The analysis impact of Human Resource Management and Intellectual Capital on Organizational Performance in Physical Education Organization of Iran
(Case Study: Physical Education General Department of Kermanshah)

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Abstract

Purpose of this study is analyzes the impact of human resource management and intellectual capital on organizational performance in Physical Education Organization of Iran. The statistical population of this study is consisted of 220 employees of Physical Education General Department of Kermanshah of which 140 subjects were selected by simple random sampling and by using Cochran's formula for the second half of 2012 were selected as samples. This study is descriptive-survey type of correlation research. For data collection, the questionnaire human resources management of Yang and Lin (2009); the questionnaire Intellectual Capital of Bontis (2002) and organisational performance questionnaire made by the researcher, was used. To review the validity of the questionnaires was used content validity (The questionnaire confirmed by a group of university professors) and on the other side of convergent validity (average variance of output (AVE)) this illustrates the fact that the validity of the questionnaires is suitable. Validity (content, convergent) and Reliability (Loadings factors, composite reliability coefficient, Cronbach's alpha coefficient) of questionnaires showed that measurement tools have very good reliability and validity. The results of testing hypotheses by SMART-PLS software and using the t-test statistics and path coefficients (β), showed that a strong and significant effect of human resources management, on the intellectual capital and the modest effect of intellectual capital on organizational performance and the human resource management on organizational performance has a significant and modest effect, Human Resource Management as well as a variable moderating to improve positive effect of intellectual capital on organizational performance.

Keywords: Human Resource Management, Intellectual Capital, Organizational Performance.

Introduction

Today, the term human resource management has largely replaced the term of personnel management. The term describes the processes that include management in organizations. Human Resource Management is the title that is defined of a new management philosophy, methods, and procedures and practices and related acts to management of people in organization. Human resource management is a comprehensive approach to the strategic management of the organization key resources (Human Resources) (Armstrong, 1995). Svetlik et al (2007) Human Resource Management can be assumed as traditional personnel management, as integrated of personnel management and industrial relations as Recruitment relationship based on resources or as part of a strategic
management function. Bontis et al (2000) human resource management focused on policies, procedures and systems that are affected behaviors, attitudes, and employee performance. Also Disler (2012) believes that human resource management is policies and practices needed to carry out the part of functions of management, which depends on aspects of employee activities, especially for the recruitment, training to employees evaluating performance, reward and make fair environment for employees. DeCenzo and Robbins (2004) human resource management is process consists of four task to attract, develop, motivate and retain human resources. Yang and Lin (2009) human resource management is process consists of six functions training and development, evaluating performance, compensation, employee relationships with staffs, health safety, recruitment and selection. Finally, the management of human resources is implications on the managers responsible for equipping the organization with competent staff, and ensuring compliance utilizing their potential. Manpower is the most valuable resource of organization to talents flourish and continuing achievement to excellent performance. Intermediate hypothesis of human resource management practices is that main sources of organization are employee and organizational performance has a great depends on their work. Therefore, if codification an appropriate range of human resource policies and processes finally human resources will have fundamental impact on organizational performance (Armstrong, 2009). Furthermore, we are entering the knowledge-based economy, in the knowledge-based economy, intellectual capital and especially human capital are considered component of the organization's most important assets and their success is rooted in their intellectual capabilities. With the growth of knowledge-based economy, we clearly see that the intangible assets of organizations compared to their tangible assets, is more important factor in preserve and achieve sustainable competitive advantage. So that intellectual capital is a major source of economic development and other traditional factors of production such as land, labor and financial capital are important in the next stage. In such circumstances intellectual capital, is known as strategic assets of organizational performance (Sohrabi, Derami, 2010). Therefore, Pulic (2001) as an effective force in the success of the work involved would call intellectual capital. Bontis (1998) be definition of intellectual capital to whatever creates value by intelligence and human mind. Vasile (2008) is defined intellectual capital as "information and knowledge applied to work to create value”. Rose and Barrons (2005) are knows Intellectual Capital as assets that measures the organization's ability to create wealth. These assets, not objective and physical nature and is an intangible asset which is achieved through the use of related assets with human resources, organizational performance and relationships outside of the organization. Adler and Kwon (2002) as that intangible resource are located in intellectual capital and in combination with other tangible and intangible resources bring a lot of value for the organization. This theory is protection of this case that the high level of intellectual capital will lead to better performance. In recent years, a partial agreement emerges about the division of components of intellectual capital that intellectual capital will classify into three types including: Relational capital (customer) human capital and structural capital (Ghahramany Aghdam and Kohan, 2013). Schuler and Jackson (2005) because intellectual capital is the key to sustainable success of organization [known as strategic asset of Organizational performance] create, integrate and recreation of it should be the main concerns of senior managers, especially human resources manager who are responsible for employees' performance because human resource management, in an environment with a lot of competitive pressure, has a key role in facilitating the participation of talented people. More should be said that there is many evidence that they are expression intellectual capital have positive effects on organizational performance. Such as Talebi et al (2011), Tovestiga and Tulugurova (2007), Huang and Hsueh (2007) found that intellectual capital and organizational performance are related together Ho (2008), Organizational performance as an indicator to measure the quality of realization an organization's goals. This is why the concept of performance is defined as a today broad debate for organizations and scholars have expressed many different definitions for it. Most famous defining performance proposed by neely (2005) that expression performance is the process of explaining quality, effectiveness and efficiency of past actions. He found that, in assessing performance, there are two main approaches: objective and subjective approach, and both approaches have their advantages and disadvantages Allen et al (2008). Objective measures are most real, but on coverage is limited to financial data and do not explain other organizational aspects on the other hand, subjective measures are less realistic, but providing rich descriptions the effectiveness of the organization. These measures allow a wide range of organizations in various industries are compared. Therefore, the ability to generalize findings is based on more subjective measures. Also, subjective scales are covering, analytical elements, based on the perception too, which has a special place in social science research (Rahnavard, 2008). Traditionally, organizational performance assessment, greater was used financial approach. But Nowadays this approach to assessing organizational performance is not sufficient alone. Because the financial indicators mechanical nature
also found that relational capital has the strongest relationship with organizational performance. Katou and human capital), there is a significant relationship between intellectual capital and organizational performance. Haji-Karimi and Shojaei and Baghbanyan (2010) paid to examine the relationship between intellectual capital and organizational performance. They found that there are better performance that to provide more their customer satisfaction because organizations are dependent on their customers. Amount of Satisfaction of the customer will determine the success or failure of the organization. Recognition the real needs of customers, the proper response to that attempts to provide new services to customers, build communication and long-term relationships with their and ultimately their satisfaction with the delivery of services is considered the most important indicators for measuring customer satisfaction. Bierly and Daly (2007) are considered the financial performance is equivalent with the amount of sales and purchases of customers, number of customers, number of contracts and ultimately the profitability of the major indicators to measures financial performance.

Recognizing the importance of human resource management and intellectual capital variables on productivity and create a competitive advantage for the organization and their potential in improving organizational performance and considering that purpose of this study was to analyze the impact of human resource management and intellectual capital on organizational performance. So researchers are trying to answer the question whether the management of human resources and intellectual capital are affected on performance of organization?

According to the above, the research that has been conducted in the framework of the variables in this study is as follows: Sinai et al (2011) paid to examine the relationship between intellectual capital and performance of 26 high-tech industrial companies and 26 of 26 industrial companies with low technology. The results showed that there is positive and significant relationship both variable the capital of innovation, and customer with financial performance. Another important result was that the intensity of the relationship between capital of innovation and performance in high-tech companies has never been more than companies with low technology. Fetres and Beygi (2010) paid to a comparative study of the effects of intellectual capital on organizational performance in the banking industry in both public and private sector in Iran. They found that in government banking the highest degree of effectiveness is related to human capital, structural capital and customer capital. While in private banking, the highest level of effectiveness is related to human capital, customer capital and structural capital. With this difference that human capital and customer capital in the private sector and capital structure in the public sector compared with other sectors more impact on performance. Shojaei and Baghbanyan (2010) paid to examine the relationship between intellectual capital and organizational performance of Iranian Banking Industry: A Case Study of Kurdistan. The results showed that intellectual capital is a significant correlation with organizational performance. Haji-Karimi and Rahimi (2009) investigated the effects of human resource management proceedings on organizational performance mediating role of intellectual capital. Results showed that practices of human resources has a positive impact on organizational performance. Also human resource proceedings can affect the intellectual capital on organizational performance. Bahrami et al (2010) examined the multiple relationship functions of strategic management of human resources and intellectual capital of Isfahan public universities. The results showed that the functions of human resource strategic management are positive relationship with intellectual capital. Abdullah and Sofian (2012) studied the relationship between intellectual capital and organizational performance. The results showed that among the four dimensions of intellectual capital (relational, intellectual, structural and human capital), there is a significant relationship with studied performance of companies; they also found that relational capital has the strongest relationship with organizational performance. Katou and Budhawar (2010), Oladipo and Abdulkadir (2011), Nemli Çalıskan (2010) studied the relationship between human resource management and organizational performance. They found that there are relationship between human resource management and organizational performance.

Research hypothesis: According to research variables, research hypothesis is as follows:
Hypothesis1: human resource management has affected on intellectual capital.
Hypothesis2: intellectual capital has affected on organizational performance.
Hypothesis3: human resource management has affected on organizational performance.
Hypothesis4: human resource management has a moderator role between the relationship intellectual capital and organizational performance.
Material and Methods

In this study, in terms of purpose is applied research and in terms of collection of data, descriptive - survey the correlation type. The statistical population of this study is consisted of 220 employees of Physical Education General Department of Kermanshah of which 140 subjects were selected by simple random sampling. The main tool that is used for data collection was questionnaire: 14-item questionnaire, Yang and Lin (2009) and a questionnaire of 20 questions Bontis (2002) in order to measure human resource management and intellectual capital. Also for measuring organizational performance, a questionnaire of 29 questions consisting all of three dimensions of organizational performance and was designed by researchers in this field have been used (See Figure1 and Appendix1). Measurement scales in the questionnaire based on the Likert scale of five options. That started of "completely disagree" to "totally agree," and to the questions had given from 1 to 5 score. Validity of measurement instruments were assessed by using the content validity index (using the three professors), and convergent validity. Convergent validity refers to the principle that any construct indices have a moderate correlation with each other. According Fornell and Larcker (1981), a measure of convergent validity, is that the Average Variance Extracted (AVE) was more than 0.05. AVE values indicate what percentage of the structure variance of pattern variable is described by a single component. The results of output of SMART-PLS show that variable which have AVE, all of that are above the criterion index of 0.5. It is concluded that the components can be adequately explained variance of pattern variables. Therefore, the measuring instrument has proper validity. Also, this study have been used for determine the reliability of the questionnaires of two criteria according Fornell and Larcker (1981) (Cronbach's alpha coefficient and composite reliability coefficient). Cronbach's alpha coefficient indicated that all the factors have coefficient above 0.7. Composite reliability is based on the factor loading of each Structure, and therefore provides a better criterion of reliability. Composite of reliability should be achieved slightly more than 0.07, that is indicates stability of the internal Structures. Results of Reliability and validity are presented to fully in Table (2).

Figure1: Conceptual model of research
<table>
<thead>
<tr>
<th>Variable Name of variable</th>
<th>Theoretical Definition</th>
<th>Operational Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Satisfaction</strong></td>
<td>Employee satisfaction namely; Satisfied with their jobs in the organization</td>
<td>I am feeling satisfaction to do my work in the organization. My work that I do, it is valuable. From others opinion my work is valuable. My organizational post is proportional with my education and vocational skill. My salary and reward that I received is sufficient and proportional with my work value that I do. Staff’s preferences and salary here compared with other organization is good. Distribution of cash rewarding is proportional with individuals’ performance. The work that I do is interesting and I interested in. My supervisor gives me free hand to do my tasks. Providing proper physical and psychological environment to activity. I am an important person for my work environment. I and my colleague understand together.</td>
</tr>
<tr>
<td><strong>Customer satisfaction from the employees perspective</strong></td>
<td>Customer satisfaction, namely: emotional reactions of customers that the result is the interaction with organization service provider or product.</td>
<td>Our organization is famous to provide proper services and doing its duty well. Our organization is always trying to presentation new services to customer. We know our customers' needs. We respond to customers' needs better than other organizations. Our customers feeling satisfaction to receipt our services. Our customers are satisfying of personnel manner. Our relation and communication with customers is long time.</td>
</tr>
<tr>
<td><strong>Financial Performance</strong></td>
<td>A subjective measure of how well a firm can use assets from its primary mode of business and generate revenues.</td>
<td>The amount of income of our organization is more than others. Procedure of growing the amount of organization’s income is positive. Procedure of growing the amount of organization's sale (sport equipment’s and …) is highest in compared with other organizations. The amount of profitability of our organization is more than others. Procedure of growing the amount of our organization profitability is positive. Procedure of growing the amount of organization’s profitability is highest in compared with other organizations. The number of our organization's customers is more than others. Procedure of growing the number of our organization's customer is positive. Procedure of growing the number of our organization’s customer is highest in compared with other organizations.</td>
</tr>
</tbody>
</table>
### Table 2: Convergent validity and reliability of measurement tools

<table>
<thead>
<tr>
<th>Cronbach's Alpha</th>
<th>Convergent Validity</th>
<th>Loadings</th>
<th>coefficient of Average Variance Extracted (AVE)</th>
<th>Research variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.77</td>
<td>0.74</td>
<td>0.73</td>
<td>0.70</td>
<td>Human Resource</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.69</td>
<td></td>
<td>Management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.77</td>
<td></td>
<td>Training and Development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.72</td>
<td></td>
<td>Performance Evaluation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.71</td>
<td></td>
<td>Compensation</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.47</td>
<td></td>
<td>Relations with employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Health and Safety</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Recruitment and Selection</td>
</tr>
<tr>
<td>0.82</td>
<td>0.81</td>
<td>0.77</td>
<td>0.54</td>
<td>Intellectual Capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.65</td>
<td></td>
<td>Human Capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.80</td>
<td></td>
<td>Structure Capital</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Customer Capital</td>
</tr>
<tr>
<td>0.79</td>
<td>0.83</td>
<td>0.79</td>
<td>0.63</td>
<td>Organizational</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.80</td>
<td></td>
<td>Performance</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0.63</td>
<td></td>
<td>Employee Satisfaction</td>
</tr>
</tbody>
</table>

### Results

Statistical method employed in this research is "structural equation method". Structural equation modeling has been a common research tool in management science, medicine and the social sciences in the last three decades. According to all the contents listed in this section by using the SMART-PLS pay to evaluate the effectiveness or lack of effectiveness of these factors and continued, indicators of measurement factors and coefficient of determination factors are also considered.

![Figure 2: The Path Coefficients of Model](image)
It is noteworthy indicated value of t (T-Value) or significant effect of variables on each other. If the t value is higher than 1.96 it means, there is a positive and significant effect. If be between +1.96 to -1.96 no significant effect and if less than -1.96 means has negative effect, but significant. And also if be path coefficients above 0.6 means that there is a strong connection between the two variables, there is a moderate relationship if between 0.3 to 0.6, and if under 0.3 there is poor correlation (Chin, 2003). Data obtained from field research was conducted in PLS-SMART software, and the above results obtained from Figures 2 and 3. And analysis each of relationship is indicates research hypothesis useful and brief form is shown in Table (3).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Path Coefficient</th>
<th>Tests Value of t</th>
<th>Significance Level</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>HRM</td>
<td>IC</td>
<td>0.782</td>
<td>38.908</td>
<td>Significant</td>
</tr>
<tr>
<td>IC</td>
<td>OP</td>
<td>0.315</td>
<td>6.228</td>
<td>Significant</td>
</tr>
<tr>
<td>HRM</td>
<td>OP</td>
<td>0.542</td>
<td>10.717</td>
<td>Significant</td>
</tr>
</tbody>
</table>

By observing, Table (3) that is obtained based on the results of test hypotheses of can be proposed that: The result of the test the first hypothesis, regarding path coefficient 0.782 and the value of t, 38.908, shows that human resource management is a strong and significant effect on intellectual capital. The results of the second hypothesis, regarding path coefficient 0.315 and t value of, 6.228, there is evidence that Intellectual capital has a significant and moderate effect on organizational performance. The results of the third hypothesis, regarding path coefficient 0.542 and t value of, 10.717, there is evidence that human resource management has a significant and moderate effect on organizational performance. In the fourth hypothesis tests, which was evaluated role of moderating of human resource management, in the relationship between intellectual capital and organizational performance the results are shown in diagram 4 and 5.
According to value of t, 4.351, and path coefficient 0.617, can be expressed as Human Resource Management has moderator role in the relationship between intellectual capital and organizational performance variables and fourth hypotheses are confirmed. Confirming the hypothesis indicating that with the presence of the human resource management is improved effect of intellectual capital on organizational performance.

Discussion and Conclusion

The purpose of this study was to answer the question of whether human resource management and intellectual capital impact on organizational performance? Or not. The results of the first hypothesis research indicate that According to path coefficient 0.782 and the value of t, 38.908, human resource management has a strong and significant effect on intellectual capital. It is recommended that the relevant organization has paid a great attention to the aspects of human resource management because the development of relational capital, structural capital and human capital of organizations is tied to attention management of human resources. The results of this hypothesis are consistent, with a study was conducted by Bahrami et al (2010). The second hypothesis of the study, According to path coefficient 0.315 and the value of t, 6.228, it was concluded that there is a significant and moderate effect of intellectual capital on organizational performance. So
it is recommended that the organization has paid a great attention to the dimensions of intellectual capital because to achieve optimum organizational performance is tied to attention the dimensions of intellectual capital. The results of the hypothesis is consistent with research by Sinai et al (2011), Fetres and Beygi (2010), Shojaei and Baghbanyan (2010), Talebi et al (2011), Abdullah and Sofian (2012), Tovestiga and Tulugurova (2007) , Huang and Hsueh (2007). The third hypothesis to be said since path coefficient 0.542 and the value of t, 10.717, show this is evidenced by the significant and moderate effect of human resource management on organizational performance. Also the results of the hypothesis is consistent with research by Haji-Karimi and Rahimi (2009), Katou and Budhawar (2010), Oladipo and Abdulkadir (2011), Nemli Çaliskan (2010). And the finally forth hypothesis was confirm because due to t-value, 4.351 and path coefficient 0.617 can be expressed as Human Resource Management has moderator role in the relationship between intellectual capital and organizational performance variables. Confirming the hypothesis indicating that with the presence of the human resource management is improved effect of intellectual capital on organizational performance. For developing existing concept of human resource, researches in field of intellectual capital allow us to change the focused of human resource management from comprehensive approach based on knowledge to use of assets with intangible value of company (Davis, 2006). Because of intellectual capital with proper human resource management has more effect on organizational performance. Organizations according of their resources should with emphasis and attention to key component of human resource management smooth the way for greater effect of intellectual capital of organization due to achievement functional goal of organization. So, human resource management is a facilitator to achieve myself goals. In now competition world, long term success of organizations is not only depends on proper financial performance but also it is staffs off organization that have a fundamental role. Any type of managing problem in organization should be solve with staffs of organization so having proper individual in proper state and proper time of interference of them is a key factor to economic growing of organization (Neghandi, 1987). In the end must be say that human resource management has a main role to help people to participation in all organizational section to be highest competitive advantages. Especially human resource management can help organizations through making hard competitive for competitors that keeping its competition position. This object when occurring this shape that human resource management with promotion its intangible and without imitation assets such as intellectual capital, immunity the organization in front of competitors.

References


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