Intellectual Capital as an Antecedent to Employee Performance in Commercial Banks in Eldoret Town, Kenya.

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ABSTRACT

The purpose of this study was to establish intellectual capital as an antecedent to employee performance among commercial banks in Eldoret town. The specific objectives of the study include: human capital, relational capital, knowledge capital and structural capital on employee performance. The study targeted a total of 315 staff from the commercial banks in Eldoret town, Kenya. The study used simple random sampling in which sample size calculation was utilized to calculate a sample size of 210 respondents. The research instrument used was a 5-point likert scale questionnaire and in data collection, questionnaires were used as instruments. To determine the reliability of the instruments the cronbach’s coefficient alpha was used to test the reliability. The study used descriptive and inferential analysis techniques to analyze data and a computer package Statistical Package for Social Sciences (SPSS) version 17.0 was used. The study presented the findings in form of tables, multiple regression analysis and correlation. The findings showed that human capital had significantly positive effect on employee performance ($\beta_1 = 0.317, p< 0.05$). The study also indicated that knowledge capital had significant effect on employee performance ($\beta_2 = 0.331, p<0.05$). Similarly, rational intellectual capital ($\beta_3 = 0.111, p<0.05$) and structural intellectual capital ($\beta_4 = 0.194, p<0.05$) had significantly positive effect on employee performance. Therefore, employees should be encouraged to share ideas and learn from each other since this will enhance performance. Management support should be enhanced and resources should be allocated to knowledge management. Also, firms should disseminate and distribute knowledge through the firm levels and have systems which allow easy access to information and procedures that support innovation which lead to improvement in employee performance.

Key Words: Intellectual Capital, Employee Performance, Human Capital, Knowledge Capital, Rational Capital and Structural Capital

Introduction

In recent years there has been a growing realization that a company’s stock of intangible assets which is a key contributor to its capacity to secure a sustainable competitive advantage (Sharon, 2007). Knowledge-based intangibles in particular are recognized to be central to the value creation process. Performance and intellectual capital are linked to each other because when there is proper utilization and management of the intellectual capital the employees performs well and vice versa. Thus, there is a necessity to clearly distinguish intellectual capital from intangible assets in order that the repertoire of accounting treatments of the latter is not stretched to accommodate the former (Sharon, 2007).

According to Schiuma, (2008), in the global outlook, intellectual capital has been used to enhance performance. Thus most organizations in the developed countries are performing well because there is proper utilization and management of intellectual capital. The organization value knowledge to and extend that there are structure to forward innovative ideas and creative thoughts. in Africa many organizations are increasingly viewing...
knowledge as their most valuable and strategic asset, it is crucial to effectively manage their intellectual resources and capabilities (Schiuma, 2008). Organizations are learning to align and integrate technology and organizational initiatives for managing and supporting knowledge processes. Organizations clearly require a creative, motivated workforce which is intellectually professional and which contributes to the strategy of increasing value in aggressively changing environmental conditions. Since most professionals have such specialized knowledge and produce high-quality intellectual output, they will tend to control their work domain and not necessarily support organizational goals. It is imperative therefore, for firms to develop best practices for utilizing and managing intellect in order to build and sustain a competitive advantage over a long-term. However, most organizations in Africa have invested more in the tangible assets which are the physical assets and most of them have not considered applying the intangible assets that include the intellectual capital. This capital comes up because of the innovativeness of the employees that is both the management and the subordinate staff.

According to Sharon, (2007) the main challenge facing the intellectual capital in Kenya is most organization putting more infancy on the intellectual capital of the management. The thoughts and consideration of the management or a more qualified employee is given an upper hand compared to the suggestions and innovativeness of a less qualified employee, even though the ideas of that employee could change the face of the organization for the better and give it a competitive edge in the already flooded market. Another challenge facing most Kenyan organization is the unwillingness to change. Most management have a tendency to be comfortable with the status quo and any change however positive is “painful” to them. Thus the intellectual capital and the innovativeness that require changes in the organization cannot be utilized by the management because of either fear of change or the fear of the unknown. Thus this study seeks to establish intellectual capital as an antecedent to employee performance.

According to Bontis (2004), the service industry has suffered from recent competition in the light of financial freedom given the banking sector. This has seen an increase in the number of banks with a majority of existing market leaders losing out on their market shares reflected also in decreased profits despite product innovations. This have been cited as key indicators of performance challenges in the banking sector

Decreased performance within banking institutions despite efforts by banks to rejuvenate themselves have been a cause of alarm for most commercial banks as this has left the banks in a state of dilemma. Strategies developed have failed to significantly impact on the performance of banks and as a result the banks have had to relook at their internal operations including how they manage their intellectual capital, (Sharon, 2007).

The commercial banks context has been found a key area of investigating intellectual capital management as an antecedent to employee performance due to the fact that the service industry requires more investment in the human resource than in assets. This has therefore necessitated research in this area to be compressively evaluated in the light of commercial banks with the aim of interpolating findings to the service industry. The research therefore aims to evaluate how intellectual capital management can influence performance of commercial banks, (Schiuma, 2008).

Recent overemphasis on achieving superior long-term earnings performance is occurring just at the time when such performance has become a far less valid indicator of changes in the company’s long-term competitive position. Utilization and management of this knowledge has been left out, most of the researchers only address how the capital can be changed into a competitive advantage of the organization by enabling the raising of the market barriers for the competitors who would wish to enter into the market. This is done through innovations and knowledge which are results of human intellectual capital. There has been little study on utilization and management of this intangible asset against employee motivation, stability and customer satisfaction. Thus this study intent to feel this knowledge gap by looking into these issues and discussing them in depth by interpreting data that will be collected from the banks under survey, (Bontis, 2004). This study sought to establish the effects of intellectual capital management as an antecedent to employee performance. The study was a survey of commercial banks in Eldoret town, Kenya.
LITERATURE REVIEW

Concept of Employee Performance

Employee Performance is a process for establishing a shared workforce understanding about what is to be achieved at an organization level. It is about aligning the organizational objectives with the employees’ agreed measures, skills, competency requirements, development plans and the delivery of results. The emphasis is on improvement, learning and development in order to achieve the overall business strategy and to create a high performance workforce, (Dooley, 2000).

Reactance Theory

Reactance theory grew out of research on consumer behavior. This psychological theory describes how people react when they sense a threat to their freedom of choice. The theory extends to many other aspects of individual behavior that involve motivation. Understanding reactance theory can help you motivate your employees and gain their cooperation in more effective ways.

According to reactance theory, when a person feels that his freedom to choose an action is restricted, he's more likely to choose that particular behavior. Parents often experience this early on, discovering that forbidding an action makes that action more enticing to the child. Reactance drives people to perform the threatened or newly-forbidden behavior and prove that they still have free will. In a workplace, if an employee can't perform the behavior without risking his job, he might start doing something else that's similar to the restricted action. He/she might perform reactive behaviors such as taking extra-long breaks or even missing work days (Norton, 1996).

Concept of Human Capital

According Schultz (2003), the term “human capital” has been defined as a key element in improving a firm assets and employees in order to increase productivity as well as sustaining competitive advantage. To sustain competitiveness in the organization, human capital becomes an instrument used to increase productivity. Human capitals refer to processes that relate to training, education and other professional initiatives in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will lead to the employee’s performance and eventually on the firm performance. Human capital is an important input for organizations especially for employees’ continuous improvement mainly on knowledge, skills, and abilities. Thus, the definition of human capital is referred to as “the knowledge, skills, competencies, and attributes embodied in individuals that facilitate the creation of personal, social and economic well-being (OECD, 2001)

Human Capital Theory

The theory of human capital is rooted from the field of macroeconomic development theory. Becker’s (2003) argues that there are different kinds of capitals that include schooling, a computer training course, and expenditures on medical care. And in fact, lectures on the virtues of punctuality and honesty are capital too. In the true sense, they improve health, raise earnings, or add to a person’s appreciation of literature over a lifetime. Consequently, it is fully in keeping with the capital. Concept as traditionally defined to say that expenditures on education, training and medical care are investments in capital. These are not simply costs but investments with valuable returns that can be calculated.

From the perspective of Classical Economic Theory, human capital considers labor as a commodity that can be traded in terms of purchase and sale. This classical theory very much focuses on the exploitation of labor by capital. However, unlike the meaning traditionally associated with the term labor, human capital refers to the knowledge, expertise, and skill one accumulates through education and training. Emphasizing the social and economic importance of human capital theory, Becker (2003) noted the most valuable of all capital is that investment in human being. Becker distinguishes firm-specific human capitals from general-purpose human capital. Examples of firm-specific human capital include expertise obtained through education and training in management information systems, accounting procedures, or other expertise specific to a particular firm. General-purpose human capital is knowledge gained through education and training in areas of value to a variety of firms such as generic skills in human resource development. Regardless of the application,
Human Intellectual Capital and Employee Performance

The human intellectual capital focuses on two main components which is individuals and organizations. This concept has further been described by Garavan et al., (2001) that human intellectual capitals have four key attributes as follows: flexibility and adaptability; enhancement of individual competencies; the development of organizational competencies and individual employability. It shows that these attributes in turn generate or add values to individual and organizational outcomes. There are various findings that incorporate human capital with higher employee performance and sustainable competitive advantage; higher organizational commitment and enhanced organizational employee retention.

Another study by Seleim, Ashour, and Bontis (2007) analyzed on the relationship between human capital and organizational performance of software companies. They found that the human capital indicators had a positive association on organizational performances. These indicators such as training attended and team-work practices, tended to result in superstar performers where more productivity could be translated to organizational performances. This was also supported by Dooley (2000) who found a significant positive correlation between the quality of developers and volume of market shares. Based on the above arguments, it was conclude that human capital indicators enhanced the firm performance directly or indirectly.

Admittedly, human capital development and enhancement in organizations tend to create a significant contribution on organizational competencies and this in turn becomes a great boost for further enhancing innovativeness and the current literature to a large extent supports the fact that employee performance is positively impacted by the presence of human capital practices; Youndt et al., (2004). Some even endorsed that human capital development is a prerequisite to good financial performance and in addition, the importance of organizational human capital with regard to employee performance was further supported. In addition, evidence shows that the relevance of human capital to employee performance has also become prevalent among the technology-based new ventures, and it seems that the use of human intellectual capital tool (emphasizing quality of employees) per say in small technology based new ventures tends to have a great impact on employee performance success (Shrader & Siegel, 2007).

A causal model using a set of cross-sectional data developed by Selvarajan et al. (2007) indicates that human capital enhancement paves away for greater innovativeness and this in turn offers positive implications on employee performance. In the mean time, firm performance and human intellectual capital could also be viewed in the context of high performance work systems (Hsu et al. 2007). It is argued that the formation and emphasis on the human intellectual capital enhancement will result in high performance among the employees or rather high performance work systems.

\[ H_{oi} : \text{Human intellectual capital has no significant effect on employee performance in the organization.} \]

Relational Intellectual Capital and Employee Performance

Relational intellectual capital is defined as the organizational association with internal and external stakeholders of the firm, including with customers, employees, suppliers, industry associations, stakeholders, and strategic alliance partners (Kannan & Aulbur, 2004; Ordonez de Pablos, 2003). It is the value of the relationships between the firm and its environment. The main indicators are reputation, strategic alliance, customers, suppliers and connection to other agents (Eduardo et al., 2004). Thus, a firm can be seen as a nexus or network of relationships that consist of intangible processes and activities useful for generating intangible resources (Bueno, 2002). However, Bueno, (2002) attempted to divide relational capital into business capital and social capital. Furthermore, he subdivided social capital into social integration capital and social innovation capital. The main theme of relational intellectual capital is the level of mutual trust, respect and friendship that arises out of close interactions between internal and external partners including the employees (Kale et al., 2000). Morgan and Hunt, (1994) define trust as existing when one party has confidence in an exchange partner’s reliability and integrity. Trust is embedded in a particular exchange relation, and becomes a fundamental basis of long-term relationships between partners. Thus, in the context of internal and external stakeholders, it can be argued that enterprise’s relational intellectual capital is represented by relationships among employees and within customers and suppliers and how the employees perform within the business (Tomasz & Kijek, 2008) Relational intellectual capital includes company image, customer loyalty, customer satisfaction, and interaction with suppliers by employees, negotiating capacity, distribution channels, supplier channels, licensing agreements, and franchising agreements (Starovic & Marr, 2003). Relational intellectual capital involves the knowledge accumulated by the firm as a result of its exchanges with third parties and the potential for future knowledge accumulation as a result of such exchanges and the impact it has on the performance of its employees. It is value
to the firm is directly related to the length of the relationship with the performance of employees (Ordonez de Pablos, 2004).

The relationships among employees are embedded in attributes like a shared code or a shared paradigm that facilitates a common understanding of collective goals and proper ways of acting in a social system (Delios and Beamish, 2001). Firms must make connections in order to develop (Fornell, 2000). Through interactions with other firms and partners, employees can achieve a better understanding of industry benchmarks and competitive trends. Employees' interactions are also sources of knowledge (Nahapiet and Ghoshal, 1998). Employees' networking partners are in many cases, the most important sources of new ideas and information that potentially could result in performance enhancing technology and innovations.

By using networks to pool knowledge, gather and screen relevant information (Ahuja, 2000) and by interacting with different partners, network ties situate firms at the confluence of different social domains, create opportunities for novel combination and recombination of ideas, integrate best-of-breed solutions that originate from different resource bases and knowledge bases of different partners, trigger new ideas that challenge existing knowledge and understanding, and encourage creativity and novel solutions to existing problems and improve on the performance of its employees. Firms can and should use external as well as internal ideas to advance their technology, and integrate external resources into a firm’s innovative process to increase the number of possible sources of innovation and thus more productivity from its employees (Chesbrough, 2003).

**H02: Relational intellectual capital has no significant effect on employee performance in the organization**

### Types of Intellectual Capitals

#### Knowledge Capital Management and Employee Performance

The connections between human capital, social capital and organizational capital will produce intellectual capital. This, in turn, will affect the management of knowledge within the organization. Knowledge has long been recognized as a valuable resource by economists and has been a focus of significant attention in the human capital literature, in particular the issues of knowledge generation, leverage, transfer and integration (Wright et al., 2001).

Mei-Chun Chen (2001) pointed out invisible intellectual capital is an important reference index to evaluate the value of the employees of an enterprise. It's composed of human capital, and it defined the intellectual capital as the skills, knowledge, information, experience, problem-solving abilities and wisdom which cover an entire company, and integrated with human capital. Edvinsson (2003) described knowledge capital management as the pillar of the future of any enterprise; it's an indicator of whether the employees of an enterprise can operate effectively. Any enterprise that does not invest in invisible knowledge capital management cannot possibly generate the momentum of innovation among its employees (Shu-Hsiao Tsen and Hsiang-Ling Hu, 2010).

Chao-Hsu Yang (2006) did research on 211 listed enterprises, and found that knowledge capital management had a significant contribution to the creation of organizational values and employee performance. Its capacity can be brought into play more effectively going through the interaction among human, structure and customer capital. Rudez and Mihalic (2007) also pointed out in their research; the hotel industry must promote the development of its intellectual capital so it can maintain its competitiveness and hence increased the performance of its workforce. If they can go through the interaction of knowledge capital management, then the employee’s performance within the organization can be boosted. No matter it's information technology, biotechnology, high technology, or emerging industries, etc., knowledge capital management affects employees performance deeply (Chang, Chen, & Lai, 2008).

Shi-Hsiao Tsen et al. (2010) indicated that knowledge capital management includes human capital, structural capital, and social capital. Therefore, an organization should develop the knowledge capital management that cannot be imitated by the competitors easily, converting the wisdom and capabilities it has accumulated into its core competencies: operating the functions of knowledge capital management to create distinct characters of an organization. It establishes an irreplaceable external relationship to enhance an organization's social capital, and the synergy created from the interaction among human capital, is key for an organization to build competitiveness as a result of the positive aspects it has on its employees. Mei-Chun Chen (2001) believed a knowledge capital management has a significant positive effect on employee performance.
$H_{83}$: Knowledge capital management has no significant effect on employee performance in the organization.

Structural Intellectual Capital and Employee Performance

Recent studies of structural intellectual capital can be divided into two trends, one is the overall surface, such as integration with the national innovation system, or create various types of capital indicators (Pomeda et al., 2002; Lin and Lin, 2008; Lin and Edvinsson, 2008); the other is a decent look into the relationship between corporate performance (Kamath, 2008). Choong (2008) try to sum up scholars from various countries on the construction and classification of structural intellectual capital, so that the content of structural intellectual capital accounting information can be translated into measurable by the subject to explore with the relationship between employee performance, he uses a meta-analysis Methods appropriate classification of intellectual capital, of the academic general acceptance. Kamath (2006) that a company's structural intellectual capital is the potential that can be observed in strategic asset, and this strategic asset, tangible and intangible assets between inclusive. Because structural intellectual capital is, in essence, no specific shape is real assets; Kamath (2008) is divided into customer relationship capital, human resources, capital and structural capital, the three indicators of return on investment, market value-book value ratio correlation between productivity levels as well as employee performance.

Royal and O'Donnell (2008) that structural intellectual capital is a very important element of employee performance. Wiig (2004) pointed out that structural intellectual capital may include knowledge, understanding, skills, experience and the relationship between employees, so the human resource capital is a property leased to the company staff. Barth et al. (2001), Royal and O'Donnell (2008) set the clamp of structural intellectual capital in the community between the capital and knowledge management, reflecting the structural intellectual capital as the backbone of employee performance.

Structural intellectual capital has been formalized, captured and leveraged to produce a higher valued asset. Thus a set of elements is to drive employee performance and value creation. Chen et al. (2005) found that structural intellectual capital and physical capital have a positive impact on market return, as well as on current and future employee performance in the database of Taiwanese firm, Tan et al. (2007) confirmed these results to use the publicity trades companies in Singapore. Otherwise, Fire and Williams in South Africa, Zeghal and Maaloul (2010) study in U.K. to get similar conclusion above discussed.

Bannany (2008) suggest that the relatively good performance of the company may be better because the strategies used, such as use of relatively good ways to attract customer. So the structural intellectual capital of the company's value creation and employees’ performance on how they operate are positively related. Bannany (2008) argues that structural intellectual capital of an organization has a positive impact on employee performance. In addition, if an enterprise wants to gain a dominant position in a rapidly changing environment, it must go through the accumulation of structural intellectual capital to improve its employee performance, and thus enhancing its corporate values, enabling the enterprise to continue to grow, and improving the sustainable development potential of the enterprise.

$H_{84}$: Structural intellectual capital has no significant effect on employee performance in the organization.

RESEARCH METHODOLOGY

The study employed a survey research design. A survey research design sought to collect data from different targeted organizations without manipulating the research variables or the respondents in an attempt to get the respondents’ affects of intellectual capital as an antecedent to employee performance (Paton, 2002). The target population comprised of the management and other employees in the commercial banks in Eldoret town, Kenya. The study targeted 15 banks within the Eldoret town, Kenya, out of them 15 branch managers and 300 other employees were targeted which added up to a target population of 315 respondents. Sample size determination is the act of choosing the number of observations to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. In practice, the sample size used in a study is determined based on the expense of data collection, and the need to have sufficient statistical power. This study used simple random sampling. The sample size calculation employed Mugenda and Mugenda formulae (2003) in calculating the sample size of the employees targeted from the banks within Eldoret town, Kenya. The sample size for this study was 210 respondents from the above calculations. This sample size was deemed adequate for the study since it provides an equitable representation of the different respondents who participated in the study. The questionnaires were used to seek for responses from respondents based on the research objectives.. Most of the items adopted a Lickert scale (such as 1-strongly
disagree, 2-disagree, 3-undecided, 4-agree, 5-strongly agree). The study used descriptive and inferential analysis techniques to analyze data. The descriptive statistics used were mean and the standard deviations which indicated the average performance of a group or a measure of some variables. The inferential statistics were used in multiple regressions. The linear regression model assumes that there was a linear relationship between the dependent variable and each predictor. This relationship was described in the following formula.

\[ y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

Where;

- \( y \) is the value of the case of the dependent scale variable,
- \( \varepsilon \) is the error in the observed value for the with case,
- \( \beta \) is the Coefficient of X,
- \( \alpha \) is the constant in the equation.,
- \( X_1 \) - Human intellectual capital,
- \( X_2 \) - Relational intellectual capital,
- \( X_3 \) - Knowledge intellectual Capital management
- \( X_4 \) - Structural intellectual Capital.

**Empirical Results**

Descriptive statistics and correlations among the study variables are reported in Table 1. The levels of correlations among the variables are relatively modest, with most variables exhibiting significant correlations. Since a number of independent variables were relatively correlated, a multicollinearity analysis was conducted using Variance inflation factors (VIF). The results indicated that multicollinearity was not a problem since all the variables were within the recommended threshold of 10 (Hair et al., 2006).

Pearson Correlations results in table 1 showed that human intellectual capital was positive and significantly correlated to employee performance (\( r=0.199, \rho<0.05 \)). Thus human intellectual capital had 19.9% positive relationship with employee performance. Relational intellectual capital was also positively related with employee performance (\( r = 0.262, \rho<0.05 \)) an indication that relational intellectual capital had 26.2% and thus significantly positive relationship with employee performance. Knowledge capital management was positively and significantly associated with employee performance as shown by (\( r = 0.239, \rho<0.05 \)) implying that knowledge capital management had 23.9% positive relationship with employee performance. Finally, structural intellectual capital was positively and significantly correlated to employee performance (\( r=0.269, \rho<0.05 \)). Thus structural intellectual capital had 26.9% positive relationship with employee performance.

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<th>Table 4.7</th>
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<td>MEAN</td>
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<td>Employee performance</td>
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<td>Human intellectual capital</td>
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<td>Relational intellectual capital</td>
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<td>Structural intellectual capital</td>
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**Correlation is significant at the 0.01 level (2-tailed).**

**Source:** (Survey Data, 2013)
Regression

A Multiple linear regression model was used to predict employee performance in the study. The prediction was carried out basing on the effect of the four independent factors human intellectual capital, relational intellectual capital, knowledge intellectual capital management and structural intellectual capital. From table 1, the findings indicated that the model coefficient of determination (adjusted $R^2$) was 0.638 which indicated that 63.8% total variation of employee performance is explained by joint contribution of human intellectual capital, relational intellectual capital, knowledge intellectual capital management and structural intellectual capital. The F-ratio was 75.739 at 4 degrees of freedom which are the four factors. This represented the effect size of the regression model and was significant with a $p$-value of 0.000.

As stated by hypothesis statement, there is no significant relationship between human intellectual capital and employee performance in the organization. However, research findings show inconsistency with the hypothesis since human intellectual capital recorded coefficient estimates of $\beta_1 = 0.317$ ($p$-value = 0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis. The research findings concur with William (2007) that when individuals enhance their competency skills they become competitive in their organizations hence firms invest resources into its management with the aim of reducing risks and capitalizing on productive employees hence the organization make knowledge productive and turn intellectual capital into customer value. The findings were also in agreement with Bates, (2000) that human intellectual capital is a valuable asset which is positively associated with business performance thus a greater human capital stock is associated with greater productivity and higher salaries. It is also in agreement with (Snell, 2009) that human capital adds value if it contributes to lower costs, capitalizing on opportunities and neutralizing threats hence leading to increased performance.

According to hypothesis statement that, there is no significant relationship between knowledge capital management and employee performance in the organization. However, research findings show inconsistency with the hypothesis since knowledge capital management recorded coefficient estimates of $\beta_2 = 0.331$ ($p$-value = 0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis thus the study is in agreement with William (2006) that productivity is as a result of knowledge capital aggregated in the employee’s head in the form of useful training and company-relevant experience. According to (Watson, 2006) the knowledge possessed by employees is actually a share of the company’s knowledge capital. This in effects makes the employees are shareholders of the most important intangible asset that a firm owns. Thus each employee is a manager in the essence of information acquisition and utilization. Therefore, Grant (1996) asserts that employees should be managed well since they are the sources of knowledge and firms should identify existing knowledge bases, provide mechanism for creation, protection and transfer of knowledge which is also in agreement with the study findings.

Cognate to hypothesis statement, there is no significant relationship between relational intellectual capital and employee performance in the organization. However, research findings do not concur with the hypothesis since relational intellectual capital recorded coefficient estimates of $\beta_3 = 0.111$ ($p$-value = 0.021 which is less than $\alpha = 0.05$) hence we reject the null hypothesis. (Bounfour et al., 2005) asserts that relational intellectual capital comprises all connections of the firm with its environment that can add value to the business and is basically a well constructed network of relationships that allows the access to resources that might be normally unreachable which will impact positively on employee performance.

The study finding is also in agreement with Shrader & Siegel, (2007) who identified that “employers’ geographic location” may determine turnover by the employees. For instance, when employees are close to their families and significant others their performance is likely to improve. On the contrary, families living and working in different time zones may decide to look for opportunities where they will be close as stated by (Siegel, 2007).

As stipulated by the hypothesis statement, there is no significant relationship between structural intellectual capital and employee performance in the organization. However, research findings do not concur with the hypothesis since structural intellectual capital recorded coefficient estimates of $\beta_4 = 0.194$ ($p$-value = 0.000 which is greater than $\alpha = 0.05$) hence we reject the null hypothesis. According to (Stewart, 2007) structural capital is the existing knowledge collected using a highly efficient method and tested, organized, integrated, with the irrelevant part sifted out for diffusion; consisting of wide range of patents, concepts, models, computer and administrative systems which involves employee satisfaction, employee retention rate, and employee loyalty and is in effect the firm’s organizational capabilities to meet market requirements.
Unstandardized Coefficients | Standardized Coefficients | Collinearity Statistics
---|---|---
B | Std. Error | Beta | T | Sig. | Tolerance | VIF
(Constant) | -0.391 | 0.274 | -1.428 | 0.155
Human intellectual capital | 0.302 | 0.046 | 0.317 | 6.531 | 0.000 | 0.725 | 1.379
Knowledge capital management | 0.386 | 0.059 | 0.331 | 6.557 | 0.000 | 0.669 | 1.495
Relational intellectual capital | 0.169 | 0.072 | 0.111 | 2.334 | 0.021 | 0.759 | 1.317
Structural intellectual capital | 0.208 | 0.057 | 0.194 | 3.646 | 0.000 | 0.6 | 1.666
R Square | | | | | 0.647
Adjusted R Square | | | | | 0.638
F | | | | | 75.739
Sig. | | | | | 0.000

Dependent Variable: Employee performance
Source: (Survey Data, 2012)

**Conclusions and Recommendations**

The study finding affirms that human intellectual capital has a significant effect on employee performance and it is basically the knowledge, skill and capability of individual employees. Providing solutions to customers and is in effect the firm’s collective capability to extract the best solutions from the knowledge of its people. There is also evidence that knowledge capital management has a positive effect on employee performance. Specifically, firms with effective knowledge capital management, firm profitability is likely to increase. The study affirms that relational intellectual capital has a positive significant effect on employee performance. It includes all connections of the firm with its environment that can be of benefit to the business. Mostly to suppliers, government agencies and NGO’s with which the firm has business relations. Finally, structural intellectual capital impacts positively on employee performance. Basically, It involves the organization’s routines and structures that support employees’ quests for optimum intellectual performance and, therefore, overall business performance.

Based on the study findings firms should upgrade employee skills through training and seminars in order to improve employee performance. Also employees should be encouraged to share ideas and learn from each other since this will enhance performance. Management support should be enhanced and resources should be allocated to knowledge management. Also, firms should disseminate and distribute knowledge through the firm levels. Feedback from customers should be absolutely evaluated in order to enhance customer satisfaction and there should be very close relationships with branches of the other banks and the governmental institutions in order to share new ideas which will in effect lead to employee performance. Firms should have systems which allow easy access to information and procedures that support innovation which lead to improvement in employee performance. From the findings, knowledge management and Human Intellectual Capital had the highest effect on employee performance. However, the two concepts need to be narrowed to their specific dimensions such as knowledge acquisition, application, creation, identification, capturing, collection, organization, sharing, transferring and distributing. Thus, future study should focus on the specific dimensions of knowledge management on employees’ commitment.

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