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Effective Management of Intellectual Capital and Organizational Performance on Selected Manufacturing Firms in Nigeria

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Abstract

Intellectual capital is the deployment and management of intellectual capital resources and their transformations to maximize at present the organization's value creation in the eyes of its shareholders. Organizational performance is the extent to which the organizational objectives and goals are achieved in a competitive global business world. Most manufacturing firms fail in Nigeria because of inability to identify the right caliber of the workforce, know-how, relational management, and lack of power-sharing knowledge within and outside the operating environment. The objectives of this paper are: to ascertain the extent to which human capital development can be planned and harnessed to have differentiation advantage; explore the extent of relational capital can control low-cost provider advantage and determine the extent to which organizational capital can be designed most effectively in a competitive business world. Findings in line with the objectives revealed that human capital development promotes organizational synergy, motivation, and understanding. Also, that effectiveness of planning, control, performance measurement, profitability, and future viability can be determined. A combination of the use of secondary data, oral interview, and content analysis was adopted. Cronbach Alpha reliability coefficient of 0.85 was obtained. Conclusion and recommendations were drawn along that direction.

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1. Introduction

The commencement of the Industrial Revolution is linked to a number of innovations, beginning in the second half of the 18th century. By the 1830s the following gains had been made in important technologies: textile, steam power, iron making, machine tools, chemicals, cement, gas lighting, glass making, paper machine, agriculture, mining, others are transportation, canals, roads, and railways and these increased the standard of living, nutrition, housing, clothing, consumer goods and population increase (Asworth, 2014). There was an industrial revolution because of the availability of leaders with the right knowledge management skill, ability, intelligence, and competence to turn around the nation's economy from bad to better economy.

The initial idea of knowledge management (explicit knowledge) was that an organization's knowledge needed to be documented and then placed in a database where everyone could access it whenever they needed it - no longer would employees only be able to learn when attending a training class. Given the limitations of content management, by 2000 there began to be glimmers of a new perspective on knowledge within organizations. This new perspective (experiential knowledge) held among others that: much of an organization's knowledge is in the heads of employees, with only a small percentage residing in the document. Also, it recognizes that some explicit knowledge is needed and should be maintained.]Similarly, much of an organization's knowledge is dynamic and rapidly changing so that what is "captured" is soon out-of-date and intellectual knowledge a major component of knowledge management is essentially social, developed and held by groups of people who engage together in a specific practice (Nonaka, Toyama and Nagata 2000).

Intellectual capital includes the skills and knowledge that a company has developed about how to make its goods and services. The importance and effect of effective management of intellectual capital can be evidenced by the economic growth of the United States of America and Japan economies. The United States of America is the world's largest single national economy. The United States' nominal Gross Domestic Product (GDP) was estimated to be $17.311 trillion as of Q2 2014, approximately a quarter of nominal global GDP. Its GDP at purchasing power parity is also the largest of any single country in the world, approximately a fifth of the global total figure (Bureau of Economic Analysis, 2014). The United States has a mixed economy and has maintained a stable overall GDP growth rate, a moderate unemployment rate, and high levels of research and capital investment. It had the worlds ninth-highest per capita GDP (nominal) and sixth-highest per capita in terms of GDP as of 2013 but contracted by 2.1% in the first quarter of 2014, a major decline since 2011. However, in the second quarter of 2014, the U.S. real GDP grew by 4.2%, reversing the contraction seen in the first quarter and is higher than previous estimates (U.S. Economy - Basic Conditions & Resources, 2011).

Also, the economy of Japan is the third largest in the world by nominal GDP the fourth largest by purchasing power parity analysis and is the world's second largest developed economy index. According to the International Monetary Fund (IMF), the country's per capita GDP (PPP) was at $35,855 or the 22nd highest in 2012 (World Economic Outlook Database, 2013). Japan as the world's third highest automobile manufacturing country in output terms has the largest electronics goods industry and is often ranked among the world's most innovative countries leading several measures of global ceilings. Japan is the world's largest creditor nation, generally running an annual trade surplus and having a considerable net international investment surplus. As of 2010, Japan possesses 13.7% of the world's private financial assets (the 2nd largest in the world) at an estimated $14.6 trillion. As of 2013, 62 of the Fortune Global 500 companies are based in Japan (Japan OECD Library, 2013). The growth in the Japanese economy is as a result of effective management of their intellectual capital assets.

In Africa, Nigeria is a middle income, mixed economy, and emerging market, with expanding financial, service, communications, and technology and entertainment sectors (Nigeria Rebase Economy, 2014). It is ranked 26th in the world in terms of GDP (nominal: 30th in 2013 before rebasing, 40th in 2005, 52nd in 2000), and is the largest economy in Africa (based on rebased figures announced in April 2014). It is also on track to become one of the 20 largest economies in the world by 2020. Its re-emergent, though currently underperforming, the manufacturing sector is the third-largest on the continent and produces a large proportion of goods and services for the West African region. Nigeria recently changed its economic analysis to account for rapidly growing contributors to its GDP, such as telecommunications, banking, and its film industry. As a result of this statistical revision, Nigeria has added 89% to its GDP, making it the largest African economy (Nigeria Rebase Economy, 2014).

Correspondingly, the GDP per capita doubled from $1400 per person in 2000 to an estimated $2,800 per person in 2012 (again, with the inclusion of the informal sector, it is estimated that GDP per capita hovers around $3,900 per person). (Population increased from 120 million in 2000 to 160 million in 2010). These figures are to be revised upwards by as much as 80% when metrics are recalculated subsequent to the rebasing of its economy in April 2014

(World Petroleum Publication, 2014). Therefore, the rapid and consistent increase in the Nigerian economy can be attributed to the recognition given to education sector of the economy which has given rise to leaders with entrepreneurial skills and ability to carry the nation forward. Nigeria has over one hundred universities and other institutions made up of federal, state, and privately owned. Through these universities expected knowledge, skills, capabilities, competences, and experiences are acquired for better management of the national resources.

Intellectual capital management emerges as a result of identification and management issues of intangible assets that have not been satisfactorily addressed in traditional strategic management literature. The view that the competitive advantage of firms in today's economy does not result from the market position but from difficult to replicate knowledge-based assets. However, the manner in which they are developed and deployed somehow represents the current dominant view of intellectual capital Management (Teece, 2008). The components of intellectual capital are human capital, structural capital and relational capital. Competitive advantage, on the other hand, is the ability of one organization to outperform other organizations because it produces the desired goods and services more efficiently and effectively than its competitors, (Jones and George, 2009). The building blocks of competitive advantage according to Jones and George (2009) are; superiority efficiency quality, speed, flexibility, innovation and responsiveness to customers. One of the most important forces that an organization confronts in its task environment is competition from firms producing similar goods. Competitors are organizations that produce the same type of goods and render similar services. In other words, competitors are organizations vying for the same customers (Jones and George, 2009). The rivalry between competitors is potentially the most threatening force that managers in organizations must deal with. This is because any wrong decision taken by any organization on its internal and external environment is capable of putting such an organization into danger to its competitors.

Therefore, for most managers and organizations to attain and remain at the top in the competitive environment of their business, they must ensure that they use their organizational resources to build a competitive advantage (Jones and George, 2009). The concept of intellectual capital management in Nigeria is still relatively underdeveloped when compared to what obtains in the industrial countries of the world. Most organizations in the country rely so much on the concept of the aggregate production function relating input of labor, land, and capital to total output thus resulting in non achievement of organizational goals and objectives.

The dynamic nature of the Nigerian environment requires that innovations be created constantly in all the intangible assets of the organization in order to sustain the existence of a company and industrialization. Therefore for Nigerian manufacturing organizations to cope with today's competitive environment which is characterized by the dynamic changing market, and fast-changing customer demands, every organization must have the ability to anticipate on these changes and thus asks for a more dynamic strategic approach in engaging the collective minds of their organizations. Over the past years, some organizations have made history while others have become history in Nigeria. This is because some have been much better at changing than others. Competition is more intense than ever, as organizations fight for smaller shares of saturated markets. Fresh opportunities exist in the market, but the risk of the unknown counterbalances the potential gain. Furthermore, the global competitive systems are mainly driven by technology, knowledge, expertise, and relations with stakeholders and customers which may collectively be described as intellectual capital and diversity management is the core, a direction which global managers must follow. (Kifordu, Ogbo and Ukpere 2014).

Therefore, for Nigerian manufacturing organizations to cope with today's competitive environment that is characterized by the dynamic changing market, and fast-changing customer demands, every organization must have the ability to anticipate on these changes and thus asks for a more dynamic strategic approach in engaging the collective minds of their organizations. Over the past years, some organizations have made history while others have become history in Nigeria. This is because some have been much better at changing than others. Competition is more intense than ever, as organizations fight for smaller shares of saturated markets. Fresh opportunities exist in the market, but the risk of the unknown counterbalances the potential gain. Therefore, to be a player in today's global market, organizations must have access to workers that have the right skill, competence, talents, expertise, creativity, knowledge and experience that will enable them to maintain their competitive position, of which brewery industry is not an exceptional case. They should also capture and institutionalize knowledge within the structure, processes, and culture of the organization. Information about their customers/clients should also be captured for a better and lasting relationship in Nigeria manufacturing Industry.

Statement of the Problem

There are many challenges facing manufacturing organizations in Nigeria during the cycle of their business activities. Many of these problems result directly from the inability of some organizations to have the right caliber of the workforce that will enable them to to achieve the set goals. Some organization's managers do not know if they have the right people, resources, or business processes in place to make a success for a new strategy. They do not understand what know-how and management potential of their employees they have access to. Because they are devoid of such information, they make decisions in a vacuum, they restructure, downsize, re-engineer, right size and even outsource in a vacuum. The society is not static, change always occur due to the advent of technology which has affected the taste and attitude of consumers towards products in the market. Also, stiff competition among producers has made it mandatory that it is only the organizations that are innovative and responsive to change that will survive. Some managers are apprehensive of operating in a knowledge sharing environment because they believe that sharing power (knowledge) with employees is tantamount to giving it up. These organizations still only value the knowledge that comes from certain individuals usually senior managers and discounts the fact that much of their intellectual capital resides in the average employee. They also lack good relationships with their employees, customers, stakeholders, community, suppliers and other publics because they don't share common values, ideas, and culture.

Some organizations are no-challenge towards becoming a "learning organization", in which people continually expand their capacity to achieve the results they desire. This is associated with the cost involved in staff training and development which some organization sees as adding more cost to already existing cost of doing business. Inability to plan for staff training and development will result in non assimilation of information and non flexibility in restructuring the organization to compete in their environment.

Some organizations close shop while some downsize the number of their workers due to economic meltdown experienced in Nigeria between 2008 and 2010 which affected Nigeria economy negatively. Some of these organizations downsize without identifying and retaining those workers deemed to be their most valuable intellectual assets thereby making these workers leave with their knowledge, talents, abilities, skills, competent, brain, ideas, creativity which they would have invested into the organization for better performances. The effect of these challenges on these organizations will be a loss of competitive position, production inefficiency, production of sub-standard products, lack of customer satisfaction, loss of profit and general non achievement of organizational set goals and objectives.

Objectives of the Study:

a) To ascertain the extent to which human capital development can be planned in order to have a differentiation advantage in selected manufacturing firms in Nigeria.
b) To explore the extent to which relational capital can be controlled in order to have low-cost provider advantage in selected manufacturing firms in Nigeria.
c) To determine the extent to which organizational capital can be designed in order to have the best cost provider advantage in selected manufacturing firms in Nigeria.

Research Questions:

a) To what extent can human capital development be planned in other to have a differentiation advantage in selected manufacturing firms in Nigeria?
b) To what extent can relational capital be controlled in order to have low-cost provider advantage in selected manufacturing firms in Nigeria?
c) What is the nature of the relationship between organizational capital design and best cost provider advantage in selected manufacturing firms in Nigeria?

2. Research Methods

Hypotheses

The following hypotheses will be tested using 0.05% significance level:

a. There is a positive relationship between effective plan for the human capital development and differentiation advantage in selected manufacturing firms in Nigeria.

b. An effective relational capital control system to a large extent has a positive effect on low-cost provider advantage in selected manufacturing firms Nigeria.
c. There is a positive relationship between effective organizational capital design and best cost provider advantage in selected manufacturing firms in Nigeria.

Conceptual framework

a) Relational Capital

Relational capital is defined as the knowledge embedded within, available through and utilized by interactions among individuals and their networks of interrelationships (Nahapiet and Ghoshal, 2008). The concept of relational capital was originally used in community studies to describe relational resources embedded in personal ties in the community (Jacob, 1995 cited in Yi-Chan and Yen Chan, 2013). Relational capital also includes all the relationships that exist between an organization and any outside person or organization (Marr, 2008). These can include customers, intermediaries, employees, suppliers, alliance partners, regulators, pressure groups, communities, creditors, and investors.

b) Relational Capital Control

Controlling is the process whereby managers monitor and regulate how efficiently and effectively an organization and its members are performing the activities necessary to achieve organizational goals (Jones and George, 2009). Control is the process of ensuring that actual activities conform to planned activities (Stoner and Furman, 2002). When planning and organizing, managers develop the organizational strategy and structure that they hope will allow the organization to use resources most effectively to create value for customers. Therefore in relational capital control, managers monitor and evaluate whether the organization's strategy and structure are working as intended, how they could be improved, and how they might be changed if they are not working.

The control process according to Jones and George (2009) are Establishment of standards performance, goals, or targets against which performance is to be calculated and compared to actual performance against chosen standards of performance.

c) Differentiation strategy

Differentiation strategy allows managers, in the organization to gain a competitive advantage by focusing all the energies of the organization's departments or function on distinguishing the organization's products from those of competitors on one or more dimensions, such as product design, quality, or after sales service and support (Jones and George, 2009; Denisi and Griffin, 2005). The process of making a product unique and different from that of rivals is often expensive. This is because the strategy will always require the manager to increase spending on product design, and research and development which will increase the cost of production.

d) Low-cost Provider Advantage

Porter (2005) states that the "overall cost leadership" strategy focuses on an organization becoming the lowest cost producer in an industry. This strategy is achieved by constructing efficient large-scale facilities, by reducing costs through capitalizing on the experience curve, and by controlling overhead costs and costs in such areas as research and development, services, sales force, and advertising. Porter opines that this strategy provides above average returns within an industry, and it tends to stop other firms entry into the industry because the firm can lower its prices below competitors' costs.

The paper, a survey design, made use of secondary data, oral interview, and content analysis. The oral interview schedule involved nine open-ended questions in which the respondents were asked whether intellectual capital or any aspect of it had an effect on organizational performance. The population was made up of all the selected staff of the four manufacturing firms namely, SAB Miller, Consolidated, Nigeria and Guinness brewing firms at Onitsha, Lagos, Aba, and Benin city respectively. The population was 850 in the ratio of 0.5, 0.4, 0.3 and 0.2. An exhaustive sampling of the population of 850 was used across the various management strata as sample size. The z-test of population proportion was used. Data was presented by means of tables and figures. The data analysis used was theoretical analysis, mean and standard deviation. Test-retest reliability was done using Cronbach Alpha with a reliability coefficient of 0.85 obtained which showed item consistency.

3. Results and Analysis

Data Analysis

Table 1
Below shows an analysis of responses from the respondent's

S/N	Statements		Sa	A	U	D	SD
1	Planning for employee's training and development can enable your organization to incorporate buyer-desired attribute into its products that will set it visibly and distinctively apart	f %	511 60.34	121 14.40	69 8.21	69 8.21	70 8.33
2	Employee's knowledge skills, competences, and work-related experiences will enable your command a premium price for its product through effective product differentiation	f %	70 8.33	69 8.21	69 8.21	121 14.40	511 60.84
3	Employee's entrepreneurial spirit will increase unit sales because additional buyers are won over by the differentiating features of your organizational product	f %	522 62.14	125 14.88	64 7.62	64 7.62	65 7.74
4	Employee's creativity and profession competencies will allow your organ to gain buyer loyalty to its brand because of the differentiating teachers of its product	f %	65 7.74	64 7.62	64 7.62	125 14.88	552 62.14
5	There is a positive relationship between effective plain on the human capital development and differentiation advantage	f %	542 64.52	106 12.62	72 8.57	72 8.57	48 5.71

From table 1, it showed the percentage % scores of responses in the first objective.
The responses were Strongly Agree (SA), Agree (A), Undecided (U), Disagree (d), and Strongly Disagree.

Table 2
Shows the analysis of the responses related to the second objective
The analysis of the responses related to the second objectives

S/N	Statements		Sa	A	U	D	SD
1	Your organization's relationship with its suppliers will enhance its negotiation skill when buying materials from them	F %	522 62.14	125 14.88	64 7.62	64 7.62	65 7.74
2		F	65	64	64	125	522

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	Effective rational capital control system to a large extent has a positive effect on low cast provides an advantage	%	7.74	7.62	7.62	14.88	52.14
3	Effective formal and informal organizational relationship will enhance employee performance	F %	523 62.26	128 15.24	62 7.38	63 7.5	64 7.62
4	The effective organizational social network will enhance the quality of group work and richness of information exchange among team members	F %	64 7.62	63 7.5	62 7.38	128 15.24	523 62.26
5	Effective organizational relationship with the public's will enhance corporate image brand image, customer loyalty and hence increase in sales turnover	F %	540 64.28	108 12.86	70 8.33	70 8.33	52 6.19

Table 2 showed the percentage % scores of the responses of the second objective. The responses are strongly agreed (SA), agree (A), undecided (U), Disagree (D) and strongly disagree (SD).

Table 3
Shows the analysis of the responses related to the third objective
The analysis of the responses related to the third objective

S/N	Statements		SA	A	U	D	SD
1	Effective information communication technology and explicit knowledge will enhance organizational product performance	f %	60 7.14	59 7.02	59 15.48	130 15.48	532 63.33
2	An organization with supportive infrastructure processes and databases will deliver superior values to buyers	f %	532 63.33	64 7.62	59 7.02	59 7.02	60 7.14
3	Adaptive culture and internal corporation among staff will enable organization match product performance at a lower cost than rivals	f %	60 7.14	128 15.24	58 6.90	130 15.48	533 63.33
4	Process innovations can enhance production efficiency of an organization	f %	533 63.33	130 15.48	58 6.90	59 7.02	60 7.14
5		f	55	59	58	125	533

There is a positive relationship between effective organizational capital design and best cost advantages	%	7.74	7.02	6.90	14.88	6.33

Table 3 showed the percentage % responses from the third objective. The responses are Strongly Agree (SA) agree (A), undecided (u), strongly disagree (SD), and disagree they have

Hypotheses Testing

Table 4 shows the computational details of the first hypotheses

There is no relationship between an effective plan for human capital development and differentiation advantage in the brewing industry in south-eastern Nigeria.

Table 4
The computational details of the first hypothesis

Statement	x/n	Calculated Z value	Table value	Statistical decision
There is no relationship between effective plan for human capital development and differentiation The advantage in the manufacturing industry in Nigeria	523 840	6.325	1.645	Reject Ho

Z_c=6.325>Z_t =1.645

Table 5 shows the computational details of the second hypothesis

An effective relational capital control system to a large extent does not have an effect on low-cost provider advantage in selected brewing firms in Southeastern Nigeria.

Table 5
The computational details of the second hypothesis

Statement	x/n	Calculated Z vale	Table Z value	Statistical decision
An effective relational control system to a large extent does not have an effect on low-cost provider advantage in manufacturing firms Nigeria	647 840	4.442	1.645	Reject Ho

Z_c=4.442>Z_t =1.645

Table 6 below shows the computational details of the third hypothesis

There is no positive relationship between effective organizational capital design and best cost provider advantage in selected brewing firms in Southeastern Nigeria.

Table 6
The computational details of the third hypothesis

Statement	x/	Calculated Z value	Table Z value	Statistical decision
There is a significant influence of brain power lead on the innovative advantage in selected manufacturing firms in Nigeria.	662 840	2.560	1.645	Reject H0

Z_c=2.560>Z_t=1.645

Findings

It was found that effective relational capital control system has a positive effect on low-cost provider advantage in manufacturing firms in the area studied. The relational capital control provides managers with the opportunity to monitor and evaluate whether the organization's strategy and structure are working as intended, how they could be improved, and how they might be changed if they are not working.Relational capital control helps managers in planning and organizing processes that organizations would use resources most effectively to create value for customers. Firms' performance can be measured using attributes like profitability and future viability (Marr, 2008). Thus there is a significant relationship between social relational capital and firm performance, which means that when social relational capital improves, firm performances increase (Kifordu et'al). More so, the effective organizational capital control system enhances low-cost provider advantage of the organization that offers good structure, uniqueness, and profitability.

4. Conclusion

That effective plan on human capital development had a positive relationship on differentiation advantage in the manufacturing firms in Nigeria as it brings about the effective and dynamic planning of human capital development to enhance differentiation advantage that distinguishes organizations. Also, effective relational capital controls provide for managers to monitor and evaluate organizational strategies and structures. While the effective organizational capital design enables managers to create a kind of structure were coordination between supervisors and subordinates motivates employees for better performance, goal attainment, and overall profitability.

Recommendations

It is recommended that the strategic managers should seek and use intellectual capital in the selected firms to enhance effective relational capital control systems to sustain low-cost provider advantage and to aid continuity of organizational capital design towards better low-cost provider advantage.

Conflict of interest statement and funding sources

The authors declared that they have no competing interest. The study was financed by the University of Nigeria, Enugu Campus, ESUT.

Statement of authorship

The authors have a responsibility for the conception and design of the study. The authors have approved the final article.

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