

**UTILIZATION OF HUMAN CAPITAL RESOURCE CAPABILITIES AS A  
COMPETITIVE TOOL IN ORGANIZATIONS FOR IMPROVED EMPLOYEE  
PERFORMANCE IN COURIER COMPANIES IN KENYA**

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**ABSTRACT:** *Employees are the backbone of the organization and ensures that company policies and programs are implemented effectively. Employee performance is linked with capital resource capabilities. This paper sought to examine utilization of human capital resource capabilities as a competitive tool in organizations for improved employee performance in courier companies in Kenya. For comparison in analysis, other resource capabilities tested included; physical resource, financial resource and social resource. The study involves human capital theory. From a target population of 2800 a sample of 339 respondents was obtained using Cochran's formula. Simple random sampling was used and employed explanatory research design. Data was analyzed using descriptive and inferential statistics. Correlation and moderated regression analysis were used to test the hypotheses. The results revealed that physical capital resource capabilities had the greatest influence on employee performance, financial capital resource capabilities which also had a positive and statistically significant influence and finally the human capital resource capabilities which this paper aimed to examine had a positive relationship but statistically insignificant influence. Social capital resource capabilities were found not to be significantly associated with employee performance. The study recommends that courier companies should identify their critical capital resource capabilities putting emphasis on those that can enhance employee performance and train employees on computer usage and internet. The policy makers such as ministry of communications and information technology should also put emphasis on technological advancements in the provision of courier services.*

**KEYWORDS:** Human Capital Resource Capabilities, Training, Employee Performance, Human Resource Management.

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## **INTRODUCTION**

The development of human resource capabilities consistently enables superior performance (Gimeno *et al*, 1997). Firms that attract highly educated and/or highly skilled workers provide skill-development and cross-training to develop trade and imitate scarce and appropriable specialized human capital assets (Amit & Shoemaker, 1993). Attracting and retaining high-quality personnel is considered a critical innovation strategy, particularly for high-tech firms (Branzei and Vertinsky, 2006). This can be achieved by recruiting, and maintaining a well-trained labour force and managers whose knowledge, skills and abilities serve as a source of innovation (Zahra and Nielsen, 2002).

Barney (2007) further stated that resources are the substance of strategy, the very essence of sustainable competitive advantage and a tool for gaining superiority in a competitive market that depends on a firm's ability to identify, develop, deploy, and preserve its human resources capabilities that distinguish it from its rivals (Amit and Schoemaker, 1993).

Human resource capability has been recognized as one of the major sources of competitive advantage (Barney & Clark, 2007) and it has become one of the most widely studied capabilities in the study of sources of competitive advantage (Newbert, 2007). Karatepe (2013) and Salanova *et al.*, (2005) indicate that human resource management practices (HRM) have been found to be predictors of work engagement. These studies viewed HRM practices as a combination of individual practices using an aggregate measure. According to a study by Karatepe (2013), training empowerment and rewards constituted HRM practices, whereas in the case of Salanova *et al.*; (2005), HRM practices were characterized by training and autonomy. Saks (2006) only, however, examined the individual effects of specific HRM practices (rewards and recognition) on work engagement. The scarcity of research on the individual influence of HRM practices has led Arrowsmith and Parker (2013) to conclude that the effects of specific HRM practices on work engagement remain unclear to HR practitioners. Kuslivan *et al.* (2010) and Arrowsmith and Parker (2013) postulate that more studies on the role of specific HRM practices in predicting work performance are needed. Identifying the specific HRM practices that could contribute to employee performance would be able to facilitate management in promoting work performance among their employees. Tanke, (2001) defined HRM practices as the implementation of strategies, plans and programmes required to attract, motivate, develop, reward and retain the best people to meet organizational goals and operational objectives of an enterprise. Rodriguez and Loomis (2007) assert that human capital is a fundamental source of economic productivity and an investment that people make in themselves to increase their productivity (Mulgan, 2005). More recently, Frank and Bemanke, (2007) defined human capital as ‘an amalgam of factors such as education, experience, training, intelligence, energy, work habits, trustworthiness, and initiative that affect the value of a worker’s marginal product’. Considering the production-oriented perspective, the human capital is ‘the stock of skills and knowledge embodied in the ability to perform labour so as to produce economic value’ (Sheffin, 2003).

Further to that some researchers define human capital as ‘the knowledge, skills, competencies and attributes in individuals that facilitate the creation of personal, social and economic well-being’ with the social perspective (Rodriguez and Loomis, 2007). Consequently, human capital simultaneously includes both the instrumental concept to produce certain values and endogenous meaning to self-generate it. In order to dependently or independently create these values, there is no doubt that learning through education and training can be important in terms of defining the concept of human capital.

The resource-based view approach to strategic management considers human resource as a unique source of competitive advantages of the firm (Lorange and Murphy, 1984; Lundy, 1994). It has been even suggested that there is a link between a firm’s performance and the utilization of its human resources (Lahteenmaki *et al.*, 1998) The notion surrounding the importance of human resource in its distinctive sense derives from the view that people management is a key source for ensuring sustained competitive advantage (Mabey *et al.*, 1998).

## **UNDERPINNING LITERATURE**

### **Human capital theory**

The origin of human capital theory goes back to the emergence of classical economics in 1776, after which a scientific theory was developed (Fitzsimons, 1999). Schultz (1961) recognized

the human capital as one of the important factors for a national economic growth in the modern economy. With the emergence and development of human capital as an academic field, some researchers expansively attempted to clarify how the human capital could contribute to socio-political development and freedom. The concept of human resource capabilities can be variously categorized by each perspective of academic fields. The first viewpoint is based on the individual aspects in which Schultz (1961) recognized the human capital as ‘something akin to property’ against the concept of labour force in the classical perspective, and conceptualized that ‘the productive capacity of human beings is now vastly larger than all other forms of wealth taken together’. This is where the theory on human capital links employee performance since this is what the organization owns as a resource in terms of knowledge and skills acquired by the employees in the course of their working life. Employees are also akin to property of the organization.

Human capital theory postulates that expenditure on training and education is costly and should be considered an investment since it is undertaken with a view to increasing personal development. An introduction by Becker (1964) is the basic notion of human capital and state that the theory of human capital can be defined as skills acquisition, and that skills acquisition can be achieved through education and training. Education is the most important way to obtain human capital, and training is another important method to invest in human capital. Woodhall (2001) showed that human capital affects various social components. In the 1950’s, some economists discovered that the investment of human capital was the primary element to raise individuals’ wages compared to the quantitative input of other components such as land, financial capital, and labor force (Salamon, 1991). Throughout the investment of human capital, an individual’s acquired knowledge and skills can easily transfer to certain goods and services (Romer, 1990). Considering that accumulation of knowledge and skills takes charge of important role for that of human capital, there is a widespread belief that learning is the core factor to increase the human capital which is vital for employee performance in courier companies. In other words, learning is an important component to obtain much knowledge and skills through lots of acquisition ways including relationship between the individual and the others (Sleezer *et al.*, 2003). Currently, it is acceptable that the conceptual foundation of one’s human capital is based on knowledge and skills acquired by an individual’s learning activities. Assuming that knowledge can broadly include other factors of human capital such as skills, experience, and competency that is inherent in employees, human capital and knowledge as broad meaning may be recognized as synonymous expression. Such accumulation of human capital through learning activities significantly influences many sectors. In the macroscopic aspects, many researchers present that accumulation of one’s human capital on education and training investment largely affects the growth of an individual’s wage, firms’ productivity, and national economy (Madhoc, 2002). Employee performance can be further enhanced through education and training that should be facilitated by the management of courier companies.

Rastogi, (2002) conceptualizes that human capital is ‘knowledge, competency, attitude and behavior embedded in an individual. There is the second viewpoint on human capital itself and the accumulation process of it. This perspective stresses on knowledge and skills obtained throughout educational activities such as compulsory education, postsecondary education, and vocational education (De la Fuente & Ciccone, 2002). Despite the extension of that concept, this perspective neglects that human being would acquire knowledge and skills throughout his/her own experience.

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## MATERIALS AND METHODS

This study used explanatory research design method to establish the relationship between human capital resource capabilities and the employee performance of courier companies (Oso and Onen, 2005).

The target population for this study included all cadres of employees of registered courier companies in Nairobi County, Kenya. A population of 2800 employees in 109 courier companies in Nairobi County was used.

This study adopted simple random sampling techniques to select a representative sample from the target population. To get a representative sample for the study population, the author uses Cochran (1963) formula of finite population as indicated:

$$\text{Cochran, (1963) formula: } n = \frac{\text{no.}}{\text{no.-1}} \cdot \frac{1 + (\text{no.-1})}{N}$$

Where: n = new sample size

$$\text{no.} = 385$$

N = Population of the study

$$\begin{aligned} \text{Therefore the sample size is: } n &= \frac{385}{385-1} \cdot \frac{1+384}{2800} \\ n &= \frac{385}{1+0.13714} \end{aligned}$$

Thus a sample size of 339 respondents was obtained.

Primary data was obtained from employees of courier companies through self-administered questionnaires.

The Principal Components Factor Analysis (PCA) was used to determine the factor structure of the constructs. Construct means and standard deviations were computed to examine the variance in responses. The Levene's test was used to help explain the homogeneity of variance of the data. To establish the main characteristics of the study variables, descriptive statistics, Pearson correlations and regression analysis were done. To establish the statistical significance of the respective hypotheses, analysis of variance (ANOVA) as well as moderated linear regression analysis were conducted as appropriate at 95 percent confidence level ( $\alpha = 0.05$ ). Statistical packages for social sciences (SPSS) Version 22.0 was used to assist in data analysis. Analyzed data were interpreted and presented in tables, graphs and charts.

Multiple regression analysis was conducted to test whether the nature of formalization and level of integration could be antecedents of human resource capabilities, physical resource capabilities, social resource capabilities, and financial resource capabilities respectively. Hierarchical regression analysis was conducted to test the predictive ability of resource capabilities on employee performance while controlling for gender and experience of the respondents. Employee performance was hypothesized and predicted using the following:

$$\text{Model 1: } Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + C + \text{error}$$

Where: Y = Employee performance

X<sub>1</sub> = Human capabilities

X<sub>2</sub> = Physical capabilities

X<sub>3</sub> = Social capabilities

X<sub>4</sub> = Financial capabilities

$$\text{Model 2: The moderating effect of experience } Y = \beta_0 + \beta_1 X + \beta_2 Z + \beta_3 X * M + C + \epsilon$$

Where: Y = Aggregate mean score of employee performance

$\beta_0$  = y-intercept/constant

$\beta_1$  = least squares estimate of the population regression coefficient for X

X = degree of the individual independent variable

Z = hypothesized grouping moderator (Level of education)

$\beta_2$  = least squares estimate of the regression coefficient for Z

X\*M = the product between the predictors and the moderator

$\beta_3$  = the sample base least squares of the population regression coefficient of the product term

$\epsilon$  = error term- random variation due to other unmeasured factors

## RESULTS AND DISCUSSION

Findings of the study revealed that respondents neither agreed nor disagreed in regard to their attitude towards work at a mean 3.83, their set targets at mean 3.79 and how they are facilitated to acquire more knowledge at mean 3.63. The organizations rules and regulations are not adhered to by all employees, showing a mean of 3.74. This could imply that the rules and regulations are not well documented or communicated across all cadres of employees effectively. Majority of employees agreed that they are knowledgeable in service provision and that they are experienced in their work performance.

Human capital resource capabilities were conceptualized to be measured by seven items. The results showed that they were sorted and clustered into two factors. Principal component analysis results showed that two components had Eigen values more than 1.0. Factor one was named employee characteristics had Eigen value of 6.349 with a variance of 23.515% and had 5 items: all courier employees are knowledgeable in service provision had factor loading 0.759, employees have experience in work performance had factor loading of 0.764, courier employees have a positive attitude towards work had factor loading 0.627, employees perform highly and achieve set targets had factor loading 0.608, courier employees are facilitated to acquire new knowledge 0.564.

Based on a null the hypothesis that stated, there was no significant relationship between human capital resource capabilities and employee performance, acceptance of the hypothesis was inevitable since it was found not statistically significant though it had positive relationship.

**Table 1 KMO and Bartlett's Test Results for Resource Capital Capabilities**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.832
Bartlett's Test of Sphericity	Approx. Chi-Square	2580.065
	Df	351
	Sig.	.000
Reliability Statistics	Cronbach's Alpha	.764

A factor analysis was also performed from which the following results were drawn.

Source: survey data (2015) This study used the principal component analysis to reduce the number of variables and also to detect the structure in the relationships between human capital resource capabilities and performance. Kaiser criterion of retaining factors with Eigen values greater than one (1) was employed. To check the adequacy of data for extraction of the principle components, the Kaiser-Meyer-Olkin and the Bartlett's test of Sphericity were used. The study findings further support the works of (Boldizzoni, 2008) who stated that human resource capabilities are the economic perspectives where, the capital refers to 'factors of production used to create goods or services that are not themselves significantly consumed in the production processes'. Along with the meaning of capital in the economic perspective, the human is the subject to take charge of all economic activities such as production, consumption, and the various transactions and therefore employees in courier companies are to take charge of these activities. On the establishment of these concepts, it can be recognized that human capital resource means one of the production elements which can generate added-values through inputting it. Furthermore, some researchers define human capital as the knowledge, skills, competencies and attributes in individuals that facilitate the creation of personal, social and economic well-being' with the social perspective (Rodriguez & Loomis, 2007).

The main idea of human resource capabilities is to develop human capital that provides the necessary knowledge and skills required by employees in courier companies so as to cushion the firm from the effects of fierce competitive environment and make it sustainable over a long period. In this way, the employees can perform their duties effectively and efficiently and thereafter make their companies profitable, grow and expand. Human resource capabilities further emphasize that the general human capital is 'to be defined by generic knowledge and skill, not specific to a task or a company accumulated through working experiences and education' (Alan *et al.*, 2008).

## Study Implications

Information society is a way for human capacity to be expanded, built up, nourished, and liberated by giving people access to tools and technologies, with the education and training to use them effectively during service delivery. The Internet is a global collection of many types of computers and computer networks that are linked together. It is increasingly becoming the solution to much information, problems, information exchange, and marketing. The courier firms should not be left behind in the development of communication technology and therefore managers should facilitate use of latest technology by all employees.

## CONCLUSION

The differences in employee performance in courier companies could be explained by the differences in human capital resource capabilities pertinent to each courier company. This may also mean that the employees who may want to improve in their work performance need to be facilitated through various training and further education to gain more knowledge. This will give them a competitive edge over other employees in rival companies. This way therefore, the resource based view has indeed provided an avenue for the courier companies to plan and execute organizational strategy via examining the position of its internal resources and capabilities towards achieving competitive advantage (Sheehan and Foss, 2007).

## Future Research

Employees in every company contribute immensely to the growth and prosperity of a firm. Human capital resource though an important element may not work well without other factors, therefore further studies can be done on other attributes of the capital resource capabilities that enhance work performance.

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