

Organizational Policies' Impact on the Effectiveness of the Human Capital in the Commercial Banks in Jordan

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Abstract

The study aimed to recognize the impact of the organizational policies on the effectiveness of human capital in the commercial banks in Jordan. The study population was constituted of all the workers of the commercial banks in Jordan. A random sample of 350 individuals was chosen, and questionnaire forms were distributed to them. A total 317 questionnaire forms were restored and 306 of them were subjected to analysis after excluding 11 invalid forms. The study could reach the following conclusions: First, human intellectual capital is the largest values in the organization with value 3-5 times the material capital. Second, Human capital represents a great value within the organization: The study has shown an impact of the organizational policies with its dimensions (incentives, promotion, relations. Organizational support, performance evaluation on the skill increase as a dimension of the human capital effectiveness dimensions, the study recommends the following: first, interest in human capital should be paid because it is expressive of all the intangible values in the organizations. Second, transforming the tacit knowledge forms among the workers into explicit knowledge forms that can be utilized. Third, training workers and enhancing their capabilities. Fourth, providing the convenient atmosphere for nourishing and supporting innovation. Fifth, compensating the workers and developing the systems of incentives.

Keywords: organizational policies, intellectual capital, human capital, Jordanian banks

1. Introduction

1.1 Introduce the Problem

Modern age organizations face tremendous pressures and challenges that are mainly represented in lack of available resources, multitude of goals, production levels drop, social needs increases, and satisfaction level drop among the beneficent, and many other factors. Such matter requires initiating dynamic changes in all aspects of the organization in order to insure survival and continuity in volatile environments and their accelerated changes. Organizational policies play a great role in increasing workers' commitment and their feeling of self-development (Hareem, 2010, p. 166). Besides; workers' feeling and realization of such support would supply them with more interest and care in developing their experiences and motivations towards work and productivity. (Drory & Romm, p. 1133) believe that understanding organizational policies is achieved through the workers view of their work environment and their realization of some of the practices that can be described organizational policies, since focusing on what the employee sees and realizes is considered a clear determination of the organizational political activity within the work environment. On the other hand, Michael views organizational policies are mere reflection of individuals' vision of what happens within their work environment; some views the actions that take place in the work environment are mere organizational policies while other views them the contrary, and all that depends on personal interpretation (Michael, 2004, p. 25). Human capital includes knowledge and skill that can be transformed into a value, and that is available within the workers and in the organizational systems, rules, and procedures that the organization uses. Since human capital importance lies in its inputs not its outputs, Jordanian banks should realize that and develop the organizational policies, which can achieve that and contribute to maximize the return on the human capital.

1.2 Explore Importance of the Problem

Contemporary studies and administrative thoughts have indicate that human capital is the main source of

fundamental capabilities and sustained competitive advantage of the business organizations in the new millennium. The study problem lies in the negligence of many Jordanian banks of the organizational policies which enable them to effectively benefit from the human capital they possess. Therefore, the study problem is represented in answering the following question: What is the impact of the organizational policies on the effectiveness of human capital in the commercial banks in Jordan?

1.3 Describe Relevant Scholarship

1.3.1 Organizational Politics

For over four decades, managerial theory and practice have been preoccupied with issues related to power, influence, and politics in organizations. The politics of management and the management of politics in the workplace have received a great deal of attention due to their image of pervasiveness, mystery, and the potential benefits for those who know how to use them in the struggle over resources (Drory & Vigoda-Godat, 2009). The term politics connotes different meanings depends on the context in which it is used. In the public sector, politics is the means by which political figures achieve desired results and outcomes and outcomes motivated by diverse values and interests. Politics from this perspective is an important component of the daily functions of a firm and usually results in positive outcomes for the organization. A more micro perception of organization is possible. Under this perspective, organizational politics refers to the "actions by individuals which are directed toward the goals of furthering their own self-interests without regard for the well-being of others or their organization" (Kacmar & Baron, 1999; Andrews & Kacmar, 2001). When faced with the classical agency problem, whereby the interests of the worker and the firm are misaligned, reward mechanisms will be designed in such a way that induces employees to act in their employers' best interests (McCausland, Pouliakas, & Theodossiou, 2007). Politics in organizations is thus used to promote interests and gain advantages over competitors in a market-oriented environment but also in non-market arenas such as the non-profit sector and governmental agencies (Drory & Vigoda-Godat, 2009). Managers are not able to and should not remove political behaviors from their organization because some of these behaviors are functional and may be used in order to achieve organizational goals (Rahim Nia & Hassan Zadeh, 2009).

1.3.2 Promotion and Incentives

Promotion: Promotions look like the most vital form of pay for productivity in most firms, particularly in hierarchical, white-collar firms. Promotion is the main mean a worker can enhance their long-run benefits (McCue, 1992). Promotions can be utilized by firms to encourage workers' best performances, especially in firms where direct supervision of workers is hard. A promotion may also be a reward that leads to progress within the firm, but also comprises bigger responsibility (Gibbs, 1996). Taking into consideration why companies could utilize promotions for incentives, individualistic schemes give more elastic solutions related to delivering incentives, which suggests that promotions are often used to accomplish putting employees in the right jobs and generating motivation. Gibbs continues to judge that "it is not immediately obvious why promotions should be used as incentives". (Tachibanaki & Maruyama, 2001) found that the level of wages jumps considerably when an employee is promoted to department head, and also found age and job tenure to be effective for the determination of both the promotion possibility and wages. Ito and Teruyama (1998), studying the economic effect of job tenure on wages and promotion, found that no single theory could explain this relationship perfectly. On the other hand, (MacLeod & Malcomson, 1988; Gibbons & Murphy, 1991) found that the important reason that promotions are sources of incentives is worker reputation, or "career concerns". A second reason that promotions may be important motivators is that they can be self-enforcing incentive schemes (Malcomson, 1984). (Gibbs, 2007) has affirmed that the firm faces a tradeoff between "filling slots" and staffing jobs with people of appropriate ability while choosing who to promote, and that along this spectrum, there are two extremes. One is to promote all whose performance meets a fixed standard. The other is to promote a fixed number of workers; i.e., to use a contest. A promotion is considered the "award" and the probability of winning is a function of output. The winner of the award gets the salary, benefits, and prestige that combine the higher position. As new hires are aware that not all of them will be promoted, the chance of promotion acts as an incentive to better productivity (Pergamit & Veum, 1995). Therefore, there is an increase in the literature reviews within economics on the internal organizations of companies (Gibbons, 1996). A model based on promotion activity within the firm in terms of awards was introduced by Lazear and Rosen (1981) and Rosen (1986). Lazear and Rosen (1990) developed an additional model for the promotion process whereby the receiving of promotions is based on the worker's performance in the job. Further models concerned with the method by which workers are given specific tasks (Sattertinger, 1993). It is true that promotion is a result of human capital investment, the human capital model suggests that workers often receive training that is related to a specific work, which makes workers more important to the firm (Becker, 1964; Mincer, 1974). Carmichael (1983)

presents that a promotion ranking, where positions are given by seniority and pays are attached to work, can steer to human capital investment and to effective turnover conduct.

Incentives: In many advanced countries, there is a growing interest in the relationship between incentive pay and careers in organizations, and in particular between incentive pay and promotion on the hierarchical ladder. There are two main reasons for this: First, theoretical economists in general are interested in firms, contracts, incentives, performance, and the like. Second, a number of surveys on wages, positions, performance, and other features of individual employees have become available recently. These surveys enable economists to conduct rigorous empirical studies more efficiently than aggregate data did (Tachibanaki & Maruyama, 2001). Promotion-based incentives are very essential in many companies, and have grabbed the attention of agency theorists. Still, Promotion-based incentives received little empirical attention especially in terms of using firm internal personnel data (Lambert, Larcker, & Weigelt, 1989). It is a fact that only few predictions found in most promotion models are simple to examine with benefits data. Nevertheless, to enhance the understanding of how firms motivate workers, the move from theory to evidence is required (Gibbs, 1996). According to Deci (1971) and Lepper et al. (1973) the use of extrinsic incentives may corrode essential motivation and satisfaction, which will finally have counterproductive effects on productivity and performance

1.3.3 Relations

A number of theories related to the internal dynamics of the company can be found, there are limited empirical researches on the employment relationship once a worker got a job. Unlike most other goods in the economy, labor is often priced and allocated through long-term relationships between a worker and a firm. Recognizing this, a literature has arisen that criticizes the ability of traditional labor economics approaches to explain employment relationships within firms (Gibbs, 2001).

1.3.4 Organizational Support

Perceived organizational support (POS) is the degree to which employees believe that their organization values their contributions and cares about their well-being and fulfills socio-emotional needs. POS is generally thought to be the organization's contribution to a positive reciprocity dynamic with employees, as employees tend to perform better to reciprocate received rewards and favorable treatment (Eisenberger et al., 1986). Employees have been found to develop general beliefs concerning the degree to which the organization values their contributions and cares about their well-being (perceived organizational support [POS] (Eisenberger, Huntington, Hutchison, & Sowa, 1986; Rhoades & Eisenberger, 2002).

1.3.5 Organizational Goals

Traditionally, public, business and industrial organizations have been responsible for the achievement of goals in societies (Davis, 2007). In order for an organization to succeed, both the organization and its parts have to share the same targets and means of achievements (Kheirandish, 2013). Scholars have placed huge emphasis on the necessity of alignment between personal and organizational targets in their literature about management (Mostafa et al., 2013). Deep interest in job atmosphere and strong belief in organizational goals and values, as well as careful attention to employees' goals and expectations, results in stronger personal, organizational and social commitment (Bozorgi, 2004). Managers and employees' efforts end in success when a good model for measuring the degree of compatibility between personal and organizational goals is developed (Kheirandish, 2013). Goal-setting theory (Locke & Latham, 1990, 2002) was developed inductively within industrial/organizational (I/O) psychology over a 25-year period, based on some 400 laboratory and field studies. These studies showed that specific, high (hard) goals lead to a higher level of task performance than do easy goals or vague, abstract goals such as the exhortation to "do one's best." They noted eight categories of studies that have moved goal theory forward as follows: Goal Choice, Learning Goals, Framing, Macro-Level Goals, Goals and Subconscious Priming, Affect, Group Goals and Goals and Traits.

1.3.6 Performance Evaluation

Performance evaluation (PE) is key factor in improving the quality of work input, inspires staffs make them more engaged. PE also introduces a foundation for upgrades and increments in the development of an organization and employee succession plans. Performance appraisal system varies according to the nature of the work and designation within an organization (Shaout & Yousif, 2014). Employee performance is related to job duties, which are expected of a worker and how perfectly those duties were accomplished (Shaout & Yousif, 2014). Generally, performance appraisal aims to recognize current skills' status of their work force. Any standard appraisal system consists of collection of data in which information is extracted from then converted into a real number called performance rating. The employees' contribution to an organization depends on the evaluation of

his/her rating (Aggarwal & Thakur, 2013). It is very hard to state which method is better to use than others since it depends on the type and size of business (Aggarwal & Thakur, 2013). Performance Appraisal can be generally categorized into two groups: Traditional (Past oriented) methods and Modern (future oriented) methods (Aggarwal & Thakur, 2013). Other researchers like (Jafari, Bourouni, & Amiri, 2009) have classified the existent methods to three groups; absolute standards, relative standards and objectives. Performance measurement and analysis is crucial for steering the organization to realizing its strategic and operational goals. Relevant performance indicators and their relationships to goals and activities need to be determined and analyzed (Popova & Sharpanskykh, 2010). Measuring and analyzing organizational performance plays an important role in turning organizational goals to reality. Researchers have been busy identifying and classifying important performance indicators for any company (Kaplan & Norton, 1992). Nowadays it is believed that non-financial and non-numerical indicators such as customer satisfaction, employee motivation, innovation, quality, market share can be very informative as well (Ittner & Larcker, 2003). Employee evaluation or employee performance evaluation is a process incorporated in every activity of modern business organizations. Usually, through this process, the organization evaluates how well employees perform their job when compared to a set of standards, and communicates the evaluation results to those employees (Mathis & Jackson, 2007). The importance of an effective employee evaluation system is universally recognized since it can promote both the institutional development of the organization and the personal development of employees (Grigoroudis & Zopounidis, 2010). In fact, the ability of an organization to evaluate the performance of its employees and examine the contribution of its personnel in achieving the assessed goals is considered crucial for its long-term viability (Grigoroudis & Zopounidis, 2010).

1.3.7 Human Capital

Human capital as the knowledge and skills that people acquire through education and training being a form of capital, and that this capital is a product of deliberate investment that yields returns (Schultz, 1961). Nili (1997) views Human capital as the knowledge, experience, skill and abilities of manpower. Oxford English Dictionary defines Human capital as “the skills the labor force possesses and is regarded as a resource or asset.” while (Claudia, 2014) defines human capital as the stock of productive skills, talents, health and expertise of the labor force, just as physical capital is the stock of plant, equipment, machines, and tools. Human capital is the quality of human beings in respect of productive work. It concerns the capacity and ability to work. The capacity and ability of human beings to work is considered as human capital. Like physical capital, human capital helps in further production (Agarwal & Lal, 1989). The earliest formal use of the term “human capital” in economics is probably by Irving Fisher in 1897. It was later adopted by various writers but did not become a serious part of the economists’ lingua franca until the late 1950s. It became considerably more popular after Jacob Mincer’s 1958 *Journal of Political Economy* article “Investment in Human Capital and Personal Income Distribution.” (Claudia, 2014). Recent empirical studies of economic growth also suggest that the skill and knowledge of a nation’s population are important in determining its economic performance (Agarwal & Lal, 1989). Laroche and Merette (1999) suggested that five aspects of the broad definition of human capital outlined above warrant special consideration. First, human capital is a non-tradable good. Second, individuals do not always control the channels and pace by which they acquire human capital. Third, human capital has qualitative, as well as, quantitative aspects. Fourth, human capital can be either general or specific. Finally, the definition of human capital also contains the notion of external effects. The importance of human capital as a source of progress and economic growth has long been recognized in the economic literature (Laroche and Merette, 1999). It is expected that managers with higher educational levels and more years of job experience are more successful because they exploit more knowledge and experience in their decision making process and also they are more familiar with organizational politics. Thus based on the above assumptions it is expected that there is a significant difference with respect to perceived organizational politics between managers based on their education level. Findings of present study also confirmed this assumption (Zadeh et al., 2013). Organizational knowledge is much talked about but little understood (Tsoukas & Vladimirou, 2001). Davenport and Prusak (1998) have provided the following definition of knowledge: Knowledge is a flux mix of framed experiences, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms. Organizational knowledge is the capability members of an organization have developed to draw distinctions in the process of carrying out their work, in particular concrete contexts, by enacting sets of generalizations whose application depends on historically evolved collective understandings. Moreover, although most people intuitively identify knowledge with individual knowledge, it is not quite evident how knowledge becomes an individual possession and how it is related to individual action, nor is it clear in what sense knowledge merits the

adjective organizational (Tsoukas & Vladimirou, 2001).

1.4 State Hypotheses and Their Correspondence to Research Design

Hypotheses:

H.1: There is no impact with statistical significance at significance level ($\alpha \leq 005$) of the organizational policies with their dimensions (incentives and promotions, relations, organizational support, goals, performance evaluation) on increasing knowledge as a dimension of the human effectiveness capital.

H.2: There is no an impact with statistical significance at significance level ($\alpha \leq 005$) of the organizational policies with their dimensions (incentives and promotions, relations, organizational support, goals, performance evaluation) on increasing skill as a dimension of human capital dimensions.

2. Method

2.1 Identify Subsections

The study population was constituted of all the workers of the commercial banks in Jordan. A random sample of 350 individuals was chosen, and questionnaire forms were distributed to them. A total 317 questionnaire forms were restored and 306 of them were subjected to analysis after excluding 11 invalid forms. The researcher used the descriptive analytical methodology in the study, because it is the methodology which enables us to study the reality or the phenomenon as it is and describe it precisely. That helps understanding the existing relations among the phenomena and enables reaching conclusions and generalizations that would help develop the addressed reality, and that is what the study tried to achieve.

2.2 Research Design

As shown in Figure 1, the independent variable including the following elements:

- Incentives and promotion;
- Relations;
- Organizational support;
- Goals;
- Performance evaluation.

Dependent variable: human capital effectiveness (knowledge/skill).

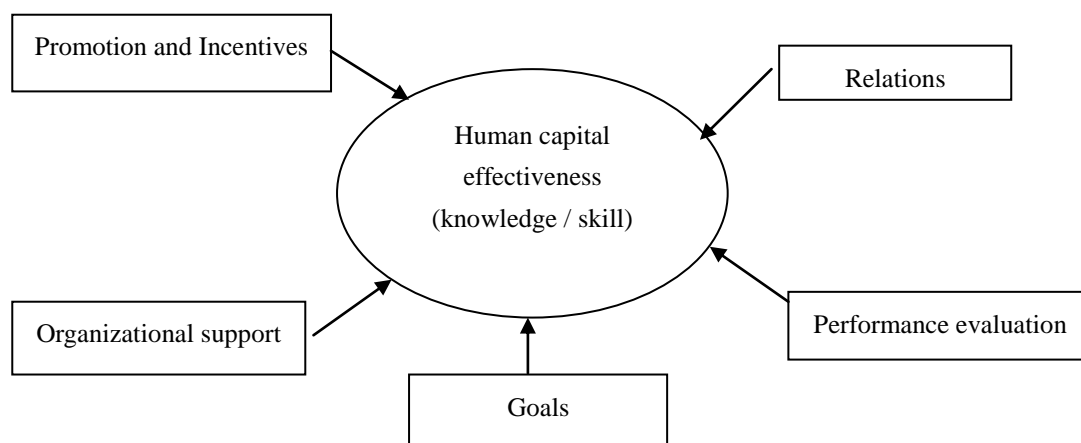


Figure 1. Model of study

3. Results

Study tool reliability was inspected via test -retest method. It was distributed to an exploratory sample of 25 researched persons not belonging to the study sample, with two weeks' time gap between the application tests. Reliability coefficient of the tool with its eventual formula and of each dimension of the study dimensions was calculated and distribution of the study sample individuals according to the personal and functional variables. The results are shown in (Tables 1, 2) as follows:

Table 1. Reliability coefficient

Dimension no.	Dimension	Reliability coefficient	
		Test-retest	Alpha
1	Incentives and promotion	0.86	0.83
2	Relations	0.86	0.80
3	Organizational support	0.85	0.85
4	Goals	0.79	0.87
5	Perforane evaluation	0.81	0.82
6	Organizational policy	0.88	0.89
7	Knowledge	0.86	0.90
8	Skill	0.88	0.85
9	Raising HRM effecieny	0.87	0.87

Table 2. Frequency distribution of the study sample items

Variable	Class	Number	Percentage
Social type	Male	204	67 %
	Female	102	33%
Admsitrational level	Directorate manager	31	10%
	Deputy manager	51	16%
	Department chief	104	34%
	Employee	120	40%
Experience (years)	5 Yrs. and Less	53	21%
	6-10	110	34%
	11-15	108	34%
	16 and more	35	11%
Scientific qualification	Secondary school	6	2%
	Colledge diploma	70	22%
	BSc.	204	67%
	Higher studies	28	9%
Age (years)	30 and less	9	3%
	31-40	100	33%
	41-50	120	39%
	47 and more	77	25%

Source: prepared by the researcher baesd on the statistical analysis results , 2015.

3.1 Results of Hypothesis 1

Table 3 shown that the results of multiple regression analysis results of the test of the organizational policies impact with their different dimensions on knowledge increasing as a dimension of human capital effectiveness dimensions.

Table 3. Results of hypothesis 1

Organizational policies	B	Standard deviation	Beta	Calculated t	Sig. level of t
Incentives and promotion	0.170	0.065	0.168	5.030*	0.003
Relations	0.097	0.060	0.028	0.493**	0.622
Organizational support	0.229	0.063	0.251	4.631*	0.000
Goals	0.418	0.061	0.363	4.852*	0.000
Performance evaluation	0.326	0.063	0.268	3.762*	0.000

Note. *has statistical significance at level ($\alpha \leq 0.05$); ** has no statistical significance.

Source: Prepared by the researcher based on statistical analysis, 2014.

The statistical results of the Table 3 and the follow-up of t test values have shown that the secondary following variables (incentives and promotion, organizational support, goals, and performance evaluation) are the most affecting organizational policies variables on knowledge increasing as a dimension of human capital effectiveness dimensions, where t calculated values are (5.030, 4.631, 4.852, 3.762) respectively, and these values are considered significant at level ($\alpha \leq 0.05$). The results have also indicated that the secondary variable (relation) had no impact on knowledge increasing as a dimension of human capital effectiveness, where t calculated value was statistically insignificant at level ($\alpha \leq 0.05$). Consequently, we must reject the null hypothesis which states that there is no impact with statistical significance at level ($\alpha \leq 0.05$) of the organizational policies with its dimensions (incentives and promotion, relations, organizational support, goals, and performance evaluation) on knowledge increasing as a dimension of the human capital effectiveness dimensions, and accept the alternative hypothesis which states that there is an impact of the organizational policies with its dimensions on knowledge increasing as a dimension of human capital effectiveness dimensions.

3.2 Results of Hypothesis 2

As shown in Table 4, multiple regression analysis results of the test of the organizational policies impact with their different dimensions on skill increasing as a dimension of human capital effectiveness dimensions.

Table 4. Results of hypothesis 2

Organizational policies	B	Standard deviation	Beta	Calculated t	Sig. level of t
Incentives and promotion	0.214	0.056	0.209	3.852*	0.000
Relations	0.167	0.059	0.158	2.808*	0.005
Organizational support	0.233	0.062	0.254	3.743*	0.000
Goals	0.396	0.060	0.341	6.550*	0.000
Performance evaluation	0.256	0.061	0.236	4.274*	0.000

Note. *has statistical significance at level ($\alpha \leq 0.05$); ** has no statistical significance.

Source: prepared by the researcher based on statistical analysis, 2014.

The statistical results of the Table 3 and the follow-up of t test values have shown that the secondary following variables (incentives and promotion, organizational support, goals, and performance evaluation) are the most affecting organizational policies variables on skill increasing as a dimension of human capital effectiveness dimensions, where t calculated values are (3.852, 2.808, 3.743, 6.550, 4.274) respectively, and these values are considered significant at level ($\alpha \leq 0.05$). The results have also indicated that the secondary variable (relation) had no impact on knowledge increasing as a dimension of human capital effectiveness, where t calculated value was statistically insignificant at level ($\alpha \leq 0.05$). Consequently, we must reject the null hypothesis which states that there is no impact with statistical significance at level ($\alpha \leq 0.05$) of the organizational policies with its dimensions (incentives and promotion, relations, organizational support, goals, and performance evaluation) on skill increasing as a dimension of the human capital effectiveness dimensions, and accept the alternative hypothesis which states that there is an impact of the organizational policies with its dimensions on skill increasing as a dimension of human capital effectiveness dimensions.

4. Discussion

- Intellectual capital is the greatest value within the organization, with value 3-5 times the material capital.
- Human capital represents a great value within the organization.
- The study has shown that there is an impact of the organizational policies with their dimensions on knowledge increasing as a dimension of human capital effectiveness dimensions.
- The study has shown that there is an impact of the organizational policies with their dimensions on skill increasing as a dimension of human capital effectiveness dimensions.

5. Recommendations

- Interest in intellectual capital should be paid because it is expressive of all the intangible values in the organizations.
- Transforming the tacit knowledge forms among the workers into explicit knowledge forms that can be utilized.
- Training workers and enhancing their capabilities.
- Providing the convenient atmosphere for incubating and supporting innovation.
- Compensating the workers and developing the systems of incentives.

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