The Study of Distinctive Capabilities of Organization from Kay Point of View and its Effect on Organizational Performance (Case study: Sharheza and Dehaghan health networks)

Zahra Asgariyan\textsuperscript{1}, Fateme Babakhani\textsuperscript{2} and Mehdi Khosravi\textsuperscript{3}

\textsuperscript{1} Master of Arts in State Management, and Instructor of Payam-e NOOr University E-mail: Asgarian_Zahra@yahoo.com
\textsuperscript{2} Master of Arts in State Management
\textsuperscript{3} Master of Arts in State Management,

Abstract

Although human resource empowerment and establishment of organization based on capability has been for many years introduced as an effective strategy to performance improvement, and human resource development, organizations encounter huge obstacles for its establishment. Present research aims to study the empowerment of organizations and its effect on organizational performance and performance improvement. Research method is descriptive-survey method of field type. Research statistical population composes of all employees of Dehaghan and Shahreza health networks and their Subordinate units. Given to the latest situation in 2012 they are 1137 persons (970 persons were of Shahreza and 167 persons were of Dehaghan health networks). In this research two questionnaires- researcher-made questionnaire for distinctive capabilities of organization(architecture, reputation, innovation, strategic asset) from Kay point of view and standard questionnaire for performance measuring(organizational structure, organizational process, strategic positioning, non-human resources, organizational knowledge) were used based on Alan Yelsey model. Results obtained from data, analyzed by SPSS software show that all research hypotheses have been confirmed. By the use of LISREL software following results is obtained. Results indicate that independent variables (architecture, fame, initiative, strategic asset) effect on dependent variable (organizational performance).

Keywords: Empowerment, Architecture, Reputation, Innovation, Strategic Asset, Performance

Introduction
Employee empowerment is introduced as an effective strategy on human performance and reform by transformation management and organizational reform scholars; they believe that human resource empowerment is one of new important attitudes which today are used by organizations. It is in fact a response to crucial need of modern management in order to meet transformation need (Keenla, 2008). Thomas Stuart said "intelligence capitals are today the most valuable capitals, things that to human senses have creation power and capability of communicate with others and When employees leave organization they take these capitals and that is surprising that they join the competitors. Much more than before today organizations feel that they are losing worthy blood when they lose their employees and they give some of their own values to others.

The study of empowerment is therefore a fundamental base in management organization. Present research provides a correct understanding of employees and managers' behavior in general and how to manage employees correctly and to control the organizations specifically (Abtahi & Abbasi, 2007).

Necessity and Importance of Human Resource Empowerment

The main purpose of empowerment is to reduce traditional bureaucracy hierarchy. Indeed, empowerment emphasizes on the needs of customers (not of organization). If we want employees being more affiliated and committed to organization, traditional command chain between employee and the manager must be changed.

Researches show only 25 to 30% of human resource capacities are applied in traditional and hierarchical organizations in which manager follow command and control approach (Belanchard et al, 1999). Human resource empowerment and consequently organizational empowerment can make ready the organization for new continually changing conditions and secure it and by providing empowerment culture Tailorism paradigm that believed one must think or those do work should not think (Abdolahhi, 2005) will change.

Kay Perspective on Organizational Empowerment

John Kay believes that successful management creates added value for organization's contracts and internal and external communications. He points to three distinctive, communicational capabilities that help organizations to achieve competitive advantage: architecture, reputation and innovation. Furthermore, it is possible that an organization achieves competitive advantage by overcoming on strategic assets.

Architecture: it is a network of internal and external communicational contracts of organization including employees (internal) and material suppliers and customers (external). Architecture can increase the value through knowledge and flexible reflection against change and easy information exchange. These capabilities facilitate following things for organization.

- Creating Organizational Knowledge and harmonized utilization
Holding cooperative ethics

Implementing Organizational Procedures

Kay defines organizational knowledge as "it is something beyond total specialty of employees and it is not available for other organizations. Such knowledge can be a particular product, service or process. It is important to understand that communicational structures are the achievement of social and commercial values. These values are shaped during the history of an organizational and it cannot be created or changed easily. Distinctive capabilities relating to architecture are based on communicational contractions: it means collective interesting in harmonizing endeavors for interests of the organization. Routine and procedural activities of the organization increase the efficiency and improve harmonizing.

Reputation: It is the most important commercial mechanism for information exchange to both consumers and clients. Reputation is shaped over time and based on following elements:

- Personal experience of consumer or client
- Displaying the goods or services and free testing
- Using language to build a reputation with the advertising quality grade of service

Innovation: It is the third distinctive capability which sometimes does not successfully lead to competitive advantage. The failure results from three problems:

- Costs and uncertainty of innovation process
- Innovation management
- Proper allocation of rewards

Innovation process is risky and costly because there is no trust about demand for a new product or service and whether it can compete or no.

Strategic Asset: Fourth distinctive capability of organization is strategic asset that in order to use optimally management should consider following points:

- Manager should be realistic about what he/she gets. Slow, gradual change is better than no change at all.
- Should understand the need of employees and what they get from negotiation with us.
- Should involve employees in preparing executive projects.
- Should carefully pay attention how to communicate with his/her employees.
- Should emphasize on mutual interests and publishing it throughout the organization.
- Enjoying the techniques of increased participation of employees such as quality circles or improvement groups.
- Increased flexibility in work contracts and agreements including considering being multi-skilled in order to use human resource effectively, and sometimes making agreement with
some of them for supplying and securing their work security especially competent employees.

**Final Analysis of Kay Model**

Capabilities identification based on Kay framework helps management to understand success and failure of organization history. It also helps to understand current values against arbitrary values for increased competition. Relating to fundamental difficulty of Kay framework it can be said that it is so abstractive that it describes those distinctive capabilities it wants. As Kay himself says" If we can bring it down on paper, it can be copied."

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**Kay's Empowerment Model**

![Kay's Empowerment Model Diagram]

1- Internal: between institute and employees, and between employees  
2-External: between institute and suppliers or customers  
3-Network: between associate institutes

**Fig 1: Organizational architecture from Kay point of view**

**Fig 2: Organizational reputation from Kay's point of view**

**Alan Yelsey organizational performance model (Satellite organizational pattern)**
It should be always bearing in mind that organizational productivity results from several factors which has been posed in the form of satellite pattern for organizational performance.

Important factors are identified in this pattern, which are as follows:

1. Organizational structure
2. Organizational knowledge
3. Non-human resources
4. Strategic positioning
5. Human process

Through each of these factors some cases are considered:

1. Organizational structure: In examining the organizational structure, kind of formality, various managerial systems, information systems and flexibility of the organization are considered.
2. Knowledge: Necessary knowledge for organizational productivity includes technical and administrative knowledge, human and system process.
3. Non-human resources: Non-human process study considers equipment, workshops, work place, type of technology, investing amount and liquidity.
4. Strategic positioning: Type of activities and markets in which it has stock, social policies, human resource quality and environmental change of organization shape strategic positioning of the organization.
5. Human process: Finally, human process means values ruling on individuals and groups, attitudes, norms and interactions between them. Integration of these factors not only is necessary for achieving the current goals and social needs of the organization but it is also necessary for achieving future goals and needs. While all of these factors are important and the study of each of them is valuable, the emphasis is on human resource. This is why experts increasingly address human resource not only in its traditional roles but also in its influence on other key factors of productivity. Some experts, for example believe that focus on permanence human resource as an effective weapon in improvement of productivity is a new dimension for organizational behavior. Studies show that organization can use human resource as strategic factor by two ways: 1- to get (creating) more proportion of human resource skills which is greatly needed. 2- Using existing human resource for getting advantage regarding to rivals. It is impossible lonely and it needs closely harmony between human resource planning and other factors of productivity.

Alan Yelsey organizational performance model (satellite model)
Fig 3: Alan Yelsey Satellite model of organizational productivity

Resource: (Rezaeian, 1994)

Research conceptual model
Main hypothesis: There is relationship between architecture of organization and organizational performance.

Secondary hypotheses:

1. There is relationship between architecture of organization and empowerment.

2. There is relationship between reputation and empowerment.

3. There is relationship between innovation of organization and empowerment.

4. There is relationship between strategic asset and empowerment.

Statistical Population

Research statistical population composes all employees of Dehaghan and Shahreza Health Networks, regarding to latest situation in 2012 they are 1137 persons (970 persons of Shahreza Health Network and 167 persons of Dehaghan Health Networks).

Inferential statistics (research hypotheses test)

Research hypotheses were analyzed by inferential statistic; it is tried to find proper response for research questions in respects of confirming or rejecting the hypotheses. Pearson's correlation coefficient between distinctive capabilities of organization from Kay point of view (and its dimensions) and performance of organization alongside significant level of test is used for studying research hypotheses.

First Hypothesis (main hypothesis)

There is significant relationship between distinctive capabilities and organizational performance.
Given to table 1.3 Pearson's correlation coefficient is calculated 535.5 and significant level of the test is 000.0 and it is less than 05.0 then H0 is rejected and the claim, that is H1(main hypothesis) is confirmed, so it can be said that there is significant relationship between distinctive capabilities of the organization and organizational performance. The relationship is direct and medium. Regarding to the significant of regression coefficients organizational performance increases and improves by increased distinctive capabilities.

**Second Hypothesis (secondary hypothesis):**

There is significant relationship between architecture and organizational performance. In a sense architecture of organization has effect on organization performance.

Given to table 2.3 Pearson's correlation coefficient is calculated 635.0 and significant level of test is 000.0 and it is less than 05.0 then H0 is rejected and the claim that is H2(secondary hypothesis) is confirmed. It can be said that there is significant relationship between architecture and performance of organization.

**Third hypothesis (secondary hypothesis):**
There is significant relationship between reputation and organizational performance. In a sense reputation of organization has effect on performance of organization.

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<th>Coefficient Significant level</th>
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<td>Intercept</td>
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Table 3.3: Coefficient and significant levels of test (dependent variable: performance of organization)

Given to table 3.3 Pearson's correlation coefficient is calculated 433.0 and significant level of test is 006.0 and it is less than 05.0 then H0 is rejected and the claim that is H3(secondary hypothesis) is confirmed.

Fourth hypothesis (secondary hypothesis): There is significant relationship between innovation and organizational performance.

In a sense innovation has effect on performance of organization.

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Table 4.3: Coefficient and significant levels of test (dependent variable: performance of organization)

Given to table 4.3 Pearson's correlation coefficient is calculated 504.0 and significant level of test is 000.0 and it is less than 05.0 then H0 is rejected and the claim that is H4(secondary hypothesis) is confirmed.

Fifth hypothesis (secondary hypothesis):

There is significant relationship between strategic asset and organizational performance.
In a sense strategic asset has effect on performance of organization.

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Table 5.3 Coefficient and significant levels of test (dependent variable: performance of organization)

Given to table 5.3 Pearson's correlation coefficient is calculated 545.0 and significant level of test is 000.0 and it is less than 05.0 then H0 is rejected and the claim that is H5(secondary hypothesis) is confirmed.

**The study of regression models (research hypotheses test) by LISERL software**

Regression modeling is carried out by LISERL software in this section and test of research hypotheses are again analyzed by inferential statistics. In this section final regression model is represented.

**Testing of distinctive capabilities of organization including (architecture, reputation, innovation, asset dimensions) on organizational performance:**

1- There is significant relationship between architecture and organizational performance.
2- There is significant relationship between reputation and organizational performance.
3- There is significant relationship between innovation and organizational performance.
4- There is significant relationship between strategic asset and organizational performance.

In order to examine the effect of each independent variables (architecture, reputation, innovation, asset) on dependent variable (organizational performance), fitting regression model and hypotheses of the effect of constitute factors of distinctive capabilities of organization on dependent variable (organizational performance) have been studied.

| Dependent Variable(organizational performance) and numbers of observations(318) |
|----------------------------------|-----------------|-----------------|----------------|--------|------|------------------|
| Variables                        | Coefficients    | Standardized coefficients | Standard error | z statistic | P     | Hypothesis result |

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According to results of table (4.18) it can be said that: given that the significant levels of all independent variables and intercept are less than 5% so mentioned variables exist in model and regression model is represented with all independent variables. Represented results indicate the conformity of effects of architecture, reputation, innovation and asset variables (as independent variables) on dependent variable (organizational performance).

Model of research course analysis is represented in Fig 5:

![Fig 5: Regression analysis of research model](image)

According to results of course analysis it can be said that RMSEA is 0.79.0 and because it is smaller than 0.8.0 so model has proper fitting. The chi-square test with the 5.22 and 8 degrees of freedom and a significance level of 1308.0 shows model is consistent with the pattern of diffraction between indicators of research. It can be said $\frac{22.5}{8} = 2.813 < 3$ also indicates that fitting model is proper.

Fitting indicator (GFI) is also calculated 93.0 and because it is close to one so the model is fitted with the appropriate data. Root mean square of RMR residue also equals to 0.87.0 and it is relatively small which indicates a small error of model and its acceptable fitting. AGFI and PGFI values are also 90.0 and 63.0 respectively and these values are desirable. It can be said that...
Model has proper fitting. Generally speaking it can be said that all factor coefficients are higher than 5.0 and model fitting is appropriate.

According to model coefficient determination it can be said that about 61% of changes in estimated model are expressed by independent variables. Concerned model is represented as follow for prediction. Results show that architecture, reputation, innovation and asset (as independent variables) have direct and significant effect on dependent variable (organizational performance).

\[(\text{intercept})26.06+(\text{architecture})2.2+(\text{reputation})1.87+(\text{innovation})2.46+(\text{Asset})1.54=\text{organization performance}\]

Above formula states that for any change, say 2.2 changes in architecture equally, there is a change in organizational performance.

**Descriptive findings**

In descriptive study of distinctive capabilities indicator of organization from Kay point of view in Dehaghan and Shahreza Health Networks and among four components (architecture, reputation, innovation and strategic asset), the highest mean belonged to "innovation" with 45.3 value and 76.0 standard deviation and the lowest mean belonged to "reputation" with 45.3 value and 63.0 standard deviation. In questions of capabilities measuring questionnaire the highest mean was related to "attention amount to continuous learning of employees in this organization" with 05.4 and 71.0 standard deviation and the lowest mean was related to "How much rewards are belonged to employees based on their specialty". Totally all mean values are more than average of 3. Standard mean of distinctive capabilities of organization from Kay point of view is calculated 52.3 with standard deviation of 59.0 and it shows that capabilities of organization are more than average.

In descriptive study of organizational performance index in Dehaghan and Shahreza Health Networks and among the questions of organizational performance measuring questionnaire, the highest mean was related to "attention extent to social policy in strategic success of organization with 98.3 and standard deviation of 71.0, and the lowest mean was related to "business nature in strategic success of organization". Generally, all mean values are more than average of 3. Standard mean of organizational performance is calculated 45.3 with standard deviation of 63.0 that shows organizational performance is more than average.

Present research was carried out because of observed challenges and fundamental necessities in the performance of employed human force for establishing organizations based on capabilities with focus on identifying capabilities of Dehaghan and Shahreza Health Networks and the effect of these capabilities on employees' performance and as the result the employees' performance improvement. Because it is only through identifying and examining employees' capabilities that a competent and effective circumstance can ruled on modern organizations and
such circumstance allows great managers to apply their views and insights, implement and refine them. In such circumstances permanence managers shine, employees get advantage, organization grows continuously and old thoughts are forgotten forever.

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