

Human capital advantage: a determinant of organisational performance in the Hospitality sector

Mr Lloyd Kapondoro
Graduate Student, Graduate Centre for Management
Cape Peninsula University of Technology, South Africa

Prof Chux Gervase Iwu*
Faculty of Business and Management Sciences
Cape Peninsula University of Technology, South Africa
P.O Box 652, Cape Town.8000, South Africa
Email: iwuc@cput.ac.za; chuxiwu@gmail.com
Tel: +27 21 460 9038
Fax: +27 21 460 3716

Dr Michael Twum-Darko
Faculty of Business and Management Sciences
Cape Peninsula University of Technology, South Africa

*Corresponding author

Abstract

The paper tests the hypothesis that attitudinal components of human capital lead to human capital advantage which becomes a determinant of firm performance and competitive advantage. The test was carried out by analysing employees' perceived agreement that if certain attitudinal human capital factors are favourable, their performance rises. Spearman's rho correlation coefficient calculated for employees' level of agreement and perceived performance was found to be 0.941. The results show high agreement to theoretical predictions and empirical researches in the literature. The work presented has profound implications for future studies of human capital as a source of superior competitive advantage and may help to solve the problems of low productivity and loss of profits due to close completion. The study also resulted in the postulate: the performance of people in organisations is directly proportional to attitudinal components of human capital. Thus $p=kH+c$ where p is organisational performance, H are the attitudinal components of human capital, k is a constant of proportionality and c is basic employee performance. The study was set in the Hospitality sector in Cape Town, South Africa.

Key words: Human capital, organisational performance, job attitudes, competitive advantage, employee attitude



Source:
<http://jobs.lovetoknow.com/blogs+/job-hunting-tips/seven-types-jobs-hotels>

Introduction

Many companies nowadays derive their competitive advantage mainly from human capital (Ming, Ku & Lin, 2004:116). South Africa (and Africa in general) has a human capital (HC) problem centred on managerial capabilities and management development (African Human Capital and Labour Report, 2014; Deloitte, 2014). Despite the managerial capability problem, analysts also report that one of the biggest challenges facing South Africa today is low labour productivity and service delivery inadequacies (Warnich, Carrell, Elbert & Hatfield, 2015; African Human Capital and Labour Report, 2014; Schwab, 2014). Interestingly, and taking a broader view, Warnich et al. (2015:23) said that while

South Africa had one of the lowest labour productivity rates in the world, the employees' salaries increased. Through a deductive approach this study sought to describe the proposition that HC advantage is a determinant of organizational performance.

Problem conceptualisation

This study's perspective is that the performance challenge within the Hospitality sector in South Africa is partly due to human capital inadequacies resulting in the failure to build HC advantage that leads to superior labour productivity and competitive advantage. The broken lines in Figure 1 below seek to demonstrate inadequacies within relationships depicted.

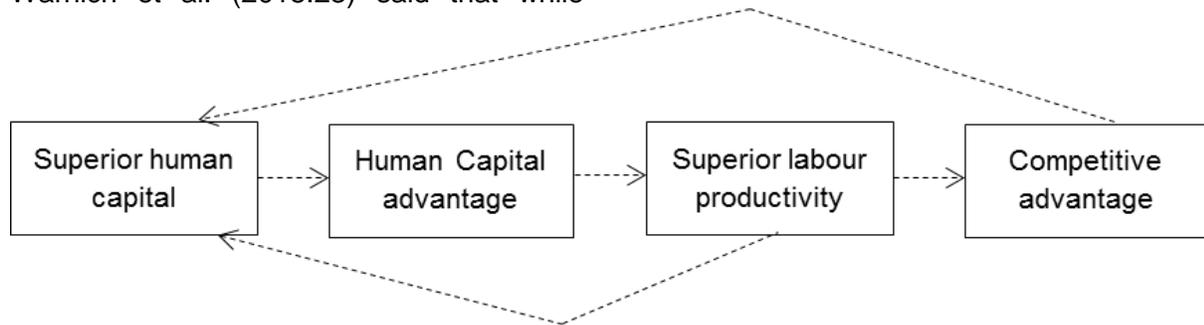


Figure 1: Organisational inadequacies

Hypothesis

Based on the problem conceptualization, Figure 2 below shows the hypothesis of the study. The relationships between concepts

are shown in bold to indicate strong connections whereby superior HC leads to HC advantage which positively influences both productivity and competitive advantage

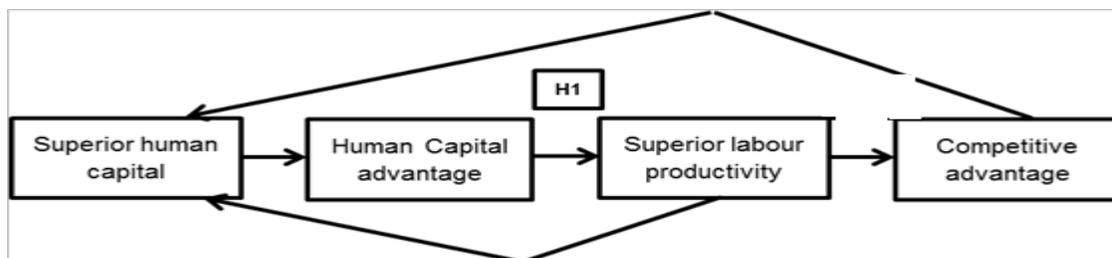


Figure 2: Hypothesis

The hypothesis depicted in Figure 2 above can now be stated as follows:

There is a positive relationship between human capital (measured by level of agreement) and employee performance (measured by summative scores of employees' perception that components of human capital advantage positively influence their performance).

The rest of the paper is structured thus: a literature overview of the key constructs of the study follows. After that is the research methodology followed by the results and their implications. Thereafter are the concluding remarks and future study recommendations.

Literature review

Human capital advantage

The realisation of HC as a source of competitive advantage has been ensconced in myths and controversies. According to Ming *et al.* (2004:116) under the generally accepted accounting principles, "all human-related expenditures are treated as expenses, which are deductions of revenues, thus misleading decision-makers into inappropriate judgments." One can comment that, it has taken long for organisations to fully realize that human capital can be a key source of competitive advantage.

As far back as 1961, Schultz presented notions of human capital, arguing that while some economists (such as Adam Smith, von Thunen and Irving Fisher) advanced the human capital view, counter views existed that the concept was akin to people as labourers, exploitables and slaves. In fact Schultz (1961:3) commented that the "main stream of thought has held that it is neither appropriate nor practical to apply the concept of capital to human beings." The concept, however, has taken a radical shift to imply the benefits that are greater than

the cost that can be attained from people working in organisations (Huselid, Becker & Beatty, 2005:12). These benefits are part of the intangibles of intellectual capital and include the knowledge, positive behaviours, attitudes, abilities and skills that people possess in the organisation (Armstrong, 2003:351, Ming *et al.*, 2004:116). In fact, all value adding factors and wealth generation are centred on HC (Ming *et al.*, 2004:116). Marr (2006:4) concurred with Becker *et al.* (2001:8) that intangible assets have become a critical source of competitive advantage.

In one of their earliest studies, Becker *et al.* (2001:8) analysed trends in the U.S equity markets and found that the market value of some firms to their book values had doubled in the last 10 years. This phenomenon was more pronounced in firms that strongly relied on intellectual capital as a source of competitive advantage. This strengthens the argument of Pfeffer (1994) and Ulrich and Brockbank (2005) that the strategic value of people today is based on the acceptance that all other sources of competitive advantage have become less important. In fact, the view that people are a strong source of strategic competitive advantage is well embedded in the Resource Based View (RBV) theory (Kamukama, 2013:263).

In one of his first articles on the RBV, Barney (1991) exposed the fundamental axiom of the RBV theory that a firm is a bundle of tangible and intangible resources which are sources of sustainable competitive advantage. From RBV literature, the following are the attributes of the resources of a firm that are capable of fostering sustainable competitive advantage: the resource must be valuable in the sense that it exposes opportunities and/or neutralises threats in a firm's environment; the resource must be rare among a firm's current and potential competitors; the resource must be imperfectly imitable and there cannot be strategically equivalent substitutes for this resource. According to Huselid *et al.*

(2005:12), human capital will have greatest value when it provides benefits to the organisation and these benefits take the form of workforce behaviours that execute strategy. This suggests that employee skills and behaviour should have a market value that adds to the realisation of an organisation's strategic objectives.

Employee attitudes as components of human capital

Although a large volume of research exists to prove that some human resource management practices have significant positive impact on business outcomes, few of these studies have focused on employees' perceptions of how their attitudes can impact performance (Kehoe & Wright, 2013). According to Nickson, Warhurst and Dutton (2005:196) the Hospitality sector, which the current study focuses on, delivers tangible products (such as food, drink and accommodation) and intangible output or products such as the roles the service deliverer plays in providing service to the customer. As such soft skills, attitude and the ability to look good or sound right can be key sources of competitive advantage (Nickson, *et al.*, 2005:196). This study focuses on four attitudes (employee commitment, satisfaction, engagement and embeddedness) that can be key components of HC advantage in the Hospitality sector. The assumption held is that by developing these attitudes, the required soft skills and value adding behaviours are automatically enhanced.

Employee commitment and performance

The study of employee commitment and performance has generally had mixed results. Some studies have established a weak positive relationship (Islam, Khan, Ahmad & Ahmed, 2012; Pinho, Rodrigues & Dibb, 2014) while others have found a strong positive relationship (Fu & Deshpande, 2014; Imran, Arif, Cheema & Azeem, 2014).

The measurement for organisational commitment that was used for this study is based on Meyer and Allen (1991)'s three component model of commitment. This model has gained prominence in understanding the nature of organisational commitment. In the model, Allen and Meyer (1991) distinguished between emotional attachment (identification with and involvement in the organisation), continuance commitment (perceived cost associated with the organisation and normative commitment (perceived obligation to remain with the organisation) (Meyer, Stanley, Herscovitch & Topolnytsky, 2002). Meyer *et al* (2002) also noted that these three components of commitment have different impacts on employee on-the-job performance with affective commitment being specifically expected to have the strongest correlation with performance. In their study of the relative importance of the components to job performance, Meyer *et al.* (2002) observed that affective commitment correlated highly ($p=0.16$) to job performance than either normative commitment ($p=0.06$) and continuance commitment ($p=-0.7$). Given that this study is more concerned with factors that make strategic impact or that strongly influence performance, items from the organisational commitment questionnaire that measure affective commitment were selected for the questionnaire used in this study.

Employee satisfaction

While there are notable studies that established a strong relationship between satisfaction and performance, some studies did not confirm the relationship. A study by Judge, Thoresen, Bono and Patton (2001) found a moderate ($r=0.30$) relationship between satisfaction and performance while Callaghan and Coldwell (2014) did not confirm a relationship between the two variables. In contrast, as in this study, Imran *et al.* (2014) supported Mafini and Pooe (2013) who found a strong relationship between employee satisfaction and performance. According to Armstrong

(2009:344), research has not established any strong relationship between employee satisfaction and performance. Armstrong (2009:344) further commented that, "it is not job satisfaction that produces high performance but it is high performance that produces job satisfaction and a satisfied worker is not necessarily a productive worker and a high performer is not necessarily a satisfied worker."

Employee engagement

Harter, Schmidt and Hayes (2002) found correlation between engagement and performance but could not establish whether the correlation was causal. However, Dalal, Buysinger, Brummel and Lebreton (2012) concluded that employee engagement predicted performance while Salanova, Agut and Peiro (2005) had earlier found an association between employee engagement and performance.

Items for the section on work engagement were developed based on the Utrecht Work Engagement Scale (UWES). The UWES has three sections for the measurement of work engagement: vigour, dedication and absorption. Items from the 'dedication' portion of the engagement scale were taken for inclusion in the questionnaire for this study because they resemble the concepts of this study more closely than the other items.

Employee embeddedness

The work of Lee, Mitchell, Sablinski, Burton and Holton (2004) and the study by Chinomona, Dhurup and Chinomona (2013) found that employee embeddedness predicted job performance. According to Chinomona *et al* (2013), all the dimensions of job embeddedness (fit to job, fit to organisation and fit to community) positively influence performance. Concurring with this finding, Lee *et al* (2004) found that on-the-job embeddedness significantly predicted

organisational citizenship behaviour and job performance.

For purposes of this study, the items developed for embeddedness were those involving 'fit to the organisation.' Seven items were included in the questionnaire.

Methodology

The study used a deductive approach premised on the hypothesis developed from the problem conceptualisation. With this approach, data was collected on the four major job attitudes that are key components of human capital, namely, employee commitment, engagement, satisfaction and embeddedness. The study was done by correlating the independent variable - human capital (measured by level of agreement) and dependent variable - employee performance (measured by summative scores of employees' perception that components of human capital advantage positively influence their performance). To test the existence of the relationship hypothesized, spearman's rho was calculated and interpreted. The study was set up for organisations in the Hospitality sector; specifically hotels and restaurants. The hotels and restaurants were based in the Cape Town central city. The Cape Town central City is 1.6km² and lies between the Table Mountain and the Atlantic Ocean (Cape Town Central City Report, 2012). The Cape Town Central City Report states that there are fifty seven hotels in the central city of which eight of them are 8 star hotels. Therefore the entire population from the Hotels sub area consisted of fifty seven hotels. On the Restaurants sub area, the exact number of restaurants could not be ascertained; however, the authors relied on The Cape Town Central City Report which indicated that the city had more than 1 200 retailers of which more than 200 of them are restaurants, coffee shops and take-away outlets.

The decision to conduct this study in this sector was based on the realisation that the sector is service based and effective human resource management is an important component of such a labour intensive sector. In addition, Enz (2009) reported that effective human resource management is a troubling issue in the Hospitality sector yet the industry is very important to developing countries including South Africa.

Sampling frame

From the fifty seven hotels in the City, the sampling frame consisted of the 3 and 4 star hotels in the city. This decision was taken following an analysis of the South African hotel market sentiment survey (2010) which indicated that (1) the 3 and 4 star hotels provided majority of their respondents and (2) the average person would choose a 3 star or a 4 star hotel. The Report by the Labour Research Service (2012) also showed that more beds were taken up in the 3 and 4 star hotels thus implying that most of the clients in the hotel sub sector are accommodated in 3 and 4 star hotels. Therefore, the authors assumed that employees of 3 and 4 star hotels faced more clients daily resulting in a need for high performance since profits are realised by serving many clients as compared to higher star hotels where service is likely to be based on higher prices for a quality service to a few clients. Based on this consideration, the 3 and 4 star hotels within the Central City were considered for this study. A total of twenty four 3 and 4 star hotels operate within the delineated area. This was determined by referring to the report by the Cape Town International Convention Centre (2013). To select restaurants for the study, only the six major fast food restaurants in the City were considered based on the list provided in the Euromonitor Consumer Food Service in South Africa (2005).

Sampling organisations

The intention of this study was to sample all the employees of all the hotels (24) and restaurants (6). This attempt was made by e-mailing letters of request for consent to conduct the study in the organisations. However, only ten (42%) of the twenty four hotels responded positively to the request. Of the fourteen that did not take the offer, five (21%) did not respond while the other nine (38%) cited business pressure and could not accommodate the researchers. On the restaurant side, five (83%) of the six fast food restaurants to which the request letter was sent responded positively. Therefore ten hotels and five restaurants participated in the study. Stoker in De Vos (2005:196) suggested guidelines for sample size which show that for populations less than 30, all the units should be selected. This study, however, could not follow the same guideline owing to the convenience sampling technique that had to be adopted for ethical purposes. This may be taken as a limitation of the study even though the samples were above thirty percent of the population taking note that samples that are at least thirty percent are considered large for statistical purposes.

Sampling participants

The questionnaire was self-administered to waiters, till operators, office employees and supervisors of restaurants while in hotels the participants were front office employees, receptionists and office employees. Permission was first sought from the managers to administer the questionnaire while appropriate dates and times were allocated for the researchers to administer the questionnaire. Over a one month period, the researchers were able to finish the data collection process. Through interaction with the organisations prior to administering the questionnaire, the managers of the organisations indicated that, generally, at most fifteen employees maybe available but less than ten will be able to complete the questionnaire owing to business imperatives. The researchers then expected eight employees per organisation thereby

issuing one hundred and twenty questionnaires of which seventy five of them were returned while only seventy one of them were considered useful after screening them for usability of responses (removing those that severely omitted responses and those with unclear responses).

Validity and reliability of measuring instrument

Validity refers to how well a measurement instrument measures what it is intended to measure (Long & Johnson, 2000; Bless *et al*, 2006; Jackson, 2009). According to Long and Johnson (2000:31), there are mainly three ways of determining the validity of a measurement instrument and these are: content validity, criterion validity and construct validity. To ensure content validity (that the questionnaire actually measured these five variables), the research instrument was developed from well-established and generally accepted instruments. For instance, for the measurement of employee commitment, items were taken from Allen and Meyer (1990)'s instrument. Although the instrument considers affective, continuance and normative commitment, Meyer *et al* (2002) observed that affective commitment correlated highly ($p=0.16$) to job performance than either normative commitment ($p=0.06$) and continuance commitment ($p=-0.7$). Therefore items used were selected from the affective dimension of commitment. Of the eight items for affective commitment, four of them were used for the study based on face validity, which is, from the opinion of other researchers interacted with; the four were more suited to this study. For the measurement of satisfaction the short form of the Minnesota satisfaction scale was used while the Utrecht Work Engagement questionnaire was adapted for the study. The adaptation of scales was based on face validity to select items that most resembled

the variables for this study. Similarly, for employee embeddedness, the fit to job sub scales were adapted from Mitchel and Lee (2001). The selection of actual items for inclusion in the question was based on face validity.

Criterion validity and construct validity

Bless *et al*. (2006:159) argue that one way to ensure criterion validity is to compare the results from a measuring instrument with those from another (the criterion). Jackson (2006:71) and Bless *et al*. (2006:158) concur that criterion validity can be either concurrent or predictive: concurrent validity is when the measurement instrument and the criterion are administered at the same time while predictive validity is when the measurement instrument is used to predict a future criterion. In this study human resource variables were assessed on their strength to predict the performance of an employee. To ensure construct validity, this study used scales from instruments that had been validated and accepted as true measures of the constructs in this study.

Reliability of instrument

The reliability of a measuring instrument is defined as its consistency or the degree to which the instrument produces equivalent results for repeated trials (Bless *et al*, 2006:150). To determine if the questionnaire used in this study was reliable the responses were analysed using SPSS while frequencies were checked to determine if they clustered around certain responses or were dispersed. Since most of the items of the questionnaire complemented one another around the variable being measured, a clustering of responses was expected: the questionnaire was reliable since it was clear from the frequencies that the responses clustered with high frequencies notable for responses and very low frequencies for certain responses. Very few outliers were observable. This then demonstrated some form of internal consistency of the questionnaire.

Description of data collection instrument

The questionnaire designed for this study had five sections namely Section A for biographical information, Section B (organisational commitment), Section C (employee satisfaction), Section D (employee engagement) and Section E (employee embeddedness). The items in section B, organisational commitment, were based on the model for the measurement of organisational commitment proposed by Meyer and Allen (1991) which has eight items for affective commitment, eight items for continuance commitment and eight for normative commitment.

The literature has evidence that affective commitment is related to higher

performance than the other two dimensions; therefore the eight items on affective commitment were initially taken for inclusion in the questionnaire.

For the section on employee satisfaction, nine items taken from the adaptation of the Minnesota satisfaction scale by Macdonald and MacIntyre's (1997) were used. Employee engagement was measured using items from the nine item version of the Utrecht Work Engagement Scale while employee embeddedness was measured based on the seven items of the fit-to-organisation dimension of the measurement instrument of Lee, Mitchell, Sablinski, Burton and Holton (2004).

Findings and discussion - Biographical information

Table 1: Distribution of age groups

Age		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than 20	2	2.8	2.8	2.8
	20-30	30	42.3	42.3	45.1
	30-40	31	43.7	43.7	88.7
	40-50	8	11.3	11.3	100.0
Total		71	100.0	100.0	

The above table shows that the majority of the respondents (86%) were within the age range 30-40 years. According to the

Quarterly Labour Force survey, Quarter 2 (2014) the working age group in South Africa is 15 – 64 years. This shows that the majority of the participants in this study were in the middle of their working life. Their responses, therefore, could be reliable.

Table 2: Respondents' level of education

Level of education		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Did not complete matric*	22	31.0	31.0	31.0
	Matric	23	32.4	32.4	63.4
	Certificate	14	19.7	19.7	83.1

Diploma	9	12.7	12.7	95.8
Degree	3	4.2	4.2	100.0
Total	71	100.0	100.0	

*Represents completion of post-primary education

The low level of education of employees in the Hospitality sector is apparently reflected in the table above with an almost equal number for those who completed matric and those who did not. Those who completed matric made up thirty two percent of the respondents while thirty one percent had

not completed matric. The low level of education which is observable from the respondents supports arguments in Kort and Strydom (2014:120) that the Hospitality sector of the Tourism industry has a skills problem.

Table 3: Respondents' length of service in the organisation

Length of service		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Less than one year	14	19.7	19.7	19.7
	1-2 years	21	29.6	29.6	49.3
	3-5 years	19	26.8	26.8	76.1
	5-10 years	11	15.5	15.5	91.5
	more than 10 years	6	8.5	8.5	100.0
	Total	71	100.0	100.0	

Labour mobility is evident in the above table with the majority of the employees (30%) having worked for their respective organisations for between one to two years. This finding is consistent with a report by

Blomme (2006) cited in Kort and Strydom (2014:121) which stated that about seventy percent of graduates leave the sector within six years after graduating.

Table 4: Respondents' employment status

Employment status		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Contract	35	49.3	49.3	49.3
	Permanent	36	50.7	50.7	100.0
	Total	71	100.0	100.0	

Of the seventy one respondents, the number of contract employees and that of permanent employees was almost the same at thirty five and thirty six respectively. This aspect of the composition of the respondents surprisingly contrasted Blaauw

and Viljoen (2009:50) whose review of literature established that the majority of businesses in the Hospitality sector employ casual workers. Casual employment in the Hospitality sector is also supported in the study by Kort and Strydom (2014) in which

employee retention is listed among the challenges of the sector. If this was to be accepted then the number of contract workers among the respondents would have

been more than that for permanently employed respondents. This study could not account for the contrasting findings.

Table 5: Organisational representation of participants

Organisation	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Restaurant	17	23.9	23.9	23.9
Hotel	54	76.1	76.1	100.0
Total	71	100.0	100.0	

The majority of the employees who participated in this study worked in hotels (76.1%) as compared to restaurants (23.9%).

Analysis of frequencies and summated scores

Table 6 below shows the frequencies associated with the Likert scores (x) [1=strongly disagree; 2=disagree; 3=neutral; 4=agree; 5=strongly agree]. The frequencies (f) associated with the scores are also shown while summated scores (fx) are calculated for each attitudinal category. The summated scores represent a perceived performance value for each statement.

Table 6: Data summary

Statement	Category	Scores (x)	Frequency (f)	Summated scores (fx)
1. I perform more when I feel that I will spend the rest of my career with this organisation.	Commitment	1	0	0
		2	7	14
		3	11	33
		4	21	84
		5	32	160
2. If the organization makes me feel being 'part of the family' at work, I perform more.		1	0	0
		2	4	8
		3	11	33
		4	30	120
		5	26	130
3. If I feel 'emotionally attached' to this organization, I perform more.		1	2	2
		2	3	6

		3	15	45
		4	31	124
		5	20	100
4. If I have a 'strong sense of belonging' to this organization, I perform more.		1	2	2
		2	3	6
		3	15	45
		4	28	112
		5	23	115
	1. If I am recognised for a job well done, I perform more.		1	2
		2	4	8
		3	10	30
		4	19	76
		5	36	180
2. I perform more when I feel close to others at work.		1	2	2
		2	9	18
		3	15	45
		4	26	104
		5	19	95
3. I can perform more because of good feelings to work for this company.		1	3	3
		2	5	10
		3	13	39
		4	27	108
		5	23	115
4. I perform more because of job security.		1	1	1
		2	9	18
		3	10	30
		4	23	92
		5	28	140
5. If this organisation enhances my physical health, my		1	2	2

Employee
Satisfaction

performance rate can increase	2	2	4
	3	14	42
	4	23	92
	5	30	150
	6. If I get good wages, I can perform more.	1	1
	2	6	12
	3	7	21
	4	20	80
	5	37	185
	7. I can perform more if I am given challenging work that stimulates all my talents and skills.	1	2
	2	5	10
	3	8	24
	4	27	108
	5	29	145
	8. I perform high when workplace relationships are good	1	1
	2	1	2
	3	10	30
	4	31	124
	5	28	140
	9. I perform more when I have good feelings about my job.	1	0
	2	2	4
	3	10	30
	4	30	120
	5	29	145
	1. I perform more if my work is full of meaning and purpose	1	4
Employee engagement	2	5	10
	3	9	27
	4	23	92
	5	30	150

2. I perform highly if the job is inspiring.	1	1	1
	2	4	8
	3	9	27
	4	26	104
	5	31	155
3. I perform more when I am proud of the work that I do.	1	2	2
	2	1	2
	3	11	33
	4	22	88
	5	35	175
4. If my work is energising, I will perform more.	1	1	1
	2	4	8
	3	11	33
	4	23	92
	5	32	160
1. If I like the members of my work group I perform more.	1	3	3
	2	6	12
	3	9	27
	4	22	88
	5	31	155
2. I perform more when my co-workers are like me.	1	3	3
	2	9	18
	3	13	39
	4	24	96
	5	22	110
3. I perform high when my job utilises all my skills and talents.	1	0	0
	2	3	6
	3	8	24
	4	29	116

Employee
embeddedness

	5	31	155
4. If I am a good match for this company, I will perform more	1	1	1
	2	5	10
	3	13	39
	4	29	116
	5	23	115
5. If there I fit with the organisation's culture, I perform more	1	2	2
	2	0	0
	3	16	48
	4	27	108
	5	26	130
6. I perform highly if my values are compatible with the organization's values.	1	2	2
	2	9	18
	3	9	27
	4	35	140
	5	16	80
7. I perform more if I feel that I can reach my professional goals working for this organization	1	4	4
	2	3	6
	3	6	18
	4	23	92
	5	35	175

In Table 7 below, high performance scores were obtained from the 'agree' and 'strongly agree' responses for each statement and they were summed up to create the high performance summative scores. Similarly,

low performance scores are based on the responses for the 'disagree' and 'strongly disagree' responses for each statement which are summed up to create low performance summative scores.

Table 7. Performance scores

Statement	High performance scores		High performance summative score	Low performance scores		Low performance summative scores
	strongly agree	agree		strongly disagree	disagree	
1	160	184	344	0	14	14
2	130	120	250	0	8	8
3	100	124	224	2	6	8
4	115	112	227	2	6	8
5	180	76	256	2	8	10
6	95	104	199	2	18	20
7	115	108	223	3	10	13
8	140	92	232	18	1	19
9	150	92	242	2	4	6
10	185	80	265	1	12	13
11	145	108	253	2	10	12
12	140	124	264	1	2	3
13	145	120	265	0	4	4
14	150	92	242	4	10	14
15	155	104	259	1	8	9
16	175	88	263	2	2	4
17	160	92	252	1	8	9
18	155	88	243	3	12	15
19	110	96	206	3	18	21
20	155	116	271	0	6	6
21	115	116	231	1	10	11
22	130	108	238	2	0	2
23	80	140	220	2	18	20
24	175	92	267	4	6	10

Using a coding of '1' for low level of agreement (disagree and strongly disagree) and a '2' for high level of agreement (strongly agree and agree), the results from table 7 were captured on IBM SPSS

software version 22. The hypothesis that there is a positive relationship between human capital (measured by level of agreement) and employee performance (measured by summative scores of

employees' perception that components of human capital advantage positively influence their performance) was tested using Spearman's rho coefficient. Table 8

below is the SPSS output showing the two-tailed rho correlation coefficient to be 0.941 which is very significant with $p=0.01$.

Table 8: Spearman's rho correlation coefficient

			Correlations	
			Level of Agreement	Summative score
Spearman's rho	Level of Agreement	Correlation Coefficient	1.000	.941
		Sig. (2-tailed)	.	.000
		N	48	48
	Summative score	Correlation Coefficient	.941**	1.000
		Sig. (2-tailed)	.000	.
		N	48	48

** . Correlation is significant at the 0.01 level (2-tailed).

Accepting that employee's perceptions of performance can be transformed into real action behaviours, this study has found enough evidence to uphold the hypothesis that human capital positively impacts employee performance. The results of this study support those of Kehoe and Wright (2013) who found evidence that employees' collective perceptions of high-performance human resource practices are positively related to affective commitment, organizational citizenship behaviour, and intent to remain with the organization and negatively related to absenteeism. Several researches compliment the results of the current study. Sydler, Haefliger and Pruksa (2013) found evidence that spending on intellectual capital results in intellectual assets in the subsequent year and this is associated with higher return on assets (ROA) over time. Maditinos, Chatzoudes, Tsairidis and Theriou (2011) arrived at the same conclusion arguing that there is a statistically significant relationship between human capital and financial performance (return on capital employed-ROE). Furthermore, Kaifeng, Lepak, Jia and Baer (2012) found that human capital systems

were related to operational outcomes which in turn were linked to financial outcomes.

Practical implications of the study

This study has drawn significant attention to the measurement, control and management of employee attitude, knowledge and capabilities. In doing so the study makes a strong case for the RBV theory and also the ideas of Becker *et al.* (2001:8) that "intangible assets generate tangible benefits." When considering the evidence provided in this analysis, human resource practitioners ought to implement programs that boost employee commitment, engagement, satisfaction and embeddedness. Organisations should therefore develop strategies that ensure that employees are committed to helping the organisation achieve its strategic objectives (Kaplan & Norton, 2001:263). If employees are not committed to the execution of the organisation strategy, then that strategy is bound to fail. To promote the HC factors, it should be noted that they are related to one another and an improvement in one can lead to an improvement in the other (Imran

et al, 2014). To ensure that HC factors have a positive impact, human resource practitioners need to ensure job enrichment, alignment of interest of company with those of employees and recruiting and selecting new employees whose values match those of the organisation (Greenberg, 2011). Armstrong (2009:338) further asserts that employee engagement is influenced by the work itself, work environment leadership, opportunities for personal growth and opportunities to ensure the contribution of employees to corporate decision making. To promote employee satisfaction, employers need to motivate their employees to meet performance targets and once they meet these targets, they become satisfied (Armstrong, 2009:344).

Conclusion and recommendation

This study has found a significant relationship (0.941) between human capital and employee performance thus supporting Campbell, Coff and Kruscynski (2012:376) who argue that firm-specific human capital is assumed to support sustained competitive advantage. Ensuring employee commitment, satisfaction, engagement and embeddedness is arguably a way by which a firm can gain sustainable competitive advantage. Evidence from this study suggests that the four attitudinal components of HC, namely, employee commitment, engagement, satisfaction and embeddedness are perceived by employees as performance drivers if they are favourable. As such this study argues that there is a strategic case for the attitudinal components of HC. A necessary deduction based on evidence from this study is that positive attitudes initiate all other soft and hard skills needed for superior performance. As a consequence of this deductive argument it can be postulated that the performance of people in organisations is directly proportional to attitudinal components of HC. Thus $p=kH+c$ where p is organisational performance, H are the attitudinal components of HC, k is a

constant of proportionality and c is basic employee performance. The implication of $p=kH+c$ is that if, illustratively, an organisation wants to raise its performance by 10%, then it has to raise the level of its human resource factors by 10% as well. In other words the organisation has to raise employee engagement, satisfaction, commitment and embeddedness by 10%. The reverse also makes sense, that if an organisation finds that its performance has dropped by a certain magnitude the reason could be because the human resource factors have also dropped by the same margin and to rectify such a situation management can work on the human resource factors. Given the observation that there is a lag time between the implementation of a human resource strategy and the realisation of desired performance, organisations can be recommended to use the human resource metric derived in this study over time in order for changes in performance due to the manipulation of human resource factors to be noticed.

Suggestions for future research

It has been noted in the literature that there is a lag time between the implementation of human resource strategies and the realisation of desired performance, this therefore, necessitates research in the possible lag times in different industries in order to determine how long change in particular industries can be accepted. This study has focused on only four of the major employee attitudes that influence performance, future research into other employee attitudes and how they predict performance is necessary. Further research on the use and appropriateness of the HR metric derived in this study is necessary to give it more credibility, improve it or affirm it. Future research into other human resource metrics that link business outcomes and human resource factors is also necessary to increase the number of strategic human

resource metrics available for use. It is also important to have studies of this nature in other industries and sectors.

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