

Intellectual Capital and Market Performance: Testing the Mediating Mechanism of Organizational Learning

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Abstract

The aim of this paper is to investigate the interrelationship among intellectual capital, organizational learning capability and market performance in banking sector of Pakistan. Moreover, it also examines the mediating role of organizational learning capability in intellectual capital and market performance relationship. The primary data was collected from 263 branches of 22 public and private scheduled banks operating in Pakistan. The structural equation modeling results reveal that both intellectual capital and organizational learning capability enhances the market performance. The mediating role of organizational learning capability among intellectual capital and market performance is fully supported. The study has implications for both academicians and practitioners. Theoretically, it contributes in literature by providing a mechanism through which intellectual capital may be translated into market performance. From managerial perspective, this study proposes that the top management of banking sector can enhance their market performance if they use their resources for learning capability along with intellectual capital.

Keywords: Intellectual capital, market performance, organizational learning capability, banking sector and Pakistan.

Introduction

In last few decades, the fundamental changes have been occurred in organizational resource structure. The firm's key resources not only comprises of tangible ones but also intangibles which are priceless, valuable, rare and unending. These intangible resources are more likely to sustain competitive advantage and superior performance (Barney,

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1991). In knowledge based economy, intellectual capital is considered as one of the critical intangible asset for long run effectiveness of organizations (Anghel, 2008). In modern organizations, intellectual capital plays vital role in the foundation and success of their business. Scholars have begun to acknowledge its importance and reveal that intellectual capital is a major source of firm's value creation and key driver for performance enhancement (Martínez-Torres, 2006; Nimtrakoon, 2015; Rudež & Mihalič, 2007; Youndt et al., 2004).

The significance of intellectual capital in trailing performance is recognized but the means through which intellectual capital affects performance are yet under investigation (Hsu & Wang, 2012). Academia is interested in investigating the intellectual capital-performance relationship through some intervening mechanism that can best utilize the company's intellectual assets and transform them into organizational effectiveness (Wang et al., 2015). The call for management and integration of intellectual resources stresses the significance of learning capability in organizations.

Organizational learning capability "is a mechanism by which organizations transform the common knowledge of individuals into structures, systems and strategies that result in gaining competitive advantage and enhancing performance of the organization" (Slater & Narver, 1995). It is the knack of seeking skills and knowledge and testing of experience to recognize and solve firms' problems. Organizational learning is allied to the aptitude of an organization to transform and improve incessantly by resolving existing problems and ultimately achieving high level of performance (Lien et al., 2007). Thus, like intellectual capital, organizational learning capability is also identified as a key driver for performance outcomes. Superior performance is achieved by those organizations which have the capability to mobilize their intellectual capital in the form of knowledge, individuals learning and technological skills (Chahal & Bakshi, 2015). Consequently, the intellectual capitals' success is contingent with organizational learning capability as it is one of those means that can help explain the intricacy among intellectual capital-performance relationship.

Both intellectual capital and organizational learning have been individually investigated for predicting various type of performance, only few studies collectively utilized these constructs for promoting organizational performance. In order to understand the relationship among intellectual capital and performance, scholars are searching for empirical evidences about different intervening mechanisms by which intellectual capital affects the market performance. Though, there is barely any empirical examination that meticulously covers both intellectual capital and organizational learning in elucidating market performance. Particularly, in contextual perspective, there has been no

effort that collectively examines the role of intellectual capital and organizational learning capability to improve market performance of banking sector everywhere in the world, let alone Pakistan.

From contextual perspective, the focus of the study is on banking industry which is an ideal sector for studying intellectual capital as it is knowledge intensive and based on skills and relationships (Mavrides, 2004). In banking sector, the working and role of employees at various levels and positions are directly related with their intellect and knowledge which is helpful for survival in knowledge based economy (Bontis, 2000). The educated, skilled and trained employees of banks are in better position to deal with customers' queries and provide better services to them which ultimately enhances the market performance of banks. In Pakistan's services industry, banking sector is one of the leading sectors as it has major contributions in economic development of Pakistan. Hence, it is of immense importance to investigate the significance of intellectual capital and organizational learning capability on market performance of banking sector which may help this sector's practitioners as well as other sectors to increase their performance.

This study aims at extending the existing research by investigating the interrelationship among intellectual capital, organizational learning capability and market performance. Moreover, it also contributes by providing a mechanism by which intellectual capital may be translated into work performance of banking sector. Such an empirical examination is expected to be fruitful for both academia and practitioners.

Literature Review and Hypotheses

Intellectual Capital

Intellectual capital is generally recognized as sum of knowledge and resources present inside and outside the organization (Subramaniam & Youndt, 2005). The improvement in this knowledge and resources is considered as improvement in overall performance of a firm (Guthrie et al., 2012). Intellectual capital can be defined as knowledge and capabilities a firm acquires to gain sustainable competitive advantage (Sardo & Serrasqueiro, 2017). It is commonly considered as intangible and invisible asset which may include knowledge residing in individuals, information and experience regarding business (Bontis, 2001a, Stewart, 1999).

Intellectual capital is seeking for scholarly consensus on its dimensions but generally it is segregated in three aspects which include the knowledge, skills and abilities an individual possesses (Schultz, 1961), institutionalized knowledge and codified experience dwelling in structures and systems (Youndt et al., 2004) and interaction among

individuals and networks (Nahapiet & Ghoshal, 2000). The extant literature categorize the intellectual capital into three components i.e. “human capital, organizational capital and social capital” (Bontis et al., 2015; Rehman et al., 2011; Sardo & Serrasqueiro, 2017; Subramaniam & Youndt, 2005; Wang et al., 2015). *Human capital* consists of combined knowledge, skills and innovation and ability of employees (Bontis et al., 2000). Some researchers refer it as employee’s commitment and wisdom (Ahangar, 2011; Bontis, 2001b). *Organizational Capital* can be termed as “the institutionalized knowledge and codified experience residing in databases, manuals, culture, systems, structures and processes” (Youndt et al., 2004). *Social capital* is defined as “what happens between people, how people are connected within the company, and what remains when the employee leaves the company” (Dženopoljac et al., 2016). This part is more concerned with the most valuable assets such as organizational capabilities, culture, processes, copy rights, trademarks and databases (Sardo & Serrasqueiro, 2017).

Intellectual capital is heading towards a learnt consensus on its dimensionality; several viewpoints are under consideration which includes kind of resources, interaction of these resources and multiple types of assets that play role in determination of its dimensionality (Subramaniam & Youndt, 2005). However, it is considered that association among these resources is liable for value creation in an organization (Dženopoljac et al., 2016). In this study, we utilize human capital, organizational capital and social capital dimensions of intellectual capital to investigate its relationship with organizational learning capability and market performance.

Market Performance

Performance can be defined as goals and achievements of those goals in a particular organization (Rezaei et al., 2018). Business performance is generally “referred as the consequences of organizational operations or attainment of its goals” (Lam et al., 2011). Performance is generally considered as two dimensional concept (Agarwal et al., 2003; Guo, 2002) with objective performance measurement and judgmental performance measurement as its components. Objective performance includes measurable assessments that may comprise of profit measurements, variation in sales volumes, changes in market share and differences in cost and expenses (Lam et al., 2011). Whereas, judgmental performance mainly includes perceptions of consumer and its consequences; for instance, service quality, satisfaction and retention (Agarwal et al., 2003; Guo, 2002; Lam et al., 2011). On the other hand, Camarero (2007) conceptualizes market performance as “attainment of organizational goals with respect to a firm’s effectiveness in improving its overall market image”.

Intellectual Capital and Market Performance

Intellectual capital has been acknowledged as one of the major components of organizational level performance (Subramaniam & Youndt, 2005). Many scholars have initiated the research to investigate the intellectual capital process through which goals are recognized (Martínez-Torres, 2006; Rudež & Mihalič, 2007). Though, the importance of intellectual capital is realized at firm level performance but still the area is under investigation (Hsu & Wang, 2012).

The intellectual capital and performance relationship can be traced back from the knowledge-based view of the firm (Hsu & Wang, 2012). As discussed above, intellectual capital comprises of three components in which human capital is considered most important capital as other two capitals originate from it (Liu, 2017; Pfeffer, 1994; Wang et al., 2015). The presence of human capital serves as a strategic resource which has positive impact on firms' performance. Human capital assists in transfer of knowledge inside the firm which enables individuals to create new ideas (Lee & Choi, 2003) that are required for performance enhancement (Nonaka & Takeuchi, 1995). Similarly, Hsu and Wang (2012) debate that "once an organization obtains a unique routine or process for performing activities it becomes a potential source for organizational performance". This is particularly related to organizational capital and social capital dimensions of intellectual capital. Recently, Andreeva and Garanina (2016) in their research in Russian manufacturing companies find that different elements of intellectual capital positively influence organizational performance. On the basis of above literature, it is expected that intellectual capital is a core predictor of performance. The empirical research on intellectual capital and market performance specifically in banking sector of Pakistan would further promote this relation. Accordingly, we propose the following hypothesis.

H₁: Intellectual capital positively affects market performance.

Organizational Learning Capability

Organizational learning capability is considered as one of the important factors that ignite organizational prospective to grow and innovate (Jerez-Gomez et al., 2005). It is explained as the characteristics and factors on managerial as well as organizational level that either facilitate or let the organization to learn (Goh & Richards, 1997). Though, previous research has provided several definitions of organizational learning capability, this study focuses on two kind of learning capabilities; *absorptive capability* and *transformative capability*.

Absorptive capability is an organizational process that involves acquisition and assimilation of external knowledge (Najafi-Tavani et al., 2016). This capability helps an organization to use absorbed knowledge

taken from within and outside the organization in order to adapt and evolve by reconfiguring its resources to meet ongoing and anticipated organizational needs (Zahra & George, 2002). Whereas, *Transformative capability* is defined as an ability to choose among technologies and maintain them for organizational benefit (Garud & Nayyar, 1994; Hsu & Fang, 2009). It also includes reactivating and synthesizing previous technologies with ongoing technology development efforts (Hsu & Fang, 2009).

Intellectual Capital and Organizational Learning Capability

The collaboration in multiple dimensions of intellectual capital creates synergy when they are used in generating knowledge (Hsu & Fang, 2009). This association is considered critical while discussing organizational success and competitive advantage. High quality employees (human capital) are considered as most important success assets in organizations (Baker, 1992). Managers who tend to improve knowledge base and overall quality of workers can be trained in particular aspects which will ultimately increase learning capability (Hsu & Fang, 2009). Tracing back the roots of human capital and learning capability connection, it is widely discussed that organizational learning heavily depends upon the exchange of knowledge and information within the organization (Kogut & Zander, 1992; Baker, 1992; Hsu & Fang, 2009).

Under social capital dimension, scholars highlight the importance of organizational structural and cultural aspects in enhancing organizational learning capability (Yeung, 1999). The management of intellectual system can help in improving the learning capability of organizations (Hsu & Fang, 2009). In organizational capital dimension, it is noted that better communication and formal and informal connections outside the organization improves chances of accessing different resources (Tsai, 2001). This connection is considered as having bright chances of increasing organizational learning capability (Hsu & Wang, 2012). In this regard, Hsu and Fang (2009) in their research in Taiwanese SMEs find significant association between intellectual capital dimensions and learning capability of organizations. From the above discussion, it is observed that intellectual capital dimensions are helpful to increase the learning capability in organizations. This is as per the following hypothesis.

H₂: Intellectual capital positively affects organizational learning capability.

Organizational Learning Capability and Market Performance

The organizations' success depends upon its knowledge, techniques and inventive capabilities (Nonaka & Takeuchi, 1995). An organization

having the aptitude to acquire new knowledge and incorporate existing knowledge with diverse techniques will perform well in enhancement of its market effectiveness. Organizational learning entails the development and uses of new knowledge which is helpful to enhance performance of an organization (Hsu & Fang, 2009). Organizational learning capability is helpful for employees to create value in the form of better services and processes which ultimately enhances companies' market performance (Amiri et al., 2010).

The learning capability is not only critical to organizational competitive advantage but is also a complicated resource which has potential to impact performance (Hunt & Morgan, 1995). According to Therin (2003) organizational learning is a mechanism of transforming individuals' common knowledge into structures, system and strategies for enhancing performance. Aragón et al. (2014) in their research on Spanish firms find positive association between organizational learning and performance. Recently, Mahmood et al. (2015) empirically find that organizational learning capability positively influences organizational performance. Thus, in line with extant literature we expect that organizational learning capability will enhance the market performance of banking sector and hypothesize that:

H₃: Organizational learning capability positively affects market performance.

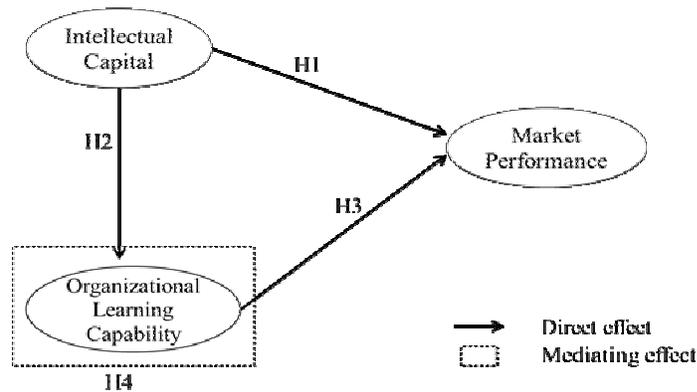
Mediation of Organizational Learning Capability

In extant literature, it is generally recognized that intellectual capital improves organizational performance, but empirical results are quite different and does not always support this notion (Inkinen, 2015). One possible illumination is that intellectual capital does not directly affect performance but it influences the performance through other means/organizational outcomes (Wang et al., 2015). According to Hsu and Wang (2012) the significance of intellectual capital in trailing performance is recognized but the definite means by which intellectual capital affects performance are yet under-investigation. In this regard, Wang et al. (2015) proposed that future research may investigate the intricacy of intellectual capital and performance relationship through some other mediating mechanisms. In this perspective, Chahal and Bakshi (2015) proposed that organizational learning can play a mediating role in understanding the intellectual capital-performance relationship. Similarly, Inkinen (2015) find that innovation capabilities and dynamic capabilities are significant mediators in examining intellectual capital-performance relationship. He suggests that this relationship may be investigated through some other capability which can transform the intellectual capital into organizational effectiveness.

Organizational learning capability is one of those outcomes that may help in explaining intellectual capital-market performance relationship. The learning capability can minimize the disorientation of the knowledge and its flow, which ultimately improve the organizational outcomes i.e. performance. We contend that organizational learning capability (transformative capability and absorptive capability) will align the human, social and organizational capital towards core competencies and superior performance. Therefore, it is expected that organizational learning capability will utilize the banking sectors' intangible resources and transform them into higher market performance. Accordingly we propose the following hypothesis:

H₄: Organizational learning capability mediates the relationship between intellectual capital and market performance.

Figure 1: Conceptual Framework



Research Methodology

Population and Procedures

The target population was banking sector of Pakistan. The empirical data was collected from 680 branches of 22 public and private scheduled banks operating in second largest metropolitan city i.e. Lahore. This city is a capital of Punjab which is biggest province of Pakistan and all scheduled banks have their branches in this city. Thus, the results obtained from this sample are rather liable to be generic for the target population.

The branch managers or operational managers are selected as target respondents as top management provide the most reliable information (Mintzberg & Waters, 1985). The primary data was collected through self administrative questionnaire based survey. The questionnaire along with covering letter was mailed to the managers of all 680 branches of 22 banks. An internet based questionnaire was also sent to the respondents for their more convenience in the response. Then, we follow up through phone calls, e-mails and personal visits. The follow up procedure continued for six weeks. Of the planned sample (680 respondents) we have received completed and useable questionnaires from 263 managers which is actual sample of the study. This yields a response rate of 38.7% which is much better as compared to other studies in the field.

Measurement

Intellectual Capital

Intellectual capital consists of three sub-dimensions (human capital, organizational capital and social capital). It was measured by 14 items scale (human capital = 05 items, organizational capital = 04 items and social capital = 05 items) adopted from Subramaniam and Youndt (2005) and Youndt et al. (2004). The wordings of these items were customized as per the respondents i.e. managers of banking sector. The sample item for each dimension is included as “*My bank’s employees are creative and bright*” (human capital), “*Much of my bank’s knowledge is contained in manuals, databases, etc.*” (Organizational capital) and “*My bank’s employees share information and learn from one another*” (social capital). Each of these items were assessed on 5-point scale ranged 1= not true and 5= absolutely true.

Market Performance

Market performance was measured by using 6 items scale of Lam et al. (2011). Keeping in view of the context of banking sector, the wordings of some of items has been customized. All of the survey items were responded on 5-point Likert scale ranged 1 = strongly disagree and 5 = strongly agree.

Organizational Learning Capability

It consists of two sub-dimensions namely absorptive capability and transformative capability. The absorptive capability is measured with 3-items adopted from Cohen and Levinthal (2000). The transformative capability is measured with 4-items adopted from Kogut and Zander (1992). All the seven items were customized with respect to context and sector. These items were rated on 5 point Likert scale ranged 1=strongly disagree and 5= strongly agree.

Analysis and Results

The data is analyzed by utilizing SPSS 21 and AMOS 20. The descriptive statistics and correlation analysis are incorporated. For testing the hypotheses, structural equation modeling (SEM) is employed. The indirect or mediating effect is estimated by utilizing Preacher and Hayes (2008) bootstrapping method.

Before moving for further analysis, initially the whole data is screened for missing values and outliers. Then, data normality for all variables is confirmed by utilizing Kolmogorov-Smirnov test. The results confirm that all values are within tolerable range which confirmed the normality condition of the data.

Descriptive Statistics and Correlations

Of the 263 respondents, the mean organizational tenure is 6.8 and they are highly qualified as their average formal education is 16 years. The mean, standard deviation and correlations among variables are given in Table 1. The correlation analysis provides initial support to the hypotheses.

Table 1: Descriptive Statistics and Correlations

	Variables	Mean	SD	1	2	3	4
1.	Education ^a	2.17	0.63	1			
2.	Tenure	6.75	6.49	-0.23**	1		
3.	IC	3.83	0.55	-0.03	0.04	1	
4.	OLC	3.85	0.69	-0.08	0.04	0.47**	1
5.	MP	3.89	0.60	-0.02	0.05	0.53**	0.42**

Notes: IC= Intellectual Capital; OLC= Organizational Learning Capability; MP= Market Performance; ^a1= Post graduation/ professional degree; 2= Masters; 3= Bachelor; 4= Intermediate; ** $p < 0.01$.

The results show that intellectual capital has significant and positive correlation with market performance (coefficient = 0.53, $p < 0.01$) and organizational learning capability (coefficient = 0.47, $p < 0.01$). This provides initial support to hypotheses H₁ and H₂. Moreover, organizational learning capability has significant positive correlation with market performance (coefficient = 0.42, $p < 0.01$) which lends support to hypothesis H₃. The values of all three coefficients are less than 1 and are below the threshold value of 0.75 which rules out the likelihood of multicollinearity (Montgomery et al., 2009). The control variables have insignificant correlation with study variables. Thus, these control variables are not incorporated in final analysis (Petersitzke, 2009).

Reliability and Validity Analysis

The confirmatory factor analysis (CFA) is computed to assess the validity of variables. The convergent and discriminant validity is evaluated by utilizing the process given by Hair et al. (2010). They recommend that the convergent validity is admitted if the value of AVE (average variance extracted) is greater than 0.50 and discriminant validity is accepted if the values of maximum shared variance (MSV) and average shared variance (ASV) are lower than the value of AVE. They also propose that the scale reliability is recognized if the value of CR (composite reliability) is greater than 0.70. The alpha values of all scales are also within acceptable range. The reliability and validity results (Table 2) are also within acceptable limit.

Table 2: Reliability and Validity of Variables

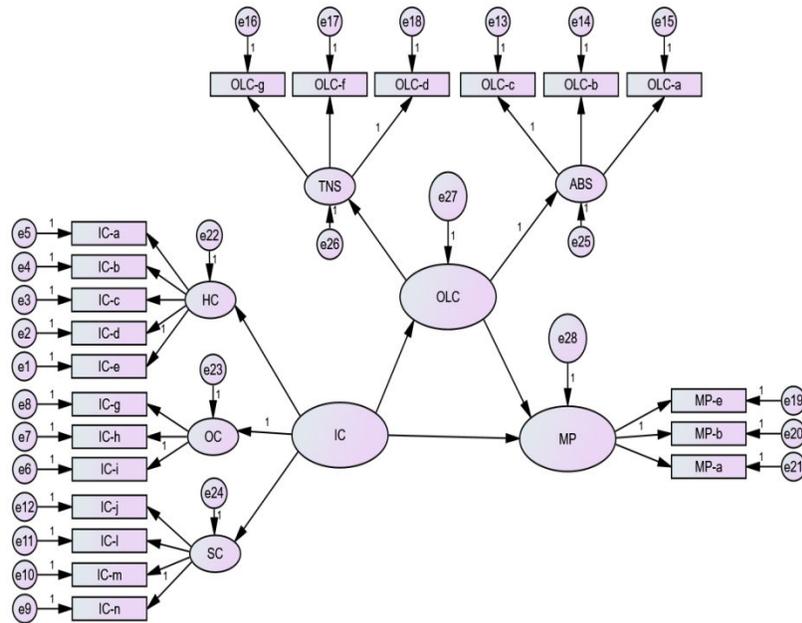
Variables	Alpha	CR	AVE	MSV	ASV
Intellectual Capital	0.87	0.95	0.86	0.36	0.24
OLC	0.81	0.94	0.88	0.36	0.26
Market Performance	0.75	0.75	0.51	0.17	0.15

Notes: OLC= Organizational learning capability; CR= Composite Reliability; AVE= Average Variance Extracted; MSV= Maximum Shared Variance; ASV= Average Shared Variance

Hypotheses Testing

The measurement model is estimated with CFA. To find the best fit model, we compare this model with two alternative models. The results show that the fit indices of three factor measurement model is within acceptable range and very good (CMIN/DF= 2.92, CFI= 0.91, GFI= 0.90, TLI= 0.92, RMSEA= 0.062) as compared to alternative models. To test the hypotheses, we run the structural model. As shown in Figure 2, this model represents the proposed relationships. The fit indices (CMIN/DF= 1.61, CFI = 0.93, TLI = 0.91, GFI = 0.90, RMSEA = 0.055) show that this model is best fitted to the data. The structural results for both direct and indirect paths are represented in Table 3. Moreover, the significance of indirect effect is estimated by applying 5000 bootstrap samples (Preacher & Hayes, 2008).

Figure 2: Structural Model



Notes: IC=Intellectual Capital; HC=Human Capital; OC= Organizational Capital; SC=Social Capital; OLC= Organizational Learning Capability; TNS= Transformative Capability; ABS= Absorptive Capability; MP= Market Performance.

Table 3: Structural Equation Modeling Results

	Relationship	Direct Effect	Indirect Effect	BC 95% CI	
				Lower	Upper
H ₁	IC – MP	0.203*	-	0.034	0.387
H ₂	IC – OLC	0.484***	-	0.347	0.664
H ₃	OLC – MP	0.433**	-	0.222	0.722
H ₄	IC - OLC- MP	-	0.209**	0.109	0.338

Notes: IC= Intellectual Capital; OLC= Organizational Learning Capability; MP= Market Performance; BC= Bias Corrected; CI= Confidence Interval; *p > 0.05; **p > 0.01; ***p > 0.001

The structural regression results reveal that intellectual capital has significant and positive impact on market performance (coefficient = 0.203, p < 0.05). This result is as per theoretical expectations that market

performance of organizations is enhanced if they focus on invisible assets. Therefore, H₁ is supported. The results of second hypothesis show that intellectual capital significantly positively affects the learning capability of banking sector (coefficient = 0.484, $p < 0.001$). Thus, H₂ is supported. The third hypothesis envisages the positive affect of organizational learning capability on market performance. The structural results are as per expectations and reveal that organizational learning capability significantly positively influences the market performance (coefficient = 0.433, $p < 0.01$). Thus, H₃ is supported.

The final hypothesis is about the mediating effect of intellectual capital on market performance via organizational learning capability. The indirect effect is tested with bootstrapping analysis (Hayes, 2013). The significance of indirect effect is estimated by applying 5000 bootstrap samples. Preacher and Hayes (2004) suggest that indirect effect is significant and mediation is supported if CI (confidence interval) does not restrain zero. It can be observed from Table 3 (indirect effect) that intellectual capital and market performance relationship is significantly mediated by organizational learning capability (effect = 0.209, $p < 0.01$; 95% CI [0.109, 0.338]). Thus, H₄ is fully supported.

Discussion and Implications

Paradigm shift from resource based economy to knowledge based economy has enormously increased importance of intellectual capital in today's competitive world. In this era of rivalry, organizations are emphasizing on its intangible resources to enhance their performance. The aim of this study was to investigate the crucial role of intellectual capital in invigorating market performance of banking sector. The research aimed at explaining the complexity of intellectual capital and performance debate by adding organizational learning capability as a mediating mechanism. Results reveal that intellectual capital positively and significantly affects market performance of banking sector. This result is as per theoretical expectations (Barney, 1991) that intangible resources are more likely to sustain superior firm performance. This finding is consistent with prior studies where scholars find that intellectual capital positively influences different types of performance (Andreeva & Garanina, 2016; Chen et al., 2006; Nimtrakoon, 2015 and Zakery & Afrazeh, 2015). The second finding reveals that intellectual capital enhances the learning capability of organizations. This result is according to theoretical foundation that intellectual capital is predictor of knowledge advancement and is a major source of absorbing and transforming new knowledge. The result is consistent with empirical findings of Hsu and Fang (2009) where they find that human, relational and structural capital positively affects organizational learning capability. The third result suggests that organizational learning capability is

positively related with market performance of banking sector. This finding is also as per anticipation and consistent with the results of Mahmood et al. (2015) where they find that organizational learning capability has positive association with organizational performance.

Finally, we find full support for mediating role of organizational learning capability in understanding the relationship between intellectual capital and market performance. This result is as per theoretical expectation that both transformative and absorptive capability (organizational learning capability) is helpful to utilize the banks' human, social and organizational capital towards higher market performance. This novel finding provides full support to the directions of Chahal and Bakshi (2015). Now, it is empirically claimed that organizational learning capability is a mechanism through which intellectual capital can be translated into market performance.

The current study makes several contributes to the literature. First, this is first research effort which simultaneously investigates the interrelationship among intellectual capital, organizational learning capability and market performance. Second, we enrich the literature by providing organizational learning capability as an intervening mechanism between intellectual capital and market performance. Finally, the study is a pioneer effort of its nature which shed light on the intellectual capital of top management particularly in the context of banking sector of Pakistan.

The study has implications for both academic scholars and practitioners. Theoretically, by testing a model we attempt to open new research avenues for scholars. By providing a mediating mechanism between intellectual capital and market performance, this study provides an insight to academia that may help advance the intellectual capital research. By using this model, the Practitioners can get better understanding of how different aspects of intellectual capital and learning capability in an organization contribute to the performance of an organization. The policy makers/top management who intend to achieve their desired results must form the strategies that may focus on learning capability along with intellectual capital.

Limitations and Directions

Although the study contributes in numerous ways but still it has some limitations. First, the data collected at one point of time may endure from response biases. In future, to transform intellectual capital into learning capability, changes and performance should be observed longitudinally. Second, the focus of the study is only on service sector (banking sector), thus there is lacking in generalizability of results to all other sectors such as manufacturing. Future research may be focused on more than one sector (both services and manufacturing). Third, we measured both

intellectual capital and market performance from same source which suffer from common rater bias. In future, independent variable and criterion variable should be measured from two separate sources. Finally, to understand intellectual capital and market performance relationship, this study investigates intervening mechanism of organizational learning capability only. In future, some other generative mechanisms (mediators) and moderators may be investigated that may further strengthen intellectual capital-performance relationship.

Conclusion

The study extends intellectual capital management research by resolving the intricacy of intellectual capital-performance relationship. By adding organizational learning capability as a mediator between intellectual capital and market performance we extend the understanding to transform human, organizational and social capital into superior market performance. Relying on resource based view we empirically find that intangible resources (intellectual capital) enhance the market performance and organizational learning capability. The findings also suggest that intellectual capital indirectly increases the market performance through organizational learning capability. This study provides new insight to the top management that they can concentrate on learning capability along with intellectual capital which will be useful to enhance the market performance of their organizations.

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