

# Investigating the impact of human capital factors on the performance of staff in the Central Organization for Control and Auditing in the Republic of Yemen

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## Abstract

This study investigates the impact of human capital on the performance of the staff of the Central Organization for Control and Auditing in the Republic of Yemen. It consists of the investigation of human capital and the importance of human capital factors and its utilization on performance. The positive analytical descriptive research methodology was used. The data was collected by analyzing the questionnaire data. The independent variables are elements of human capital (abilities, skills, experiences) and dependent variable is the performance of the employees. The survey includes supervisory levels of administrative staff working in the various departments in the central office and its central branches. Two different statistical tools were used from statistical software to analyze the equations, the measurement model and the structural model to test the proposed hypotheses and used statistical techniques such as methods of variance, in the data analysis. The study examined the impact of "human capital factors" (abilities, skills, experience) on the performance of the workers. The study indicates that there is a positive statistical relationship of human capital with its elements (abilities, skills, experiences) on the performance of the employees. The results indicated a strong positive indicator of human capital factors on the performance of employees. The results of this study support and confirm theories in this field that support the belief that human capital is the instrument of economic growth of existing organizations.

**Key words:** Human capital, ability, skills, experience, employee performance.

## 1. Introduction

One of the most important challenges faced by organizations in the modern era is the quality of performance; keeping abreast of modern technological and knowledge changes; and adopting systems of outstanding performance. In order for organizations to meet these challenges, they must create some keys to deal such. The most important of these is the development of human capital, the multinational working-teams' management and career path development. Also, in order for the organization to achieve the required effectiveness, it has to must ensure the presence of qualified human capital capable of dealing with modern and contemporary technology relevant to the global situation (Armstrong & Taylor, 2014). Attention to the human element is significant for organizations to do because it has an impact on the development and improvement of performance in organizations (Purce, 2014). Maintaining the human element has become a matter for which organizations and communities are racing. Thus, today, many governments are paying more attention to the human element and upgrading it to be of high materialistic and moral value.

Training is considered a strong foundation contributing to improving performance reflecting the employees' behaviors, conducts and the extent of work achievement entrusted to them. Performance is also subject to the internal assessment in the organization; this assessment is to provide judgments on those behaviors and conducts within the framework of the work which would result into other things such as promotions, transfers, training, etc. This process is practiced by staff of human resources and administrative leadership which occupies part of their interests, for these decisions are of a great importance in assessing the organization's performance. (Rajaeepour, Abedini, & Gholami, 2017) Organizations can achieve excellence in performance if they can provide the infrastructure for an integrated and coordinated administrative structure based on human capital to maximize the return in order to achieve the strategic objectives. The outstanding organizations recognize that human capital is the foundation for achieving excellent performance, for its capabilities and expertise (Shaw, Park, & Kim, 2013).

## 2. Problem Statement

Modern management has concerned with the "job performance due to its relevance to the efficiency and

effectiveness of organizations in achieving their goals and reaching their visions and objectives. The success of any organization is linked to the level of performance of its members” (Katzenbach, & Smith, 2015). Researchers have turned their attention to human capital as the main pillar in the production process. The ultimate aim of the administrative process is to improve the performance of the employees, which is the course of improving the general productivity of the institution (Shields, et al 2015). Financial crises sweeping the world are among “the most pressing challenges facing countries and businesses in today's global business environment and most of the response to the financial crisis has focused on macroeconomic aspects” (Barnes & Adam (2017)). It should be noted that reliance on potential profits only as a measure of human capital is limited and profits do not necessarily reflect human capital aspects accurately (Liuof, & Fraumeni 1F, 2014). All branches of modern social sciences are concerned today with the concept of human capital because individuals, institutions and countries today believe that human capital is one of the most important factors in security and success. This concept has become one of the basic concepts in the aspects of modern economic analysis (Perepelkin, Perpelkina, & Morozva, 2016).

### 3. Research Questions

- Does the increase in human capital capacity affect staff performance?
- Does the increase in human capital skills affect staff performance?
- Does the increase in human capital experiences affect staff performance?

### 4. Research Objectives

- Verify the impact of increased human capital capacity on staff performance.
- Verify the impact of increased human capital skills on staff performance.
- Verify the impact of increased human capital experiences on staff performance.

### 5. Basic Research Method

The nature of the problem and the objectives represent the given data for the selection of the appropriate method to accomplish this study. Through adequate data on the subject, the descriptive method shall be used. Using the questionnaire, The descriptive method is a research feature

which makes use of the quantitative or qualitative to describe humanitarian, social, administrative or a set of interrelated phenomena through the use of data collection methods, such as interviews, observations, questionnaires and others as to investigate the phenomenon under study and make it easier to identify the problem realistically (Oppenheim, 2007).

### 6. Conceptual Model

A research structural models was developed in this study. research structural model is intended to test 9 hypotheses related to direct effects between Abilities (AB), Skills (SK), Experience (EXP), Human capital factors (KNS) and Performance of staff (PERS). The study also examined the mediation effects of Human capital factors (KNS) on the relationships of the other constructs. Figure 3.1 illustrates the hypothesized direct and mediation effects in the research structural model.

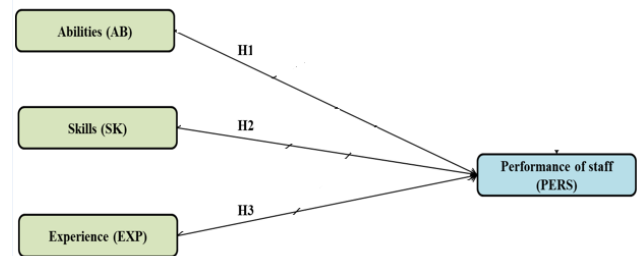


Fig 6.1: Conceptual Framework

### 7. The Hypothesis

- H1-Abilities (AB) significantly affects Performance of staff (PERS).
- H2-Skills (SK) significantly affects Performance of staff (PERS).
- H3-Experience (EXP) significantly affects Performance of staff (PERS)

### 8. Data Processing Methods and the Statistical Analysis

Hofmeyer (2007) mention that Data -screening is necessary in ensuring that data are correctly entered, free from missing values, outliers and to confirm that the distribution of variables are normal. Appendix A depicts all the exogenous and endogenous variables together with their relative estimation errors in this study.

### 9. Hypotheses Testing – Correlation

Quaddus as mention in his statistics books reference that An -examination of goodness-of-fit indices indicates that the structural model adequately fitted the data:  $\chi^2 = 430.842$ ,  $df =$

419, p-value = 0.334, GFI = 0.903, AGFI = 0.885, CFI = 0.997, TLI = 0.997, IFI = 0.997, RMSEA = 0.011 and  $\chi^2/df = 1.028$ . The value of R<sup>2</sup> for Performance of staff (PERS) was 0.26 and 0.40 respectively. This indicates, for example, the error variance of Performance of staff (PERS) is approximately 60 percent of the variance of Performance of staff (PERS) itself. In other word, 40 percent of variations in Performance of staff (PERS) are explained by its five predictors (i.e., Abilities, Skills, Experience, and Human capital factors). Overall findings showed that the score of R<sup>2</sup> value satisfy the requirement for the 0.10 cut off value (Quaddus and Hofmeyer 2007). The coefficient parameters estimates are then examined to test the hypothesized direct effects of the variables. The path coefficients and the results of examining hypothesized direct effects are displayed in- Table 9-1.

Table 9.1: Hypothesis testing summary – Relationship between Factors (IV) and DV

Path		Unstandardized Estimate		Standardized Estimate Beta	critical ratio n (c.r.)	P-value	Hypothesis Result
		Estimate	S.E				
AB PERS	→	0.195	0.076	0.174*	2.559	0.011	H1) Supported
SK PERS	→	0.114	0.061	0.127	1.848	0.065	H2) Rejected
EXP PERS	→	0.189	0.073	0.17*	2.577	0.011	H3) Supported

## 10. Research Question Findings

### *H1-Increasing the Human Capital Abilities Significantly Affects Employees' Performance*

The researcher suggested, in the research model, the following hypothesis: There is a positive relationship between increasing the abilities of human capital and employees' performance (H1). The result of the estimation obtained by this factor )H1: AB  $\square$  PERS; =  $\beta = 0.174$ , CR-value = 2.559, p = 0.011( of the above hypothesis is positive and statistically significant, meaning that there is a positive effect of an increase in the abilities on the employee's performance, and based on this assumption the hypothesis was accepted. These results were consistent with previous studies, which demonstrated a strong positive relationship of the abilities to improve staff performance and that the high-capacity human component affect increasing and improving the competitive advantage of the organization (Augusto Felicio, Couto and Caiado, 2014), (Hsu, Lai and Lin, 2014), (Nimtrakoon, 2015). In line with previous studies, the findings have found a significant and positive impact of increasing the abilities of human capital on employees' performance.

### *H2-Increasing the Skills of Human Capital Significantly Affects Employees' Performance*

The researcher suggested, in the research model, the following hypothesis: There is a positive relationship between increasing the skills of human capital and employees' performance (H2).

The results of the estimation obtained by this factor) H2: SK  $\square$  PERS; =  $\beta = 0.127$ , CR-value = 1.848, p = 0.065) of the above hypothesis is negative, meaning that there is no statistically significant relationship; therefore, this hypothesis was rejected and disapproved. The results show that increasing the skills of human capital does not significantly affect employees' performance in the organization. This hypothesis has been derived from the studies of (de Waal and Oudshoorn, 2015), (Saleem, & Khurshid, 2014) which showed that there is a direct positive relationship between increasing skills and improving the performance of employees, and that the more skills a worker has, the better the organization will be, yet the results were contrary to these studies. The main reason for rejecting this hypothesis is the lack of knowledge and the poor participation of these skills among employees leading to the monopoly of skills for themselves and their non-application in the organization for fear of benefiting others. Perhaps, the explanation for this inconsistent result with the rest of the results is the lack of harmony of the existing knowledge of the workers with the nature of the organization; they have skills but cannot use them at work because of the different skills required by the nature of the work entrusted to them. It is advised to encourage employees to share skills with others, as well as to try to place workers in jobs that are commensurate with their skills.

### *H3-Increasing the Experiences of Human Capital Significantly Affects Employees' Performance*

The researcher suggested, in the research model, the following hypothesis: There is a positive relationship between increasing the experiences of human capital and employees' performance (H3). The result of the estimation obtained by this factor )H3: EXP  $\square$  PERS; =  $\beta = 0.17$ , CR-value = 2.577, p = 0.011( of the above hypothesis is positive and statistically significant, meaning that there is a positive effect of the increasing experiences on the employee's performance and based on this assumption the hypothesis was approved and accepted. The results indicate that there is a way to reach a significant positive impact in employees' performance, which means the importance of this factor. This result is consistent with the results of previous research (de Waal and Oudshoorn, 2015), (Desai, Lockett & Paton, 2016) as mentioned before. Such studies indicate that there is a significant positive relationship between increasing the experiences of workers in the organization and their performance improvement, i.e. the more experienced the staff, the better the performance. The results indicate the possibility of reaching a significant positive impact on the employees' performance, which means the importance of this factor and thus confirming the results of the previous studies. The results indicate a significant and positive impact of increasing the experiences of human capital on employees' performance.

## 12. Suggested Future Research

In light of the limitations of research and the options to be carried out in the research process, future suggestions have been identified. The following are some of the fruitful research areas that researchers can explore, The need for similar studies to demonstrate the impact of human capital factors in government regulatory bodies in other countries, The need for similar studies to demonstrate the impact of human capital factors in other

sectors, The need for similar studies related to the development of regulatory capital and the relative capital (customer), The need to study the role of the work environment as a mediator variable between human capital and employees' performance improvement.

### 13. Conclusion of The Research

The most important asset in the organization is not something you can put your hands on. It is not equipment, not data or technology. The most valuable part of organizations is people, i.e. human capital. Any plans to move forward and improve this element must start from there. But, today's business leaders often run in a race to keep pace with the demands of day-to-day business, meaning that human capital, the company's most important resource, needs to take a next step in growth, innovation and improvement. In our previous study, the importance of the human factor and its impact on performance is demonstrated and how human capital factors affects this relationship. This research has developed and tested a structural model aimed at clarifying the relationship between human capital and employees' performance and the role of human capital factors in this relationship. The study was based on a series of previous research and studies. This model was tested according to data collected from 248 participants using advanced statistical software such as SPSS version 18.0 and AMOS version 20. The current study examined the impact of "human capital factors" (abilities, skills, experience) on employees' performance. It proposed a conceptual model that integrates human capital factors towards staff performance in organizations.

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