

## **The Effect of Human Resource Management Practices of Marketing Sector on Internal Organizational Social Capital (Case Study: Manufacturing Companies of Gilan Province)**

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**Abstract:** Human resource management practices play an important role in marketing activities with policies and practices that they consider for the most valuable asset of organization that is staff of that organization. It leads to development and improvement of internal organizational social capital to achieve organizational goals. The aim of this study is to investigate the relationship between human resource management practices of marketing sector and internal organizational social capital. This study is applied in terms of goal and it is descriptive in terms of data analysis and it used questionnaire to collect data. Population of study included 97 manufacturing companies operating in industrial city of Rasht in Gilan Province. SPSS Software was used to analyze data of study. The results showed that there is significant relationship between human resource management practices dimensions of marketing sector and internal organizational social capital. Therefore, it is suggested that similar research projects to be conducted in other organizations at wider dimensions.

**Key words:** Human resource management, ability practices, motivation practices, opportunity practices, marketing, internal organizational social capital

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### **INTRODUCTION**

Internal organizational social capital is the mass of available internal resources of an individual or organization relationships increasing the intangible assets (Moali, 2015). As a resource, internal organization social capital reflects the social relations within the organization facilitating security, internal coordination, creation and the collection of knowledge and creativity (Lee *et al.*, 2015). Social relations among members of the organization enhance innovation, growth and other organizational outcomes (Maurer *et al.*, 2011). Unlike other capitals, social capital is not physical but it is result of group and social interactions and norms (Kavousi, 2013). In addition, internal organizational social leads to human capital development in the organization. It also improves interactions among staff of an organization and improves the networks within organization. Environment where organizations work become increasingly more dynamic and challenging. Appropriate investment in social capital helps organizations to face contemporary challenges and even convert them to advantage. The availability of more information at low cost and short time plays a key role in social capital. Another role of social capital is to create “unity” among members. Norms and beliefs create strong

social networks replaced by official controls (Adler and Kwon, 2002). Social capital increases competitive advantage and increases the probability of success in an organization (Wu, 2008). Improving performance and confidence in an organization, it seeks to strategic goals in an organization (Milana and Maldaon, 2015). Organizations that have higher internal organizational social capital are more successful compared to organizations that have a lower internal organizational social capital (Chen *et al.*, 2015). Human resource management practices are focused on the policies, practices and systems affecting behavior, mentality and the performance of staff (Rezvani, 1393). Human resource management practices designs development of interpersonal relationships and it enhances incentives to achieve specific objectives. Human resource management practices can even develop organizational social capital and coordinate tasks (Clement, 2014). Human resource management provides opportunities for members of organization and it creates organizational social capital by creating the incentive and ability among members of the organization. As organizational social capital develops, organizational performance also increases. Human resource management practices play an important role in facilitating, integrating and appropriate use of

organizational social capital. Human resource management practices coordinate relationship between staff and their tasks. Human resource management practices have dimensions to create opportunity practices within the organization (internal and external interaction between people in the organization, using investment resources, realizing behavior of newcomers), motivation practices (creating social relationships and strengthening desired behavior and creating good and strong performance) and abilities practices (developing relationships with individual technical skills to develop social networks inside and outside the organization, teamwork ability, individual and team training in improving relations and selecting members) (Chuang, 2013). Human resources make capital intensive, exploit natural resources, create social, economic and political organizations and lead to enhanced knowledge by optimizing national development. What determines a country's economic and social development is its people not capital or other material resources. If organizations fail to keep up with constant changes, they may be drawn into an abyss. Human resource management is strategic and sustainable management and administration of the most valuable asset of organization that is staff working in that organization. It helps organization to achieve its goals. Therefore, human resource management can help organization in prediction of future changes and adapting themselves with such changes (Boerdbar *et al.*, 2014). Human resource management practices create coordination between staff (Gittell *et al.*, 2010). Experts such as Armstrong believe that human resource management in the success of organization depends on three factors: participation in value added, participation in creating a competitive advantage, the impact of human resource management on performance of the organization. The role of human resources in supplying products is quite impressive. Staff in marketing services sector facilitates the implementing organization's strategies and its performance through effective interaction with customers. Therefore, the solution to ensure excellent performance in organization must be sought in successful human resource management. To achieve organizational goals in this sector, we should begin with those who handle customer affairs. Nowadays, internal marketing is considered as a strategy for the implementation of the organization's plans. Studies in this regard suggest that internal marketing activities increases competence among staff of organization through creating motivation among them and it enhances competences. In general, it can be concluded that implementing internal marketing in organizations equipped with competences and capabilities will enhance their performance. Staff plays key role in

attracting customers and retaining them. Parasouraman also believes that organizational products satisfy needs and wants of customers and lead to realization of organizational goals. Staff is also initial customers of organization and one of the main factors of marketing by providing service for customers. Investigation of internal communications and information sharing, empowerment, establishing team and group activities, dynamic organizational structure and participation in determining organization perspective used as internal marketing indices. Internal marketing is also considered as an introduction to implementing organizational strategies and internal marketing mix has been used in this regard. Price or payments, promotion (education, empowerment and communication), location or working environment processes (business products) have been used as internal market indices in studies (Abzari, 2009). Paying attention to market needs a high level of staff participation. Organizations affect staff participation by solving problems, being engaged in decision-making processes and encouraging staff to create new ideas in market. Performance assessment can increase motivation of staff to engage in innovative activities and achieve the desired results of innovation. External and internal rewards are effective in increasing the motivation of staff to do tasks. These rewards can lead to increased motivation of staff to create new innovative ideas in business and successful production of new products. Therefore, organizations use strategic duties of human resources to affect behaviors and willingness of staff. The main goal of marketing concept is that business management should consider staff needs and motivate them. In addition, some researchers classified various internal marketing dimensions into two groups. The first group emphasizes on human resource management to be successful in marketing success and to have satisfied and motivated staff while the second group emphasizes on comprehensive management approach to improve the quality of services and the development relations among staff within the organization. The goal of these activities is to improve the quality of services offered to customers. Additionally, Tsai also divided internal marketing into three areas as follows:

- Internal marketing from the perspective of human resources management to identify the role of managers in relation to staff of organization and retain appropriate staff
- Internal marketing in the organization's environment for quicker development and implementation of marketing plans in internal environment of organization as well as internal communications of organization

Internal marketing is a precondition for customer satisfaction out of organization that is strategic approach challenging staff behavior to show appropriate behaviors facing customers. It can also accelerate the willingness of organizations to marketing. Internal marketing can be considered as a source of competitive advantage in the sense that when staff behaviors need to be changed leading to market development and it requires creation of motivation among staff of organization. Therefore, internal marketing is duty that various departments of organization should recognize it and its role. The main goal of internal marketing is to provide staff motivated at each stage and be customer-oriented (Amir *et al.*, 2011). In addition, results of studies show that we can take big steps to flourish values and norms guiding organization to focus on market and market needs. It can be achieved through implementing four tasks of hiring staff, performance evaluation, wages and benefits and working condition in the planning, implementing and monitoring stages. Market orientation is considered a key resource for competitive advantage. By creating such organizational culture, staff will give the greatest value to the firm's profit and customer retention. Value cause that staff takes steps at three parameters of customer-oriented, focus on market and profitability of organization leading to better organizational performance (Doaee *et al.*, 2010). The main research question is that if dimensions of human resource management practices have impact on internal organizational social capital.

## MATERIALS AND METHODS

**Method of study:** This study is applied in terms of goal and it is descriptive in terms of data analysis and it used questionnaire to collect data.

**Population of study:** The population of study included 97 active manufacturing companies of Gilan province in industrial city of Rasht. The census method was used to collect data. List of industrial companies operating in industrial city was provided by Rasht industrial city office in June 17 of 2015. Questionnaire was distributed among 193 companies operating in industrial city of Rasht in Golestan province in marketing sector, that 110 questionnaires were received. Among them, 13 questionnaires were eliminated due to defects in responses. Therefore, 97 questionnaires were used to examine the hypotheses of study.

**Data analysis method:** Quantitative methods were used to analyze the data in this study conducted by descriptive

and inferential statistics. The correlation coefficient and Durbin-Watson tests were also used in data analysis using SPSS Software.

**Data collection method and tools:** To collect data, field method was used in this study. Tool of data collection was questionnaire containing 37 questions in three dimensions of human resource management practices (including 19 questions) adopted from study (2013) and internal organizational social capital (including 18 questions) adopted by Leana and Pil (2006). Respondents responded the questions based on impact of impact of human resource management practices on internal organizational social capital.

The response to it was based on a 5-item Likert scale and considered options for each question are very low, low, medium, high, very high. Therefore, a numerical value 1 was considered is too low, numerical value 2 for low quality, numerical value 3 for medium, high numerical value 4 for high and numerical value 5 very high. In analyzing the results, mean less than three was considered weak, mean equals to three was considered medium and mean higher than 3 was considered optimal.

Moreover, respondents were asked provide information about the type of industry, duration of company activity and number of staff beginning of the questionnaire. In this study, content validity was used. To determine the validity, the basic plot of questionnaire was designed and investigated studying the literature of study. Then, the basic plot of questionnaire was prepared and examined. To assess reliability, initial sample of 30 questionnaires were pretested. Then, Cronbach's alpha and confidence coefficient were calculated using data of questionnaire. It was revealed that opportunity practices value was 82.9, internal organizational social capital dimensions (structural, relational and cognitive) value was 88.9 and knowledge intensity value was 89.7.

**Conceptual model and hypotheses:** Based on theoretical studies, the conceptual model (Fig. 1) that illustrates the relationship of human resource management practices and organizational social capital, hypotheses were formulated:

- Hypothesis 1: there is a relationship between opportunity practices and internal organizational social capital
- Hypothesis 2: there is a relationship between motivation practices and internal organizational social capital
- Hypothesis 3: there is a relationship between ability practices and internal organizational social capital

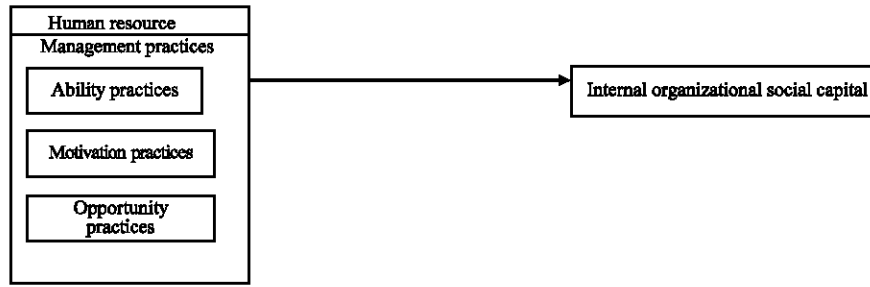


Fig. 1: Conceptual model of study

Table 1: Data description

| Descriptive statistics of variables    | No. | Min. | Max. | Mean   | SD      | Variance |
|--|-----|------|------|--------|---------|----------|
| Human resource management practices    | 97  | 1.64 | 5    | 3.5792 | 0.65172 | 0.425    |
| Opportunity practices                  | 97  | 1.00 | 5    | 3.5258 | 0.77454 | 0.600    |
| Motivation practices                   | 97  | 1.67 | 5    | 3.5808 | 0.71932 | 0.517    |
| Ability practices                      | 97  | 1.00 | 5    | 3.6309 | 0.73334 | 0.538    |
| internal organizational social capital | 97  | 1.83 | 55   | 3.5258 | 0.61973 | 0.384    |

## RESULTS AND DISCUSSION

**Data analysis:** This study describes the demographic characteristics of research at the company level. Out of 97 companies, operating duration of 14 companies was lower than 10 years, 22 companies were between 10-20 years and 39 companies were over 20 years. In addition, 22 companies did not respond to this question. Out of 97 companies, 9 companies had lower than 100 staff, 29 companies had 100-500 staff, 36 companies had between 500-1000 staff and two companies had over 1000 staff. Moreover, 21 companies did not respond to this question.

To describe variables of study, Table 1 shows the distribution of data related to dimensions of human resource management practices and organizational social capital. Based on Fig. 1 and Table 1 it can be seen that human resource variable had the lowest value 1.64, the maximum value 5, mean 3.5792, standard deviation 0.65179 and variance 0.425.

- Ability dimension had the lowest value 1, the maximum value 5, mean 3.6309, standard deviation 0.73334 and variance 0.538
- Motivation practices dimension had the lowest value 1.67, the maximum value 5, mean 3.5808, standard deviation 0.71932 and variance 0.517
- Opportunity practices dimension had the lowest value 1, the maximum value 5, mean 3.5258, standard deviation 0.77454 and variance 0.6

According to the Fig. 1 and Table 2, it can be seen that among the dimensions of human resource

Table 2: Kolmogorov-Smirnov test for variables of study

| Variables                              | Test statistic | Significance level |
|--|----------------|--------------------|
| Human resource management practices    | 0.726          | 0.668              |
| Internal organizational social capital | 0.956          | 0.320              |

practices, the lowest mean related to opportunity practices and the highest mean related to ability practices.

According to Table 1, it can be seen that internal organizational social capital had the lowest value 1.83, the maximum value 5, mean 3.5258, standard deviation 0.61973 and variance is 0.384.

In this study to investigate the hypothesis, correlation test was used. Before examining the hypothesis, to investigate normal distribution of variables, non-parametric test of Kolmogorov-Smirnov test was used and the significance level obtained for Kolmogorov-Smirnov test, variables of study is  $>0.05$ . As a result, variables of study in the investigated sample have a normal distribution. Kolmogorov-Smirnov test results are shown in Table 2.

To examine the first hypothesis (there is relationship between opportunity practices and internal organizational social capital), according to the Table 3, it can be seen that  $\text{Sig.} = 0.000 > 0.05$ . Therefore,  $H_0$  is rejected and  $H_1$  is confirmed with 95% confidence and this relationship is significant. In addition, based on this table, it can be said that the intensity of correlation between two variables of opportunity practices and internal organizational social capital is  $+0.699$ , representing that there is direct (positive) correlation between these two variables. As a result, the hypothesis that states there is a relationship between opportunity practices and internal organizational social capital is confirmed (Table 3).

To examine the second hypothesis (there is relationship between motivation practices and internal

Table 3: Correlation of coefficient of opportunity practices and internal organizational social capital (first hypothesis)

| Variables  | No. | Correlation of coefficient | Significance level | Result                   |
|--|-----|----------------------------|--------------------|--------------------------|
| Opportunity practices and internal organizational social capital | 97  | 0.699                      | 0.000              | Hypothesis was confirmed |

Table 4: Correlation of coefficient of opportunity practices and internal organizational social capital (second hypothesis)

| Variables   | No. | Correlation of coefficient | Significance level | Result                   |
|---|-----|----------------------------|--------------------|--------------------------|
| Motivation practices and internal organizational social capital | 97  | 0.723                      | 0.000              | Hypothesis was confirmed |

Table 5: Correlation of coefficient of opportunity practices and internal organizational social capital (third hypothesis)

| Variables  | No. | Correlation of coefficient | Significance level | Result                   |
|--|-----|----------------------------|--------------------|--------------------------|
| Ability practices and internal organizational social capital | 97  | 0.741                      | 0.000              | Hypothesis was confirmed |

organizational social capital), according to the Table 4, it can be seen that Sig. = 0.000 > 0.05. Therefore, H<sub>0</sub> is rejected and H<sub>1</sub> is confirmed with 95% confidence and this relationship is significant. In addition, based on this table, it can be said that the intensity of correlation between two variables of motivation practices and internal organizational social capital is +0.723, representing that there is direct (positive) correlation between these two variables. As a result, the hypothesis that states there is a relationship between motivation practices and internal organizational social capital is confirmed (Table 4).

To examine the third hypothesis (there is relationship between ability practices and internal organizational social capital), according to the Table 5, it can be seen that Sig. = 0.000 > 0.05. Therefore, H<sub>0</sub> is rejected and H<sub>1</sub> is confirmed with 95% confidence and this relationship is significant. In addition, based on this Table it can be said that the intensity of correlation between two variables of ability practices and internal organizational social capital is +0.741, representing that there is direct (positive) correlation between these two variables. As a result, the hypothesis that states there is a relationship between ability practices and internal organizational social capital is confirmed (Table 5).

### CONCUSSION

The findings of data analysis suggest that there is significant and positive relationship between human resources management practices dimensions and internal organizational social capital so that human resources

management practices play important in development of internal organizational social capital of manufacturing companies in Gilan Province. In this regard, the findings of studies conducted by suggest that the development of human resources management practices dimensions is effective in internal organizational social capital that is consistent with our results. Nahapiet and Ghoshal, 1998 believe that internal organization social capital increases internal coordination of company and facilitates the creation and integration of knowledge and creativity (Lee *et al.*, 2015). Internal social capital increases innovation and growth among members of organization (Maurer *et al.*, 2015). Human resource management practices develop and manage social networks of senior managers through increasing skills, enhancing staff motivation and enhancing the performance. In addition, human resource management practices lead coordination among staff in an organization (Lawler *et al.*, 2011). Therefore, where missions and organizational tasks are planned well, value will be created for organization and competitive advantage will be created (Doaee *et al.*, 2010). With the expansion and development of information and communication technology, all aspects of life are influenced. Organizations as human communities are also affected by these changes. With systematic approach, managers will be able to plan in order to improve the internal organizational social capital through selecting appropriate method. Therefore, those organizations are successful that can guide internal and external environment of organization in line with their goals by providing appropriate conditions and opportunities to flourish innovative thoughts.

### LIMITATION

Every study is naturally associated with some limitations and problems that the most important limitations of this study are as follows:

This study investigated the internal organizational social capital and other dimensions of it have not been considered. To consider all dimensions of organizational internal social capital leads to better performance in the organization. Presence of different organizational cultures determines different indices of internal organizational social capital that may be different internal organization of social capital of this study. In this study, the role of demographic factors (at individual and organizational level) was not investigated in relationship between variables. Given the importance of this issue, it is offered to managers of companies and organizations to create some mechanisms to improve the management of human resources to pave the way to improve internal

organizational social capital. Some of these practices are as follows: creating appropriate opportunity and financial support to encourage staff to teamwork and knowing views of experts to improve the performance of staff. It is also recommended that people inside the organization to be used to do project works so that information sharing to be facilitated and organizational performance to be developed and improved. In this regard, it is also suggested that staff to be participated in seminars and lectures to increase organizational and individual knowledge. It is also recommended that organizations investigate on research projects to increase organizational knowledge. It is also recommended that training to be planned among staff to improve their individual skills so that ability do teamwork to be developed.

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