

**UNIVERSITI TEKNOLOGI MARA**

**THE RELATIONSHIP BETWEEN  
HUMAN CAPITAL AND  
ORGANISATIONAL  
PERFORMANCE, WITH THE  
INFLUENCE OF SOCIAL CAPITAL  
AND ORGANISATIONAL CULTURE**

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## **ABSTRACT**

Saudi Arabian economy is in stage of achieving efficiency-driven nation. The kingdom exceeded the stage which depends on the infrastructure to the stage of dependency on the human capital based economy which allow Saudi Arabia to be in the right track of development. Human capital (knowledge, skills and competency), social skills (communication and teamwork) and organizational culture (market, clan, adhocracy and hierarchy) are found to be critical among factors that could be linked and give influence on performance in the organizations. This study therefore aimed to examine the relationship between human capital and organizational performance in Saudi private organizations. It examined also the relationship between human capital and social capital as well as between social capital and organizational performance. Consequently the mediating effect of social capital in the relationship between human capital and organizational performance was also examined. Finally the study examined the moderating effect of organizational culture in the relationship between human capital and organizational performance. The data was analysed based on the random sampling and the self-administered questionnaire, with a response rate of 85%, questionnaire collected from 170 managerial staff that representing the selected organizations in Saudi Arabia. Descriptive statistics, confirmatory factor analysis (CFA), hierarchical multiple regression and Structural Equation Model (SEM) in AMOS were used to analyse the collected data in this study. As hypothesised the results revealed that human capital was significantly and positively related to organisational performance. It was found also that human capital was related to social capital as well as social capital was related significantly to organizational performance. The results also revealed that social capital has mediated the relationship between human capital and organizational performance. Accordingly, it was found that one dimension of organizational culture namely market has moderated the relationship between human capital and organizational performance. The findings of this study could serve as the guidelines for private organizations as well government organizations in Saudi Arabia. These findings are important as this is among the recent research conducted to investigate the relationship and influence of human capital, social capital and organizational culture on organizational performance from the perspective of private organizations in Saudi Arabia. Findings of this study will be beneficial to the policy makers, practitioners and researchers. The findings will also add to the existing body of knowledge in areas of organizational studies, human capital and social capital in specific and intellectual capital in general, organizational culture and organizational performance.

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# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

There are many expanding and successful business organisations in Saudi Arabia nowadays. A business success does not only depend on the intelligence and hard work of the founder alone but the whole workforce, starting from the lowest to the highest position in an organisation (Kassim, 1993). Interest and research on human capital and organisational performance has notably increased among the managements and academics (Iacob & Andrei, 2011; Ogunade, 2011). Moreover the managers are also giving more attention to the importance of the organisational culture in order to understand employees, attitude and behaviour as these will affect their performance and the performance of organization (McShane & Von Glinow, 2015).

This chapter explains about the brief overview of Saudi Arabia, background of study, problem statement which focuses on the problem that are faced by facing the private sector of the selected organizations in Saudi Arabia related to organisational performance. The next part is the explanation on the purpose of study, research questions, hypotheses of study, significant of study, scope of study, definition of terms and organization of the thesis.

### **1.2 BACKGROUND OF THE STUDY**

#### **1.2.1 Introduction of Saudi Arabia**

Saudi Arabia, the second largest country in the Middle East after Algeria, occupies the largest part of the Arabian Peninsula with total population of 32.1 million in 2016. It borders Iran across the Gulf and Qatar and United Arab Emirates from the east, Egypt and Sudan across the Red Sea to the west. In the south, it borders on Yemen and Oman. And the most entire borders are in the north, where it meets Iraq, Jordan and Kuwait. Riyadh is the capital city, and Saudi Riyal is the currency. Saudi Arabia is a