The Impact of Intellectual Capital on the Job Performance in Petra Development & Tourism Region Authority

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Abstract

The aim of this research was to identify the effect of intellectual capital (organizational human and customer capital) on organizational creativity in the Petra Tourism Development Authority based on the hypothesis that "there is an impact of intellectual capital on organizational creativity. The analytical descriptive method was used to achieve the research objectives. 168 questionnaires were distributed (which was 25 percent of the study population of 712) to all levels of management in the production and services divisions of the Petra Tourism Development Authority. The SPSS statistical package was used to analyze the results. After analyzing the results and testing the hypotheses, it was concluded that structural capital has an effect on organizational creativity. The rest of the components of the research showed no significant effect. The main hypothesis of the research was rejected. There were several recommendations after the study. The most important recommendation is that greater attention needs to be given to the human and customer capital through building human capacity and expanding customer relationships.

Key Words: Intellectual Capital; Human Capital; Structural Capital; Customer Capital; Social Capital; and Organizational Performance.
1. Introduction

Intellectual Capital (IC). It does not appear on the organization balance sheet but it has more value for organizations than physical assets. Economic wealth is driven more by knowledge and information than the production process) [1]. With the rapid growth of technologically advanced organizations in the knowledge-based economy, organizations management has put more attention on the importance of intellectual capital (IC) [2]. IC is considered a driver of organizations competitiveness [3]. Based on the resource-based view (RBV), organizations with valuable and scarce resources are more likely to obtain sustainable competitive advantage [4–6]. These resources can enable companies to maintain human capital, improve processes, maintain contact with customers and suppliers, and produce greater innovation [7]. Today, organizations visualize themselves as learning organizations and understand that knowledge assets enhance innovation and play a vital role in improving business performance. The developers of Resource – Based View of the firm, Birger Werner felt (1984) and Richard P. Rumelt (1984) maintains that both tangible and intangible assets are potential strategic assets. This tool has been employed to measure the intellectual capital value creation efficiency of selected Petra Tourism Development Authority Industries like Intellectual organizational development and Information technology industry which are highly intellectual capital intensive.

2. Literature Review

Intellectual Capital is the dynamic set of resources (e.g., knowledge, capabilities, networks, operation processes, individual and organizational relations) that create firm value [8]. In early studies, IC was comprised of human capital (HC) and structural capital (SC) [9]. HC, the basis of IC, is directly related to employees (e.g., employees’ competence, commitment, motivation and loyalty) [10,11]. SC includes innovative capital, RC, and organizational infrastructure [12]. During the last two decades, scholars have achieved a consensus on the components of IC, namely HC, SC and RC [13,17]. RC is the knowledge that belongs to the organization as a whole [18-20]. It is also believed to play an important role in the connection with suppliers and customers [21]

There are various definitions for intellectual capital. Researchers have tried to define and explore different facets of intellectual capital. But the general indication is that IC is a non-monetary asset without Physical existence but possesses value that can generate future earnings. Barney (1991) opines that intellectual capital is something which is intangible and is a major strategic asset capable 676 of generating sustainable competitive advantage and superior financial performance. Stewart (1997) defined IC as “packaged useful information”. He has also stated that intellectual capital could be viewed as knowledge, information, intellectual property, experience that can be put to use to create wealth. Boudreau and Ramstad (1997)
believe that IC is closely related to human resource management. According to Sullivan (2000) intellectual capital could be defined as knowledge that can be converted into profit. Rastogi (2003) opines that IC is the collaborative effort of a firm’s human capital, social capital and knowledge management.

2.1 Human Capital

Human capital is an amalgamation of genetic inheritance, attitude, education and people experience in their life and business. The most valuable asset in any business is human resources as compared to other capitals or equipment. However, it was also believed to be the most ignored asset by the firms. Human can be considered valuable asset or liability to an organization [22] Human capital refers to experts or employee's skills, knowledge and experience shared with their organization in order to add value [23].

2.2 Customer Capital

Consists of relationships with customers and suppliers, the government or related industry associations, brand names, trademarks and reputation. According to [24], it refers to the “organization’s relationships or network of associates and their satisfaction with and loyalty to the company”.

2.3 Structural Capital

Structural capital acquired elsewhere. In other words, an organization exists from the combination of internal structure and people. Once the organization enhances its technology, develops process and establishes other internal initiatives, structural capital will improve. Therefore, structural capital means the ability of organization to accommodate their customers demand. Recent evidence suggests that a good organization structure, together with skilled employees providing efficient and quality service will cause greater performance of an institution [25].

2.4 Social Capital

Social capital plays a crucial role in facilitating adoption and overcoming constraints of lack of financial, human and natural capital. Furthermore, it is not just the sum of the institutions, which underpin a society – it is the glue that holds them together. Social capital can be a set of horizontal associations between people, consisting of social networks and associated norms that have an effect on community productivity and well-being.

3. Methodology

Structured questionnaires were adopted from Khalique, Bontis, Abdul, Abu and Isa (2015), Amrizah and Rashidah (2013) and Ngah and Ibrahim (2012[26]) and distributed to 178 respondents selected randomly based on non-probability convenience sampling where 142 respondents who participated from Petra Tourism Development Authority. The response rate was 70%, which was satisfactory. According to Sekaran and Bougie (2010), sample size larger
than 30 and less than 500 are appropriate for most research. Data collected from the questionnaires were analyzed according to the Pearson correlation, Cronbach’s alpha reliability test and multiple regression analysis. Figure 1 below depicts the association between the independent variables and dependent variable. The dependent variable for this study is the organizational performance (OP), which indicates its performance. Meanwhile, there are four independent variables that relate to the dependent variable. These variables comprise human capital, customer capital, structural capital, social capital. Therefore, the hypotheses developed in this paper are tested as follows:

H1: Human capital (HC) is related with organizational performance (OP)
H2: Customer capital (CC) is related with organizational performance (OP)
H3: Structural capital (SRC) is related with organizational performance (OP)
H4: Social capital (SOC) is related with organizational performance (OP)

Fig. 1. Theoretical Framework

4. Results and Discussion
4.1 Correlation Coefficient

The correlation coefficient conveys the accurate study of one variable from another. This correlation coefficient must lie from -1.00 to +1.00. According to Pallant (2011), the value of correlation coefficient ranging from 0.5 to 1.0 is considered large and suggests the existence of strong relationship among independent and dependent variable. Table 1 below shows that there is a significant correlation among independent variables and dependent variable. Therefore, this study suggests that there is a strong positive relationship between IC and organizational performance with minimum correlation of 0.7100 and at 1% significance level.

<table>
<thead>
<tr>
<th>Correlation (Probability)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HC</td>
</tr>
<tr>
<td>Human capital (HC)</td>
</tr>
<tr>
<td>Customer capital (CC)</td>
</tr>
</tbody>
</table>

Table 1: Correlation Coefficient Analysis
4.2 Reliability

Alpha value used for the reliability test is to measure the internal consistency of each item in the variables. Values of Cronbach’s alpha above 0.7 is acceptable, however, value above 0.8 is preferable [27]. Table 2 below states that Cronbach’s alpha for each variable ranges from 0.947 to 0.951, suggesting very good internal consistency.

<table>
<thead>
<tr>
<th>Model</th>
<th>Cronbach’s Alpha</th>
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<tbody>
<tr>
<td>Human capital</td>
<td>.949</td>
</tr>
<tr>
<td>Customer capital</td>
<td>.950</td>
</tr>
<tr>
<td>Structural capital</td>
<td>.947</td>
</tr>
<tr>
<td>Social capital</td>
<td>.948</td>
</tr>
<tr>
<td>Organizational performance</td>
<td>.951</td>
</tr>
</tbody>
</table>

4.3 Multicollinearity

Variance Inflation Factor (VIF) and tolerance are measure of the amount of multicollinearity in the set of multiple regression variables. VIF above 10 and tolerance value less than 0.1 specifies that multiple correlation with other variables is high, proposing the possibility of multicollinearity ([28]. According to Table 3 below, VIF result shows that all independent variables values are less than 10 and tolerance value are greater than 0.1. Therefore, diagnostic testing indicates that multicollinearity assumption is not violated.
Human capital (HC)  .55  4.925
Customer capital (CC)  .133  4.266
Structural capital (SRC)  .115  3.922
Social capital (SOC)  .212  3.004

4.4 Multiple Regression Analysis

The model was significant \( [F (6,181) = 97.158, p < .01] \) with the predictors explaining 75.5% of the variation in organization performance. The findings as shown in Table 4 reveal that IC have significant impact towards organizational performance. In term of importance, customer capital made the largest unique contribution to the model followed by social capital. However, human capital and structural capital has the lowest contribution. Among the four predictors entered into the model, four made statistically significant contributions with customer capital, social capital, having a positive relationship with organizational performance. The relationship between these variables is very strong at 0.01 level of significant and therefore, the result fails to reject H2, H4. Thus, on the other hand, it was found that relationship between human capital and structural capital towards organizational performance is insignificant. Therefore, this study will reject H1 and H3.

Table 4: Multiple Linear Regression Analysis.

<table>
<thead>
<tr>
<th>Model Std</th>
<th>Coefficient</th>
<th>Sig.</th>
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<tbody>
<tr>
<td>Human capital (HC)</td>
<td>.007</td>
<td>.933</td>
</tr>
<tr>
<td>Customer capital (CC)</td>
<td>.259</td>
<td>.001***</td>
</tr>
<tr>
<td>Structural capital (SRC)</td>
<td>.004</td>
<td>.960</td>
</tr>
<tr>
<td>Social capital (SOC)</td>
<td>.216</td>
<td>.001***</td>
</tr>
</tbody>
</table>

Note: \( R^2= .755, \text{ ***p < .01} \)

5. Conclusion

Intellectual capital (IC) is no less important than capital investments Organizations and in particular operating in the tourism sector for in developing countries in order to create value and sustainable advantages Organizations can invest values gained from training practices and learning methods for staff development. On the other hand, human capital (HC) encompasses individual economic value. However, human intellectual and competency is inadequate to ascertain the effectiveness of HRM and organization performance. The results showed that human capital (HC) alone could not contribute towards core competence of organizations performance. The study showed that there is a significant effect between the variables of intellectual capital and the performance of employees also stated that human capital and structural capital individually is not significantly related to the Organization’s performance. Furthermore, firms which possess all the IC components are endowed with more strength to
compete in the business as compared to those which possess only a single IC resource[29]. Organization, which are balance in human, relational and structural capitals, perform better in terms of financial and market performance. Therefore, Organizations should possess a balanced IC model, which consists of world-class infrastructure, highly educated, and skilled workforce couple with local and global contacts. In future, it is recommended that researcher should concentrate on specific industry such as microfinance institutions.

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