Human Resources, Financial Resources and Strategic Performance: Organisational Policy as Moderator

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Abstract

The paper examined the direct relationship and the moderating effect of organizational policy in the relationship between human resources, financial resources and strategic performance. The survey method was used to collect data from employees of all the four multinational firms operating in the mobile telecommunication sector in Nigeria. Quantitative method was used to analyse resultant data. The results suggest that human resources and financial resources contributes positively and significantly to strategic performance. Additionally, organizational policy moderates the relationship between human resources, financial resources and strategic performance. The data used were collected from mobile telecommunication firms in Nigeria which limits the generalization of these findings beyond this context. Future studies should explore tangible, intangible resources and capabilities in other sectors such as manufacturing, financial institutions among others, and in other countries. Drawing on the resource-based view and the contingency perspective, the study provides useful insights on the moderating effect of organisational policy in the relationship between human resources, financial resources and strategic performance in the African context.

Keywords: *human resources; financial resources; strategic performance; resource-based view; organisational policy.*

1. Introduction

In recent years, firms are faced with the challenges posed by intense competition, globalization and technological development. In this context, efficient utilization of human resources and financial resources can allow firms to adapt to such conditions. In some countries, such as Nigeria, where the business environment is volatile and relatively unpredictable, managers need to optimize their human resources and financial resources to adapt to unprecedented changes. Human resources (Rose & Kumar, 2007; Adner & Helfat, 2003) and financial resources are important resources that enable a firm to deliver superior business performance. Arguably, human resources coordinate other types of resources. Firms with strong financial resources have the capability to acquire other strategic resources or assets that can give them a competitive edge, if they are well managed. Human resource strategic management refer to a firm's ability to use its people to create competitiveness and achieve strategic objectives. Prior studies show that human resources could have a positive impact on firm performance in dynamic environments (Morgan et al., 2004; Datta et al., 2005; Ainuddin et al., 2007; Sorooshian et al., 2010; Ologunde et al., 2015). Most of these studies used financial indicators to measure performance (e.g., Sorooshian et al., 2010; Ologunde et al., 2015). Financial resources such as cash-in-hand, bank deposits and/or savings and financial capital (e.g. stocks and shares) also help to explain firm performance (Ainuddin et al., 2007; Morgan et al., 2004). Some empirical evidence in the literature found a positive relationship between financial resources and performance (e.g., Othman et al., 2015; Adomako & Danso, 2014). Nonetheless, the findings into the possible connection between human resources and financial resources have not been fully examined in term of its impact on strategic performance. Arguably, there is a direct relationship between human resources, financial resources and strategic performance. Additionally, the authors propose that firms need to develop and implement robust organisational policies to enable them effectively use their human and financial resources. In so doing, they can achieve better strategic performance. Specifically, the moderating role of organisational policy in the relationship between human resources, financial resources and strategic performance is relatively unclear. The authors argue that the relationship between human resources, financial resources and strategic performance may depend on the policies of the organisation. Guidelines, rules, and procedures support the optimization of human resources, and financial resources, which in turn impact positively on strategic performance. In the light of the above, organisational policy is introduced as a moderator in this study. Contextually, the study focuses on multinational firms operating in the mobile telecommunication sector in Nigeria. The mobile telecommunication sector contributed 9.13 percent to Nigeria's Gross Domestic Product, (GDP) in 2016 (Nigerian Communications Commision, 2017), and attracted highest foreign direct investment $35 billion (NCC, 2017). The authors attempt to fill the gap in the literature by exploring the direct relationship between human resources, financial resources and strategic performance, and the moderating role of organisational policy in the relationship in multinational firms operating in the mobile telecommunications sector in Nigeria. In fact, few studies have examined human resources, financial resources and strategic performance in the multinational mobile telecommunication sector in the Nigeria context. In this study, the authors used strategic performance to operationalize performance (Santos & Brito, 2012). Moreso, in the developed economies where some studies have been done, no study has explored the moderating role of organizational policy in the relationship between human resources, financial resources and strategic performance in multinational firms operating in the mobile telecommunication industry.

2. Literature Review

The contingency perspective allows for interaction effects and varying relationships depending on the presence of a contingent variable. Contingency theory suggests that contextual factors play an important role in explaining the effectiveness of a given 'structure' (Birkinshaw et al., 2002). Contingency perspective may be useful to explore specific effects of organizational policy on human resources, financial resources and strategic performance. The relationship between human resources, financial resources and strategic performance may be improved or restricted by policies of the firm. The contingency view has been used in both theoretical and empirical studies to examine strategic flexibility, CEOs gender and firm performance (Xiu et al., 2017) board effectiveness and firm performance (Nicholson & Kiel, 2003); strategic flexibility, innovative HR practices and CEOs gender performance (Xiu et al., 2017); corporate innovation and firm size (Damanpour, 2010). Arguably, contingency approach and the related analysis of moderating effects provide an appropriate theoretical lens to examine how organizational policy affect human resources, financial resources and strategic performance. Empirical evidence in the literature showed that the resource-based view (RBV), has been used to examine unique and valuable pool of human capital and performance (Beltran-Martin et al., 2008; Zheng et al., 2009); competitive value of innovation strategies and business performance (Terziovski, 2010; Cheng et al., 2014; Wang, 2014); strategy formulation process and innovation performance (Nwachukwu et al., 2018); human resources as a source of sustainable competitive advantage (Huselid, 1995; Kamoche, 1996). The resource-based view states that the internal resources that are owned and controlled by a firm are a source of competitive advantage (Wernerfelt, 1984). If a firm possesses resources that are valuable, rare, non-imitable, non-substitutable, non-transferable, and the firm has the organizational capability to exploit these resources, it could lead to a sustainable competitive advantage (Barney, 1991). Human resources and financial resources that valuable, rare, difficult to imitate and substitute for, are strategically important to achieve the firm's strategic objectives. In this context, the RBV is concerned with linking human resources and financial resources to the strategic performance of the mobile telecommunication firms in Nigeria. Arguably, in terms of strategic performance, the effective and efficient utilization of human resources and financial resources may increase the firm's capacity to create new products, services, process, expand both existing and new markets and acquire other strategic resources. This may enhance customer satisfaction, increase in sales volume and strategic performance.

2.1. Human Resources and Business Performance

Human resource (HR) is one of the most important assets that can help firms achieve and sustain competitive advantage. Human resource is a bundle of education, employment or industry experience that enable firms to deliver superior performance. Human resources consist of personnel available to formulate and implement a firm strategy (Barney, 1991). Human resources need to be properly managed to ensure that only competent people are trained and developed. Prior research suggests that innovative HR practices are positively associated with organizational performance (e.g. Messersmith et al., 2011; Zheng et al., 2009); people management is a key source for improving employee satisfaction (Nwachukwu & Chladkova, 2017); firm's strategy and the use of human resources (Lee et al., 2010); human resources and performance (Lee et al., 2010; Ahmad & Schroeder, 2003); attention to human resource management and financial performance (Sorooshian et al., 2010) strategic HRM profitability and market share of the SMEs (Ologunde et al., 2015). Shigang & Guozhi (2016) investigated the relationship between core capability and international performance of Chinese construction firms. It was observed that HR management capability has a significant positive relationship with the performance of Chinese construction firms. Muogbo (2013) found a strong positive correlation between SHRM and performance level of competition in SMEs in Nigeria. Similarly, Yuan-Yao et al. (2009) found a positive relationship between human resources and performance of Taiwan's IC design industry. In view of the above, we hypothesize that;

H1: Human resources is positively related to strategic performance.

2.2. Financial Resources and Business Performance

Firms may optimise their financial resources to maximize profits (Inmyxai & Takahashi, 2010) and remain competitive. Financial resource is an important driver of superior business results because it supports the acquisition of other strategic resources and assets. Arguably, access to financial resources supports firm's strategic efforts, sustainable growth, performance and as well as innovative activities. Danso & Adomako (2014) underscores the importance of financial resources as one of the factors that drive the operations of firms. Hence, it becomes important for firms to take optimal financing decisions to survive in a competitive and dynamic business environment. Firms need sufficient financial capital that can easily be converted into other types of resources (Dollinger, 1999), to support the implementation of internal growth strategies and also to gain a competitive advantage through superior returns (Barney, 1986). Financial resources of a firm include among others, financial liquidity, operating funds, borrowing capacity and the ability to generate internal funds is crucial for firm survival and profitability. Cooper et al. (1994) observed that financial capital availability support the implementation of new strategies, practices and new growth opportunities. Indeed, financial resources constraints can hinder the development and introduction of innovative products and services to the market and strategic performance. Furthermore, it may be difficult to pursue resource-intensive growth strategies and experiment with innovative projects and new strategies in a resource-constrained environment (Mousa, 2009; Cyert & March, 1992). Neneh (2016) found that while SME has low levels of financial literacy and availability, financial literacy has a positive effect on SME performance and that the relationship is positively moderated by financial capital availability. Shigang & Guozhi (2016) found that financial capability is positively related to the performance of Chinese construction firm. Othman et al. (2015) found that the availability of current assets is significantly and positively related to performance as measured by only gross profits. Furthermore, the availability of business finance is significantly and positively related to performance as measured by gross profit, net profit and total reserves. Drawing on the RBV, Adomako & Danso (2014) examined the direct relationship between financial literacy and firm performance and the moderating role of resource flexibility and financial capital availability on the relationship between financial literacy and firm performance. They observed that financial literacy has a positive relationship with firm performance, financial capital availability positively moderates the relationship between financial literacy and firm performance, and resources flexibility positively moderates the relationship between financial literacy and firm performance. Similarly, Clarke et al. (2010) find a positive relationship between financial capital and firm performance. Nonetheless, there are very few studies on financial resources performance nexus in Nigeria. In light of above, the authors contend that effective and efficient use of financial resources will have a positive impact on strategic performance.

H2: Financial resources is positively related to strategic performance.

2.3. Human Resources, Financial Resources, Strategic Performance and Moderating Role of Organisational Policy

Firms need to take strategic decisions on how to use scarce resources to remain competitive (Nwachukwu et al., 2018). The effectiveness of human resources and financial resources depend on how well they mesh with other aspects of the firm. The contingency perspective draws a causal relationship from organisational policies to the strategic performance metrics. Organisational policies are established to guide managerial thinking and decision making that relates to utilising resources, developing and deploying capabilities that give firms a competitive edge. Policies are important for the effective and smooth running of firms, they set boundaries, constraints, and limits on the kinds of administrative actions that can be taken to reward and sanction behaviour. Arguably, organizational policies provide a basis for management control, delegation of decision-making, allow coordination across organizational units and facilitate rapid decision-making. Past studies have examined the relationship between human resource policies, financial policies and performance. For instance, the impact of HRM policies on commitment, productivity, profitability, and quality, among others (Demo et al., 2012; Kim & Lee 2012); financial policy (Salawu et al., 2012; Akhigbe & Madura 2008; Bokpin & Abor, 2009). Most of these studies found a positive relationship between organizational policies and firm performance. Arguably, organizational policies support efficient and effective utilisation of human resources and financial resources. Furthermore, organizational policy may improve or restrict the impact of human resources and financial resources on strategic performance. In order to understand the relationship between human resources, financial resources and strategic performance, it is important to consider the role of organizational policy in the relationship. Specifically, the effect of human resources and financial resources on strategic performance may depend on a robust organisational policy. Arguably, the stronger the organizational policy support, the stronger the impact of human resources and financial resources on strategic performance. In the literature, no study though, have explored the moderating effect of organizational policy in the relationship between human resources, financial resources and strategic performance. In this context, the authors argue that the relationship between human resources, financial resources and strategic performance will be enhanced with a robust organizational policy. We hypothesized that:

H3: Organizational policy moderates the impact of human resources on strategic performance
H4: Organizational policy moderates the impact of financial resources on strategic performance

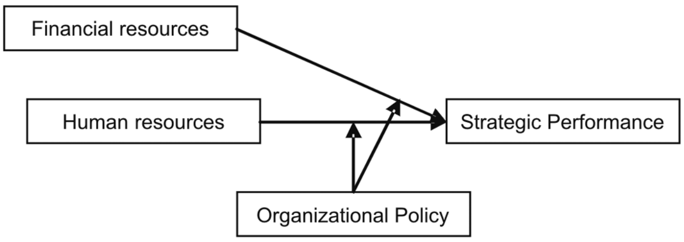

Figure 1. Conceptual model showing the relationship between the research variables
Source: Authors work, 2017

3. Methodology

3.1. Participants and settings

Questionnaires were sent to 120 employees drawn from sales, marketing, finance/audit, customer service and engineering departments of all the four multinational firms operating in the Nigerian mobile telecommunication sector. The respondents were selected from the sample firms head offices and eight regional offices across the country whose portfolios were involved in strategic management and decision-making. The sample size is within the recommended sample size for a correlational study (Bryman, 2004).

3.2. Data collection

This study adopts a survey research approach. The surveys are useful methods for collecting large quantities of data from respondents (McDaniel et al., 2008) either by means of interview surveys or self-completion questionnaires. This study used a set of questionnaires and secondary data from Journals and websites. The questionnaire methods are faster, cheaper and effective means of collecting data. The instrument was designed in three main parts; Part A of the questionnaire collected data on human resources, financial resources and organizational policy. To make processing of the responses easy, we used a five-point Likert scale, from 1 (strongly disagree) to 5 (strongly agree). For human resources, two questions were used to measure whether the firms have the right number of people with the right skills, experience, qualification and competencies to plan, manage and support its strategic initiatives. For financial resources, two questions were used to assess company financial capacity to support its business operations and the management commitment to provide financial resources to support strategic initiatives. For organisational policy, four questions were used to assess the relevance of firm policies to current business activities and management support in developing and implementing the policies. Part B has used collect data on the respondents' profile. Part C assessed strategic performance using four items adapted from Santos and Brito (2012). Respondents were asked to choose, among five options, from 1 (below average) to 5 (above average) which best describes the firm overall average performance. Respondents opinions were subjectively measured based on managers' perceptions.

3.3. Procedure

A web-based survey was combined with sending emails to respondents to participate in the study (Andrews et al. 2003). The authors used the "esurvey creator" software to collect data from respondents between June 2017 and November 2017. Respondents were allowed time to complete the questionnaires at their conveniences while they remain anonymous. In addition, voluntary participation was encouraged, and the respondents were informed that they were able to withdraw from the study at any stage if they wished to do so.

3.4. Reliability/Validity test

The authors used KMO, Bartlett's test and Cronbach's alpha to test the validity and reliability of the constructs. Cronbach alpha was used to determine the internal reliability of the items in the questionnaire. Cronbach alpha shows how well the items in a set in the questionnaire are positively correlated to one another (Sekaran & Bougie, 2010). Cronbach's alpha for human resources (0.84), financial resources (0.72), organizational policy (0.79), strategic performance (0.78) and the overall scale (0.80) indicates that the measurement instrument is reliable (Zikmund et al., 2010). The questionnaire effectively measures the variables explored in this study. The KMO and Bartlett's test of sampling adequacy was significant (KMO; 0.755, $P = 0.000 < 0.05$) which is well above the recommended 0.5 (Hair et al., 2010).

3.5. Handling common method bias

The respondents were analysts/supervisors, lower, middle and senior managers drawn from sales, marketing, finance/audit, customer service, and engineering departments of the sample firms head offices and eight regional offices across

Nigeria. This group of employees are in the best position to provide reliable information on the subject. The validity tests performed on the constructs and their items showed that the established criteria were satisfied. The authors used a panel of six academic and non-academic experts' to review the questionnaire items in order to ascertain face validity, comprehensiveness and coherency. Evaluation apprehension was minimized by assuring to protect the respondent anonymity (Conway & Lance, 2010; Podsakoff et al., 2003). These steps ensured that the effect of common method bias was minimal.

3.6. Data analysis

Descriptive statistics were used to provide a profile of respondents' demographics. In order to test the moderating effect of organizational policy on the relationship between human resources, financial resources and strategic performance, the authors used hierarchical regression analysis. The hypotheses were tested at 0.05% significance level, with 95% confidence, which is acceptable in non-clinical research works. Statistical package for social sciences (SPSS 17) software is employed for the analyses conducted.

4. Empirical Results and Discussion

Out of 120 questionnaires administered to the respondents, 105 respondents completed and returned the questionnaires which account for 87.5% response rate. Bryman & Bell (2015), Mugenda & Mugenda (2009), suggest that a feedback rate of 50% is adequate for data analysis. In terms of the demographic profile of the respondents, the respondents were classified into four groups of age: between 25-34 years old; 35-44 years old; 45-54 years old; 55 years old and above. 36 % of the respondent's age is between 25-34 years old. More than half 62 % of the respondents were between 35-44 years old. About 2% were between 45-54 years old. There are no respondents whose age was 55 years and above. With respect to educational qualifications, 44% of the respondents have a first degree (HND/B.SC), 55% have a second degree (MBA/M.SC) and 2% have professional certifications. With regard to work experience in years, only 7.6% respondents had worked for the firms for less than five years. The results suggest that majority of the people who responded to the questionnaire had worked in the firms for 5 years and above 92.4%. Furthermore, 2% of the respondents were directors, 10% were senior managers, 45% were middle managers, 41% were lower level managers, 2% were analysts and supervisors. The sample may be considered adequate in terms of the distributions of these characteristics.

4.1. Correlation results

The results in table 1, shows that the relationship between human resources and strategic performance is positive and statistically significant (R = 0.299 p-value = 0.002). The association between financial resources and strategic performance is positive and significant (R = 0.415, p-value = 0.000).

	Human resources	Financial resources
Pearson Correlation	.299**	.415**
Sig (2 tailed)	.002	.000
N	105	105

** Correlation is significant at the 0.01 level (2- tailed)
* Correlation is significant at the 0.05 level (2- tailed)

Table 1.
Correlation results of the relationships between strategic performance, human resources and financial resources
Source: Authors work

The computed variance inflation factors values for the models range between 3.579 - 4.193 which is less than 5 (Ringle et al., 2015), shows that models are free from the problem of multicollinearity. The authors used hierarchical regression analysis to test moderating effect of organizational policy on human resources, financial resources and strategic performance (Sharma et al., 1981). Presented in table 2 is the results of the hierarchical regression model.

	R	R^2	Adj. R^2	Std error	R^2 change	F change	Sig. F change	VIF
Model 1	.299**	.090	.081	.61930	.090	10.135	0.002	
Model 2	.540**	.292	.278	.54884	.202	29.142	0.000	4.193

Model 1: Human resources

Model 2: Interaction between human resources and organizational policy

**Correlation is significant at the 0.01 level (2- tailed)

Table 2. Hierarchical regression results of the moderating effect of organizational policy in the relationship between human resources and strategic performance
Source: Authors work

Human resources have a significant and positive relationship with strategic performance (R = 0.299, $p < 0.05$). The effect of the interaction term between human resources and organisational policy (R = .540, **p** < 0.05) on strategic performance is significant. The R^2 change indicates the increase in variation explained by the addition of the interaction term. The results show that change in $\mathbf{R^2}$ is .202, which indicates that the impact of human resources on strategic performance increase by 20.2% when organizational policy is added as a moderator. Thus, organizational policy does moderate the relationship between human resources and strategic performance.

	R	R^2	Adj. R^2	Std error	R^2 change	F change	Sig. F change	VIF
Model 1	.415**	.172	.164	.59060	.172	21.398	0.000	
Model 2	.539**	.290	.276	.54957	.118	16.953	0.000	3.579

Model 1: Financial resources

Model 2: Interaction between financial resources and organizational policy

**Correlation is significant at the 0.01 level (2- tailed)

Table 2. Hierarchical regression results of the moderating effect of organizational policy in the relationship between financial resources and strategic performance
Source: Authors work

The relationship between financial resources and strategic performance is positive and significant (R = 0.415, $p < 0.05$). The effect of the interaction term between financial resources and organisational policy (R = .539, **p** < 0.05) on strategic performance is significant. The result reveals that change in $\mathbf{R^2}$ is .118, which means that the impact of financial resources on strategic performance increase by 11.8% when organizational policy is added as a moderator. Thus, organisational policy moderates the relationship between financial resources and strategic performance.

4.2. Discussion

Firms may efficiently use their human resource and financial resource to achieve superior business results in a competitive business environment. In this study, the authors examined and tested four hypotheses. All the four hypotheses are statistically significant at 5% level of significance. The results show that human resources have a positive and significant relationship with strategic performance. This result is consistent with the findings of (Lee et al., 2010; Ahmad & Schroeder, 2003; Yuan-Yao et al., 2009; Sorooshian et al., 2010; Shigang & Guozhi, 2016; Ologunde et al., 2015) that human resources is positively related with performance. The ability of firms to earnest the skills, experience, competencies of employees could contribute to superior strategic performance. The study suggests that firms with competent human resources are able to develop and implement successful strategies which in turn impact positively on strategic performance. Thus, ***H1*** human resource is positively related to mobile telecommunication firm strategic performance is supported. Financial resources have a positive and significant relationship with strategic performance. This result is consistent with the findings of (Neneh, 2016; Shigang & Guozhi, 2016; Othman et al., 2015; Clarke et al., 2010) that financial resources/capability is positively related to performance. A well-managed financial resource can enable firms to acquire other strategic assets and resources which can contribute to achieving strategic performance. The availability of financial resources may enable a firm to secure the services of competent employees, acquire machines and equipment. Moreso, availability of adequate working capital can facilitate the smooth running of the firms and thus, improve strategic performance. Consistent with expectation, ***H2***, financial resources is positively related to mobile telecommunication firm strategic performance is supported. Organisational policy refers to guidelines and procedures that are relevant to firm current business operations that support efficient utilization of resources and capabilities. Policy development and implementation could enhance strategic performance. In this context, implementing robust human resources and financial policies can serve as a guide for strategic decision making. The empirical results of the interaction effect between human resources and strategic performance is statistically significant. Based on the finding from the study, organizational policy moderates the relationship between human resources and strategic performance. The study suggests that impact of human resources on strategic performance is stronger when firms develop and implement policies that support efficient use of employees' skills, experiences and competencies. A robust human resources policy in the area of human resource planning, recruitment, rewards and compensation, training and development will motivate employees to put in their best which will translate to improved strategic performance. Thus, ***H3***, organizational policy positively moderates the impact of human resources on strategic performance is supported. Similarly, organisational policy moderates the relationship between financial resources and strategic performance. The interaction effect between financial resources and strategic performance is statistically significant. Thus, the effect of financial resources on strategic performance is stronger when firms develop, commit and implement policies that support efficient use of their financial resources and capabilities (e.g., working capital). Based on the findings of this study, the authors infer that, a strong organizational policy that address areas such as credit management, capital budgeting, cashflow management, working capital management, financial resources allocation decisions, expenditure efficiency and cost control among others could facilitate optimal use of financial resources, and thus support the firms's strategic objectives, which in turn impact positively on the strategic performance of the firms. This finding supports ***H4***, organizational policy positively moderates the impact of financial resources on strategic performance.

5. Conclusion

Firms should have different policies to cope with environmental uncertainty and changes. Mobile telecommunication firms in Nigeria can achieve superior strategic performance by optimizing their policies to enhance the impact of human resources and financial resources on strategic performance. The relationship between human resources, financial resources and strategic performance is positive and significant. Firms need discipline, hardworking, motivated and highly skilled managers and employees as well as financial resources to drive their strategic initiatives and improve strategic performance. Additionally, the relationship between human resources, financial resources and strategic performance is stronger when organizational policy is added as a moderator. The authors, therefore, conclude that effective utilization of human resources and financial resources are important drivers of superior strategic performance. Additionally, strong organizational policy enhance the relationship between human resources, financial resources and strategic performance.

5.1. Theoretical contribution

The study contributes to the strategic management literature by using RBV and contingency perspective to explore the relationship between human resources, financial resources and strategic performance, and to identify one construct (organizational policy) that plays moderating role in the relationship in mobile telecommunication firms in the emerging market context, first of such attempt in the African contexts. Thus, this study makes a contribution to the RBV by providing a better understanding on how human resources and financial resources affect strategic performance of mobile telecommu-nication firms in Nigeria. Additionally, the results of this study support the basic insight of the contingency theory that the impact of human resources and financial resources on strategic performance depend on organizational characteristics such as organisational policy.

5.2. Managerial implications

The empirical results suggest that managers and executives should give close attention to their firm's human resources and financial resources to remain competitive in a rapidly changing business environment. If firms are to achieve and sustain superior strategic performance, they need a strong organisational policy that supports efficient optimization of both human resources and financial resources. By recognising the impact of organisational policy on human resources and financial resources, practitioners and managers can significantly enhance strategic performance. On the other hand, if they give less attention to developing and implementing robust human resource policies, and financial resources policies, firms may fail to achieve superior strategic performance. Finally, firms should develop and implement strong policies, in the areas of recruitment, compensation, training and development, procurement, long-term financial planning, budgeting among others. Recognising these mechanisms provides support for improving strategic performance of firms.

5.3. Limitations and future research

The data used were collected from mobile telecommunication firms in Nigeria which limits the generalization of these findings beyond this context. Future studies should explore tangible, intangible resources and capabilities in other sectors such as manufacturing, financial institutions among others, and in other countries. The study used cross-sectional data, longitudinal data should be used to establish causal relationships between the constructs over time. The study used a subjective measure to operationalise strategic performance. Other researchers should use both financial and strategic performance in a single study using both objective and subjective measures. Nonetheless, this study provides interesting grounds for further debate and empirical research.

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