

**HUMAN CAPITAL AS A CONTRIBUTOR TO
ORGANIZATIONAL COMPETITIVE
ADVANTAGE**

**SUBMITTED BY FREDERIC WILL, NANCY
WOOD, JOHN ZELANO, AND WINSOME
GREENWOOD**

INTRODUCTION

The contribution of human capital when combined with financial capital, technological capital, and physical capital has the potential to improve the competitive advantage of organizations. This is more observable in service organizations because the contribution of human capital when viewed as team work is less predictable.

DEFINITIONS

- ✘ Human capital – organizations require financial capital, technological capital, human capital and physical capital.
- ✘ Competitive advantage is an attribute/ benefit that an organization does better than its competition and is valued by its customers.
- ✘ Career management refers to organization sponsoring staff training to benefit the activities of the organization.

DEFINITIONS

- ✘ Knowledge transfer theory is concerned with the dissemination of individual knowledge through organizations(Nonaka & Von Krogh, 2009). Some researchers regard knowledge as the key ingredient in gaining competitive advantage because knowledge was the main inimitable resource (Murray & Peyrefitte, 2007).

DEFINITIONS

- ✘ Knowledge is conceptualized as having two aspects: explicit and tacit (Nonaka and Von Krogh, 2009).
- ✘ Explicit knowledge refers to formal knowledge found in manuals and drawings.
- ✘ Tacit knowledge is more difficult to articulate (Droege & Hoobler, 2003; Polanyi, 1966) and was considered to be more pervasive.

DEFINITION

Tacit knowledge is “know how” and is recognized as a facilitator of competitive advantage(Nonaka, 1994) and is associated with individuals (Grant, 1996).

DEFINITIONS

Tacit knowledge could be used to add inimitability of skills learnt in an organization (Chadwick & Dabu, 2009). Expanding tacit knowledge to explicit knowledge was considered important for knowledge expansion in organizations (Nonaka & Von Krogh, 2009).

DEFINITION

- ✘ The transference of knowledge within organizations was regarded as a social function (Nonaka & Von Krogh, 2009). The social aspect of tacit knowledge contributed to its perception as a team activity.

Tacit knowledge when perceived as a function of team activity could be less problematic when a team member left with firm-specific knowledge (Subramaniam & Youndt, 2005).

DEFINITION

- ✘ **Team:** The importance of teams in contemporary organizations cannot be over emphasized. Kukalis (2009) recommended that organizations focus on building the right teams rather than creating the right strategy (p.105).

DEFINITION

Collins and Clark (2003) advocated for recognition of teams in the creation of sustainable competitive advantage in organizations. Top management teams could provide sustainable competitive advantage because they provide value and were firm specific (Collins & Clark, 2003).

DEFINITION

- ✘ Leadership in organizations was a prerequisite to creating sustainable competitive advantage. The relationship between the follower and the leader was central to effective leadership. This relationship was obvious in transformational leadership (Purvanova, Bono, & Dziewieczynski, 2006).

DEFINITION

Purvanova, Bono and Dziewieczynski (2006) advocated the view that transformational leadership influenced the way followers interpreted their work and contribution to organizational performance (p.3).

DEFINITION

The role of leadership within an organization was important to create sustainable competitive advantage in the use of the firm's resources including the use of human resources. In addition, if leadership acted as a change agent it could support human capital's contribution to maintaining competitive advantage (Boxall, 1998; Madhok, Li, & Priem, 2010).

PROBLEM STATEMENT

The general problem is the observed low productivity of the Jamaican workforce (Jamaican Productivity Report, 2009). This problem has been observed in all sectors of the economy (Jackson & Wedderburn, 2000). The problem involved using the available labour force to improve productivity levels in Jamaican organizations.

PURPOSE STATEMENT

The purpose of this quantitative correlational study was to determine the effects of organizational career management and leadership style as independent variables , in Jamaican financial organizations and to observe the effect on organizational performance with productivity level as the dependent variable (Creswell, 2008; Haas & Hansen, 2007).

SIGNIFICANCE OF THE STUDY

This study could be significant at two levels: First to practitioners , and second to scholars.

- Practitioners could offer leaders a way to perceive employees as assets to aid sustainable competitive advantage.
- To scholars the study could be used to demonstrate to organizations the benefits of investing in developing their employees skill levels through increasing employee knowledge levels.

NATURE OF STUDY

- ✘ The use of the quantitative methodology was considered appropriate because it sought to determine whether there were any linear relationships between independent variables and a dependent variable.
- ✘ Qualitative techniques would not have been suitable because they tended to investigate processes that underpin human behavior (McGivern , 2006).

RESEARCH QUESTIONS

- ✘ RQ1 . What relationship exists between productivity levels and organizational career management in Jamaica?
- ✘ RQ2. What relationship exists between productivity levels and training in organizations?
- ✘ RQ3. What relationship exists between organizational career management?
- ✘ RQ4. How is the career management process correlated with organizational leadership style?
- ✘ RQ5. How is career management provision in Jamaican financial organizations correlated with organizational leadership?

HYPOTHESES

- ✘ Ho1. There is no relationship between organizational career management and productivity in Jamaican financial organizations.
- ✘ Ho2. There is no relationship between training and productivity levels in Jamaican financial institutions.
- ✘ Ho3. Internal promotion opportunities are not tied to organizational career management participation.
- ✘ Ho4. Organizational leadership style does not correlate with organizational career management processes in Jamaican financial institutions.
- ✘ Ho5. The provision of career management in Jamaican financial organizations is not correlated with organizational leadership.

SUMMARY OF TOPICS



CONCEPTUAL FRAMEWORK

- ✘ This quantitative correlational study included an overview and analysis of independent variables, career management, and leadership, and the independent variable, organization performance.
- Organizational career management allowed organizations to provide employees with firm-specific knowledge to contribute to organizational competitive advantage (Koch & McGrath, 1996).

CONCEPTUAL FRAMEWORK

- The use of career management as a tool of strategic human resource management was a leadership function.
- Greater use of human resource tools was strongly related to increased productivity (Guest et al., 2003).

FUNDAMENTAL THEORIES

- ✘ The resource-based view theory of the firm advocated that an organization's competitive advantage was based on how it used its available internal resources (Becerra, 2008 ; Kraaijenbrink, Spender, & Groen, 2010).

The essence of the resource-based view was the use of a mix of resources to produce, a sustained competitive advantage (Collins & Clarke, 2003).

FUNDAMENTAL THEORIES

- ✘ Strategic human resource management concerned with the relationship between strategic planning outcomes and human resource activities (Schuler & Jackson, 2003).

Human resource is perceived as an asset (Deniz-Deniz & Saa-Perez, 2003; Luthans & Youssef, 2004).

As an asset human resource should contribute a return to organizations (Kazlauskaitė & Bučiūnienė, 2008; Liu, Combs, Ketchen, Jr., & Ireland, 2007).

FUNDAMENTAL THEORIES

- ✘ Human capital theory . Employees could be seen as human capital in strategic human resource applications (Haas & Hansen, 2007).
- ✘ Knowledge transfer theory. Knowledge has two aspects explicit and tacit (Nonaka, 1994; Nonaka & Von Krogh, 2009). Explicit was formal knowledge but tacit knowledge although more difficult to articulate (Giju, Badea, Lopez Ruiz, & Nevado Peña, 2010; Polanyi, 1966; Droege & Hoobler, 2003) was considered to be more pervasive. Tacit knowledge was “know-how” and is recognized as a facilitator of competitive advantage (Nonaka,1994).

FUNDAMENTAL THEORIES

- ✘ **Leadership.** Leadership was important to strategic human resource management input in both planning and implementing (Carmeli & Schaubroeck, 2005).
- ✘ Leadership determined the culture of an organization (Schein, 2004).
- ✘ Culture influenced the types of human resource practices an organization implemented (Wright, Gardner, Moynihan, & Allen, 2005).
- ✘ **Career management practices.** Include on-the-job training to improve worker contribution (Baruch & Peiperl, 2000; De Vos, Dewettinck, & Buyens, 2007).
- ✘ **Organizational performance.** May be viewed in terms of three outcomes: financial outcomes, organizational outcomes and human resource outcomes (Boselie et al., 2005).

POPULATION & SAMPLING

- ✘ The general population comprised of executives, human resource managers, and managers in five banks and building societies in Jamaican financial institutions.
- ✘ Four institutions provided data for the study.
- ✘ The sample size for this specific study was 74 and included the second largest commercial bank, the largest building society and two large investment banks.

DATA COLLECTION

- ✘ Data collection was done by email to pre-agreed contact persons in identified organizations who had agreed to distribute instruments to prospective respondents in their organizations.
- ✘ After one month of distribution and collection there was a low response rate. Similar studies in banking industries have reported low response rates (Peña & Villasalero, 2010). E-mail and telephone follow-up procedures were done to reduce non response.

PILOT STUDY

- ✘ A one week pilot study was conducted using 10 respondents with similar backgrounds from similar financial institutions. The pilot study was done to ensure that the questions comprehension levels matched respondents.
- ✘ The instrument was developed using the 5 research questions identified in the study to test the 10 hypotheses.

RESULTS

- ✘ The sample analysis includes the results of data collection and a summary of the descriptive statistics. Correlations are based on the Pearson product –moment correlation (r) calculated from data sets. The predetermined level of significance (α level) was .05 or 95%. The 95% level of significance is acceptable in the social sciences (Neuman, 2009).
- ✘ Five null and five alternative hypotheses were tested to provide responses to the five research questions.

RESULTS

- ✘ RQ1. was triangulated with archival data. The data indicated that a relationship existed between productivity levels and organization career management . Triangulation with archival data did not attribute differences in organizational productivity to organization career management.

RESULTS

- ✘ RQ2. The data indicated that there was no relationship between employee education levels and organization productivity .
- ✘ RQ3. There is a statistically significant positive relationship between internal promotion and organization productivity in Jamaican financial organizations

RESULTS

- ✘ RQ4. The data indicated a weak positive relationship between leadership style in Jamaican financial organizations and career management processes.
- ✘ RQ5. The provision of career management in Jamaican financial organizations was not influenced by organizational leadership style. It would seem that leadership input was not a determinant factor in the use of human capital in Jamaican financial institutions.

SIGNIFICANCE OF RESULTS TO LEADERSHIP

Leadership in Jamaican financial organizations should be aware of the relationship between organization career management and productivity within their organizations and their role in this relationship. Liu et al., (2003) recommended an empowerment leadership style for knowledge based organizations. Miller and Desmarais (2007) recommended leadership development to nurture and retain talent in organizations.

SIGNIFICANCE OF THE RESULTS TO LEADERSHIP

Leadership should be aware of the role of team in knowledge dissemination within organizations; organization specific knowledge cannot be transferred when the competition employs a group member. The tacit or “know how” knowledge resides within the group in the organization.

RECOMMENDATIONS FOR FUTURE RESEARCH

There are four recommendations:

- ✘ 1. Future research to determine the role of organizational leaders and the provision of organizational career management in service organizations. Research in that area could further position human capital development in the knowledge economy.

RECOMMENDATIONS FOR FUTURE RESEARCH

- × 2. Future research could determine the implications to strategic human resource management when organizational leadership become aware of the benefits of nurturing tacit knowledge within their organization.

RECOMMENDATIONS FOR FUTURE RESEARCH

- ✘ 3. The effects of blending employee entry knowledge in an environment which nurtures tacit knowledge on organizational sustainable competitive advantage
- ✘ 4. A longitudinal study to provide data on the relationship between the variables: organization career management, leadership and organizational competitiveness in Jamaican financial organizations.

QUESTIONS

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