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AUTHORS
Hasan Valiyan
Alireza Koushki Jahromi
Hasan Boudlayee

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Hasan Valiyan (Iran), Alireza Koushki Jahromi (Iran), Hasan Boudlayee (Iran)

The relationship between the central capabilities with the organization success (case study: standardization organization of Golestan province)

Abstract

The intensification of changes in industrial and commercial environment in recent decades has challenged many traditional strategy approaches for the creation of organizational capabilities. Today, organizational capabilities play undeniable role in the development of organizational programs and their success. The aim of this study is to investigate the relationship between the central capabilities with the success of the organization in Golestan province. In this study, three subscales of the organization capabilities including strategic capabilities, structure capabilities, and knowledge capabilities as the independent variable and in order to measure organizational success, four subscales speed, flexibility, integrity and innovation were used. Result of hypothesis testing indicated that there is a positive and significant relationship between three central capabilities of organization including strategic capabilities (0.143), structural capabilities (0.110) and knowledge capabilities (0.231) with organizational success.

Keywords: strategic capabilities, organizational structure, knowledge capabilities of the organization, organizational success.

JEL Classification: D8, L22, M21, M31.

Introduction

Organizations need several sources to survive and for the optimal use of these resources, they should be equipped with the capabilities and strengthen them. Managers consider organizational capability as the ability to create and sustain capacity and tolerate constraints and failure to achieve certain goals (Danaeefard et al., 2014, p. 92). Organizational capabilities are the company’s capacity to develop tangible or intangible resources, for executing a task or activity which have been defined to improve performance (Amit, Schoemaker (1993); Grant (1991, pp. 114-135); Teece, Pisano & Shuen, G. (1997, pp. 509-533). Helfat and Peteraf (2003, pp. 997-1010) defined the organizational capabilities as an organization’s ability to implement a series of coordinated tasks, use of corporate resources, in order to achieve a particular end result. Organizational Skills are critical to the ability of effectively solve organizational problems (Dosi, G., Nelson, R.R. & Winter, S.G., 2000). Researchers have distinguished between organizational capabilities. Collis offered four categories of capability of organizations. The first one is to reflect the company’s ability to perform activities of basic functions (Colle, 1994, pp. 143-152). The second feature is the dynamic and sustainable long-term actions under consideration. The third category is diagnostic capabilities to develop new strategies referring to competitors. The fourth category beyond the capability of learning are concerned. It, then, explains the first level capabilities, capabilities to modify and alter the zero level. He also like Collis (1994) beliefs that is higher-ranking capabilities which affect the ability of a surface (Winter, 2003, pp. 991-995). The important point here is that unfortunately reviewing the literature of capabilities and capacities of organizations shows that even if the construction is on one capacity between managers is important for organization, it is difficult to achieve the suitable practical tool in this content. Based on the organizational aspects and different attitude, does not show them the right way of achieving organizational capabilities, and there is still remain the question of how an organization can ensure favorably all the new capabilities in order to achieve the success? What capabilities can lead different organizations to achieve success due to the different dimensions?

1. Theoretical frameworks

Over the past two decades, there are rare many studies about “organizational capabilities” and the distribution of theoretical foundations are the evidence of this claim and still cannot find an acceptable theoretical and conceptual framework that describes the organizational capabilities based on various components in a manner consistent with other organizational elements (Aruldoss, M., Travis, M.L. & Venkatesan, P., 2015). While all organizations are not alike and differences can be found in a variety of programs and actions of managers due to the nature and type of organizations and their strategic position; And this is because of the context in which these organizations are exist due to the different dimensions and impacts that organizations face (O’cass, A., Ngo, L.V., 2007, pp. 11-20).

1.1. Organizational capabilities. “Refers to the capacity of a company’s ability to deploy resources, usually is related to organizational processes which are
tangible or intangible have co-developed resources, on the basis of specific information for companies, and over time through complex interactions”. According to the definition of organizational capability by Leonard-Barton (1992, pp. 4-113), it is “a set of knowledge that provides a distinct competitive advantage”. This definition indicates that achieving greater organizational knowledge, is a central motor drive to organizations which are looking to develop their organizational capabilities. Nonaka (2002) believes that knowledge is at the core of central organizational capability and knowledge is defined as “justified true belief”. In this paper, organizational capabilities are in the following areas of interest:

1. The scope of strategic planning capabilities. The first area of organizational capability model is the area of strategic planning. This area is to assess the organization’s strategic direction and development prospects that will determine strategy (Grant, 1991, pp. 34-114; Barney, 1991, pp. 99-120). This theory is based on the company’s resources and beliefs. There is a value unequal to human capital organization, and the strengths of the labor force which are seen as a starting point for developing strategies. Resource-based theory for the strategic value of intangible resources and development strategies is regarding to admit the characteristics and quality of the resource (Loma, 2000, pp. 769-790; Tis et al., 1998, pp. 509-533). An important point in the field of organizational ability, is the vision of Hayes (1985, p. 118), which states, do not develop programs and, then, try to find capability, instead, to build capabilities and, then, develop and encourage them to projects in operation.

2. The scope of the organizational structure. This range reflects the traditional human resource strategies and processes. Capabilities, organizational structure model includes the following models which identify the characteristics of this relationship (Rezaei Dolatabadi and Tabaeian, 2014, pp. 286-287).

- Domain knowledge capabilities: this field of organizational capabilities is based on the following two dimensions: the ability to build knowledge and capabilities-driven process knowledge (Mazidi Karimi et al., 2013, pp. 7-9).

3. The knowledge infrastructure.

Table 1. Summary of capabilities, knowledge infrastructure

<table>
<thead>
<tr>
<th>Components of infrastructure capabilities</th>
<th>Description of components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology</td>
<td>Multidimensional knowledge that is created by the information and communication system linking the organization (TIS, 1998, pp. 55-79).</td>
</tr>
<tr>
<td>Organizational structure</td>
<td>Organizational structure for collaboration and knowledge sharing within the boundaries of an organization makes strengthen the entire supply chain. (Gold et al., 2001, pp. 185-214).</td>
</tr>
<tr>
<td>Organizational culture</td>
<td>Culture is an agent for the transmission of tacit knowledge among people and become that kind of knowledge into explicit knowledge, and in result, individual knowledge into organizational knowledge. (Nonaka and Konno, 1998, pp. 40-54).</td>
</tr>
</tbody>
</table>


Table 2. Summary of the knowledge process capabilities

<table>
<thead>
<tr>
<th>Components of the knowledge process capabilities</th>
<th>Description of components</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge acquisition</td>
<td>It refers to the acquisition, exploration, production, creation, capture and share. All of these cases have a common result which is accumulating knowledge in the organization. Knowledge acquisition needs to pay attention the training program organized according to the needs of skills and expertise in line with the objectives and plans of the organization (Inkpen &amp; Dinur 1998, pp. 454-468).</td>
</tr>
<tr>
<td>Conversion processes of knowledge management</td>
<td>This process includes the company’s ability to organize, cohesiveness, composition, coordination and dissemination of knowledge. (Gold et al., 2001). Combine, and integrate knowledge, reduce rework, improved representation and volume information through reduction, increased efficiency. Also, this process will enable the organization to replace outdated knowledge and expertise integrated to different people.</td>
</tr>
<tr>
<td>Applied knowledge</td>
<td>Knowledge Management processes is related to the use of knowledge. In literature, knowledge management, process characteristics associated with the application of knowledge storage, retrieval, collaboration and knowledge sharing are known. (Appleyard, 1996, pp. 137-154).</td>
</tr>
<tr>
<td>Processes of knowledge management protection</td>
<td>There are processes that are designed to prevent the inappropriate or illegal use of knowledge in the organization, or to prevent stealing knowledge. To create and maintain competitive advantage, protecting essential knowledge is necessary (Porter, 1996, pp. 93-107). Such items like incentives, staff code of conduct and job design can be applied to protect the knowledge. In addition, the organization can use technologies which restrict the achievement of unauthorized persons to restrict or track the life sciences. To be a source be a competitive advantage, it must remain scarce and no one can imitate from it (Barney, 1991, pp. 99-120).</td>
</tr>
</tbody>
</table>
1.2. Organizational success. Because of rapid changes in today’s world, organizations are faced with different challenges, but the successful organizations use management tools and new technologies to create opportunities to achieve advantage. With the changes of conditions, the created norms in the forms of values must be suitable with the conditions of internal and external environment, due to incompatibility which lead to operation decrease (Zareimatin, Hasan, 1997).

In this research, 4 items are considered as organizational successes scale.

♦ Acceleration. This item refers to the changes of environment. In another meaning, it refers to the organization cognition of competitors, environment and customers.

♦ Flexibility. In today’s world, the change is rapid and successful compliance, is an essential part of success in this era (Inglehart and Simon, 2002, p. 113). Very fast environmental changes and competitive markets make additional pressure on organizations to rapidly adapt to changes in high levels. The organizations challenges to create flexible structures and creating flexibility in the current changing world, is more than ever before. Pasmor (1994) believes that a more flexible organization enables the organization to change and respond better. When the term flexibility is used everywhere, concept of the meaning is not clear (Evans, 1991, p. 69).

♦ Solidarity. The purpose of consistency in the organization is cooperation of individuals and different parts to attain common goals of the organization. If there have been integrity and solidarity, people and different parts of the organization try to cooperate and participate to achieve organizational goals, or to solve problems as a group act. In this study, the purpose of integrity, is the amount of cooperation and coordination in the organizational units for planning and execution of projects and staff participation in decision making (Ramezaninejad et al., 2013, p. 119).

♦ Innovation. The innovation of organization is to accept a belief or behavior which is new in the industry, market or environment. Innovation is a multi-faceted story. With the growing complexity and competition, innovation is one of the main advantages of the company’s life. Innovation is the creation of new knowledge and ideas to facilitate business for new products with the aim of improving internal business processes, structure and services (Bareghe et al., 2009, pp. 1323-1339). Innovation, is adoption and implementation of new ideas and processes, products and services.

1.3. Research background. Beatriz and Caesar (2015) in their article argued that if the increase of innovation performance is influenced by the acquisition of knowledge or not. The purpose of this paper is to explore the relationship between knowledge creation and knowledge gaps within each organization, the attractiveness, innovativeness and performance. The study also analyzes the size of the organizations in their innovation process, to build domestic capabilities and the ability to attract knowledge. The results show the performance of incremental innovation and positive effect on organizational knowledge. The capability of attraction in both aspects of resource and expert has the positive and meaningful effect on innovation increasing while how the greater the organization is, it could decrease the performance of innovation. At the end, it is obvious that the size can be positive and direct effect on the internal knowledge, but it cannot create an important role for attracting external knowledge. VenusLun et al. (2015) has surveyed the impact of organizational capabilities in innovative business performance with moderating role of profitability and customer satisfaction at the shipping company in Taiwan. Due to theoretical basements, in this study, while the organizational capabilities are increasing, it is possible to create more revenue, and reduce costs organizations. The results show that organizational capabilities and customer satisfaction is as well as a moderator in the profitability of companies in Taiwan. Finally, it shows that organizational capabilities have significant positive effect on profitability and customer satisfaction. Ranjbar and Pour Kiai (2014) have presented an appropriate model of strategic HRM approach for the organizations ability to create organizational knowledge in the Islamic Republic of Iran. This article focuses on the results of the ability to create knowledge. Specifically, this article survey how HRM in Iran organizations can be used to create and advocate of capability of knowledge organization. Finally on the bases of research results, an appropriate model for Iran organizations was presented. The results show that the four strategic human resources management infrastructure are relevant to three characteristics of labor (human capital, employee motivation and employee rotation). It also is relevant to capabilities of the workforce with the ability to create knowledge. Finally a significant relationship between organizational innovations demonstrates the ability to create knowledge.

2. Research methodology

In terms of purpose, this research is practical and tries to examine the relationship between personality traits and career management staff of the National Bank in Iran.

According to the method of data collection, this research is a descriptive one to examine the relationship between variables and significance of the estimated models.
The study sample includes all the employees of Golestan province. Total number of employees is 286 people and the sampling method which an appropriate group method is used. Due to the calculated sample size (164), and also due to population size, the sample size for each organization is determined and in second step in each organization some staffs were selected randomly and the relevant questionnaire is distributed among them.

In this study, data were analyzed by using SPSS software. In the inferential analysis, correlation, and regression is used to test and assess the significance, type and severity of the correlation between variables.

2.1. Hypotheses. Strategic planning capabilities have a significant relationship with organizational success. The organizational structure has a significant relationship with organizational success. There is a significant relationship between knowledge with organizational success.

3. Experimental results

3.1. The test of hypotheses.

3.1.1. The first hypothesis. Strategic planning capabilities have significant meanings with organizational success.

\[ H_0: r = 0 \]
\[ H_1: r \neq 0 \]

The coefficient regression model hypotheses indicated 8.6 percent of total changes for organizational success, and the strategic plans by the capabilities have been explained. The regression coefficient (0.143) also showed as a variable feature of strategic planning at the level of 5 percent which has a positive (direct) impact on organizational success; hence, \( H_0 \) is rejected and \( H_1 \) is accepted (sig = 0.000, smaller than 5%).

These results show with the higher ability of strategic planning, the organizational success rate is also increasing (Table 3).

### Table 3. First sub-hypothesis regression model (dependent variable: organizational success)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Non-standardized regression</th>
<th>Standardized regression coefficients</th>
<th>Standard error</th>
<th>t-statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>3.441</td>
<td>0.108</td>
<td>31.771</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>The strategic plan</td>
<td>0.143</td>
<td>0.292</td>
<td>0.040</td>
<td>3.593</td>
<td>0.000</td>
</tr>
<tr>
<td>The coefficient of determination</td>
<td>8.6</td>
<td>F-statistic</td>
<td>12.906 (0.000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted coefficient of determination</td>
<td>7.9</td>
<td>Durbin-Watson</td>
<td>2.08</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.1.2. Second hypothesis. The organizational structure has a significant relationship with organizational success.

\[ H_0: r = 0 \]
\[ H_1: r \neq 0 \]

The second sub-hypothesis determined the coefficient regression model and showed that the organizational structure has accounted for 2.3 percent of total changes in organizational success. The regression coefficient (0.110) variable also showed the organizational structure at the level of 5 percent which has a significant positive impact on organizational success. Thus \( H_0 \) is rejected and \( H_1 \) hypothesis was confirmed (sig = 0.000 and less than 5%) (Table 4).

### Table 4. The second hypothesis regression model (dependent variable: organizational success)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Non-standardized regression</th>
<th>Standardized regression coefficients</th>
<th>Standard error</th>
<th>t-statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>3.545</td>
<td>0.098</td>
<td>36.244</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>The strategic plan</td>
<td>0.110</td>
<td>0.038</td>
<td>0.240</td>
<td>2.907</td>
<td>0.004</td>
</tr>
<tr>
<td>The coefficient of determination</td>
<td>2.3</td>
<td>F-statistic</td>
<td>8.45(0.000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted coefficient of determination</td>
<td>2.1</td>
<td>Durbin-Watson</td>
<td>2.01</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3.1.3. The third hypothesis. The knowledge capability has significant relationship with organizational success.

\[ H_0: r = 0 \]
\[ H_1: r \neq 0 \]

The determination of the third hypothesis showed that knowledge capability of 4.6 % of total changes have explained the organization success. On the other hand the regression coefficient (0.231) also showed variable knowledge capabilities at the level of 5 percent which has a positive (direct) impact and significant organizational success; hence \( H_0 \) is rejected and \( H_1 \) is accepted (0.012 = sig smaller than 5%). These results demonstrate that if the capability of knowledge is more, organizational success would improve (Table 5).

### Table 5. Third sub-hypothesis regression model (dependent variable: organizational success)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Non-standardized regression</th>
<th>Standardized regression coefficients</th>
<th>Standard error</th>
<th>t-statistic</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>2.734</td>
<td>0.424</td>
<td>6.446</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>The strategic plan</td>
<td>0.231</td>
<td>0.090</td>
<td>0.231</td>
<td>2.557</td>
<td>0.012</td>
</tr>
<tr>
<td>The coefficient of determination</td>
<td>4.6</td>
<td>F-statistic</td>
<td>6.54 (0.000)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted coefficient of determination</td>
<td>3.9</td>
<td>Durbin-Watson</td>
<td>1.957</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Conclusion

Organizations today operate in a very tense and noisy environment. In this turbulent environment, organizations have the ability to adapt to the conditions to be able to respond faster and better to their environment. The objectives of the essence and capabilities, organizations should have acquired capabilities according to the place where they are, lead them to succeed. The definition for the capacity of each organization is different. Trying to form a coordinated set can be the first step in this regard (Rezai Dolatabadi et al., 2014, pp. 281-302). This coordination should be organized at various levels and various components together and interaction between systems should be established well. Only in these conditions, it can form a unified whole and relative standard for organizations in terms of outcome (Bamberger and Mashulom, 1384). In this context, this article focuses on the organizational capabilities to examine the relationship between organizational capabilities with organizational success and it is providing the following results: the first hypothesis: strategic planning capabilities have significant meaning with organizational success.

In analyzing the results of this hypothesis, we should say that since the strategic capabilities, strategic direction and vision of the organization show the development of strategies specifies organizations, it can play an important role in organizational success, because the organizations can better understand their strategy plans, and be more flexible, with higher response speed, more innovative and greater group cohesion and organizational experience.

The result of this hypothesis is consistent with Zarei and Matin et al. research (2010).

The second hypothesis: the organizational structure has significant meaning with organizational success. In analyzing this hypothesis, we should say that organizations capabilities refer to understanding the job meaningful duties and directed functional management, under the unit and effectiveness structure organization which leads to organizational success. It means that organizational capabilities due to coordination and solidarity between accurate duty explanations and responsibilities with the positions and skills of employees which are looking to establish an effective structure in line with organizational goals, and also through the organizational function of plans and strategies, it can play an effective role in increasing the organizational success and provide a good situation to create a learning organization. The result of this hypothesis correspond to VenusLan (2015) and Yang Chen et al. (2015) which declare performance capabilities of organizations in developing innovative have an effective role in organizational success. The third hypothesis: knowledge capabilities have significant meaning with organizational success. To analyze this hypothesis, we should say that knowledge capability refers to infrastructure knowledge organization and improving the knowledge organization. Actually, the result of this hypothesis shows that, if organizations improve knowledge capabilities, it can be expected that organizational success increase. Since organizations operate in a competitive and unpredictable environment, the difference between successful and non-successful organizations is how to create and manage organizational knowledge, if today organizations, necessary plans for creating knowledge infrastructure like coordinate structure and organizational culture by the use of knowledge and technologies and experts, it leads to create infrastructure capability, that is not enough and today organizations should consider the knowledge acquisitions, turning knowledge into practice, application of duties and responsibilities and, finally, protect them to grow and develop the organization to be succeed. The result of this research is correspond to the result of Yang Chen et al. and Hong and Elahi et al. who confirmed the results.

References


