothesis states that there is no significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area. In order to test the hypothesis, two variables were identified as follows:-

1. HRM practices of indigenous construction firms (ICFs) as the independent variables

2. Multinational construction companies (MCFs) as the dependant variables

Independent t-test analysis was used in comparing the two independent variables (See table 3).

Table 3

Independent t-test Analysis of the significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area.

Groups	N	$\overline{X}$	SD	t
Foreign	7	67.71	1.70	8.13
Indigenous	55	23.29	14.35	

***Significant at 0.05 level; df =60; N =62; Critical t value = 2.00**

The above table 3 presents the obtained t –value as (8.13). This value was tested for significance by comparing it with the critical t-value (2.000) at 0.05 levels with 60 degree of freedom. The obtained t-value (8.13) was greater than the critical t-value (2.00). Hence, the result was

significant. The result therefore means that there is significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area.

Hypothesis Two

The null hypothesis states that there is no significant difference in workers' productivity between indigenous and multinational construction firms. In order to test the hypothesis, two variables were identified as follows:-

1. Indigenous construction firm as the independent variables

2. Multinational construction companies (MCFs) as the dependent variables

Independent t-test analysis was used in comparing the two independent variables (See table 4).

Table 4

Independent t-test Analysis of the significant difference in workers' productivity between indigenous and multinational construction firms

Group	N	$\bar{X}$	SD	t
Foreign	7	38.00	1.29	3.90
Indigenous	55	31.98	4.03	

***Significant at 0.05 level; df =60; N =62; Critical t value = 2.00**

The above table 4 presents the obtained t –value as (3.90). This value was tested for significance by comparing it with the critical t-value (2.00) at 0.05 levels with 60 degree of freedom. The obtained t-value (3.90) was greater than the critical t-value (2.00). Hence, the result was significant. The result therefore means that there is significant difference in workers' productivity between indigenous and multinational construction firms

Discussion of findings

The result of the data analysis in table 3 was significant due to the fact that the obtained t-value (8.13) was greater than the critical t-value (2.00) at 0.05 level with 60 degree of freedom. This result implies that the result therefore means there is no significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area. The result is in agreement with the research findings of Delaney and Huselid (2000) who reported that the construction industry is known for its low investment on construction workers and poor commitment to HRM practices. The result of the analysis caused the null hypotheses to be rejected while the alternative one was retained.

The result of the data analysis in table 4 was significant due to the fact that the obtained t-value (3.90) was greater than the critical t-value (2.00) at 0.05 level with 60 degree of freedom. This result implies that the result therefore means there is no significant difference in workers' productivity between indigenous and multinational construction firms. The result is in agreement with the research findings of Green (2001), who made it known that Human resources represent the large majority of costs on most projects, and the industry employs an extremely diverse range

of people from a wide range of occupational cultures and backgrounds, including people in unskilled, craft, managerial, professional and administrative positions. The result of the analysis caused the null hypotheses to be rejected while the alternative one was retained.

Conclusions

Based on the findings of the research work, the following conclusions are deemed necessary:

Based on the findings of this study, it is therefore, concluded that there is a strong relationship between good HRM practices and workers' productivity in construction firms in Germany. This shows that workers will be committed in construction firms where HRM practices are effective. The result indicates that a firm where HRM is characterized by inconsistency and deployment challenges, workers' productivity will be low. It is also concluded that there is significant difference in HRM practices of indigenous construction firms (ICFs) and that of multinational construction companies (MCFs) in the study area. There is significant difference in workers' productivity between indigenous and multinational construction firms.

Recommendations

Based on the findings of the research work, the following recommendations need to be implemented:

1. Competent workers with years of experience should be given important tasks to handle in the industry
2. The construction industries in Germany should internalize good welfare services and effective labor policies
3. The construction organizations in Germany should maintain a clear and effective communication system with all levels of constructional staff in order to achieve competitive advantage.

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