

## An Investigation of Relationship between Management of Intellectual Capitals and Organizational Agility in Administrative Justice Court

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### ABSTRACT

The present research investigates relationship between management of intellectual capitals and organizational agility in Administrative Justice Court. This is an applied correlation study which was conducted in 2015. Employees out of employees of Administrative Justice Court were selected by means of simple random sampling. Bontis's intellectual capital management questionnaire (1998) and a researcher-made questionnaire for organizational agility was used for gathering data. data were analyzed by means of SPSS software. Cronbach's alpha test, Kolmogorov-Smirnov test and Pearson correlation test, independent t test and variance analysis were used for data investigation. Relationship between management of intellectual capital and organizational agility was clarified using correlation test. The results showed that there is a significant relationship between management of intellectual capital (human capital, structural capital and communicational capital) and organizational agility in Administrative Justice Court.

**KEYWORDS:** management of intellectual capital, organizational agility, Administrative Justice Court

### INTRODUCTION

Today, industrial conditions have been changed a lot in comparison to the past, especially in areas like technology, market conditions and customer demands and organizations have been confronted with new challenges like segmentation of dynamic markets, reduction in the time for reaching market, increasing product diversity, production for special customers, reduction in product lifecycle, globalization of production and some scholars consider adaptability with environmental conditions as a key factor for future success. They believe that an organization should integrate and unite managerial, organizational and technological viewpoints. In this era, competitive price and high quality are necessary but they are not decisive factors for commercial success and factors like market reaching speed and rapid response to customer are important. Therefore, speed and agility are now more important and have taken place of competitive priorities. Agility is successful identification of competition fundamentals (speed, flexibility, innovation, quality and profitability), integration of resources and appropriate actions in knowledge environment and provision of products and customer-oriented services (Shoebzadeh, 2007). Need for agility is based on increasing change rate in an environment which makes organizations to take proactive actions towards changes. Market and customers want inexpensive products which are consistent with their taste and they have quick access to them (Goldman and Najel, 1993). The word agile describes speed and power of responding when confronting with internal and external events. An agile organization has been designed in a way that it can understand and predict business environment changes. Intellectual capital is an important factor in promotion of organizational agility. As a knowledge-based capital, intellectual capital has received a lot of attention. Although the importance of intellectual capital is increasing but most organizations have been confronted with many problems due to ignorance of the impact of their intellectual capitals because presence of intellectual capital has become has remained covered due to its nature (Madinis et al, 2011). Studies showed that production of super products is not the only source for economic value but it is differentiated intellectual capital that counts (Cheng et al, 2010). Intellectual capital not only refers to contents of employees' minds but also deals with their intangible and surrounding complex structures which are ways for organizational affairs (Fazlagic, 2005). In other words, intellectual capital refers to a combination of intangible activities and resources which allow an organization to create value from material, financial and human resources (European Commission, 2006). Considering the above discussion and absence of theoretical studies in the field of intellectual capital and organizational agility in Iranian Administrative Justice Court and also absence of these subjects in organizational management and absence of studies in the field of relationship between management of intellectual capital and organizational agility, this study tries to answer this question: whether management of intellectual capital results in agility in Administrative Justice Court or not?

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## THEORETICAL FRAMEWORK

### Intellectual capital

Since 1990, intellectual capital has received a lot of attention (Cheng et al, 2010). In fact, this attention is the reflection of importance of intangible organizational values and assets (Cheng et al, 2010; and Roos, 2005). In other words, it seems that intangible resources play more important roles in market value in today's economy. While tangible resources are transacted in free market and can be copied easily by competitors, intangible resources cannot be copied easily by competitors. Consequently, intangible resources are assumed to be main resources of competitive advantage (AMini, 2008). Knowledge and its intangible elements not only stimulate businesses but also are considered as a part of total of production of companies (Jafari and Akhavan, 2006). Therefore, it can be said that intellectual capital is a multidisciplinary concept and has many perceptions and understandings in business branches (Huang et al, 2007). Regarding our knowledge about intellectual capital, there is little unanimity. Although intellectual capitals were formerly unknown but they are playing roles in economic, managerial, technological and social development process (Anvari Rostami and Seraji, 2005, 51). Therefore, many definitions have been presented for intellectual capital. Within the past few years, many groups of different fields of study have tried to present a standard definition for intellectual capital (Nazari & Herremans, 2007). Intellectual capital contains all processes and assets which are not traditionally and commonly mentioned in balance sheet. It also embraces those intangible assets like brands, marks and licenses which are considered by modern accounting methods (Roos, 2005). From commentators' viewpoints, intellectual capital is divided into three parts: human capital, structural capital and customer capital. These are investigated in the following sentences (Ramirez, 2007):

**Human capital:** human capital is considered as the base of intellectual capital and basic element in implementation of tasks. Human capital refers to human capabilities, skills and expertise (Malcolm, 2002). The main human capital elements include: professional and specialized competency of key employees, education, expertise, the number of individuals with advance related background and exact distribution of responsibilities regarding customers (Rodov & Leliaert, 2002).

**Structural capital:** structural capital deals with mechanism and structure of a commercial unit and can help employees with optimal intellectual performance and the organization will be able to improve its performance. In other words, structural capital is a knowledge which remains in an organization at the end of a working day, belongs to the whole organization and can be reproduced and shared with others (Mouritsen et al, 2001).

**Customer capital:** communicational or customer capital includes extra-organizational dependencies like customers' loyalty, fame, and relations with its resources suppliers. This is defined by value received by customers from doing transaction with the organization (Malcolm, 2002). That is to say, customer capital is considered as a bridge and organizer for intellectual capital operations and is a determining factor in conversion of intellectual capital into market value (Cheng et al, 2010). In general, it can be said that intellectual capital is the representation of intangible assets which are known as knowledge assets. These assets are different from physical assets like properties, machinery and equipment or inventory and financial assets like receivables, investments and cash. These are key resources in competitive strategies (Sudarsanam, 2006). That is to say, intellectual capital is important in productivity, growth, commercial competition, performance, economics and innovation (Lim and Dalimore, 2004).

### Agility

Agility refers to ability to produce and sell a wide range of products with low cost, high quality, short delay times and diversity of sizes which produces value for many different customers via mass customer demands (Lau and Wong, 2001). Agility looks for success and profitability in achieving market share and acquisition of customers in competitive markets and many companies fear from entering such markets because these are complex markets. There is no end for agility and any ultimate agile company or individual. Agility pays attention to personnel and organization performance, product and service value and persistent change in opportunities resulted from customer attraction and require permanent preparedness for confronting with fundamental and superficial changes and agile companies are always ready for learning things which are new and increase profitability (Sharifi and Zhang, 1999). According to definitions, an agile organization is one which can be explained in four dimensions:

- Pricing strategy based on customers' needs
- Cooperation in a way that increases competition.
- Investments which make information and individuals impacts like leverage.
- Organizational domination over changes and uncertainty (Atkinson, 2005).

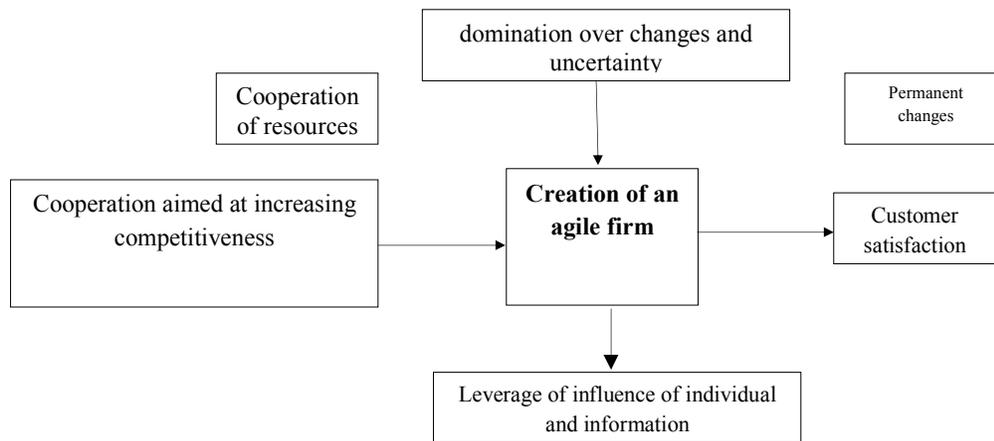


Figure 1. four dimensions of organizational agility (Atkinson, 2005)

Agility is in fact a basic ability which allows an organization to feel, receive, consider, analyze and predict changes in a commercial environment. An agile producer is therefore an organization which has a wide viewpoint about new discipline of commerce world and turns against a few abilities and capabilities. Agility is an organization's ability to conserve and progress in a competitive environment in which change is persistent and unpredictable and it is a rapid response to rapid changes in markets which are resulted from putting values on products and services by customers and is the ability to form operation, process and commercial relations effectively while it performs simultaneously in an environment with persistent changes. Agility is an important business competency which includes organizational structures, information systems, support processes and collection of thoughts (Richards, 1996).

### RESEARCH METHODOLOGY

This study is a descriptive correlation study. In terms of goal, it is an applied research. Descriptive and inferential statistical methods were used for data analysis. In descriptive analysis, we used frequency table, mean and standard deviation and in inferential statistics, Kolmogorov-Smearnov test was used for investigation of normality of distribution of variables as well as Pearson correlation coefficient, independent T test and ANOVA. Statistical population is all elements and individuals which have several common features in a particular geographical scale (global, regional, local, and spatial) (Hafiznia, 2008, 143). Because this study was conducted in Administrative Justice Court, statistical population included all employees of Administrative Justice Court. Because population size was 210 people, we used Cochran's formula for calculation of sample size:

$$n = \frac{N \times (Z \frac{\alpha}{\gamma})^2 \times p \times q}{\epsilon^2(N-1) + (Z \frac{\alpha}{\gamma})^2 \times p \times q} = \frac{210 \times (1/96)^2 \times 0.5 \times 0.5}{(0.05)^2 \times (210) + (1/96)^2 \times 0.5 \times 0.5} \cong 132$$

Therefore, sample size is equal to 132. Sample members were selected by means of simple random sampling. Data were gathered via two methods. In library method, data were gathered by studying books, reports, papers and theses in scientific references. Further, field method was used for gathering data from sample members. Cronbach's alpha was used for investigation of reliability. Alpha coefficients for intellectual capital management and organizational agility were equal to 0.827 and 0.918. these indicate that the questionnaires were reliable enough to be distributed among respondents.

#### Data analysis

After data were gathered, extracted and classified, we go to data analysis. Data analysis is conducted for investigation of validity of hypotheses. In this section, raw data are gathered and analyzed and then provided for users.

#### Descriptive statistics

In this section, we summarize demographic data within the framework of frequency and frequency percentage.

Table 1. summary of the results of demographic variables

variable	dimensions	frequency	Frequency percentage
gender	female	47	35.6
	male	85	64.4
age	Below 29	22	16.7
	30-39	77	58.3
	40-49	28	21.2
	50 and above	5	3.8
education	High school and below	4	3
	Associate's degree	7	5.3
	bachelor	76	57.6
	Master degree	44	33.3
experience	Below 5 years	27	20.5
	6-10	55	41.7
	11-15	29	22
	16-20	8	6.1
	20 and above	13	9.8

**Inferential statistics**

Normality of questionnaires of intellectual capital management and organizational agility

Kolmogrov-Smearov test is used for measuring goodness of fit against normal distribution. In here, we use K-S test for making sure of normality of data.

H0: data distribution is normal.

H1: data distribution is not normal.

Table 2. the results of Kolmogrov-Smearov test for intellectual capital management and organizational agility dimensions

	Intellectual capital management	Organizational agility	Human capital	Structural capital	Customer capital
number	132	132	132	132	132
mean	121.6136	75.2424	42.6515	37.4621	41.5000
SD	16.87794	16.12126	6.60440	5.09364	7.81318
Kolmogrov test	0.668.	0.586	0.686	0.813	0.962
p-value	0.764	0.882	0.734	0.523	0.313

In Kolmogrov test, if P-Value is greater than 0.05, H0 is not rejected and data distribution is normal and parametric statistical techniques and methods can be used. As it can be seen, all P-Value values are greater than 0.05. This shows normality of data distribution.

Analysis of research hypotheses using Pearson correlation

Main hypothesis: there is a relationship between management of intellectual capital and organizational agility in Administrative Justice Court.

H0: there is no relationship between management of intellectual capital and organizational agility in Administrative Justice Court.

H1: there is a relationship between management of intellectual capital and organizational agility in Administrative Justice Court.

Table 3. correlation between management of intellectual capital and organizational agility

		<b>Intellectual capital management</b>	<b>Organizational agility</b>
<b>Pearson correlation coefficient</b>	<b>Intellectual capital management</b>	1	0.595
	<b>Organizational agility</b>	0.595	1
<b>p-value Sig. (2-tailed)</b>	<b>Intellectual capital management</b>		0.000
	<b>Organizational agility</b>	0.000	
<b>number</b>	<b>Intellectual capital management</b>	132	132
	<b>Organizational agility</b>	132	132

Since significance level is smaller than 0.05, H0 is rejected and H1 is accepted and there is a correlation between these two variables.

Hypothesis 1: there is a relationship between human capital and organizational agility in Administrative Justice Court.

H0: there is not a relationship between human capital and organizational agility in Administrative Justice Court.

H1: there is a relationship between human capital and organizational agility in Administrative Justice Court.

Table 4. correlation between human capital and organizational agility

		<b>Intellectual capital management</b>	<b>Organizational agility</b>
<b>Pearson correlation coefficient</b>	<b>Intellectual capital management</b>	1	0.557
	<b>Organizational agility</b>	0.557	1
<b>p-value Sig. (2-tailed)</b>	<b>Intellectual capital management</b>		0.000
	<b>Organizational agility</b>	0.000	
<b>number</b>	<b>Intellectual capital management</b>	<b>132</b>	<b>132</b>
	<b>Organizational agility</b>	<b>132</b>	<b>132</b>

Since significance level is smaller than 0.05, H0 is rejected and H1 is accepted and there is a correlation between these two variables.

H2: there is a relationship between structural capital and organizational agility in Administrative Justice Court.

H0: there is not a relationship between structural capital and organizational agility in Administrative Justice Court.

H1: there is a relationship between structural capital and organizational agility in Administrative Justice Court.

Table 5. correlation between structural capital and organizational agility

		Intellectual capital management	Organizational agility
Pearson correlation coefficient	Intellectual capital management	1	0.367
	Organizational agility	0.367	1
p-value Sig. (2-tailed)	Intellectual capital management		0.000
	Organizational agility	0.000	
number	Intellectual capital management	132	132
	Organizational agility	132	132

Since significance level is smaller than 0.05, H0 is rejected and H1 is accepted and there is a correlation between the two variables.

H3: there is a relationship between customer capital and organizational agility in Administrative Justice Court.

H0: there is not a relationship between customer capital and organizational agility in Administrative Justice Court.

H1: there is a relationship between customer capital and organizational agility in Administrative Justice Court.

Table 6. correlation between customer capital and organizational agility

		Intellectual capital management	Organizational agility
Pearson correlation coefficient	Intellectual capital management	1	0.574
	Organizational agility	0.574	1
p-value Sig. (2-tailed)	Intellectual capital management		0.000
	Organizational agility	0.000	
number	Intellectual capital management	132	132
	Organizational agility	132	132

Since significance level is smaller than 0.05, H0 is rejected and H1 is accepted and there is a correlation between these two variables.

Investigation of the role of management of intellectual capital and organizational agility based o demographic variables

Investigation of the role of gender in management of intellectual capital and organizational agility

Considering the fact that gender is a qualitative variable (two-group) and management of intellectual capital and organizational agility are normal, we use independent T test for investigation of the impact of gender on these two variables.

H0 and H1 are as follows:

H0: there is no significant difference between women's ideas ( $\mu_1$ ) and men's ideas ( $\mu_2$ ).

H1: there is a significant difference between women's ideas ( $\mu_1$ ) and men's ideas ( $\mu_2$ ).

Table 7. independent t test for gender

		Levene test (equality of variances)		T test (equality of variances)						
		F	Sig.	T	Df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
<b>Intellectual capital management</b>	Equality of variances assumption	3.999	.048	.066	130	.947	.20350	3.07967	-5.88926	6.29627
	Inequality of variances assumption			.070	112.950	.944	.20350	2.89457	-5.53119	5.93820
<b>Organizational agility</b>	Equality of variances assumption	.338	.562	1.734	130	.085	5.04230	2.90822	-.71126	10.79587
	Inequality of variances assumption			1.806	106.806	.074	5.04230	2.79184	-.49231	10.57692

Significance level indicates that there is no significant difference between women's and men's ideas in 95% of certainty level in organizational agility variable (significance level of the variable is greater than 5%). However, significance level of intellectual capital variable is smaller than 5%. Therefore, it has been affected by gender of individuals.

Investigation of the role of different age groups in management of intellectual capital and organizational agility.

Table 8. the results of variance analysis between different age groups

		Sum of squares	df	Mean of squares	F	Sig.
<b>Management of intellectual capital</b>	Between groups	2289.898	3	763.299	2.789	.043
	Inside groups	35027.397	128	273.652		
	total	37317.295	131			
<b>Organizational agility</b>	Between groups	935.903	3	311.968	1.206	.310
	Inside groups	33110.339	128	258.675		
	total	34046.242	131			

Significance level shows that there is no significant difference between different age groups in organizational agility construct in (95%) certainty level (significance level of the variable is greater than 5%). Therefore, organizational agility is not affected by the age of individuals. However, sig is smaller than 5% for intellectual management variable, equality of means for people with different age groups is rejected and a significant difference is observed. Therefore, intellectual capital management has been influenced by individuals' age.

Investigation of the role of different academic groups in management of intellectual capital and organizational agility

Table 9. the results of variance analysis between different academic groups

		Sum of squares	df	Mean of squares	F	Sig.
<b>Management of intellectual capital</b>	Between groups	299.232	4	74.808	.257	.905
	Inside groups	37018.064	127	291.481		
	total	37317.295	131			
<b>Organizational agility</b>	Between groups	306.155	4	76.539	.288	.885
	Inside groups	33740.087	127	265.670		
	total	34046.242	131			

Significance level shows that there is no significant difference between different academic groups in (95%) certainty level (significance levels of both variables are greater than 5%). Therefore, neither intellectual capital management nor organizational agility has been affected by educational level.

Investigation of the role of working experience in management of intellectual capital and organizational agility.

Table 10. the results of variance analysis between different working experience groups

		Sum of squares	df	Mean of squares	F	Sig.
Management of intellectual capital	Between groups	1412.703	4	353.176	1.249	.294
	Inside groups	35904.593	127	282.713		
	total	37317.295	131			
Organizational agility	Between groups	991.256	4	247.814	.952	.436
	Inside groups	33054.986	127	260.275		
	total	34046.242	131			

Significance level shows that there is no significant difference between different working experience groups in (95%) certainty level (significance level for both variables is greater than 5%). Therefore, neither intellectual capital nor organizational agility are influenced by working experience.

### Conclusion and recommendations

This study aimed to investigate relationship between management of intellectual capital and organizational agility in Administrative Justice Court. Statistical population of the research included 210 employees of Administrative Justice Court and 132 people were selected as sample members by means of Cucheran's formula. Correlation test was used for investigation of hypotheses. The results are as follows:

Main hypothesis: significance level was 0.000 in the main hypothesis. The results showed that Sig. is smaller than 5% and there is a correlation between the two variables. Therefore, the main hypothesis was supported and there is a relationship between intellectual capital and organizational agility in Administrative Justice Court. This result is consistent with the results of studies conducted by Ravichandran (2007) and Shahani and Khaef Elahi (2010).

Hypothesis 1: significance level was considered to be equal to 0.000 in the first hypothesis. The results showed that sig is smaller than 5% and there is a correlation between these two variables. Therefore, hypothesis 1 is supported and there is a relationship between human capital and organizational agility in Administrative Justice Court. These results are consistent with the results of Mojtahedzadeh et al (2010).

Hypothesis 2: significance level was considered to be equal to 0.000 in the second hypothesis. The results showed that sig is smaller than 5% and there is a correlation between these two variables. therefore, hypothesis 2 is supported and there is a relationship between structural capital and organizational agility in Administrative Justice Court. These results are consistent with the results of Meditines et al (2011).

Hypothesis 3: significance level was considered to be equal to 0.000 in the third hypothesis. The results showed that sig is smaller than 5% and there is a correlation between these two variables. therefore, hypothesis 3 is supported and there is a relationship between customer capital and organizational agility in Administrative Justice Court. These results are consistent with the results of Ashena et al (2009).

The results support relationship between management of intellectual capital (human capital, structural capital and customer capital) and organizational agility in Administrative Justice Court in 2015.

First hypothesis test showed that there is a human capital and organizational agility. Correlation value between these two variables is equal to 0.557. Therefore, employees of Administrative Justice Court are advised to:

- Support group work;
- Use of new trained employees instead of those who leave the organization;
- Develop and maintain internal relations between different groups;
- Support necessity of employees' promotion and education;
- Encourage employees to express their ideas in group discussions.

Second hypothesis test showed that there is a relationship between structural capital and organizational agility. Correlation between these two variables is equal to 0.367. Therefore, employees of Administrative Justice Court are advised to:

- Reduce organizational costs;
- Support and implement new ideas;
- Share knowledge of idea creation;
- Creation of supportive and soothing supportive culture and atmosphere.

Third hypothesis test shows that there is a relationship between customer capital and organizational agility. Correlation between these two variables is equal to 0.574. Therefore, employees of Administrative Justice Court are advised to:

- Reduce the time of solving customers' problems;
- Establish permanent relationship with customer for diagnosis of needs and demands;
- Investment in demands and needs of customers;
- Receive feedback from customers under any circumstances.

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