

# Innovations

## Analyzing the Mediating Effect of Organizational Learning on Intellectual Capital and Public Servant Performance in Addis Ababa City Administration

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**Abstract :** *Intellectual capital is a multifaceted resource that has emerged as the primary resource for driving innovation and contributing significantly to public sector performance. Hence, to analyze the mediating effect of organizational learning on intellectual capital and public servant performance, data from 517 samples was collected and analyzed using descriptive and explanatory research designs. The finding revealed that intellectual capital has a direct effect on public servant performance, but organizational learning is indirect. According to the SEM model, it is also suggested that organizational learning mediates the relationship between intellectual capital and public servant performance. Intellectual capital promotes organizational learning, which enhances public servant performance. This shows human, relational, and structural capital promotes and encourages knowledge acquisition, information interpretation and distribution, and organizational memory among public servants in Addis Ababa city administration. This confirmed the theoretical frame of the study. Hence, it is endorsed Ethiopian public sectors to apply intellectual capital and organizational learning to improve public servant performance.*

**Keywords:** *Organizational Learning; Intellectual Capital; Public servant Performance*

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### 1. Introduction

In today's dynamic world, modern institutions maneuver in a complex framework pigeon-holed by global issues created by swift technological advancement, shorter product life-cycles, market unpredictability, and increasing demand (Olivier, 2011). That's why; performance becomes a critical prerequisite for achieving public sector sustainable development (Sawasn, 2023). Public servant performance is defined as

expertise's capacity to do a certain activity. Thus, improving public servant performance plays an important role in transforming public servants' energy into productive service, which in turn boosts organizational competitiveness (Shah et al., 2023). Although earlier research has concentrated on the significance of person performance, studies on its causes and implications are rare.

Intellectual capital enhances public servants' performance in their workplace and creates value for public organizations. Intellectual capital can also entail expertise-related resources that generate public sector performance and innovation (Zaim et al., 2022). It is the storage of information technologies, collective knowledge, collaboration, practice, and interaction among public servants, which in turn create public sector values (Masadeh et al., 2020). Intellectual capital captures structural, human, and relational capital (Gioacasi, 2014). It should also be mentioned that intellectual capital's synergetic value stems from the interaction of its various components.

Intellectual capital helps an organization create and extract value by leveraging knowledge entrenched in its public servants, infrastructure, and relationships (Chun et al., 2022). Scholars in the field also argue that public servants' ability to successfully improve their performance is dependent on their personal networks, values, knowledge, skills, intellect, and talent (Nonaka and Chen, 2022). Many firms invest in intellectual capital through their people, communications, and processes, then use it to improve public servant performance.

Organizational learning creates originality in systems, procedures, and products, which directly leads to improved performance (Pinheiro and Antunes, 2020). It is defined as the process of enhancing public sector expertise. Learning may drive organizational innovation and sustain administrative competitive advantage in chaotic settings (Basis, 2021). As a result, organizations require organizational learning to build strategic competency, allowing them to maintain a competitive advantage and improve their performance (Pinheiro and Antunes, 2020).

Literature shows the association between intellectual capital and performance. Organizational learning has also been insufficiently measured in a hypothetical model, in spite of the fact that the notion is measured in various backgrounds (Pattanayak and Oppong, 2019). Even though the relationship between intellectual capital and public servant performance has been studied in multiple contexts, the mediating role of organizational learning between intellectual capital and public servant performance has yet to be done, and the results are unreliable and inadequate. Such studies in Ethiopia are also very much rare. Hence, this study is

aimed to investigate the extent to which intellectual capital influences public servant performance through organizational learning in Addis Ababa public sectors. To achieve this overarching goal, hypothetical assumptions were developed and evaluated.

H-1: Human capital has a strong beneficial effect on structural capital.

H-2: Human capital has a considerable beneficial effect on relationship capital.

H-3: Relational Capital has a significant positive effect on Structural Capital

H-4: Public servant performance improves when intellectual capital measured in terms of H4a (human capital), H4b (relational capital), and H4c (structural capital).

H-5: Organizational learning is improved by measuring intellectual capital in terms of H5a (human capital), H5b (relational capital), and H5c (structural capital).

H-6: Organizational Learning improves public servant performance

H-7: The relationship between intellectual capital and public servant performance is mediated by organizational learning.

## **2. Review of Related Literature**

### **2.1. Intellectual Capital**

To foster innovation and improve performance, institutions rely significantly on intangible resources like knowledge and intellectual capital. It refers to public sector competences, organizational culture and knowledge, intellectual property, and interpersonal networks that provide value and enable to realize its objectives and obtain sustained modest advantage. The realm of intellectual capital is divided into human, relational, and structural capital (Kucharska, 2022). Human capital encompasses knowledge and skills, experience and technical competence, commitment and attitude, capabilities, and wisdom that public servants possess and use. Relational capital is a respected resource that stems from the system of interaction between public servants and institutions. This expertise is entrenched in the social system, providing a foundation for collaboration and a method of sharing knowledge (Hosseini and Akhavan, 2016). It symbolizes the quality of interactions and the ability to foster partner happiness, trust, loyalty, and friendship among people. It also promotes organizational learning (Zaim et al., 2022).

Structural capital describes the knowledge kept and utilized by institutional procedures and systems, manuals and databases, hardware and software,

organization images, patents, and copyrights (Gioacasi, 2014 et al., 2022). It can be extended beyond persons and interactions to include the formation of formal measures and the administrative practice of the storage of knowledge. Structural capital corresponds to the organizational structure and mechanisms that enable public servant productivity, and it persists inside the public sector even when a public servant leaves (Dzenopoljac et al., 2015). Managerial operations involving intellectual capital ought to reinforce each other. They share a reciprocal relationship and participation in creating expertise value leads to synergies (Chun et al., 2022). These interactions among an organization's intellectual capital pieces are additive, meaning that the presence of one factor increases the value of the others (Kucharska, 2022).

Human capital is a vital part of intellectual capital and the engine behind relational and structural capital. Human capital and social contact can help organizations increase performance and innovation (Gioacasi, 2014). It also helps to build relational and structural capital. Relational capital, on the other hand, influences human capital (Harris et al., 2018). It is argued that human capital is essential to develop databases within the institution, which is the foundation of structural capital. The efficiency of an organization's structural capital is determined by the number of highly skilled personnel (Wang et al., 2022). Similarly, Kucharska (2022) observed that structural capital, which encompasses all intangible sources of expertise in institutions, is linked to institutional procedures and structures that support and empower humans. Furthermore, structural capital collects knowledge held in public servants' thoughts (Jiang and Liu, 2020). As a result, human and structural capital are linked and work together to generate intellectual capital (Huang and Huang, 2020).

Relational capital complements human capital and structural capital by improving connections with stakeholders. Relational capital can also encourage public servant knowledge sharing, which helps to sustain structural capital. It has also been stated that there is a constructive association between relational and structural capital (Kucharska, 2022). As a result, organizations with strong consumer relationships can convert structural capital into added value (Khattak et al., 2022). Furthermore, relational capital improves structural capital (Alves et al., 2018).

## **2.2. Public Servant Performance**

In accordance with recent research, job performance is crucial for public institutions seeking to gain insignificant advantage and enhance productivity. It could also be described in terms of actions and outcomes. The behavioral element focuses to what a person achieves in the workplace and is important to institutional goals (Shah et

al., 2023), whereas the result conveys the implications and impact on someone's behavior, which can be also altered by circumstances.

Public servant performance can be described as task performance, which implies expertise and the technical skills required to generate public properties and amenities. This covers organizational members performing their allotted activities and meeting the responsibilities stated in the job descriptions (Shah et al., 2023). Hence, performance can be seen in terms of quality work: technical mastery and accuracy; amount of work done: accomplishment and speed; knowledge of and compliance: theoretical and technical skills; and determination and consistency: seriousness and ability to accept responsibility and complete tasks on time (Van Scotter and Motowidlo, 1994). Contextual performance, on the other hand, is concerned with citizenship behavior, which comprises public servants' actions in interpersonal, organizational, and psychological settings (Khaskheli et al., 2022).

Investigators have suggested that comparative public servant performance is made up of inter-personal promotion and job dedication, involving activities that enhance morale, urge cooperation, eliminate obstacles to performance, maintain productive workplace relationships, and assist coworkers with their task-oriented occupational accomplishments (Scotter, 2000). Public servants could contribute ideas that would enhance the organization's operation and take action to safeguard the organization from future challenges in order to achieve contextual performance, which contains persistence, self-discipline, effort, and compliance projected to improve public servant and manager effectiveness (Sawasn, 2023).

Intellectual capital is considered a critical resource that organizations use to gain an edge over their competitors. It serves as an organization's core strategic asset and the most critical resource for enabling its success, development, existence, and growth (Gioacasi, 2014). Scholars additionally asserted that organizations use human capital to incorporate creative ideas and increase innovation, which improves happiness, loyalty, and contextual performance (Zaim et al., 2022). Relational capital states to the collaborative and reciprocal norms that occur in public-sector interactions. It also comprises shared norms, successful interactions, mutual trust, and personal connections (Hosseini and Akhavan, 2016). As a result, it can be used to demonstrate the link between relational capital and performance. Organizations can use relational capital to foster relationships with consumers, discover new methods to do business, and become more innovative (Chatterjee et al., 2019). Shared values and trust in an organization not only help with conflict resolution but also promote coordination and communication among staff, enabling knowledge and improve public servant performance.

Structural capital emphasizes efficiency within an organization, including an organization's systems, procedures, and processes, as well as non-physical elements like databases and business strategy. It thus symbolizes the distinctive knowledge that an organization has institutionalized and codified through its rules, procedures, and managerial structures (Allameh, 2018). Public servant turnover has the potential to cost organizations both human and relational resources. However, this can be avoided if institutions are able to change public servants' implicit or tacit knowledge and public interactions into structural capital. Using fundamental elements such as ICT, organizations can cut expenses and increase profitability (Gioacasi, 2014 et al., 2022). Previous studies have shown that intellectual capital is a predictor of performance. Organizational success is achieved when organizations utilize their intellectual assets to shape technological abilities, knowledge, strategic competences, and experience. Some studies also suggest that public servant interactions help people transcend the restrictions of their expertise and replenish their expertise, providing a superb base of incentive for performance (Huang and Huang, 2020). Intellectual capital helps to mediate the relationship between organizational capabilities and performance.

### **2.3. Organizational Learning**

Organizational learning is critical to empowering institutions to modernize with agility and versatility that can help them enhance their efficacy and gain a modest advantage. It can be characterized as the process of enhancing activities by increasing understanding and comprehension. Organizational learning is also associated with an organization's ability to evolve and grow continuously by resolving current problems (Basic, 2021). Organizational learning includes knowledge acquisition, which corresponds to how organizations get fresh evidence. It is associated with learning through observation and experience and leads to the development of insightful skills and public-sector relationships. Information acquisition involves both direct and indirect interactions with information sources (Martins and Maravilhas, 2019). Information dissemination is the method by which workers share fresh information with other people and organizations. It focuses on how departments with knowledge and those who need it are quickly linked (Martins and Maravilhas, 2019). Evidence or information circulation is a pre-requisite for organizational learning.

Information interpretation occurs when people provide connotation to and turn data into new-common gen. It is the process of transforming occasions into shared understandings and conceptual systems (Phan et al., 2022). Organizational memory is a method of accumulating evidence for upcoming orientation and making

decisions (Grimland et al., 2019). Previous studies have highlighted human capital as an important basis for organizational learning. It reflects the set of personnel values, attitudes, and talents that enable the creation of organizational values. Organizational learning is dependent on public servants exchanging and integrating existing information, expertise, and ideas (Pinheiro and Antunes, 2020). Relational capital is an important driver of organizational learning, while structural capital is about the value of intangible properties that people cannot take when they leave work (Zaim et al., 2022).

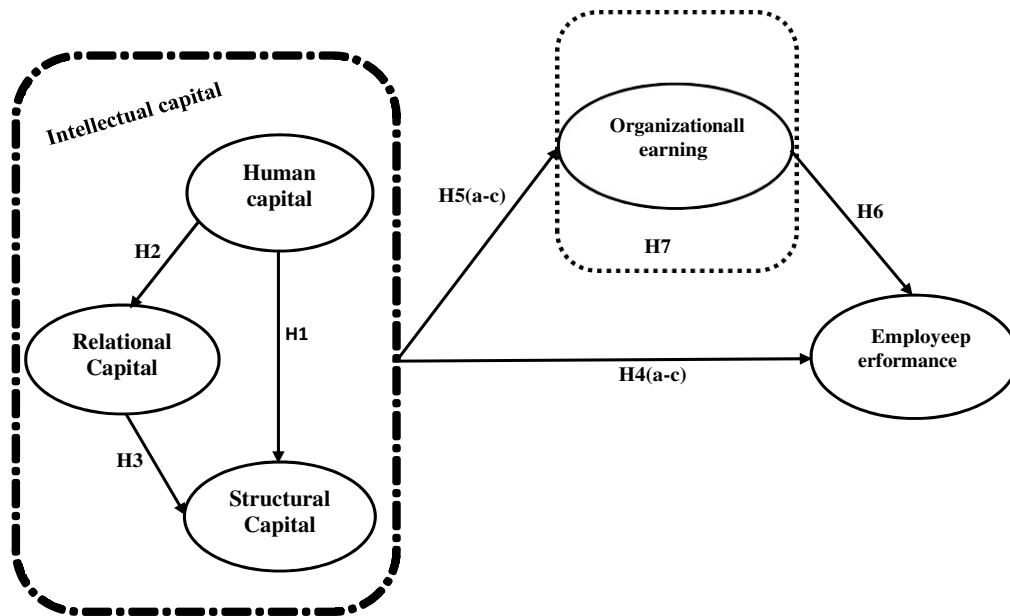
#### **2.4. The Mediating Role of Organizational Learning**

Intellectual capital improves performance by enhancing public servants's capability to pursue and engage new expertise and practices that are far greater than their current expertise. Improving public servant performance necessitates workers with extraordinary experience, knowledge, and skills, along with positive connections among them, the acquisition of new customers, and technology capabilities (Huang and Huang, 2020). Organizational learning boosts both the quality and quantity of public servant contributions to goal attainment and performance. It corresponds to an organization's capacity to increase performance through knowledge acquisition, interpretation, information distribution, and organizational memory (Pinheiro and Antunes, 2020).

Scholars in this field suggest that intellectual capital has an indirect impact on performance and is translated by public servants' learning skills. As a result, intellectual capital alone cannot promise better public servant performance. Rather, performance is achieved through the exchange of knowledge and synthesis. Human capital with exceptionally valuable and distinctive expertise contribute more to organizational learning by creating new notions, discovering new methods and combining into the newly developed mode of operations (Gioacasi, 2014 et al., 2022).

Hence, although relational capital is important, public servants can strengthen their networks and relationships through cooperation and trust with one another and with consumers, thereby leading to better information collection and resource allocation. Organizations can exchange more knowledge and improve their learning capacity by focusing on structural capital, such as database development and information technology implementation. As a consequence, acquiring and applying external knowledge related to public servants' skills leads to increased task and contextual performance. Therefore, the current study contends that the growth of intellectual capital in organizations supports the extraction of valuable and unique expertise in

addition to the acquisition of necessary knowledge and the reconfiguration of processes to achieve better results.



Source: Adapted from Literature, 2024

### 3. Research Method

Both descriptive and explanatory research designs were employed; the researcher also used primary and secondary data sources, six bureaus, and six sub-cities. 36 Woredas, 216 sector offices, and 517 samples were used, which is methodologically supported. To evaluate the hypotheses, a quantitative technique was adopted, which involved investigating the causal links between the variables. To test the structural equation model, a questionnaire was designed, with each component measured by Likert scales (five points) that range from 1 = strongly disagree to 5 = strongly agree. A multi-item scale was also employed to assess the factors. Intellectual capital was estimated using 16 scale items adapted from Pil and Leana (2006) and modified into the Ethiopian (Addis Ababa) context.

Human capital was measured using six distinct groups that assessed public servants' abilities, education, and knowledge. Six elements about public servant social interactions and connections were used to assess relational capital. The structural capital (four elements) has been implemented as the organization's norms of operation, documented processes, rules, manuals, and databases. Organizational learning was assessed using 16 items derived from Vazquez et al. (2004) that addressed knowledge acquisition, interpretation, distribution, and organizational



memory. Public servant performance was also evaluated using six items adapted from Motowidlo and Borman (1997), which include achieving work-related goals, offering tasks beyond one's function, and helping others.

Data were analyzed using percentages, means, standard deviations, correlations, and regressions. As a result, a structural equation model was used to investigate the effect of intellectual capital on public servant performance, using the mediating role of organizational learning. It develops a measuring and structural model for analyzing the relationships between components. The model was used to analyze and evaluate the validity and reliability of the indicators used to assess the hypothetical constructs. The structural model tackles the relationships between unobserved variables, and major the direct and indirect links. To appraise the measurement model, the researcher utilized confirmatory factor analysis. The measurement model describes the correlations among the observed factor loadings and the latent variables. The measuring model's validity is determined by achieving acceptable levels of goodness of fit and identifying evidence of construct validity. The data set included measurements of five constructs such as human capital, relational capital, structural capital, organizational learning, and public servant performance.

#### 4. Results and Discussions

Participants were assessed in terms of their socio-demographic characteristics to check the maturity of their responses. In such a critical investigation about the mediating role of organizational learning among intellectual capital and public servant performance in Addis Ababa City Administration, unfortunately, the respondents, when seen in terms of age, most of them range from 20 to 40, and in terms of educational background, they range from a diploma and above, which can properly respond to the issue. The following Table-1 depicts the response.

Table-1: Socio-Demographic Factors

<b>Variables</b>		<b>N</b>	<b>%</b>
Gender	Male	230	44.6
	Female	286	55.4
Age	20-30	253	49
	31-40	220	42.6
	41-50	37	7.2
	51-60	6	1.2
	61 and Above	-	-
Educational Background	Grade 12 and Below	11	2.1

	Certificate	6	1.2
	Diploma	60	11.6
	First degree	393	76
	Masters and above	47	9.1

Source: Field Survey, 2024

**Table-2: Results of Confirmatory Factor Analysis**

Factor	Item code	Loading	Cronbach's Alpha	Average Variance Extracted	Composite Reliability
Human Capital	HC1	0.843	0.81	0.79	0.89
	HC2	0.856			
	HC3	0.851			
	HC4	0.791			
	HC5	0.890			
	HC6	0.791			
Relational Capital	RC7	0.871	0.91	0.78	0.90
	RC8	0.881			
	RC9	0.802			
	RC10	0.871			
	RC11	0.806			
	RC12	0.879			
Structural Capital	SC13	0.851	0.91	0.79	0.96
	SC14	0.893			
	SC15	0.889			
	SC16	0.745			
Knowledge Acquisition	KA17	0.897	0.89	0.66	0.88
	KA18	0.867			
	KA19	0.898			

	9				
	KA2	0.676			
	0				
Information Distribution	ID21	0.832	0.78	0.86	0.96
	ID22	0.892			
	ID23	0.856			
Information Interpretation	II24	0.827	0.89	0.80	0.93
	II25	0.802			
	II26	0.891			
Organizational Memory	OM27	0.877	0.89	0.77	0.91
	OM28	0.718			
	OM29	0.855			
	OM30	0.867			
	OM31	0.843			
	OM32	0.877			
Employee Performance	EP33	0.841	0.91	0.76	0.93
	EP34	0.901			
	EP35	0.853			
	EP36	0.816			
	EP37	0.854			
	EP38	0.718			

Source: Field Survey, 2024

This study examined the direct and indirect effects of intellectual capital on public servant performance in Addis Ababa, utilizing organizational learning as a mediating element. The model's factor loadings and average variance were used to assess convergent validity, both of which ought to be > 0.5. Cronbach's alpha and

composite reliability scores were used to assess the reliability of each dimension in the model, and values greater than 0.7 were considered statistically reliable. Table-2 above specifies, all the composite reliability and factor loadings, as well as the average variance extracted, were significant and valid. Besides, discriminant validity was also assessed to determine internal reliability, which relates to how distinct a construct is from other constructs. Table-3 below reveals that the square root of the average variance retrieved for each construct was greater than the correlations with other constructs, indicating appropriate validity for discrimination. Furthermore, it also displays the mean and standard deviation.

Table-3: Descriptive scales, correlation matrix, and average variance extracted

Factor	M	S D	HC	RC	SC	KA	ID	II	OM	EP
HumanCapital (HC)	3.4	0.98	<b>0.76</b>							
RelationalCapital (RC)	3.4	0.89	0.65**	<b>0.81</b>						
StructuralCapital (SC)	3.4	0.89	0.64**	0.76*	<b>0.73</b>					
KnowledgeAcquisition (KA)	3.5	0.88	0.67**	0.69*	0.71*	<b>0.71</b>				
InformationDistribution (ID)	3.4	0.85	0.53*	0.62*	0.59*	0.59*	<b>0.84</b>			
InformationInterpretation (II)	3.4	0.88	0.56*	0.56*	0.51*	0.50*	0.57*	<b>0.82</b>		
OrganizationalMemory (OM)	3.4	0.89	0.57*	0.57*	0.60*	0.57*	0.58*	0.54*	<b>0.82</b>	
PublicservantPerformance (EP)	3.4	0.98	0.52*	0.68*	0.71*	0.53**	0.54*	0.52*	0.56*	<b>0.71</b>

p\* < 0.05, p\*\* < 0.01, Source: Field Survey, 2024

Likewise, Table-4 shows the indexes used for evaluating the method of measurement. The fit indexes were  $\chi^2/df < 3.0$ , goodness-of-fit index (GFI)  $\geq 0.90$ , and root mean squared error of approximation (RMSEA)  $\leq 0.08$ , along with incremental fit measures of normed-fit-index (NFI)  $\geq 0.90$  and comparative fit index (CFI)  $\geq 0.90$ . Table-4 displays the results, which indicate a satisfactory match for the method of measurement and the model fits the sample data obtained from Addis Ababa public sectors.

Table-4: Measurement of Goodness-of-Fit

Fit Indices	Intellectual Capital	Organizational Learning	Public servant Performance	Recommended Cut-Off Value
Fit Indexes ( $\chi^2/df$ )	1.323	1.414	1.870	$\leq 2-5$
Goodness-of-Fit Index	0.964	0.976	0.962	$\geq 0.90$
Comparative Fit Index	0.976	0.960	0.963	$\geq 0.90$
Normed Fit Index	0.965	0.953	0.981	$\geq 0.90$
Root Mean Squared Error of Approximation	0.043	0.05	0.046	$< 0.05-0.08$

Source: Field Survey, 2024

The findings of the structural equation model, as shown in Table-5, indicate that the goodness-of-fit index is satisfactory. The path coefficients for H1 ( $\beta = 0.676$ , t-value = 9.983,  $P < 0.01$ ), H2 ( $\beta = 0.841$ , t-value = 10.574,  $P < 0.01$ ), and H3 ( $\beta = 0.679$ , t-value = 10.472,  $P < 0.01$ ) were verified, suggesting support for all three hypotheses. H4a-c examines the effect of intellectual capital on public servant performance. Table-5 reveals an overall effect of ( $\beta = 0.518$ , t-value = 5.153,  $P < 0.05$ ) with sub-effects of H4a ( $\beta = 0.565$ , t-value = 5.357,  $P < 0.01$ ) for human capital. Relational capital: H4b ( $\beta = 0.582$ , t-value = 5.547  $P < 0.01$ ) and H4c ( $\beta = 0.517$ , t-value = 5.243  $P < 0.05$  for the structural capital), so H4a and H4c are confirmed. H5a-c addresses the direct effect of intellectual capital on organizational learning. Table-5 confirms H5(a-c) = ( $\beta = 0.752$ , t-value = 11.712  $P < 0.01$ ) with sub-effects of HC: H5a = ( $\beta = 0.678$ , t-value = 10.134  $P < 0.01$ ), RC H5b = ( $\beta = 0.697$ , t-value = 9.482  $P < 0.01$ ), and SC H5c = ( $\beta = 0.642$ , t-value = 10.581  $p < 0.05$ ).

**Table-5: Structural Model-Direct Effect**

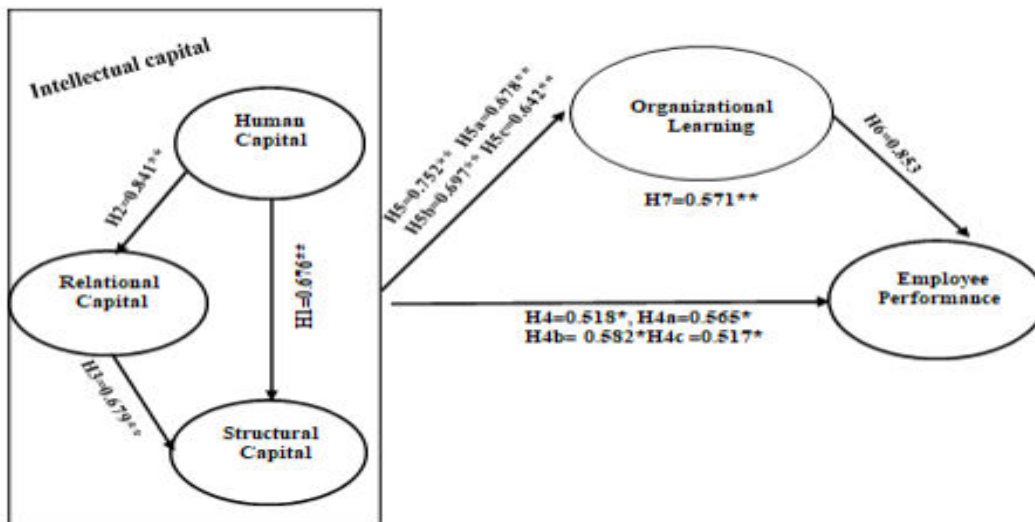
Hypothesis	Path from	Path to	Coefficient ( $\beta$ )	t-value	Result
H1	Human Capital	Structural Capital	0.676**	9.983	Supported
H2	Human Capital	Relational Capital	0.841**	10.574	Supported
H3	Relational Capital	Structural Capital	0.679**	10.472	Supported
H4a	Human Capital	Public servant Performance	0.565*	5.357	Supported

H4b	Relational Capital	Public servantPerformance	0.582*	5.547	Supported
H4c	Structural Capital	Public servantPerformance	0.517*	5.243	Supported
H4 (a-c)	Intellectual Capital	Public servantPerformance	0.518*	5.153	Supported
H5a	Human Capital	Organizational Learning	0.678**	10.134	Supported
H5b	Relational Capital	Organizational Learning	0.697**	9.482	Supported
H5c	Structural Capital	Organizational Learning	0.642**	10.581	Supported
H5 (a-c)	Intellectual Capital	Organizational Learning	0.752**	11.712	Supported
H6	Organizational Learning	Public servantPerformance	0.853**	13.923	Supported
Fit Indexes	$\chi^2/df = 1.323$ , GFI = 0.964, CFI = 0.976, NFI = 0.965, RMSEA = 0.043				

$p^* < 0.05, p^{**} < 0.01$ , Source: Field Survey, 2024

Similar to the above discussion, Figure-2 also confirms that organizational learning significantly affects public servant performance ( $\beta = 0.853$ ,  $t$ -value = 13.923,  $P < 0.01$ ), which in turn supports the sixth hypothesis. The fit indexes regarding the structural model reflect a good fit to the data for the direct effect.

Figure-2: Structural Model



Field Survey, 2024

According to Table-6 below, the mediating effect of organizational learning on intellectual capital and public servant performance is moderate. The direct and indirect effects of intellectual capital on public servant performance are significant at 0.05, confirming H7, with a larger indirect effect ( $\beta = 0.571$ ) than the direct effect ( $\beta = 0.518^*$ ). In multiple regression analysis, the squared multiple correlation ( $R^2$ ) indicates how much variance in the dependent variable can be explained by a set of predictors. The predictors of intellectual capital and organizational learning have reasonable overall predictive power for the dependent variable, with the proposed structural model explaining 0.752 of the variance.

Table-6:StructuralModel-IndirectEffect

Hypothesis	Path from	Path to	Effect	Estimate $\beta$	Total Effect
H4 (a-c)	Intellectual capital	Public servant performance	Direct	0.518*	0.851**
H7	Intellectual capital + organizational learning	Public servant performance	Indirect	0.571**	
Fit Indexes	$\chi^2/df = 1.323$ , GFI = 0.964, CFI = 0.976, NFI = 0.965, RMSEA = 0.043				

Field Survey, 2024

### Summary of Finding

The discussion determined that human capital improves both structural and relational capital, whereas relational capital has an important effect on structural capital. Human capital pertains to the operations that involve public servants' education, training, and career ambitions, as well as their talents and social assets. When an organization hires highly qualified workers, it can enhance the way it operates, raise efficiency, and strengthen its culture. The public sector can translate expertise knowledge into institutional practice. Administrators must push staff to document their expertise and make it accessible to their counterparts.

Recent study findings indicate that human capital is the main aspect of intellectual capital, and that any increase in human capital benefits both structural and relational capital. This recommends Addis Ababa's public sector ought to maintain positive professional relationships so that public servants can discuss innovations with customers and stakeholders. The study has shown that relational capital can increase structural capital within the Addis Ababa public sector, implying that favorable

informal interactions can motivate public sector personnel to exchange and store information in a formal manner. This supports the hypothesis that public sector investment in human and relational capital has an effect on the development of its structural capital.

The results of the structural equation model validate the hypotheses about the relationship between intellectual capital and public servant performance. This study discovered that human capital enhances public servant performance. Knowledge-based verifications of an organization claim that the business's resources and intangible assets provide a long-term competitive advantage. As a result, human capital is an important asset and driving force behind institutional performance. The findings of this study show that Addis Ababa public servants who adopt innovative ideas and skilled are more likely to achieve high performance. They are also more likely to experience difficult situations at work that demand that they design unique problem-solving strategies. The ability to generate fresh ideas while integrating current facts may be critical to accomplishing job-related goals. These findings support the results of Martín de Castro et al. (2011), who recommended that public servants with good education and skills have higher cognitive capacities, resulting in more productive and efficient job performance.

The study also confirmed that, relational capital fosters interpersonal trust and communication among staff members, which enhances knowledge and corporate networks, thereby improving performance. Relational capital builds trust and gives organizational members the ability to access knowledge, information, and critical resources. When knowledge is regarded to come from a reputable source, it is perceived to be helpful and worthy of consideration; as a result, the one who receives it is more open and responsive to it, as well as more willing to use it for professional goals. These attributes can improve public servant performance. Current study shows that collaboration among public sector personnel improves performance. Structural capital is collection of significant assets, including the organization's systems and procedures, databases and information technology and service quality. It establishes a setting that promotes collaboration, sharing of tacit knowledge, and team behaviors, as well as shaping collective actions in the public sector. The public sector that promotes the effectiveness of structural capital can reinforce work flow, service efficiency and productivity, make communication possible, and enhance problem-solving abilities. As a result, the development and application of structural components aid in being creative, ultimately improving public servant performance.



The structural equation model confirmed the expected relationship between organizational learning and public servant performance. According to the literature, organizational learning refers to the ability to produce value through knowledge acquisition, information diffusion, information interpretation, and organizational memory. Public servant performance can also be improved when public servants share knowledge among themselves. The finding shows that Addis Ababa public sector professionals have the willingness to gather and interpret, communicate their expertise and insights, and experiences in order to help others. The structural equation model also suggested that organizational learning plays a mediating function in the relationship between intellectual capital and public servant performance. They demonstrate that intellectual capital increases organizational learning, which boosts public servant performance. This suggests that intellectual capital promotes and encourages knowledge acquisition, information distribution, information interpretation, and organizational memory between public servants in the Addis Ababa public sector by emphasizing human capital, relational capital, and structural capital.

## **Conclusion**

The discussion and results of the structural equation model confirmed the hypotheses about the relationship between intellectual capital and public servant performance. The study shown that, human capital enhances public servant performance. The model also suggested that organizational learning plays a mediating role in the relationship between intellectual capital and public servant performance. Intellectual capital increases organizational learning, which improves public servant performance. This suggests that intellectual capital promotes and encourages knowledge acquisition, information distribution, information interpretation and organizational memory between public servants in Addis Ababa city administration by emphasizing human capital, relational capital, and structural capital.

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