



Intellectual Capital and Organizational Efficacy

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ABSTRACT

Today, in the business world, it is more of brain work than physical work. This is intellectual capital at work. Economic wealth is much more driven by this, is knowledge and information than depending wholly on physical assets. By this, the business organization can be of more value and substance, meeting expectations with zero tolerance for failure. This is organizational efficacy. This study investigates the relationship between intellectual capital and organizational efficacy. Two dimensions and measures were dwelt on from the criterion and the dependent variable respectively. Abased on the findings it was concluded strong relationship exists between intellectual capital and organizational efficacy. This study recommends that management and workers play their as favourably as possible for intellectual for all it offers for organizational efficacy.

Keywords: Organizational Efficacy, Intellectual Capital, Human Capital, Productivity Efficiency, Quality, Structural Capital

1.1 INTRODUCTION

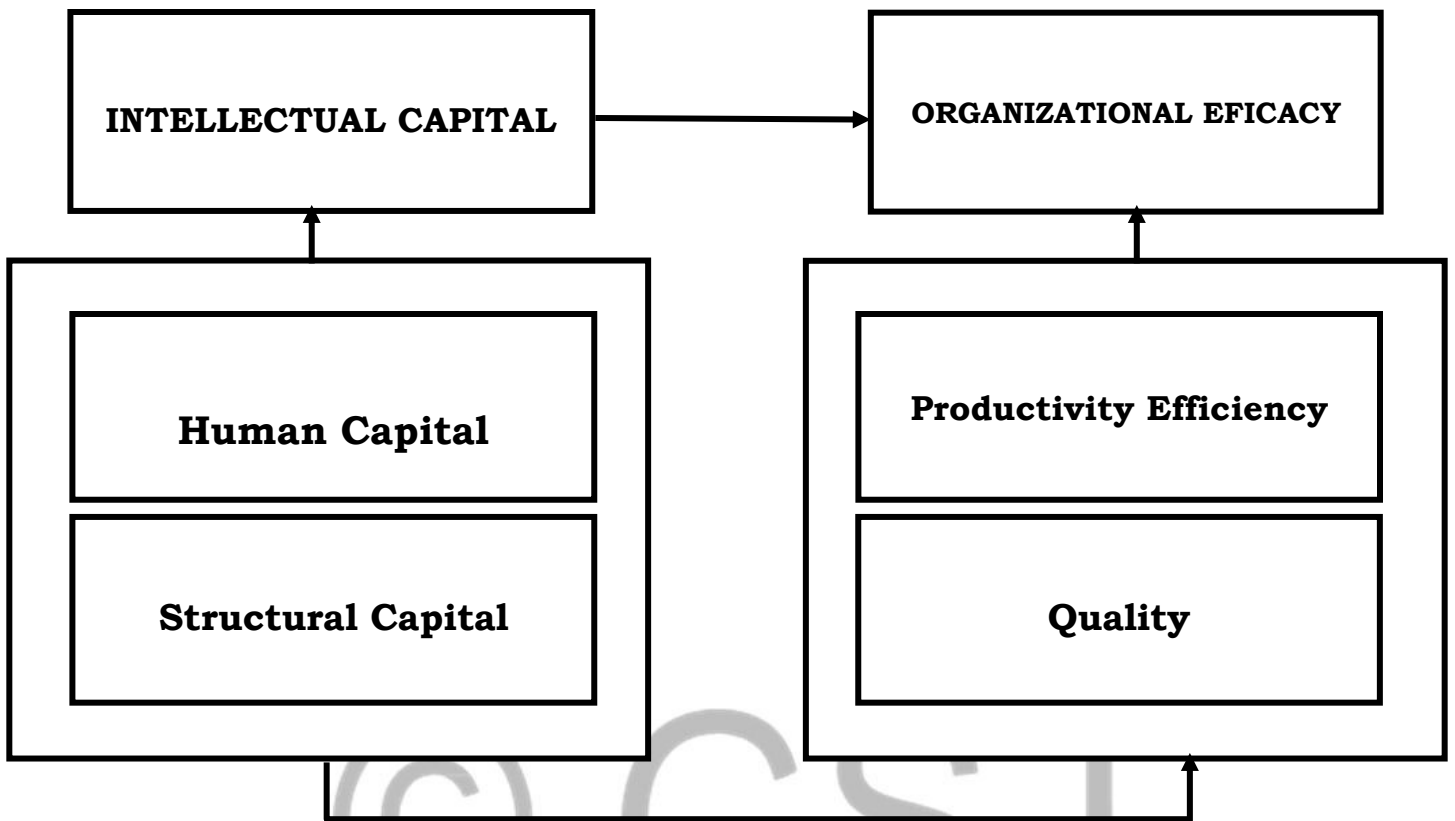
A serious and business minded organization does not exist just for existing sake; such an organization is packaged to exit, survive, grow, develop and subsist in all the ramifications of achieved and sustained business success in all its parameters. It has its pride of place in the industry it belongs – an evidence of having or possessing the dynamic competences that result in growth, development and long term sustainability based on these well planned and executed human capital development programme as posited by Abomaye, Umana & Usanga (2018). Human capital development, the process that relates to training, education, coaching, mentoring, modeling and other professional or social enhancement programmes meant to create and/or increase the employees level of professional skills, abilities, knowledge, values, socialization, which led to employees' capabilities and competences for the organization; This was corroborated by Manzini & Kufa (2016) as they defined human capital as “the process that relate to training, education and management development initiative in order to increase the levels of knowledge, skills, abilities, values, and social assets of an employee which will led to the employee satisfaction and performance, and eventually on a firm's performance”. From the foregoing therefore, we confirm that a serious and business minded organization develops its human resources which are the most valuable assets (Amah, 2018).

The success or failure of an organization, to a very large extent, depends on people working in it, based on their skills, ideas, knowledge, satisfaction, commitment among others. The human resources of an organization refers to these people who have a wide variety of the above mentioned and the abilities to perform job activities that contribute to the attainment of the organizational goals. These people combine other organizational resources proportionately to achieve and attain the set objectives and goals or in other words, combine other organizational resources efficiently and effectively to achieve organizational goals. Simply put, doing the right thing right or the proper thing properly to achieve result at the least cost possible and the highest output possible. These can be adjudged as making the organization efficacious.

The volatile, complex, chaotic, uncertain and ambiguous business environment makes organizational efficacy inevitable. Efficacy means the ability to produce the expected result; then strength of something, be it tangible or intangible to be what it is expected to be, fulfill its purpose, with no disappointment or failure; the confidence and assurance of performance. Organizational efficacy is therefore the ability, power and strength of an organization to fulfill the purpose of its establishment as envisioned and as spelt out in its mission statement and objective clause, outwardly performing as expected and adjudged as successful in every aspect of business demands and responses. It is all-embracing and encompasses all pointers to business in the long run-survival, growth, development, product quality, output level, productivity; profitability, market and other paraphernalia of business success and fulfillment; crossing the internal climate hurdles no matter what (financial industrial relations, welfare, motivation etc) and not held or requirement. Amah (2014), after highlighting some of the environmental problems organizations face, concluded that their ability to cope, survive and make progress determines how effective they are.

Intellectual capital is defined as the valued knowledge that is available to an organization. Intelligent capital is being viewed as “the difference between a firm’s market value and the cost of replacing its assets” as posited by Akpinar and Akdenmir (2002) in Usanga (2021). It cannot be priced or evaluate adequately that is, it is priceless. It is such as expertise, knowledge, competence and the organizational learning ability for survival, renewal and perpetual growth. It is the sum of all the elements that make or combine to a company being healthy and wealthy physical, socially, economically, relationally, competitively, psychologically and in other parameters for the measurement of organizational health and wealth.

1.2 CONCEPTUAL FRAMEWORK



Source: Conceptualized by the Researcher, 2022.

Figure 1: Conceptual frame work of Intellectual Capital and Organizational Efficacy.

2.0 LITERATURE REVIEW

- **Intellectual Capital**

The past economy (before the millennium) depended so much on the use of land, raw materials, machines and money to create wealth. Today, our economy depends more on information and application of knowledge. Knowledge is very important for existence, sustenance, growth and development of people, organizations and countries without knowledge there is blindness, darkness, stagnation even retrogression. Today's information economy is knowledge – based. The fortunes and work of an entity can increase or decrease depending on the pursuit, acquisition, creation, application and retention of knowledge.

Intellectual capital includes process, models, strategies, innovation, peculiar approaches, unique methodologies, specialized systems used by organization to create, situate, envisage, analyze, understand the environment, problem-solve, maintain, succeed and keep succeeding. The economics institution of Washington D.C. in its study on human intellectual capital quoted by Akpinar & Akdemir (2002) and cited in Usanga (2021) concluded that “The economic value of the nation's productivity depends, more upon employee skills and knowledge and business problem solving aptitude than it does upon the market value of the firm's commercial output”. Intellectual capital has been defined as “the difference between a firm's market value and the organizationally. The definition that is most widely used is intellectual capital as “knowledge that is of value to an organization”. Dimensions of intellectual capital include human capital, structural capital and external or customer capital.

2.1 DIMENSIONS OF INTELLECTUAL CAPITAL

i. Human capital

Human capital is viewed as the knowledge, skills, attitudes, intuition and experience of the workforce. Increasing the capacity of each worker is increasing intellectual capital posited Tapsell & Shemill (1998) in Usanga (2021). Individual's competence and ability are important and beneficial to the organization. Humans are the only true productive assets in business organizations; all other assets,

structures and processes whether in the form of tangible physical products or intangible work relations result from Human actions and their continued existence depends on people. People create knowledge new ideas, also new products and establish relationships for workable processes.

Intellectual capital in the light of human capital is the competence and commitment of workers to how best they get the work they get the work done as able and how the organization creates policies and get work done at best possible. The capacity of ability not held, back. According to Anser & Baloch (2018) “capacity is synonymous with ‘Ability’. The ability to perform effectively, delivers efficiently, and adds value to make a positive contribution towards the strategic goal of the organization”. The atmosphere is free and enabling for people to make specific contributions with high intellectual contents.

Knowledge management is very crucial in maintain, sustaining and increasing this priceless and invaluable asset, intellectual capital. The purpose of managing knowledge, moreso very well is to maximize the organization’s knowledge-oriented effectiveness and its returns from this (knowledge) asset updating and renewing constantly. This is human asset and the base of intellectual capital.

ii. Structural capital

Structural capital consists of patents, models, concepts, manual and computerized administrative process and management systems. Employees created these and the organization automatically and generally owns them. Some of these may be outsourced. The decision to do so must be made with utmost care and some degree of confidence after objective comparative analysis and based on comparative advantage, the aftermath of cost-benefit analysis of developing in-house or contracting out, in other words, make or buy.

Structural capital can also be viewed or defined as the capabilities of the organization to meet the requirements of the market. It includes the structures and the routines of the organization that promote employees; longing for optimizing intellectual performance and consequently overall organizational performance. The

high level of an individual's intellect can be hindered by poor organizational systems and procedures, thereby denying the individual and itself of the full potential and benefits of the intellectual capital available or it.

Van Buren (1999) in Usanga (2021) has revealed structural capital to consist of innovation capital which is the firm's capacity to think a new and create new products and services as well as process capital which is the firm's processes, systems, techniques and tools.

2.2 A firm's structural capital consists of four major elements which are:

1. **Systems:** The way and manner an organization's processes moves from one level or stage to another (from inputs to outputs)
2. **Structure:** The responsibilities and accountability arrangement defining the positions and relationships among members of an organization.
3. **Strategy:** the way(s) the organization seeks to achieve its set goals
4. **Culture:** The shared values, mindsets and norms within the organization, structural capital improves upon investment in technology, development of processes alongside other internal initiatives.

2.3 Organizational Efficacy

Efficacy denotes effectiveness, performance meeting expectations, measuring up, conforming to set standards etc. It is a word with many synonyms. A versatile word.

Organizational Efficacy is the degree to which an organization meets the needs of its stakeholders not falling short of their expectations irresponsibility, reasonably living up to them within and without. This feat cannot be achieved without being effective and efficient.

Effectiveness is the degree to which an organization meets the needs of its clientele or customers. Efficiency is the degree to which an organization can achieve its ends at a low cost (Robbin, Judge & Vohra, 2013).

The concept of organizational efficacy is an elusive one, with no singular definition. This may be due to many descriptive terms the many meaning available of the

concept. It is generally agreed that organization efficacy has economic, non-economic or behavioural dimensions as can also be said of organizational effectiveness incorporates both economic and non-economic or behavioural dimensions”.

Bohn (2010) in Capone & Petrillo (2015) perception of organizational efficacy is “an aggregate judgement of an organization’s members about their sense of collective skills, sense of mission or purpose and sense of resilience.” This, in other words means the members’ judgment about the organization’s state of congruence with its mission, its competences and quick recovery from the unexpected.

2.4 MEASURE OF ORGANIZATIONAL EFFICACY

i. Productivity Efficiency

Productivity is very essential and has its pride of place in organizational efficacy. It is a measure of an organization’s truism to its mission statement and fulfilling the purpose of its establishment and existence. Productivity has been defined in Amah (2006) cited in Amah (2014) as “the measure of how efficiently and effectively resources (inputs) are brought together and utilized for the production of goods and services (outputs) of the quality needed by society in the long term”. Productivity is the judicious use of resources in economic sense; avoiding waste and very calculative in apportionment. By this, more profit is available to the investor while development is promoted for the organization. Productivity indicates performance level and points out the possible areas of improvement for advancement.

Productivity can be used to measure efficiency and effectiveness – the amount or quantity of output in relation to the input cost. It can also be expressed in terms of unit cost of production per employee for the purpose of performance appraisal. Quality is embedded in productivity.

ii. Quality

This can be seen as the standard of something or a thing when compared to a similar thing, what a thing presents or represents to be adjudged as ebbing of good, or high, average or moderate and/or bad or low standard. Quality has been defined

as “the totality of features and characteristics of a product or service that bear on ability to satisfy a given need”. (British Standard Institution) in Fubara (2004) in Eketu (2018). Much as this definition is sufficient in describing quality, satisfaction of a given need is a subjective opinion. What some people see and agree as being of high quality may not be so to others, what will satisfy the needs of some persons will not satisfy others.

2.5 QUALITY CAN BE MANAGED THROUGH;

1. Inspection – checking the quality standard and accepting or rejecting it
2. Quality control – The day to day activity is directly related to ensuring that the product quality is conforming to the product specification.
3. Quality assurance – This involves the whole organization trying to ensure that a quality product with zero defects is always the supplied.

3.1 THEORETICAL FRAMEWORK

Theory that underlies this study is the resource-based theory. Wernerfelt was the earliest contributors to this theory in 1984. A dramatic paradigm shift was introduced – the focus from environment as being the source of a business organization profit to the internal resources of the business organization in its operating environment. The resource based, theory views organizational resources as fundament to competitive advantage. It perceives that resources differ organizationally and those possessed by one organization may not be readily available to another. Therefore, these resources are valuable, not readily available or rare, inimitable and non-easily substitutable as in intellectual capital for organizational efficacy. This theory was adopted as the theoretical underpinning of this study because it relates to the predictor variable of this intellectual capital and the consensual organizational efficacy when well managed.

3.2 HUMAN CAPITAL AND ORGANIZATIONAL EFFICACY

Human capital has already been revealed to encapsulate the mental, physical, psychological, social and economic resources in skills, knowledge, abilities, capabilities and competences that make him qualitative and substantial in the

organization as a consequential factor for factors of production into use; without human beings the sophisticated and latest technology, sufficient funds, raw materials and all other assets lie idle, dormant, inactive and useless. Mover time, they out-live their usefulness, rust away or decay and are disposed off. With the right people in the right positions, doing the right work in line with the goals and objectives of the organization will definitely result in organization efficacy. Recall organizational efficacy is the assessment of the organization's state or present position thereby its members as being congruent with its mission, competences and resilience.

The elusiveness of the concept of organizational efficacy gives it multi-faced outlook such as performance, productivity, conformity etc. Zeb-Obipi (2015) expressed that one of the ways by which competence planning influence productivity performance is through personal development plan, in choice of training option. Training is an aspect of human capital development. Human capital is a dimension of intellectual capital. Productivity performance is an ingredient of organizational efficacy.

3.3 STRUCTURAL CAPITAL AND ORGANIZATIONAL EFFICACY

Strategy and structure have been spelt out to be among the specific management practices that led to sustained, superior performance (Onuoha, 2016). Strategy is the management technique for managing a firm and its way of synergizing the organizational sectors and departments, for effective corporate performance and exchange of information.

Structural capital has been revealed to include the administrative and management systems in processes, models, concepts, programmes etc. both manual and computerized that the employees crated and operate with or sued in the course of doing their and which the firm readily and automatically take possession of. The corporate strategy and culture are part of the structural capital. These all – important and available assets in structural capital ensure or promote organizational efficacy when efficiently and optimally sued purposefully, that is for organizational goal(s) realization in all its ramifications.

4.0 FINDINGS DISCUSSED

Sustaining long term success, retain the track-record of growth, widening the horizon of development are predicated upon regular knowledge update and using same for knowledge gap bridging and building up innovative capability for new discoveries (Bhatti & Zaheer, 2014). The learning process must not stop. The acquired knowledge through acculturation should translate to organizational transformation for competitive advantage (Usanga, 2014), “The process of knowledge consists of three factors, namely, sharing, learning and thinking. These three factors are mutually dependent”. Therefore, we ponder own that is already, learn from it for the better you and yours intellectual capital will strive for organizational efficacy in conducive atmosphere wherein favourable elements or factors are present and potent as enabled by the management and willed by the employees also.

The intellectual capital in its entirety (though unquantifiable) makes for organizational performance, effectiveness, renewal, growth, development, sustainability, survival and eventual organizational efficacy. This finding is in line with Bhatti and Zaheer (2014) who concluded that intellectual capital adds value to organization performance.

4.1 CONCLUSION

Based on the findings of this study, it is important that greater attention be paid by organizations to what manifest in the individual employee as intellectual capital beyond what the formal studies of human relations management reveal and the traditional human relations managers practice. Organization should properly identify and catalogue the factors that project or represent and confirm the intellectual capital in the employees. These skills, knowledge, abilities, talents, capabilities etc. should be further studied and matched with past performances and set standards for further improvement.

The concerns of organizations over inefficiencies over resource utilization and waste still hold till date. Intellectual capital is not at par with how resources are utilized.

There are still wastes and costs are not yet minimized to the level they should if minimized at all.

Educated work force capable of learning and continuously developing is not readily trendy and where available, the cost of maintenance and sustenance continuous innovations for trendy structural capital increase is not invoked. It is not uncommon to notice demotivated workforce based on this. The cost factor may not be unconnected with this occurrence.

After all the navigation and investigations and finding, this study landed on the fact that intellectual capital properly harnessed and utilized will pave way for organizational efficacy.

Therefore, there is a significant relationship between intellectual capital and organizational efficacy.

Intellectual capital works with some elements that may be regarded as catalysts for organizational efficacy to be adjudged and experienced as such. Intellectual capital encompasses all it takes for human capital and structural capital whereas organizational efficacy all it takes for productivity efficiency and quality being the dimensions and measures focused on in this paper. There is a strong relationship between intellectual capital and organizational efficacy.

5.1 RECOMMENDATIONS

After the findings and analyzing them, the following recommendations were made.

1. Regular knowledge be updated and new be sought for robust knowledge bank.
2. Human capital development should be prioritized and pursued vigorously
3. Organizational programme for employee's training and management staff development should be more regular and timely.
4. Structural capital be enhance by imbibing new ideas and coveting innovations, even from competitor for added value.
5. Strive to exceed average performance level as average is an enemy that will not allow convincing organizational efficacy in judgment.

6. Sincere and unbiased objective judgment for organizational efficacy by members so as not to result in staff and management complacency or either.
7. Endeavor to always acknowledge, commend and reward good performance, encourage and support for better performance where it falls short of expectation.
8. Management should learn to know what motivates their workers and do them for their best performances for organizational efficacy

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