

## **A Study on the Effects of Human and Social Capitals on the Organizational Effectiveness**

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**Abstract:** The current study aimed at evaluating the effect of human and social capitals on the organizational effectiveness. In terms of the objective, the current study is of applied type, in terms of methodology, it is descriptive/survey and in terms of data collection, it is a field study. The statistical population of the study includes 126 office managers and nurses in social security organization of Lorestan Province, from which 95 persons were chosen using Cochran formula and stratified random sampling. The standard questionnaire of human and social capital by Felicio and organizational effectiveness questionnaire of Parson were used for data collection which includes 44 questions. The SPSS22 and SmartPLS (partial least squares) besides the t-test and path analysis were used for data analysis and hypotheses testing. The findings indicate that the human and social capitals are effective on organizational effectiveness.

**Key words:** Human capital, social capital, organizational effectiveness, effectiveness, analysis

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### **INTRODUCTION**

There have been numerous discussions on the concepts of management and managers tasks in the literature of management. Recently, significant developments have happened in management techniques and new approaches have been introduced to the organizations' management changing the role of the managers from command and control functions to coaching. Now, the performance and effectiveness are among the concerns of the managers. The trend of the developments in the knowledge-based economy has led to the increasing growth in phenomena such as globalization and information society. The management patterns have changed in line with these developments and according to customer-centered approach, the staff synergy and changes in leadership style have become more important.

Today, we are witnessing rapid changes in society, especially the phenomenon of globalization in various aspects that makes the organizations always look for organizational change and on the other hand, the community enters a new stage of development. In this context, social capital plays an important role in the integration of human resources and organization and in its absence, other capitals lose their effectiveness and without it the human resources cannot travel the paths of development and evolution and do more effectively. On

the other hand, the use of other capitals (including human capital) is possible in the light of this capital. The social capital besides other capitals of the organization is mentioned as an effective variable on organizational effectiveness and consequently on the development process. Also, the human resources management is an important factor for achievement to competitive advantage because the employees can transform knowledge into products and services needed by the customer. Human capital can be defined as knowledge, competencies, skills and other individual and group characteristics which are acquired during the life span and are used for producing the services, products or business ideas. If an organization can increase the more effective interactions among their employees within departments and organizational units, the chances of creating new knowledge, transfer and exchange of knowledge between the employees and consequently effective management of organizational knowledge will be higher. Effectiveness is the degree or extent to which the organization achieves its intended purposes (Daft, 1998). Organizational effectiveness is the degree to which an organization meets its goals using specific resources without unnecessary waste of resources and deterioration of its members and community (Thibodeaux and Favilla, 1996). In fact, organizational effectiveness indicates the closeness of an organization to its goals. Considering what have been mentioned and also the related literature, the social and

intellectual capitals possibly affect the social security organization effectiveness studied in the current research. However, no studies have been conducted in this regard and this topic has remained somehow vague for the organizations managers. Thus, the researcher will address this issue as a field study and at the end of this survey, he will address the initial question as what are the effects of human and social capitals on the effectiveness of social security organization of Lorestan Province?

## MATERIALS AND METHODS

The current study aimed at evaluating the effects of human and social capitals on organizational effectiveness, thus in terms of the objective, the current study is of applied type. In terms of methodology it is descriptive/survey and in terms of data collection it is a field study. The standard questionnaire of human and social capital by Felicio *et al.* (2014) and organizational effectiveness questionnaire of Parson were used for data collection which includes 44 questions. Also, the face validity and reliability of the questionnaires were approved by the experts, thesis advisors and consuler advisors. The calculated alpha value for the current study which is actually indicative of the reliability of the instrument approves the reliability of the questionnaires. The statistical population of the study includes 126 office managers and nurses in social security organization of Lorestan Province, from which 95 persons were chosen using Cocheran formula and stratified random sampling. For the analysis of the collected data, the statistical procedures such as tables, graphs, indices of distribution, besides inferential statistics such as Kolmogorov-Smirnov test, t-test and path analysis were used.

## RESULTS AND DISCUSSION

The demographic characteristics of the participants are: age, gender, education and job experience. The data indicate that the male participants constitute the highest portion of the participants. Also, the highest average age group ranges from 35-45 while the lowest average group age ranged from 25-35 years of old and above 45 years old. The results indicate that the participants with bachelor degree constituted the biggest portion of the sample and the participants with associate degree constituted the smallest portion of the samples. Also, the results revealed that the highest job experience belonged to 10-20 years and the lowest belonged to 1-10 years. Also, the data indicate that the highest average belongs to the participants who did not answer this question.

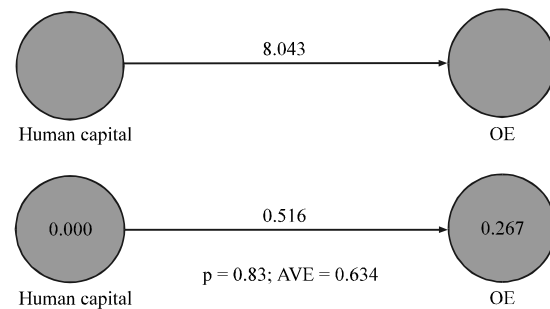


Fig. 1: The structural equations modelling results for the first main hypothesis

### Hypothesis testing

#### The first main hypothesis testing:

- $H_0$ : the human capital is not effective on organizational effectiveness.
- $H_1$ : the human capital is effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 8.043 on the human capital and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the human capital is effective on organizational effectiveness (Fig. 1).

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.516. Thus, the interaction between the two variables shows a proper fitness.

#### The first subsidiary hypothesis from first main hypothesis testing:

- $H_0$ : the managers' knowledge is not effective on organizational effectiveness
- $H_1$ : the managers' knowledge is effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 5.965 on the managers' knowledge and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the managers' knowledge is effective on organizational effectiveness.

Also, the path coefficient value for the two constructs managers' knowledge and organizational effectiveness is  $\beta = 0.409$ ,  $p < 0.01$  which is direct and positive (Fig. 2).

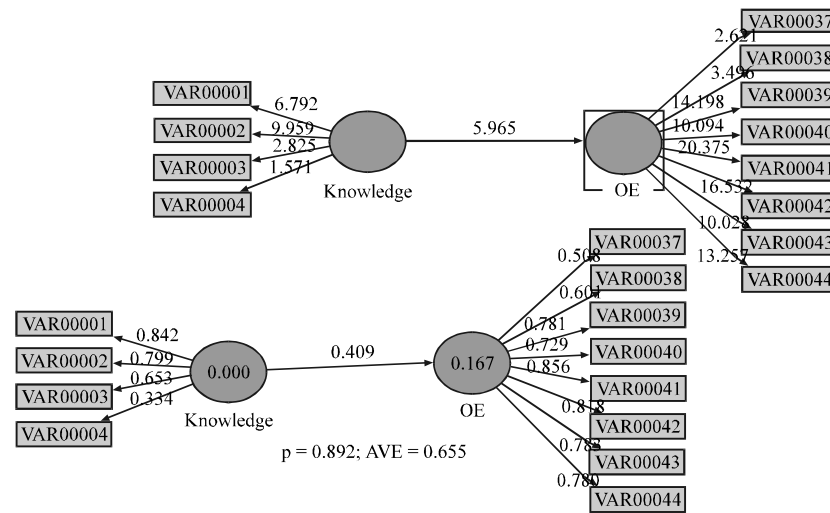


Fig. 2: The structural equations modelling results for the first subsidiary hypothesis form the first main hypothesis

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.409. Thus, the interaction between the two variables shows a proper fitness.

Also, evaluating the model details, it can be concluded that among the indices of managers' knowledge, the first index had the highest effect (0.842) while the fourth index had the lowest effect (0.334) on the organizational effectiveness.

Among the organizational effectiveness, the fifth index had the highest effect (0.856) while the first index had the lowest effect (0.506) on the organizational effectiveness.

#### The second subsidiary hypothesis from first main hypothesis testing:

- $H_0$ : the managers' job experience is not effective on organizational effectiveness
- $H_1$ : the managers' job experience is effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 4.681 on the managers' job experience and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the job experience is effective on organizational effectiveness.

Also, the path coefficient value for the two constructs managers' job experience and organizational effectiveness is  $\beta = 0.420$ ,  $p < 0.01$  which is direct and positive (Fig. 3).

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.420. Thus, the interaction between the two variables shows a proper fitness.

Also, evaluating the model details, it can be concluded that among the indices of managers' job experience, the fifth index had the highest effect (0.888) while the fourth index had the lowest effect (0.478) on the organizational effectiveness. Among the organizational effectiveness, the fourth index had the highest effect (0.829) while the first index had the lowest effect (0.410) on the organizational effectiveness.

#### The third subsidiary hypothesis from first main hypothesis testing:

- $H_0$ : the managers' professional skills are not effective on organizational effectiveness
- $H_1$ : the managers' professional skills are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 6.324 on the managers' professional skills and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the professional skills are effective on organizational effectiveness.

Also, the path coefficient value for the two constructs managers' professional skills and organizational effectiveness is  $\beta = 0.413$ ,  $p < 0.01$  which is direct and positive (Fig. 4).

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.413. Thus, the interaction between the two variables shows a proper fitness.

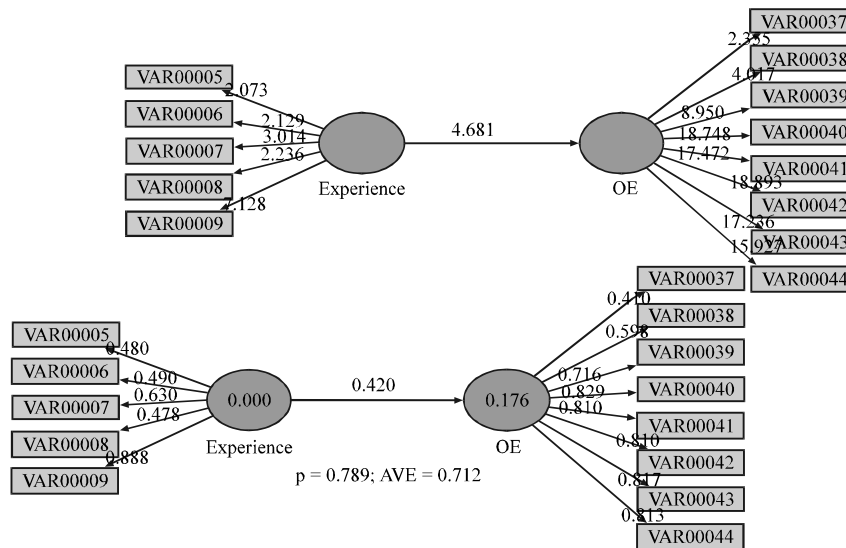


Fig. 3: The structural equations modelling results for the second subsidiary hypothesis form the first main hypothesis

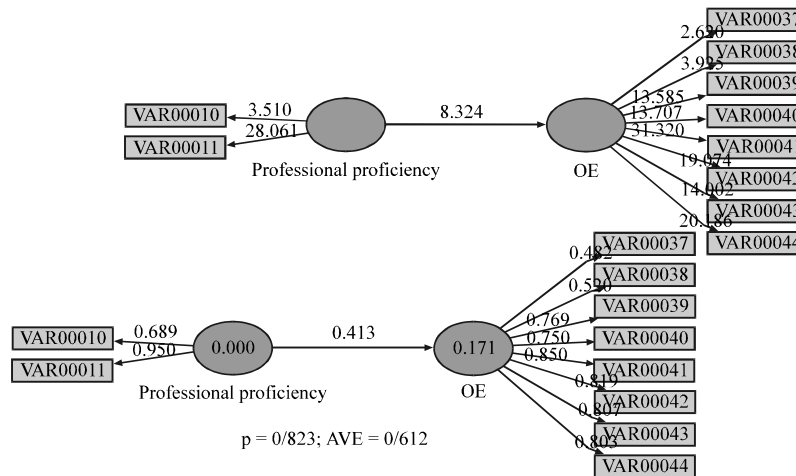


Fig. 4: The structural equations modelling results for the third subsidiary hypothesis form the first main hypothesis

Also, evaluating the model details, it can be concluded that among the indices of managers' professional skills, the second index had the highest effect (0.950) while the first index had the lowest effect (0.689) on the organizational effectiveness. Among the organizational effectiveness, the fifth index had the highest effect (0.850) while the first index had the lowest effect (0.462) on the organizational effectiveness.

#### The fourth subsidiary hypothesis from first main hypothesis testing:

- $H_0$ : the managers' cognitive skills are not effective on organizational effectiveness
- $H_1$ : the managers' cognitive skills are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 6.545 on the managers' cognitive skills and organizational effectiveness constructs path being higher than 2.576, it can be stated that with 99% significance level and error level of 0.01, the professional skills are effective on organizational effectiveness.

Also, the path coefficient value for the two constructs managers' cognitive skills and organizational effectiveness is  $\beta = 0.479$ ,  $p < 0.01$  which is direct and positive (Fig. 5).

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.479. Thus, the interaction between the two variables shows a proper fitness.

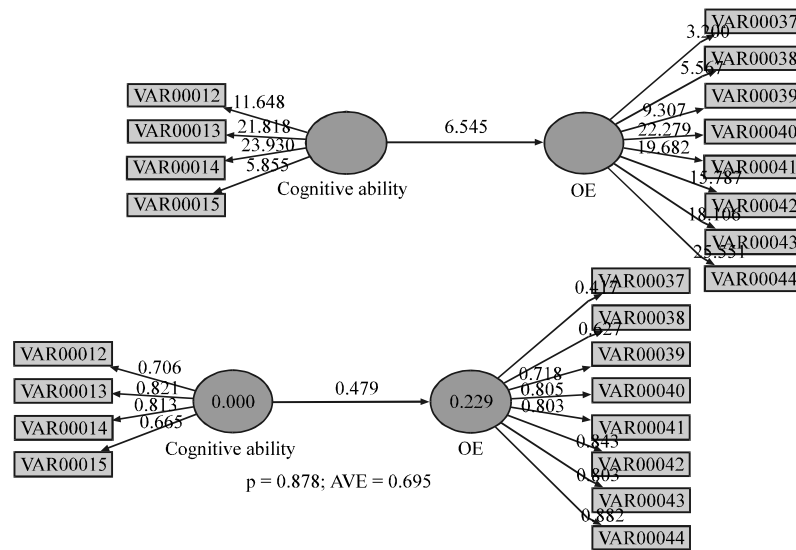


Fig. 5: The structural equations modelling results for the fourth subsidiary hypothesis form the first main hypothesis

Also, evaluating the model details it can be concluded that among the indices of managers' cognitive skills, the second index had the highest effect (0.821) while the fourth index had the lowest effect (0.665) on the organizational effectiveness. Among the organizational effectiveness, the eighth index had the highest effect (0.882) while the first index had the lowest effect (0.447) on the organizational effectiveness.

#### The second main hypothesis testing:

- $H_0$ : the social capital is not effective on organizational effectiveness
- $H_1$ : the social capital is effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 23.892 on social capital and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the social capital are effective on organizational effectiveness.

Also, the path coefficient value for the two constructs social capital and organizational effectiveness is  $\beta = 0.783$ ,  $p < 0.01$  which is direct and positive (Fig. 6).

The constructional equations modelling results indicated that the path coefficient is 0.783. Also, the AVE value is 0.624 which is higher than the minimum needed value 0.5, thus, the model has a sufficient convergence and there is a proper fitness for interaction between the two variables.

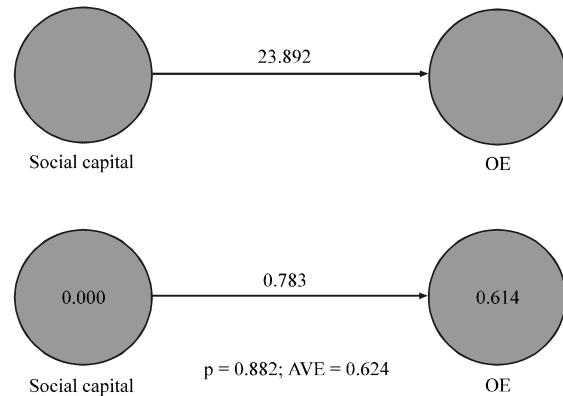


Fig. 6: The structural equations modelling results for the second main hypothesis

#### The first subsidiary hypothesis from second main hypothesis testing:

- $H_0$ : the managers' position are not effective on organizational effectiveness
- $H_1$ : the managers' position are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 8.074 on the managers' position and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the managers' position is effective on organizational effectiveness. Also, the path coefficient value for the two constructs managers' position and organizational effectiveness is  $\beta = 0.496$ ,  $p < 0.01$  which is direct and positive (Fig. 7).

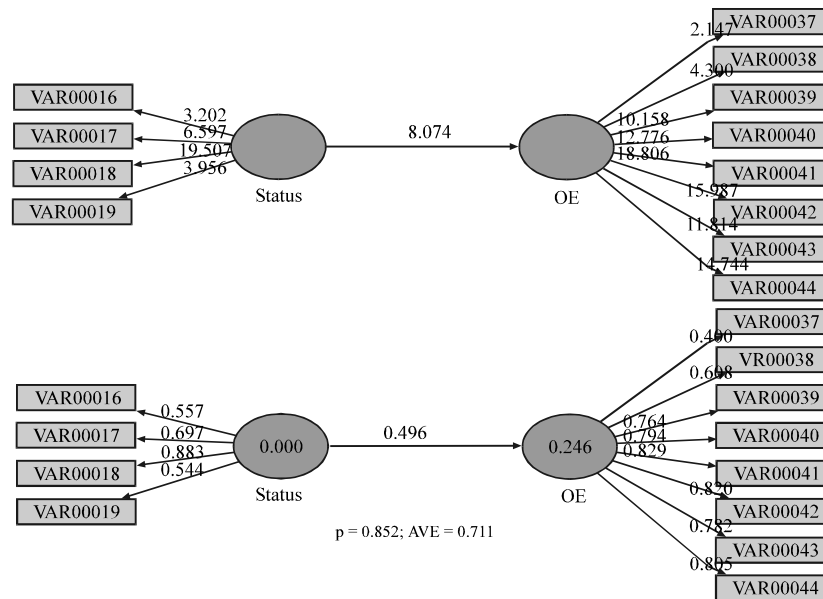


Fig. 7: The structural equations modelling results for the first subsidiary hypothesis form the second main hypothesis

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.496. Thus, the interaction between the two variables shows a proper fitness.

Also, evaluating the model details it can be concluded that among the indices of managers' position, the third index had the highest effect (0.883) while the fourth index had the lowest effect (0.544) on the organizational effectiveness. Among the organizational effectiveness, the fifth index had the highest effect (0.829) while the first index had the lowest effect (0.400) on the organizational effectiveness.

#### The second subsidiary hypothesis from second main hypothesis testing:

- $H_0$ : the managers' familial supports are not effective on organizational effectiveness
- $H_1$ : the managers' familial supports are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 12.849 on the managers' familial supports and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the managers' familial supports is effective on organizational effectiveness. Also, the path coefficient value for the two constructs managers' familial supports and organizational effectiveness is  $\beta = 0.616$ ,  $p < 0.01$  which is direct and positive (Fig. 8).

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.616. Thus, the interaction between the two variables shows a proper fitness.

Also, evaluating the model details, it can be concluded that among the indices of managers' familial supports, the second index had the highest effect (0.797) while the sixth index had the lowest effect (0.712) on the organizational effectiveness. Among the organizational effectiveness, the eighth index had the highest effect (0.821) while the first index had the lowest effect (0.518) on the organizational effectiveness.

#### The third subsidiary hypothesis from second main hypothesis testing:

- $H_0$ : the managers' solidarity are not effective on organizational effectiveness
- $H_1$ : the managers' solidarity are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 7.044 on the managers' solidarity and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the managers' solidarity is effective on organizational effectiveness. Also, the path coefficient value for the two constructs managers' solidarity and organizational effectiveness is  $\beta = 0.565$ ,  $p < 0.01$  which is direct and positive (Fig. 9). The results of structural

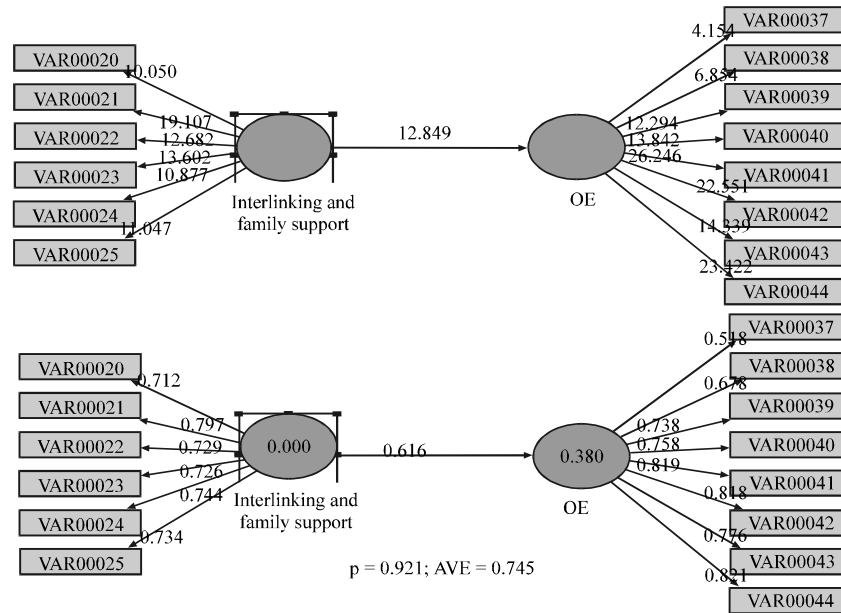


Fig. 8: The structural equations modelling results for the second subsidiary hypothesis form the second main hypothesis

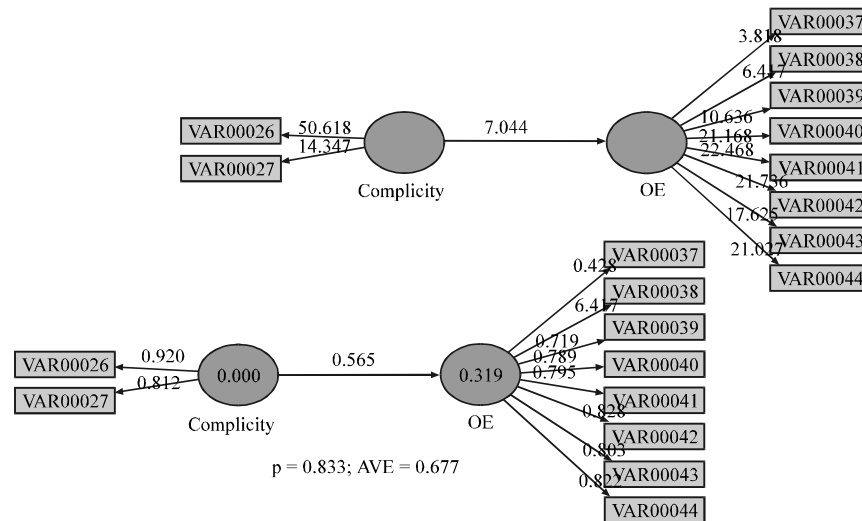


Fig. 9: The structural equations modelling results for the third subsidiary hypothesis form the second main hypothesis

equation modeling shows that the path coefficient value obtained is equal to 0.565. Thus, the interaction between the two variables shows a proper fitness.

Also, evaluating the model details, it can be concluded that among the indices of managers' solidarity, the first index had the highest effect (0.920) while the second index had the lowest effect (0.812) on the organizational effectiveness. Among the organizational effectiveness, the fifth index had the highest effect (0.828) while the first index had the lowest effect (0.488) on the organizational effectiveness.

#### The fourth subsidiary hypothesis from second main hypothesis testing:

- $H_0$ : the managers' interpersonal relations are not effective on organizational effectiveness
- $H_1$ : the managers' interpersonal relations are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 21.979 on the managers' interpersonal relations and organizational effectiveness constructs path

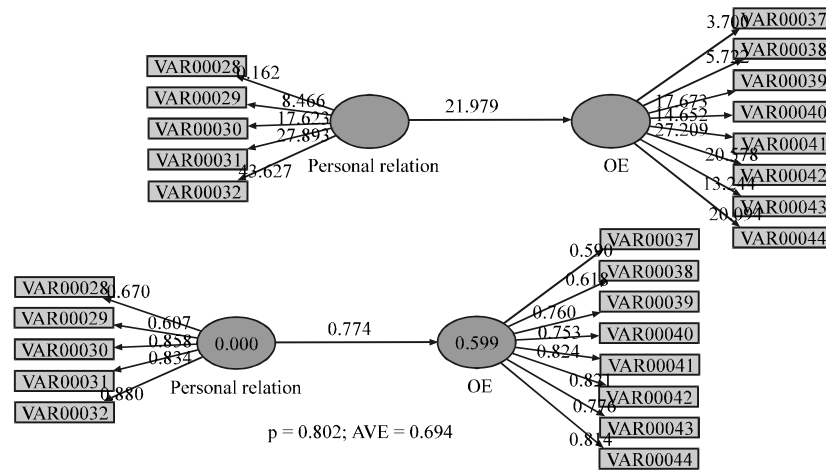


Fig. 10: The structural equations modelling results for the fourth subsidiary hypothesis form the second main hypothesis

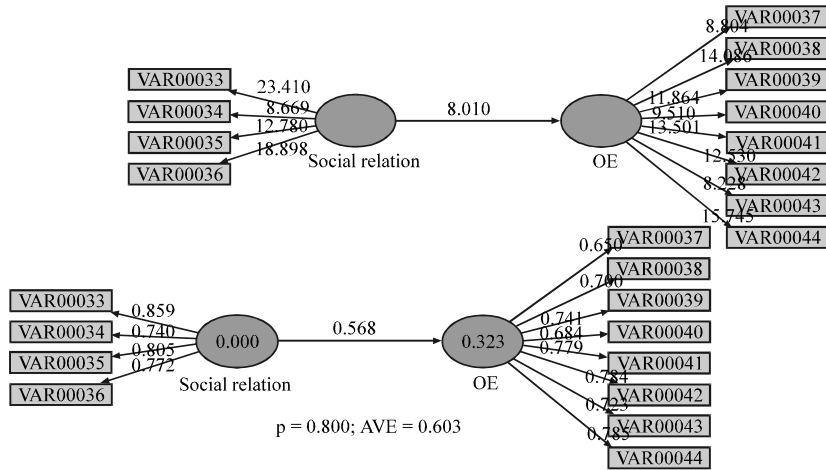


Fig. 11: The structural equations modelling results for the fifth subsidiary hypothesis form the second main hypothesis

being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the managers' interpersonal relations is effective on organizational effectiveness. Also, the path coefficient value for the two constructs managers' interpersonal relations and organizational effectiveness is  $\beta = 0.774$ ,  $p < 0.01$  which is direct and positive (Fig. 10).

The results of structural equation modeling shows that the path coefficient value obtained is equal to 0.774. Thus, the interaction between the two variables shows a proper fitness.

Also, evaluating the model details, it can be concluded that among the indices of managers' interpersonal relations, the fifth index had the highest effect (0.880) while the second index had the lowest effect (0.607) on the organizational effectiveness. Among the organizational effectiveness, the fifth index had the highest effect (0.824) while the first index had the lowest effect (0.500) on the organizational effectiveness.

#### The fifth subsidiary hypothesis from second main hypothesis testing:

- $H_0$ : the managers' social relations are not effective on organizational effectiveness
- $H_1$ : the managers' social relations are effective on organizational effectiveness

According to the path analysis model with standard coefficient and model significance and considering the t-value which is 8.010 on the managers' social relations and organizational effectiveness constructs path being higher than 2.576 it can be stated that with 99% significance level and error level of 0.01, the managers' social relations is effective on organizational effectiveness.

Also, the path coefficient value for the two constructs managers' social relations and organizational effectiveness is  $\beta = 0.568$ ,  $p < 0.01$  which is direct and positive (Fig. 11).



The constructional equations modelling results indicated that the path coefficient is 0.568. Also, the AVE value is 0.603 which is higher than the minimum needed value 0.5, thus, the model has a sufficient convergence and there is a proper fitness for interaction between the two variables.

Also, evaluating the model details, it can be concluded that among the indices of managers' social relations, the first index had the highest effect (0.859) while the second index had the lowest effect (0.740) on the organizational effectiveness. Among the organizational effectiveness, the sixth index had the highest effect (0.784) while the first index had the lowest effect (0.650) on the organizational effectiveness.

### CONCLUSION

The results of the study indicated that the human capital is effective on the organizational effectiveness. These results are in line with Felicio *et al.* (2014) results, Nahapit and Gowshal results, Bergenholtz and Waldstrom (2011) results, Zheng *et al.* (2010) results and Shirvani and Motlagh (2013) results.

Also, the results of the current study indicated that the managers' knowledge is effective on organizational effectiveness. These results are in line with Felicio *et al.* (2014) results, Nahapit and Gowshal results, Zheng *et al.* (2010) results and Shirvani and Motlagh (2013) results.

The results of the current study indicated that the managers' job experience is effective on organizational effectiveness. These results are in line with Leonard and Cinha results, Zheng *et al.* (2010) results and Shirvani and Motlagh (2013) results.

Also, the results of the current study indicated that the managers' professional skills are effective on the organizational effectiveness. These results are in line with Soltani results, Zheng *et al.* (2010) results, Lena and Pill results and Shirvani and Motlagh (2013) results.

Also, the results of the current study indicated that the managers' cognitive skills are effective on the organizational effectiveness. These results are in line with Soltani results, Zheng *et al.* (2010) results and Kotamaki results.

The results of the current study indicated that the social capital is effective on organizational effectiveness. These results are in line with Leonard and Cinha results, Zheng *et al.* (2010) results and Felicio *et al.* (2014) results. The results of the current study indicated that the

managers' position is effective on organizational effectiveness. These results are in line with Cinha results, Zheng *et al.* (2010) results, Felicio *et al.* (2014) results, Lena and Pill results and Shirvani and Motlagh (2013) results.

The results of the current study indicated that the managers' familial supports is effective on organizational effectiveness. These results are in line with Taschman results, Leonard and Cinha results, Zheng *et al.* (2010) results and Lena and Pill results.

The results of the current study indicated that the managers' solidarity is effective on organizational effectiveness. These results are in line with Taschman results, Leonard and Cinha results, Soltani results and Shirvani and Motlagh (2013) results.

The results of the current study indicated that the managers' interpersonal relations are effective on organizational effectiveness. These results are in line with Lena and Pill results, Hanssen results and Shirvani and Motlagh (2013) results.

Also, the results of the current study indicated that the managers' social relations are effective on organizational effectiveness. These results are in line with Soltani results, Zheng *et al.* (2010) results, Kotamaki results and Shirvani and Motlagh (2013) results.

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