

# Exploring the Nexus Between Innovative Human Capital and Organizational Performance

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**Abstract:** *This study examined the nexus between innovative human capital and organizational performance. Innovative human capital is the foundation stone of any business organization. The study's objectives were to ascertain whether innovative human capital affects an organization's performance and to determine if human capital development affects employee performance. The hypotheses were developed in line with the study's goals. In this study, a survey research design was employed. Both primary and secondary sources provided data for the study. The total questionnaire distributed was 539 but only 502 were returned. Since it is commonly recognized that no firm can function fully without innovative human capital, the study concluded that innovative human capital is extremely important to any organization. According to the study's findings, the researchers advised that organizations should encourage employees to attend conferences and seminars, make sure that employee's efforts are periodically evaluated to determine how they help the organization achieve its objectives, and require educational qualifications before hiring, selecting, promoting, and placing employees. To put it briefly, modernization is made possible by the processes of inventive human capital.*

**Keywords:** innovative human capital, organizational performance, human capital development human capital management, organization

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## INTRODUCTION

Businesses and governments value the capacity to recognize and assess the competitive benefit of individuals' innovative and transferable traits. By creating a novel and comprehensive notion of inventive human capital and highlighting its impact on business innovation and, consequently, growth, this study expands on the conventional measure of human capital. To solve the shortcomings of earlier assessments, this novel human capital concept combines four components: education, training, willingness to adapt in the workplace, and job happiness. An increasing number of businesses are looking for methods to teach, inform, and persuade staff members that cultural diversity is a good thing. But, as more businesses try different

approaches to employee training, they discover that the outcomes are hard to quantify. The most important task managers in a corporate company's conduct is managing human capital. According to Likert (2000), the individuals that comprise an organization originate and decide all its operations. Except for human effort and guidance, all of the contemporary firm's tools—plants, office computers, automated equipment, etc.—are ineffective. Managing the human element is the most crucial and core of all management jobs since everything else depends on how effectively it is managed. The business function that is especially focused on managing an organization's human capital component is human capital management.

Human capital is an organization's most valuable resource since it guarantees the accomplishment of its goals and objectives. It is regrettable that the majority of business organizations have neglected the management and development of their most valuable resource, which is human capital. Apple (2000) defines human capital management as the department inside a business that is responsible for hiring, managing, and guiding its employees. It is also a thorough and planned method of managing employees, as well as the environment and culture of the workplace. Employee productivity and effective contribution to the overall direction of the business and the achievement of the organization's goals and objectives are made possible by good human capital management (Apple, 2000).

Human capital management encompasses administrative tasks related to human resources planning, hiring, selection, orientation, training, evaluation, and motivation, as well as roles within a people-centered business (Cole, 2003). Likert (2000) claims that human capital management refers to the group of people who comprise an organization's workforce. Activities intended to support and coordinate every human component of the company were included in human resource management. This will guarantee its steady progress and accomplishment. One of the biggest investments made by the business is in its human resources (Certo, 2002). In order to optimize talents, skills, and abilities—all of which will inevitably affect the company's profit—organizations should place a high priority on the development of the human element, not just the human element but more importantly the wellness of the employees.

Most organizations lack plans for the professional growth of their employees. After hiring these individuals, the corporations do not provide them with orientation, training, or opportunities to enhance their existing skills and educational background. Human capital is something that businesses take for granted (Agarwala 2003). Most Nigerian organizations do not believe that sending their staff members on rigorous human capital development programs is necessary. The goal of innovative human capital is to increase productivity by enhancing quality, efficiency, and cost reduction while allowing staff members to focus on their primary business tasks. In the uncertain world of business, management must have a solid grasp of innovative human capital development, particularly when it comes to increasing organizational efficiency and profitability. Lack of competent labor, fierce competition among businesses, technological issues, low productivity, and other issues result in a high rate of low performance and bad product implementation, which severely restricts the growth of new products and productivity gains. In light of this, this study aims to explore the nexus between innovative human capital and its impact on organizational performance or productivity. To put it briefly, modernization is made possible by the

processes of creative human capital. Though there are several works on the nexus between innovative human capital and organizational performance in the developed world, only a few have been conducted in Nigeria, particularly in Delta State with its unique features. The few conducted did not combine the variables used in this study. This research fills this gap.

The objective of this study is to determine the extent at which innovative human capital does affect organizational performance and to examine if human capital development does support employee performance.

## **LITERATURE REVIEW**

According to Katou (2009), innovative human capital is less about immediate skill and more about improvements in employee potential and attitude, and behavior. More so than job growth, it has to do with career development. It is an educational exercise that focuses on an organization's future requirements. It is the process of training employees to have the knowledge and abilities necessary to manage in future roles (Agarwala 2003). The selection of a qualified individual is the first step in the process, which continues throughout that person's career. The goals of innovative human capital are to guarantee the organization's long-term success, provide qualified replacements, build a productive team that collaborates well, and enable each employee to reach their full potential. Here, lifelong learning and growth are prioritized.

John (2004) asserts that a three-pronged business approach which are; human capital development, technology advancement, and a focus on a variety of high-quality products and exceptional customer service are all very complementary strategies that help to develop the human capital. Organizations with established competence in innovation, quality management, and human capital will, therefore, be the most open to developing their human capital. They also claim that innovation and human capital development are closely intertwined. Innovative human capital is required to improve employee abilities because of the distinctiveness of knowledge and the speed of change linked to innovation and technological advancement.

The process of improving the knowledge, abilities, and skills of every individual inside an organization is known as innovative human capital. Economically speaking, it can be defined as the effective investment of human capital in the growth of a firm. Politically speaking, inventive human capital equips individuals to engage in politics as adults, especially as citizens in democracies. To put it briefly, modernization is made possible by the processes of creative human capital (Sriyan, 2005). Innovative human capital development involves investing in and assisting individuals through a range of strategies, including coaching, monitoring, education, training, internships, and human resource management.

Innovative human capital management, according to Dirk (2010), entails preserving and enhancing every facet of a business's procedures that have an impact on its employees from the moment of hiring until the day they leave the organization. They are:

- A. **Hiring:** - The human capital manager must come up with the most creative, practical, and economical ways to advertise and hire for open roles inside the business. To choose the best applicants, the human resource management staff must design and carry out the selection processes.
- B. **Firing:** - The human capital manager is responsible for maintaining uniformity in the dismissal process. In addition to adhering to regulations concerning the right to appeal and compensation, he must also follow the proper protocol to shield the company from prosecution for wrongful termination.
- C. **Review:-** A thorough, creative evaluation procedure that applies to every employee will be created and managed by the human capital management team. This procedure will offer a platform for the employee to voice any concerns or issues he/she may have, as well as for management to evaluate the worker's performance. A review of pay or bonuses, or in rare cases, a disciplinary action, could be the outcome of the review process.
- D. **Welfare:-** Assuring their overall well-being while they are employed by the organization is the responsibility of human capital management. Along with making sure that payroll and benefit payments are made and that policies pertaining to them are kept safe, they also have to keep employees informed about the latest, cutting-edge health and safety practices.
- E **Legal:-** The human capital department is in charge of keeping up with any changes to employment laws and modifying the company's policies as necessary. The human capital management team, along with the company's legal team, is responsible for ensuring that laws pertaining to equal opportunities, discriminatory practices, maternity pay and leave, and the ability to appeal a dismissal are followed. As a result, having a solid understanding of employment law is crucial for managing a human resources department.

The kind of human capital that an organization uses is a significant determinant. An organization's chances of success often increase with the level of competence of its personnel and the degree to which employees must collaborate in teams or groups to complete tasks. Highly competent and creative workers or workers who have absorbed strong professional ideals and standards of conduct as part of their training typically prefer independence and self-governance over strict oversight (Ricky & Donald, 2000). For instance, doctors and nurses must provide patients with the finest treatment possible, and accountants have learned the need to report business finances honestly and impartially. Highly qualified and creative individuals are best served by flexible frameworks that are defined by dispersed authority and empowered personnel. Similarly, individuals must be free to engage with one another when working in teams, which is also feasible in a flexible organizational structure. Managers must, therefore, closely monitor the staff and the work itself (Agarwala 2003). The various authors concur to the fact that innovative human capital is a major determinant to organizational success.

Prominent academics worldwide have thoroughly addressed and demonstrated the significance of innovative human capital in organizational success. To Harbison (2004), the fundamental foundation of a country's riches is not its income or material resources; human capital is not capital. The active agent that creates wealth, exploits material resources, establishes socio-economic and political organizations, and drives national growth is inventive human capital. Capital and natural resources are passive factors of production. A key component of total economic and national development is highly skilled human capital. He claims that Nigeria's economic development and

progress have been hampered by the lack of qualified workers. It is impossible to overstate how crucial inventive people are since they open the door to modernization. To operate machinery, milk cows, harvest crops, load a van, sell commodities, maintain accounts, and so on, human labor is required in all economic endeavors (Katou 2009). Labor is the term for human labor that is essential to production. It can be done manually, with one's hands, or mentally, with one's head or brain. Nwachukwu (2004) discovered four main causes of low productivity which are detrimental to organizational performance.

1. **Economic factor:** This relates to Nigeria's employee reward scheme. There is no relationship between an employee's efforts and the benefits he obtains from the company. It is crucial to create a system of rewards that aims to link rewards with hard effort to promote increased productivity.

2. **Sociological factor:** This relates to a situation in which workers feel like they belong in a company, despite management's recent attempts to view and treat them as nothing more than production costs.

3. **Management factor:** He believed that management alone determines whether a company succeeds or fails. It is difficult for a boss who lacks discipline and productivity to inspire staff members. According to the report, managers' reluctance to manage properly is the root cause of low productivity in the public sector.

4. **Technological factors:** This entails applying fresh concepts, methods, resources, and inventiveness to accomplish an organization's goal. One of the main reasons for low productivity is the absence of adequate information to assist entrepreneurs in choosing the right technology.

All economists, as well as employers and trade unions, agree that a high level of productivity must be achieved and maintained. The return on investments and businesses can be optimized by such product expansions. Nonetheless, the following are a few prerequisites for high productivity:

1) **Production Targets:-** This implies that employees must be aware of the goals of each department inside a company as well as their relationships with other departments.

2) **Planning and workflow of output:** the scenario wherein the workforce in terms of forward and backward links should be carefully arranged to guarantee the continuous supply of materials or components needed by each department.

3) **Physical working conditions:** - Employee productivity would undoubtedly suffer when the environment is not conducive. Employees must provide workers with health and safety facilities in order to carry out the provisions of the Factory Act.

4) **Incentive:** A driving force behind an employee's increased productivity within a company. Incentives should be included in the re-enumeration mechanism as much as possible.

5) **Innovative Human Capital:** It is impossible to overstate the value of inventive capital. It facilitates the worker's productivity. To put it briefly, the process of developing creative human capital opens the way to modernity (Samad 2012).

Watt, Murrcllick, and Schuster (2003) state that the following elements have an impact on productivity:

(a) **Management Processes:** refer to the processes that offer the framework and models for completing activities, including planning, coordinating, integrating, and managing actions.

(b) **Managerial Leadership**: involved with both planning forward to establish new organizational objectives and creating an environment that motivates staff to strive for excellence.

(c) **Motivation**: refers to a worker's persistent drive to accomplish goals.

(d) **Technology**: This has to do with the way that work is done.

## METHODOLOGY

A descriptive research method was adopted for the study. This method was appropriate because it helped us to describe, examine, record, analyze, and interpret the variables that exist in the study. It was useful because of the relatively large population from which the information was collected. The design is justified since the respondents were spread over the entire departments that made up the organizations and we were interested in collecting their responses through the use of the questionnaire. In addition, we made use of oral interviews because of their factual implication for the study.

The population of the study consisted of ten main banks in South-South Nigeria: Zenith Bank, First Bank, Diamond Bank, Union Bank, United Bank for Africa, Unity Bank, Sky Bank, Eco Bank, Assess Bank, and Guaranty Trust Bank. The selection was done through a convenience nonprobability sampling technique. Besides, the choice of the selected banks was anchored on the fact that it was a combination of old and new-generation banks. Cochran's (1963) sample size determination statistical formula for finite population was adopted in determining the sample size for the study

**Table 1 Breakdown of the Sample Size**

<b>Name of the institutions to be studied</b>	<b>SAMPLE</b>	<b>Population</b>
Zenith Bank	58	520
Diamond Bank	52	464
Skye Bank	48	429
UBA	60	539
First Bank	60	536
Union Bank	60	540
Unity Bank	48	427
GTB Bank	48	426
Eco Bank	56	496
Access Bank	49	434
<b>Total</b>	<b>539</b>	<b>4811</b>

Data presentation and analyses involve the conversion and processing of the data generated in a study into information. The completed questionnaire forms were collected, coded, and subsequently analyzed using both descriptive and inferential statistics.

To analyze the hypotheses, we adopted the following statistical tool, Pearson's product-moment correlation coefficient and simple linear regression, aided by the computer Microsoft Special Package for Social Sciences (SPSS).

### Decision Rule

In testing hypotheses, the calculated value of the test statistic will be compared with the critical or table value of the statistic. The critical or table value serves as a benchmark for rejecting or not rejecting the null hypothesis. Therefore, the decision rule applied in this research is to reject the null hypothesis if the calculated value at a 5% significance level with respective degrees of freedom is greater than the table value, otherwise do not reject.

### Hypothesis One

Innovative human capital does affect organizational performance.

#### Descriptive Statistics

	Mean	Std. Deviation	N
Innovative Human Capital	1.4681	.74356	502
Productivity	1.7655	.51789	502

#### Correlations

		Innovative Human Capital	Organisational Productivity
Innovative Human Capital	Pearson Correlation	1	.787**
	Sig. (2-tailed)		.000
	N	502	502
Productivity	Pearson Correlation	.787**	1
	Sig. (2-tailed)	.000	
	N	502	502

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The table above shows the descriptive statistics of the Innovative human capital and organizational performance with a mean response of 1.4681 and std. deviation of .74356 for Innovative human

capital and a mean response of 1.7655 and std. deviation of .51789 for productivity and number of respondents (502). By careful observation of standard deviation values, there is not much difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent and independent variables.

The table above is the Pearson correlation coefficient for Innovative human capital and organizational productivity. The correlation coefficient shows 0.787. This value indicates that the correlation is significant at 0.05 level (2tailed) and implies that there is a significant positive relationship between Innovative human capital and productivity( $r = .787$ ). The computed correlations coefficient is greater than the table value of  $r = .195$  with 500 degrees of freedom ( $df = n-2$ ) at alpha level for a two-tailed test ( $r = .787, p < .05$ ). However, since the computed  $r = .787$ , is greater than the table value of  $.195$  we reject the null hypothesis and conclude that there is a positive relationship between Innovative human capital and organizational productivity ( $r = .787, P < .05$ ).

### Hypothesis Two

Human Capital Development does support employee performance

#### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.816 <sup>a</sup>	.665	.664	.35930	.115

a. Predictors: (Constant), HCD

b. Dependent Variable: Employee Performance

**Table 4.14 ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	128.156	1	128.156	992.720	.000 <sup>b</sup>
	Residual	64.548	500	.129		
	Total	192.703	501			

a. Dependent Variable: Support HCD

b. Predictors: (Constant), Employee Performance



**Coefficientsa**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.068	.047		1.441	.150
	Technology	.900	.029	.816	31.507	.000

a. Dependent Variable: Employee Performance

R = 0.816  
R<sup>2</sup> = 0.665  
F = 992.720  
T = 31.507  
DW = 0.115

**Interpretation:**

The regression sum of squares (128.156) is greater than the residual sum of squares (64.548), which indicates that more of the variation in the dependent variable is not explained by the model. The significance value of the F statistics (0.000) is less than 0.05, which means that the variation explained by the model is not due to chance.

R, the correlation coefficient which has a value of 0.816, indicates that there is a positive relationship between HCD and employee performance. R square, the coefficient of determination, showed that 66.5% of the variation is in support of HCD as explained by the model.

With the linear regression model, the error of the estimate is low, with a value of about .35930. The Durbin-Watson statistics of 0.115, which is not close to 2, indicates no autocorrelation. The coefficient of 0.816 indicates a positive significance between HCD and employee performance, which is statistically significant (with  $t = 301.507$ ). Therefore, the null hypothesis should be rejected, and the alternative hypothesis should be accepted accordingly. Thus HCD does support employee performance to a large extent

**DISCUSSION OF FINDINGS**

The study discovered that innovative human capital does enhance organizational performance to a large extent. This is in line with the study conducted by Pena, (2002), The study reveals that there is a strong correlation between innovative human capital and organizational productivity. The study revealed that innovative human capital is the bedrock for organizational development.

Human capital development and employee performance were discovered to be closely related. The results from the test reveal that there is a strong link between human capital development and employee performance. The correlation coefficient indicates a positive relationship between human capital

development and employee performance. This is in consonant with the study carried out by Agarwala (2012) which showed that human capital development and employee performance are closely linked together.

## CONCLUSION

It is beyond a reasonable question that human capital development, motivating tools, innovative human resources etc., make workers more productive in their varied jobs, given everything that has been covered, the review of related literature, and the research findings collected in this study. Even though the study's focus is on private businesses, it is necessary to acknowledge that private and public businesses are involved in all facets of human efforts.

The following suggestions are made by the research work as a result of the different findings that came from the study:

Since management views human capital as an essential component of the firm, they should be encouraged to grow it. Since the company employs highly skilled workers, financial constraints should not be permitted to impede the successful execution of creative training initiatives.

Prior to hiring, placing, promoting, evaluating, and terminating employees, educational credentials—particularly technical ones—should be required. This implies that in order to effectively use additional resources for productivity, businesses should modify their work and responsibilities by hiring more skilled personnel.

The habit of attending workshops, conferences, and seminars should be ingrained by organizations. These are pathways for the development and discovery of new abilities. In addition to aiding in employee training and development, it provides a strong labor pool that boosts sales and profitability for the company.

Even if an employee is the best fit for the work, they still need to be updated and modified to fit our changing environment, so innovative human capital development should be widely used in all business concerns. Creative human capital actually opens the door to modernity.

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