

Relationship Analysis between Employees Empowerment and Intellectual Capital in Organization (Case study: General Office of Tax Affairs of Southern Khorasan Province)

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ABSTRACT: Today, organizations need staff more efficient than the past, to respond to changes that occur in environment. On the other hand, confrontation with this fact that does not satisfy mechanical paradigms of expectations and desires of an organization, makes organizations to search other ways to gain competitive benefits. Intellectual capital is from new solutions. In an economy based on knowledge, intellectual capital is used in order to create knowledge and increase organizational value and success of an organization depends on its ability in management of this rare source. Also, one of important organizational capabilities that can extremely help organizations in creation and sharing knowledge, is intellectual capital. So, the goal of this paper is to investigate empowerment of staff with growth of intellectual capital of an organization in General Office of Tax Affairs of Southern Khorasan Province. Research method was descriptive and analytical and statistical community of this research were headquarter staff, too. Results getting from this research showed that in this organization, there is a significant and positive relation between employees empowerment with growth of intellectual capital of an organization. In clearer words, with increase of employees empowerment, intellectual capital has been increased, too.

Key words: Empowerment, Significant job, Feeling of integration, Alignment of values, Intellectual capital.

INTRODUCTION

Today, empowerment is viewed as one of useful tools to qualitatively promote staff and increase organizational effectiveness. In order to get success in changing environment of today business, organizations need knowledge, opinions, energy and creativity of all staff, whether front line staff to high – level managers (David & Bishnu, 2009). On the other hand, in view of competitive environment and wonderful changes of today world, managers should assign most of their duties to staff, therefore many of organizations have focused their attention on rehabilitation. Since empowerment has a significant role on organizational effectiveness and creativity of staff. Employees empowerment is generally as a participative process that is used to apply all capacity of staff and encouragement of them to increase their commitments (Jean & et.al, 2010: 1).

Employee empowerment does not mean that management abandon from its responsibility of performance or for leading the organization. Rather, in an employee empowered organization, management's responsibility comes to create and foster an environment in which it is apparent that employee input is desired and cultivated. Empowerment is creating a working environment where an employee is allowed to make his own decisions in specific work-related situations. The decisions can be big or small, and the size and effect of the decision is up to the employer. The logic behind employee empowerment is to increase the employee's responsibility, to build employee morale and to improve the quality of your employee's work life. Ideally, when an employee feels vested in an organization, he will be more productive, loyal and more confident.

The intellectual capital is the set of intangibles that "allows an organization to transform a set of material, financial and human resources in a system capable of creating value for stakeholders" (European Commission, 2006:4).

Change in conditions of organizations of the present era, has led to change of their attitude to human force. In these organizational conditions, success tools are managers that have been turned into main governors of work current and partners of organization. So, merely having skills of leadership is not enough for managers and staff needs education of self-leadership methods, too (Roy & Sheena, 2005: 41).

By rehabilitating human force, satisfaction of customers can be met by providing better and updating services and also, this possibility can be provided that a quicker and more suitable reaction is shown against dynamics of competitive environment from itself.

Spreitzer knows psychological empowerment as an important psychological state that staff, to achieve success in an organization should undergo it (Li Chun Chang, 2008: 2). Also, empowerment gives power of decision making and doing things according to their interest to staff, so it is taken into account as an important tool of management to provide quality services (Henry et al, 2010: 1).

On the other hand, by occurring revolution of information technology, information and network community and also, quick development of superior technology, pattern of growth of global economy has been basically changed from 90s decade. In global economy of today, knowledge as the most important capital has been replaced by financial and physical capitals (Chen, J, Zhu, 2004). Business environment based on knowledge, needs an approach that includes new organizational intangible assets like knowledge and competencies of human sources, innovation, relations with customer, organizational culture, systems, organizational structure, etc. Meanwhile, theory of intellectual capital has attracted increased attention of academic researchers and organizational officials to itself (Bontis, N, 1998). This research tries that investigates effect of employees empowerment on growth of intellectual capital of staff in General Office of Tax Affairs of Southern Khorasan Province. Tax Affairs Office is taken into account as one of important and vital areas in our country that operates in a very various and dynamic environment; therefore, it needs capable, creative and inventive staff. Also, in view of high role of knowledge and information of staff in improvement of activities of organization, there is need, it pays enough attention to growth of intellectual capital as a competitive advantage. This research investigates relation of employees empowerment with growth of intellectual capital of organization and can provide a significant approach in employees empowerment and making confidence in this organization to management of this organization, in view of necessity of growth of intellectual capital.

Therefore, main question of the research is in this form:

How is relation of employees empowerment with growth of intellectual capital of an organization?

Theoretical Basics of the research

Empowerment

Though empowerment is not a new subject, many organizations are interested in the process of implementing it, because they believe that employees are effective in achieving the organizational objectives.

The use of the term "Empowerment" in management refers to industrial democracy and involving personnel in decision making process, under different titles such as team-making, participation, and Total Quality Management. Latest change in this case was called "Employee Empowerment" (Samipour et al: 2011: 269).

The definitions of empowerment itself vary widely across scholars. The concept of empowerment has received increasing attention by academics and practitioners interested in the question of human resources. Employee Empowerment has become an important issue within Contemporary organizations. There is real supports and encouragement to give the freedom to get a job done and the authority to achieve organizational goals. Recently, the usefulness of empowerment has started to become recognized in the different environment of Project Management (Williams, 1997). Rutland discusses its importance both between companies, leading towards an increase in structures such as partnering (which implies a level of trust between the companies), and, more relevantly to this paper, for individuals within a firm: he discusses the importance of employee motivation as a differentiating factor between companies (Rutland, 1994).

Employee empowerment means that an employee is given a chance to be enterprising, take risks without compromising with the organizational goals, mission and vision. His say in the process of decision-making is increased. This can be for one particular individual or for the entire organization. In the latter case it is called participative management (Tjosvold, Hui, & Law, 1998).

Spreitzer (1995) defined psychological empowerment in the workplace with 4 sub-factors: meaning (how important the job is to them), self-determination (autonomous decision making), competency (confidence to accomplish their job) and impact (their ability to influence on other in the work unit) (G. M. Spreitzer, 1995).

He suggests two consequences of empowerment, such as managerial effectiveness (the degree of a manager fulfills or exceeds the work role expectation) and innovative behaviors. Thus, more empowered employees have greater self-efficacy

and they are likely to be innovative to achieve success. Spreitzer's (1995) study of mid- and low-level employees from industrial organizations found the two consequence factors to be significant.

Chan et al., (2008) examined the employee empowerment process with five independent factors: two organizational factors such as decentralized structure and innovative culture and three supervisory supports such as resource, information, and social-political supports (Chan, Taylor, & Markham, 2008).

They found that except for organizational structure, these factors are significantly related to subordinates' trust and this further leads to empowerment and organizational citizenship behavior. These results show that supervisory support is a good predictor of employee empowerment and once employees are empowered, it motivates them to have extra roles for the organization beyond their responsibilities. Thus, while market strategies have a specific impact on employees' market information search, the degree of employee empowerment would change this relationship.

Overall, empowered employees are more likely motivated to accept extra work and show highly innovative and creative work performance. Previous studies have shown that supervisors' supportive and non-controlling attitudes increase employees' autonomy and confidence in their work environment, because supportive supervisors show concern for employees' feelings and they give positive feedback on the subordinates' work (Deci, Connell, & Ryan, 1989).

A definition that on which, it is relied in this research, is Mishra's definition of empowerment:

"Empowerment means to make feeling of competence, feeling of having right of choice, feeling of effectiveness, feeling of meaningfulness of job and finally, feeling of having confidence to others (Mishra, 1992).

Significance: it includes value of job goals that is judged in relation to personal standards or ideas (Thomas & Velthouse, 1990). It is, one who does duties, views them as valuable. So, in this case one takes value for himself / herself, his/her skills and abilities.

Competence: competence or self – sufficient is belief of person in his/her ability and capacity to do skilled works. Competence is something like beliefs of factor, personal abilities and or expectation of effort-performance (Shafi, 2006).

Effectiveness: it includes a limit that in which, a person has ability of penetration in strategic, administrative and or operational consequences in his/her work (Ashforth, 1989).

Self-determination (right of choice): while competence is a behavioral skill, self-determination or right of choice is a personal feeling about right of choice for forerunning and regulation of activities. In fact, self-determination or right of choice states independence in forerunning and continuation of behaviors and processes (Spritzer, 1995). Also, it refers to freedom of action of practitioner in determination of required activities to do job duties (Thomas & Velthouse, 1990; Spritzer, 1995).

Intellectual capital

Intellectual capital is one type of capital which is known as intangible assets of an organization and is therefore claimed to be a valuable asset in the organization (Srivihok, 2008).

Today, (intangible) economy is based on intellectual capital that knowledge and information are considered as its goods. The capital includes huge amount of organizational knowledge and structure. Knowledge is the most important and powerful engine of production that enables us to subdue the nature and force us to satisfy our wants (Bontis, 2004) Edvinson (1997) introduces the two elements of intellectual capital as human capital and structural capital that can be simply defined as those people that are in an organization and whatever remains after they leave the organization (Zahirul Islam and Nazurl Islam, 2003). Defines intellectual capital as those assets that at present time are valued at zero on the balance sheet (Bontis and et al, 2000). Brooking defines intellectual capital in his book as: a combination of intangible assets that enables the economical corporation to do its responsibility.

Intellectual capital (IC) has been identified as a set of intangibles (resources, capabilities and competences) that drives organizational performance and value creation (Roos & Roos, 1997; Bontis, 1998). This suggests causal relationships between IC and organizational value creation (Marr and Roos, 2005)

Intellectual capital is normally classified as follows:

- **Human capital**, the value that the employees of a business provide through the application of skills, know-how and expertise (Maddocks & Beaney, 2002). Human capital is an organization's combined human capability for solving business problems and exploiting its Intellectual Property. Human capital is inherent in

people and cannot be owned by an organization. Therefore, human capital can leave an organization when people leave, and if management has failed to provide a setting where others can pick up their know-how. Human capital also encompasses how effectively an organization uses its people resources as measured by creativity and innovation.

- **Structural capital**, the supportive non-physical infrastructure, processes and databases of the organisation that enable human capital to function (Maddocks & Beaney, 2002). Structural capital includes processes, patents, and trademarks, as well as the organization's image, organization, information system, and proprietary software and databases. Because of its diverse components, structural capital can be classified further into organization, process and innovation capital. Organizational capital includes the organization philosophy and systems for leveraging the organization's capability. Process capital includes the techniques, procedures, and programs that implement and enhance the delivery of goods and services. Innovation capital includes intellectual property such as patents, trademarks and copyrights, and intangible assets (Edvinsson, L. & Malone, M.S. 1997). Intellectual properties are protected commercial rights such as patents, trade secrets, copyrights and trademarks. Intangible assets are all of the other talents and theory by which an organization is run.
- **Relational capital**, consisting of such elements as customer relationships, supplier relationships, trademarks and trade names (which have value only by virtue of customer relationships) licences, and franchises. The notion that customer capital is separate from human and structural capital indicates its central importance to an organization's worth. The value of the relationships a business maintains with its customers and suppliers is also referred as goodwill, but often poorly booked in corporate accounts, because of accounting rules (Marc M. Levey and Steven C, 2007).

Background of the research

Any research, while based on previous studies, can include new words in its turn and it is an introduction to do next studies. In field of investigation of relation between employees empowerment with intellectual capital, no research has not been ever constructed, but in relation to empowerment and intellectual capital, researches have been constructed, separately that in the following, a number of them is indicated:

Spreitzer in his researches found existence of negative relation between ambiguity in role and people's conception about their rehabilitation. Goals or duties that have high flexibility, cause to inject no confidence and ambiguity (Spreitzer, 1992).

Spreitzer and Queen know existence of organizational support to make feeling of security and stability in running process of employees empowerment as required, too (Spreitzer & Queen, 1997).

Yim in his research, knows two factors, information sources for performance (customer-basis against supervisor-basis) and reward system (conclusion-basis against behaviorism) on employees empowerment as effective. He believes that information sources make more empowerment about performance by customers in comparison with supervisors. He also claims that reward system based on process, in comparison with result, causes employees empowerment to more extent (Yim, 22:2008).

Ergeneli et al (2007) in a research that did it in Ankara, investigated relation between psychological empowerment and in-house confidence. They, after analysis of data getting from investigation of 220 middle managers of Ankara banks, concluded that there is a significant and important relation between psychological empowerment and cognitive confidence.

Chen, et al (2004), based on analysis of content of models to measure intellectual capital provided by western researchers, have designed a qualitative measurement model for intellectual capital with four elements of human capital, structural capital, customer capital and innovation capital. Experiential research of these researchers showed that not only there is a positive and significant correlation between elements of intellectual capital, but there is that between these elements and performance of business of their studied companies.

Cohen and Kaimenakis (2007) studied relation of intellectual capital and performance in knowledge-based companies with medium size. Findings of the research stated that mutual relations of different categories of intellectual assets in companies with different size are different with large companies from some aspect.

Huang and Hsueh (2007) investigated relation of intellectual capital and performance in Taiwanese engineering consultation companies. Results of the research showed that there is a positive correlation between three components of intellectual capital and business performance. Highest correlation related to human capital and after it, related to relational capital. Also, there is a positive correlation between three components of intellectual capital.

Bose and Thomas(2007) by using balanced assessment card method, investigated relation of performance and intellectual capital and concluded that balanced assessment card is a valuable assessment method about intellectual capital.

RESEARCH MODEL

In one of the best studies done about empowerment to date, Spritzer (1992) has identified four cognitive dimensions for rehabilitation. So, to measure empowerment of staff, Spritzer's model is used since according to Greasley and others (p359, 2005), only model of empowerment that measures rate of employees empowerment from view of staff, is psychological rehabilitation. In field of intellectual capital, Bontis' model has been used, too. In view of mentioned materials as per the following conceptual model, goals and hypotheses of the research are discussed as follows:

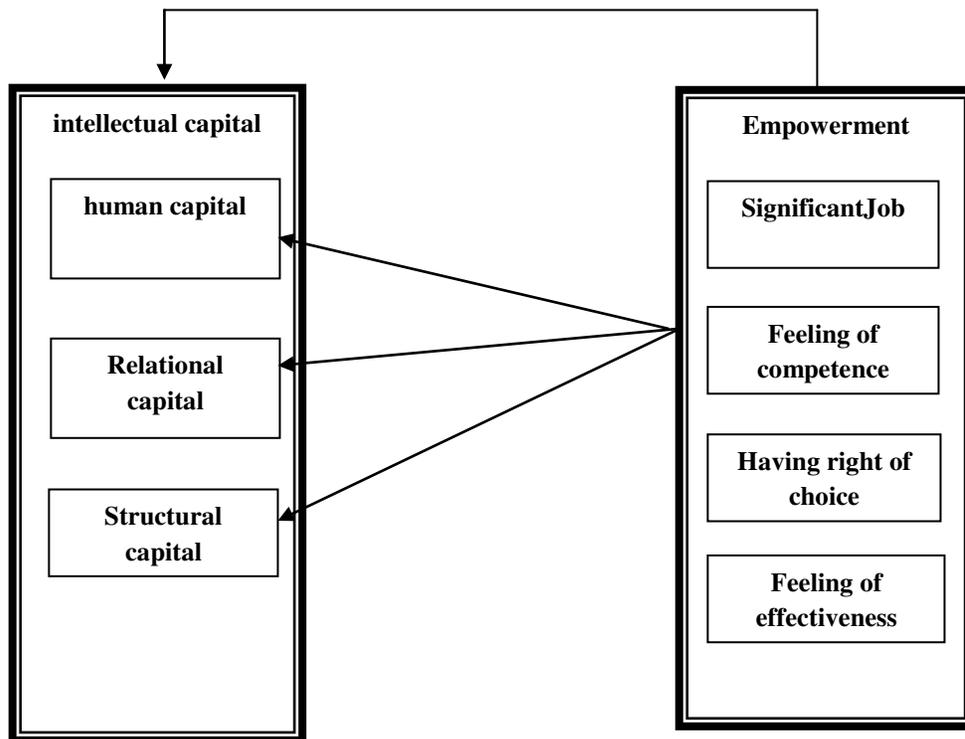


Figure1: Conceptual model of the research

Hypotheses of the research

Main hypotheses

1- there is a significant relation between employees empowerment and growth of intellectual capital in General Office of Tax Affairs of Southern Khorasan Province.

Secondary hypotheses

1- there is a significant relation between employees empowerment and growth of human capital in General Office of Tax Affairs of Southern Khorasan Province.

2- there is a significant relation between employees empowerment and growth of relational capital in General Office of Tax Affairs of Southern Khorasan Province.

3- there is a significant relation between employees empowerment and growth of structural capital in General Office of Tax Affairs of Southern Khorasan Province.

Method to construct the research

The present research is descriptive from view of gathering data and is of correlative type and from view of gathering data, theoretical bases of this research have been gathered as library studies and in next stage, investigation is as measurement and through distribution of questionnaire. Tools to gather data are mainly notation from library sources and distribution of questionnaire and its analysis by using statistical tests.

Research area

This research has been constructed in General Office of Tax Affairs of Southern Khorasan Province (spatial area) and in order to investigate relation between employees empowerment and growth of intellectual capital of organization (subject area) and its information and data relate to spring of 2014.

Statistical community and statistical sample

Statistical community of this research is all staff of General Office of Tax Affairs of Southern Khorasan Province that number of them is 150. Statistical sample of this research is 108 by using Morgan's table.

Classification of variables

In this research, empowerment has been taken as an independent variable and intellectual capital as a dependent variable.

Tool to gather data and information

Methods to gather data are divided into two categories: one is direct methods like observation, interview and questionnaire and other indirect methods like use of documents and deeds.

In this research, direct method and tool of questionnaire have been used to gather data. Also, in this research to measure durability of questionnaire, a stage of pre-test was done, thereby at first 30 questionnaires were distributed and gathered and then, durability coefficient (Cronbach's α) was calculated that Cronbach's α was obtained as 0.933.

Method to analyze data and used statistical tests

Method to analyze data

In this research, to analyze data obtained from samples, methods of descriptive statistics and methods of deductive statistics have been used. In fact, firstly we have tested variables of the research by using methods of descriptive statistics. Methods of deductive statistics used in this research are:

Freedman's variance analysis

This test is used when statistical data is in order, at least and they can be arranged in bilateral ranking with arrangement concept. By using this test, existing variables in the research can be ranked.

Freedman's test statistic, χ^2 is defined as follows:

$$\chi^2 = \frac{12}{nk(k+1)} \sum_{j=1}^k R_j^2 - 3n(K+1)$$

that in which,

n= number of cases or respondents

k=number of variables that are ranked

R=product of adding ranks given to variables from respondents

correlation coefficient: correlation coefficient shows intensity and type of relation (direct or reverse) between two variables. Since data of the research is of quantitative type, Pearson's correlation coefficient has been used to test relation between them.

Formula of Pearson's correlation coefficient is shown in the following relation.

$$r = \frac{\sum xy - n\bar{x}\bar{y}}{\sqrt{\sum x^2 - n\bar{x}^2} \sqrt{\sum y^2 - n\bar{y}^2}}$$

that in this relation, X is independent variable, Y dependent variable and N volume of sample.

Analysis of data of the research

A)descriptive statistics

descriptive statistics getting from analysis of data of the research shows:

Among 108 respondents, 68/6% of them are male and 31/4% of them female and from view of marital status , 25% are single and 75% married.

Percentage of respondents from view of B.A. section was 61% and from view of M.A. 39%.

Highest frequency of respondents from view of age of 31- to- 40- years -old people has been with 48% and least of them have been 51- to- 60- years- old people.

B) Inferential statistics

As mentioned, in analytical statistics of this research, Freedman’s test has been used to rank any one of factors related to empowerment to identify strengths and weaknesses of General Office of Tax Affairs of Southern Khorasan Province. In order to investigate relation of empowerment with growth of intellectual capital in this organization, Pearson’s correlation test has been used.

Freedman’s test

There is a significant difference between status quo of four factors of employees empowerment. So, statistical hypotheses are as follows:

H0: There is not a significant difference between status quo of four factors related to employees empowerment.

H1: There is a significant difference between status quo of four factors related to employees empowerment.

In the following, related tables are provided.

Table 1: average ranks in Freedman’s test in order to investigate factors related to empowerment

Average rank	Factors related to empowerment
2.8	Significant work
2.35	Feeling of effectiveness
1.96	Having right of choice
1.58	Feeling of competence

Table 2: significantness of Freedman’s test

Calculated values	Statistical indices
108	number
70.66	χ^2
3	Degree of freedom
0.000	number of significantness(sig)

As seen in above table, highest rank relates to significant work and lowest rank does to feeling of competence.

Test of correlation coefficient

In order to investigate relation between empowerment and growth of intellectual capital in General Office of Tax Affairs of Southern Khorasan Province, test of Pearson’s correlation coefficient is used.

A) test of main hypotheses

Hypothesis H0

There is not a significant relation between employees empowerment and growth of intellectual capital of organization in General Office of Tax Affairs of Southern Khorasan Province.

$H_0: \rho = 0$

Hypothesis H1

There is a significant relation between employees empowerment and growth of intellectual capital of organization in General Office of Tax Affairs of Southern Khorasan Province.

$H_1: \rho \neq 0$

In view of output of SPSS, Pearson’s correlation coefficient is 0.739 between these two variables. Value of significance observed is less than 0.01 and close to zero (sig<0.01) that is less than level of standard significance ($\alpha = 0.01$). So, hypothesis H0 is not approved in 0.99 confidence level. It is, there is a significant relation between these two variables. In view of whether correlation coefficient is positive between these two variables. Therefore, it can be said, in organizations that employees empowerment is taken, growth of intellectual capital of an organization is more, too. In the following, related statistical tables are provided.

Table 3: Table of Pearson’s correlation test between employees empowerment and growth of intellectual capital of an organization.

Significant relation	Significance	Correlation coefficient	Name of variables
It exists	0.000	0.662	Empowerment of staff Growth of intellectual capital

Test of secondary hypothesis 1

Hypothesis Ho

There is a significant relation between employees empowerment and growth of human capital in General Office of Tax Affairs of Southern Khorasan Province.

$$H_1: \rho \neq 0$$

Hypothesis H1

There is a significant relation between employees empowerment and growth of human capital in General Office of Tax Affairs of Southern Khorasan Province.

$$H_1: \rho \neq 0$$

In view of output of SPSS, Pearson's correlation coefficient is 0.662 for these two variables. Value of significance (sig) observed is smaller than 0.001 and close to zero (sig<0.01) that is less than level of standard significance ($\alpha=0.01$). So, hypothesis H0 is not approved in 0.99 confidence level. It is, there is a significant relation between these two variables. In view of whether correlation coefficient between these two variables has positive sign. In the following table, above results are provided as summarized.

Table 4: table of Pearson's correlation test of employees empowerment with growth of human capital.

Significant relation	Significance	Correlation coefficient	Name of variables
It exists	0.000	0.662	Empowerment Growth of human capital

Test of secondary hypothesis 2

Hypothesis Ho

There is not a significant relation between employees empowerment and growth of relational capital in General Office of Tax Affairs of Southern Khorasan Province.

$$H_0: \rho = 0$$

Hypothesis H1

There is a significant relation between employees empowerment and growth of relational capital in General Office of Tax Affairs of Southern Khorasan Province.

$$H_1: \rho \neq 0$$

In view of output of SPSS, Pearson's correlation coefficient is 0.716 between these two variables. Value of significance (sig) observed is equal to 0.000 that is less than level of standard significance ($\alpha=0.01$). So, hypothesis H0 is not approved in 0.99 confidence level. It is, there is a significant relation between these two variables. In the following, statistical tables related to this hypothesis are provided:

Table 5: table of Pearson's correlation test between employees empowerment and growth of relational capital.

Significant relation	Significance	Correlation coefficient	Name of variables
It exists	0.000	0.716	Empowerment Relational capital

Test of secondary hypothesis 3

Hypothesis Ho

There is not a significant relation between employees empowerment and growth of structural capital in General Office of Tax Affairs of Southern Khorasan Province.

$$H_0: \rho = 0$$

Hypothesis H1

There is a significant relation between employees empowerment and growth of structural capital in General Office of Tax Affairs of Southern Khorasan Province.

$$H_1 : \rho \neq 0$$

In view of output of SPSS, Pearson's correlation coefficient is 0.583 between these two variables. Value of significance observed is 0.000 that is less than level of standard significance ($\alpha=0.01$). So, hypothesis H0 is not approved in 0.99 confidence level. It is, there is a significant and positive relation between these two variables. In view of whether correlation coefficient is positive, In the following, statistical tables are provided.

Table 6: table of Pearson's correlation test between employees empowerment and growth of structural capital

Significant relation	Significance	Correlation coefficient	Name of variables
It exists	0.000	0.583	Empowerment Structural capital

CONCLUSION AND SUGGESTIONS

Results of the research showed that employees empowerment has a positive and significant effect on growth of intellectual capital of an organization and also, on any one of dimensions of intellectual capital. This means that for investment in empowerment of staff in General Office of Tax Affairs of Southern Khorasan Province, intellectual capital including, human capital, relational capital and structural capital will grow, significantly. In clearer words, empowerment as an organizational mechanism can help a studied organization in creation and sharing of existing knowledge in their intellectual capitals, extremely and makes sustainable competitive advantage for them in comparison with other companies. Therefore, in view of whether empowerment has a positive and significant relation with any of three dimensions of intellectual capital, the following suggestions are provided in field of growth of dimensions of intellectual capital in General Office of Tax Affairs of Southern Khorasan Province:

A) Development of human capital

- Design of framework of competences of staff and managers including, their knowledge, skills and abilities and programming of their development based on competences,
- Design and settlement of substitute- training system for key staff of General Office of Tax Affairs of Southern Khorasan Province,
- Design of system of support and encouragement of staff's superior thoughts in order to punctually use them in operational processes of an organization,
- Design and settlement of process of management of performance of human force in organizational level, and
- Management of human knowledge in General Office of Tax Affairs of Southern Khorasan Province.

B) Development of relational capital

- Planning and programming to improve external relations with other organizations
- Notification to staff in field of goals and type of client
- Management of relational knowledge of an organization

C) Development of structural capital

- Increase of efficiency in fields of human sources, equipments of organization, and design of system of encouragement based on it,
- Removing red tapes, waste procedures and complex and long hierarchy in order to reduce level of waste bureaucracy in this organization,

- Effort in order to make a supportive culture through design of encouraging and motivational systems to reinforce creativity and innovation and development of human sources of an organization,
- Assessment of productivity of human sources and programming to improve it.

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