

## THE ROLE OF SPIRITUAL CAPITAL, HUMAN CAPITAL, STRUCTURAL CAPITAL, AND RELATIONAL CAPITAL OF SMES TO IMPROVING ON PERFORMANCE: STUDY LITERATURE

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### ABSTRACT

*A micro SME sector is an important sector in the national economy moving. Management needs to manage internal resources owned by the management of intangible assets that are unique resources, that it cannot duplicated, cannot be replaced, and rarely found among competitors. This article aims to explain the role of spiritual capital, human capital, structural capital, relational capital in improving the performance of SMEs. So, resources based on theory which is the company's resources as a main controller behind the performance and competitiveness. The results show that the important role of spiritual capital, human capital, structural capital, relational capital are improving the performance of SMEs.*

Keywords: Spiritual Capital, Human Capital, Structural Capital, Relational Capital, Performance, SMEs

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### Introduction

Performance varies depending on a company's ownership interest in the unique input and capabilities (Madhani, 2009). SMEs and large companies differ in terms of ownership of resources (Cohen & Kaimenakis, 2007). This shows that the performance of large and small companies that depending on capital and capacity management of its resources, for large companies it is not a constraint because it has capital and resources are abundant, but for micro small and medium becomes difficult. SMEs lack the resources tangible, physical and financial capital (Ngah, 2009). they lack the ability to adapt and respond to changes quickly to manage the challenges they face, (Daou, 2014). The problem faced by SMEs can be addressed through business management based resources, for the management of the company is able to create a special competence (Grant, 2010). Resource in based theory is to discuss some resources of the company, and how some companies can develop competitive advantage of its available resources. Another way, to develop a competitive advantage, companies must have the resources and capabilities are superior and exceeds its competitors. So, for special competence or superior ability is a competitive advantage or a quality factor of internal resources that cannot be duplicated, cannot be replaced, and rarely found among competitors, Chengt et al (2010). The resources owned by the company includes tangible assets, intangible assets, organizational capabilities (Pearce and Robinson, 2011).

An enterprise to improve competitiveness no longer rely on tangible capital such as land, machinery, equipment, but prefer the intangible capital. Intangible assets are increasingly important for companies in the value creation process of all types of organizations, (Ghamari M, 2012) Intangible assets which are also referred to as intellectual capital is the source of the material are not financial assets or physical resources such as fixed assets. Intellectual capital as a factor of production, is an important asset in a company's value creation process and allow it to compete successfully, consisting of Human Capital, Relationship Capital, Structural Capital. (Daum, 2005), Spiritual capital (Abdullah and Sofian, 2012; Khalique, 2013). Companies can improve the profitability and productivity of the company with the proper utilization of intellectual capital, (Pal and Soriya, 2012). Human resources (human capital) is one of the variables in the study of intellectual capital. Human resources (human capital) is an important element to be developed because the knowledge he has become a capital for increased competitive advantage (Grand, 2010). Although previous studies have claimed human capital affect the performance of SMEs (Khalique, 2013; Abdullah and Sofian, 2012; Sharabati and Bontis, 2010; Ahmad and Mushraf, 2011) but Husnah, (2013). declared human capital investment does not necessarily improve the financial performance of SMEs. This may imply that improving the quality of human resources must be done thoroughly covers some knowledge, skills and abilities, and capability only.

Structural capital (Structural capital) is an organization's ability to meet the routine processes and corporate structure that supports employee efforts to produce optimal intellectual performance as well as overall performance (Bontis, 1998). Attempts companies to codify knowledge of the company and develop the structural capital capable of generating business performance higher (Astuti and Sabeni, 2005; Ahmad and Mushraf 2011; Abdullah and Sofian, 2012), but investment in excess in the information technology or innovation may not always beneficial to the performance of new product development. An investment company or capital in the process of innovation must accurately evaluate the advantages and disadvantages to avoid investing too much without a good return on investment. According to the results of research Hsu and Fang, (2009) found structural capital negatively affected by the performance of new product development in SMEs.

Relational capital is based on the development of organization, maintaining and nurturing relationships are of high quality with the people or groups that affect the company's business such as environmental and economic agents who participate in the value

chain of products, suppliers, competitors, and clients (Welbourne and Val 2008). Daum (2005) asserts to obtain the resulting value of the external relations then select and invest in assets that will deliver superior returns. Previous studies have found a positive influence between relational capital and corporate performance, (Abdullah and Sofian, 2012; Husnah (2013) found different results where relational capital (relational capital) has no direct effect on the financial performance of SMEs as well as Hsu and Fang, (2009) find the relational capital does not directly affect the performance of new product development in SMEs.

Aspect of Capital Spiritual is a fourth variable in the study of Intellectual Capital. Capital Spiritual is the meaning, purpose, and the views we share on this most meaningful in life (Zohar and Marshall, 2004). Capital Spiritual is enhanced by the use of capital resources that exist within themselves or the human soul. Character and work habits is a conviction to glorify himself, revealing his humanity, and a manifestation of righteous deeds, and therefore has a very noble with religious values. So that the spiritual capital of human beings will be able to give birth to a positive work values (Jauhary, 2007). Khalique, (2013) found the spiritual capital with organizational performance of SMEs have a strong relationship. Based on the phenomenon faced by owners of SMEs in the process of business continuity and variation research findings it is necessary to provide a solution and explain in depth the importance of the management of intangible assets in the form of a spiritual role of capital, human capital, structural capital, relational capital in improving the performance of SMEs based resources based theory.

### **Theoretical Framework**

Intangible resources (Intellectual Capital) is a resource that cannot be seen, it is difficult to understand and imitated by competitors, and as a source of sustainable competitive advantage, which is a basic part of the company's core capabilities and competencies (Hitt, 1997). Martinez and Garcia-Meca (2005) said that Intellectual Capital is the knowledge, information, intellectual property and experience that can be used to create wealth. Mavridis (2005) said that Intellectual Capital is an intangible asset with an ability to bring value to the company and the community includes patents, intellectual property rights, copyrights and franchises. According to Choo & Bontis (2002) Intellectual capital is a resource organization that consists of human capital, structural capital and relational capital. According to Lev (2001) use terminology, Intangible Assets, Intellectual Capital and Knowledge Assets replace each other (interchangeable). All three are widely used: Intangible in the accounting literature, knowledge is used by economists, and intellectual capital is used by management and legal literature. According to Daum (2005) integrates the concept of "intangible assets" (especially in the world of accounting) and "intellectual capital" (world knowledge management and dynamic company based perspective). The perspective refers to the essence is the same: a nonphysical claim to future benefits. In this study uses the term "intellectual capital" by reason of grand theory derived from the theory of resources based View which is a translation of the knowledge management strategy. In this study, using the classification of intellectual capital consists of Human Capital, Structural Capital, Relational Capital, (Choo & Bontis, 2002; Daum, 2005), and Spiritual Capital, (Abdullah and Sofian, 2012; Khalique, 2011, 2013). More details will be outlined as follows:

#### **Human Capital**

Human Capital is an organization's resources and assets related to the company that sets the value of the company and is also a key factor critical operations to support and encourage the dynamics of value creation over time (Alipour, 2012), as a source of innovation and renewal for ideas newly produced by humans (Daum, 2005). Human capital is generally understood to contain elements of the capabilities of the individual, knowledge, skills and experience of the employees and managers of companies that are relevant to their duties, as well as its capacity to increase / improve the knowledge, skills and experiences through individual training (Des & Picken, 1999). The emphasis on the aspect of knowledge is important not only in the scope of an individual but also a wide range of knowledge among groups and institutionalization processes and organizational routines (Wringht & Scott, 2001). Based on the definition of the human capital is human resources owned by the company with all the ability and competence to run and manage every activity within the company as well as the ability to improve the competence is owned for the benefit of the routines in the company. Human capital is the most important component of Intellectual Capital which includes knowledge, education, skills, loyalty to the organization and motivation of employees (Khalique, 2013). Yasir, et al, (2011) Human capital measurement consists of four items, namely high employee empowerment; professional skills; training programs are well designed; employee ideas and unique. Halim (2010) describes the Human Capital consisting of four indicators, namely professional competence, social competence, motivation, and leadership skills an employee who was brought into the value-added process.

#### **Capital Structural**

Capital structural are consists of intangible assets included in the company's organizational structure and infrastructure technologies that facilitate the flow of knowledge in order to improve the operational efficiency of the company (Hsu and Fang, 2009). Wang and Chang (2005) stated that the capital process relies on employees who perform activities of daily company operations. Furthermore, Chen (2004) said that mentions that the operational process from the experiences of companies over the years to produce the most efficient operating processes and reduce the costs incurred by the company. Structural capital arises from the process and organizational values, reflecting the company's internal and external focus, plus the renewal and development of value in the future. Wang and Chan (2005) also describes that the structural capital has a relationship with the system and structure of the company that can help employees to achieve their full intellectual performance, so that the company's overall performance can be improved. In more detail, structural capital can be classified into the corporate culture, organizational structure, organizational learning, the company's operational processes and information systems. Yasir, et al, (2011) said that take measurements of structural capital consists of seven items that the first three items included in the process of capital, and the rest is part of innovation of capital. Kamukama, (2010) said that some aspects to measure structural capital including organizational culture, orientation to quality, innovation, continuous improvement, information systems and teamwork. Halim, (2010) defines structural capital as what happens between people, how people are connected in the company, and what remains when the employee leaves the company. This capital consists of six indicators, namely, corporate culture, internal collaboration

and knowledge transfer, instruments leadership, information technology and explicit knowledge of product innovation, process optimization, and innovation. Furthermore, Alipour, (2012) describes that the knowledge that has been captured and institutionalized within the structure, processes and culture of the organization.

#### Relational Capital.

Jardon and Martos, (2012) said a relational capital is based on developing, keeping and maintaining high-quality relationship with the organization, person or group that affect the company's business. Relational capital or Customer Capital is the knowledge that attaches to the relationship with the stakeholders that affect the company (Cheng, 2010). The main theme at the customer capital is the knowledge that sticks to marketing channels and customer relationships developed by the company through the process of business flow. Relational capital is the value of the company's relationship with the customer. The Company has good relationships with its customers to have a better chance to defend and expand their business by selling new products. By keeping the relationship with the end customer, according to Daum (2005) the company will be able to fully dominate the supply channel to the customer and obtain the value generated in the supply channel proficiency level. Sampurno (2010) divides customers into two groups: external and internal. External customer is an existing customer in the market, while the internal customer is a customer that is in an organization or an employee of the company. External customer satisfaction and internal customer is a causal relationship. Employee satisfaction is a source of quality excellence because if the organization is to give satisfaction to the needs of internal customers they will be able to perform his duties to give satisfaction to the external customer. Employee satisfaction issues will cause problems on customer satisfaction. Kamukama, (2011) The main aspects include network level, customer capital and the level of marketing channels. Halim (2010) describes Relational capital consists of five indicators, namely customer relations, supplier relations, public relations, investor relations, and relations with partners. Yasir, et al, (2011) using the relational capital measurement consists of four items, namely maintaining long-term relationships with customers; has many suppliers; the potential for market growth; have a strong strategic alliance. Essentially dimension Relational Capital is the value the company's relationship with customer, suppliers, government, investors and associations related, in the sense of knowledge relating to the external company (stakeholder) (Daum 2005).

#### Spiritual Capital

Spiritual capital is a new concept, which emerged after the religious capital but has no clear specific definition or measurement associated with it (Finke, 2003). Furthermore Verter (2003) defines capital as the spiritual strength (power) that controls and encourage people to act in any situation. Verter spiritual capital split into three parts, namely the embodied state (habituation) is living habits, hang out and behave in accordance with education in a particular religion. Objectified state (manifestation) is the embodiment of the teachings and tradition in theology, worship, symbols of religious and liturgical ceremonies. Institutional state (institutionalization) is institutionalization in religious institutions authorized to maintain and continue the teachings and traditions of the religion. The spiritual riches are embedded in individuals who are able to produce a decent profit and business continuity assurance. Individuals and organizations behave and act with honor, integrity, sincerity, honesty, truth, love, morals and ethics. It also includes motivation, self-esteem, courage, strength, commitment, teamwork, determination, passion, enthusiasm and team spirit. It focuses on reciprocity, interrelated and dependence to sustainable development with a view to reaching final prosperity and happiness for all. It regulates are how human capital, structural capital, relational capital is used (Ismail, 2005).

Spiritual capital (spiritual capital) is very important in individuals and organizations that can affect the way an entity or a company is managed, making business operations make sure it runs in accordance with the laws and standards, and to be honest in terms of finance, and others that will ultimately improve company performance (Abdullah and Sofian, 2012). Based on some definitions as mentioned above, the spiritual capital are virtues embedded and encourage their behavior act created by the confidence, knowledge and spiritual practices of an individual or an organization. Khalique (2013) conducted by a study based indicators Capital Spiritual faith, emotion, knowledge of religious and ethical values.

#### SMEs Performance

Performance is a picture of some achievements in the company that its operations either in relation to financial aspects, marketing aspects, raising some aspects of fund and disbursement of funds, technological aspects, as well as aspects of human resources, (Jumangan, 2006). According to Mulyadi (2007) was the successful performance of personnel, team, or organizational units in realizing the strategic goal previously set with the expected behavior. Of notions that are defined by some experts above, it can be concluded that the company's performance is the performance of a company to generate earnings in a period by using specific measuring tools to measure how well the activities of the company run by management.

A development of information technology has changed very fast competition pattern of industrial competition firms become informational competition, which has changed the benchmark used to measure the performance of a company. The traditional performance measures that focus on financial measurements certainly shifted with demands to provide more direction for the company. Only by using financial measures alone have not been able to portray the performance of a company. (Kaplan and Norton, 1996). The phenomenon of measuring the performance of SMEs in Indonesia generally do not have or are not consistent in terms of recording and reporting of financial results as well as the production of each period, then Najib and Kiminami (2011) describes that some measurement of business performance of SMEs by using the method of measuring a subjective include sales volume, profitability, and share market. Chong Gin (2008) evaluated the performance of the financial and non-financial measurements. Camison in Sanchez & Marin (2005) said that it is to measure business performance in SMEs. emphasizes aspects of business performance measurement of profitability, productivity and market perceived small business owners related to the suitability of such measures to the achievement of the business, as well as the level of satisfaction measures the

performance achievement. Suardhika, (2011) stated that it is to measure some performance about aspect of financial, aspect of productivity and aspects of business performance.

#### The Role of Human Capital on Performance

Human capital is an important aspect of intellectual capital as companies rely heavily on human knowledge and the ability to generate profitability, value growth, and to improve overall organizational performance. Human capital that can be further analyzed by the following three dimensions: capability and potential, motivation and commitment, then innovation and learning. Ability and potential are includes some concepts such as level of education, professional skills, experience, attitudes, personal networks, values, and the ability of employees to grow within the organization.

Motivation and commitment refers to whether employees are aligning themselves with the interests of the company. Finally, innovation and learning shows the degree of employees are open to change. Roos (1997) argues that people generate capital through competency (represented by the skills and education), their attitudes (including the behavior of employees towards their work) and agility of their intellectual property (Represented by innovation and openness to change. Cheng (2010) further states that human capital-related knowledge and expertise that exists in the minds of employees, and if the company cannot take advantage of these employees, the knowledge and expertise of these employees will be wasted and cannot be translated into a value for the company. this shows that the human resources as assets of a company that has the knowledge, skills and experience are very useful in a company so that needs to be managed and utilized by possible in order to achieve company goals.

Human capital theory which states that to address the uncertainties in the work environment is expected of human resources with a level of skill, experience and skill (Skagg & Youndt, 2004). Therefore, it is necessary to improve the knowledge, skills, experience, and expertise resources owned by the company with the support given to the organization of human resources should be increased Alpkam L (2010). Efforts to develop human resources (human capital) through training on-the-job, formal education, and participation in seminars, conferences, and workshops can improve the performance of SMEs (Oforegbunam, 2010). It is important for SMEs to encourage employees to gain sufficient practical skills, learning and experience, in the long term, ensuring efficiency and sustainable development of human capacity to improve performance.

Khalique, (2011) found that employees who are uneducated, unskilled, unqualified and untrained not able to improve organizational performance of SMEs. Knowledge on human capital investment that prioritizes knowledge through work experience rather than knowledge of formal education, family experience, and knowledge of the skill does not necessarily improve the financial performance of SMEs (Husnah, 2013). Furthermore, Khalique and Bontis (2015) said that SME managers need to be careful in highlighting certain investments related to human resources. This may imply that improving the quality of human resources must be done thoroughly covers the knowledge, skill and ability, not done on only one type of ability alone, but is done based on the potential of the human resources company that has high competitiveness.

So, it to improving the quality of human resources that it is not the primary responsibility of the manager or owner, but also the responsibility of the local government in making policies that are specific to improve individual skills through the entrepreneurial process, this policy should also target the education system, training and technical assistance programs as well as the active involvement of the college also need to upgrade the knowledge related to entrepreneurship and business, as well as the skills and motivation of individuals (Rabetino, 2011). This means that the synergy of all elements are includes owners or leaders, government and academics need to be united by improvement and development of quality human resources. A good management of human capital to improve performance, research conducted as well. Mushraf Ahmad, (2011), found the results of human capital (human capital) and business performance have a positive relationship. Similarly, Abdullah Research & Sofian, (2012) found the direct influence of human capital (human capital) and company performance. Other studies that support their direct influence of human capital and corporate performance or financial performance is Astuti and Sabeni, (2005), Khalique (2013), Sharabati and Bontis, (2010),

#### The role of structural capital on performance

Structural capital is the knowledge that still exist in an organization even if an employee leaves the organization such as brands, capital of innovation, patents, processes, organizational structures, database, organizational charts, strategies and other resources that bring higher value than the value of the material (Roos 2005). According Brooking (1996) is the framework and structural adhesives capital of a company with its dimensions is that the management philosophy, culture, process management, information management systems, network and information systems, and financial relationships. Structural capitals are includes all of non-human knowledge repositories within the organization. It is associated by knowledge belonging to the organization as a whole in terms of technology, inventions, data, publications, strategy and culture, structures and systems, organizational routines and procedures Riahi-Belkaoui, (2003), Structural capital in a company made up three elements, namely, (1) System which is the way in which the process of the organization (information, communication, and decision-making) and output (product, service, and capital proceeds), (2) Structure is drafting responsibilities and calculation which define the position and relationships among members of the organization, (3) Culture is the sum of the opinions of individual, collective thinking, values and norms within the organization. Therefore, structural capital is the infrastructure that can help support workers to optimize their intellectual performance and overall company performance.

Structural capital is an organization's ability to meet the company's activities and structures that support the optimal performance of employees as well as business performance. An individual can have a high intellectual level, but if the organization has systems and procedures that do not support the intellectual capital cannot achieve optimal performance and potential cannot be fully utilized (Sawarjuwono and Kadir, 2003). It can be said that human resources are not supported by adequate systems and procedures in the secret societies are not able to provide a place for employees to use capabilities. Daou, (2014) said that some

managers of SMEs need to pay attention to the importance of intellectual property, organizational culture, and organizational processes and technology and further efforts should be made to put a system in place that allows the transformation of tacit knowledge held by employees into explicit knowledge possessed by organization. This transformation of the tacit knowledge explicit system enables organizations to move from short-term, depending on the individual vision of the long-term vision of sustainable competitive advantage. Furthermore Ngah (2009) said that the importance of organizational culture and technology, SMEs not only create a culture of mutual support among employees, but also to support and encourage creativity in organizations. Technology because it helps them to adjust the level of product quality and produce new products and services. Furthermore, Husnah (2013) states that the implementation of the structure and governance organization is includes implementation of management procedures, the implementation of business activities in accordance with plans that are tailored to the business needs to improve the performance of SMEs. based on that SMEs need to identify potential of structural capital and prioritize in maximize to support the organization's activities. Research supports the direct influence of structural capital on firm performance / finance is Bollen (2005), Astuti and Sabeni, (2005), Khalique, (2011), Ahmad and Mushraf, (2011), Abdullah and Sofian, (2012), structural capital have a significant impact on company performance.

#### The role of relational capital on performance

Cohen and Kaimenakis, (2007), defines relational capital (Relational capital) which includes all the company's relationship has been established with stakeholder groups such as customers, suppliers, community, government, etc., to maintain relationships with stakeholders (end-customer). According to Daum (2005) the company will be able to fully dominate the supply channel to customers and gain value generated in the supply channel proficiency level. The first step to build a Customer Relationship Capital is choosing the right customer. By building relationships with stakeholders optimal SMEs are able to increase its value. Husnah (2013) said that the relationship with customers, suppliers and government partners are very important in the governance and management that are not optimized for optimal will make a lower financial performance. The use of capital facilities of stakeholders should be optimized in order to shore up the financial performance, besides selective in choosing suppliers and information of customers served, as well as the need to find information on the policy of the government and investors to every policy issued can increase the company's revenue. Relational capital is how to synergize successful relationship with the environment as customers, suppliers, or allies, governments and investors. This is in accordance with Ngah (2009) that the customer orientation and support from the government and investors is very important in SMEs. SMEs closer to their customers and, therefore, capable of capturing information on customers and markets. A government support in terms of subsidies, training programs and financial support to help SMEs become more competitive to be creative and innovative. Studies that support direct connection with the company's performance relational capital / finance as Bollen (2005), Wang and Chang (2005), Khalique (2011), Abdullah and Sofian (2012).

#### Spiritual capital influence on performance

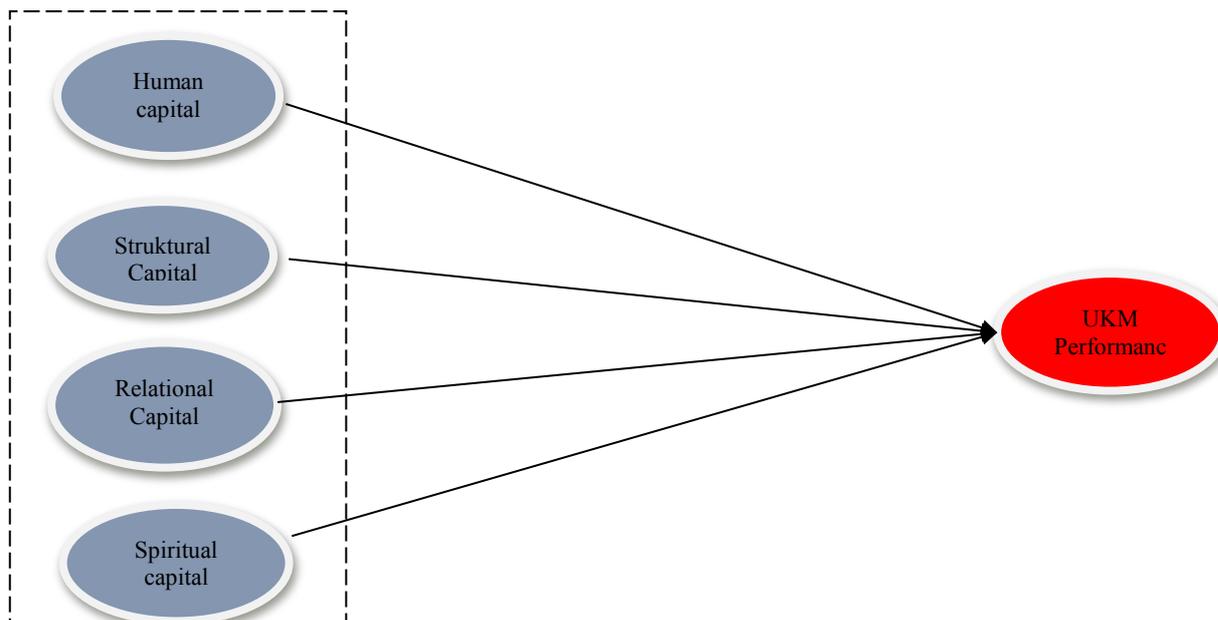
The last component in the intellectual capital in this study is the spiritual capital. Malloch (2010), defines the spiritual capital (spiritual capital) as capital of conviction, commitment and examples that are transmitted from generation to generation through religious traditions, and connecting people to the transcendental source of human happiness. Abdullah and Sofian, (2012) defines capital as the spiritual beliefs 'intangible', knowledge and emotions find individuals while bringing the organization's vision, direction, guidance, principles, values and culture. Zohar and Marshall (2004) revealed Spiritual capital as the sum of spiritual knowledge and expertise embedded in individual or culture. Spiritual capital as they define their meaning, purpose, and the views we share on this most meaningful in life. Spiritual capital of encouragement as well as anxiety, concerns, needs and struggles of real human existential depth to do something to make life meaningful to serve the purpose. Spiritual capital (spiritual capital) includes values such as moral, faith, honesty, ethics, desire and motivation, commitment, self-esteem, enthusiasm, and sincerity.

The research supports are direct influence on the performance of the spiritual capital of the company is research Ismail (2005) explores the spiritual influx of capital into the components of Intellectual Capital on the performance of companies in Malaysia. Furthermore, Abdullah and Sofian (2012) found similar results, said the spiritual capital (spiritual capital) is very important in individuals and organizations that can affect the way an entity or a company is managed, ensuring business operations run in accordance with the laws and standards, to be honest in terms of finance, which will ultimately improve company performance. In line with Khalique (2011, 2013) that the specific conduct research on SMEs find spiritual capital into other components in Intellectual Capital is an important drive corporate performance. Their study found that the spiritual capital raises affirmative greater influence on performance.

Based on empirical studies, theories and phenomena that exist, the variables in this study the role of human capital, structural capital, relational capital and spiritual capital, with the performance, the conceptual framework can be described as Figure 3.1 below.

Figure 1. Conceptual Framework Research

## Intellectual Capital



### Conclusion

Increasing the performance of SMEs is vital, based on the concept of resource-based view this can be done by the management of intangible assets through synergies role of spiritual capital, human capital, structure capital and relational capital. Internal resources owned SMEs managed by their potential so that is not easily duplicated, rare, hard-Substituted able to provide more value for SMEs to improve their performance. Based on the analysis of theories and empirical research presented is expected to provide information for interested parties such as owners, the government in managing and issuing policies to build a winning SMEs.

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