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Impact of Intellectual Capital on Nigerian Commercial Banks' Employee Retention in Kaduna Metropolis

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Abstract

Today, talent or brain-power retention is a crucial concern of many organizations especially commercial banks. Employees nowadays are different. Therefore, employee retention for a long period of time in a particular organization is influenced by a myriad of factors. Hence, this study seeks to empirically examine the impact of intellectual capital on employee retention in Nigerian commercial banks. Using a sample of 247 respondents randomly selected from various commercial banks operating within Kaduna Metropolis, a standard multiple regression analysis was employed and it was found out that all variables of intellectual capital which includes human capital, structural capital and relational capital had made far reaching contributions in explaining employee retention in Nigerian Commercial banks. Thus, the study concludes that there is significant and positive relationship between intellectual capital and employee retention. The paper recommends amongst others that banks should identify their `critical employees; understand their needs with regards to career, family, education, and community; and be able to continuously meet the expectations and needs of these employees.

Keywords:
Intellectual Capital, Employee Retention, Human Capital, Structural Capital, Relational Capital

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Background to the Study

In the past, intellectual capital IC was a subject of researches only in developed countries; however, nowadays it is a subject of interest in all over the world (Ahanger, 2010). In today business environment with characteristics like globalization, competition and high rate of changes in technology, tangible assets such as capital, land and raw material do not create competitive advantage for organizations and they must set intangible assets as a base for impressive performance and sustainable competitive advantage (Shafiezadeh, 2007).Intellectual capital (IC) is a key driver of innovation and competitive advantage in today's knowledge based economy (Bontis 2004; Yu-Shan Chen 2007). Many organizations have realized the important fact that their real value is not reflected in their materialistic capital, but in their intellectual capital. Intellectual capital included human capital, structural capital and relationship capital. Human capital refers to idea capital (the man/brainpower, employee abilities and attitude of the knowledge base) and leadership capital (the characteristics of experts and managers); structural capital refers to innovation capital (patents, trademarks, copyrights, knowledge database) and procedure capital (working procedures, trade secrets); relationship capital refers to customer relations, supplier relationships, and the relationship of network membership (Mahmood , Baratali & Somayeh 2012).

The wave of brain-drain and attrition that commercial banks are facing in a world of layoffs, retirements, staff turnover, mergers and acquisitions, and in an economy that is currently in a recession, poses a threat and a challenge to banks. When people join organizations, they come with their experiences, skills and expertise and they gain further knowledge as they execute their duties. When they leave their employment, they carry with them most of their knowledge, resulting in loss of organizational intellectual asset and erosion of organizational memory. The cost of employee turnover to an organization is high. Thus, there is significant economic impact when an organization loses any of its critical employees, especially given the knowledge that is lost with the employee's departure.

It is against this background that this paper attempts to empirically investigate whether there is any relationship between intellectual capital and employee retention in commercial banks of Nigeria. To achieve this objective, the paper is divided into five sections: introduction, literature review, methodology, discussion of findings, conclusion and recommendations.

Concept of Intellectual Capital

There was no standard definition of intellectual capital. It was defined by researchers based on different perspectives. They had attempted to classify intellectual capital due to different criteria. Some of them were described as following:

According to Abeysekera and Guthrie (2005), Yongvanich and Guthrie (2005) intellectual capital was categorized into three components: (a) Human capital (b) External capital (c) Internal capital. Sveiby (1997) described internal structure; external structure and competence are components of intellectual capital. Brooking (1996) divided intellectual capital into four components: intellectual property assets, market assets, human-centered assets and infrastructural assets.

1. Market assets: they included brands and distribution channels or everything of organizations that firms could connect with their customers and others.
2. Human-centered assets: they were knowledge, skills, innovation and experience of employees to make effective decisions and solved the problem of organizations.
3. Intellectual property: they included know-how, brands and inventions.
4. Infrastructural assets: they include methods, technologies and procedures which help the organizations for having even the function.

The main categories of intellectual capital was utilized by several researchers in the field of intellectual capital by Bontis (1996, 1998 & 1999) Roos, Dragonetti and Edvinsson (1998), Stewart (1991 & 1997), Sveiby (1997), Edvinsson and Malone (1997), Saint-Onge (1996) and Edvinsson and Sullivan (1996). They stated that human capital, structural capital and relational capital were three components of intellectual capital. Spiritual capital was a new component of intellectual capital that was described by Ismail (2005). He stated that it was values, faith, culture, principles, intangible knowledge and emotion embedded in individual minds and hearts which were the central part of firm. In a nutshell, Intellectual capital (IC) represents the collective knowledge that is embedded in the personnel, organizational routines and network relationships of an organization (Stewart 1997; Bontis 2004; Christina 2006).

Concept of Employee Retention

Employee retention is a process in which employees are encouraged to remain with the organization for the maximum period of time or until the completion of a particular project(Hom, 1995). Stauss et al., (2001)has defined retention as "customer liking, identification, commitment, trust, readiness to recommend, and repurchase intentions, with the first four being emotional-cognitive retention constructs, and the last two being behavioral intentions" Walker (2001) was of the view that managing and retaining promising employees' is an important fundamental mean of achieving competitive advantage among the organizations. Cutler (2001) was of the view that one of the most important demands on management today in any organization is keeping the most vital and dynamic human resources motivated and dedicated. It is not important to see who the organization hires but what counts is that who are kept in the firm. Steel, Griffeth, & Hom (2002) added to this view that "*the fact is often overlooked, but the reasons people stay are not always the same as the reasons people leave*". Researchers such as Amadasu (2003); Taplin et al.(2003); Gberevbie (2008) have found that if appropriate employee retention strategies are adopted and implemented by organizations employees will surely remain and work for the successful achievement of organizational goals .

H_1: There is significant causal relationship between intellectual capital and employee retention in Nigerian Commercial banks.

Methodology

The objective of this study is to investigate the effects of the three dimensions of Intellectual Capital (human capital, structural capital and relational capital) on employee retention in commercial banks operating within Kaduna Metropolis. For the purpose of this study, the eighteen identified commercial banks operating in the metropolis were selected. 250 employees of the total employees of all these commercial banks in the metropolis were selected through stratified random sampling for the administration of the questionnaire. The Krejcie and Morgan's table of sample selection was consulted to arrive at the needed sample size based on the population of the employees of the commercial banks. Out of the 250 questionnaires distributed to the employees, 247 were received and considered usable which represent 98.8 per cent response rate.

Instrumentation

The three dimensions of the independent variable, organizational intellectual capital (human, structural and relational capital) were measured by 8, 8 and 7 items respectively.

Data Analysis

The standard multiple regression technique as contained in the SPSS package version 18 was employed to determine whether there is a causal relationship between the three dimensions of organizational intellectual capital and employee development. Preliminary analyses were initially conducted to ensure no violation of the assumptions of normality, linearity, multicollinearity and homoscedasticity.

Table 1

Correlations

		ER	HC	SC	RC
Pearson Correlation	ER	1.000	.556	.465	.608
	HC	.556	1.000	.614	.624
	SC	.465	.614	1.000	.401
	RC	.608	.624	.401	1.000
Sig. (1-tailed)	ER	.	.000	.000	.000
	HC	.000	.	.000	.000
	SC	.000	.000	.	.000
	RC	.000	.000	.000	.
N	ER	247	247	247	247
	HC	247	247	247	247
	SC	247	247	247	247
	RC	247	247	247	247

Table 2

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.665[a]	.443	.436	.61427

a. Predictors: (Constant),RC, SC, HC

b. Dependent Variable: ER

Table 3: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.329	0.306		4.346	.000
	HC	0.447	0.071	0.178	2.504	0.000
	SC	0.140	0.046	0.187	3.08	0.002
	RC	0.425	0.062	0.422	6.878	0.000

a. Dependent Variable: ER

From table 2 above, with *R(0.665)* it depicts that there is strong positive relationship between the collective (or joint) independent variables (human capital(HC), structural capital(SC), and relational capital(RC) aspect of intellectual capital) and the dependent variables (employee retention(ER) in commercial banks in Kaduna Metropolis) hence the $R^2(0.443)$ implies that 44.3% of the variability in the employee retention in commercial banks in the area studied is explained by the joint independent variables (human capital, structural capital, and relational capital aspects of intellectual capital) with a standard error of (0.61427).

As indicated in table 3, human capital is significantly related to Employee Development (β = .447, $p < 0.05$); therefore it has a strong positive influence on employee retention. This implies that, a high rate of variability in employee retention could be explained by the presence of human capital in the commercial banks. There is a weak negative relationship between Structural Capital and Employee Development (β = .140, $p > 0.02$), hence, structural capital has less impact on employee retention in the commercial banks. There is a strong statistical positive relationship between relational capital and employee development of the commercial banks. With β = .425, $p < 0.05$, relational capital has much impact on the variability of employee retention in the commercial banks.

Discussion of Result

The result from this study as presented above indicates causal effects between the three but one dimensions of independent variable (intellectual capital) and the dependent variable (employee retention). However, it is discovered that all the three independent variables (HC, SC and RC) put together collectively impact positively on Employee Retention. (ER).

Conclusion

The evidence generated by this study supports the conclusion that if organizations manage their intellectual capital effectively their employees' rate of turnover will be highly reduced and invariably improved their performance and increase the organizational competitive advantage.

Recommendations

For improvement in employee retention and improved organizational performance, the paper recommends the following:

1. Critical Employees, especially highly skillful ones should be identified and encouraged to familiarize themselves with the systems, procedures, and structures of the organization irrespective of their areas of duties.
2. Their needs with regards to career, family, education, and community should be well understood by the management of the banks so as to be able to continuously meet the expectations and needs of these employees.
3. Organization's partners (such as suppliers, importers, stakeholders, etc) should be accorded more consideration in their deals with the organization.
4. Individual cross-fertilization of ideas among employees should be encouraged through periodical get-together of both management level employees and lower level employees.

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