

The Human Capital: Leadership, Work Force Optimization Methods

Dr. Masoud Poorkiani¹, Nasrin Pirmoradi^{*2}

¹Member of scientific board, Management Department, Islamic AZAD University, Kerman Branch, Kerman, Iran

²Student of governmental management, PhD degree, Islamic Azad University, Kerman Branch, Kerman, Iran

ABSTRACT

The aim of this study is to investigate the relationship between the use of human capital with two factors of leadership and work force optimization in governmental institutions in Kerman city. The study population consisted of 1915 people that are proportional to size sampling method using Cochran formula the number of samples was 322 people. The instrument used to collect data was questionnaire. The present study investigated the nature and goals of descriptive research with correlation method. The research hypotheses were analyzed using statistical methods, regression and Spearman and Pearson correlation coefficients. Results indicate that there was a significant relationship between the use of human capital with the components of workforce optimization and leadership methods. The relationship between these two components and the variable use of human capital is direct.

KEYWORDS: human capital, leadership, human capital management, workforce optimization

1. INTRODUCTION

Employees are our most valuable asset. This claim made repeatedly by leaders and managers. However, it looks like a low content motto. The leaders talk about the importance of their employees, how ever in spite of humanity expenses they are seeking short-term interest. Capital has always been an important issue in developmental discussions. Although for many years physical capital was considered as the only factor in the development, but by revealing the role of human resources in development, another kind of capital that is human capital, gradually found its place among analysis and planning of development. (sakaropolos & woodhall, 1994:4). Human capital management and considering the intangible assets has taken into consideration by pre-eminent organizations, in practice it becomes the factor of success and efficiency. In developed countries, the share of human capital in companies is 70% but in Iran the rate is only 34%. (Abolalaei, 2007: 4)

Intangible assets are treated as a knowledge that exists in an organization and produces distinct advantage. The intangible assets will become profitable when can be managed efficiently. Human capital management is a kind of strategy that its usage is essential for analysis, evaluation and the way how to measure the value added in the organizations through policies and acts of human resources. This strategy is to identify and determine the value of capable human resources which provide for the organizations. (Armstrong & Baron, 2008:3)

We need human capital to think and innovate. Nowadays, the ideal employees are those who innovate, make ideas, share knowledge, speculate and experiment. So, an important part of the job description of a knowledge-based employees will be the concepts of creation, application, transmission and commercialization of knowledge. Economics gives the real meaning to the slogan that "Employees are our most valuable asset". Nowadays the duty of the leadership of an organization is to provide an environment for mind management of the staff, cause if human capital is not used by the organization, their knowledge and skills neither can be activated nor can be commercially viable. Human capital as a source of innovation and strategic renewal is important. This caused the organizations to rely on their staff's knowledge and skills to make revenues, to improve efficiency and productivity. The more organizations behave intelligently the more they give importance to the thoughtful staff (shahrokni, 2006: 8).

Given that today's organizations to keep pace with globalization, development and effectiveness in the world of competition Faced with structural barriers and variety of contents, it

***Corresponding Author:** Nasran Pirmoradi, Student of governmental management, PhD degree, Islamic Azad University, Kerman Branch, Kerman, Iran. Email: Nasrinpirmoradi@yahoo.com

is possible to have comprehensive look and realistic analysis of the programs and actions taken , threats and opportunities ,constraints with development of concept of management and focus on the human factor .So particularly in the governmental institutions paying attention to the features and capabilities of employees ,the value of human capital and staff innovation is very important. Meanwhile using the results of this study is essential for those organizations that are sensitive to maintain and expand their positions in the competitive world. Nowadays human capital is highly considered by organizations, they found that being in the battle of competitions and different with others.

Needs to employ, educate, train and maintain personnel with outstanding talents. If the human capital has not been used by the organizations, their knowledge and skills couldn't be activated. So the duty of the leadership of an organization is to create an environment for the mind of its staff. The leading organizations found it precious to long term investment on human capital to evaluate human capital management, predict organizational performance and help organizations to individual investment. Proper management of capital human by providing a safe work environment, through timely notification to employees makes them to be more loyal and committed. As a matter of fact there are some organizations that pay attention to staff investments. However taking this into consideration is vital especially for the governmental organizations which provide essential needs for the society. According to the above statements, the present study is seeking to answer this question if there is a significant relationship between the use of human capital and leadership practices in governmental organizations in the city of Kerman? Or, if there is a relationship between the use of human capital and employees optimizations in governmental organizations in the city of Kerman?

Literature and Theoretical Investigation

The phrase human capital comes from Shultz (1961) posts. He was an economist who proved that in USA the turnover on investment in human capital through education and training will be more than that of investment in physical capital. He says follows: "all human capabilities can be intrinsic or acquired. The valuable personal traits and can be attained through investment in the field of human capitals, is of great importance. By investing in these cases people can make more available choices.

The idea of investing in human capital was developed for the first time by Adam Smith (1776).In his book "the wealth of nations "he expressed the differences between the different methods in different levels of educational performances which could reflect the differences between the cost of providing the performance and the way of gaining the skills.(Baron and Armstrong , 2008: 4).

Historical roots of human capital theory dated back to before the 1960s.In 1959 Higgins expressed that noneconomic factors were more important than economic factors and physical capital formation. Two years later, in 1961, Singer at the conference in Addis Ababa said:" the main issue in the development is not wealth creation but the capacity to create wealth, and this is nothing but the capacity of human resources", (Khoshalhan and Ismaeil poor, 2004: 58).

Thus, the topic of human capital comes from the areas of economics to the management science. Thus, the theory of investment tools and concepts developed by Fisher found that men were used as a capital. Human capital theory was developed in the 1960s more rapidly, and used to express individual differences and explain the reasons for the continued growth and development of nations and regions, so that the range of developments of communities is largely determined the quality and quantity of human capital (Mohammadzade, 2010:3)

Human assets of an organization, includes skills, expertise, problem-solving ability and leadership styles (Brooking, 1996)

Human capital of an organization includes stored knowledge of its members which involves competencies and attitudes of employees (Bontis and others, 2000: 85).

Based on factors such as human capital, intellectual capital refers to the knowledge, skills, abilities and attitudes that employees .The result is improved performance and profits for the company (Chen et al,2004:95).

Human capital has got a kind of potential which can also change and alter it and other inputs. Human capital refers to the knowledge, training, job qualifications and psychometric assessments (Karthik and Basak, 2006: 382).

The concept of human capital is not a substitute for knowledge and learning, creativity, innovation, competence and capability.

Considering the competitive logic, human capital focuses on the use of these agents in the environment (Rastogi, 2000: 198).

Vision of human capital provides a certain and measurable definition of success. Strategic elements are those plans which describe to us how we can achieve that vision. Achieving this vision needs excellence in the four components (table1). If all four elements are well implemented, it is likely that your organization will find sustainable competitive advantage through employees. The first three elements of the strategy are the key roles, roles that are important for the satisfaction of our customers and shareholders. The fourth element enables the first three elements.

Table (1). The four strategic elements of human capital
(Hall, translated Rahmanpour and Kazeminejad, 2010: 80).

Strategic elements	reason
Effective team managers	Team managers must constantly improve the created values for the organization
Leaders who achieve results	Leaders must take all measures to achieve business plans and to work together in harmony; also they need to strengthen the institutional capacity to achieve high performance.
Excellence in the principal role	Performance of non-managerial employees and their role is more important for customers and shareholders should be better than their counterparts in competing companies.
Human performance	Organization must create a structure, system and culture to boost performance. High performance means higher productivity and higher cost structure other than competitors

-Effective team of senior managers

An important question which will be asked about the first major role (team of senior managers) is whether the team of senior managers has been worked this year more effective than last year. Team of senior managers may include senior team of the company, teams of business unit, teams across the region or country and leadership teams. The ultimate vision and the business strategies are defined by senior management who spend enough time and money to ensure the realization of business. Senior management team as well as the development of human capital improvement program requires a comprehensive, integrated, and are analogous (Hull, translated Rahmanpour and kazeminejad, 2010: 80).

- Leaders who achieve results

One of the most important decisions that any company might have to take is selection of Managing Director at any level (general manager) started moving from top to bottom, great leaders make strategic, choose leadership teams and organizations make choices consistent with the strategy and directions.

- Prominence in key positions

The main question that arises here is whether employees who have key positions than their counterparts in competing organizations work better or not. Up to now, the system has gone forward by programs and policies of the people, programs and policies that have been extended to all staff. It seems fair to invest in all roles, but not good for business. For customers and shareholders some roles are more important than others. For some roles that are of most importance there must be an investment something more than industry standards. Also for the mid-level or lower-level standards must be invested below the standards or should be outsourced. The educational investment should be also different (Hall, translated Rahmanpour and Kazeminejad, 2010: 82).

- The human resources function

The main question that arises here is compared to last year whether human performance is improved this year? The main role will not be developed, unless the organization transparent strategy and organizational capabilities be made. Strategic component of the labor force in the first step of the project is to improve the human capital. As long as it's not consistent with the strategy

of the organization, we can not identify the main roles. We need a simple and attractive vision, aligned with corporate strategy, culture, process evaluation and reward for good performance (Hall, translated by Rahmanpour and Kazeminejad, 2010: 83).

The ways of leadership: one of the incentives of human capital management is management practices. This stimulus is composed of the following components:

- Communications: managers communicate with others freely and effectively.
- comprehensive: Manager cooperates with the staff and asks their comments.
- Supervision skills: managers overcome problems to make the feedback and boost staff confidence.
- Management skills: senior managers overcome the obstacles, give feedback and boost employee's confidence.
- Systems

Workforce optimization: one of the incentives of human capital management is workforce optimization which is composed of the following components:

- Processes: business processes are well defined and training is helpful.
- Conditions: working conditions defend the above performance.
- Accountability: High performance is expected and rewarded.
- Employment: employed persons selected based on their skills and spend a period to get familiar with the situation.
- Systems: Performance management systems are effective (Basi and Mc Murer, 2007: 33).

Several factors led to the optimization of human resources including:

- 1- The competitive environment, the most important factor for the optimization of human resources in organizations that engage in the activity. To survive in a competitive environment, organizations are compelled to try a variety of optimization sources which are provided, and the optimization of human resources as the key and the main source of business are of importance. If it happens gradually becomes an empowering force.
- 2- Education and training system: Another factor that affects the empowerment of manpower is education and training system. In an Effective training system with promoting business and interpersonal skills of the workforce. If the educational system is not effective and with the needs of time and business practice, in comparison with other countries with most favorable conditions; efforts to empower the workforce will fail.
- 3- Environmental conditions and Motivational Systems: Is another factor that affects the empowerment of human resources and policies (www.rvsri.ir).

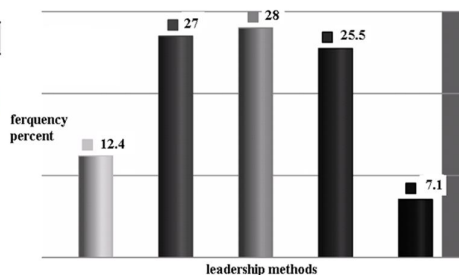
Findings:

-describe the changing styles of leadership

Review of 322 patients, 40 patients (12/4%) in the completely opposite styles of Leadership, 87 (27/0%) disagreed, 90 (28/0%) No comment, 82 (25/5 percent) agreed and 23 cases (7/1%) fully agreed. Frequency results are given in Table (2) and Figure (1).

Table (2) Frequency distribution of leadership methods

percent	Frequency	Choices	Variable
12/4	40	Complete disagree	Methods of leadership
27/0	87	disagree	
28/0	90	Without view	
25/5	82	agree	
7/1	23	Complete agree	
100/0	322	Total	



- Describe the changing workforce optimization

Review of 322 patients, 13 patients (4/0%) strongly disagree with workforce optimization, 89 (27/6 percent) disagreed, 100 (31/1 percent) without consideration, 103 patients (32/0%) agree and 17 (5/3 percent) agreed. Frequency results are given in Table (3) and diagram (2).

Table (3) Frequency distribution of work force optimization

Percent	Frequency	Choices	Variable
4/0	13	Complete disagree	work force optimization
27/6	89	disagree	
31/1	100	Without view	
32/0	103	agree	
5/3	17	Complete agree	
100/0	322	Total	

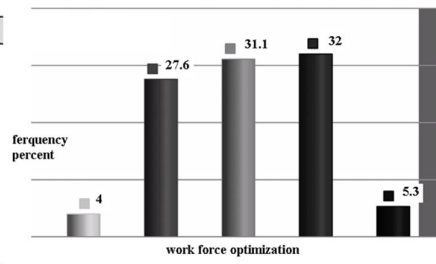


Chart (2) Frequency distribution of work force optimization

- The first question: there is a relationship between the extent of utilization of human capital and leadership practices in government agencies in Kerman.

To investigate the relationship between the use human capital and employment practices of the leadership the Spearman correlation coefficient was used (quantitative variables). The test results shown in Table 4 below.

Pearson and Spearman correlation test results show that there is a significant relationship between the utilization rate of human capital and leadership styles, ($0.01/0 > P, 702/0$ and $686/0 = r$). The relationship between these two variables is direct. Regarding the scatter diagram in figure (3), this case is confirmable.

-Second question: there is a relationship between the use of human capital and workforce optimization, government agencies Kerman.

To investigate the relationship between human capitals and optimize the use of labor the Spearman and Pearson correlation coefficient was used (quantitative variables). The test results shown in Table 5 below.

Pearson and Spearman correlation test results show that there is a significant relationship between the use of human capital and workforce optimization, ($P < 0/001, 0/768$ and $r = 0/779$).

The relationship between these two variables is direct. This is confirmable through the plot in Figure (4).

DISCUSSION

Today, organizations attain their sustainable value through the use of intangible assets such as human capital, databases, information capital and organizational capital are created and maintained. Undoubtedly sustainable strategic advantage will be that of organizations which absorb, maintain the best and brightest talents of the human better than others in the market. It is believed that human capital meets the strategic needs of an organization (Soliman and Spooner, 2003). Today, qualified personnel are considered as assets of the organization. These funds are a double-edged sword, if not managed properly, can become the greatest threat to an organization (Javanmard and Mohammadian, 2010: 2).

Intelligence organization, regarded employees as major institutional invests, and they believe that their behavior should be different from the past. Today, many countries emphasized on the importance of investment in human capital. Human investments and improving the quality of workforce is an essential way of improving productivity and accelerating development of organizations (Shafieh, 2010: 3).

1 - Results of the study shown that there is a significant relationship between the use of human capital and leadership practices. This hypothesis will be confirmed, because senior managers are honest in their communications, ask about the staff opinions, remove barriers of work and provide constructive feedback.

If the human capitals were correctly managed by providing opportunities to progress, sustainable incentives, employee participation in decision-making environment and timely information to staff teamwork, they will be loyal and committed. (Soltani, 2007: 2).

Leaders of successful organizations, spend 50 percent of their time to the evaluation, selection and development of human capital in their organizations (Ansari, 2005: 83)

Based on the intelligent –based vision human capital management, management of work at all levels of management to develop the intelligent employees. So the manager should continuously seek to identify intelligence of his staff and try to appoint them in a position that their intelligence will path to wisdom which at last transformed to potential (Javanmard and Mohammadian, 2010: 2).

2 - Results of the study indicated that, there is a significant relationship between the application of human capital and workforce optimization. Given that there are certain processes to do a job and working conditions of employees is in a way that helps the good functioning .So employees are responsive for doing their job well that is a criterion for their promotions and the selection is based on skill requirements. Thus our hypothesis is confirmed. Optimization of human resources in organizations is related to education and promotion of human activities .In the modern concept of human resource, human resource optimization causes employees to equipped with qualities that did not have any problems with the organization, and put their commitment and sympathy, energy, and specialty in order to fulfill their thought to the organizational mission, and constantly produce a new quality values and ideas. Basis for the optimization of human resource is the use of efficient mechanism based on training, equipping productive forces and creating a set of social and economic resources (Kargar, 2009: 73).

Research recommendations:

- To strengthen the leadership practices:
 - Using the approach "relationship management" by leading governmental organizations demonstrate the importance of open and honest communication of the leader with others that makes identifying organizational talent . It is a key factor in maintaining the organization's human capital.
 - Using the "management of meaning" for proper identification and description of the organizational talents to the employees.
 - Applying the techniques of trust and approach of "trust-based" management" which provides the incidence of social capital in governmental organizations; thus it causes human capital management act actually.
 - Using the approach "transformational leadership" which contains the features like inspiration to attract skilled human capital.
 - using the approach "transformational leaders"(shifting) by means of Values and ethics; paying attention to long-term perspectives for the optimum use of human capital(while respecting the ethical codes).
 - Using the method of "team leader" with features such as: distinguishing defects of the teams, predicting environmental changes, preventive actions in response to changes in practice, which helps to attract skilled human capital.
 - Using the approach of "cultural leadership" of human capital in order to use all non-sentimental attitudes toward employees at various levels of the organization.
 - Applying the approach of "outstanding leadership" which has some advantages, including leaders serve as a teacher and coach instead of leadership style and subordinate chief
 - Using a kind of visionary leader with the approach of "strategic management" to predict future environmental events.
 - Approach "leading concept maker" as new innovations in governmental organizations rather than autocratic leadership approach
 - Using new methods of leadership, including: a) the "mental illustration of the mission of the organization, b) developing of potential talent of employees, c) enabling the staff with up to date courses , D) energizing with different motivations."

To strengthen workforce optimization:

- Implementing Total Quality Management TQM »and audit based on EFQM model
- The establishment of the "meritocracy" in order to avoid convergence between policy and practice
- Applying the principle of "training a substitute" using the techniques of job enrichment, job rotation and promotion of employees based on their competence
- Making changes in ' education system based on the continuance of work, job management, and revision of laws and employment regulations
- Optimization of work processes and methods, clarifying and specifying the workflow and information, documentation of working methods, and simplification.
- "Identifying strategic businesses' with strategic management approach to focus on them in order to achieve greater success
- "Creating competency profiles" in order to acquire knowledge, skills, and value required for organizational success in every single post.

- "Human capital development programs" and use the strategy map in order to create program for workforce optimization.

REFERENCES

- 1 – Abol-alaei, Behzad., (2007), the share of human capital in Iranian companies, specialized IT web site.
- 2 - Ansari, Mohammed Ismail, (2005), increasing the return on human capital management, Tadbir magazine, Sixteenth Years, No. 161.
- 3 - Baron, Angela, Armstrong, Michael, (2008), human capital management (creation of value through employees), translated by Hamid Karimi, Mohammad Reza phalsafi nejad, first publishing, publishing white pencil.
- 4- Basi, Lowry, Macmor Daniel, (2007), human capital efficiency maximization, translated by M. Sharifian Thani, selection Management Journal, Year VIII, No. 71.
- 5- javanmard, Habibullah, Mohammadian, and F., (2010), Determination of the effective factors in measuring human capital, the second International Conference on Intellectual Capital management, Human Resource Management Journal, Second Year, No. 1.
- 6- Chitsazian, AliReza, (2006), knowledge management and human capital, management Journal, No. 177, pp. 33-29.
- 7- Khoshalhan, F., Ismail poor, Abedin, (2004), capital productivity (concepts, measurement analysis), first edition, Tehran: Publications Ahar.
- 8 -Dad, Soheila, to make employees capable, www.rvsri.ir.
- 9 - Sakharopolos, George, woodhall, Maureen, (1994), Education for development: an analysis of investment choices, translated Pridokht Vahidi and H. Sohrabi, Second Edition, published by the PBO.
- 10- Soltani, I., (2007), growth and maturation of human capital management, www.civilica.com.
- 11- Shahrokny, S. Habib, (2006), human capital management, treatment, publication Taravat.
- 12- Shafieh, M., (2010), to assess the maturity level of human capital management in public sector organizations Isfahan; beyond Management Journal, No. 15
- 13- Kargar, G., (2009), Optimization of human resources strategy for sustainable development: analysis of risk factors and strategies for human development bimonthly police, sixth year, and No. 27.
- 14 – Mohammazadeh, Z., (2010), Human Capital: Concepts and Models, Second International Conference on Intellectual Capital Management, www.civilica.com.
- 15 - Hull, Bradley (2010), human capital strategy, a new approach to value creation in business, translated by F. Kazemi, Luqman Rahmanpour, publication:Andishehaye Gohrbar .
- 16- Bontis, N., Keow, W. C. C. and Richardson, S. (2000), "Intellectual Capital and Business Performance in Malaysian Industries", Journal of Intellectual Capital, Vol. 1, No. 1, pp. 85-100.
- 17- Brooking, A. (1996), "Intellectual Capital", London: International Thompson Business Press.
- 18- Chen, J. , Zhu, Z. and Xie , H. Y. (2004), " Measuring Intellectual Capital: A New Model and Empirical Study", Journal of Intellectual Capital, 5(1), pp. 95-212.
- 19- Karthik, N. and Basak, D. (2006), "Human Capital in Service Organizations:" Identifying Value Drivers, pp. 381-393.
- 20- Rastogi, P. N. (2000), "Sustaining Enterprise Competitiveness-is Human Capital the Answer?" Human System Management, pp. 193-203.
- 21- Soliman, F. and Spooner, K. (2003), "Implementing Knowledge Management:" Role of Human Resources Management.