Contribution of Employee Competency and Teamwork on Organisational Performance Within Private Sector Organisations in Saudi Arabia

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Abstract: The economy of Saudi Arabia depends on the human resource development and competency and teamwork are two important aspects that can give organisations a competitive advantage. The main purpose of this study is to investigate the relationship between employee competency, teamwork and organisational performance within private sector organisations in Saudi Arabia. Evaluation of the proposed model was done through examining data collected by a survey questionnaire from 170 valid respondents. The analysis looked at the relationship between the variables of the proposed model, including Confirmatory Factor Analysis (CFA) and Structural Equation Modelling (SEM) via AMOS. The goodness of fit of the proposed model to the data, explained 69% of the variance in organisational performance. The findings of the multivariate analysis demonstrated three main results. First, employee competency has a positive impact on teamwork and organisational performance. Second, teamwork has great influence on organisational performance. Third, the bootstrapping analysis showed that teamwork mediates the relationship between employee competency and organisational performance. The theoretical and practical implications are also discussed.

Key words: Competency, teamwork, organizational performance, Saudi Arabia, Structural Equation Modelling (SEM)

INTRODUCTION

In today's economic environment, countries focus on performance and competitiveness. According to the GCR (2016) a country's productivity is determined by the set of institutions policies and factors that define competitiveness. For Saudi Arabia, as a member of the Gulf Cooperation Council (GCC) this report shows the country is lagging behind its neighbours.

As shown in Fig. 1, the economy of Saudi Arabia is in transition from stage one (which is factor-driven) to stage two (which is efficiency-driven). This second stage, according to the report, depend on a human-capital based economy making effective policies to allow the country to be on the right track for development. Thus, this study attempts to offer effective information to top managers and policy makers regarding human capital (competency), social capital (teamwork) and organisational performance. From a Resource-Based View (RBV), Barney (1991) placed emphasis on the role of the internal resources of an organisation in achieving performance and a competitive advantage. RBV as one of the most powerful theories in explaining an organisation's sustained competitive advantage (Barney and Wright, 1998) focuses on the role of rare and valuable internal resources such as

(competency) on its performance, this study relies on the RBV to explain the relationship between competency and organisational performance in the context of Saudi Arabia and aims to achieve the following research objectives: to examine the effect of employee competency on organisational performance. To examine the effect of employee competency on teamwork. To examine the effect of teamwork on organisational performance. To determine whether the construct of teamwork mediates the relationship between employee competency and organisational performance.

Literature review
Organizational performance: As defined by Barney and Wright (1998) organisational performance is the value that an organisation creates using its productive assets compared to the value that the owners of these assets expect to obtain. Organisational performance is the result of business creativity that requires hiring and recruiting employees with high potential as part of the company success drivers (Schiuma, 2012). Thus, the success of a company is usually derived from its excellent resources and regardless of size any organisation can be analysed from the point of view of strategic human capital management (Demartini and Paoloni, 2011; Watson, 2005).

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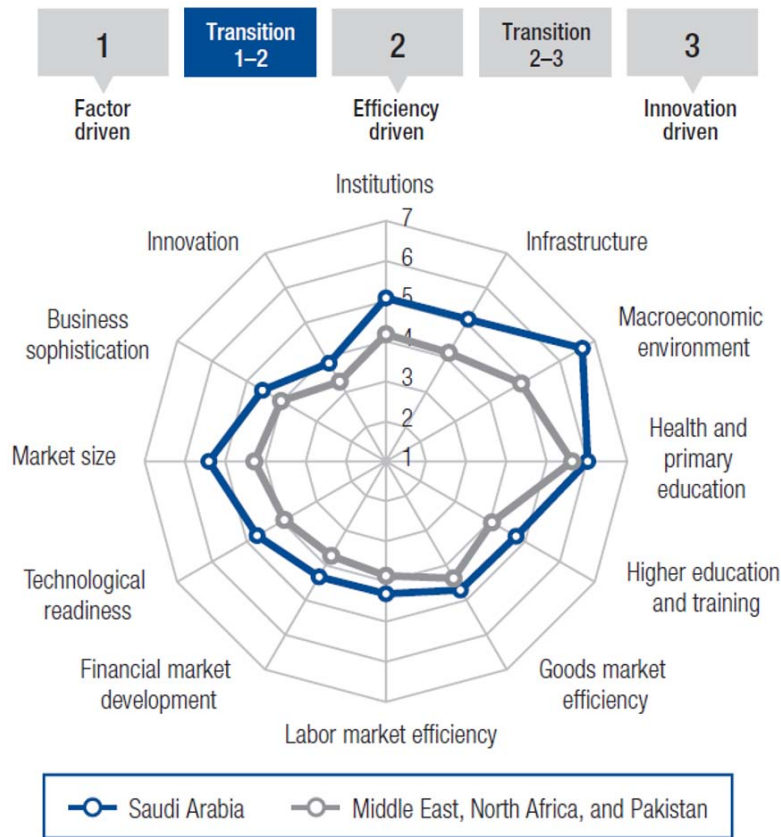
Fig. 1: Stage of development in Saudi Arabia (GCR, 2016)

Although, interest in business and management research in Arab and Muslim countries has been high especially those countries in the Gulf Council, an exception is Saudi Arabia where there has been minimal attention (Bontis, 2004). Hence, there is a need to investigate the human capital role to performance in the context of Saudi Arabia. A related study by Al-Musali and Ismail of Saudi Arabian Banks, showed that human capital significantly affects their financial performance. However and in comparison with some of the developed and emerging economies, Saudi Arabia showed a lower level of intellectual capital performance. The results of this study in result prompted further investigation into the role of human capital (including competency) in Saudi Arabia and its effect on performance.

Competency: Competency as one of the main human capital components has been widely accepted as so over the last decade and been researched in various literature on human capital (Baron, 2011). Namasivayam and Denizci (2006) state that there are several elements of human capital at the organisational level such as competence and relationships where competence includes the social (capability to work together in the organisation) commercial (capability to work with ex-firm assets and customers) and the professional (capability to utilise organisational structural capital) competence of people. Relationships like social competence, on the other hand, are related to the skill of an individual to create value in collaboration with others in the organisation.

Saudi Arabia is rich in capital and natural reserves, making it one of the most rapidly developing economies in the world. However, in terms of human capital and business performance, the Kingdom is still struggling with many issues (Mellahi and Wood, 2001). According to Mellahi and Wood (2001) the main problem faced by Saudi authorities is the creation of an indigenous qualified and skilful human resource.

In a study by Wright and Geroy (2001) emphasis was placed on the dynamics of competencies between the employees and job performance. They extended the discussion beyond knowledge and skills, to the need for interaction in social capital defined by Nahapiet (2011) as generally representing the value of connections and relationships, to embrace an organisation's desired performance. They also underlined the need for continuous learning of the rules and standards of the organisation in order to transform what they have in knowledge and experience to human capital competency. This current study has included competency as one of the

human capital components that impacts both social capital (teamwork) and organisational performance. Therefore, the hypotheses are proposed as follows:

- H_1: employee competency has significant effect on organisational performance
- H_2: employee competency has significant effect on teamwork

Teamwork: In the economic field, social capital is also defined as that which combines with valuable resources to conduct social affairs in order to enable individuals and groups to achieve expected outcomes (Coleman, 1988; Burt, 2005; Nahapiet, 2011). Social capital within an organisation is recognised as a shared purpose between the employees, facilitating cooperative action and create value for the organisation (Leana and Van Buren, 1999; Mahajan and Benson, 2013). Woolcock and Narayan (2000) describe social capital as norms and networks that enable people to act collectively and cooperatively.

This research recognises that there are different dimensions that can be derived from these definitions. As mentioned by Woolcock and Narayan (2000) a social community can have varying degrees of social capital in any one group. Thus, this study examines teamwork as one of the components of social capital, to examine the mediating effect between competency and organisational performance. The development of teamwork is described by Adebanjo and Kehoe (2001) as one of the factors that influences the quality of an organisation. In order to combining teamwork with human capital in an organisations (Conti and Kleiner, 1997) suggest a collaboration of individual skills and experience with job goals. They mention the importance of creative individuals being grouped together to focus energy on and responsibility for improving the job. Teamwork in this study is linked to human capital and the available resource of an organisation where the role of effective employee teamwork will help it achieve a high level of performance that is flexible and efficient. Consequently, the following hypotheses are proposed:

- H_3: teamwork has a significant effect on organisational performance
- H_4: teamwork mediate the relationship between employee competency and organizational performance

MATERIALS AND METHODS

Overview of the proposed research model: From a resource-based view, this study has focused on the main
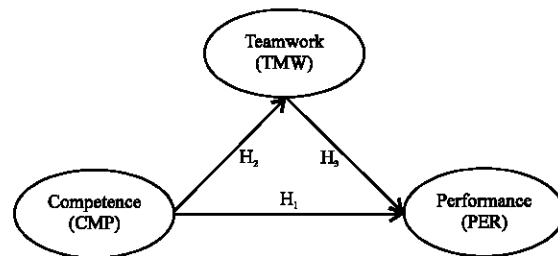

Fig. 2: Proposed research model

relationship between human capital (competency) and organisational performance. Based on previous literature, this study also examined the mediating effect of social capital (teamwork) on the relationship between competency and organisational performance (Fig. 2).

Development of instrument: In this study, a literature review was undertaken to help in developing the questionnaire. The search aimed to find measures for all the constructs of the study model, in order to generate valid constructs. Since, the respondents were located in Saudi Arabia, the 17 items were developed in both English and Arabic by using the back translation method (Brislin, 1970). This study adopted the 7-point Likert scale to examine the degree of respondent agreement with each statement, ranging from 1 (extremely disagree) to 7 (extremely agree). A pre-test was conducted to resolve any ambiguity and to detect redundant and misleading statements and the final questionnaire, all the items had acceptable reliability Cronbach's alpha which is most frequently used for measuring internal consistency showed more than the recommended value of 0.7 (Appendix A and B).

Data collection: This study was conducted in Makkah and Riyadh regions as these are areas with a high percentage of private organisations. This study targeted identified managers representing the organisations approached to answer the questionnaire. The managers selected by the organisations were those able to give feedback on the questions without any biases. The questionnaire was distributed during the months of October and November 2015 as most of the private organisations were closed in December. The sample selected for the study was from the population identified by the Saudi Arabian Central Department of Statistics and Information which reported that in (2011) 87% of businesses organisations were in the private sector with 50% of the whole located in Makkah and Riyadh regions using random probability sampling. This is when every element in the population has an equal chance of being selected as a subject (Sekaran and Bougie, 2013).

Table 1: Summary of demographic profile of respondents

Demographic item/Categories	Frequency	Percentage
Age group		
29-39	104	61.2
40-49	36	21.2
50 and above	30	17.6
Highest academic qualifications		
Diploma	18	10.6
Bachelor degree	92	54.1
Master degree	47	27.6
Doctorate	13	7.60
Job position		
Executive	36	21.2
Manager	56	32.9
Assistant general manager	23	13.5
General manager	16	9.40
Senior management	16	9.40
Non-executive	23	13.5
Department		
HR	29	17.1
Management	57	33.5
Planning	38	22.4
Finance	20	11.8
R&D	26	15.3
Years of service (years)		
<2	32	18.8
2-5	45	26.5
6-10	38	22.4
11-15	22	12.9
16-20	12	7.10
>20	21	12.4

The sample size was generated as recommended by Krejcie and Morgan (1970) to simplify the decision on size and provide a population table and proper sample size. Accordingly, for this study's population of 300 organisations, the sample size was 175.

From a total response of 170 questionnaires, a summary of the demographic profile was generated. As shown in Table 1, the majority age group was between 29 and 39 years old with 61%, followed by 40-49 with 21% and 50 and above with 17%. Bachelor degree holders were the biggest group (equivalent to 54% of the total respondents), followed by those with a master degree (27%). As the table shows, the largest percentage is those holding a manager position 32%, followed by executive position 21%. Different departments were involved with the largest percentage coming from the management department (33%) with the rest of the departments (including planning, research and development, human resource and finance), ranging from 11-22%. Most of the respondents have been working in the organisations between 2 and 5 years (26%) followed by 6-10 years 22%.

RESULTS

Data analysis and results

Descriptive analysis: Table 2 and 3 present the mean and standard deviation of each variable in the current study. Respondents were asked to indicate their opinion based on the 7-point scale ranging from 1 (extremely disagree) to 7 (extremely agree). The performance construct recorded the highest mean score of 4.69 out of 7.0 with a standard deviation of 1.39 which indicates that respondents agree that the organisational efficiency and effectiveness are both improving.

Measurement model assessment and Confirmatory Factor Analysis (CFA): As shown in Table 2, all the goodness-of-fit indices, all the model fit indices exceeded their respective common acceptance levels as suggested by previous research, thus demonstrating that the measurement model exhibited a fairly good fit with the data collected (χ^2/df = 1.734, CFI = 0.976, RMSEA = 0.066, NFI = 0.944, TLI = 0.971, IFI = 0.976, PNFI = 0.795, AGFI = 0.855 and PGFI = 0.662). However, in this study since GFI does not fit 0.892, Sharmaet *et al.* (2005) recommended that this index should not be used because of the sensitivity of the index and the fact that it has become less popular in recent years. Therefore, we could proceed to evaluate the psychometric properties of the measurement model in terms of construct and indicator reliability and convergent and discriminant validity

For construct reliability, this study tested the individual Cronbach's alpha coefficients to measure the reliability of each of the three constructs in the measurement model. The results indicate that all the individual Cronbach's alpha coefficients of the three constructs ranging from 0.924-0.969 were greater than the recommended level of 0.7 (Kannana and Tan, 2005). Additionally, in testing construct reliability, all the Composite Reliability (CR) values ranging from 0.926-0.970 were >0.7 (Kline, 2010; Gefen *et al.*, 2000) which adequately indicates that the construct reliability is fulfilled as shown in Table 3. As a result, the achieved Cronbach's alpha and CR for all constructs were considered to be sufficiently error-free.

Factor loading was used to test indicator reliability. High loadings on a construct indicate that the associated indicators seem to have much in common and this is captured by the construct (Hair *et al.*, 2013). Factor loadings greater than 0.50 were considered to be very significant (Hai *et al.*, 2010).

The loadings for all items except item (TMW5), exceeded the recommended value of 0.5 as shown in Table 3. The loading for the items in the model fulfilled all the requirements with one item (TMW5) eliminated from the scale because its loading was below 0.5. This study used the Average Variance Extracted (AVE) to test convergent validity, all AVE values were higher than the recommended value 0.50 (Hair *et al.*, 2010) ranging from

Table 2: Goodness-of-fit indices for the measurement model

Fit index	Cited	Admissibility	Result	Fit (yes/no)
χ^2			175.104	
df			101	
P-value		>0.05	0.000	No
χ^2/df	Kline (2010)	10.00-5.00	**1.734**	**Yes**
RMSEA	Steiger (1990)	<0.08	**0.066**	**Yes**
GFI	Joreskog and Sorbom (1993)	>0.90	0.892	No
AGFI	Joreskog and Sorbom (1993)	>0.80	0.855	Yes
NFI	Bentler and Bonnet (1980)	>0.80	0.944	Yes
PNFI	Bentler and Bonnet (1980)	>0.05	0.795	Yes
IFI	Bollen (1990)	>0.90	0.976	Yes
TLI	Tucker and Lewis (1973)	>0.90	0.971	Yes
CFI	Byrne (2010)	>0.90	**0.976**	**Yes**
PGFI	Jameset *et al.* (1982)	>0.50	0.662	Yes

χ^2 = Chi-square, df = degree of freedom, GFI = Goodness-of-Fit, NFI = Normed Fit Index, IFI = Increment Fit Index, TLI = Tucker-Lewis coefficient Index, CFI = Comparative-kit-kndex, RMSEA = Root Mean Square Error of Approximation, PNFI = Parsimony Normed Fit Index, AGFI = Adjusted Goodness of Fit Index. The indexes in bold are recommended since they are frequently reported in literature (Awang, 2012)

Table 3: Loading, cronbach's alpha, CR and AVE

Construct/item	Loading (above 0.5)	M	SD	α (above 0.7)	CR (>0.7)	AVE (above 0.5)
Competency						
CMP1	0.88	4.61	1.36	0.924	0.926	0.806
CMP2	0.92					
CMP3	0.89					
Teamwork						
TMW1	0.84	4.48	1.01	0.935	0.935	0.743
TMW2	0.94					
TMW3	0.90					
TMW4	0.85					
TMW5	Deleted					
TMW6	0.80					
Performance						
PER1	0.90	4.69	1.39	0.969	0.970	0.802
PER2	0.93					
PER3	0.90					
PER4	0.88					
PER5	0.87					
PER6	0.88					
PER7	0.91					
PER8	0.90					

M = Mean; SD = Standard Deviation, α = Cronbach's alpha; CR = Composite Reliability, AVE = Average Variance Extracted. The measurement used is seven-point scale ranging from 1 (strongly Disagree) to 7 (strongly Agree). CR = $(\sum K)^2/((\sum K)^2+(\sum 1-K^2))$, AVE= $\sum K^2/n$. Where K = factor loading of every item, n = number of item in a model; CMP: Competency, TMW: Teamwork, PER: Performance

Table 4: Results of discriminant validity by Fornell-Larcker criterion for the model

Factors	TMW	CMP	PER
TMW	0.862		
CMP	0.696	0.898	
PER	0.731	0.791	0.896

Diagonals represent the square root of the average variance extracted while the other entries represent the correlations. CMP: Competency, TMW: Teamwork, PER: Performance

0.743-0.806. The convergent validity for all constructs has therefore been successfully fulfilled exhibiting adequate convergent validity as Table 3 shows. The discriminant validity of the measurement model was checked using the Fornell-Larcker criterion (Fornell and Larcker, 1981). As shown in Table 4, the correlations between the factors ranging from 0.6960-0.791 are smaller than the square root of the average variance extracted

estimates which are in the range of 0.862-0.898. This indicates that the constructs are strongly related to their respective indicators, compared to other constructs of the model. Hence, the discriminant validity of the constructs is fulfilled.

Structural model assessment: The goodness-of-fit of the structural model was comparable to the previous CFA measurement model. In this structural model, the values are recorded as χ^2/df = 1.734, CFI = 0.976 and RMSEA = 0.066. These fit indices provide the evidence of adequate fit between the hypothesised model and the observed data. Thus, we could proceed to examine the path coefficients of the structural model.

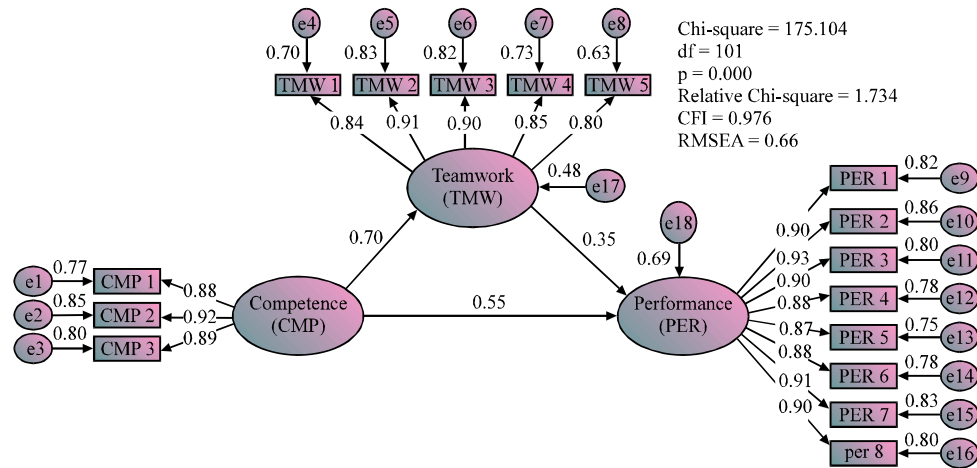**Hypotheses tests:** The hypotheses of this study were tested using structural equation modelling as shown in

Fig. 3: Research structural model results; CMP: Competency, TMW: Teamwork, PER: Performance

Table 5: Structural path analysis result

Hypothesis	Dependent variables		Independent variables	Estimate B (path coefficient)	SE	CR (t-value)	p-value	Decision
H_1	PER	←	CMP	0.55	0.0820	7.130	***	Supported
H_2	TMW	←	CMP	0.70	0.0650	9.256	***	Supported
H_3	PER	←	TMW	0.35	0.0914	0.692	***	Supported

***$p<0.000$; **$p<0.01$; *$p<0.05$; SE = Standard Error; CR = Critical Ratio; CMP: Competency; TMW: Teamwork; PER: Performance

Table 6: Coefficient of determination result R^2

Exogenous construct	Endogenous construct	R^2	Cohen (1988)	Chin (1998)	Hair *et al.* (2013)
CMP	TMW	0.48	Substantial	Substantial	Moderate
CMP and TMW	PER	0.69	Substantial	Moderate	Moderate

CMP: Competency; TMW: Teamwork; PER: Performance

Fig. 3. The structural model assessment as shown in Table 5 provides the indication of the hypotheses tests. The results of the three main hypotheses indicate that competency is significantly predicting teamwork and organisational performance and hence, H_1 and H_2 are accepted ($\beta = 0.55$, $p<0.001$) and ($\beta = 0.70$, $p<0.001$), respectively. Teamwork as well, significantly predicts organisational performance so, H_3 is supported ($\beta = 0.35$, $p<0.001$). Note that the standardised path coefficient indicates the strengths of the relationships between the independent and dependent variables so the direct effects of competency on organisational performance is much stronger than the direct effects of teamwork on organisational performance as evident from the values of the path coefficient.

The R^2 value indicates the amount of variance of dependent variables which is explained by the independent variables. Hence, a larger R^2 value increases the predictive ability of the structural model. It is crucial to ensure that the R^2 values should be high enough for the model to achieve a minimum level of explanatory power (Urbach and Ahlemann, 2010). Falk and Miller (1992) recommended that the R^2 values should be equal to or >0.10 in order for the explained variance of

a particular endogenous construct to be deemed adequate. Cohen (1988) suggested that R^2 is substantial when it is >0.26 with acceptable power above 0.02 while according to Chin (1998) R^2 is substantial when it is >0.65 with acceptable power above 0.19. On the other hand, Hair *et al.* (2013) recommended that R^2 has to be >0.75 in order to be deemed substantial with an acceptable power above 0.25.

Table 6 shows the result of R^2 from the structural model and indicates that all the R^2 values are high enough for the model to achieve an acceptable level of explanatory power. Note that the highest variance (69%) is explained in the endogenous construct found in the organisational performance by the exogenous constructs (competency and teamwork) and by 48% of the variance in teamwork by competency.

Mediation assessment: Assessing the direct and indirect relationships between exogenous and endogenous latent variables is another important evaluation of a structural model (Henseler *et al.*, 2009). This study tested the mediation hypothesis (H_4) teamwork mediates the relationship between competency and organisational performance. According to Field (2013) for this hypothesis to be true:

Table 7: Mediation effect of teamwork

Path	Dependent variables		Independent variables	Estimate B (path coefficient)	SE	CR (t-value)	p-value	Result
c	PER	←	CMP.	0.55	0.082	7.130	***	Significant
a	TMW	←	CMP	0.70	0.065	9.256	***	Significant
b	PER	←	TMW	0.35	0.091	4.692	***	Significant
c'	PER	←	CMP	0.79	0.071	11.829	***	Significant

CMP: Competency, TMW: Teamwork, PER: Performance; ***p<0.000; **p<0.01; *p<0.05; SE = Standard Error, CR = Critical Ratio

Table 8: Bootstrapping the indirect effect of teamwork

Hypothesis	Relationship	Std Beta	SE	t-value	Decision
H_4	CMP→TMW→PER	0.54	0.083	6.506**	Supported

Preacher and Hayes (2004, 2008); CMP: Competency, TMW: Teamwork, PER: Performance

- Competency must predict organisational performance in the first place (path c)
- Competency must predict teamwork (path a)
- Teamwork must predict organisational performance (path b)
- The relationship between competency and organisational performance should be smaller when teamwork is included in the model than when it isn't

We can distinguish between the direct effect of competency on organisational performance which is the relationship between them controlling for teamwork and the indirect effect which is the effect of competency on organisational performance through teamwork. Table 7 shows that the result of the direct path (c) which the relationship between competency and organisational performance, is significant (β = 0.55, p<0.001) suggesting that the direct effect condition is satisfied. Furthermore, the path coefficients in this model indicate that competency is positively linked to teamwork (β = 0.70, p<0.001) and the path coefficients indicate that teamwork is positively linked to organisational performance (β = 0.35, p<0.001). Finally, the findings show the direct relationship between competency and organisational performance (β = 0.79, p<0.001) shrinks upon the addition of teamwork to the model but is still significant, indicating that a mediation effect exists. While the path coefficient value decreased, the R^2 value on organisational performance increased from 0.62 (or 62-69%) when teamwork was included in the model.

The second method to test the mediation effect was based on a method of bootstrapping the indirect effect as recommended by Preacher and Hayes (2004), Preacher and Hayes (2008). Table 8 shows the result of the bootstrapping analysis which indicates that the indirect effect β = 0.54 was significant with a t-value of 5.790. Preacher and Hayes (2008) indicated that the 0.54, 95% Boot CI: (LL = 0.408, UL = 0.732) does not straddle a 0 in between, indicating there is mediation. Thus, this study

can conclude that the mediation effect of a teamwork variable is statistically significant, indicating that H_4 was supported.

DISCUSSION

The major purpose of the study was to investigate the relationship between employee competency, teamwork and organizational performance in private sector organisations in Saudi Arabia. This study discusses its findings based on the four main objectives.

Findings related to objective 1: The first objective of this study was to examine the relationship between competency and organisational performance in private organisations in Saudi Arabia and one hypothesis was generated to achieve it. Statistical analysis was carried out to test H_1 and suggested a significant relationship existed between competency and organisational performance. Competency was highlighted in indicating its significant influence on organisational outcomes, including organisational performance. This theory has been tested in many empirical studies that significantly indicated a positive relationship between human capital and ability to performance and competitive advantage (Becker, 1962; Coleman, 1988; Benhabib and Spiegel, 1994; Barney and Wright, 1998; Lepak and Snell, 1999; Davidsson and Honig, 2003; Kessler and Lulfesmann, 2006; Becker and Woessmann, 2009). Thus, this finding is consistent with past studies and literature that investigated the effect of human capital on performance in private organisations. The result of the analysis showed a significant effect of competency on organisational performance with (β = 0.55). This result explains the importance of competency to the performance of the organisations in the private sector in Saudi Arabia. In summary, the result of the first objective is accurate in the context of private organisations in Saudi Arabia as it has been revealed in the literature of strategic management and organisations.

Findings related to objective 2: The second objective of this study was to examine the effect of employee competency on teamwork in private organisations in Saudi Arabia. This objective was proposed because of numerous references in the literature highlighting the importance of social capital, together with human capital, in organisations. In last 20 years, the literature has also emphasised the importance linkage of teamwork with competency. This is supported by Nahapiet (2011) who highlighted the importance of human capital as an asset but at the same time placed more emphasis on the dependence of human capital on social capital. The development of competency is significantly affected by teamwork activities in practice (Preston, 2004). The collaboration between employees as well as communication is connected with human capital ability in terms of competency, talent and skills (Bowman and Swart, 2007). After analysis, H_2 was supported with competency ($\beta = 0.70$) significantly affecting teamwork in organisations. More simply, teamwork of employees in an organization is strongly affected by their competency. This result emphasises the need for including both social capital and human capital to explain the value of employee contribution. Thus, along with the work in the literature, the second objective has been accomplished. This result gives researchers a clear view of the importance of social networking and teamwork in private organisations in Saudi Arabia.

Findings related to objective 3: The third objective of this study was to examine the effect of employee's teamwork on organisational performance in private organisations in Saudi Arabia. This objective provided an important opportunity to advance understanding of the effect of teamwork on the performance of organisations. The literature has highlighted the importance of social networking in organisations, despite individual differences in the human capital. Researchers have stressed that social team working support is necessary for high performance (Mehra*et al.*, 2001; Wang, 2011) and disconnecting in a social structure will negatively affect performance (Burt, 1997). The result from testing H_3 was ($\beta = 0.35$) supporting the assumption that there is significant relationship between teamwork and performance. With this result, this study confirms the importance of social capital among Saudi employees to the performance of their organisation. Thus, teamwork between Saudi employees is as important as their skills and competency with each employee contributing to the performance of their organisations by their competency and by communicating in their work.

Findings related to objective 4: The fourth objective of this study was to determine whether the construct of teamwork mediates the relationship between employee competency and organisational performance. This objective examined the mediation existing in the relationship between competency and organisational performance by teamwork. The overall influence on the performance of an organisations is considerable because of the contribution and role of teamwork. Jiang and Liu (2015) emphasised the importance of the role of social capital in mediating between human capital practice and performance.

This study also examined the role of social capital (teamwork) as a mediating effect on the relationship between competency and organisational performance in the context of Saudi Arabia private organisations. The result derived from testing H_4 was supported. Teamwork in private Saudi organisations significantly mediates the relationship between competency and organisational performance. In summary this result suggests the importance of the competency of individuals to performance through the effectiveness of their teamwork and collaborations inside their organisations. In other words, not only are the capabilities of individuals important but also their relationship, as this can shape the performance of their organisation as well.

CONCLUSION

This research attempted to expand the knowledge in the area of strategic management and organisation performance in Saudi Arabia. By examining the effect of tangible and intangible resources on the performance of organisations in Saudi Arabia, this study has added valuable knowledge to the area of the private sector as well as to academic research. In conclusion, the findings of this study indicate that in order to improve organisational performance within private sector organisations in Saudi Arabia both management and policy makers should focus on two main factors that contribute positively to performance, namely employee competency and teamwork. This study also found that there is a positive association between employee competency and teamwork, highlighted some of the factors that may contribute to improving the effectiveness of private organisations in Saudi Arabia and developing the human resources on which its economy depends. This study clearly acknowledged the importance of a knowledge-based economy to the development of the economy.

LIMITATIONS

There are some limitations to this study. First of all the degree the conduct of this study was controlled by time and the resources available to the researcher. Since, the respondents of this study were represented by managers of private companies, they had unique characteristics and were uneasy when approached. This resulted in a limited and restricted sampling. This suggests that different results may be gained by using a bigger sample getting more feedback from respondents. Parallel with the limitation of this study, it is recommended that the research be expanded to other regions that were not covered in this study. As Saudi Arabia is a huge country, each and every region may have different cultural characteristics that may affect the study. Further, this study did not include the public sector which has different managerial practices than in the private sector and may provide a different avenue to explore.

IMPLICATIONS

The outstanding growth of the Arab World economy encourages a call for in-depth studies linking human capital practices in the Middle East in general and Saudi Arabia specifically. This is due to the important role of the Arab World both economically and demographically. Additionally, the competitive environment surrounding Saudi Arabia is forcing the government and management to be more concerned about related problems and issues. Thus, the results from this study will enhance the knowledge of human capital management, specifically in their responsibility to recruit, train, evaluate and motivate prospective local employees. By pointing out the effect of the valuable resource of human and social capital to the success of their organisation, managers can collaborate with education institutions to demand that graduates meet their preference needs. Having an accurate understanding of preferred human capital management practices can aid an organisation in obtaining acceptance and support from local societies. This will assist the processes of development that are required in order to compete globally in a changing world. Another aspect of this study is to expand understanding of the role of managing human and social capital (which includes competency and teamwork) in responding to this challenge.

APPENDIX

Appendix A: Development of instrument

Items	Measure	Rating scale	Scales of measure	Source
Instrument for competency				
CMP1	He is competing in performing his job	7-point Likert scale:	Intervalscale	Blanks (2005)
CMP2	He is effective in doing his work	(1) extremely disagree		
CMP3	He is qualified to do the job well	To (7) extremely agree		
Instrument for teamwork				
TMW1	All levels in my department or staff work together as a team	7-point Likert scale:	Interval scale	Knapp and Mujtaba
TMW2	There is a "teamwork spirit" among those in the workgroup			
TMW3	Those in the work group are usually easy to approach to a work problem			
TMW4	People work with cooperate to get the job done			
TMW5	Workgroups or departments seem to work against each other Workgroups or departments who depend on each other plan their work together			
TMW6	Work performance suffers from lack of teamwork between departments or other work groups			
Instrument for performance				
PER1	Our organization industry leader	7-point Likert scale:	Interval scale	Youndt (1998)
PER2	Our organization is forward-looking organization	(1) extremely disagree		
PER3	Our revenue growth is improving	to (7) extremely agree		
PER4	Our market share is improving			
PER5	Our profit growth is improving			
PER6	Our organization is improving operating efficiency			
PER7	Our organization is always able to achieve and sustain superior performance			
PER8	Our organization achieves a high success rate in new service launched			
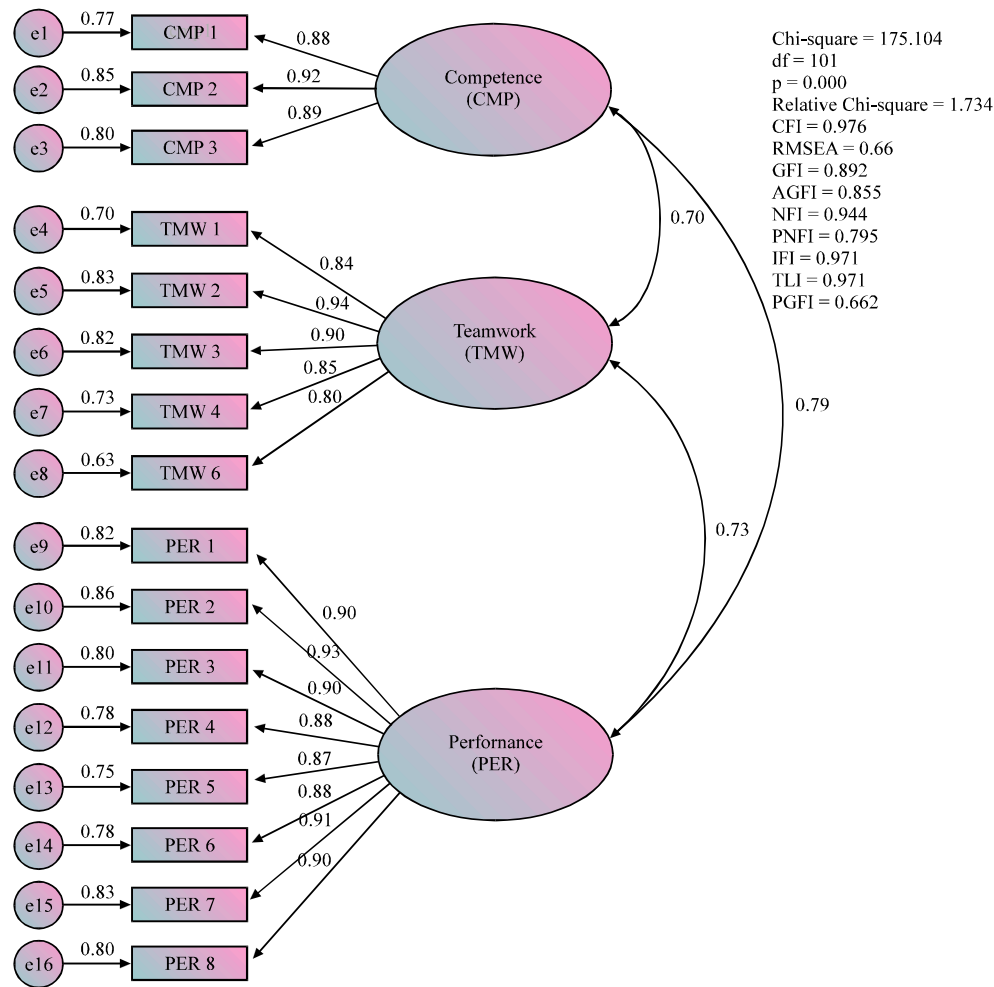
Appendix B: Final result of CFA

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