INTELLECTUAL CAPITAL MANAGEMENT: AN EFFECTIVE ORGANISATIONAL AND MANAGERIAL TOOL FOR ENTERPRISE PERFORMANCE

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Abstract - The study investigated intellectual capital (IC) management among Small and Medium Scale Enterprises (SMEs) in Nigeria. Survey research design was adopted. The population of study comprised two hundred and ten SMEs in Oyo State, Nigeria. Findings reveal that the SMEs understood the concept of IC, as well as the importance of managing IC to enhance performance and productivity of their organisations. However, the SMEs did not give due recognition to the management of customer capital as they did for the other two components (i.e. human capital and structural capital). The study recommends that customer capital management should be effectively managed by allowing customers feedback, recognising customers' needs and ensuring the satisfaction of these needs. This could help improve and develop organisational innovation and improved productivity.

Keywords - Customer Capital, Human Capital, Structural Capital, Small and Medium Scale Enterprises, Nigeria

I. INTRODUCTION

Small and medium enterprises (SMEs) are major contributors to national development, especially socio-economic development of countries (Kutllovci, Shala and Troni, 2012; Umeh, 2009) because of their roles that go beyond only job creation; but also supporting the Gross Domestic Product GDP of economies. They contribute significantly to improving living standards, and as well drive innovation and competition in developing economies, such as Nigeria. Their contributions also spread to employment generation, wealth creation, poverty reduction, among others. This is why governments at all levels have undertaken initiatives to promote the growth and development of SMEs because of these roles they play in helping to develop nations' economies.

Intellectual capital (IC) is a rapidly expanding field of research that is attracting significant interest from researchers, organisations and practitioners because organisations' successes have been ascribed to the way IC is managed. This is why Bhatti and Zaheer (2014) explained that IC is an important value driver in today's organisations' performances. Some other studies have highlighted the importance of IC and also its management in the generation and sustenance of organisational competitive advantage, performance, and productivity (Fadaei et al., 2013; Ogbo et al., 2013; Rehman et al., 2015; Saeed et al., 2013). Thus, intangible IC and knowledge assets are among the most fundamental factors in survival and progress of organisations (Chaghooshi and Panjeh, 2014); therefore, lack of understanding of the nature and value of IC could hamper organisational development.

The term "IC" refers to all resources that determine the value of an organisation. There exist standard criteria for expressing the value of all other assets of a company, but the value of IC is not easily translatable into financial terms. Thus, IC could more appropriately be called a "non-financial asset". In actual fact, the difference between the organisation's market value and its book value depends on its IC. IC is, therefore, the intangible value of a business, covering its people (human capital), the value inherent in its relationships (customer capital), and everything that is left when the employees go home (structural capital). IC combines the idea of the intellect or brain-power with the economic concept of capital (Adelman, 2010). Thus, IC includes the skills and knowledge that a company has developed about how to make its goods or services; individual employees or groups of employees whose knowledge is deemed critical to a company's continued success; and its aggregation of documents about processes, customers, research results, and other information that might have value for a competitor that is not common knowledge. According to Stewart (1997), IC includes the intellectual material that has been formalised, captured, and leveraged to create wealth by producing a higher-valued asset.

IC has three main components: human, structural and customer capital. Human capital (HC) refers to the knowledge, know-how, talent, expertise, skills, competencies and experience owned and used by individuals (Fadaei et al., 2013; Mura et al., 2012; Stewart, 1997; Yang and Lin, 2009). HC is the knowledge and competencies residing with the company's employees, which includes all the abilities such as attitude, skill, knowledge, creativity, existing mental knowledge, as well as people and managers' experience of an organisation (Ferreira and Martinez, 2011). Employees working in organisation contribute with their knowledge during their employment and this knowledge becomes part of the organisation's IC. Structural capital (SC), (also called organisational capital) is "the collective know-how", beyond the

capabilities of individual employees, that contributes to an organisation (Adelman, 2010). It is the institutionalised information or knowledge and codified experience stored in databases, policies, procedures, routines, systems, intellectual property, and other organisational structures (Fadaei, et al., 2013; Mura et al., 2012; Yang and Lin, 2009). SC is what remains in the organisation when people die, retire or disengage from the organisation. Thus, SC is one of the strongest IC that needs to be effectively managed in organisations. Lack of strong SC denotes a lack of better integration for the employee's knowledge and skills inside organisations (Bontis 1998).

Customer capital (CC), (also called social, stakeholder, or relational capital) refers to the knowledge resources embedded within, available through, and derived from networks of relationships possessed by an individual or social unit, which are internal and external to the organisation (Bontis, 1998; Fadaei et al., 2013; Mura et al., 2012; Stewart, 1997; Yang and Lin, 2009). Customer capital is the formal and informal relations of an organisation with external beneficiaries, the understandings of the beneficiaries about the organisation, and also exchange of information between them and the organisation. This translates to all business relationships an organisation entertains with external parties (customers, suppliers, partners, clients, vendors, competitors, regulatory agencies, etc.).

A study was carried out to investigate the level of awareness of SMEs managers in Oyo State, Nigeria with regards to ICM. The study also sought to know the awareness of the SMEs owners about the importance of managing IC components as effective organisational and managerial tools for increasing enterprise value, performance and productivity. The study answered the following research questions:

1. Do SMEs in Oyo State, Nigeria recognise the importance of human capital as a fundamental component of intellectual capital?
2. Do SMEs in Oyo State, Nigeria recognise the importance of structural capital as a fundamental component of intellectual capital?
3. Do SMEs in Oyo State, Nigeria recognise the importance of customer capital as a fundamental component of intellectual capital?

II. METHODOLOGY

Descriptive survey research was adopted for the study. The population of study is SMEs in Oyo State, Nigeria. The study is an organisational study therefore, an SME represents a respondent. The population of SMEs in Oyo State as at the time of study could not be got because some SMEs are not registered under the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN), thus non-probabilistic sampling technique was adopted to select the samples. Firstly, purposive sampling was used to select three LGAs, that is, one LG from each senatorial district (Oyo North, Oyo Central and Oyo South) to ensure the sample is a representative of the three senatorial districts. Secondly, convenience sampling was used to select 70 SMEs from each of the three senatorial districts, thus giving a sampling size of 210. A questionnaire, structured to meet the research objectives, questions and hypotheses of the study was used for data collection. The instrument was validated by giving it to researchers in the field of study. Cronbach's alpha reliability test was done to test the constructs and the results shows alpha values ranging from 0.73 to 0.82, which are acceptable levels. Copies of the questionnaire were administered to the SMEs at their offices by the researchers. The respondents' consent, rights for confidentiality and privacy were taken into consideration during the data collection processes. Overall, 210 copies of questionnaire were administered, while 198 copies were retrieved; however, 193 were found useful for data analysis. Frequencies, percentages, mean, and ANOVA were used to analyse the data and test the hypotheses.

III. RESULTS AND DISCUSSION OF FINDINGS

Results and discussion are provided for each of the research questions (RQ) and hypotheses. Table 1 presents the results for research question 1.

Table 1: Respondents Perceptions of the Importance of HC

Human Capital Items	Agree	Undecided	Disagree	Missing Value	Total
The competence of company's employees as a whole is equal to the most ideal level (matching with their work requirements and responsibilities).	152 (78.8%)	19 (9.8%)	21 (10.9%)	1 (0.5%)	193 (100%)
The organisation achieves better from its employees when they cooperate with one another in team tasks.	157 (81.3%)	15 (7.8%)	18 (9.3%)	3 (1.6%)	193 (100%)
Company's employees undergo continuous training programs every year.	115 (59.6%)	46 (23.8%)	32 (16.6%)	0	193 (100%)
Company's employees continuously learn from	144	19	30	0	193

other colleagues and outsiders.	(74.6%)	(9.9%)	(15.5%)		(100%)
The ratio of educated personnel in your organisation is on the average compared with others in the same industry.	173 (89.6%)	11 (5.7%)	9 (4.7%)	0	193 (100%)
Company devotes a lot of time and effort to update and develop employees' knowledge and skills.	183 (94.8%)	5 (2.6%)	5 (2.6%)	0	193 (100%)
Company's employees' generally give it their all, which makes this company different from others in the industry.	182 (94.3%)	6 (3.1%)	4 (2.1%)	1 (0.5%)	193 (100%)
There are opportunities put in place for organisation's employees to come up with new ideas.	140 (72.5%)	31 (16.1%)	20 (10.4%)	2 (1.0%)	193 (100%)

The results show that majority of the SMEs owners recognised the importance of HC to the success of their organisations. These responses agreed to the submissions of Bontis and Fitz-enz (2002), Pasban and Nojedeh (2016), and Stewart (1997) that employees are the most valuable corporate asset and are fundamental to the success of organisations. This recognition of the importance of HC to organisation may be the reason why a very high percentage of the SMEs (95%) said they devoted a lot of time and efforts to update and develop employees' knowledge and skills and also gave opportunities for organisation's employees to come up with new ideas that can contribute to the growth of the organisations. Recognition and investment in HC is considered a key element in improving the assets of an organisation, which can lead to sustainable competitive advantage and increased the employees' efficiency as Bontis and Fitz-enz (2002) described HC as the profit lever of the knowledge economy.

Table 2 presents the results for research question 2. The results show that most of the SMEs had SC in their organisations. This was found to enhance knowledge management. The SMEs recognised the fact that SC is the only sort of IC an organisation actually owns, thus majority of them have developed their work processes and activities and adopted the latest scientific and technical developments around the world. Giving that SC represents institutionalised knowledge and codified experience stored in databases, routines, manuals, structures, patents, trademarks, etc., there is the need for the SMEs to create and update their knowledge repositories regularly. A firm can either institutionalise knowledge into SC or interface with it by providing an infrastructure that supports this knowledge codification (Lee, 2012). Hence, the SMEs are encouraged to continue to capture and manage knowledge as a fundamental part of their organisational capital. This, they can leverage to increase their innovative capacity.

Table 2: Respondents Perceptions of the Importance of SC

Structural Capital Items	Agree	Undecided	Disagree	Missing Value	Total
The company has succession training programs for each and every position.	145 (75.1%)	22 (11.4%)	24 (12.5%)	2 (1.0%)	193 (100%)
The organisation supports its employees by constantly upgrading their skills and education whenever it is necessary.	163 (84.5%)	27 (13.9%)	3 (1.6%)	0	193 (100%)
The organisation has a repository of knowledge and continuously develops its work processes and activities for employees.	168 (87.0%)	16 (8.3%)	5 (2.6%)	4 (2.1%)	193 (100%)
The organisation follows up and adopts the latest scientific and technical developments around the world.	168 (87.0%)	17 (8.8%)	6 (3.2%)	2 (1.0%)	193 (100%)

The results for research question 3, as presented by Table 3, reveal that the recognition given to CC by the SMEs is somewhat on the average. This may be connected with the fact that the SMEs operate in a competitive environment and so are wary of relying too much on external relationship that may undermine the success of the organisations. This implied that the SMEs have not built up knowledge and trust between them and their customers or suppliers. CC is a value generated and an asset developed from a company's relationships with its customers, suppliers, partners, clients, vendors, and other important constituencies, such as market relationships, power relationships and cooperation, which stem from a strong sense of belonging and a highly developed capacity of cooperation with other parties.

This also includes knowledge, capabilities, procedures and systems which are developed from relationships with external agents. Building CC requires a collaborative organisational environment where knowledge and information can flow freely between the organisation and external parties (Lee, 2012). Keller (2003) highlights that organisations should focus on improving the relationships with customers to attract new ones and retain the current ones. Therefore, if customers are assets, then investing and managing them is worthwhile.

Table 3: Respondents Perceptions of the Importance of CC

Customer Capital Items	Agree	Undecided	Disagree	Missing Value	Total
The company has diverse distribution channels	118 (61.2%)	10 (5.2%)	63 (32.6%)	2 (1.0%)	193 (100.0%)
People from outside the company are consulted when decisions are made within the company	41 (21.3%)	12 (6.2%)	140 (72.5%)	0	193 (100.0%)
The organisation is able to learn and add value through its partners	135 (70.0%)	25 (12.9%)	23 (11.9%)	10 (5.2%)	193 (100.0%)
The company pride itself on being partnership-oriented.	62 (32.1%)	17 (8.8%)	108 (56.0%)	6 (3.1%)	193 (100.0%)
The company capitalises on customers wants and needs by continually striving to make them satisfied	122 (63.2%)	14 (7.2%)	53 (27.5%)	4 (2.1%)	193 (100.0%)
The company maintains a long standing relationship with supplies	108 (56.0%)	19 (9.8%)	62 (32.1%)	4 (2.1%)	193 (100.0%)
The company has greatly reduced the time it takes to resolve customers' problems	111 (57.5%)	18 (9.3%)	56 (29.0%)	8 (4.2%)	193 (100.0%)

IV. CONCLUSION AND RECOMMENDATIONS

The study highlights the need for managers in organisation to recognise the importance of IC as a crucial factor affecting organisations' abilities to remain competitive, particularly for knowledge-intensive firms. This study has been able to establish that SMEs in Oyo state have an understanding of IC as well as the importance of managing IC to enhance performance and productivity of their organisations. However, findings reveal that the SMEs did not give due recognition to the management of CC as they did for the other two components (i.e. HC and SC). Customer Capital management should include managing market information used in attracting and keeping customers, developing and expanding ideas and new products for every customer, reducing time of solving customers' problems, creating a suitable mental image of the company, recognising target markets and types of customers, reducing customers' complaints, and giving customers the ability to trust and be loyal to the organisation. For the SMEs to improve and develop organisational innovation, CC must be effectively managed by giving suitable recognition to customers' ideas, knowledge and needs.

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