



## HUMAN CAPITAL PRACTICES IMPACT ON ORGANIZATIONAL PERFORMANCE

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### **Abstract:**

Human Capital is embedded in individuals with intelligence, expertise, knowledge, skills and education pronouncement made by many scholars. There are different phenomena explained by Context Generic Human Capital (HC) and Specific Human Capital. Those organizations that plan, organized and manage HC strategically gain high Organizational Performance than those who don't. HC revolves as a vital factor to win business competition in contemporary firms. HC can be distinguished as "General Human Capital" and "Specific Human Capital" whereas General HC may be utilized across jobs, firms and industries however Specific HC may be utilized for particular job or in a specific firm etc. The effective management integrates human capabilities to gain

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valuable, rare and inimitable practices that lead to Organizational Performance (OP). The Study results recorded positive significance between the measured variables.

**Keywords:** human capital practices, generic human capital, specific human capital, leadership practices, organizational design, organizational performance

## 1. Introduction

Human Capital (HC) is one of the important factors that will contribute to economic growth (Munjuri et al., 2015). Accordingly, Becker (1964); Acemoglu and Pischke (1999) cited in Kriechel and Pfann (2005) highlighted that HC distinguished as “General HC” and “Specific HC” where General HC can be used across jobs, firms, industries and Specific HC is for a particular job, specific firm; it is also stated that the competitiveness is strongly related to workforce performance (Anastasiu et al., 2020).

Human Capital Management (HCM) is a process that improves performance of employees and organization (Kucharcikova et al., 2014). It was highlighted in resource-based theory that the firm performance is functioning with the approaches of the Managers and how they build the organizations with the available resources that are rare, valuable, and inimitable and lack substitutes (Barney, 1991 cited in Munjuri et al., 2015). Organizational Design prescribes how organizations should structure its functions effectively and leadership, culture, processes, people and practices that achieve mission and strategies (Burton and Obel, 2018). The study results of Odhong et al., (2014) showed that Bank’s performance is highly rely on HC drivers. The Organizational Design was one of the latest HC drivers identified with the HC global survey of Deloitte 2016. This study will examine independent variables such as Context Generic HC Drivers i.e. Leadership Practices and Organizational Design as well as Context Specific Human Capital Practices. Previous studies have shown that organizations achieve the strategic results by managing HC strategically (Becker, Huselid, & Ulrich, 2001; Downes, 2007; Kazlauskaitė, & Buciuviene, 2008 cited in Hossain & Roy, 2016).

### 1.1 Background of the Study

It is important to find out how to achieve a competitive advantage as the private financial institutes emerged rapidly therefore some banks in Sri Lanka are facing a huge competition in the industry (Dharshani, 2013); similarly Coomaraswamy (2017) stressed on that in recent years the rising of business competition among LCBs in Sri Lanka and showed that there is a need for stability, soundness to face challenges and the competition whereas it was emphasized that companies struggle for supremacy (Anastasiu et al., 2020). The local Banks in Sri Lanka make a pivotal role in the economy and consider as the “*engine for the economic growth*” Amunugama, (2014) cited in (Karunathilaka et al, 2015). Similarly, Marimuthu et al, (2009), assert that HC focus on up-skill and develop the individuals to make a direct impact to the performance of the firm and for long term survival and sustainability. The Banks focus on maximizing growth and profits (Karunathilaka et al., 2015); therefore, this study results would make a major

contributions to research on Organizational Performance by demonstrating the Human Capital approaches in the Licensed Commercial Banks in Sri Lanka.

### **1.3 Research Objectives**

Major objectives of this study are to determine how HC drivers impact on OP.

#### **1.3.1 Specific Objectives**

- a. To examine how Context Generic Human Capital Drivers with special skills such as Leadership Practices and Organizational Design impact on Organizational Performance at LCBs in Sri Lanka.
- b. To determine how Context Specific Human Capital Practice with employee expertise impact on Organizational Performance at LCBs in Sri Lanka.

## **2. Human Capital Theory**

The people acquire skills as well as knowledge; it is not obvious that these acquired skills and knowledge are a form of capital (Schultz, 1961); Crook et al, (2011) cited in Nicol-Keita (2013) defined HC clearly as 'stock of knowledge', personality attributes, those competencies embodied in individuals. Intangible resources, HC revolve as a vital factor in competition in contemporary firms (Kucherov & Manokhina, 2017 cited in Fareed et al., 2016). People Task Force Report (2003) cited in Hossain and Roy (2016) pointed out that HCM involves in systematic evaluation, integrated to people policies, practices that create value. HCM is a planned strategic management of the organization. It is essential to evaluate efficiency of HC although there is no unified methodology accepted so far (Kucharcikova et al., 2014). HC studies show the importance of enhancing OP and found companies achieve strategic results by managing HC strategically (Becker, Huselid, & Ulrich, 2001; Downes, 2007; Kazlauskaitė, & Bučiūnienė, 2008 cited in Hossain & Roy 2016). HC theory holds the position that organizational productivity and capabilities lie with firm's specific skills and abilities of employees (Becker, 1994; Kwon & Rupp, 2013; Strober, 1990 cited in Fareed et al., 2016). Becker (1964) cited in Han et al. (2008) pointed out that HC can be classified as national, industrial and organizational levels, however Ployhart and Moliterno (2011) cited in Harris et al. (2018) recognized HC as "unit-level" with individuals' knowledge, skills, abilities and characteristics that aggregates in to the Organizational level.

### **2.1 Context Generic Human Capital Drivers**

The "HC" is a key element to increase productivity and performance (Alnachef and Alhajar, 2017). More profoundly HC theory is defined by Flamholtz & Lacey (1981) cited in Barney (1997) distinguished that there are two types of skills such as "General Skills" and "Specific Skills". This view is elaborated that general skills and cognitive ability possess by the individuals who are valuable and transferable across the organizations. Sirmon et al, (2007) cited in Mahdi and Almsafirb (2014) stated that Leadership do manage the portfolios and organizational resources converting to capabilities, design

required structures appropriately, implement strategies, leveraging the competitive; thus, enhance organizational performance.

According to Srivastava et al., (2013) cited in Fernando, et al., (2019) stated that Organizational re-design will set standards that facilitate to change the organization. The right managerial behaviours and right organizational design is required to create Human Capital centric in the organization (Hossain and Roy, 2016). Similarly, Petric et al., (1999) found that organization embedded superior leadership skills, implement strategies those unable to imitate, create economic values. According to Hossain and Roy (2016) defined that human abilities are innate or acquired. Crafting HC is to determine with business objectives and strategies that will develop HC policies and practices to support the overall business and it was also highlighted that the effective utilization of HC is utmost importance in the business (Sohel-Uz-Zaman et al, 2019). The importance of competent HC in an organization dramatically may support for sustainable competitive advantage (Fareed et al., 2016). The different streams of theoretical economic literature have shown the link between the Organizational Design and the firm's performance (Colombo et al., 2012).

### **2.1.1 Leadership Practices**

Maximizing efficiency of HC in organizational context is one of the cornerstones according to the leadership and enforces HC process to achieve competitive advantage (Birasnav et al., 2011). Ulrich and Lake (1991) cited in Fernando, et al., (2019) show the importance of leadership and how leadership creates a vision, articulate approaches outside and within the organization; the leaders join hands with employees, walk the journey until they achieve their set goals. Petrick et al., (1999) highlighted that the executives with successful leadership styles support to enhance the corporate reputation, increase intangible assets of the organization. The leadership display better performance by accepting responsibilities and influence the Human Capital (Birasnav et al., 2011). Contemporary organizations are considering the leadership development as a strategic priority (McCauley, Kanaga & Lafferty, 2010 cited in Subramony et al., 2018); whereas more profound literature defined that strategic leadership develops the HC, exploit core competencies (Hitt et al., 1995 cited in Mahdi and Almsafir, 2014). Ulrich and Lake (1991) cited in Fernando, et al., (2019) argued that the leadership realm not only from the top managers, every employee can be empowered to practice leadership attributes in their domain of work. The leadership development helps individual managers to grow to be better leaders (Subramony et al., 2018).

### **2.1.2 Organizational Design**

The Organizational Design usually take a top down strategies that focuses, align for business performance and configure work systems, work activities to deliver value Mohrman (2007). Organizational re-design sets standards for corporate values which facilitate change of the organization (Srivastava et al., 2013 cited in Fernando, et al., 2019). According to the study results of Serbian public services, the modern management principles recognize opinions as well as attitudes of employees to establish

Organizational Design (Kolaric et al., 2012). Until recently there have been not much reliable evidences that the organizational design impact on performance whereas Doty et al. (1993) cited in Burton and Obel (2018) confirmed that there is a significant impact on the performance. Srivastava et al, (2013) cited in Fernando, et al., (2019) suggest that the Organizational Design is embedded with the Organizational Structure and collaboration effects whereas Pathmaranjan (2004) stated that some of the Sri Lankan banks initiated organizational re-design to offer integrated services to customers, organization must be designed to meet specific situations and goals (Burton and Obel, 2018). The Organizational Design provides a mechanism how human resources of a firm should function Mohrman (2007) and it was further elaborated and stated that the organizational design do provide architecture to build effective work-systems; these work systems have to be very carefully architected. Further, Mohrman (2007) highlighted that the Organizational Design expertise as well as leadership is not an easy task, but it makes appreciable differences towards organizational effectiveness etc., whereas Deloitte (2017) argues that the organizations are focusing on the organizational redesigning and noted that the organizations are actively focusing on developing new business models. The organizational design is to obtain better insights as well as to determine the potential differences between best and mediocre practices (Hernaus et al., 2013).

The organizational re-design is unmistakably an important key approach to acquire better performance of firms (Ogbo et al., 2015). Kolaric et al., (2012) too argued that organizational design enables successful functioning of the Human Resource interventions. It is a responsibility of the researcher to capture the latest literature with different schools of thoughts whereas the recent evidence of Global Human Capital Survey of Deloitte (2016) highlights that the “*organizational design*” as the most important HC driver for the success of the organization. Similarly, the organizations create jobs with proper designs and the workers are challenged with new designs, authority levels and autonomy (Smith and Markwick, 2009). More recent attention has focused on HC and made provisions on Organizational Design as one of the key priorities for business success (Deloitte 2016; 2017). Organizational design focuses on achieving organizational goals and increasing performance (Hernaus et al., 2013); similarly, Colombo et al., (2012) also pointed out that the recent econometric studies have stressed on that the Organizational Design that impacts firms’ performance.

## **2.2 Specific Human Capital Practices**

The increase or the decrease in Organizational Performance is firmly tied with HCM practices (Bassi et al., 2007). Similarly, Nicol-Keita (2013) emphasized that HCM Practices in an organization is significantly contributing to enhance performance of the organization. It was also revealed in the study results of Perera (2017) that different industries have followed the different HC practices in order to gain numerous advantages. The Specific skills are valuable to a particular type of firm which has no value to competing firms. Many historians have argued that that the “*firm-specific human capital*” is the source of competitive advantage of an organization (Barney and Wright, 1998 cited in Sujchaphong (2013); and similarly Marichova (2018) relates that the dynamic

capabilities have no direct but it has an indirect link, towards the realization of competitive advantages and performance. Superior HC practices are not only significantly correlated with the financial returns (Kucharcikova et al., 2014). It was also discovered by Barney et al., (2001) and pointed out that the tacit knowledge is difficult to imitate which is considered as firm-specific HC. HC Practices is the integrated effort to the effective management of human capabilities that lead to higher level of performance (Dash et. al., 2013 cited in Fernando, et. al., 2019). According to Sujchaphong (2013) Context Specific Human Capital was measured with 'value', 'rareness', 'inimitability' and 'non-substitutable' (Fernando, et al., 2019). HCM is identified as systematic measurement, assessment and analysis as to how policies and practices that enables human resource to create value (Kucharcikova et al., 2014). The adoption with regard to organizational practices permits firms to build the firm- Specific Human Capital that eventually influences the organizational performance (Colombo et al., 2012). HC of a firm may contribute towards "*sustainable competitive advantage*" by being rare, valuable, inimitable and substitutable from any other resource (Barney, 1992; Wright & McMahan, 1992 cited Fareed et al., 2016). It is also highlighted that the Competitive Advantage is derived from the capabilities that are rare, valuable, rare, inimitable, and not easily substitutable (Barney et al., 2001). Kriechel and Pfann (2005) explain that working in a particular job by itself leads to accumulation of Specific Human Capital.

### **2.3 Organizational Performance**

Employees improve the performance as well as profitability of an organization Kucharcikova et al., (2014), they accomplish goals with the behaviours and characteristics they possess and improve organizational performance according to (Birasnav et al., 2011). The leaders show better performances in their given responsibilities and their work related activities Birasnav et al., (2011) similarly, Nicol-Keita (2013) asserted that HCM impacts on employees' behaviour, work attitudes and in turn translate into Organizational Performance whereas Crook et al., (2011) the Human Capital shapes performance. According to Boremen and Motowidlo, (1993) cited in Armstrong, (2012) stated that performance covers the non-job-specific behaviours similar to dedication, cooperation, enthusiasm and persistence that differentiates performance. Crook et al., (2011) conducted a study and found HC is strongly related to performance. The indicators of Organizational Performance are identified such as industry leadership, future outlook, sales growth, profit growth and profits in study of Bontis (1999) and Jamal and Saif (2011) too tested the same indicators to measure organizational performance in their study.

### **3. Methodology**

The methodology of the study was carefully designed to suit the LCBs work environment and the variables were chosen to create the construct of HC drivers a mix of Context Generic Human Capital drivers such as Leadership Practices, Organizational Design and Context Specific Human Capital Practices to measure the impact of each driver to

uncover the gray areas to understand how HC drivers contribute to the Organizational Performance to win the high competition in the banking industry in Sri Lanka. According to Sekeran and Bougie (2014) hypotheses established with existing theories and tested in deductive nature. Therefore, the study conducted as a Quantitative Research study. The interference to this study was minimal and "Study Setting" identified as "Non Contrived". The "Time Horizon" was considered as Cross-sectional and data collected was primary data for the measurement.

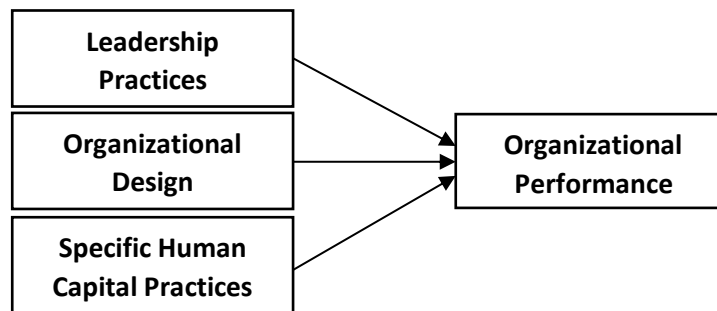
### 3.1 Variables

In the recent past, different authors measured HC and its impact on OP with different variables. HC has been examined by measuring Leadership Practices, Engagement, Learning Capacity, Knowledge Accessibility, Workforce Optimization Bassi & McMurrer (2007); Jamal (2008) and Odhong et al., (2014). Similarly, Wilson and Mampill (2014) carried out their study identifying variables as Leadership, Workforce Optimization, Learning capacity, Knowledge Sharing and Talent retention to measure the Performance. According to Afiouni (2013), argued that Becker and Huselid (2006) discussed the challenges in SHRM and practice. They argued that the strategy implementation mediate between HR and firm performance and the strategy is building sustainable competitive advantage. The strategic HRM rediscovered the human capital and with the increasing research focus on HC as a mediator in the relationships between HR practices and performance (Wright and McMahan, 2011).

This study identified the independent variables as Context Generic HC Drivers such as Leadership Practices and Organizational Design and Context Specific Human Capital Practices. The dependent variable was identified as Organizational Performance. The Leadership Practices were selected seen as a gap according to the study concluded by Nimsith et al., (2016) as he concluded the study by pointing out that Managers still lack confidence about the capabilities of employees and the empowerment is required in banks in SL. According to Pathmaranjan (2004) some of the Sri Lankan banks need re-design of the management practices to overcome the business challenges therefore the Organizational Design was identified. In addition, Central Bank of Sri Lanka, (2016) highlighted that for economic growth needs the intervention of "human capital", therefore, the firm-specific HC was identified to measure with employee expertise by measuring the features valuable, rare, and hard to imitate as previous studies conducted by Sujchaphone (2013) and Anastasiu et al., (2020) to measure HC capabilities.

### 3.2 Conceptual Framework

The Conceptual Framework adapted and designed as HC drivers as independent variables such as Leadership Practices, Organizational Design and Specific HC Practices and the dependent variable was selected as Organizational Performance. Similar studies were conducted by Bassi & McMurrer in year 2007; Jamal and Saif (2011) and Odhong et al., (2014), and Sujchaphone (2013) therefore the variables were selected accordingly. More recent literature has emerged with regard to Organizational Design impact Organizational Performance (Deloitte, 2016).



**Figure 1:** Conceptual Framework

### 3.3 Questionnaire Development

The structured questionnaire was developed by using the standard questionnaires. The standard questionnaires were obtained from Jamal and Saif (2011) and Bassi & McMurray (2007) published in their academic studies. In addition, some questions were adapted from Goold and Campbell (2002) and literature.

To provide more options to respondents, the questionnaire was designed with interval scale and chosen the 5-point Likert scale, such as 1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree nor Disagree, 4 = Agree, 5 = Strongly Agree.

### 3.4 Population and Sample

The study focuses on population of License Commercial Banks (LCBs) in Sri Lanka; the sample frame was identified as the employees falling into Executive categories in LCBs. The sample frame was identified as a subset of the population. The unit of analysis is identified as individual executives as HC may be assessed with at individuals and then may be aggregating to the organizational level (Wright & McMahan, 2011, cited in Harris et al., 2018). According to Sekeran & Bougie (2014) sample size was decided as 377 whereas only 345 responses were received out of same only 327 taken as valid responses to measure data for the analysis.

The sample was selected on convenience sampling method similar to the study conducted by Jamal (2008) in the knowledge intensive population as the Banks in Sri Lanka do not permit outsiders to go through the employee databases.

Dharmaratne (2014) conducted a study in the banking sector, Sri Lanka and stated that the banks in Sri Lanka do not share any databases and also Perera (2015) also stated that the banks in Sri Lanka withheld sharing workforce data bases. Therefore, this study opted to use the convenience sampling techniques to select the respondents for the survey. Units of analysis were selected as Executives attached to LCBs Sri Lanka.

### 3.5 Data Collection

In this study the primary data was drawn by administrating a questionnaire on survey methods and requested to the bank employees to participate in the survey those who are falling in all executive categories and there were 345 respondents participated in the survey. 18 questionnaires were unusable due to insufficient data, therefore there were only 327 valid responses were tabulated for the measurement process. These respondents



marked their regions and found that there was 42% representation from western province region out of the 09 regions. However, this high percentage is acceptable as all Head Office of all banks are located in western province region and also the highest number of bank branches and executives are too located in the western province region. Therefore, the high response rate is acceptable from the western region. The survey carried out with quantitative approaches. It is the choice of the researcher to identify the data collection technique and the interference of the researchers was minimal.

### 3.6 Statistical Techniques

Primary data were measured by using IBM Statistical Package of Social Sciences (SPSS), software package 21.

## 4. Analysis and Results

Initially Cronbach's alpha test was performed to evaluate "reliability" as suggested by Nunnally, (1978) cited in (Bontis& Fitz-enz, 2002).

The Reliability Analysis with Multi-Items measured to obtain the reliability of the questionnaire items and found that all alpha values of each construct recorded the values above the rule of thumb of 0.7, to satisfy that the internal reliability of the questionnaire.

### 4.1 Reliability Test

The Reliability shows the internal consistency of the questionnaire items and Cronbach's Alpha values reported as shown in Table 4.1, whereas the threshold value for Cronbach's Alpha value is 0.7 in social sciences.

Therefore, the values were considered as acceptable as all variables recorded above the threshold values.

**Table Error! No text of specified style in document..1: Reliability Analysis- Multi-Item Measures comparison**

Variables	Cronbach's Alpha values	No. of Items
Leadership Practice	.899	9
Organizational Design	.881	9
Specific Human Capital Practices	.933	9
Organizational Performance	.838	5

### 4.2 Correlation Analysis

The Bivariate Pearson Correlation tests were performed to obtain the statistical evaluation of the strength of each linear relationship between the two continuous variables to measure the possible connections between such variables.

**Table 4.2: Multiple Correlations**

Correlations		Leadership Practices	Organizational Design	Specific Human Capital Practices	Organizational Performance
Leadership Practices	Pearson Correlation	1	.536**	.519**	.554**
	Sig. (2-tailed)		.000	.000	.000
Organizational Design	Pearson Correlation	.536**	1	.541**	.585**
	Sig. (2-tailed)	.000		.000	.000
Specific Human Capital Practices	Pearson Correlation	.519**	.541**	1	.738**
	Sig. (2-tailed)	.000	.000		.000
Organizational Performance	Pearson Correlation	.554**	.585**	.738**	1
	Sig. (2-tailed)	.000	.000	.000	

\*\* . Correlation is significant at the 0.01 level (2-tailed).

**Table 4.3: Correlations-Leadership Practices and Organizational Performance**

Correlations		Leadership Practices	Organizational Performance
Leadership Practices	Pearson Correlation	1	.554**
	Sig. (2-tailed)		.000
	N	327	327
Organizational Performance	Pearson Correlation	.554**	1
	Sig. (2-tailed)	.000	
	N	327	327

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The Pearson Bivariate-Correlation Coefficient was measured to examine the association between Leadership Practices and Organizational Performance. The results of recorded a positive correlation ( $r = 0.55$   $p < .01$ ) between the independent (Leadership Practices) and dependent variable (Organizational Performance). The correlation value denotes 55% of the Organizational Performance explained by the Leadership Practices.

**Table 4.4: Correlations-Organizational Design and Organizational Performance**

Correlations		Organizational Design	Organizational Performance
Organizational Design	Pearson Correlation	1	.585**
	Sig. (2-tailed)		.000
	N	327	327
Organizational Performance	Pearson Correlation	.585**	1
	Sig. (2-tailed)	.000	
	N	327	327

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The Pearson Bivariate-Correlation Coefficient was measured to examine the association between Organizational Design and Organizational Performance. Results of recorded a positive correlation ( $r = 0.58$   $p < .01$ ) between independent variable (Organizational Design) and dependent variable (Organizational Performance). The correlation value denotes 58% of the Organizational Performance explained by the Organizational Design.

**Table 4.5:** Correlations-Specific HC Practices and Organizational Performance

Correlations		Specific HC Practices	Organizational Performance
Specific HC Practices	Pearson Correlation	1	.738**
	Sig. (2-tailed)		.000
	N	327	327
Organizational Performance	Pearson Correlation	.738**	1
	Sig. (2-tailed)	.000	
	N	327	327

\*\* . Correlation is significant at the 0.01 level (2-tailed).

The Pearson Bivariate-Correlation Coefficient was measured to examine the association between Specific HC Practices and Organizational Performance. The results of recorded a positive correlation ( $r = 0.73$   $p < .01$ ) between the independent (Specific HC Practices) and dependent variable (Organizational Performance). The correlation value denotes 73% of the Organizational Performance explained by the Specific HC Practices.

### 4.3 Multiple Regressions

The Multiple Regression can be considered as an extension to the simple linear regression. It is commonly used to predict the values of variables of two or more variables. In this study the multiple regressions to understand the Organizational Performance can be predicted by Leadership Practices, Organizational Design and Specific HC Practices. Therefore, the linear regression analysis was performed to measure the impact on dependent variables by the predictor variables and model summary table is presenting the values with regard to R, R squares and R square variances.

**Table 4.6:** Multiple Regressions

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.781 <sup>a</sup>	.610	.606	.20571	1.495

a. Predictors: (Constant), Specific HC Practices, Leadership Practices, Organizational Design  
b. Dependent Variable: Organizational Performance

In the column labeled R value depicts simple correlation as 0.781 which indicates a high degree of correlation. The adjusted  $R^2$  column records the variability in the outcome as Organizational Performance accounted by the predictor variables such as Leadership Practices, Organizational Design and Specific HC Practices. In this case, 60% of the variation in Organizational Performance can be explained by Leadership Practices, Organizational Design and Specific HC Practices.

**Table 4.7: ANOVA**

ANOVA <sup>a</sup>					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	21.377	3	7.126	168.388	.000 <sup>b</sup>
1 Residual	13.668	323	.042		
Total	35.045	326			

a. Dependent Variable: Organizational Performance

b. Predictors: (Constant), Specific HC Practices, Leadership Practices, Organizational Design

Analysis of Variance (herein after referred to as ANOVA) analyze the variation in the Y scores. The ANOVA analysis provides the statistical test for the overall model fit in terms of the F ratio. There are two sums of squares introduced in class the regression and residual sums of squares. The variance of the residuals is the value of the mean square error or Mean Square which is 7.126. F-statistic is a value resulting from a standard statistical test used in ANOVA and regression analysis to determine if the variances between the means of two populations are significantly different. F test helps to test the hypothesis to identify whether there is a relationship between the independent and dependent variables. The value for the F test for the present data set is 168.388 with a significance value of 0.000, which implies model is significant at 1 percent level.

**Table 4.7: Coefficients**

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.753	.136		12.912	.000
1 Leadership Practices	.098	.026	.164	3.765	.000
Organizational Design	.137	.030	.203	4.598	.000
Specific HC Practices	.431	.035	.543	12.440	.000

a. Dependent Variable: Organizational Performance

Table of coefficients provides information pertaining to the significance of individual regression coefficients. Standard error gives the approximate size of prediction error and standardized coefficients (Beta values) will permit to compare the relative contributions of each variable given in different measurements. Beta values express the relative importance of each independent variable in standardized terms. In this study the *b* values are positive and standardized *b* values denotes a positive regression of 16%, 20% and 54% which represents Leadership Practices, Organizational Design and Specific HC Practices respectively and the results show a significant contribution by each predictor to the outcome.

## 5. Discussion

The study results provide some important insights to academia and to the Licensed Banks in Sri Lanka. The study results show the need for high involvement of Leadership Practices, Organizational Design and Specific HC Practices to enhance the Organizational

Performance in the LCBs in SL. In this study the first objective was to examine how Context Generic Human Capital Drivers such as Leadership Practices and Organizational Design impact on Organizational Performance.

**H1:** The Leadership Practices impact on Organizational Performance.

The study results recorded a positive correlation of ( $r = 0.55$   $p < .01$ ) between the independent variable (Leadership Practices) and dependent variable (Organizational Performance) The correlation value denotes 55% of the Organizational Performance explained by the Leadership Practices whereas the individual *b values* recorded a 16% variation with positive significance. The first hypothesis of the study was substantiated.

**H2:** The Organizational Design impact on Organizational Performance.

The study results recorded a positive correlation of ( $r = 0.58$   $p < .01$ ) between the independent variable (Organizational Design) and dependent variable (Organizational Performance) and correlation value denotes 58% of the Organizational Performance explained by Organizational Design whilst Organizational Design variable showed *b values* of 20% as contribution towards the Organizational Performance and the second hypothesis of the study was substantiated. The second objective of the study was to determine how Context Specific Human Capital Practice impact on Organizational Performance at LCBs in Sri Lanka.

**H3:** The Specific Human Capital Practices impact on Organizational Performance.

The study results recorded a positive correlation of ( $r = 0.73$   $p < .01$ ) between the independent variable (Specific HC Practices) and dependent variable (Organizational Performance). The correlation value denotes 73% of the Organizational Performance explained by Specific HC Practices whereas the individual *b values* too recorded a 54% variation with positive significance and the third hypothesis of the study was substantiated.

In addition, the Model Summary values reported a very high *R values* which depicts the simple correlation as 0.781 which indicates a high degree of correlation. The study results reported *adjusted R<sup>2</sup>* which records the variability, towards the outcome, the Organizational Performance accounted by the predictor variables such as Leadership Practices, Organizational Design and Specific HC Practices.

It is noted a 60% of variation in Organizational Performance can be explained by predictor Leadership Practices, Organizational Design and Specific HC Practices. It is also found that the task related HC i.e. Specific HC is more positively related to the Organizational Performance than non-task related human Capital where this affirmation is also concluded by Anastasiu et al., (2020) too with their study results. In comparison with the results of this study Mahdi and Almsafir (2013) highlighted that Strategic Leadership Capabilities positively effect on sustainable competitive advantage and recorded in the model summary an Adjusted  $R^2 = 0.55$ . Ingram (2002) declared that Watson Wyatt's (2001) study results recorded a 47% variation in market value explained by HC capabilities.

The study concludes that Leadership Practices, Organizational Design and Specific Human Capital Practices impact on Organizational Performance.

## 6. Recommendations

This empirical study results suggest that the LCBs in SL should focus on developing Leadership Practices at all levels in the Executive Grades for them to take up decisions. It is also suggested that all executives should be offered coaching and mentoring programs to develop the different leadership styles which are displayed in combination of characteristics in situational aspects. It is recommended to minimize gaps in communication, uphold inclusiveness and empower employees at their domains to enhance Leadership Practices across the organization to enhance Organizational Performance.

The Organizational Designs can be explored to foster the sustainable values and strategic results. Therefore, new organization designs should establish enabling the higher levels of performance as the importance of organization redesign is now being increasingly recognized. In this regard, the organizations could focus on Corporate Strategies aligning vertically and horizontally, ensure flexible culture across the company and foster network of teams for smoother and effective outcomes.

It is evident that different industries have followed the different HC practices in order to gain numerous advantages whereas this empirical study suggest that the organizations should focus on specific education and knowledge to enhance specific skills for specific job task or work that are valuable, rare and inimitable by the competitors to gain competitive HC capabilities to achieve competitive advantage leading to Organizational Performance. It is obvious that the tacit knowledge is much difficult to replicate, and these capabilities should be integrated as it lead to high performance. As HCM is a systematic approach, it is recommended to align policies and practices vertically and horizontally that eventually to create value and achieve sustainable results.

It also found that this study presents an exciting opportunity to advance knowledge as to how Context Generic HC Drivers such as Leadership Practices, Organizational Design and Context Specific HC Practices lead to Organizational Performance. The young organizations need to compete with other established organizations where needs expertise knowledge, skills and experience to take quick decisions. These above approaches will help the LCBs in SL to face the business challenges as well as to achieve the desired results even at extreme competition. This paper has bridged the research gaps as to how HC Drivers such as General HC and Specific HC impact on Organizational Performance in License Commercial Banks of Sri Lanka, based on the foundations of Human Capital theory that explains enhancing performance. The study concludes that the Human Capital is a valuable resource; those organizations plan, organized and manage HC strategically, gain high Organizational Performance.

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