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Human Capital on Organization Performances in Banking Sector in Nigeria

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Abstract

This paper empirically examines human capital development and banking performance in Nigeria. There is no doubt that, a performing bank hosts men and women alike with rare, inimitable, valuable and un-substitutable skills which will apparently move the bank forward. Experience around the world has shown that inadequate necessary human capital (skilled person) in banking sector results in dwindling growth in an economy. The study employed the ex post facto survey research design. The sample size used in the study was 200 professionals selected randomly from money-deposits banks. The hypotheses and data collected were analyzed using the Multi-regression Analysis. Four hypotheses were tested and the results showed that human capital practice has a positive and significant relationship with banks performance and that staff knowledge has a positive, strong and significant relationship with banks growth. It concluded by advancing that Nigerian banks must intensify on customers' services. Also, it is pertinent for banks to focus on how to develop and utilize to the optimum, the capacities and capabilities of its valuable assets which are its human resource, through equitable and sustainable human capital development. The regulatory authorities, through their oversight functions should ensure that there is judicious utilization of available resources, so that our banks can compete in this globalizing world and banks' management need to take drastic and proactive measures to reduce the level of human capital flight in the sector, otherwise known as brain drain in the country, through better packages to professionals.

Key words: Human capital, organizational performances, banks, customers' service, management

Introduction

Grounded on Resource-based View (RBV) and Dynamic Capability View (DCV) of a bank, human capital is clearly central to the assembly of resources and capabilities. This is because bank's competitiveness and performance depends on the human capital profiles.[1] In other words, organisations with superior human capital are better positioned to create resources and capabilities. However, the underlying dimensions binding human capital to competitive performance have not been fully developed. From a resource and capability perspective, calls for bank research on human capital and performance have also been coming forth. Banks are inherently different in their organizational characteristics. Specifically, human resource profiles within a bank are exclusive and different behavioral responses to issues that impact upon them differ fundamentally from one bank to the other, and should hence be studied carefully. Considering the growing interest in human capital characteristics and banks research, this study attempts to answer the following questions: what are the components of human capital with respect to a bank operation, and how are these components linked with each other and how do they contribute to bank performance?

In Nigeria, the conceptualization of human capital and organizational performance has received limited research attention, especially for banks. So far, to researcher‘s knowledge, no study has attempted to develop and validate human capital concepts with respect to a bank operation. However, scholars: claim that the importance of both theoretical and empirical considerations for designing and validating appropriate measurement models argues that empirical evaluations build important ground for content validity, especially to identify errors and wrongly conceived theories. Wrong specifications of measurement models have significant impact on research outcomes and may even mislead organizational policy setting. Therefore, the researcher would pay careful attention to identifying and designing an appropriate measurement model for human capital components of a bank.

The study would be a mixed-method research which is a combination of both qualitative and quantitative approaches. In the qualitative approach, content analysis on relevant literature and field‘s study findings. Based on the results of the field‘s study, a survey would be conducted for over a four-month period in Lagos, to establish the human capital practices and their relationship with banks‘

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performance. The survey would be conducted on the banking industry of money-deposit banks, in Lagos. Collected data would be analyzed using the multiple-regression analysis.[48]

This work would make several vital contributions to the existing literature both for theory and practice. Particularly, the research would offer a solution to the existing misconception about concept of human capital and their interrelations with banks' performance; and consequently, extends the Resource-based View (RBV) and Dynamic Capability View (DCV) by incorporating the effect of human resource factors to enhance organizational performance. Further, the investigation of the effects of human capital on organizational performance in a developing country would offer insights on how banks may handle and manage their human resources and capabilities in order to increase business performance, by examining the factors related to human capital, and its contribution to banks performance in a developing country, and by this, the researcher would have enrich literature base.

The work would be organised as follows: introduction, while the following section provides background literature with literature review, followed by these chapters is research methodology, findings of survey, and discussion of results. The work would conclude with a brief sketch of future directions for research.

Statement of Problem

The banking industry, highly knowledgably involving and driving, is an integral segment of the service sector of any economy, which makes it very fundamental to a serious and sustainable growth and economic development, but this has been in the recent times bedeviled with a lot of problems. In line with this, [53] provides fundamental problematic areas to include: First, both public and private organizations in Nigeria contribute to the wrong utilization of available human resources. Second, in wrong perspective is the application of government policies on staffing and management development as relate to human capital best practices; Third, the organizational culture in place in most government establishments resist better integration of operation and selection of best team to drive vision. Another area of damage has been to basic institutional mission, particularly teaching and research. Five, despite its current popularity among academics and human resources professionals, human capital development is still experiencing problems of status and precision in government institutions. Self-dealing: this occurs when an individual within a system find a way to feather their own nests with institution's funds meant for human capacity building. Closely related to this, is the issue of corruption of different dimensions. Eight, numerous cases of government interferences are abounded on policies' implementation. Nine, improper implementation of regulatory and supervisory guidelines is part of the problem bedeviling Nigeria's banking system

As such, for a bank involving in this industry to remain surviving, it must be flexible to quickly react, adapt and embrace human capital best practices especially those that relate to competitive advantage. The Nigerian banking industry, post liberalization regime is fast growing, and this is continuously necessitating dynamic changes in organizational activities relating to operational structuring. The managers of these banks in this industry are expected to be continually and tirelessly working by devising new strategies relating to institutional changes to raise substantial, robust and sustainable profitability.[11] Going by the number of participating banks in the industry since Year 2000, when the sector was deregulated, one could not but be baffled at the astronomical growth. The concern one can easily draw is that many of these banks with inadequate skilled professionals may likely go under. This assumption is predicated on fundamentals of lack of a valid frame work of how to recruit, retain and manage human capital. This indicates that there is much to be learnt from human capital practices. It is on the basis of unassuming phenomenon in the banking industry that this study is carried out. This is important because when human is not properly managed, there is tendency that it affects performance negatively which may result in systemic failure, loss of valued employees, and/or failure to meet customers' objectives and may eventually degenerate into loss of investable funds, among other problems.[53, 51]

Objective of the Study

The main objective of the study would be to examine relationship between human capital and organizational performances. The specific objectives are to:

i. assess the effects of staff knowledge on customers' services;
ii. investigate the effects of staff competence on quality;
iii. identify the effects of staff abilities on productivity ;
iv. examine the effects staff attitudes on innovation and
v. determine the effects of overall human capital on organizational performance.

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1.4 Research Questions

The following research questions would be used to examine the relationship between different components of human capital usage and organizational performance of banking institutions in Nigeria:

i. To what extent does staff knowledge affect customers' services?
ii. How can the staff competence effect on quality
iii. To what extent do staff abilities affect productivity?
iv. How can staff attitudes affect innovation?
v. To what extent does overall human capital enhance organizational performance?

1.5 Hypotheses

The following hypotheses would be tested:

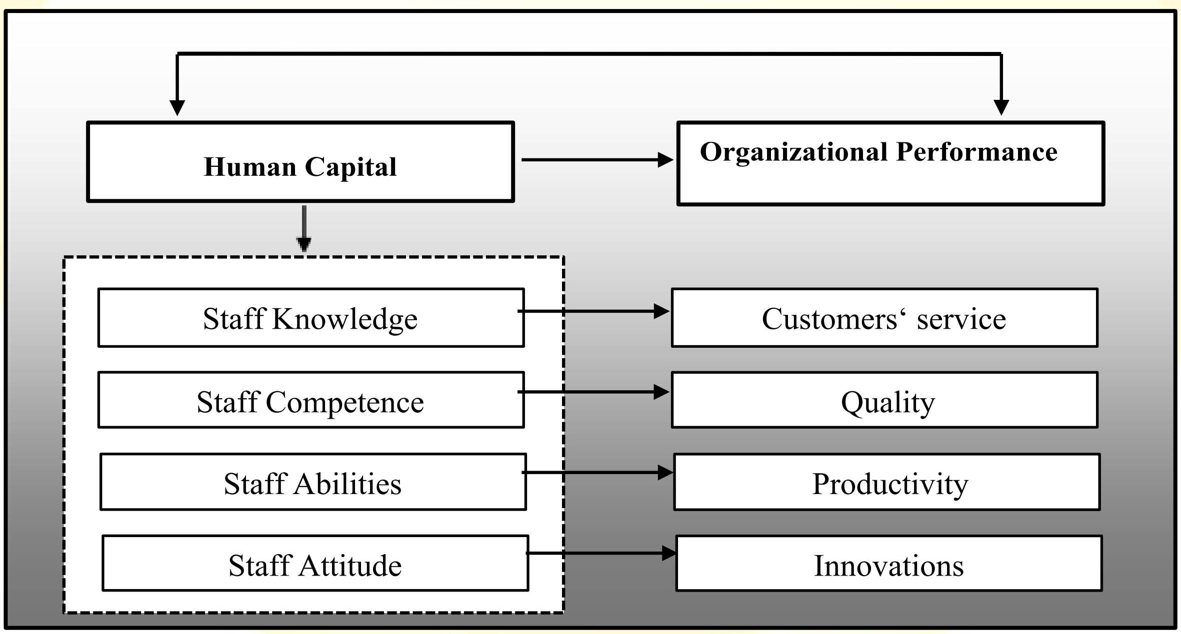
H_{01}: Staff knowledge has no significant effect on the customers' services;
H_{02}: Staff competence has no significant effect on quality;
H_{03}: Staff abilities have no significant effect on productivity;
H_{04}: Staff attitudes have no significant effect on innovation;
H_{05}: Overall human capital has no significant influence on organizational performance.

Review of Related Literature

Conceptual Framework

The Resource-Based View of the firm suggests that organizational internal factors are responsible for generating firm sustainable competitive advantage and superior performance. In particular, the Resource-based View main prediction is that deployment of unique and idiosyncrasies' organizational resources and capabilities can result in sustained superior performance.[13] The framework starts from the claim that the aim of the organization and the desired outcome of managerial effort is sustainable competitive advantage as it allows the organization to earn economic rents. Furthermore, the theory deals with the problem how an organization can achieve and sustain those advantages. It locates the answer to this question with certain key resources this organization has developed.[40] Also, the theory focuses on sustainability of advantages - the sustained competitive advantage can be obtained. [76, 10] provide that the sustained competitive advantage can be obtained if ―the organization effectively deploys these resources in its product-markets‖ (p. 14).

The Resource-based View theory provides static notion of competitive advantage and firm performance has been extended in dynamic terms into theories known as dynamic Resource-based View and Dynamic-capabilities Approach.[74] Those views having theoretical foundations in work of [9, 7464] reflect an organization's ability to achieve new and innovative forms of competitive advantage, how new resource combinations lead to innovation and value creation.[62] Proponents of this view assume dynamic process strategy of accumulating valuable technology assets is often not enough to support a significant competitive advantage and organizations need dynamic capabilities and capacity to renew competence in order to match up with changing environment. The organization dynamic capabilities are the evolutionary outcomes of its past experience gained during the history of existence.[9, 76]
In this study, the flow of relationship between the variables is depicted in Figure 1:



Source: [59, 53, 23]
Figure 1: Human Capital and Organizational Performance Framework

Figure 1 shows the four variables of staff knowledge, staff competence, staff abilities and staff attitude that are components of human capital and become yrotanalpxe_ variables.' Right-sided element of the stature illustrates the working of a typical banking sub-sector in Nigeria and becomes denialpxe_ variable.' [59] works represents statue variable in inquiry, adapted and also checked individually whether they are positively related or negatively related, when this study is applied in the Nigerian scenario.

Concept of Human Capital

The origin of human capital goes back to the emergence of classical in 1776 and thereafter developed a scientific theory, theory of capital.[8, 49, 62] After the manifestation of that concept as a theory, [27] recognized the human capital as one of important factors for a national economic growth in the modern economy. With the emergence and development of human capital as a management field, some researchers, [17, 7, 19, 36] expansively attempted to clarify how the human capital could contribute to socio-political development and freedom. The concept of human capital can be variously categorized by each perspective of academic fields. The first viewpoint is based on the individual aspects.[16] [18] recognizes that human capital is gnihtemos_ akin to organisational performance', against the concept of labor force in the classical perspective, and Amirpour [10] conceptualized eht_ productive capacity of human' Researchers, [17, 8,18] accepted [10] thought, viewing the capacity in human as knowledge and skills embedded in an individual. Similar to this thought, a few researchers, [34, 17, 72] show that the human capital can be closely linked to knowledge, skills, education, and abilities. [58] conceptualizes the human capital as ,egdelwonk_ 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, post-secondary education, and vocational education.[26] Despite the extension of that concept, this perspective neglects that human being would acquire knowledge and skills throughout his/her own experience.[8]

The third is closely linked to the production-oriented perspective of human capital. [36] refers to the human capital as a_ fundamental source of economic productivity' [63] states the human capital as na_ investment that organization make in them to increase their productivity' More recently, [63] define that

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human capital is na_ 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, [18] opines that the human capital is eht_ stock of skills and knowledge embodied in the ability to perform labor so as to produce economic value' . Furthermore, some researchers, [38, 44] define that human capital as eht_ knowledge, skills, competencies and attributes in individuals that facilitate the creation of personal, social and economic well-being with the social perspective'.

[48] considers human capital the most dynamic and employee-related capital resides within organizations. It was obvious that human capital must be firm-specific, with strategic value and can be targets for investment and management.[70] There are six categories: educational levels or qualifications, job-related competencies, job-related knowledge, job potential, personality traits and job-related abilities.[57, 74, 5, 6] thought human capital should include competence (knowledge and skills), attitudes (motivations and behaviours) and intellectual agility (innovation, imitation, adaptation and packaging). [45] considers human capital, included the skills and abilities owned by the employees within organizations. It would create and preserve an organization's wealth and it was also one of the key resources of human capital. [56] also defined human capital as the stock of personal skills that economic agents have at their disposal, as well as physical capital. [7] believe human capital was the investments made by the company in talents and technologies that benefited competitive advantage. It was valuable and unique, and should be kept out of reach of other companies. [5, 6]

Consequently, this study would see human capital simultaneously includes both of the instrumental concepts to produce certain values and the 'suonegodne_ meaning to self-generate it. In order to dependently or independently create these values, there is no doubt that leaning through education and training can be an important in terms of defining the concept of human capital. Considering that experience can be included as a category of knowledge, the human capital is a synonym of knowledge embedded in individuals.

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2.3 Human Capital Theory

Change in human resources (for example, human intellectual capacity) has long been recognized as an important factor of economic growth and an essential element of the production process.[44, 46, 5, 6] Also, [71] argues, human resources because of its complementarities with investment in physical capital and its importance as a factor of production, it is generally referred to in the literature as ―human capital‖.

Like the treatment of the firm in physical capital theory, the human capital theory emphasizes the notion that individuals are investors. Put simply, it is assumed that individuals will invest in their education; which will involve high cost and result in a short-term loss of revenue, in order to achieve higher incomes in the years to come. Human capital theory explains the income of an individual by examining the labour demand as a function of the individual educational and training characteristics. Human capital is considered as an asset, similar in many respects to physical or financial assets.[57]

In their seminal work, [18, 28] have stressed that human resources are a major production factor and therefore contribute in a large portion to the increase in productivity. Moreover, as for physical capital, or tangible investments can also generate externalities which can provide costs and benefits to society, which are not reflected in the private income (discrepancy between private and social rates of returns). General education is an example of investment that provides positive externalities in the sense that it fosters the efficient acquisition and transmission of knowledge. For example, in another study Romer [n.d] finds that an initial level of literacy does help predetermined rate of investment and indirectly the rate of growth of a country.[9]

[13:] early on, the theory of human capital tried to explain the complementary nature of human resources and their pervasive effects not only in terms of their contribution to the production process (as inputs of labour), but more importantly, in terms of their contribution to the acquisition and transmission of know-how. For example, investment in specialized training may be viewed as a complement to the purchase of sophisticated machinery, as well as a direct benefit to acquire new forms of know-how. It is also through the mobilization of trained human resources, that a firm can achieve higher degrees of competitiveness. In other words, the key aspect of firm's competitive performance resides in its human capital (for example, its ability to enhance its own knowledge base).

The contribution of the human capital theory is well summarized by Mincer: ―human capital plays a dual role in the process of economic growth: *i)* as a stock of skills—produced by education and training—it is, factor of production, coordinated with physical capital and with 'war‗ (unimproved, unskilled) labour, in producing total output; *ii)* as a stock of knowledge it is a source of innovation, a basic cause of economic growth.‖ [64] It is from this perspective that the human capital theory contributes to the concept of intangibles.[53]

Early empirical studies by [25, 28, 43] show quite explicitly that the impact of human capital on productivity is positive. [42] for instance found high complementarities between high skilled workers (better educated) and physical capital. [19, 73, 31] argue that technological innovation also alters demand in favour of better educated workers because they have a comparative advantage in implementing new technologies. Similarly, [12, 53] found out that the increase in the high-technology composition of capital is positively related to the growth of white collar workers, and that skill upgrading toward more educated workers generally occurs with capital deepening.

The impact of the human capital theory on the concept of intangible investment goes even further. Indeed, recent empirical work is devoted to the economic impact of investing in training and re-skilling. For instance, [71] find a positive link between the implementation of training programmes and labour productivity growth, not only at the individual level, but also at the organizational level as well. In fact, in another study, [68] find that training has a positive and significant effect on wage growth which translates into a company rate of return of at least 13 per cent. Besides, [66, 63] shows that the rates of return on training investment generally exceed those usually observed for schooling investment. He concludes that training remains profitable for firms even in a time of increased worker mobility.

Many other empirical studies, [66, 61, 38, 63] have presented strong evidence of the effect of educating and training human resources on productivity and growth. However, the intent here is to present a representative review of results, which establish the link between the human capital theory and the intangible investment concept.

The theory of human capital is rooted from the field of macroeconomic development theory.[41, 73 26] argue that there are different kinds of capitals that include schooling, a computer training course, and expenditures on medical care. And in fact, lectures on the virtues of punctuality and honesty are capital too. In the true sense, they improve health, raise earnings, or add to a person's appreciation of literature over a lifetime. Consequently, [53] observed that, it is fully in keeping with the capital. Concept as traditionally defined to say that expenditures on education, training and medical care are investments in capital.[44]

These are not simply costs but investments with valuable returns that can be calculated.[32, 31] From the perspective of classical economic theory, human capital considers labor as a commodity that can be traded in terms of purchase and sale.[55] This classical theory very much focuses on the exploitation of labor by capital. However, unlike the meaning traditionally associated with the term labor, human capital refers to the knowledge, expertise, and skill one accumulates through education and training. Emphasizing the social and economical importance of human capital theory, [25, 13] noted the most valuable of all capital is that investment in human being. Becker distinguishes firm-specific human capital from general-purpose human capital. Examples of firm-specific human capital include expertise obtained through education and training in management information systems, accounting procedures, or other expertise specific to a particular firm. General-purpose human capital, [67] observes that, is knowledge gained through education and training in areas of value to a variety of firms such as generic skills in human resource development, regardless of the application.

The link between human capital and performance is based on two theoretical strands. The first is the resource-based view of the firm. The issue of what contributes to competitive advantage has seen, within the strategy literature, a shift in emphasis away from external positioning in the industry and the relative balance of competitive forces, towards an acknowledgement that internal resources be seen as crucial to sustained effectiveness.[70] Initial writing on human capital flowed from economists of education such as [28, 34] focusing on the economical benefits from investments in both general and firm-specific training.[44, 46] Their works were based on detailed empirical analyses, redresses the prevailing assumption that the growth of physical capital is paramount in economical success. In reality, physical capital, [28] explains ―only a relatively small part of the growth of income in most countries‖ The relationship between education and economical growth,[37] productivity [28] and earnings growth [44, 22] all have strong empirical support.[38]

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Human capital has been central in explaining individual earnings differences.[29] Employees who invest in education and training will raise their skill level [30] and be more productive than those less skilled [29] and so can justify higher earnings as a result of their investment in human capital.[68]

The development of human resource accounting as a field demonstrates the high interest in attempting to value the contribution of employees.[54, 14] [27] explains that nevertheless, there are no generally accepted accounting procedures for human resources and the progress of human resource accounting has been, at best, mixed, with two major reviews concluding:

> *As tempting as it is to try to establish a balance sheet value for a firm's human assets, such attempts are probably doomed; at this point it is not possible to calculate a figure that is both objective and meaningful.*

At the theoretical level, human resource accounting is an interesting concept.[15] If human resource value could be measured, the knowledge of that value could be used for internal management and external investor's decision making. However, [65] opine that ―until human resource accounting advocates demonstrate a valid and generalized means for measuring human resource value in monetary terms, we are compelled to recommend that researchers abandon further consideration of possible benefits from human resource accounting‖ .

Empirical Review

A substantial body of empirical study on human capital and organizational performance assesses the impact of the components of the human capital on financial performance, whether the impact is economically significant and whether certain components of the human capital such as staff skill or staff competence play any key role in enhancing profitability growth at any stage of corporate development.
[2] says that theory, focuses on particular contribution provided by the human capital, producing synergies, exerting corporate governance, productivity efficiency, good customers‘ relationship and how they influence resource allocation and profitability growth. Empirical studies precisely measure the contributions stressed by theory. Expressed differently, empirical review becomes necessary to ascertain if, the importance of human capital for organizational growth as emphasized in theories can be verified in practice when applied to research conducted on developed and developing countries. [73]

While some researchers have focused on testing the relationship between which human capital components affects organizational performance, others showed interest in investigating the real direction of causality between human capital and organizational performance. Other studies, [75, 68, 33, 32] aim at finding the component of human capital that explains organizational performance more. Empirical investigations on human capital and organizational performance have been mainly carried out by employing either cross-country, panel studies and time-series techniques, and results from these studies remains contradictory and inconclusive.

Empirically, study based on either on cross-section or panel techniques such as [73] has been carried out on the relationship between human capital and organizational performance. Equally were the studies on particular country using time series data/techniques by [39] for Spain, [38] for Iran and [69] for Taiwan on human capital and organizational performance. These studies assessed the impact of the components of the human capital on organizational performance, employing different statistical methods and data, produced remarkable but conflicting results. The results showed that countries with well-developed human capital grow faster, particularly those with large, privately owned banks that channel substantial allocation to human resources development. It thus implies that, the level of human capital components development exerts varying influences on organizational growth and development.

More attention shall be on time series approach in this study. However, it is important to review other approaches usually adopted in research in an attempt to establish the relationship between human capital and organizational performance, particularly the educational sector, locate the benefits such relationship offer organizations, on one hand and regulatory authorities on the other hand. Empirical review sheds more light in understanding the existing gap between developed, emerging and developing countries in terms of human capital and organizational performance.

Methodology

Research Design

This study would use a cross-sectional survey with administration of questionnaire. The cross-sectional survey is considered because it allows for the collection of primary data through

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questionnaire which can be analyzed quantitatively using descriptive and inferential statistics.[3] Besides, it examines the effects of naturalistically occurring treatment, following the occurrence of an event.[50] Additionally, it makes inferences about relations among variables through quantitative approaches, without direct intervention from concomitant variation of independent and dependent variables.[52]

3.2 Population

The population for this study would consist of senior members of staff on the employment of 21 money-deposit banks in Nigeria. There were 197,011 of them as at 31st December, 2017.[20] Out of these members of staff/employees, a total number of 128,017 were in 8 quoted banks and of international status, while 56,806 were in 7 quoted banks but of national and regional strata and the remaining 12,188 were in 6 unquoted banks of national/interest-free categorized as bankers, accountants and others.

These employees would be randomly sampled due to their roles in strategic decision-making, which affect the banks' performances. A table would be provided giving details of the population at each of the money-deposit banks in Nigeria as at 31st December, 2017. Since this population is a finite, an application of statistical formula would become imperative in determining the sample size.

Sample Size and Sampling Technique

In this study, the sample size used is determined based on the employees' professionalism, resulting in 3 sub-population or stratums. The number of subpopulation is consideration in the determination of a fullest sample size. Since the parameter must be measured for each sub-group, the size of the sample for each sub-group must be sufficiently large to permit a reasonable (sufficiently narrow) estimation.

To determine the sample size for this study, the researcher employs [5] sample size formula cited in [53, 71] works for a finite population

Data collection instruments

For data collection, questionnaires would be measured in 5-point Likert scale and use as tool. The instruments would be adapted from previous studies.[5, 3] A questionnaire is ―a formalized framework

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consisting of a set of questions and scales designed to generate primary data.‖[60] There are twenty questions and separated into two sections.

[26] recommends the use of questionnaire because of the sample acceptability, contact with participants who might otherwise be inaccessible, careful consideration to collect facts and finally in terms of anonymity than other communication modes.

Validity of the Instrument

The instrument would be reviewed by 5 professional bankers while moderation would be done by the thesis supervisor. The review and moderation or adjustment would help in eliminating inadequate and invalid items, thereby establishing content validity of the instrument.

Reliability of the Instruments

To test the reliability of the instrument, the researcher would administer the instrument to 50 senior members of staff of Polaris Bank, Lagos for the purpose of evaluating the effectiveness of the instrument employed. This would constitute a pilot study group, and the bank would not form part of this study. After a period of two weeks, the same instruments would be re-administered to the same respondents to determine its reliability. The result of reliability analysis using SPSS, a statistical software package, would used. Their Cronbach‘s alpha of any of the item above 0.7 threshold [18] would accepted for analysis. This would indicate that the consistency instrument (questionnaire) could be a reliable tool to measure the two concepts, human capital and organizational performance, consistently.

Method of Data Analysis

A multiple regression model structured using for data analysis Ordinary Least Square (OLS) method would be used. The model would use four (4) independent variables, which are, staff knowledge, staff competence, staff attitude, staff skill and four (4) explanatory variables (dependent variables) which are customers‘ services, quality, productivity and innovation. The multiple regression models would test if there is relationship between dependent variable and each predictor.

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Model Specification

To explain the relationship between human capital and organizational performance, a multiple regression model constructed by [23] would be used, as follows:

$$Y = {}_0 + {}_1x_1 + {}_2x_2 \ldots {}_nx_n + \epsilon$$

where:	$Y=y_1,y_2 \ldots\ldots y_n$	is dependent variable
	$ß_0, ß_1, ß_2 \ldots\ldots ß_n$	are unknown parameters
	$X=x_1, x_2 \ldots\ldots x_n$	are independent variables
	€	is an error term

Y is organizational performance and X is human capital, respectively. The dependent variable of organizational performance is depicted in non-financial parameters, namely: customers' services (Y_1=C), quality (Y_2=Q), productivity (Y_3=P) and innovation (Y_4=In). The independent variables represent the human capital components, Staff knowledge (X_1=SK), Staff Competence (X_2=SC), Staff Abilities (X_3=SA) and Staff Attitudes (X_4=SsA) which indicate the usage of human capital in the banks. ß will be a vector of parameters for the effects of independent and control variables. This study would consider these parameters as better indicator of measuring the relationship between human capital and organizational performance in order to establish banks' soundness and stability, or otherwise.

Statistical Significance and Testing of Hypotheses

The significance or otherwise of the isolated effects of the human capital on organizational performance surrogates would be evaluated at $\infty = 0.05$, employing the t-statistics. The aggregate or joint effect of the human capital variables on the organizational performance variables would be evaluated at the same level of significance using F-statistics.

Decision Criterion

The null hypotheses on the joint effect of the human capital variables on organizational performance would be accepted if the associated probabilities of computed F-statistics are greater than the stipulated 5% level of significance in each of the hypotheses.

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Limitations of the Methodology

The major limitation of the methodology for this study is that; unlike accounting measures, non-financial data are measured in many ways, there is no common denominator. Evaluating performance or making trade-offs between attributes is difficult when some are denominated in time, some in quantities or percentages and some in arbitrary ways.

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