

REQUISITE SKILL AVAILABILITY AND MULTINATIONAL CORPORATIONS LOCATIONAL STRATEGIES IN NIGERIA

Olufemi Amos Akinbola, Ph.D.

*Department of Business Administration
College of Management Sciences
Federal University of Agriculture, Abeokuta
E-mail: akinbolaoa@funaab.edu.ng
ORCID: 0000-0001-7916-4136*

Solomon Akpoviro Kowo

*Department of Business and Entrepreneurship
School of Business and Governance
Kwara State University, Malete.
E-mail: kowosolomon@gmail.com
ORCID: 0000-0002-4754-5732*

Olugbenga Abiola Ojo, Ph.D.

*Assistant Professor, Leeds University Business School
Leeds Beckett University, United Kingdom
Email: a.ojo3432@student.leedsmet.ac.uk
ORCID: 0000-0001-8725-0966*

Received 22 July 2018, Accepted 19 April 2019

Abstract

Research Background: Unemployment has been a major inhibitor of growth and development in Nigeria and it has been a perpetual problem that has proven insurmountable despite various governmental administration interventions and commercial policies to encourage the influx of multinational corporations and foreign direct investment. As such, this study examined the effect of requisite skill availability (RSA) on multinational Corporations locational strategy (LS) as there has always been skill mismatch inhibiting employability.

Research Methodology: The study adopted a cross sectional research design and considered 5 multinational corporations in Nigeria by a random sampling technique. The statistical tools used included multiple regressions and a Correlation analysis through SPSS.

Results: The results indicated (RSA) has a significant positive relationship with locational strategy (at $p = 0.004$). It was also observed that other controlling variables as trade facilitation, foreign ownership policy and structural infrastructural availability also has a significant positive effect.

Novelty: The study recommends that; the government should provide an education and personal development platform that would make its citizenry employable based on the skills that are needed by multinational corporations to be localized in the country.

Keywords: Requisite Skill Availability, Employability, Multinational Corporations, Locational Strategy

JEL classification: M10, M16

Introduction

Multinational corporations have been adjudged to situate their businesses in locations where there is accessibility to relevant skills and the labour needed for optimal operations. The relevance of requisite skill availability and the location choices of multinational corporations (MNCs) have gained much attention in contemporary research. It focuses explicitly on the embeddedness of firms into local institutional environments (Du, Lu, Tao 2012). Foreign firms tend to become highly dependent on the institutional factors at the location of choice for investment and have to adapt themselves (at least to a certain extent) to the local institutional framework in order to gain legitimacy and integration within the regional economic system especially when it comes to sourcing for requisite skill and labour as graduate skill mismatch has been adjudged to be an inhibitor of the locational choices of MNCs in Nigeria (Awogbenle, Iwuamadi, 2010). Foreign direct investment (FDI) flow into developing countries depends even more on institutional parameters, since developed country MNCs are used to a business environment shaped by a set of rather complete market based institutions in their home markets (Kang, Jiang, 2012). Nevertheless, these MNCs are often big players in their industry and have the power to shape institutional contexts in the host country due to their large size, superior capabilities and dominant position in global value chains. Thus, an interdependent perspective on developmental institutional quality, location choices of MNC, and institutional change is needed.

1. Review of Literature

O.S. Pitan and S.O. Adedeji (2012) identified that demand exceeds the supply of requisite skills of most multinational jobs and found the mismatch of requisite skills to have adverse impacts on multinational companies. At the organizational level, lack of requisite skills inhibits firms' productivity or quality and competitiveness. The shortage of requisite skills has an undesirable impact on productivity due to the fact that most skills acquired by graduates are obsolete and it results in the higher cost of training, wages and recruitment costs. In addition, requisite skills mismatch may impede economic growth, a firm's competitiveness and innovative capacity at the macro-economic level. D. Hughes and G. Graton, (2009) reported in a study concerning employability that young people lack the knowledge and skills to search for and identify suitable programmes of study to make employers sought after them. Furthermore, employers were found to believe that "school, college and higher education systems are not delivering students with the employability and self-management skills, character and attitude they need". D. Saslavsky and B. Shepherd (2014) found that Industrial policies are major determinants of foreign investment inflow. A.O. Edun (2011) further showed that investment promotions by a government to multinational corporations is significantly and positively related with multinational inflows in developing countries as skill availability is part of the investment promotional tool.

2. Inference to the Search Theory of Unemployment

This research takes its footings on the search theory of unemployment of T.J. Fitzgerald (1998) which examines the labour market condition based on the assumption that "all unemployment is deliberate, for a skilled labour". In principle, the search model assumes that employees retrenched or sent out of an established-equilibrium position may face the choice of either; rejecting the lower wage-offer and become unemployed or accept a lower-wage pay, in order to remain employed. Thus, displaced skilled and professional workers choose to be unemployed and devote enough time to search, for an alternative offer, not less than the previous offer their services had, in a new working environment. Also, individuals in Nigeria look for jobs which are not available and sometimes what they are not qualified for (Pitan, Adedeji, 2012).

3. Research Method

The study considered the survey research method which involves the use of a structured questionnaire to obtain data from respondents on their perception of the requisite skill availability and locational strategy of multinational corporations. The reason for the use of the survey research method is because few researchers used research of this nature (Dennis, Shepherd, 2011; Ahmed, Andersson, Hammarstedt, 2012) and it is a better option in Nigeria's case because secondary data on skill availability is limited. The study population cuts across all levels of employees in multinational companies. The study considered five multinational corporations in the South west that are homogenous in nature and are listed on the Nigerian Stock Exchange which includes PZ Cussons, Unilever, Cadbury, Nestle and Glaxosmithkline Plc, based Manufacturers Association of Nigeria (MAN) justifications that about 70% of manufacturing firms are located in the south west region of the country. The hierarchical structure of the study population consists of three tiers, which include Top, Middle and Low level employees.

3.1. Sample Size Determination

The MaCorr sample size software calculator designed to electronically calculate sample size by imputing a population figure was used to determine sample size. The Population is 9,367 employees with 95% confidence level which gives a sample size of 369 approximated to 375 number of questionnaire to avoid a shortfall and give equal representation to the multinational respondents. Below is a vivid depiction of the sample size calculator in operation.

(Step 1)

Determine Sample Size

Confidence Level:

Confidence Interval: (%)

Population:

Sample Size:

(Step 2)

Find Confidence Interval

Confidence Level:

Sample Size:

Population:

Percentage: (%)

Confidence Interval: (%)

Figure 1. Macorr Sample Size Calculator

Source: www.macorr.com (Maccor Sample Size Calculator).

3.2. Presentation of Data

The research questionnaire was administered to three hundred and seventy five (375) employees which is the sample size representing the chosen study population of the selected 5 multinational companies in Nigeria. Of this sample, three hundred and forty six (346) questionnaires representing 92.3% were returned, and twenty nine (29) questionnaires representing 7.7% were not returned.

3.3. Frequency Distribution of the Respondents' Demographic Characteristics

The frequency distribution of the respondents' demographic characteristics is presented in Table 1. The table shows that out of the three hundred and forty six (346) respondents, 229 (66.2%) are male, while 177 (33.8%) are female. By implication, we have more male respondents to female respondents in the sample. Also, there are 98 MSC and MBA holders (28.3%), 167 HND/BSc holders (48.3%), 35 O Level holders (10.1%), in the sample. By implication, the respondents have high HND/BSc educational qualifications. In addition, out of the three hundred and forty six (346) respondents, 31 (9.0%) are single while 315 (91.0%) are married.

Table 1. Frequency Distribution of the Respondents' Demographic Characteristics (N = 346)

Characteristics	Category	Frequency	Per cent	Cumulative per cent
Gender	Male	229	66.2	66.2
	Female	117	33.8	100.0
Educational Qualification	O Level	35	10.1	10.1
	HND/BSc	167	48.3	58.4
	MSC/MBA	98	28.3	86.7
	Others	46	13.3	100.0
Marital status	Married	315	91.0	91.0
	Single	31	9.0	100.0
Age	20–30	113	32.7	32.7
	31–40	123	35.5	68.2
	41–50	69	19.9	88.2
	51 years above	41	11.8	100.0
Company	Nestle PLC	69	19.9	19.9
	Glaxosmithkline	64	18.5	38.4
	Cadbury PLC	73	21.1	59.5
	Unilever PLC	69	19.9	79.5
	PZ Cussons PLC	71	20.5	100.0
Management Cadre	Lower level	76	22.0	22.0
	Middle level	173	50.0	72.0
	Top level	97	28.0	100.0

Source: author's Fieldwork Computation, 2017.

By implication, most of the respondents are married. Again, out of the three hundred and forty six (346) respondents, 41(51 years and above), 69 (19.9%) are between 41 and 50 years of age, 123 (35.5%) are between 31 and 40 years, and 113 (32.7) are between 20 and 30 years. By implication most of the respondents are between the age of 31 and 40 years. More so, 71 (20.5%) of the 346 respondents are employees of PZ Cussons PLC, 69 (19.9%) are employees of Unilever PLC, 73 (21.1%) are employees of Cadbury PLC, 64 (18.5%) are employees of Glaxosmithkline and 69 (19.9%) are employees of Nestle PLC. By implications, most of the respondents are employees of Cadbury PLC. More importantly, out of the 346 respondents, 97 (28.0%) are top level managers; 173 (50.0%) are middle level managers while 76 (22.0%) are lower level managers.

4. Descriptive Statistics of the Respondents' Perceptions

The descriptive Statistics considered other moderating independent and dependent variables alongside skill availability which could influence multinational locational choices. The variables include trade facilitation, foreign ownership, structural infrastructural availability, and cost of operation, employment creation capacity and corporate productivity. Respondents' Perceptions is presented in Table 2. Concerning the bolded skill availability, we have information from 346 respondents; the range of skill availability is from 1 to 4 points, with a mean of 3.06 and standard deviation of 0.606 and locational strategy is from 1 to 5 points with a mean of 3.67 and standard deviation of 0.665. By implication, the respondents on average, agreed with the questions on skill availability and locational strategy.

Table 2. Descriptive Statistics of the Respondents' Based on Variable Questions

Mean of Variables	N	Minimum	Maximum	Mean	Std. Deviation
Trade Facilitation	346	2	4	3.30	0.577
Skill Availability	346	1	4	3.06	0.606
Foreign Ownership	346	1	5	3.69	0.656
Social Infrastructural Availability	346	1	5	3.51	0.662
cost of operation	346	1	5	3.45	0.617
Employment Creation Capacity	346	1	4	3.06	0.606
Locational Strategy	346	1	5	3.67	0.665
Corporate Productivity	346	1	5	3.51	0.662
Valid N	346				

Source: author's Fieldwork Computation, 2017.

4.1. Data Analysis Based on the Hypothesis

The hypotheses of the study are: (1) trade facilitation, foreign ownership, skill availability and social infrastructure availability does not significantly affect the cost of operation of multinationals. To test this hypothesis and achieve the objective of the study, a multiple regression analysis was used and based on a correlation because it allows for a more sophisticated exploration of the interrelationship among a set of variables. It makes a number of assumptions about the data which are:

1. Normality: It is assumed that the dependent variable is normally distributed (i.e. employability).
2. It is assumed that the independent variables (trade facilitation, foreign ownership, skill availability and social infrastructure availability) are not highly correlated.
3. Homoscedasticity: It is assumed that the variations among observations is even.
4. Linearity: Relationship between dependent and independent variables is assumed linear.

4.2. Test of Normality

A normal curve was drawn to test for the normality of the dependent variable (locational strategy). Figure 2 presents a normal curve.

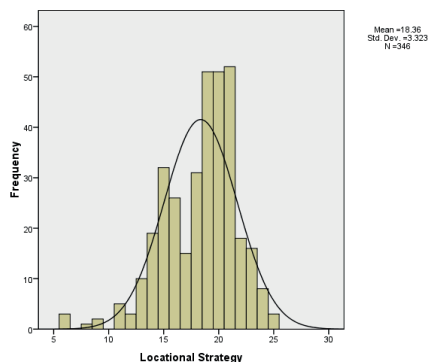


Figure 2. Normality Curve

Source: author's Fieldwork Computation, 2017.

4.3. Test of Multicollinearity

Multicollinearity exists when the independent variables are highly correlated (that is $r = 0.7$ and above). B.G. Tabachnick and L.S. Fidell (2001) suggested that you 'think carefully before

including two variables with a bivariate correlation of 0.7 or more in the same analysis'. There is need to consider omitting one of the variables. To check for multicollinearity, the bivariate correlation was conducted in Table 3 below. In the table, the highest correlation was 0.544. It shows a low multicollinearity problem among variables (trade facilitation, skill availability, foreign ownership and social infrastructural availability). Therefore, all the variables are retained.

Table 3. Correlations among Commercial Policy Variables

		Trade facilitation	Skill availability	Foreign ownership	Social infrastructural availability
Trade Facilitation	Pearson correlation	1			
	Sig. (2-tailed)				
	N	346			
Skill Availability	Pearson correlation	-0.057	1		
	Sig. (2-tailed)	0.293			
	N	346	346		
Foreign Ownership	Pearson correlation	0.152**	-0.006	1	
	Sig. (2-tailed)	0.005	0.906		
	N	346	346	346	
Social Infrastructural Availability	Pearson correlation	0.166**	-0.182**	0.544**	1
	Sig. (2-tailed)	0.002	0.001	0.000	
	N	346	346	346	346

** – correlation is significant at the 0.01 level (2-tailed).

Source: author's Fieldwork Computation, 2017.

4.4. Test of Homoscedasticity and Linearity for hypothesis One

From the output below, there appears to be a moderate, positive correlation among the variables. Respondents that are highly affected by trade facilitation, skill availability, foreign ownership and social infrastructural availability experience low levels of locational strategy. On the other hand, employees which are less affected by trade facilitation, skill availability, foreign ownership and social infrastructural availability have much higher levels of locational strategy. There is no indication of a curvilinear relationship (test of linearity) and the scatter plot shows a fairly even cigar shape along its length (test of Homoscedasticity).

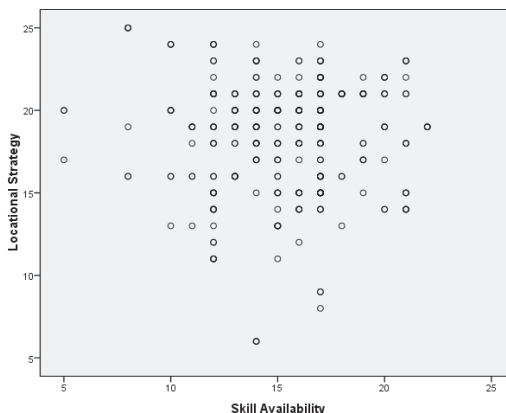


Figure 3. Scatter Plot of skill availability and locational strategy Scores

Source: author’s Fieldwork Computation, 2017.

4.5. Test for Hypothesis One

Ho₁: There is no significant effect of requisite skill availability on multinationals locational strategy.

A standard multiple regression was used to explore the effects of trade facilitation, foreign ownership, skill availability and social infrastructure availability on employment creation capacity. The result of regression as contained in Table 4 – ANOVA, shows that the F-test was 1.8803, significant at 1% ($p < 0.000$). This showed that the model was well specified.

Table 4. ANOVA*

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3644.313	4	911.078	1.8803	0.000**
	Residual	165.248	341	0.485		
	Total	3809.561	345			

* Dependent Variable: Locational Strategy.

** Predictors: (Constant), Social Infrastructural Availability, Trade Facilitation, Skill Availability, Foreign Ownership.

Source: author’s Fieldwork Computation, 2017.

Also, the result of regression as contained in Table 5 – Model Summary, shows that the R Square gave a large value of 95.7%. This means that the model (which includes trade facilitation, foreign ownership, skill availability and social infrastructure availability) explained about 95.7% of the variance in the perceived locational strategy.

Table 5. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.978*	0.957	0.956	0.696

* Predictors: (Constant), Social Infrastructural Availability, Trade Facilitation, Skill Availability, Foreign Ownership.

Source: author's Fieldwork Computation, 2017.

Specifically, the result of regression as contained in Table 6 – Regression Coefficients, tests the third hypothesis of this study. From the output below, there was no positive relationship between perceived trade facilitation and locational strategy such that a unit increase in perceived trade facilitation scores caused about 0.017 unit decreases in perceived locational strategy scores which was statistically not significant at 1% with the aid of the p value (0.193). Based on the result, the null hypothesis is accepted; thus, there was no relationship between trade facilitation and locational strategy.

Also, although, there was a positive relationship between perceived skill availability and perceived locational strategy such that a unit rise in perceived skill availability scores induced about a 0.019 unit rise in perceived locational strategy scores which was statistically significant at 1% going by the p value (0.004). Based on the result, the null hypothesis is accepted; thus skill availability affects locational strategy.

More importantly, there was a positive relationship between foreign ownership and perceived locational strategy such that a unit rise in perceived foreign ownership scores induced about a 0.98 unit increase in the perceived locational strategy scores which is statistically significant at 1% going by the p value (0.000). Based on the result, the null hypothesis is rejected; thus, there was a relationship between foreign ownership and the perceived locational strategy.

Furthermore, the relationship between the perceived social infrastructural availability and perceived locational strategy is shown in table below such that a unit rise in the perceived social infrastructural availability scores induced about a 0.023 unit rise in the perceived locational strategy scores which was statistically not significant at 1% going by the p value (0.106). Based on the result, the null hypothesis is accepted; thus social infrastructural availability did not affect the perceived locational strategy.

Table 6. Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-0.104	0.369		-0.281	0.779
	Trade Facilitation	-0.017	0.013	-0.015	-1.304	0.193
	Skill Availability	0.019	0.013	0.017	1.509	0.004
	Foreign Ownership	0.980	0.014	0.968	71.338	0.000
	Social Infrastructural Availability	0.023	0.014	0.022	1.623	0.106

* Dependent Variable: Locational Strategy.

Source: author’s Fieldwork Computation, 2017.

5. Discussion of the Findings on the Hypothesis

The findings of the study further revealed a positive relationship between requisite skill availability and locational strategy. This indicates that the more the government mechanism tries to support education and professional skill acquisitions, the better for the state of operation of multinationals which will indirectly enhance the state’s value and human capital performance. This is in agreement with Y. Kang nad F. Jiang (2012) who pointed out that foreign firms become highly dependent on the institutional factors at the chosen location for investment and have to adapt themselves (at least to a certain degree) to the local institutional framework in order to gain legitimacy and integration within the regional economic system especially when it comes to sourcing for requisite skill and human capital as MNCs sometimes prefer their nationals in core areas of competence (Timokhina, 2014). Skills mismatch affects the competencies of an average Nigerian graduate as employers now require skills that are beyond academic which includes critical thinking, communication, entrepreneurial, IT (information technology), problem-solving skills because there is an expectation that workers should be able to adapt to a dynamic multinational work environment. A. Ahmed et al. (2012) pointed out that employers looked for workers who have been trained and who are refined to perform on a job due to market competitiveness and the high cost of on-the-job training as a gap between the demand and supply of skills has a tendency to have unbearable negative impacts on multinational organizations. Also, the unavailability of requisite skills leans toward reducing firms’ productivity and quality at organizational level. To this end multinationals tend to site their locations in areas or states where there is requisite skill availability in order to stay competitive in the ever changing business environment.

5.1. Theoretical Findings from the study

Operating in a foreign country market has many costs and these “costs” include failure of knowledge about local market conditions even as it has to do with labour, competencies and proper placement in relation to multinational decisions on destination choice of investment. Also, graduates need to acquire skills that are more in demand by multinational corporations in order to attract foreign direct investment.

5.2. Empirical Findings from the Study

The findings by W.O. Akerele and A.O. Opatola (2004) and A. Ahmed et al. (2012) is tangential to this study as it further situates that there is a significant relationship between requisite skill availability and the locational strategy of multinational corporations. Ahmed et al. (2012) discovered that there are other attributes (non-academic skill requirements) which employers emphasize, such as good personal interaction, communication, social skills, and analytical skills that are required for job suitability.

Conclusions

The findings of this study as well as the recommendations thereafter are strategic tools for positioning firms for competitive advantage in the industry and among the comity of nations at the global level.

Policy Recommendations

1. The Nigerian graduates are encouraged to continue to develop themselves on personal development and in training workshops so as to make them more employable for multinational corporations due to the fact that only skills that are competitive are required and sought after by multinational corporations.

2. Skill development programs have their multiple effects on making employment processes more competitive in nature because it positively affects the employability capacity of multinational corporations to get the best of employees for their jobs.

3. There is a need for the good aptitude of graduates to be developed in non-core academic areas in order to match the current global job realities of multinational corporations because what gives the best jobs in multinational corporations is beyond academic aptitudes.

References

- Ahmed, A., Andersson, L., Hammarstedt, M. (2012). Does age matter for employability? A field experiment on ageism in the Swedish labor market. *Applied Economics Letters*, 19, 403–406.
- Akerele, W.O., Opatola A.O. (2004). *Higher Education and the Labour Market in Nigeria*. The final report submitted to African Economic Research consortium. Nairobi, Kenya.
- Awogbenle, A.C., Iwuamadi, K.C. (2010). Youth Unemployment: Entrepreneurship Development Programme as an Intervention Mechanism. *African Journal of Business Management*, 4 (6), 831–835.
- Dennis, A., Shepherd, B. (2011). Trade facilitation and export diversification. *The World Economy*, 34 (1), 101–122.
- Du, J.L., Lu, Y., Tao, Z.G. (2012). Institutions and FDI location choice: The role of cultural distances. *Journal of Asian Economics*, 23 (3), 210–223.
- Edu, A.O. (2011). *A Study of interactive effect of FDI on infrastructural development: Cement contribution in Nigeria*. Wuhan University of Technology, China.
- Fitzgerald, T.J. (1998). Introduction to the Search Theory of Unemployment. *Federal Reserve Bank of Cleveland, Economic Review*, 34 (3), 2–15.
- Hughes, D., Gration, G. (2009). Evidence and Impact: careers and guidance related interventions – an online professional resource CfBT Education Trust, Reading. Retrieved from: <http://www.eep.ac.uk/dnn2/ResourceArea/Careersworkexperienceemployment/tabid/17Default.aspx>.
- Kang, Y., Jiang, F. (2012). FDI location choice of Chinese multinationals in East and Southeast Asia: Traditional economic factors and institutional perspective. *Journal of World Business*, 47, 45–53.
- Pitan, O.S., Adedeji, S.O. (2012). Skills Mismatch Among University Graduates in the Nigeria Labor Market. *US-China Education Review*, 1, 90–98.
- Saslavsky, D., Shepherd, B. (2012). *Facilitating International Production Networks: The Role of Trade Logistics*. Policy Research Working Paper 6224, World Bank.
- Tabachnick, B.G., Fidell, L.S. (2001). *Using Multivariate Statistics*. Boston: Allyn and Bacon.
- Timokhina, O. (2014). Chinese Foreign Direct Investment in Africa in Corporate Social Responsibility Context (P. 2014/29). Maastricht School of Management.