

## THE RELATIONSHIPS BETWEEN INTANGIBLE ORGANIZATIONAL ELEMENTS AND ORGANIZATIONAL PERFORMANCE

ABRAHAM CARMELI<sup>1</sup> and ASHLER TISHLER<sup>2\*</sup>

<sup>1</sup> Graduate School of Business Administration, Bar-Ilan University, Ramat-Gan, Israel

<sup>2</sup> Faculty of Management, Tel Aviv University, Tel Aviv, Israel

*Despite the growing awareness of the importance of researching core strategic resources and activities, the work that has been done to date has largely taken the form of anecdotal reports and case study analysis. We have yet to see large-sample studies demonstrating how organizational elements, independently, complementarily and interactively, may or may not enhance the organization's performance. Moreover, little attention has been given to researching this topic in public sector organizations. The present study aims to bridge this gap by examining the impact of a set of independent intangible organizational elements and the interactions among them on a set of objective organizational performance measures in a sample of local government authorities in Israel. The results of a multivariate analysis indicate that organizational performance (measured by self-income ratio, collecting efficiency ratio, employment rate, and municipal development) can be well explained by six intangible organizational elements (managerial capabilities, human capital, internal auditing, labor relations, organizational culture, and perceived organizational reputation) and the interactions among them, which need to be taken into account in any cost effective development. Copyright © 2004 John Wiley & Sons, Ltd.*

### INTRODUCTION

Recognizing that organizations, whether for-profit, governmental or non-profit, are complex entities, researchers often describe and analyze them as systems of interdependent core elements (resources, activities, and policies) (see Porter, 1996; Rivkin, 2000; Siggelkow, 2002) that by complementing one another contribute to enhancing and sustaining competitive advantages. The problem is that measuring core resources and their effect on organizational performance is often difficult (see Hoskisson

*et al.*, 1999; Robins and Wiersema, 1995), particularly when one needs to estimate the effect of a possibly large set of intangible resources with all manner of possible complementarities and interactions among them, on a possibly large set of organizational performance measures. Though anecdotal and case study evidence does exist (Porter, 1996; Siggelkow, 2002; Stalk, Evans, and Shulman, 1992), we have not yet seen large-sample studies that demonstrate how several core elements, independently or together, enhance organizational performance.

Substantial effort has been devoted in the last decade to enhancing the theoretical insights of the resource-based view (RBV) of strategic management, which serves as the paradigm of this study, and examining it empirically in profit-maximizing firms (see Barney, 2001, for a partial review). Generally, the design of most quantitative

Keywords: intangible organizational elements; complementarities; organizational performance; public sector organization

\* Correspondence to: Ashler Tishler, Faculty of Management, Tel Aviv University, Ramat Aviv, Tel Aviv 69978, Israel.  
E-mail: atishler@post.tau.ac.il