

# The Role of Human Capital Development on Organizational Performance: Case Study Benadir University, Mogadishu, Somalia

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## Abstract

The main objectives of this paper were to analyze the role of human capital on organizational performance as well as exploring the significance of HR practice on organizational performance as a case of Benadir University in Mogadishu, Somalia. A descriptive research design was used; the study population was the Deans, Teaching staffs and Non-teaching Staffs at Benadir University in Mogadishu and a sample size of 25 were taken as the study population is unknown. A self-administered questionnaires were used to collect the data from the respondents and then evaluated by utilizing descriptive statistics with the help of SPSS. The findings discovered that the role of human capital on organizational performance is an important for progressing the organization's profitability, what is more, organizations boast for the human capital they have. In the long run, HR practice plays a significant role in building the capacity of the employees; therefore, this study provides contribution of the role of human capital development on organizational performance.

**Keywords:** Human Capital, Organizational Performance, and Benadir University

## 1. Introduction

People knowledge and skills are known as human capital (HC), HC is the core of intellectual capital (IC) that drive business performance (BP). Choudhury and Nayak (2011) stated: People are the organizations greatest asset, providing the IC that drives differentiation and value added. Westphalen (2009) said HC can be defined strictly within an economic context as a production factor, and Koednok (2011a) described HC as an economic term used to describe the skills and knowledge that individuals draw upon to generate outputs of value, such as innovation and productivity in job performance. Moreover, Rephann et. al. (2009) defined HC as the stock of knowledge and skills embodied in labor as a result of training and education that improves labor productivity. While, Papadimitriou (2011) stated: HC is investing in the skills and knowledge that faculty and staffs need in order to be outstanding teachers, scholars, innovators, and leaders. Finally, Enyekit et. al. (2012) pronounced that: HC is the intangible factor of the production that brings human intellect, skills and competencies in the production and provision of goods and services. In summary HC represents individual's knowledge and skills; It is not owned by the organization, but it can be rented; It is in the minds of individuals (individual property) and finally, it goes with the individual (Sharabati & Nour, 2013).

It is no exaggeration in the assertion that the most significant resource of any organization is often said to be its people. Of course, an organization is nothing but inter-related groups of people whose activities are planned and coordinated to meet organizational objectives. An organization that exists to produce goods and services has a good chance to survive and prosper if it consists of the right people. Organizations encounter several obstacles in meeting their goals and in a similar way, all employees report some problems in their attempts to be productive and efficient in their jobs, and to feel satisfied in their work-lives. The challenge to human resources management is to minimize these obstacles and problems. The organization/management prepares a Human Resource Development Plan to develop their human resources - they proudly call it as „Human Capital“ (Ghorbanhosseini, 2014).

The concept of “human capital” has acquired tremendous attention in today's study. Bontis (1999) defines human capital as representing the human factor in an organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. Armstrong (2006) defines human capital as all human abilities whether innate or acquired attributes, whose value could be enlarged by appropriate development investments. Davenport (1999) observed that human capital consists of intangible that workers provide for their employers. Human capital can also be defined as knowledge, skills, aptitudes and other acquired traits contributing to production (Goode, 1959). Skills represent individual capacities contributing to production as an argument in the production function (Bowles, Gintis and Osborne, 2001). According to Blundell, Deardean, Meghir and Sianesi (1999), there are two main components of human capital with strong complementarity; early ability (whether acquired or innate) and skills acquired through formal education or training on the job. Human capital differs from other assets because it yields market returns only in proportion to the workers supply of labor (Bundi, 2007).

In 1991, Somalia, the country that locates on the sunrise of horn of Africa collapsed and all education programs as well as the infrastructure of the society destroyed, let the most be, hospitals, schools, roads and teaching facilities. A team of prominent Somali professionals with a curriculum tailored to meet the learning

needs and the aspiration of Somali students established Benadir University in 2002. The total destruction of pre-war sole national university infrastructure has resulted in serious problems of access to higher education. The complexity of the present situation in Somalia, Benadir University has the moral obligation to take up the challenges and act as guardian and promoter of higher education system, thus, this study examines the role of human capital development on organizational performance as a case of Benadir University in Mogadishu, Somalia.

## 2. Literature Review:

The origin of human capital goes back to materialization of classical economics in (1776) and thereafter developed a scientific theory. The initiative of investing in human capital was first developed by Adam Smith (1776), who argued in the *Wealth of Nations* that differences between the ways of working of individuals with different levels of education and training reflected differences in the returns necessary to pay the costs of acquiring those skills. Economists such as Elliot (1991) developed the theory of human capital. He is concerned with human capital in terms of the quality, not quantity, of the labour supply. (Baron and Armstrong). After the demonstration of that concept as a theory, Schultz (1961) recognized the human capital as one of the important factors of national economic growth in the modern economy (Odhong', 2014).

Michael and Zaid (2014) investigated the impact of human capital development on organizational performance in the Nigerian banking sector, with a particular to the state of Osun. They based their study on questionnaire as a research tool instrument using judgmental and simple random sampling techniques. The study found that there is significant relationship between human capital development and organizational performance in the banking sector. The study also discovered that Nigerian financial sector has the best workforce, in terms of knowledge, skills, attitude, competence and ability to be able to meet the challenges of dynamics in the economy ( Michael & Zaid, 2014)

According to Awan & Sarfraz studied the impact of human capital on performance of the firm with mediating effect of employee's satisfaction with his job. The paper employed questionnaire and the results showed that human capital investments has a strong relationship with firm performance and employee's satisfaction mediates the process between both variables. The findings highlighted that human capital is the most valuable and important assets of an organization. It helps the company to grow and achieve its goals more effectively and efficiently. It also shows that education, training and skills influence the company performance in any way ( Awan & Sarfraz, 2013).

## 3. Methodology

### 3.1 Research Design and Target Population

This study follows a descriptive study. It is cross –sectional and both quantitative and qualitative in nature. In analytical research, the researcher has to use facts or information already available and analyze them to make a critical evaluation and collect relevant information with minimal expenditure of effort, time and money (Catherin, .R, & Ranji, 2002). This study was conducted among teaching, non-teaching staffs and faculty deans at Benadir University in Mogadishu, Somalia. As adopted from (Ghosh, Islam, & Hasan, 2014), the sample size of the study consisted of 25 respondents. In statistical wise, if the study population is between 25 to 35, it is called unknown, therefore, the study population is unknown.

### 3.2 Sample Procedure

The data were collected through questionnaires that were administered to the role of human capital development on organizational performance as a case of Benadir University in Mogadishu, Somalia. Questionnaires are used to collect data from the entire population but only a sample of the data collected are analyzed (Saunders, Lewis, & Thornhill, 2009) the researcher selected this method because it will give the opportunity to meet face to face with the respondents and will explain the purpose of the study and four likert scale were used.

## 4. Results

### 4.1 Demographic information

Table one emphasizes the profiles of the respondents in accordance with gender, age and education level. The data composes male and female **60%** and **40%** in a relative manner. This shows that the male is more than the female in the role of human capital development on organizational performance at Benadir University in Mogadishu, Somalia. **68%** of the respondents are at the age of 20-39 years, **28%** are at the age of 40-59 and **4%** are above 60. This shows that majority of the respondent's age is between 20-39 years. Finally **56%** of the respondents were master holders, **44%** were bachelors whereas secondary did not participate in the study.

**Table one Respondent Profile**

Category	Frequency	Percentage
<b>Sex</b>		
Male	15	60%
Female	10	40%
<b>Age</b>		
20-39	17	68%
40-59	7	28%
60 above	1	4%
<b>Educational Level</b>		
Secondary	0	0
Bachelors	11	44%
Masters	14	56%

#### 4.2 The Role of Human Capital Development on Organizational Performance

**Table two Descriptive analysis of Human Capital Development on Organizational Performance**

The first objective of the study assessed the role of human capital development on organizational performance. The study composed of four questions based on four likert scale. The mean results score (**3.38**) and the standard deviation signified (**0.78**), thus the evaluation of human capital development on organizational performance plays a vital role on the organization performance and shows the satisfaction of the respondents, however people knowledge and skills are known as human capital and they are the greatest assets of any organization in providing an economic context as a production factor, so Benadir University gives serious consideration on promoting the knowledge and skills of teaching and nonteaching staffs at the University.

No.	Statement	Mean	Standard Deviation
1.	Employee motivation is a leading factor to academic success.	3.40	.764
2.	Human capital is the knowledge and skills of the employees to create value for the organization.	3.60	.764
3.	Organizations are built upon the knowledge, skills and competitiveness of individuals.	3.16	.800
4.	Human capital management is a key business initiative.	3.36	.810
<b>Grand mean</b>		<b>3.38</b>	<b>0.78</b>

Source: Primary, data, 2015

#### 4.3 The Role of HR Practice on Organizational Performance

**Table three Descriptive analysis of HR Practice on Organizational Performance**

The second objective of the study explored the role of HR practice on organizational performance. The study contained four questions of four likert scale and the mean scored (**3.34**) whereas the standard deviation showed (**0.74**), therefore HR practice contributes organizational commitment as well as the profitability of the organization. The right person to the right position is what always expected from the HR as the satisfaction of the respondents showed. What is more, HR organizes training programmes to develop the human capital of the organization as well as Summer Seminars for capacity. Benadir University regularly sends teaching staffs to abroad for promoting their knowledge and gaining higher degrees than they have.

No.	Statement	Mean	Standard Deviation
5.	Creating competitive advantage through people requires careful attention of HR.	3.16	.898
6.	HR practices influence employee skills through the achievement and development of organization's human capital.	3.32	.690
7.	Organization's HR practices can promote a collective level of commitment in its workforce.	3.20	.818
8.	High performance work practices and good internal fit leads positive outcome for the organization.	3.67	.565
<b>Grand mean</b>		<b>3.34</b>	<b>0.74</b>

Source: Primary, data, 2015

## 5. Discussions

The results indicate that human capital plays a crucial role on the organizational performance in Mogadishu, Somalia. This was emphasized by the satisfaction of the respondents and the mean results that showed (3.8), the standard deviation (0.78), as well as (3.34) and (0.78) respectively. This was supported by Sharabati & Nour (2013) investigated the relationship between Human Capital and University Business Performance. Their study found that there is positive relationship between the variables investigated. Their study also highlighted that people knowledge and skills are human capital that drive business performance. With respect to Bontis (1999) explains human capital as representing the factor in an organization that combines intelligence, skills and expertise that gives the organization its unique character. According to Armstrong (2006) defines human capital as all abilities whether innate or acquired attributes whose value could be enlarged by appropriate development investment, Likewise Rephann et.al (2009) pointed out human capital as the stock of knowledge and skills embodied in Labor as a result of training and education that improves Labor Productivity.

Finally, the study found that human capital contributes the development of organizational performance and to embody knowledge, skills, and possible development investment in Labor as a result of training and education enhances Labor productivity of organizational performance in Mogadishu.

## 6. Conclusion

The purpose of this paper is to study the role of human capital development on organizational performance as a case of Benadir University. The data of this study based on questionnaires that were administered from Teaching, Nonteaching Staffs, and Faculty Deans of Benadir University. Therefore the study found that there is a positive relationship between human capital and Benadir University.

## 7. Limitations and Recommendations

The utilization of a single organization design limits its generalizability to other organizations. The data is also limited to Benadir University, therefore generalizing results of Benadir University may be questionable. Enlarging the analyses and further testing with larger samples within same organizations is significant. What is more, further empirical researches involving data collection over different countries in Africa are required.

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