



## Research note

# The relationships among intellectual capital, social capital, and performance - The moderating role of business ties and environmental uncertainty



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## HIGHLIGHTS

- Intellectual capital as a predictor of overall organizational performance.
- A mediation-moderation model was used to examination the hypothesis.
- The model was tested using a sample of 434 cultural and creative organizations.
- A model is proposed to analyse cultural and creative industries in Taiwan.

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## ABSTRACT

Taiwan is geographically rather homogenous, but it has undergone different historical developments that have led to a diverse cultural landscape, and it attracts international tourists who seek to experience different cultures and cuisines. This paper examines the effect of intellectual capital (IC) attributed to the overall performance relationships of cultural and creative organizations (CCOs). Based on 434 Taiwanese CCOs and integrating the concepts of the upper social network and IC theories, the findings argue that interrelationships exist among types of intellectual capital. Further, social capital plays a critical mediating role in the relationships between IC and CCO performance. Furthermore, business ties play positive moderating roles, and environmental uncertainty has negative impacts on social capital and CCO performance.

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## 1. Introduction

In recent years, the development of appropriate strategies for attracting customers' attention and increasing their satisfaction have become critical issues for Taiwanese cultural and creative industries (CCIs) (Huang, Yen, Liu, & Chang, 2014). The development of CCIs not only helps maintain the country's original and traditional culture but also strengthens its tourism industry's dynamic capabilities and provides significant educational meaning for new generations. Therefore, cultural and creative parks have become a new leisure and tourism activity for families, tourists, and friends (Chang & Lee, 2015) and potential engines for boosting creativity for urban growth (Pratt, 2008).

According to the 2015 Taiwan Cultural & Creative Industries annual report (Ministry of Culture, 2013), CCIs comprised 62,264 firms. Most of them, 84.85%, were small and medium-sized

enterprises (SMEs) with annual sales of approximately US\$7.758 million and export revenues that have grown by 4.88% since 2013. Despite the great contributions that CCIs have made to economic and tourism industry development, the questions of how intellectual capital and social network theory have influenced SME performance remain. Accordingly, this study attempts to address this issue by investigating these interrelationships and how they impact overall organizational performance in the context of cultural and creative organizations (CCOs).

CCIs differ from other well-developed industries in terms of resource input, organization size, management knowledge, and other firm-specific intangible assets (e.g., Andres & Chapain, 2013; Zhao & Liu, 2015). Richards (2001) asserted that culture and creativity are important motivations for tourism attractions because they not only satisfy "experience hunger" but also provide different values and raw materials to maintain and extend a new transitional culture. To follow the worldwide trend in which new industries are developing and growing in a highly competitive tourism

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environment and to survive in an uncertain institutional environment, CCI must increase their efforts to develop intellectual resources that enhance innovation by improving their market positioning and adjusting their organizational structures, operation processes, and network relationships in response to changing customer needs and a dynamic environment (Chang & Lee, 2015; Li & Wang, 2006). Few studies, however, have directly examined how intellectual capital influences the operation of a CCI in a dynamic environment or the CCI's subsequent performance.

Several contributions can be made to the existing tourism literature. First, little is known about how CCOs attain intangible resources that are valuable, rare, inimitable, and non-substitutable (VRIN) in the face of dynamic industrial environments and changing customer needs (Espino-Rodríguez and Padrón-Robaina, 2005). This study examines how CCOs accumulate intellectual capital characterized by VRIN and examines the interrelationships among intellectual capital (IC) that are essential for creating competitive advantage. Second, despite extensive discussions regarding the influence of organizations' relation-specific attributes on their social network extensions (Kim, Lee, & Bonn, 2016), little is known about the impact of IC through social capital on organizations' performance within the contexts of CCI. Third, although previous studies have highlighted the importance and recognize the process of organization performance, unresolved questions remain (Espino-Rodríguez and Padrón-Robaina, 2005). To fill the gaps, the present study operationalizes and validates the measures of business ties and the different impacts of uncertain environments for capturing the different influences of social capital accumulation and overall organization performance. Wang (2015) argued that prior research has underemphasized the roles of IC and corporate governance in the tourism industry in Taiwan. Park, Lee, Choi, and Yoon (2012) proposed that social capital improves tourism organizations' performance and moderates the community's conflicts. Kim et al. (2016) suggested that social capital and tie strength play important roles in tourism destination marketing because social capital influences tourism organizations' trust, norms, and associational activity, and helps organizations determine how tourism managers' decisions organize appropriate activities dispersed across an uncertain environment (Saxena, 2015). Therefore, because they did not fully consider the context of IC and social capital in the relationships among environmental uncertainty models, the previous studies provided only a piece of the puzzle, and further consideration of these critical attributes in organizational performance is required. The conceptual and integrated model used in this study is presented in Fig. 1.

## 2. Theoretical background and hypothesis development

Following globalization and internationalization, the industrial environment has become increasingly turbulent and dynamic; customer needs and new technologies tend to be denser and to change repeatedly and unpredictably (Tan, Zhang, & Wang, 2015). Highly turbulent environments are often characterized by short service and product development cycles, and social capital is required to maintain external relationships between management and the environmental factors that impact organization performance (Acquaah, 2007). Shrivastava, Pazzaglia, Sonpar, and McNamara (2015) suggest that social capital accumulation processes may allow organizations to access external sources of knowledge and to transfer and adjust to a commercialized ecosystem. Furthermore, they note that such processes have been closely linked to an organization's ability to innovate, which could also benefit from organizational and market opportunities.

In terms of the critical characteristics of IC, human capital, customer capital and organizational capital (e.g., structural capital)

have been widely used in recent studies (e.g., Subramaniam & Youndt, 2005). Human capital consists of the organization's potential value-creating assets because through human capital, the organization applies abilities and skills to integrate creative ideas and increase the organization's innovation with or without employee engagement (education, skill and training) to generate organization value, which increases customer satisfaction and loyalty (Vomberg, Homburg, & Bornemann, 2015). In addition, Edvinsson and Malone (1997) defined organization capital as a factor that may either fully support employees' productivity or encourage them to leave work behind at the office when they go home. In other words, organizational capital can be thought of as the support to create firm-specific resources, and it seems to be an important attribute explaining market returns and performance across firms (Chen & Inklaar, 2015).

Social capital accumulation requires time to maintain internal and external connections, the commitment of resources, the extension of managerial relationships, and additional resource inputs, attention, and efforts (Zhao, Ritchie, & Echtner, 2011). As Bollen, Vergauwen, and Schnieders (2005) suggested, organizations should invest in customer capital to enable companies to optimally allocate their limited resources, to implement new services and product development directions, to consolidate business processes, to acquire knowledge and best practices and to satisfy customers' changeable needs. Thus, the following hypotheses were developed:

**Hypothesis 1.** *Human capital mediates the positive relationship between customer capital and social capital.*

**Hypothesis 2.** *Organizational capital mediates the positive relationship between customer capital and social capital.*

The core perspectives of social capital theory are that networks of relationships constitute valuable resource exchanges, information flows, and knowledge transfers for the network members (Kim et al., 2016). Miller, Xu, and Mehrotra (2015) found that human capital contributes more than other forms of capital to organizational performance in terms of efficiency and product quality; however, sustaining and improving this human capital requires social networks. In other words, the superior organizational performance can be achieved with human capital could be further increased by using social contacts and interaction to enhance social sensitivity.

Organizational capital has particular capabilities that can help an organizations' employees create and acquire knowledge derived from a range of sources, such as the heterogeneous and relatively immobile assets that comprise an organizations' competitive advantages (Tseng & Goo, 2005). In creative market performance contexts, organizational capital can play an essential role in increasing the capacity to facilitate social capital for effective communication with external partners, thus increasing market advantage. Therefore, the present study argues that CCOs must build human and organizational capital if they want to strengthen social capital to gain organizational and market performance.

**Hypothesis 3.** *Social capital mediates the positive relationship between human capital and organization performance.*

**Hypothesis 4.** *Social capital mediates the positive relationship between organizational capital and market performance.*

Heirati and O'Cass (2015) demonstrated that the development of an organizations' dynamic capability depends on more than allocating critical resources appropriately; it should also consider relationships with competitors and ties with universities and suppliers because business ties have a significant influence on an organization's innovation activities and outcomes. Consequently, the improvement of organizational performance is highly specialized; creating, integrating, recombining, and enhancing organizational performance requires substantial input from external social

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