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RESEARCH ARTICLE

The efficacy of knowledge Capital Management as a tool for Employee Performance of Banks in Tindiret constituency

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Abstract

The purpose of this study was to establish the relationship between Knowledge Capital Management and employee performance among banks in Tindiret constituency. The specific objective of the study is knowledge capital and employee performance. The study targeted a total of 300 staff from the banks in the constituency. The study used simple random sampling in which sample size calculation was utilized to calculate a sample size of 195 respondents. The research instrument used was a 5 point likert scale questionnaire and in data collection, questionnaires were used as instruments. To determine the reliability of the instruments the cronbach's coefficient alpha was used to test the reliability. The study used descriptive and inferential analysis techniques to analyze data and a computer package Statistical Package for Social Sciences (SPSS) version 17.0 was used. The study presented the findings in form of tables, multiple regression analysis and correlation. The findings showed that knowledge capital had significant effect on employee performance ($\beta 2 = 0.331$, $p<0.05$). Therefore, employees should be encouraged to share ideas and learn from each other since this will enhance performance. Management support should be enhanced and resources should be allocated to knowledge management. Also, firms should disseminate and distribute knowledge through the firm levels and have systems which allow easy access to information and procedures that support innovation which lead to improvement in employee performance.

INTRODUCTION

There has been a growing realization that a company's stock of intangible assets which is a key contributor to its capacity to secure a sustainable competitive advantage (Sharon, 2007). Knowledge-based intangibles in particular are recognized to be central to the value creation process. Performance and knowledge capital are linked to each other because when there is proper utilization and management of the knowledge capital the employees performs well and vice versa. Thus, there is a necessity to clearly find the relationship. The organization value knowledge to and extend that there are structure to forward innovative ideas and creative thoughts. In Africa many organizations are increasingly viewing knowledge as their most valuable and strategic asset, Organizations are learning to align and integrate technology and Organizational initiatives for managing and supporting knowledge processes. Organizations clearly require a creative, motivated workforce which is intellectually professional and which contributes to the strategy of increasing value in aggressively changing environmental conditions. Since most professionals have such specialized knowledge and produce high-quality knowledge output, they will tend to control their work domain and not necessarily support organizational goals. This has been cited as key indicators of performance challenges in the banking sector. Decreased performance within banking institutions despite efforts by banks to rejuvenate themselves have been a cause of alarm for most banks in the constituency as this has left the banks in a state of dilemma. This study sought to establish the effects of knowledge capital management on employee performance. The study was a survey of banks in Tindiret constituency.

LITERATURE REVIEW

2.1 Concept of Employee Performance

According to Jones and Lockwood (2002) employee performance is a difficult concept to define but its principally to do with the application of effective effort. In the organizational context, performance is usually defined as the extent to which an organizational member contributes to achieving the goals of the organization (Lansbury, 1988). Employee Performance is a process for establishing a shared workforce understanding about what is to be achieved at an organization level. It is about aligning the organizational objectives with the employees' agreed measures, skills, competency requirements, development plans and the delivery of results. The emphasis is on improvement, learning and development in order to achieve the overall business strategy and to create a high performance workforce, (Dooley, 2000).

Knowledge Capital Management and Employee Performance

Knowledge has long been recognized as a valuable resource by economists and has been a focus of significant attention in the human capital literature, in particular the issues of knowledge generation, leverage, transfer and integration Edvinsson (2003) described knowledge capital management as the pillar of the future of any enterprise; it's an indicator of whether the employees of an enterprise can operate effectively. Any enterprise that does not invest in invisible knowledge capital management cannot possibly generate the momentum of innovation among its employees (Shu-Hsiao Tsen and Hsiang-Ling Hu, 2010). Chao-Hsu Yang (2006) did research on 211 listed enterprises, and found that knowledge capital management had a significant contribution to the creation of organizational values and employee performance. Its capacity can be brought into play more effectively going through the interaction among human, structure and customer capital. If they can go through the interaction of knowledge capital management, then the employee’s performance within the organization can be boosted. No matter it's information technology, biotechnology, high technology, or emerging industries, etc., knowledge capital management affects employees performance deeply (Chang, Chen, & Lai, 2008).

Shi-Hsiao Tsen et al. (2010) indicated that knowledge capital management includes human capital, structural capital, and social capital. Therefore, an organization should develop the knowledge capital management that cannot be imitated by the competitors easily, converting the wisdom and capabilities it has accumulated into its core competencies: operating the functions of knowledge capital management to create distinct characters of an organization. It establishes an irreplaceable external relationship to enhance an organization's social capital, and the synergy created from the interaction among human capital, is key for an organization to build competitiveness as a result of the positive aspects it has on its employees. Mei-Chun Chen (2001) believed a knowledge capital management has a significant positive effect on employee performance

H01: Knowledge capital management has no significant effect on employee performance in the organization.

RESEARCH METHODOLOGY

The study employed a survey research design. A survey research design sought to collect data from different targeted organizations without manipulating the research variables or the respondents in an attempt to get the respondents’ effects of knowledge management on employee performance (Paton, 2002). The target population comprised of the management and other employees in the banks in the constituency. The study targeted 5 banks within the constituency, out of which 10 branch managers and 305 other employees were targeted, which added up to a target population of 315 respondents. This study used simple random sampling. The sample size calculation employed Mugenda and Mugenda formula (2003) in calculating the sample size of the employees targeted from the banks within the county. The sample size for this study was 210 respondents from the above calculations. This sample size was deemed adequate for the study since it provides an equitable representation of the different respondents who participated in the study. The questionnaires were used to seek for responses from respondents based on the research objectives.. Most of the items adopted a Lickert scale (such as 1-strongly disagree, 2-disagree, 3-undecided, 4-agree, 5-strongly agree). The study used descriptive and inferential analysis techniques to analyze data. The descriptive statistics used were mean and the standard deviations which indicated the average performance of a group or a measure of some variables. The inferential statistics were used in multiple regressions. The linear regression model assumes that there was a linear relationship between the dependent variable and each predictor. This relationship was described in the following formula.

Where;

= is the value of the case of the dependent scale variable, = is the error in the observed value with case, β = is the Coefficient of X, o = the constant in the equation. X1 = Knowledge Capital management.

Empirical Results

Descriptive statistics and correlations among the study variables are reported in Table 4.7. The levels of correlations among the variables are relatively modest, with most variables exhibiting significant correlations. Since a number of independent variables were relatively correlated, a multicollinearity analysis was conducted using Variance inflation factor (VIF). The results indicated that multicollinearity was not a problem since all the variables were within the recommended threshold of 10 (Hair et al., 2006). Pearson Correlations results in table 1 showed that Knowledge capital management was positively and significantly associated with employee performance as shown by($r = 0.239$, $\rho<0.05$) implying that knowledge capital management had 23.9% positive relationship with employee performance.

Table 4.7 Correlation Statistics

4.7 Correlation Statistics

	MEAN	S.D	Employee performance	Knowledge capital management	
Employee performance	3.15	1.316	1		
Knowledge	2.33	1.105	.613**		
capital					
management	2.919	1.118	.710**	.513**	1
	3.767	1.032	.269**	.262**	.239**

Source: (Survey Data, 2014)

Regression

A Multiple linear regression model was used to predict employee performance in the study. The prediction was carried out basing on the effect of knowledge capital management and employee performance. From table 4.8, the findings indicated that the model coefficient of determination (adjusted R2) was 0.638 which indicated that 63.8% total variation of employee performance is explained by knowledge intellectual capital management. The F-ratio was 75.739 at 1 degree of freedom which is the variable factor. This represented the effect size of the regression model and was significant with a p-value of 0.000. The research findings concur with William (2007) that when individuals enhance their competency skills they become competitive in their organizations hence firms invest resources into its management with the aim of reducing risks and capitalizing on productive employees hence the organization make knowledge productive and turn intellectual capital into customer value. According to hypothesis statement that, there is no significant relationship between knowledge capital management and employee performance in the organization, However, research findings show inconsistency with the hypothesis since knowledge capital management recorded coefficient estimates of $\beta2 = 0.331$ (p-value =0.000 which is less than $\alpha = 0.05$) hence we reject the null hypothesis thus the study is in agreement with William (2006) that productivity is as a result of knowledge capital aggregated in the employee's head in the form of useful training and company-relevant experience. According to (Watson, 2006) the knowledge possessed by employees is actually a share of the company's knowledge capital. This in effects makes the employees are shareholders of the most important intangible asset that a firm owns. Thus each employee is a manager in the essence of information acquisition and utilization. Therefore, Grant (1996) asserts that employees should be managed well since they are the sources of knowledge and firms should identify existing knowledge bases, Provide mechanism for creation, protection and transfer of knowledge which is also in agreement with the study findings.

Table 4.8

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
	B	**Std. Error**	**Beta**	**T**	**Sig.**	**Tolerance**	VIF
(Constant)	-0.391	0.274		-1.428	0.155		
Knowledge capital management	0.386	0.059	0.331	6.557	0.000	0.669	1.495
R Square	0.647						
Adjusted R Square	0.638						
F	75.739						
Sig.	0.000						

Dependent Variable: Employee performance

Source: (Survey Data, 2014)

Conclusions

The study finding affirms knowledge capital has a significant effect on employee performance and it is basically the knowledge, skill and capability of individual employees. Providing solutions to customers and is in effect the firm's collective capability to extract the best solutions from the knowledge of its people. There is also evidence that knowledge capital management has a positive effect on employee performance. Specifically, firms with effective knowledge capital management, firm profitability is likely to increase.

Recommendations

Based on the study findings the following recommendations are made:

i. Firms should upgrade employee skills through training and seminars in order to improve employee performance.
ii. Also employees should be encouraged to share ideas and learn from each other since this will enhance performance. Management support should be enhanced and resources should be allocated to knowledge management.
iii. Firms should disseminate and distribute knowledge through the firm levels.
iv. Feedback from customers should be absolutely evaluated in order to enhance customer satisfaction and there should be very close relationships with branches of the other banks and the governmental institutions in order to share new ideas which will in effect lead to employee performance.
v. Firms should have systems which allow easy access to information and procedures that support innovation which lead to improvement in employee performance.
vi. From the findings, knowledge management and employee performance need to be narrowed to their specific dimensions such as knowledge acquisition, application, creation, identification, capturing, collection, organization, sharing, transferring and distributing. Thus, future study should focus on the specific dimensions of knowledge management on employees' commitment.

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