The Impact of Human Resource Management Practices, Organizational Learning, Organizational Culture and Knowledge Management Capabilities on Organizational Performance in Saudi Organizations: A Conceptual Framework

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Abstract

Purpose: This study investigates the mediating role of knowledge management for organizational performance (OP), and human resource management (HRM) practices and the moderating role of organizational learning (OL) on the relationship between organizational performance and knowledge management capability (KMC).

Design/Methodology: This sample was drawn from 215 out of 250 human resource managers from service sectors of the Kingdom of Saudi Arabia. The concepts of human resource management (HRM) practices, knowledge management capabilities, organizational culture, organizational performance, and organizational learning have been implemented in the area of research on human resource management. Though the available literature contains a significant result for the relationship between selected variables. Therefore, previous research did not explore the escalating effect of human resource management in interfering organizational learning, intensifying the organizational performance and knowledge management capabilities in a specific organizational culture. This study employs structural model estimates to address the hypotheses. The model was suggested by the previous research and is interlinked with human resource practices.

Findings: The findings of this study explored a significant effect of HRM practices on knowledge management capabilities, organizational culture, organizational performance, and organizational learning in Saudi Arabia during 2019.

Research Limitation/Implication: This study has some limitations such as the survey has been taken via emails. The answers to some questions might be biased. The collected data have been clustered from the non-industrial sector of the Kingdom of Saudi Arabia. The attributes of the selected companies may be varied from the other areas of the countries.

Originality/Value: this study is based on conceptual framework an employs factor analysis and structural estimate model to make it unique and different from the previous research.

Keywords: Human Resource Management Practices, Knowledge Management Capabilities (KMC), organizational culture (OC), Organizational Performance (OP) and Organizational Learning (OL)

1. Introduction

Human resources human capital is considered as the most valuable asset of an organization (Podolny, Khurana, and Hill-Popper 2019). The organizations maintain human resources in an organized manner to achieve maximum output. Therefore, in this regard, the organizations seek an effective and successful knowledge management environment for recruiting a suitable pool for them. Moreover, this activity leads to develop the appropriate resources at a specific position.
especially for knowledge professionals for boosting Knowledge Management Capabilities (KMC) and increasing the performance of the organization (OP). In addition to this, the pool of human resources is characterized by multi nationalities, multiple cultures with different attitudes, and perceptions that contribute to workforce diversity and is helpful in organizational learning with innovations (Nafei 2015). Furthermore, Knowledge management capabilities aim to seek innovation as well as successful acquisition of knowledge mainly in the area of operational management (Abazeed 2018; Hashim, Ahmad, and Zakaria 2012; T Riaz 2012). This decision affects organizational innovation. Furthermore, Organizational culture is accompanied by knowledge management capabilities and organizational innovation. The organizational culture plays an important role in determining the beliefs, values, and work system that encourages or discourages both knowledge sharing and knowledge creation. In these ways, organizational culture can change organizational innovation and performance.

1.1 Theoretical Foundation:

The effect of human resource management practices has been explored in the context of organizational performance (Wei et al. 2018). The relationship between human resource management, organizational performance, organizational culture, and knowledge capabilities is significant. However, in literature, organizational learning is taken as an intermediate or mediating variable with some issues. A conceptual framework has been created that contributes to the literature of embodying this relationship (Chong et al. 2018).

This relationship helps present a proposal to integrate the model for analyzing and exploring this relationship in Saudi organizations. There found a well-diversified workforce in Saudi Arabia. Saudi Arabia along with other Gulf countries mainly relies upon a handsome proportion of the non-national workforce (Rothfelder, Ottenbacher, and Harrington 2012). This workforce is selected on the bases of skills and professional attributes. Skilled workers from other developing countries move to Saudi Arabia for handsome earnings. The Saudi organizations welcome these workers and organize training programs as organizational learning to make them more beneficial for the organization and increase organizational performance (Gorondutse and Hilman 2019). However, it is explored that the process of organizational learning becomes expensive when the work force’s diverse. So, the increased organizational performance pays a cost of trained human resources. In this regard, human resource practices contribute as a mediator to reduce the learning cost with the relatively high performance of the organization, while organizational learning motivates the employees to improve proficiencies and development activities through the learning process. So the learning process is directly related to the HR practices and organizational performance (NA Faraz 2018). Therefore, Saudi organizations consider investments that investment in human resources management practices is not an efficient economic activity. Even, evidence found that explores some issues with the economies of scale in the Saudi service sector for investing much in the human resource (Reina and Scarozza 2020). It is also observed that human resource practices are required to be more efficient and effective to boost up the organizational performance. This study aims to investigate the individual effect of each vehicle concerning human resource practices in KSA. This study also seeks a new model that explores the influence of human resource management (HRM) practices on organizational performance. This study addresses the following research questions:

H1: Human resource management has a positive effect on organizational performance.
H2: Organizational culture positively affects knowledge management.
H3: HRM has a positive effect on knowledge management.
H4: Organizational learning positively affects the Organizational Performance
H5: Organizational Culture significantly affects organizational Performance
H6: Knowledge management positively influences organizational performance in Saudi Arabia.
H7: HRM practices have a significant positive relationship with organizational culture.

2. Literature

Ample literature is available that examines the relationship in different cultures. Human resource practices are found to have a mediating role to move many factors that lead to high organizational performance. Therefore, the factors are studied and explored individually in this context.

2.1 Human Resource Management:

Human resource management practices are considered demographically, technologically, and economically imposed on organizations for their growth and development (Decastri et al. 2020). Moreover, it is taken into consideration that human resources are priceless economic resources. The
efficient use of human resources can reduce the overall cost of an organization and increase its performance (Ackerman and Heggestad 2019). These human resources are controlled under human resource management. Human resource practices include the process of creating a pool of suitable applicants, recruiting individuals, selecting, and training and make them helpful in achieving organizational goals (Theodore 2018; Vera and Crossan 2004; T. Zhou 2018). Additionally, giving compensations and monitoring performance also increases the productivity of employees. The research also explores four dimensions of human resource management including collection, selection, evolution, and compensation. However, five major dimensions of competitive strategies have been explored concerning recruiting options, human scheming options, evaluating options, compensation options as well as learning and development (Bach and Della Rocca 2000). The conceptual interpretation of Human Resource Management practices argued that there are four dimensions, including efficiency assessment, human resource scheming, profession superintendence, and compensation patterns. Moreover, the HRM functions have been categorized into nine dimensions; these include recruiting, workflow, managing proficiency assessment, dismissal, compensation management, learning and development, empowerment and internationalization, and relationships amid employees (Barney 2019).

2.2 Organizational Culture:

The term organizational culture seems to be ambiguous because there found no single definition of this term. In research, there are many approaches to define this term. The most common definition of organizational culture is the actions and reactions of an organization in different situations. Therefore, this definition differs in cross-cultural organizations. The workforce diversity plays a major part in this regard; the more diverse workforce in an organization, the more diverse is the definition would be explored (Bellé 2018). Moreover, it is also argued that a clear definition of organizational culture as an action and reaction of the workforce. On the other hand, a set of complicated connections of standards and values that leads to one’s attitudes is known as organizational culture. The organizational culture consists of values, thoughts, expectations, and experiences that have been gained through socialization education and participation of social units of staff, management, and employees of the organizations. The interpretations of the organizational culture have confirmed that the organizational hypothesis is fostered, matured, and guided by the researchers either intentionally or unintentionally (Bos-Nehles, Bondarouk, and Nijenhuis 2017). These aspects of the culture are comprised of standards, experiences, philosophy, values, and formal procedures that lead to the consolidation of an organization along with its picture, internal operations, self-image, and cooperation with the external atmosphere. In those external surroundings, some of the norms and values have been saved in either written or unwritten (oral instructions) form (Brewer and Selden 2020). However, they are committed to among themselves. Organizational culture is an obvious process by the organizational creators, staff training, senior management that socialize and adapt to the specific norms over time (Boyne, Jenkins, and Poole 2019). The most desirable culture that suits to fulfill organizational goals would be selected and effortlessly approved and applied by broader surroundings. It is suggested that the organizational culture is an instrument used by the management to support the rationalizable efforts as well as the efficient conceiving. Being an endeavor to improve these practices neither established on neither the constraining nor the guidance. The struggles of the employees get some authority over themselves as well as on each other. Therefore, the main function of the directors of an organization is to create a culture along with its manipulation. It is suggested that the strength of an organizational cultural hypothesis has been specifically observed in the areas of direct control and explained instruction practices have not been easily or possibly maintained (Ingraham 2019).

2.3 Knowledge Management Capabilities:

Knowledge management capabilities are recognized as the knowledge used in establishing a business process by the organizations to utilize institutional or collective knowledge. It consists of three sub-procedures: knowledge manufacture, knowledge arrangement, and organizational learning. Numerous attempts have been made to explore the area of Knowledge Management Capabilities. These attempts have been conducted for clarifying and categorizing knowledge with its associated expressions in the previous research that might be arguable (Crewson 2019). While concentrating on knowledge management capabilities, there is an extensive debate available in the literature that is frequently discussed the
qualities of knowledge. Therefore, the dissimilarity between the classification of knowledge and information of knowledge has been discussed in detail. The literature also includes various study practices along with different viewpoints regarding the interpretation of Knowledge Management Capabilities. The knowledge has been defined and justified as a true belief. While another definition started as knowledge as “information in action” and the requirements of applying the available information. Knowledge is also explained as a substantiated person’s beliefs that increase one’s ability for effective action. Another appropriate definition of knowledge has been explored as an important factor in increasing organizational performance (Haque 2019). It is also stated as efficient knowledge management capabilities are produced and demonstrated as a significant factor in achieving and accomplishing the organizational goals. However, KMC is significantly varied by the willingness of successful inaugurated and developed “knowledge management initiatives” to boost up the organizational performance. Therefore, the success and unsuccessfullness of KMC in the organizational structure depend on estimating and identifying the prerequisites. These are essential for attempting success. These prerequisites are described as the available resources and capacities in the organizational behavior literature. Though the efforts as mentioned previously and other ones that have been demonstrated as knowledge management capabilities have been pledged (Grant and Shields 2020). The knowledge management capabilities have always been handled with specialized on specific aspects and the great level of procedures or handled broadly as knowledge management is considered as a difficult factor to be determined because of its complex nature. Therefore, both knowledge systems and organizations are comprised of four different groups pertain to social legislation "knowledge practices": storage/retrieval, establishment, transfer, and application.

2.4 Organizational Learning:

There are many definitions of organizational learning provided by many authors, such as it is defined as Organizational learning is considered as a process of creating, transferring, and retaining of knowledge within an organization (Ghebregiorgis and Karsten 2018). The organizations improve their performance over time as it gains experience and increases organizational learning for the employees. From this experience, organizations would be able to create knowledge. It is also argued that organizational learning is interrelated with KMC. This knowledge, in this context, is a broader area that covers many other activities of an organization. Moreover, knowledge has been created at four different stages: individuals, groups, organizational, and inter-organizational. In literature, organizational learning is needed to be measured to estimate the organizational performance (George, Haas, and Pentland 2014).

So, organizational learning is commonly measured by is a learning curve. The learning curves are stated to be a relationship among organization produces of a service or product, increased productivity, reliability, efficiency as well as the quality of production at diminishing returns. The research has explored that in the developed economies, the organizations spend more on the job training and learning of employees to boos up organizational performance and achieve the organizational goals. The human resource practices in the service sector of Saudi Arabia are relatively more concerned with organizational learning to get an increase in organizational performance. The organizations focusing more on organizational learning are enjoying a handsome performance. Being a well-diversified workforce, Saudi organizations mainly focus on the learning activities of the employees (Covell 2016).

2.5 Organizational Performance

As far as organizational performance is concerned; several pieces of research conducted various methods for evaluating organizational performance. Another study was conducted on 17 different patterns of organizational productivity and performance and has merged some components relating to organizational performance evaluation. Organizational performance is stated to be a sign of the capacity of performing various assessments by the employees and the findings in the general aspects such as business performance, financial performance, and effective organization. Another system was developed by the HR researchers that have involved two elements to estimate the market performance of an organization i-e market share to earnings ratio. Similarly, extensive research is available that has explored that the financial ratios are the most appropriate way to assess organizational performance. However, the judgment regarding HR practices and other related issues are evaluated differently. Moreover, a complete set of dimensions are also available for human resource performance, which has been suggested by the
research. It is also discovered that organizational performance can also be estimated by the strong position of the managers and the behavior of employees (Knis et al. 2017). Thus, different methods of assessing organizational performance have been stated in Knowledge Management Capabilities. These are classified into four different categories: intellectual capital, commercial measurements, tangible and intangible profits, and the balanced scorecard (Latham and Pinder 2019). The improved organizational performance is measured by the pattern of integrates, the comprehensive performance of an organization as well as the learning process that can also evaluate the comprehensive organizational performance. There found the least difference between the developing and developed countries regarding the effect HRM practices, organizational learning, and knowledge management capabilities on organizational performance. However, the organizational culture, most of the time, affects differently in different organizations even with in the country. The Saudi organizations are explored to be more sensitive in this context as these organizations have a diverse workforce. So, the organizational culture becomes a key factor for boosting up the morale of employees and get maximum output that leads to improving the organizational performance (Lavigna and Hays 2004; Lawrence and Lorsch 2019).

3. Methodology

3.1 Population of study and Sample: Collected Data for this study has aimed at the evacuation of the impacts of human resource management practices, organizational learning, organizational culture, and knowledge management capabilities on organizational performance. Direct surveys via email to the human resources departments of selected Saudi organizations (non-oil industrial) have been conducted. Although Saudi Arabia is economically important due to the oil reserves few studies have been interested in scholars’ attention towards the service sector of Saudi Arabia. As the major portion of its GDP comprises of oil trade even then some researchers found the importance of HRM practices in the non-oil industrial sector (Lepak and Snell 2020; Mattarelli and Tagliaventi 2015; Morgeson and Humphrey 2006; Mortenson, Doherty, and Robinson 2015).

The population of this study includes all large Saudi organizations from the non-oil industrial sector recorded in “Chamber of Commerce and Industry” on 30/12/2019 (A. J. Zhou, Fey, and Yildiz 2020). The share of the non-oil industrial sector has been raised with economic diversification of the Saudi authorities. The services represent 52.5% of the GDP, while 70.8% of the active population has been employed in the non-oil industrial sector (Stavrou-Costea 2019). This sector is comprised of by insurance sector, financial and banking services, and tourism. 250 Questionnaire form has been distributed for the survey. The number of approved and returned questionnaires was 215.

3.2 Measurement

Based on this comprehensive survey, the literature and interpretations of researchers have been utilized in this research. Human resource management practices, organizational learning, organizational culture, knowledge management capabilities, and organizational performance are consistent with previous researches. These variables are calculated according to the seven points of Likert scales, with 1 = strongly disagree till 7 = strongly agree (Sullivan and Hansen 2004; Trong Tuan 2017; Vandenabeele 2018; Wholey 2019). Moreover, the survey is composed of five parts as per the mentioned variables.

4. Findings

4.1 Correlation Matrix Analysis and Scale Reliabilities

Byrne (2001) has carried out the confirmatory factor analysis (CFA) to test the validity of measures. This study was also used in the study. The confirmatory factor analysis has been employed over the exploratory factor analysis, recommended by Byrne (2001). The analysis is based on the theory explaining measuring error as well as testing for the uni-dimensional model. However, the eliminated items from this model were tested, therefore, assimilated to its original conceptual definitions of the constructs. In each case, these elimination constructs do not make a significant change in the other fields which were primarily conceptualized. The conclusion shows a significant impact of confirmatory factor analysis. A completely standardized resulted from SPSS has used the maximum probability of estimation that has been demonstrated all remaining items. The t-statistics of the loadings are high to indicate sufficient convergent validity. The measurement model was p = 0.000, with x² 215 = 158.684; Adjusted Goodness-of-Fit Index (AGFI) = 0.86; Goodness of Fit Index (GFI) = 0.71; Comparative-Fit Index (CFI) = 0.85 Root Mean Square Error of Approximation (RMSEA) = 0.07; Incremental Fit Index (IFI) = 0.86; indicating a positive adaptation.
Cronbach alpha coefficients are calculated with two factors of the "reliability scale" identified and found 0.86 (human resource management practices), 0.82 (knowledge management capabilities), 0.83 (organizational culture), 0.89 (organizational learning), and 0.87 (organizational performance). Furthermore, the reliabilities range from 0.79 to 0.92. The means, standard deviations, and inter-correlations have been illustrated in Table 1.

Table 1. Construct inter-correlation matrix

<table>
<thead>
<tr>
<th>Constructs</th>
<th>HRM practice</th>
<th>Organization culture</th>
<th>Knowledge management Capabilities</th>
<th>Organizational learning</th>
<th>Organizational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human resource management practices</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational culture</td>
<td>0.64</td>
<td>1.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge management Capabilities</td>
<td>0.45</td>
<td>0.89</td>
<td>1.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational learning</td>
<td>0.59</td>
<td>0.41</td>
<td>0.44</td>
<td>1.0</td>
<td></td>
</tr>
<tr>
<td>Organizational performance</td>
<td>0.63</td>
<td>0.63</td>
<td>0.60</td>
<td>0.50</td>
<td>1.0</td>
</tr>
<tr>
<td>Mean</td>
<td>3.85</td>
<td>5.78</td>
<td>5.22</td>
<td>5.85</td>
<td>5.73</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>0.12</td>
<td>0.50</td>
<td>1.35</td>
<td>1.30</td>
<td>1.48</td>
</tr>
</tbody>
</table>

Notes: The means, standard deviations, and inter-correlations, of the five constructs (variables) used in the study, are reported in Table 1

4.2 Hypothesized Model

Structural equation modeling has been employed to evaluate the parameters of this hypothesized model. It has identified “human resource management practices” as an exogenous construct. The HRM practices had a specific relationship with the mediating constructs for knowledge management capabilities, organizational culture, and organizational learning. Therefore, these are interlinked to organizational performance as an internal construct. Organizational culture is also related to knowledge management capabilities that successively are interlinked to organizational learning. The goodness of the fitted model indicates the comprehensive reliability for the hypothesized model analyzed. The measurement model was $p = 0.000$, with $x^2 = 215 = 158.684$; Adjusted Goodness-of-Fit Index (AGFI) = 0.86; Goodness of Fit Index (GFI) = 0.71; Comparative-Fit-Index (CFI) = 0.85 Root Mean Square Error of Approximation (RMSEA) = 0.07; Incremental Fit Index (IFI) = 0.86; indicating a positive adaptation.

Researchers have assumed that the convergent validity is available when the result of critical ration (CR) of the selected variables versus their corresponding dormant variables would be more than 1.96 at the CF level 0.05 level (Virtanen 2000; Wittmer 2019; Wright and Snell 2020).

As hypothesized, human resource management practices are positive and significant relationship with organizational culture (parameter estimate = 0.533 and t-value = 6.193); knowledge management capabilities (parameter estimation = 0.246 and t-value = 3.438) and organizational learning (parameter estimation = 0.552, t-value = 6.854). Eventually, the organizational culture (parameter estimation = 0.415 and t-value = 5.350), knowledge management (parameter estimate = 0.285 and t-value = 3.850) and organizational learning (parameter estimation = 0.231 and t-value = 3.650) were each related to the organizational performance.

4.3 Structural Model Estimates

Also, as hypothesized, organizational culture had a significant relationship with knowledge management capabilities (parameter estimation = 0.548 and t-value = 6.722) that was successively linked to organizational innovation (parameter estimation = 0.236 and t-value = 3.250).
4.4 Results of Measurement Models

Based on the results of the above table, the drawn hypothesis has been accepted as the t-values are acceptable with the p values < 5% which shows a significant relationship among human resource management practices, organizational learning, knowledge management capabilities, and organizational culture. The effects of these practices are significant in Saudi organizations. The selected organizations are investing a handsome amount in their human capital as well as improve human resource management practices in their organizations. This investment leads to attaining high levels of learning, knowledge, and good organizational culture. Moreover, Human resource management practices have a significant positive impact on organizational learning, knowledge management capabilities, and organizational culture in the selected organizations. Furthermore, several elements have been included in human resource practices such as internal communication, intensive training, teamwork, performance-based rewards, the availability of job opportunities, and clear job description. It is concluded that the results of this study are consistent with previous experimental studies conducted in various countries. However, some studies explored contrary results and found that HRM practices are not a significant factor to boost up the organizational performance.

5. Discussion

This fact cannot be denied that the human resource department in the organizations has attained much attention worldwide. There is extensive research that has been done in both developing and developed countries that have explored the importance of human resource
management practices in organizations. Still, there is uncertainty about various concepts of organizational learning, knowledge management capabilities, and their relationship. In some studies, there found a strong relationship between both and interlinked with the organizational performance. However, some researchers found that the terms and their proper definitions are ambiguous. So, the relationship is insignificant or non-existing. Moreover, the relationship between organizational performance and HRM practices, according to some studies, is negative. Therefore, much of the research has explored that there is a positive and significant relationship between HRM practices and organizational performance. In addition to this, the organizational culture plays a supportive role in increasing organizational learning and knowledge management capabilities. Based on the results of these studies, it is evident that organizational learning and knowledge management capabilities and organizational culture are interlinked and enhance organizational performance. The results of this study are consistent with the previous research (Attia and Essam Eldin 2018; Manfredi Latilla et al. 2018; Sedighi et al. 2018).

The current study attempts to clarify these concepts in Saudi non-industrial organizations. These organizations support the aspect of achieving a continuous competitive advantage according to the era of fast change the strategies of organizations. The improved and advanced HRM practices have prevailed in all the national and multinational organizations due to globalization. Saudi Arabia, being an oil producer, has less focus on the non-industrial sector. At the same time, it is known as the owner of the most diverse workforce. Now, this sector is contributing much to the GDP so extensive research has been conducted to explore the human resource management practices that have been exercised in the Saudi organizations and the output of these practices. It is found that HRM practices (including the elements) play an important role in enhancing organizational performance. Moreover, to achieve the organizational goals, a conceptual framework has been followed to investigate the relationship. Many researchers in the field of human resources management did not give attention to these relationships (El-Farr and Hosseingholizadeh 2019; Nguyen et al. 2020; Papa et al. 2018; A. J. Zhou, Fey, and Yildiz 2020). This followed framework has represented a complete model to contribute to the existing literature of human resource management by exploring the relationships among human resource management practices, organizational learning, knowledge management capabilities, organizational culture, and their effect on organizational performance.

Future Implications
This research has resulted in a significant relationship between organizational culture, organizational learning, knowledge management capabilities, and organizational performance. Additionally, it is observed that in the presence of appropriate HRM practices, the organizational performance would be improved. It has been explored by the previous work that by investing more in human capital, the organizations can earn more. This study will be beneficial for the non-industrial organization in Saudi Arabia while preparing the strategies for human resource management.

Limitations and Future Research
This study has some limitations such as the survey has been taken via emails. The answers to some questions might be biased. The collected data have been clustered from the non-industrial sector of the Kingdom of Saudi Arabia. The attributes of the selected companies may be varied from the other areas of the countries. Consequently, the results of this study may not necessarily be generalizable to the overall issue. The organizational culture, workforce, and other attributes may differ from region to region. Being having a high workforce diversity, the attitudes, perceptions, values, and demands of the participants of the survey might differ that can affect the statistical analysis.

Declaration of Conflicting Interest
The author of this study declared that there exists no conflict of interest in respect to conduct this study.

References


[49] Wittmer, Dennis. 2019. “Serving the People or

