

# Intellectual capital of organization and psychological empowerment of employees

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**Abstract:** Nowadays regarding the tremendous advancements and changes occurring in the field of technology especially information technology, the nature of works have become information and human centered, thus the empowerment of organizations' human resources is the key to their growth, development and success. The main objective of this research is to answer the question that if a relationship exist between Intellectual capital of organization and psychological empowerment of employees or not? In the present study, the population is all employees of educational and health governmental centers of Rasht, including permanent, internship, contractual and conventional employees. The sampling method was stratified random sampling, and 367 members were chosen as sample. The research result implicated that, aspects of intellectual capital consisting of structural capital, human resource capital, and relational capital has a very positive, significant relationship with empowerment of employees. Moreover, the intellectual capacity can predict the empowerment of employees' as 5/72 percent.

**Key words:** intellectual capital, empowerment, psychological empowerment, organization

## INTRODUCTION

Nowadays, modern and strategic approach to human resources requires human resources to be considered as the most important customers, so that, with development of appropriate strategies for human resources, field goals of the organization, management and staff be guaranteed. Range of environmental transformation, especially in the field of science and technology, makes successfulness of organizations to rely more than anything on their human resource capabilities. Turbulent environmental conditions and dramatic changes in technology, leads activities to become more complex, in a way that, the content of management thinking and methods applied to organizations, to be exposed to intense and deep changes. Thus, there is a direct relation between success of an organization and experience, effort, and abilities of the staff involved with it, therefore any ignorance of such important and enormous source result in irreparable and variety of negative consequences.

Such as, loss of professional, skilled staff, and loss of institutional investment, so as a result the organization's efficiency will be decreased. Today, having a powerful and skilled human resource, is the most important element to achieve dynamism in communities and organizations. Hence, organizations in order to develop and expand their activities, have to provide, and maintain a human resource management which is robust and effective. Because of the diversity of human needs, expertise and numerous skills a variety has been created in the world. Hence, human resource management is obligated to apply and use the services members provide. On the other hand, the wealth and investment of the current era's organizations, is not only physical and technology capital; perhaps the cornerstone wealth of organizations is shaped by the human resource's skill, knowledge, and motivation. So, paying special attention to the staffs' empowerment and organization's intellectual capital is an unavoidable factor, moreover organizations chose different paths to get to this point.

A research around the subject of the impact of intellectual capital on employee psychological empowerment among judicial staff and Amir Kabir, has been done by researchers, Moosavi, Rabeie, and Amirkabiri and was published in 2013. The result implicated a significant cause and effect relation between intellectual capital and employee psychological empowerment. Considering the wide distribution of treatment in Guilan, and remembering that the main mission of this section is to provide medical services, without any doubt, it plays an important role in promoting population's health in the current study to investigate the relationship between intellectual capital and employee psychological empowerment deals.

## Literature Review

### **Conceptualization of intellectual capital**

We need to understand the concept of intellectual capital, before identification, management, and measurement. Intellectual capital from management point of view, is the overall human and intellectual capitals, such as knowledge, practical experience, organizational technology, interpersonal, and professional skills; that with creation of competitive advantage brings the organization's life back in market. As a matter of fact, the entire intellectual capital of the staff contains organizational knowledge and skills in order to create added value and competitive advantage, consequently will be sustained (Ghalichli & Moshabaki, 2007, 125-147).

Bontis define intellectual capacity as a collection of intangible assets, resources, abilities, and competition which is achieved by the information knowledge of organization performance (Bontis, 2004, 437).

Edvinson and Malon, however define Intellectual capital as knowledge applied to work and create value. Intellectual capital is a property that measure the organization's ability to create wealth. This asset does not have an objective or physical nature; it is indeed intangible, and obtaining this matter refers to human resources, organizational and external relations. All of these features leads to the creation of value, because intellectual capital is a purely local phenomenon and merchantability is not one of the above said features (Mehrmanesh & Amini, 1391, 31). Components of intellectual capital, includes human capital, structural capital and relational capital.

### **Human Capital**

Human capital is the stock of knowledge of an organization's members. Ros and the colleagues, argue that employees' intellectual capital is provided through competency, attitude and thinking agility. The main components of human capital are, labor skill sets, depth and breadth of their experience. Human resources can be regarded as the soul and mind of intellectual capital. This capital at the end of workday, will leave of with employees getting out of the companies, however, structural capital and relational capital even after leaving the organization, remain unchanged. Human capital comprises the skills and competencies of the staff, their knowledge in the fields that are essential for the success of the organization, and their talents and manners. (Ghalichli & Moshabaki, 1385, 130).

### **Structural Capital**

Structural capital consists of all non-human resources within the organization, which embraces databases, organizational charts, administrative procedures, processes, strategies, action plans and, in general, whatever that has more value to the organization than its material value (Marr et al ,2003 ,451). Bontis, present the capital structure as the guidelines, strategies, policies and whatever is worth in an organization more than its physical value. According to Bontis with poor thinking and poor practices in organization, intellectual capital does not reach to its full potential (Stewart, 1997).

The most common type of this matter is: executive processes, how they are structured, policies, information flows and database elements, leadership and management style, organizational culture, employees' incentive plans. Capital structure can be divided into sub-groups of the culture, practices and work habits, and intellectual property.

### **Relational Capital**

Investment relations, includes relations between the organization with any other person and organization. These individuals and organizations could be clients, intermediaries, employees, suppliers, regulatory authorities, communities, creditors, investors and so on. Clients' fund is considered to be as a bridge and the operation of intellectual capital, besides, it is a determinant factor in converting intellectual capital into market value. This investment embraces the strength and loyalty of customers' implement relations (Kunjansivu & Longvist, 2007, 281).

Bontis claims that, the new definition and concept of customers' funds that existed before have the developed the relational capital, which includes the organization's knowledge in all relationships with customers, competitors, suppliers, trade associations and the government. Client funds is considered to be as a bridge and organizer of the intellectual capital operation, and it is an important factor in importing intellectual capital to market value. The investment comprises the strength and loyalty of customer relations; generally speaking, we can mention that the most essential component of intellectual capital is human capital and the other two resources are functions of human capital (Evinsson & Malon, 1997). In fact, the possibility of the development with lack of human capital is highly limited.

### **Employees' Psychological empowerment**

Refers to a process in which the manager helps employees to gain skills necessary for independent decision making. This process not only in practice, but also affect the personality. Blanchard believes that empowering, is freeing up internal resources to achieve amazing achievements. Empowerment means giving power, and this is defined as helping people to improve their self-confidence, to overcome their disability or helplessness, enthusiasm in creating activities, and their internal motivation mobilized to perform the task (Abtahi, 1386, 15).

In one of the best empirical research that has been done around the subject of empowerment, Espritzer (1992) identified four cognitive factor dimensions of empowerment. These dimensions are:

**Effectiveness**, which is a functional characteristics, so that individuals consider responsibility objectives effective. In other words, one must believe that by doing his/her job duties may impact many pre-determined goals. People who post their effectiveness strongly, do not believe in limitations of their abilities and external barriers, rather they consider them controllable. They feel "active control", and the environment is in accordance with their own desires. To make sense of their ability, not only they have to feel what they are doing is effective, but also, they should feel that they are forming those effects, meaning that, to embark the result with empowerment, individuals should feel that the production control is in their power. Thus, a sense of personal control, is essential for the health and empowerment.

**Competency**. Competency means, individuals believing in themselves enough to accomplish assigned duties successfully. In other words, one believes that has the expertise, competence and abilities necessary to perform the job prosperously. If a person with the required skills, do the tasks he/she will feel their own merit, which makes a positive impact. According to Spritzer, this situation is defined as the spirit of challenge in dealing with the issues and cites the advantages of the work. This feeling is aggregated, if the person has the ability, skill, knowledge and training necessary to do the job.

**Meaningfulness**. If individuals consider their duties value, the job has the significance feature. In fact, meaningfulness, is consistent with the requirements of the role of beliefs, values and individual behavior. Regardless of organizational constraints, people tend to achieve the goals that have meaning to them. People prefer to work with those who have similar values. Capable people, feel the significance, and they value the purposes to which they are employed (Abtahi, 1386, 16).

**Right to choose**. Means the employees' freedom to determine the activities necessary for performing job duties. When people voluntarily perform their job, they feel that there is a choice work. In these circumstances, their activities is a result of their outcomes, personal freedom, and authority. They are capable of initiating, making decisions, and testing new ideas. They feel that their work is predetermined, inevitable and permanent, and consider themselves as their locus of control in work. Thus, those who feel empowered, it is likely to say that they have an internal locus of control (Nafary & Omidfar, 1389, 68), so regarding to the proposed research, the model is shown in Figure 1, where the independent variable and the dependent variable are component of intellectual capital and employees' psychological empowerment. Hypothesis of the study was based on a set of variables and used methods as follows:

**Hypothesis 1.** There is a significant relationship between intellectual capital of the organization and the employees' psychological empowerment.

**Hypothesis 2.** There is a significant relationship between human capital and psychological empowerment of employees.

**Hypothesis 3.** There is a significant relationship between capital structure, organization and employee psychological empowerment.

**Hypothesis 4.** There is a significant relationship between relational capitals and employees' psychological empowerment.

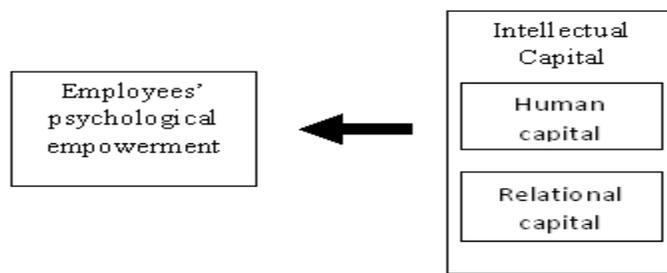


Figure 1. Conceptual model of research variables (Mousavi et al., 2013, p.60)

**METHODOLOGY**

This study is based on qualitative research method's application and plans, seeks the answer to the main research question, which is the existence of a Relationship between intellectual capital and employees' psychological empowerment of training centers, and public health centers in the city of Rasht. In terms of methodology this research is a descriptive and correlational, in this way, the correlation between the dependent variables and the independent variable is shown. From The degree of supervision and control point of view, this study is based on field research, because the researcher will examine variables in their natural state. The research population consist of public education and health care centers' workers in the city of Rasht. Considering the total population and according to the Cochran's formula the sample size was 367 people. Questionnaires were distributed using stratified random sampling. Statistics show that the percentage of female respondents were 72.2% and 27.8% were man.

In other words, most of the respondents were female, and the gathered data were mostly from women. According to statistics collected, it was determined that the respondents' had education of 6.5% below diploma and diploma, 20.4% had associate degree, 50.7% had bachelor degree, and 22.3% had master's degree or higher. In other words, majority of respondents had college education, and most of which was master degree. Also according to the data extracted it can be stated that the majority of employees were aged between 41 and 50 years, which implicates the youth of workforce and movement toward middle agedness in society. The majority of employees had between 15 and 20 years of work experience and were close to their retirement age. Measurement instrument of this study was questionnaire. Through a 12-item questionnaire intellectual capital, the three components of the capital structure (4 items), human capital (4 items) and relational capital (4 items) was measured. The 12-point scale was used to measure psychological empowerment. In the whole questionnaire spectrum Likert scale (1 = strongly disagree to 5 = strongly agree) was used.

In order to assess validity the Delphi method is used. To achieve the validity of the measuring instruments, the initial questionnaire were given to experts in the field. Therefore the content validity of the questions have been approved by experts. Moreover, in the present study to determine the reliability, internal consistency reliability were stressed by using the Cronbach's alpha and each variable was associated and calculated with a set of questions. When calculating using reliability coefficient, Cronbach's alpha, first, an initial sample consisted of 30 questionnaires were pre-tested; then using data obtained Cronbach's alpha coefficients were calculated. As Table 1 shows the Cronbach's alpha was over 7.0 for all variables.

Table 1. the Cronbach's alpha

variables	Cronbach's alpha	Item number
Human capital	0.86	4
Structural capital	0.82	4
Relational capital	0.88	4
Intellectual capital	0.92	12
Psychological Empowerment	0.82	12

## Findings

Based on the analysis of the data it was revealed that, Scores of intellectual capital and its components and psychological empowerment were less than the average expected range. So because the averages obtained were highly distanced from the ideal, these variables should get upgraded in the population. To analyze the data deductively Pearson correlation coefficient was used. According to the obtained results it can be seen that the level of significance for Pearson Correlation Coefficient of the first hypothesis was less than 0.05, as a result with certainty of 95%,  $H_0$  is rejected and  $H_1$  is proved, so the relation is significant.

In addition, the correlation between two variables, intellectual capital and empowerment was 85.2% percent, consequently, it shows the positive relation between the two variables. The coefficient of determination between the two variables was 0.725, which shows that intellectual capital can predict empowerment with the rate of 72.5%. Considering the results obtained, it can be seen that a significant amount of the Pearson correlation coefficient for the second research hypothesis was less than 0.05, as a result with certainty of 95%,  $H_0$  is rejected and  $H_1$  is proved, so the relation is significant.

The correlation between two variables of, human capital and empowerment is 59.3 percent, which indicates the positive relation between the two variables. The coefficient between the two variables is equal to 0.351. This suggests that human capital can predict empowerment in the amount of 35.1%. According to the third hypothesis test results show a significant amount of data, that the third hypothesis Pearson correlation coefficient  $r$  is less than 0.05, and as a result with certainty of 95%,  $H_0$  is rejected and  $H_1$  is proved, so the relation is significant.

The correlation between two variables, structural capital and Empowerment was 0.818%, which indicates the positive relation between the two variables. The determination coefficient between the two variables was 0.669. This suggests that, the capital structure can predict empowerment with rate of 66.9%. According to the above table it can be seen that a significant amount of the Pearson correlation coefficient obtained for the fourth research hypothesis was 0.05 percent, and as a result with certainty of 95%,  $H_0$  is rejected and  $H_1$  is proved, so the relation is significant.

The correlation between two variables of bridging capital and empowerment was 0.795 percent, which indicates the positive relation between the two variables. The determination coefficient between the two variables was 0.632, which shows that relational capital can be predicted by empowerment in the amount of 63.2 percent.

Table 2. Significant correlation and efficiencies of the variables

Hy	Variables	correlation coefficient	efficiency	result
1	Intellectual capital and employees' empowerment	0.852	0.000	Confirmed
2	Human capital and employees' empowerment	0.593	0.000	Confirmed
3	Structural capital and employees' empowerment	0.818	0.000	Confirmed
4	Relational capital and employees' empowerment	0.795	0.000	Confirmed

### DISCUSSION AND CONCLUSION

The aim of this study was to investigate the relationship between psychological empowerment and intellectual capital of public education and health care centers' workers in city of Rasht. Regarding the regression testing it can be said that the impact of human capital on empowerment was 0/079. The effect of capital structure on the empowerment was 0/466, and the impact of communication on the empowerment of capital was equal to 0/406. In conclusion it can be stated that structural capital and relational impact on empowerment is more than the impact of human capital. Meaning that improved external organizational dependencies such as customer loyalty, reputation and good relationships with suppliers of resources, will lead to the empowerment of employees. Thus in this study we have shown that intellectual capital, will effect psychological empowerment of employees. Hence, according to the hypothesis of the study it was showed that the improvement in intellectual capital (human, structural and relational), Leads to incensement of employees' psychological empowerment in the research society. The variable can be used to improve the intellectual capital followed by higher average of psychological empowerment with respect to the theoretical literature and the questionnaire offers suggestions. In this regard it should be noted that organizations with appropriate use of intellectual capital, including Human capital, structural capital and relational capital helped organizations to reach merit, and conveying the ability of staff to carry out the most basic organizational unit. The results show a significant relationship between human capital, organizational and psychological empowerment of employees. According to the above said definitions of human capital it is described as a combination of knowledge, skills, initiative and ability to perform the duties of the individual employee (Bontis, 2001), plus it Includes values, culture and organizational climate.

Organizations can increase skills and knowledge of staff in the organization to increase empowerment. In this regard, paying attention to the climate and culture of the organization is considered to be the most valuable outcome. Moreover, the results show a significant relationship between capital structure, organization and employees' psychological empowerment. Organizations are able to update and complete databases, software and hardware appropriate organizational and institutional processes to provide incensement in organizations' employee empowerment. The results show that there is a significant relationship between the relational capital and employees' psychological empowerment. Organizations in order to increase their empowerment, should consider enhancing their relationships with individuals and organizations and other staff. This communication embraces communication with employees, regulatory authorities, communities, creditors, investors and others. In fact, the most important part of the intellectual capital is the relational capital that should be of interest to organizations' managers.

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