ABSTRACT

Based on a survey of 50 firms listed on Nairobi Securities Exchange, this study examines the relationship between intellectual capital (human capital, social capital and organizational capital) and organizational performance. In order to test the studyôs hypotheses and their effect on organizational performance, a series of hierarchical multiple regression models were performed. In the first step we entered control variables (years of operation, ownership structure and size of the organization measured by number of employees) in all the analyses. In the second step, we entered the composite index of each of the three constructs of intellectual capital. Four hypotheses were formulated and were tested one at a time, beginning with nonfinancial where linear regression analysis were conducted to explain the variation among the variables. The study found that there was significant relationship between social capital, organizational capital and non-financial performance. Using optimal scaling the results indicated that intellectual capital had a significant influence on financial performance measured by return on assets. The findings also indicated that there was no significant relationship between intellectual capital and return on equity and Dividend Yield of firms listed on Nairobi Securities Exchange. The results provide support for the Resource based view of the firm (RBV), that the integration of intellectual capital constructs leads to competitive advantage and higher performance.