

Effect of Empowerment on Human and Social Capital

Ebrahim Rahimi¹

PhD in Human Resource Management, Faculty Member of Technical and Vocational University
Lecturer of Payame Noor University, Markazi, Iran

Amin Pourzakeri

PhD Candidate in Human Resource Management, Science and Research Branch, Islamic Azad University, Tehran, Iran

Najibeh Abbasi Rostami

Master of Business Management, University of Isfahan, Isfahan, Iran

Faranak Safari Shad

PhD Student of Business Management, Yazd University, Yazd, Iran

Abstract

This research investigates the effect of empowerment on human and social capital. The research method is descriptive, analytical and correlational. The statistical population consists of all employees of petrochemical industry of Markazi Province. Sample size equals to 250 employees. Data collection tool is standard questionnaire which its validity was confirmed by content and construct validity and its reliability was calculated by Cronbach' Alpha. Collected data was analyzed by LISREL software. After the analysis, all research hypotheses accepted.

Keywords: Empowerment, human capital, social capital.

Cite this article: Rahimi, E., Pourzakeri, A., Rahimi, E., Abbasi Rostami, N., & Safari Shad, F. (2019). Effect of Organizational Silence on Employees' Productivity. *International Journal of Management, Accounting and Economics*, 6(3), 286-296.

¹ Corresponding author's email: ebrahimi57@gmail.com

Introduction

Today, role of human capital as the major capitals of the organizational in the path of growth and development has been approved. The human resources practices of an organization can be a sustainable competitive advantage and since better performance and profitability is very important in organizations, investment on human capital and social capital can play a significant role in escalation of business performance in organizations.

After a long time experience, it has been concluded that if an organization intends to be prosperous and competitive in its tasks it must apply specialized, creative and motivated work labor. There is a positive relationship between the human capital and productivity in the organizations. The main concern of successful organizations in the world is collection of sophisticated and wise human capital who can create change in the organization belong to. Social capital has a close relationship with human capital as the main source of organizations too. Social capital levels the ground for the utilization of human capital in different organizations.

According to the importance of human capital and social capital, investigating the factors contributing to the development of capitals in the organizations and industries is very important. One of these factors is empowerment. Empowerment plays role in development of human and social capital. Javanmard and Mohammadian (2009) concluded that empowerment is one of the indices affecting human capital. Empowerment can lead to development of human and social capital. Empowerment plans contribute to political knowledge and participation and lead to the participation of citizens in associations, change of institutions and surrounding environment and collaboration and participation of individuals and increase of their social capital (Fataei et al., 2014). Accordingly, the current research aims to investigate the effect of empowerment on human and social capital.

Theoretical foundations

Empowerment

The feeling of having power is new discussion which is very influential in the performance of employees in the organization (Ghorbanzadeh and Khaleghinia, 2009). The scholars of management until the decade of 1990, defined the empowerment of human resource as the managerial practices and strategies such as delegation of authority and decision making power to the lower levels of the organization, sharing information with employees and their access to human resources. This view to empowerment has been called the mechanical approach. But after the 90s, the organization psychology scholars considers the human resources empowerment as a complicated and multidimensional concept and differentiate between the situational characteristics (managerial practices) and the employees' perception of these characteristics (Salajegheh et al., 2013).

Empowerment of employees has been known as broadly as an important factor in the success of organizations. Many of the authors have observed its direct effect on the employees' performance, job satisfaction and organizational commitment (Meyerson &

Dewettinck, 2012). Empowerment is a basic and important aspect for achievement of success, productivity and growth in any businesses (Hanaysha, 2016).

Thomas and Velthouse (1990) defines the psychological empowerment as an internal motivational factor reflecting the active role of employees in the organizations and differentiate between the managerial strategies and organizational factors and employees' perceptions about the empowerment. They mention four dimensions for it by emphasizing its multidimensional nature: feeling of having meaning, feeling of competency, feeling of autonomy, and feeling of being effective. Whetten and Cameron (1998) added the trust dimension to these four ones. Thus, these five dimensions characterize a comprehensive collection of imaginations and perceptions related to the understanding the psychological empowerment (Thomas and Velthouse, 1990).

Having meaning is the opportunity that people feel they are following important job goals. Namely, they feel they are moving a way that their times and powers are valuable. Competency is referred to a degree which an individual can perform the job tasks skillfully (Klidas, 2002). Competent individuals not only feels competency but also feels confidence and can do their task influentially. They feel personal dominance and believe that facing new challenges can learn and grow (Bandura, 2000). Autonomy and feeling of having selection right refers to the freedom of action and independence of employee in determining the required practices for doing the job tasks. It means experience of feeling selection at the initiation of activities and organizing the job activities. Competent individuals feel possession about their tasks since they can determine how the works should be done and in what pace it has to be accomplished. Having the choice right is main component of autonomy (Hill, 2003). Competent individuals have a sense of trust. It means that individuals believe they will be behaved in justice and equally (Claydon & Doyle, 1996).

Human capital

Human capital theory introduced in 1960 by the Schultz and then Becker followed it in the year 1964. He believes that human capital refers to the personal assets which can be inherent and acquisitive and it happens when an individual's skills and abilities increase. Chen and his colleagues believe that human capital includes employees' knowledge, abilities and attitudes. More precisely, this factor is combined of employees' capabilities, attitudes and creativity. In fact, human capital is collection of general and professional knowledge of employees and the abilities of leadership, problem solving and risk taking and shows the knowledge storage of an organization in the employees. This is defined as the composition of heredity, education, experience and the attitude toward the life and business and major potentials of an organization (Amirkhani and Aghaz, 2011).

Concept of human capital is based on this fact that humans invest in themselves. This is accomplished by means such as training, apprenticeship or practices that increases the future return of individual through his lifetime income.

The qualitative characteristics of the human is kind of capital; because this traits reinforce the human abilities and can be turned into a source of more income or

satisfaction in future. This capital is human since it is a component of human (Mahjoub and Malekpour, 2015).

Human capital is considered as major source of innovation and strategic renew (Bontis and Fit-enz, 2002; Lawson and Samson, 2001; Subramaniam and Youndt, 2005). Human capital has an inherited potential that can change both itself and other institutions and this characteristic will lead to the permanent dynamics. Human capital refers to knowledge, education, work capabilities and psychometric evaluations (Karthik & Basak, 2006). Human capital has contributed to the reliance of organization on its employees' knowledge and skills for production of income, growth and also efficiency and productivity (Ghelichli and Moshabaki, 2006). Xu (1998) stated that there is positive relationship between human capital and economic situation. Individual and organization are two major components of human capital. Human capital has four traits of flexibility and compatibility, increase of personal capabilities, organizational development and personal abilities. Better performance of human capital contributes to the achievement of competitive advantage, higher organizational commitment and improvement of organizational survival (Channar et al, 2015).

Social capital

Social capital is a new concept that plays a more important role in relation to physical capital in organization and society. Today, comprehensive changes, growing needs for information and education, necessary needs for innovation and creativity, continuous growth, change toward horizontal and flexible organizational design and close relationship between organizations and networks of customers, suppliers and competitors requires the organization leaders to consider the social capital as a specified organizational capability (Baker, 2003). Concept of social capital was applied for the first time in 1920 and then after half of the century, Jin Jacob discussed the social capital in 1960. There are many studies about the social capital since then (Bordbar and Zarei, 2014).

Social capital is the combination of available norms in social systems which can contribute to the promotion of collaboration level of that society members and decreases the exchanges and relationship costs. Accordingly, concept such as civil society and social institutions has also a close conceptual relationship with social capital (Fukuyama, 1999).

Baker believes the word of social in social capital shows that the resources available inside the business networks or personal networks are not regarded as the personal assets. These resources are embed inside the communication networks. If the human capital is what the human knows, access to the social capital will depends on those who human knows; namely, size, quality and the variety of business networks and personal communication networks of human are influential in it. But social capital is also dependent on those whom human does not know if he communicate with them through networks indirectly. The word of capital shows that social capital such as human or economic capital has a productive nature enabling the human to produce value, do works, gain his goals, accomplish his missions in the life and help his share in the world he lives

in (Faghihi and Feyzi, 2006). Cohen and Prusak (2001) believed that social capital can help economic development. Organizations with higher levels of social capital are likely to be more successful contrary to competitors with lower levels of social capital. On the other side, there is a positive and significant relationship between social capital and employees' commitment, organizational flexibility, management of favorable collective actions and producing high levels of conceptual capital. Thus, social capital can promote the organizational performance. Organizational social capital is an asset which is beneficial for organization through creation of value for beneficiaries and for organization members through promotion of employees' skills (Ahmadi et al., 2013).

There is no consensus about the dimensions of social capital. Each scholar has presented a different categories for social capital. Nahapit and Gushal considered three dimensions for social capital in 1998 consisting of structural, relational and cognitive dimensions. Structural dimension includes model of inter network links and combination of organizing network and organizational fitness. Relational dimension of social capital refers to the more subjective expressions of social capital such as trust, norms and values which affects the interactions among the people. These values mostly consists of trust, cohesion, collaboration, forgiveness and civil culture which is common among the members of a society and contributes to the cooperation of its members to attain common benefits. Cognitive dimension of social capital includes perception, beliefs, and common cultural and social imaginations which are accepted by the common concepts and memories or language and remain among them. This dimension consists of common goals and culture (Ahmadi et al., 2013).

Literature review

Fataei et al. (2014) in research investigating the effect of empowerment social oriented plans on social capital showed that social capital is less than average and there is a significant relationship between empowerment factors and social capital. Feyzi et al. (2014) investigated the factors affecting the social capital. The results showed that empowerment factors and training, identity, participation and team work, commitment, trust, information and assistance are the most influential factors which form the social capital in the organization. Taheri (2012) concluded that there is a significant relationship between social trust, social cohesion and social participation on the employees' empowerment. Heidari (2011) showed that increase in organizational effectiveness highly depends on social capital. Amirkhani and Aghaz (2011) indicated that by investment on individuals and increase of human capital it can be possible to increase the social capital of the organization. Hosseini (2010) stated that there is a significant and positive relationship between strategies of private institutions (attracting the individual's participation, training (empowerment), information sharing, unity and cooperation of private organizations) and maintenance and promotion of social capital. Javanmard and Mohammadian (2009) showed that indices affecting the human capital evaluation are leadership capability and knowledge of managers, employees' capabilities, abilities and job knowledge. Chenar et al. (2015) concluded that development of human capital has a strong and positive relationship with the satisfaction level of employees and customers which ultimately contributes to the organizational performance. Felício et al. (2014) found that human capital affects the social capital. Also, experience and cognitive ability

affects the personal relations and participation. Organizational performance is highly also influenced by human capital through the cognitive ability. Janssens (2010) investigated the women empowerment in the field of trust and participation and creation of social capital in Indian villages. The results showed that women empowerment had a remarkable effect on the increase of trust and participation in educational and fundamental projects.

Research conceptual model

To develop the research hypotheses, it is required to figure out a conceptual model exploring the relationships of identified variables of hypotheses and their operational definitions. In this research, empowerment is considered as an independent variable and human and social capital as dependent variables. Figure 1. depicts the conceptual model of the research.

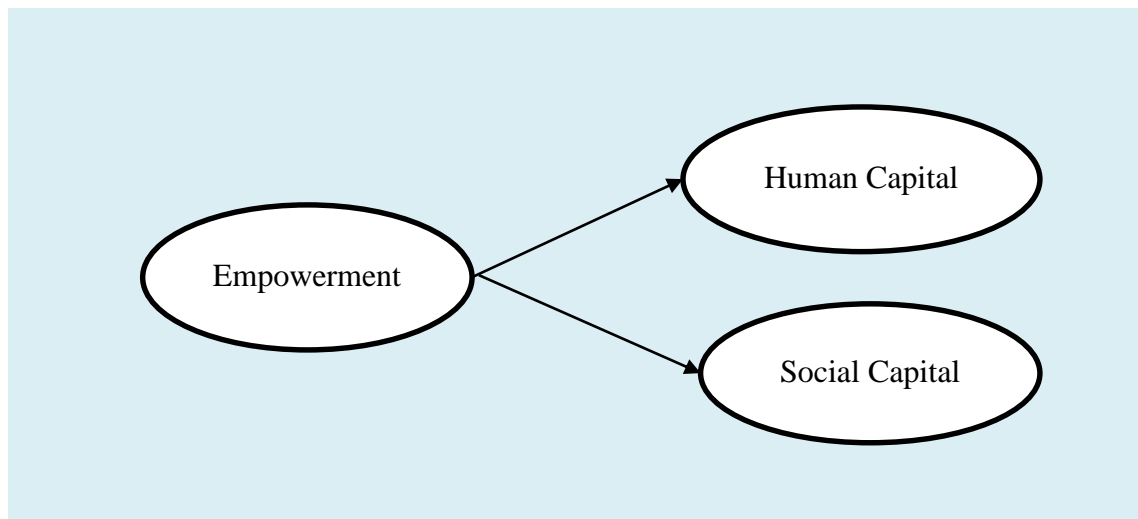


Figure 1. Research Conceptual Model

Research methodology

The method of the current research is applied, descriptive and correlational. The statistical population of this research is the employees of petrochemical industry in Markazi province. The sample size is 250 employees. A standard questionnaire is applied to collect data and information for analyzing the research findings. For measuring the empowerment dimension, Speritzera and Mishra (1992) scale was applied consisting of five dimensions of capabilities, autonomy, effectiveness, meaningfulness and trust. Amiri (2012)'s scale and Nahapit and Gushal (1998)'s scale was adopted for measuring the human capital and social capital respectively.

Face validity, content validity and construct validity by confirmatory factor analysis was used for validity confirmation of research tool. The reliability of research tool is also measured by Cronbach' alpha. The result of reliability test showed that Cronbach' alpha value is 0.718 for empowerment, 0.886 for human capital and 0.732 for social capital

which all are higher than 0.70. To analyze the relationships of variables and test the research hypotheses structural equation modeling by applying Lisrel and Spss was used.

Findings

Confirmatory factor analysis test

For investigating the construct validity of questionnaire, the factor loadings are reported in Table 1. showing the high validity of the research tool.

Table 1. Factor loadings for indicators

Empowerment		Human capital		Social capital	
Questions	Loadings	Questions	Loadings	Questions	Loadings
A1	0.537	B1	0.359	C1	0.652
A2	0.511	B2	0.667	C2	0.772
A3	0.653	B3	0.528	C3	0.779
A4	0.681	B4	0.595	C4	0.739
A5	0.668	B5	0.735	C5	0.777
A6	0.543	B6	0.556	C6	0.768
A7	0.640	B7	0.624	C7	0.611
A8	0.627	B8	0.667	C8	0.701
A9	0.667	B9	0.546	C9	0.758
A10	0.713	B10	0.555	C10	0.719
A11	0.569	B11	0.553	C11	0.785
A12	0.616	B12	0.643	C12	0.781
A13	0.616	B13	0.557	C13	0.767
A14	0.584	B14	0.647	C14	0.740
A15	0.775	B15	0.729	C15	0.685
-	-	B16	0.575	C16	0.730
-	-	B17	0.644	C17	0.686
-	-	B18	0.654	C18	0.708
-	-	B19	0.634	C19	0.691
-	-	B20	0.621	C20	0.750
-	-	-	-	C21	0.826
-	-	-	-	C22	0.779

Hypotheses testing

Table 2. shows the results of structural model estimation by applying Lisrel software. The path coefficients indicate that empowerment has positive effects on human and social capitals. T values are also more than 1.96 implying the significance of relationships between variables.

Table 2. Results of Model Estimation

Hypothesis	Path coefficient	T Value	Result
Human capital	0.74	18.35	Accepted
Social capital	0.63	11.62	Accepted

All indices shown in Table 3. Indicate the goodness of fit for the structural model of variables. Thus, it can be concluded that the analyzed model is consistent with the research conceptual model.

Table 3. Structural model goodness of fit indices

X^2/df	GFI	AGFI	RMSEA
1.16	0.91	0.91	0.0008

Conclusion and discussion

The current research investigated the effect of empowerment on human and social capital. According to the analysis of data collected all the research hypotheses were accepted and it showed that empowerment has a positive effect on human and social capital.

There is a consistence between this research and the works of Fataei et al. (2014), Feyzi et al. (2014), and Hosseini (2010) since all of them concluded that there is a significant relationship between empowerment and social capital. In Javanmard and Mohammadian (2009), employees' empowerment is one of the influential indices on human capital. The current research also concluded that there is a significant relationship between empowerment and human capital.

According to the research findings, it is recommended to managers that reinforce the empowerment. Managers have to be informed about the factors affecting empowerment and they have to be trained for this purpose. Conducting empowerment workshops is one of the useful recommendations for reinforcement of employees' empowerment.

References

- Ahmadi, Y. and Mohammadi Bolbolan Abad, A. (2013). "Investigating the relationship between social capital and organizational citizenship behavior: case study of employees at custom duty in Kurdistan province", *Quarterly of social sciences of Islamic Azad university of Shoushtar*, Vol. 7, No. 2, pp. 153-178. (In Persian)
- Amirkhani, T. and Aghaz, A. (2011). "Development of social capital in line with human capital: National Petrochemical Company", *Managerial researches in Iran*, Vol. 15, No. 1, pp. 31-50. (In Persian)

- Baker, W. (2003). *Management and social capital*, Translated by Alvani, S. M, and Rabei, M. R., Tehran, Management Organization. (In Persian)
- Bandura, A. (2000). “*Cultivate self-efficacy for personal and organizational effectiveness*”. Hand book of principle of organization behavior, Oxford, UK: Blackwell. Pp. 120-139.
- Bontis, N., & Fitz-enz, J. (2002). “Intellectual Capital ROL: A Causal Map of Human Capital Antecedents and Consequents”. *Journal of Intellectual Capital*, 3(3), 223-247.
- Bordbar, G. and Zarei, M. (2014). “Investigating the effect of organizational social capital on the promotion of knowledge management in the Welfare Directorate General of Yazd”, *Applied sociology*, Vol. 24, No. 4, pp. 227-244. (In Persian)
- Channar, Z. A., Talreja, S., Bai, M. (2015). “Impact of Human Capital Variables on the Effectiveness of the Organizations Pakistan”, *Journal of Commerce and Social Sciences*, Vol. 9, No. 1, pp. 228-240
- Claydon, T & Doyle, M (1996). “Trusting me, trusting you? The ethic of employee attitudes”. *Personal Review*, Vol. 25, No. 6, PP. 13-25.
- Cohen, D., Prusak, L. (2001). "In good company-how social capital makes organizations work." Harvard Business School Press, Boston, Massachusetts.
- Faghihi. A. and Feyzi, T. (2005). “Social capital in organization”, *Peike Noor*, Vol. 3, No. 3, pp. 11-21. (In Persian)
- Fataei, M.; Seyyedi, F.; Fataei, P. and Kiani Harchegani, E. (2014). “Effect of empowerment plans on increase on social capital of citizens in Khorramabad”, *Quarterly of Social Work*, Vol. 3, No. 2, pp. 3-11. (In Persian)
- Felício, J. A., & Couto, E., & Caiado, J. (2014) "Human capital, social capital and organizational performance", *Management Decision*, Vol. 52 , No. 2, pp.350 - 364.
- Feyzi, S.; Razavi, S. M. H. and Montazeri, A. (2014). “Structural equation modeling factors affecting the social capital of employees in sport and youth organization in Khorasan Razavi”, *Applied researches in sport management*, Vol. 3, No. 3, pp. 65-76. (In Persian)
- Fukuyama, F. (1999). “Social Capital and Civil Society”, The Institute of Public Policy, George Mason University.
- Ghelichli, B. and Moshabaki, A. (2006). “Role of social capital on creation of intellectual capital in organization: case study of two car producing companies in Iran”, *Knowledge management quarterly*, Vol. 19, No. 75, pp. 125-147. (In Persian)

- Ghorbanzadeh, V. and Khaleghinia, S. (2009). "Role of implicit knowledge transfer on employees empowerment", *Quarterly of human resources management*, Vol. 1, No. 2, pp. 85-105. (In Persian)
- Hanaysha, J. (2016). "Examining the Effects of Employee Empowerment, Teamwork, and Employee Training on Organizational Commitment", *Procedia - Social and Behavioral Sciences* 229, 298 – 306.
- Heidari, M. (2011). "Investigating the relationship of human capital and social capital on organizational communication effectiveness: case study of West Regional Electricity Company", Master thesis, Islamic Azad University of Central Tehran. (In Persian)
- Hill, M. T. (2003). "Development as Empowerment". *Feminist Economics*, Vol. 9, No. 3, PP. 117-135.
- Hosseini, M. H. (2010). "Effect of public organizations strategies on creation and promotion of social capital", *Police management studies quarterly*, Vol. 5, No. 1, pp. 82-100. (In Persian)
- Javanmard, H. and Mohammadian, F. (2009). "Factors affecting human capital measurement", *Quarterly of researches in human resources management*, Vol. 2, No. 1, pp. 67-86. (In Persian)
- Johnson, B.A. (2009). "Empowerment of nurses through organizational culture", *Nursing Education Perspectives*, 30(1), 8-13.
- Klidas, A. k (2002). "Employee empowerment in the European cultural context: finding from industry". PHD, thesis, Amsterdam: Rozenberg Publishers.
- Lawson, B. and Samson, D. (2001). "Developing Innovation Capability in Organizations: A Dynamic Capabilities Approach". *International Journal of Innovation Management*, 5, no. 3: 377-400
- Mahjoub, H. and Malekpour, D. (2016). "Investigating the relationship between human capital of faculty members and students' educational growth in Shahid Sattari Aeronautical University of Science and Technology", *quarterly in military management*, Vol. 16, No. 2, pp. 65-92. (In Persian)
- Meyerson, G., & Dewettinck, B. (2012). Effect of empowerment on employee's performance. *Advanced Research in Economic and Management Sciences*, 2, 40-46.
- Namasivayam, K. and Denizci, B. (2006). "Human Capital in Service Organizations: Identifying Value Drivers". *Journal of Intellectual Capital*, Vol. 7, No. 3, PP: 381-393.

- Salajegheh, S., Pourrashidi, R. and Mousaei, M. (2013). "Analysis of psychological empowerment of employees and its relationship with knowledge management", *Quarterly of Management Studies*, Vol. 23, No. 72, pp. 99-118. (In Persian)
- Subramaniam, M. and Youndt, M. A. (2005). "The Influence of Intellectual Capital on the Types of Innovative Capabilities", *Academy of Management Journal*, 48, 450-463.
- Taheri, A. (2012). "Effect of social capital on empowerment of employees Khorramshahr Port and Marine Directorate", Master thesis, Science and research university of Kohgiluyeh and Boyerahmad. (In Persian)
- Thomas, K. W. & Velthouse, B. A. (1990). "Cognitive Elements of Empowerment an Interpretive model of intrinsic task motivation", *Academy of Management Review*, Vol. 15, No. 4, PP. 465-178.
- Whetten, D. A & Cameron, K. S (1998). "*Developing Management Skills*". New York: Addison-Wesley, Wheelan.