

# The Influences of Human Capital Organizational Learning and Organizational Competence on Performance

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**Keywords:** Human Capital, Organizational Learning, Organizational Competence, and Organizational Performance

**Abstract:** This study has investigated the influences of human capital and organizational learning on organizational competence and organizational performance in Higher Education Institutions. The study followed a survey design and employed an evaluative quantitative analysis method. The testing model was Structural Equation Modeling using Partial Least Square method. The results show that intellectual capital is the most important indicator of human capital in increasing organizational performance that is reflected in the improvement of learning system, personal skills are the most important indicators of organizational learning in improving organizational performance as reflected by the improvement in the learning system, and the quality of education and teaching is the most important indicator of the organizational competence in improving organizational performance which is reflected by the learning system improvement. The quality of education and teaching as the most important indicator of organizational competence is capable of mediating the influence of organizational learning on performance. Organizational competence as the mediating variable of the influence of human capital and organizational learning on performance is partial, and human capital serves as a more dominant factor in improving organizational performance than organizational learning.

## 1 INTRODUCTION

The organization will achieve sustainable competitive advantage and superior performance if the organization has the competence (Barney, 1991). Organizational competencies covering all strategic assets both tangible and in a tangible asset such as human capital, organizational reputation, and managerial capacity (Prahalad and Hamel, 1990; Rumelt, 1991; Barney, 1991; and Pateraf, 1993). Intangible assets can contribute more to the organization than tangible resources (Amit and Schoemaker, 1993; Barney, 1991; and Conner, 2002). Higher education that has intangible assets, particularly the quality of human capital is a critical success factor in achieving superior performance organization. Due to the quality of human capital, then the organization will increase the competence impact on improving the competitiveness of the organization

Research at the University of Cambridge found that human capital (intellectual capital, social capital, organizational capital, and knowledge) have a significant effect on performance (Stiles and Kulviseachana, 2004). Other empirical evidence

conducted research at 34 universities in Europe (Germany, Spain, France, Sweden, and the UK), shows that human capital (education, skills, and competence) significantly affects the performance of both public and private universities (Hansson et al., 2004).

This study aims to examine and analyze the effect of (1) human capital on organizational performance, (2) organizational learning on organizational performance, (3) human capital on organizational performance is mediated by organizational competence, and (4) organizational learning on organizational performance mediated by organizational competence.

## 2 LITERATURE

### 2.1 Human Capital

Human capital is the term human capital is the recognition that people in organization and business are important and essential assets that contribute to development and growth, a similar way as physical

assets such as machines and money. The collective attitude, skills, and abilities of people contribute to organizational performance and productivity. Any expenditure in training, development, health, and support is an investment, not just an expense Stockely (2003). Edvinson and Malone (1997) define that human capital is individual knowledge, experience, capability, skills, creativity, innovativeness. Knowledge is the academic texts obtained through education and skills is the ability to work to meet the practical skills. Knowledge and skills do naturally, but universities should deliberately increase it through investment in human capital. Meanwhile (Ancok,2002) defines that comprehensive human capital includes :(1) intellectual capital, (2) emotional capital, (3) social capital, (4) adversity capital, and (5) moral capital. Therefore, in this study, the dimensions of capital are capital that will be used from the fifth dimension are used as an indicator of human capital. Colleges who scored the pioneer development of this nation must develop human capital concerns: (a) intellectual capital, where universities develop the willingness and ability to think to of something new, (b) capital emotional, where the college develop a positive attitude in the face of changes in the organization, (c) Social capital, where universities develop cooperation with other organizations to achieve success, (d) Adversity capital, where universities develop stoicism in the face of various challenges, and (e) Moral capital, where the university develop a good image for the organization.

## 2.2 Organizational Learning

Organizations that make learning organization is an organization that has expertise in creating, retrieving, and transferring knowledge, and modifying its behavior to reflect new knowledge and experience. Organizational learning impact on organizational performance (Amulyoto, 2004; Njuguna, 2008) and organizational learning as one of the determinants of success in Non-Governmental Organizations (Khakina, 2006). These studies concluded that organizational learning had a positive impact on organizational performance, but results could not be generalized to other industries due to differences in size efficiencies and knowledge needs. Baldwinetal. (1997) Stated that members of the organization at all levels, not just top management, continue to observe the environment in an effort to obtain important information, change strategies and programs necessary to obtain the advantage of the changing environment, and to work with the methods, procedures, and evaluation techniques continuously

improved. Other research findings, there is an influence of organizational learning knowledge acquisition, information distribution, information interpretation, and organizational memory jointly positively affect organizational performance (Ouma and Kombo, 2016). In order to achieve and maintain a competitive advantage and high performance in a business environment is changing rapidly, organizations must be able to increase the capacity of learning (Marquardt, 1996). This study uses six dimensions of organizational learning developed by Marquardt (1996: 30), i.e.:

- a. Systems thinking, the conceptual framework, a person to make the pattern more clearly and to help him see how to change them effectively.
- b. Mental model, the assumptions inherent in-depth understanding of how the influence of the outside world, and how people take action.
- c. Personal skills, indicating a high level` of skill or expertise. This requires long-term commitment to continue to learn so to develop expertise and skill in an organization devoted.
- d. Teamwork, the skill that is focused on the process of bringing together and building the capacity of the team to create and produce learning that members actually expected.
- e. Expertise divided into a shared vision, the expertise that each member of the organization to focus its efforts on the development of a vision to build a true commitment.
- f. Dialogue, which is the ability to listen, share, and high-level communication among members of the organization. This skill requires the freedom and creativity to explore the issues, the ability to listen to each other deeply and suspend his own

## 2.3 Organizational Competence

Competence can also be perceived as assets derived intermediate company from increasing the productivity of its resources, such as strategic flexibility and protection of products and services the company (Amit and Schoemaker, 1993). Organizational competence is the ability to organize work and deliver value; competencies include communication, involvement, and commitment to work along the boundaries of the organization (Pralhad and Hamel, 1990; Kogut and Zander, 1992).

Competence of higher education in this study was measured in accordance with the philosophy that mandated by the government for higher education institutions, namely: 1) quality of education and, 2)

quality of research, and 3) quality of service to the community. An assessment of the level of performance can be measured from the higher education success rate in achieving the first goal has been set, from field activities.

### 2.4 Organizational Performance

Organizational performance is the effectiveness that includes the achievement of organizational objectives, the efficiency of which considers the relationship between inputs and outputs necessary to achieve the output, and the adaptations that reflect the organization's ability to adapt to environmental changes (Homburg et al., 1999). The performance of an organization reflects how effective the products/services produced and how the organization can deliver to customers. Human resources (HR) in the organization in charge of designing, producing and continuing through services (Mathis and Jackson, 2001), therefore one of the objectives of human resource management (HRM) is to create activities that contribute to the achievement of superior performance.

Accreditation standards are benchmarks that must be met by higher education. Accreditation standard consists of several parameters (key indicators) that can be used as the basis of (1) the presentation of data and information on the performance, the state, and the higher education, as outlined in the instrument of accreditation; (2) evaluation and assessment of quality performance, and the state of college education, (3) the determination of college eligibility to hold its programs; and (4) The formulation of recommendations for improvement and development quality of higher education. Higher accreditation standards include two core commitments, the college commitments the institutional capacity (institutional capacity) and the effectiveness of educational programs (educational effectiveness), which includes 15 accreditation standards, namely: 1) Leadership, 2) Student, 3) Human resources, 4) Curriculum, 5)Infrastructure, 6) Funding, 7) Governance, 8) Management systems, 9) learning systems, 10) Academic atmosphere, 11) Information systems, 12) Internal quality assurance system.,13) Graduates, 14) Research and community service, 15) Study program.

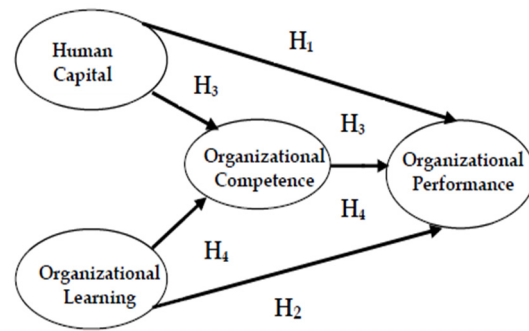


Figure 1: Research Framework

## 3 RESEARCH METHOD

This research is explanatory research with a quantitative approach to explain the relationship between variables through hypothesis testing. The sampling technique used was purposive sampling, namely that the sample is based on certain criteria. Sample grouping criteria are (1) Rector and Vice-Rector for the University and the Institute, (2) Director and Vice-Director for the Academy and Polytechnic. The total population of 116 private universities, where the sample is based on private higher education, which has 50% of accredited study programs as much as 53 private universities. The method used in this study was Structural Equation Modeling by using Partial Least Square (Ghozali, 2006). This method was chosen because the study involved a series of causal relationships between the variables of human capital, organizational learning, organizational competence, and performance.

## 4 ANALYSIS AND DISCUSSION

### 4.1 Analysis of Research Model

Testing the research hypotheses proposed in this study by using Partial Least Square(PLS). PLS is a structural equation model (SEM) based on components or variance (variance). As with SEM, PLS analysis involves two stages, namely:

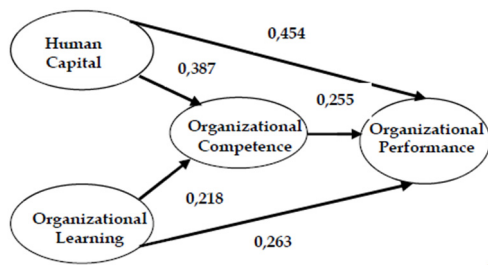


Figure 2: PLS Result of Structural Model

Source: Primary Data Processed, 2018

## 4.2 Hypothesis Testing

### 4.2.1 Direct Effect Testing

The results showed that both the direct effect, either direct effect of human capital on organizational performance as well as a direct effect of organizational learning on organizational performance is a significant (Table 1)

Table 1: Direct Effect Testing in Inner Model.

Influence Between Variables	Inner Weight	t-statistic	P values	Description
Human Capital → Organizational Performance	0.454	9.870	0.000	Significant
Organizational Learning → Organizational Performance	0.263	6.262	0.000	Significant

Source: Primary Data Processed, 2014

Table 1 and Figure 2 shows that the results of hypothesis testing as follows:

- a. Testing the direct effect of Human Capital on Organizational Performance, inner weight coefficient values obtained at 0.454, with t-statistic values for 9,870, and p-value of 0.000. Since the value of t-statistics > 1.96, and the p-value of < 0.05, then there is a positive significant direct effect between Human Capital to Organizational Performance. That is, the higher quality of human capital, the higher the Organizational Performance. This shows that the first hypothesis which the higher the human capital can improve the organization's performance proved.
- b. Testing the direct effect of Organizational Learning on Organizational Performance, the value of weight coefficient of the inner workings of 0.263, with t-statistic values for 6,262, and p-value of 0.000. Since the value of t-statistics > 1.96, and the p-value of < 0.05, then there is a positive significant direct effect on Organizational Learning to Organizational

Performance. That is, the higher the Learning Organization, the higher the Organizational Performance. This suggests that the second hypothesis which the higher Learning Organization can improve the Organization's performance proven.

### 4.2.2 Indirect Effect Testing

- a. Organizational Competence Mediates the Influence of Human Capital On Organizational Performance

Table 2: Organizational Competence Mediates the Influence of Human Capital on Organizational Performance.

	original sample estimate	t-Statistic	p-Value
Human Capital ->Organizational Performance (a)	0.454	9.870	0.000
Human Capital -> Organizational Competence (c)	0.239	2.414	0.016
Organizational Competence -> Organizational Performance (d)	0.255	5.204	0.000
Human Capital->Organizational Performance (b)	0,490	6,157	0,000

Table 2 shows the effect of human capital on organizational performance( a), the effect of human capital on organizational competence (c), the competence of the organization on the organization performance (d), and the effect of human capital on organizational performance without organizational competence (b), where (a) has a smaller coefficient (down) from the influence of human capital on organizational performance without organizational competence(b), it can be said that the organizational competence as a mediating is partially (partial mediation). This proves that human capital can improve organizational performance directly and also through organizational competence. Thus, it can be said that the hypothesis (H3) that states the higher human capital will, the higher organizational performance mediated by Organization competence proven.

b. Organizational Competence Mediates the Influence of Organizational Learning On Organizational Performance

Table 3 shows the effect of organizational learning on organizational performance (a), the effect of organizational learning on organizational competence (c), the effect of organizational on the organizational performance (d), and the effect of organizational learning on organizational performance without organizational competence (b), where (a) has a smaller coefficient (down) from the influence of organizational learning on organizational performance without organizational competence (b), it can be said that the organizational competence as a mediating is partially (partial mediation). This proves that organizational learning can improve

organizational performance directly and also through of organizational competence. Thus, it can be said that the hypothesis (H4) that states the higher organizational learning will, the higher the organizational performance mediated by Organization competence proven.

Table 3: Organizational Competence Mediates the Influence of Organizational Learning On Organizational Performance

	original sample estimate	t-Statistic	p-Value
Organizational Learning ->Organizational Performance (a)	0.263	6.262	0.000
Organizational Learning->Organizational Competence (c)	0.218	2.158	0.031
Organizational Competence ->Organizational Performance (d)	0.255	5.204	0.000
Organizational Learning->Organizational Performance (b)	0.296	4.477	0.000

Source: Primary Data Processed, 2018

## 5 DISCUSSION

The results of this study found that the learning organization can directly improve organizational performance. Besides supporting research Marquardt (1996) found that the learning organization (systems thinking, mental models, personal skills, Teamwork, Expertise shared the vision, and dialogue/discussions can improve organizational performance.

This research supports previous research (Khandekar and Sharma, 2006; Wang and Lo, 2003; Said, 2002; Absah, 2007; and Therin, 2003), which This study also supports the theory of organizational learning of Argyris (1976), which reveals that organizational learning is a process to detect and correct errors to improve organizational performance. And also supports the theory of organizational learning Senge(1990) which revealed that the organization must continually expand their capacity to create the desired performance, through new patterns and development of ideas, where collective aspiration released, as well as the organization



continues to learn how to create learning together. The implication of this research for organizations is to improve organizational performance, so organizations must continue to develop and enhance organizational learning, including creating a continuous opportunity to learn, develop inquiry and dialogue, encourage collaboration and group learning, establish various systems to obtain and share learning, empower members of the organization towards a common vision, and Connect the organization to its environment.

The results of this study also found that organizations that invest in improving the quality of human resources can gain a competitive advantage and high performance. This research supports research (Redmon, 2005; Stenberg & Slater, 1982), who found that human capital (intellectual capital, emotional/social and moral capital/spiritual) influence on organizational competence. The findings also indicate that organizational competencies mediate the effect of human capital on organizational performance. Therefore, organizations in the field of investment in human resources should be able to increase the competence of an organization in order to support the improvement of organizational performance.

Another result of this study also found that organizational learning and empowering members can enhance organizational competencies, organizational competencies which use RBV consisting of: rare, valuable, not easily imitated and not easily replaceable, and competence of the organization can improve organizational performance. This research support (Said, 2002) that has been done by the findings that organizational learning can improve organizational competence (the ability of market analysis and quality of service) on the private higher education. While in this study, although the competence of the organization refers to the quality of the implementation of the college, in college, it contains the ability to analyze the market and good quality services for students and the community.

Research in public and private universities in India (Bhatnagar, 2006) found that the competence of the organization includes the teaching and services that affect the performance of organizations, both public and private universities. Therefore, of this research have to find a way to develop a learning organization that can improve both organizational competence in the field of education and teaching, community service, in order to encourage the improvement of organizational performance.

## 6 CONCLUSION

Many studies have tried to show the relationship between human capital and performance. An important finding of this study is that contingency models and best practices can complement each other to create conditions for effective human resource management. This research found that investment in human resources is a determinant of organizational success, especially in higher education. Human capital conceptualization is related to the fundamentals of economic and firm performance. According to this research, organizational performance influenced positively by human capital considerations, especially intellectual capital

Organizational learning influences organizational performance, which reflects an improvement in learning systems. Thus, the higher the organizational learning, the higher the organizational performance. This is consistent with organizational learning theory, which states that good organizational learning can improve organizational performance. Quality of education and teaching is an important organizational competency in improving organizational performance reflected increased learning system. Proven organizational competence partially mediates the influence of human capital on organizational performance. In other words, the higher the human capital can increase organizational performance mediated increase organizational competence. Organizational competence as a mediating is partial.

Basically, it is changing the whole workforce as the most valuable asset, thus creating the way for the organization for greater achievements through creativity and innovativeness. Therefore, companies should bring some effective and useful plans for investing in the various aspects of human capital and organizational learning. It not only direct firms to achieve greater performance but also makes firms to remain competence for long term survival.

## 7 RECOMMENDATION

Based on the analysis and discussion, the suggestions put forward in this study are:

1. The results of this study indicate that human capital affects the competence and performance of the organization, so that university leaders must increase, human capital, especially intellectual capital through the provision of study permits or following study assignments for lecturers to continue their studies both

Masters (S2) and Doctor (S3), in order to improve competence (quality of education and teaching) and its performance.

2. Organizational learning that is carried out by universities can enhance improve personal skills. Related to the learning system, such as personal skills. Therefore, higher education is recommended to conduct organizational learning such as character education, scientific publication training, comparative studies to other universities, and others.

## 8 RESEARCH LIMITATIONS AND FUTURE RESEARCH

This study was conducted on Private Higher Education, which has accredited programs 50% or more. Variables examined only the relationship was human capital and organizational learning to organizational competence and performance. Future studies can be conducted on all Private Higher Education with a wider scope such as Private Higher Education throughout Indonesia. While the research can be developed the relationship between human capital and organizational learning with the competitive advantage of the organization's reputation or other company.

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