

Empirical Evidence on the role of Human Capital towards Enterprise Performance: Contingent role of Entrepreneur Orientation

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Abstract

Aim of this study was to find the moderating/contingent role of entrepreneurial orientation upon human capital and performance. Survey approach was used for data collection through structured questionnaire. Convenience sampling technique was adopted. Total 384 respondents completed the survey and returned the questionnaires, which were finally used in the analysis. Hierarchical multiple regression and simple linear regression were used to test hypotheses. It was indicated in the results that human capital and entrepreneurial orientation has significant impact upon performance while as moderator entrepreneurial orientation does not have any impact up on human capital and performance.

Keywords: Human Capital, Enterprise performance, Entrepreneurial Orientation

Introduction

According to resource based view theory human resources are the main sources of the organizations which help them to attain competitive advantage while according to intellectual capital based view theory intellectual capital is the main source of the employees which help employees to get competitive advantage at workplace. Basically intellectual capital has three main dimensions human capital, structural/organizational capital and relational capital. On the other side performance of the enterprises is the main issue nowadays. Most of the enterprises could not survive in the first years of their start. There are different factors which are responsible for this issue, but one of the

main issues is the entrepreneur orientation or entrepreneur behavior. Entrepreneurs used different strategies to overcome these performance issues but most important role played by intellectual capital in enhancing the business performance is evident. In order to strengthen this weak relationship entrepreneur orientation was used as moderating variable to strengthen this relationship (Anderson et al., 2015).

Human capital is the main source of employees such as skills, capabilities, competency, and talent to complete the task on time. If an employee quit the job this capital also withdrawn from the organizations, second dimension of intellectual capital is structural capital it is

trade mark, databases, technology of the organizations which are used by organizations to get competitive advantage while relational capital deals with the relationship between firms and creditors, suppliers, societies, employees, employers, and all stakeholder. This relational capital is also supported by stakeholder theory (Batool & Zulfiqar, 2011).

Literature and Hypotheses Development

Resource based view theory argued that organizations have tangible and intangible assets such as building, machinery, etc. while intangible assets are human resources like employees which cannot be imitated by competitors. These sources help the organizations to get competitive advantage over the competitors. Likewise according to intellectual capital based view theory human capital is the source of employees which help employees to get advantage at workplace. These sources are intangible such as skills, values, capabilities, hard work and talent. Once the employee left the job this talent and assets are also lost by the organizations. Organizations tried their best to retain the talented employees. for instance, organizations provide flexible working hours, flexible promotion policies, bonuses, allow the employees to work independently, encourage the employees to come up with novel ideas and independent critical thinking (Beheshtifar & Shariatifar, 2013).

In order to enhance the performance of employees organizations have to focus on several strategies to increase the satisfaction, motivation, loyalty and productivity of the employees. Dealing with financial matter falls under entrepreneurial orientation. EO is

one of the critical success factors of performance (Christabel, 2015).

There is positive impact of HC upon business performance (Yusliza et al 2020). e Yong et al (2019) reported the significant influence of HC upon performance. On the basis of above discussion following hypothesis was postulated:

H₁: There is positive significant impact of human capital and entrepreneurial orientation upon business performance.

H₂: Entrepreneurial orientation has significant moderating effect upon human capital & business performance.

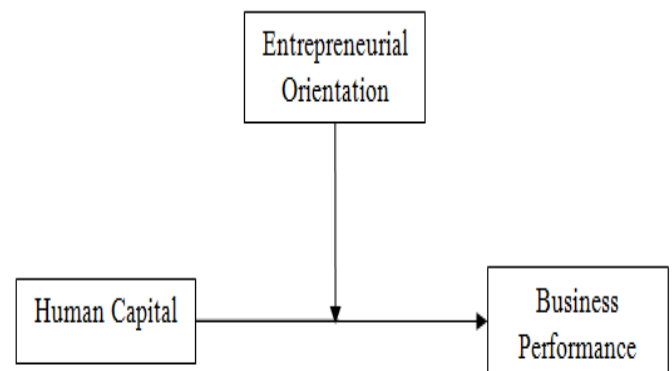


Figure1: Framework of the Study

Research Methods

Measures and Sampling

Survey approach was used for this study. Structured questionnaire was adopted for human capital and business performance by (Sharbati et al 2010). While for entrepreneurial orientation scale was adopted from Callaghan, & Venter, (2011). 5 point scale was used to measure items. Non probability sampling technique and convenience sampling was used for selecting the sample size. Total 384

participants have participated in the survey in this study.

Data Analysis tools and techniques

Descriptive statistics was used to check the reliability and validity of the study while inferential statistics such as correlation and hierarchical multiple regression was used to test the hypotheses. Bivariate correlation and hierarchical regression was used for moderation process. Hayes process file was used for investigating the moderating role of entrepreneurial orientation upon human capital and business performance.

Results

Table-1: Regression Analysis

D.V	I.V	R	R Square	AdjRsquare	B	β	p
E_P	Constant	0.250	0.063	0.060	2.562		0.000
	H.C					0.250	0.000
E_P	Constant	0.410	0.168	0.166	1.007		0.001
	E.O					0.410	0.000

From the above table results indicated that human capital and enterprise performance has correlation $r = 0.250$, $p < 0.05$, and human capital shows variance upon enterprise performance $R^2 = 0.063$, it explained 6.3% of variance upon enterprise performance, standardized regression coefficient was $\beta = 0.250$, it explained that one percent change in human capital could increase or decrease 25% performance in enterprise performance.

Similarly, entrepreneurial orientation and enterprise performance correlation was $r = 0.410$, $p < 0.05$, and entrepreneurial orientation explained variance upon enterprise performance $R^2 = 0.168$, it shows 16.8% of the variance upon performance of enterprise, while beta value was $\beta = 0.410$, $p < 0.05$, one unit change in entrepreneurial

orientation could change performance up to 41%. Table-1

Table-2: Moderation Analysis

DV	IV	R	R^2	ΔR^2	F	β	p
EP	Constant	0.419	0.176	0.0024	27.06		0.0000
	HC					0.0834	0.1472
	EO					0.659	0.0000
	HC*EO					0.1612	0.2929
	ΔF				1.109		0.2929

Hierarchical multiple regression was used to test the moderation hypotheses H2. Correlation between predictors (human capital and entrepreneurial orientation) and criterion i.e. enterprise performance was $r = 0.419$, $p < 0.05$. Coefficient of determination $R^2 = 0.176$ and $\Delta R^2 = 0.0024$, explained that before addition of interaction term human capital and entrepreneurial orientation shows variance upon performance 17.6% while by adding interaction term (HC*EO) it shows 0.24% effect. Though it was a little effect but it has some effect on the relationship. Standardized regression coefficient for human capital upon enterprise performance was $\beta = 0.0834$, $p > 0.05$, was found insignificant, for entrepreneurial orientation $\beta = 0.659$, $p < 0.05$ was found significant, and for interaction (HC*EO) $\beta = 0.1612$, $p > 0.05$ was insignificant. It means that hypotheses H2 is rejected. Table-2

Further figure-1 was plotted one standard deviation above and below the mean. Green line shows higher level of entrepreneurial orientation, red line is moderate level and blue is for low level of entrepreneurial orientation.

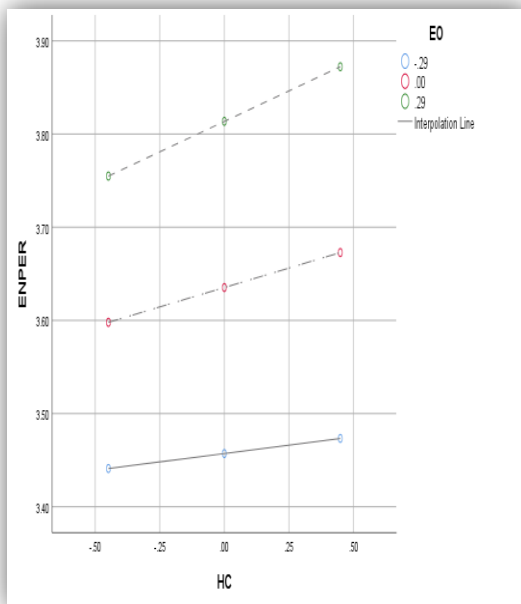


Figure-1: Moderation Graph

Discussion and Conclusion

Two hypotheses were developed to test the impact of human capital a dimension of intellectual capital and entrepreneurial orientation upon business/enterprise performance. A first hypothesis was about direct effect of predictors and criterion. It shows that human capital and entrepreneurial orientation has significant relationship as well as impact upon performance of enterprises/business. But on the other hand contingent/moderating role of entrepreneurial orientation is not significant. Might be the reason behind this logic was the demographics, location, awareness, education, training and availability of business opportunities to the enterprises.

Human capital is the intangible asset of the employees, which help the employees to get competitive advantage. The employees used their skills, knowledge, capabilities, expertise, creativity, innovative ideas to

solve the problems of performance. they can increase their output by using their human capital. Organizations have to carefully deal with their employees while evaluating their employees in the process of performance appraisal. Any negligence could result in quit or turnover of employee, once the employee left the organization this human capital would also withdrawn.

It is concluded that human capital and entrepreneurial orientation has separately influence upon performance but as contingent role there is no empirical evidence provided that it could enhance the performance. On the basis of above discussion H1 is accepted and substantiated while H2 is rejected.

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