

An Analysis of Intellectual Capital and Turnover Intentions among Malaysian Employees in the Private Organisations

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ABSTRACT

The main aim of this paper is to study the effect of intellectual capital (IC) on turnover intentions (TIs) among employees in Malaysian private organisations. Measuring IC and its influence on employee's TIs represents an initial step. Until recently, there has been little quantitative analysis of IC elements: human capital, customer capital, structural capital, social capital, technological capital and spiritual capital in predicting employee's TIs. By using a non-probability random sampling method, this study involved 189 subjects who are working in Malaysian private organisations from various industries, departments, positions, tasks and responsibilities. Results showed that only structural capital negatively influenced employee's TIs from the present organisations. Meanwhile, organisational culture, systems and procedures, employee development and involvement on decision making, up-to-date policies, technologies and networking are the keys to enhance employee's retention. The key evidence presented in this study suggests that organisations should establish competitive working environment, systems and infrastructures to encourage employee's commitment, interaction and development. There is a wide gap in the literature discussing on the influence of IC on retention and TIs. This indicates that there is a need to justify the effects of IC elements on the turnover of specific group of employees and industries by conducting more quantitative and qualitative studies to determine and witness the relationships.

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INTRODUCTION

Resource constraints and retaining employees are the key challenges for the business players (Chowdhury, Schulz,

Milner & de Voort, 2014). Assets internalise a high degree of organisational strategic value and interfere into an organisation's value creation (Lepak & Snell, 2002; Cheng, Chia & Liu, 2014). The estimation value of an organisation can only be erected with the presence of tangible and intangible factors called intellectual capital (IC) (Pook, 2011). The main issues addressed on IC's development captured from macroeconomic phenomenon and economic characteristics pertain to intangible resources (Pedrini, 2007). This development has grown from several changes including organisational environments, industry specific characteristics, data availability and the new economy (Bontis, 1998).

The issue of managing IC has been prominent over the last fifteen years (Gowthorpe, 2009). In 1997, Stewart has observed the management of IC, which includes promoting teamwork, developing networks and communities of practice. In order to manage these aspects, organisations have to find talent, activate, invest them and propose accurate measures for talent preservations. Strategic employee's retention relies much on IC resides in managing organisation talents (Teargarden & Schotter, 2013). The failure of organisations to review this asset exists critically in investing in an acquisition strategy to identify, attract and retain high performers. Migrating employees to other competing organisations is the case of voluntary turnover which often results in the exploitation of IC (Ghosh, Satyawadi, Joshi & Mohd. Shadman, 2013).

The past decade has seen the rapid development of IC and relatively gained

interests among scholars (Pedrini, 2007; Gowthorpe, 2009; Gogan, 2014). Whilst some research have been carried out on the influence of IC on individual performance (Wang, Yen & Liu, 2015) and organisational performance (Abdel, Jawad & Bontis, 2010; Uadiale & Uwuigbe, 2011; Costa, 2012; Chowdhury et al., 2014), there have been few empirical investigations to witness influences of IC in predicting employee's turnover intentions (TIs). Longo and Mura (2011) indicated that measuring IC and its influence on employee's retention represents an initial step. IC has improved employees' work behaviours and influenced their satisfaction and retention. This indicates a need to investigate the influence of IC in predicting employees' TIs that exist among competitive organisations. This paper addresses the gaps from previous studies which analyse the influence of IC in predicting employee's TIs.

Relationship between IC and TIs

Scholars hold the view that IC is an intangible asset (Lu, Wang, Tung & Lin, 2010; Pook, 2011; Costa, 2012; Tamer, Dereli & Saglam, 2014). The term IC is commonly referred to as knowledge capital and knowledge economy (Gowthorpe, 2014). Dzinkowski (2000) defines IC as a total stock of capital or knowledge-based equity that a company possesses. IC incorporates human capital, structural capital, relational capital, customer capital and social capital (Longo et al., 2011; Gogan & Draghici, 2013; Teargarden et al., 2013; Chowdhury et al., 2014). Bontis, Dragonetti,

Jacobsen and Roos (1999) categorised IC into human capital, structural capital and relational capital. The value creation efficiency exists from other components such as physical capital, structural capital, customer capital and social capital (Bontis, 1998; Bontis, 2001; Carson, Ranzijn, Winefield & Marsden, 2004; Lu et al., 2010; Costa, 2012).

In the influence of IC in Predicting Employee's TIs, Longo et al. (2011) highlighted the need to witness the link between IC and employee's retention. A combination of IC is a positive outcome of an employee's work behaviour, social network, career satisfaction and retention. Central to the retention is the evidence of avoiding disruption caused by turnover (Teagarden et al., 2013). Mutual relationship between employee's talent and IC is found in the form of knowledge value creation of organisations. This value can be met when organisations are able to retain talented employees who help to create a task-specific and greater performance (Chowdhury et al., 2014). This availability is evidence for organisations to benefit in the way to decrease TIs among employees (Yang, Gong & Huo, 2011). Turnover intentions refer to an employee's voluntary intention (Kuvass, 2006; Mobley, 1982) and a conscious and deliberate wilfulness (Tett & Meyer, 1993) departing from his or her current employer. Turnover intentions lead to the actual turnover (Tett et al, 1993); thus, TIs should become a construct in measuring the actual turnover of an organisation (Price, 2001).

Additionally, there are influences of human capital, structural capital, social capital, technological capital, customer capital and spiritual capital on TIs. Human capital is based on employees' skills, knowledge and abilities within a human resource (Kim, Jeong, & Ko, 2013). Gogan (2014) stated that to remain in the front position, organisations require a good capacity to retain, organise and utilise employee's capabilities. The most challenging aspect of IC is to retain an individual person while managing global organisations and response to external uncertainties (Aghazadeh, 1999). Lu et al. (2010) provide a human capital index that includes employee's turnover. In a specific study on IC, Longo et al. (2011) proved that human capital improves employee's satisfaction and behavioural intentions looking other jobs. The findings from Kennedy and Daim (2010) suggested that there may be a link between human capital and employee's intention to stay to prove the benefits for organisations.

Strategies to enhance structural capital involve structures, systems, processes, routines, methods, information systems, productivity, organisational culture and development capacity (Steward, 1997; Bontis et al., 1999; Longo et al., 2011; Gogan et al., 2013). Factors that are thought to influence an employee's decision to stay involved are sharing information and effective organisational intervention programmes (Longo et al., 2011). Chien and Chen (2008) added systematisation

and effective personnel selection processes to help organisations to find suitable talents and improve retention rate. Other than that, consistency of creating a specific task increases core employee's productivity and retention for a prolonged period of time (Chowdhury et al., 2014). In contrast to human capital, Abdel et al (2010) argued that structural capital can be traded, reproduced and shared within an organisation. The critic has also argued that not only flexible, but structural capital is owned by an organisation and remains even after the employees leave the current employer (Uadiale et al., 2011).

It is thought that social capital, which is also known as relational capital, is considered as organisation's business networks such as customer loyalty, goodwill and supplier relations (Carson et al., 2004; Costa, 2012). Abdel et al. (2010) realised that social capital helps to improve the capabilities of an individual and organisation for future benefits, where the high co-operation among societies, government and organisations are emphasised. An opportunity to develop network members to share common experiences is an important element for building trust and social communication (Teargarden et al., 2013). Little is known about the direct relationship between social capital and TIs; however, Carson et al. (2004) revealed that social capital is relatively important compared to human capital. There is evidence to reveal that social capital has influenced employees' job attitudes, satisfaction and retention (Longo et al., 2011).

Customer capital refers to the connections and relationships of the

organisation with external environment factors (Gogan et al., 2013). The relationship gains with customers, suppliers, industry associations or any other stakeholders that influence an organisation's life (Bontis, 1999). Customer capital encompasses the external assets of an organisation, where customers are the principal determinants of this asset. A relationship exists between customer capital and organisational performance (Lu et al., 2010; Uadiale et al., 2011). Technological capital refers to a combination of knowledge development activities and functions; and the technical systems of the organisations to responsible to obtain products and services. Subsequently, spiritual capital is the interconnectedness experience which involves work process, initiated by authenticity, reciprocity and personal goodwill. Bontis (1999) revealed that the relationships with customers, suppliers and industry associations affect the life of an organisation. Meanwhile, better technology helps organisations to remain competitive and productive (Chowdhury et al., 2014). Previous studies have proven the impacts of customer capital, technological capital and spiritual capital on organisational performance (Marques, 2008; Uadiale et al., 2011). However, the influences of these capitals in predicting employee's turnover intentions remain at the level of infancy. Therefore, we hypothesised that: H1: human capital is negatively related to TIs; H2: structural capital is negatively related to TIs; H3: social capital is negatively related to TIs; H4: customer capital and TIs are negatively associated; H5: technological capital and TIs

are negatively associated; and H6: spiritual capital and TIs are negatively associated.

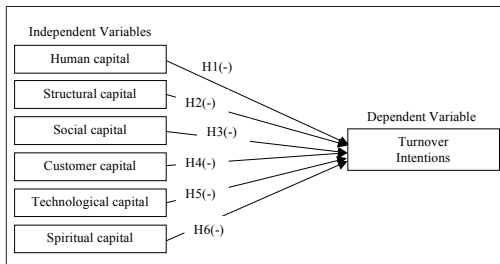


Figure 1. Research model

METHODS AND MATERIALS

This pure quantitative study involved private organisation employees in Malaysia. By using non-probability random sampling method, this study employed 189 subjects (or 62.3 percent) to represent various private organisations such as manufacturing, services, finance/banking, constructions, computer/IT, hotel/restaurants, sales/marketing, oil and gas, electric and electronics and health care to get the necessary responses for data collection. In addition, this study employed various positions, departments and divisions of employees who are performing different tasks and responsibilities. Respondents were explained about the purpose of the study to avoid misunderstanding on the items used and the accuracy of the answers. A survey questionnaire consisted of multi-item measures which had been validated and shown to be reliable by previous researchers. The items involved IC dimensions, namely human capital (13 items), structural capital (13 items), social capital (12 items), customer capital (10

items), technological capital (12 items) and spiritual capital (12 items). These IC dimensions were developed by Khalique, Bontis, Abdul, Abu and Isa (2015), while turnover intentions (3 items) were developed by Camman, Fichman, Jenkins, and Klesh (1979). Responses were given on a five-point scale (1-strongly disagree; 2-disagree; 3-neutral; 4-agree; 5-strongly agree) for all the dimensions used (IC and turnover intentions).

RESULTS

The respondents consisted of men (32.8 percent) and women (67.2 percent). Most of the respondents are Malays (98.6 percent) and officers represented the huge samples of 66 (21.2 percent). Most of the respondents in this study were below 25 years old (87), while 123 (39.5 percent) of them were in the range between 1 and 5 years of work experience at the time of this study (Table 1).

Table 2 indicates that the items used for this study are reliable (ranging from 0.766 to 0.958). The correlation between IC and turnover intentions was found to be negatively related. Structural capital showed a negative correlation with turnover intentions at $-.402$ (** $p < 0.01$), followed by human capital, social capital, technological capital, customer capital and spiritual capital. The range of relationship, however, showed a weak relationship between IC dimensions and turnover intentions (ranging from 0.253 to 0.402). The impacts of these elements on turnover intentions can be seen in Table 3. As shown, the role of structural

Table 1
Demographic Background of the Respondents

Demographics		Frequency	Percentage
Gender	Male	62	32.8
	Female	127	67.2
Race	Malay	183	96.8
	Chinese	2	1.1
	Indian	2	1.1
	Others	2	1.1
	Marital Status	Single	119
	Married	70	22.5
Designation	Director	1	0.3
	Assistant Director	2	0.6
	Manager	7	2.3
	Assistant Manager	9	2.9
	Senior Executive	10	3.2
	Executive	64	20.6
	Officer	66	21.2
	Others	30	9.6
Age	Below 25 years old	87	28.0
	26-35 years old	86	27.7
	36-45 years old	14	4.5
	46-55 years old	2	0.6
Working Experience	1-5 years	123	39.5
	6-10 years	45	14.5
	11-15 years	11	3.5
	> 16 years	10	3.2

Table 2
Correlation between Research Constructs

Research Constructs	M	SD	α	1	2	3	4	5	6
Human capital	3.7889	.68217	.771						
Customer capital	3.7468	.70948	.768	.827**					
Structural capital	3.8269	.68012	.766	.756**	.748**				
Social capital	3.8434	.69138	.768	.779**	.740**	.785**			
Technological capital	3.6896	.69895	.766	.709**	.729**	.815**	.760**		
Spiritual capital	3.7547	.71606	.767	.731**	.683**	.755**	.804**	.735**	
Turnover Intentions	3.0176	1.14995	.958	-.364**	-.253**	-.402**	-.305**	-.275**	-.272**

Notes. N=189. Two tailed significance test of correlation coefficient, * $p < 0.05$., ** $p < 0.01$.

Table 3
Regression Analysis

Model (Constant)	Coefficients ^a				
	Unstandardised Coefficients		Standardised Coefficients	t	Sig.
	B	Std. Error	Beta		
	.827**				
HC	-.440	.239	-.260	-1.838	.068
CC	.270	.198	.163	1.365	.174
STC	-.718	.244	-.444	-2.939	.004
SC	-.083	.227	-.049	-.367	.714
TC	.211	.210	.129	1.008	.315
SPC	.149	.197	.093	.758	.450

a. Dependent Variable: Tis

Notes. HC-human capital; CC-customer capital; STC-structural capital; SC-social capital; TC-technology capital; SPC-spiritual capital.

capital in predicting employee’s turnover intentions was a highly negative significant, that is p value=0.004 and β =-.718, which is lower than 0.05. Hence, the hypothesis H2 is accepted, indicating that structural capital is negatively related to turnover intentions. However, the other elements are insignificant to predict intentions of the current employees to leave their current employers. The p value showed greater than the threshold value of 0.05. Hence, H1, H3, H4, H5 and H6 are rejected. These results have clearly proven that human capital, customer capital, technology capital, social capital and spiritual capital are not necessarily important in predicting employees’ turnover intentions.

DISCUSSIONS

The results showed the important roles of IC in predicting employees’ turnover

intentions. Being consistent with the findings of Longo et al. (2011), it was found that the role of IC is useful for predicting current employees’ retention decisions. This study revealed that only structural capital remains significant to predict Malaysian employees’ turnover intentions. The negative association between these variables shows that employees are used to work with structured systems, processes, normal daily routines, which provide clear information and pleasant organisational culture. Longo et al. (2011) and Chowdhury et al. (2014) reiterated that organisational interpretation, which this study mainly suggested as the organisational intervention systems, affected the employees’ behaviour and attitude towards employment and productivity. Since structural capital is constant, organisations are able to strategise, monitor and re-structure to match with internal and external demands. In addition, a higher significant

relationship between structural capital and turnover intentions focuses on task specific goals with clear information to accomplish.

Previous studies admitted the huge challenges involved in curbing the current employees from leaving to look for other jobs (Chowdhury et al., 2014). In contrast to structural capital, the findings of this study revealed that this element is difficult to predict, and is mainly into employee's behaviours and expectations. The early prediction remains the same, whether or not human capital shapes employee's decisions to stay within an organisation. Failure to provide a platform to generate new ideas and less support for research and development activities affects expert and talented employees from remaining with the same employer. The uniqueness of employees' skills, knowledge and experience should be highlighted. Customer capital, technological capital, social capital and spiritual capital have also received less support from the employees in predicting them whether they will leave the current employers. Social relationship does not just develop within employees' attributes, but it is also gained from various parties such as customers, suppliers, departments and institutions.

CONCLUSION

This study found that the relationship among employees and trustworthiness has become a major concern which positively influences employees' retention decisions. Technology wise should align with the high

level of task difficulties. When organisations are unable to supply equipment, research and development unit and have limited skillful professionals skilful to operate the technology, the productivity of the present employees could expectedly be dropped. Spiritual capital relates to employee's faiths and beliefs and much consideration to the religious spirits. The diverse religions might influence the employee's expectations, mainly on profit generation, inner believes and ethics. These are the subjective aspects yet very difficult ones to control and measure accurately.

One of the limitations of this study is that the items that are used to predict employees' turnover intentions from the present employers. There are too many items for each dimensions of IC which might influence the respondents' focuses to respond to the accurate answers. Thus, future researchers are encouraged to review previous developed constructs before distributing to any focus groups. Secondly, the dependent variable of this study only focuses on turnover intentions among employees of Malaysian private organisations. Thus, future researchers should look at talent retention, intention to stay or intention to leave among special groups such as managerial level, middle level, occupations and specific fields. Since this study only used the quantitative method to determine the relationships, future researchers can conduct a mix method and longitudinal studies to prove the interference of IC on retention outcomes.

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