

Human capital and organizational performance: A moderation study through innovative leadership



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ABSTRACT

The present study investigates the impact of human capital capacity, human capital knowledge, and human capital skills on organisational performance in the hospitality industry. This study also investigates the moderating role of innovative leadership in the relationship of human capital capacity, human capital knowledge, and human capital skills with organisational performance. Data was collected through survey questionnaires from 356 managers working in small and middle-level hotels located in the four districts of Saudi Arabia. The present study used convenience sampling, and the data analysis method was partial least square structural equation modelling. Results of this study demonstrate that human capital capacity, human capital knowledge and human capital skills have a significant positive relationship with organizational performance. Results also confirmed a moderation effect of innovative leadership between human capital knowledge and organizational performance. However, the moderation effect of innovative leadership between human capital capacity and human capital skills with organizational performance was not confirmed. Finally, the theoretical contribution, practical implications and future commendations are also discussed.

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Introduction

In this world, few things vanish, but few become immortal based on their unique characteristics and importance. One such component of nature is the human, who is the centre of attention for everything happening. With the introduction of technology to the industry, researchers and industrialists started thinking that sooner or later, there would be no role for humans in some fields since technology is taking over many places. However, human needs remain and will remain forever with certain modifications in knowledge, skills, and capabilities (Tang, 2020). Similarly, in the hospitality industry role of human resources is inevitable due to its service-driven nature. According to Hamadamin and Atan (2019), although technology has taken over many operations, human input is still critical. Instead, it started getting more attention by converting the concept towards knowledge, skills and enhanced capacities.

The uncertainty and dynamism in competitive marketplaces force organisations to reconsider their tactics to achieve long-term competitive advantages (Linden, 2021). The key to achieving and

sustaining the competitive edge is owning and creating unique resources, which are hard to duplicate. Such resources are primarily found in organizations' human capital, which is based on their employees' competency, which includes knowledge, skills, expertise, and capacities (Mubarik et al., 2020). Human capital skills and capabilities can help increase the organisation's performance. More specifically, linking human capital knowledge, skills and capacity with organisational performance has attracted scholars' attention over the last two decades (Harris & Brown, 2021; West & Noel, 2009). Empirical evidence also supports the relationship between human capital attributes such as knowledge, skills, and capacity along with organisational performance (Al-Khajeh, 2018; Chen et al., 2020; Gupta et al., 2020; Irawan et al., 2019; Turulja & Bajgoric, 2018). Past literature also shows a significant relationship between human skills and organisational performance (Kurdi & Alshurideh, 2020) in the banking industry, human knowledge and organisational performance (Singh et al., 2021) in the SME industry, human capacity and organisational performance (García-Sánchez et al., 2018) in the technology industry. While this human capital attributes "capacity, knowledge, skills" are not studied together. These attributes are yet to be tested in the hospitality industry, which is a service-based industry highly dependent on human services.

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Besides the role of human capital, leadership is critical for maintaining organisational performance (Dirani et al., 2020). Leaders play a vital role in the effective utilization of human resources. With this, innovative leadership was introduced as a moderator in the present study. Innovative leaders are flexible and use innovative ideas to enhance employees' "motivation, creativity, and flexibility" at the workplace (Mawlawi et al., 2019). Innovative leaders do not rely on a specific leadership style; instead, they pick the right strategy according to the situation. Since the hospitality industry deals with tourism and leisure, they need to handle people with different attitudes and behaviours. Therefore, the role of innovative leadership can be beneficial in enhancing customer satisfaction and organisational performance (Al-Khajeh, 2018). The present study is also supported by the theory of human capital. The human capital theory says that organisations' attention increases the employee's capacity in terms of knowledge, skills, and experience, which helps increase organisational performance (Pasban & Nojedeh, 2016).

This study is worth conducting based on specific facts. Firstly, it helps in understanding the human capital attributes such as "knowledge, skills, capacity" among hospitality employees, which was yet to be explored in the literature. Secondly, it focuses on the impact of human capital attributes "knowledge, skills, capacity" in relation to the organisational performance in the hospitality industry of Saudi Arabia, which is another novelty of this study. Thirdly, the present study introduced innovative leadership as a moderating variable, which was absent as a moderator with human capital attributes and organisational performance previously. Fourth, this study model contributes to the literature of human capital theory regarding human capital attributes, innovative leadership and organisational performance.

The hospitality industry of Saudi Arabia

Tourism has become a global phenomenon during the last several decades, becoming one of the world's fastest expanding industries, and its contribution to national and regional economic growth is widely acknowledged (Ahmad et al., 2020). Tourism is a potential industry for creating local job opportunities and increasing economic diversity worldwide. It has proven to be an integral part of an economically established country's economy and well-being, as these countries have paid much attention to the research and development of tourism since the 1970s (Calero & Turner, 2020). Waheed et al., (2020) added that numerous emerging economies enhanced their economic profiles by paying attention to their tourism sector. One such country, Saudi Arabia, also started promoting its tourism sector, believing it can help reduce its dependence on oil, which currently provides half of its GDP (Waheed et al., 2020). Based on vision 2030, the Saudi government is working on the modernization of Saudi Arabia. They started opening borders for international tourists and making many changes in their existing economic and social structure. It is proposed that Saudi Arabia shift its dependence from oil, "which is 64% of GDP" to tourism. According to the Saudi Ministry of Tourism, the tourism sector's contribution to the GDP is currently very low, while Saudi Arabia is planning to increase this level to 10% by 2030 (Ministry of Tourism, 2021). Previously Saudi Arabia was issuing visas only to three categories of foreigners, 1) pilgrimage, 2) business visits and 3) family visits, which are now expanded to tourist visits from all over the world. Since Saudi Arabia has a vibrant civilization history, it is expected to have a massive boom of tourist attractions while expecting 100 million visitors yearly. Saudi Arabia is also increasing its accommodation capacity to facilitate those visitors by expanding hospitality infrastructure by building 500,000 new hotel rooms by 2030 (Ministry of Tourism, 2021). According to Alferaih et al., (2018) the current trend shows that in Saudi Arabia 47.8% tourists like to stay in hotels, while 23.9% prefer private housing and 17.3% prefer furnished apartments.

Since tourism is the most essential concern of Saudi Arabia to accomplish its vision of 2030, researchers have also started focusing on tourism development in Saudi Arabia (Abuhjeeleh, 2019; Bashir et al., 2020). The hospitality or hotel industry is an integral part of the tourism sector; therefore, it cannot be neglected while working in the tourism industry. Unfortunately, the hotel industry did not get enough attention from researchers in Saudi Arabia, hence providing room to conduct a study on the hospitality industry. Hospitality is increasingly recognized as a global sector, having hosts and customers worldwide. According to Kornova and Loginova (2019), the trend of hospitality services in terms of demand and supply has changed immensely over the last decades, resulting in intense competition in the marketplace and forcing the hotel management to explore new ways while replacing the conventional ones. The hotel industry is a service-based industry; therefore, its focus always remains on how to improve its services. According to Bradley et al., (2017), the core of service improvement is to focus on their human resources or human capital, as they are responsible for channelling the services. Armstrong (2020) further added that innovation and leadership could enhance organisational performance. Therefore, this study is formulated to explore the Human capital attributes and organizational performance along with innovative leadership as moderator.

This study is organised into several parts. The first part is the introduction covering this study's background, importance, and industrial overview. The second part discusses the previous literature and hypothesis development, the third part presents the methodology and results of this study, the fourth part is about discussion and conclusion, the fifth part is about theoretical contribution, sixth part is about practical implications of the study, and finally seventh part is about limitations and recommendations of the study.

Literature Review

Human capital attributes (Capacity, Knowledge and Skills)

Though human capital studies have evolved significantly since the inception of the economics and business literature, the pioneering work on human capital theory dates back to 1958 (Mincer, 1958). Subsequently, Becker and Schultz worked on this concept (Titei, 2020). Human capital research in the early stages emphasised three dimensions; "education, training, and experience". Mincer (1958) focused on training and education as components of human capital and attributed disparities in human capital to individual income differences. Likewise, in addition to education and training, Schultz (1961) identified health and internal migration as a human capital strand. Schultz believed that human capital can be developed through intentional financing while investing in their skills development and capability enhancement. Whereas Schultz further linked the disparity in productivity to "education, health, and training".

Subsequently, many researchers have explored human capital with different dimensions. Dzinkowski (2000) described human capital as "the accumulation of competencies, knowledge, and skills necessary to perform work that generates economic value for the organisation". Nelson (1985) further added that "human capital is the implicit knowledge of an organization's employees" as the implicit knowledge can be derived from various sources. Brooking and Motta (1996) classified the concept exhaustively and concluded that employees' knowledge, creativity, competence and experience are essential human capital dimensions. Others, such as (Aragón-Sánchez et al., 2003; Lufungula & Borromeo, 2019; Pasban & Nojedeh, 2016; Youndt et al., 1996) described human capital as the blend of employee's skills, training, and attitude. Similarly, Blundell et al., (1999) emphasized education as a means of acquiring employee competence.

During the characterization of human capital, some management scholars such as (Afiouni, 2013; Hamadamin & Atan, 2019; Mihardjo et al., 2020; Wu, 2005) identified employees' attitude, motivation,

and commitment as the critical components of human capital. Likewise, Lenihan et al., (2019) identified education, professional knowledge, personal experience, skills, and creativity as significant components of human capital. Along with training, education, and experience, other aspects are still crucial for organisational success. As such, Hatch and Dyer (2004) said that previously overlooked personal aspects, "attitude and skills", are required to get attention in human capital discourse. Akdere and Egan (2020) considered employee capacity a critical aspect of human capital. In the present study, human capital skill, human capital knowledge, and human capital capacity are considered as essential attributes affecting organisational performance.

Hypothesis Development

Human capital has been identified as a critical driver of an organization's performance, described as employees' productive abilities, knowledge, and skills. Prior literature demonstrates that human capital can be used to gain leverage (Baptista et al., 2014; Guo & Chen, 2021; Hatch & Dyer, 2004; Hitka et al., 2019). Nonetheless, many existing studies treated human capital as a whole construct, while others focused on a few dimensions of human capital. However, the multidimensional version of human capital may be more critical for various aspects of firm performance. In line, Carpenter et al., (2001) stressed the importance of human capital coupling with organisational contexts. Nonetheless, the literature on human capital and organisational performance is overwhelmingly tailored toward large organisations. Several studies from the past examined the relationship between human capital and the performance of the hospitality industry (Hasnaoui et al., 2021; Horng et al., 2017; Huang et al., 2020). However, none of the studies has focused on human capital attributes "capacity, knowledge and skills" in the hospitality industry.

Several scholars considered human capital as key component of organizational performance (Alnachef & Alhajjar, 2017; Dhar et al., 2019; Felício et al., 2014). While discussing organisational performance, former scholars highlighted that organisations could achieve better performance by managing human capital in terms of "skills, knowledge, and experience" (Davidsson & Honig, 2003; Gimeno et al., 1997; Pasban & Nojdedeh, 2016). Sahibzada et al., (2020) further added that higher knowledge gain is strongly associated with improved performance. In contrast, Hatch and Zweig (2000) believe that there is no one-size-fits-all pattern of cognitive orientation and behaviour that guarantees business success. Bag et al., (2020) advocated that past work experience provides additional benefits to organisational growth, economic performance and business expansion.

Human capital capacity is essential for organizational development since it helps improve organizational and managerial characteristics and learning processes (Al-Asheq et al., 2021). Gathering and disseminating information and using knowledge to strengthen the facilitation and transformation of an organization's business capabilities have made learning capacity necessary (Park & Chung, 2019). Pursuing the learning capacity enables businesses to explore new production options for organizational performance and growth (Altinay et al., 2016). It also assists businesses in adapting to an unpredictable and volatile business environment. According to Mallén et al., (2016), learning capacity enhances the knowledge absorption and distribution process across an organization's departments, leading to better product or service development. According to Fraj et al., (2015), learning capability directly affects hospitality business performance.

Human capital knowledge is another essential factor for organisational performance and sustainability (Kirchner et al., 2021). Knowledge enhances an individual's cognitive abilities, thereby increasing their productivity and efficiency potential for developmental activities (Becker, 1962; Mincer, 1958). Nisar et al., (2019) further added that knowledge is necessary for an organisation to increase

productivity and enhance competitive advantages. Researchers have observed a link between individual knowledge production and business performance (Martínez-Martínez et al., 2019; Purnamawati et al., 2022). In the view of Zhao and Wang (2020), novel knowledge and practices help advance the organization's abilities to perform in a better way. Therefore, organisations are required to support knowledge by encouraging a knowledge culture which will help increase organisational performance. The knowledge environment directly affects the hospitality business performance (Swanson et al., 2020).

Human capital skills significantly influence organisational performance (Stiles & Kulvisaechana, 2003). According to Brinckmann et al., (2019), human capital is essential for businesses to balance their market standing. The globalized technological advancements have significantly increased the competitive pressure, compelling businesses to promote their knowledge to ensure their continued survival (Akpan et al., 2022). Over the period of time, these knowledgeable employees, after applying their knowledge to practical work, became skillful employees, which is essential to avoid error and make progress sustainable (Syed et al., 2020). Thereby, skilled employees are considered critical assets of growing organisations (Pasban & Nojdedeh, 2016). Several researchers in the past found a significant relationship between employee skills and business performance (Arvanitis, 2005; Bilan et al., 2020; Matricano, 2020).

Following the above literature, these hypotheses are formulated:

- H1.** Human capital capacity positively influences organizational performance.
- H2.** Human capital knowledge positively influences organizational performance.
- H3.** Human capital skill positively influences organizational performance.

Innovative leadership as Moderator

Leadership can be thought of as a fundamental aspect of organizational theory, which has been extensively studied across a variety of disciplines. Since innovation is a measure of an organization's success in placing creativity to work (Amabile et al., 1996), leadership is considered a key driving force behind innovation (Cummings and O'Connell, 1978). Among other types of leadership, transformational leadership plays a significant role in supporting innovation and is considered a critical part of innovative leadership (Elkins & Keller, 2003). According to Sultana and Rahman (2012), "innovative leadership is a philosophy and technique that incorporate several leadership styles together to influence people to generate new ideas, products, and services". Holtzhausen and Botha (2019) further added that innovative leadership is "an individual's initiatives, clarifying personal commitments, providing explicit and comprehensive performance assessment feedback, powerfully directing tasks, emphasizing quality group associations, and trust in organisational staff". In order to improve socioeconomic and organisational performance, innovative leadership seize opportunities for innovation to help organisations compete effectively in the face of progressive competition (Khalili, 2017).

By demonstrating innovative leadership, organisational systems achieve more flexibility and adapt faster to information technology advances than other leaders (Lee et al., 2020). They assist organisational members in adapting to new, changing, and creative work environments (including teamwork, cooperation, stimulating conditions, flexibility, and resources) (Dingler & Enkel, 2016; Ven & Chu, 1989). Innovative leadership significantly influences the hospitality industry through fostering the shared vision, developmental strategies, service quality enhancement, creative work and organisational system promotion (Comtet & Johannessen, 2021). In the view of Ekhsan et al., (2020), knowledgeable and innovative leadership are

critical for promoting organisational innovation and consequently strengthening the internal and external status of the hotel industry's performance. It allows hospitality organisations to survive and lead in competition while meeting the increasing demands from the technological side (Bodolica et al., 2020; Yang et al., 2021). In the hospitality industry, organisations must be led by qualified and intelligent leaders to deliver services, ensure customer satisfaction, and achieve overall organisational goals. Focusing human capital theory, it is anticipated that innovative leadership will strengthen the positive relationship between human capital and organisational performance. Based on the previous literature and significant influence on organisational performance, innovative leadership is introduced as a moderator in this study.

H4. Innovative leadership moderates the positive relationship between human capital knowledge and organisational performance.

H5. Innovative leadership moderates the positive relationship between human capital skills and organisational performance.

H6. Innovative leadership moderates the positive relationship between human capital capacity and organisational performance.

Research Methodology

The present study employed a quantitative research approach to investigate the relationship of human capital skills, knowledge, and capacity with organizational performance. Further, a moderating role of innovative leadership was tested in this study. Population of the study was small and medium-scale hotels located in four major districts (Riyadh, Jeddah, Mecca, and Madinah) of Saudi Arabia. These districts are considered as main hub of Saudi tourism. Furthermore, it is easier to contact the managers of small and medium scale hotels to get their responses. Following these facts, small and medium-scale hotels seem to be suitable to this study. The targeted population of this study was hotel managers in Saudi Arabia. For the sample selection, convenience sampling was employed, while G-power was used for sample size calculation. The G-power result showed that the sample size of 300 is enough to conduct a study however, by considering the covid restrictions and any other unforeseen, 470 questionnaires were distributed. For the questionnaire distribution, both email and personal visit mediums were used. From 470 questionnaires, 356 were returned, including 12 incomplete questionnaires excluded from the overall sample. The remaining 344 questionnaires were validated and completed. For the data collection, pre-tested questionnaires were used. Each questionnaire was comprised of two sections, 1) demographic characteristics, carrying four questions, 2) twenty-six questions related to the variables of this study. Before final distribution, the questionnaire was discussed with academic experts and a few hotel managers for relevancy and clarity. Questionnaires were rated on a 7-point Likert scale.

The instrument details are: for organisational performance, six items were adopted (Mokhtar et al., 2014) with a reliability of 87.7%. Similarly, for human capital knowledge five items were adopted from (Samagaio & Rodrigues, 2016) having the reliability of 84.6%, for human capital skills five items were adopted from (Sharabati et al., 2010) with the reliability at 79.5%, while for human capital capacity five items were adopted from (Sharabati et al., 2010) at the reliability of 88.7%. Finally, for innovative leadership, six items were adopted from (Khalili, 2017) with the reliability of 90.2%.

Statistical Analysis

Demographic profile

In a research study, demographic profile plays a significant role in understanding the respondents' background characteristics. For the

Table 1
Demographic characteristics.

Characteristics		Frequency	Percentage
Gender	Female	71	20.06%
	Male	283	79.94%
Age	35 and below	83	23.32%
	36-45	163	45.78%
	45 and over	110	30.90%
Size of hotel	Small	131	36.79%
	Medium	225	63.21%
Work experience in the hospitality industry	5 years and below	83	23.32%
	6-10 year	167	46.91%
	More than 10 years	106	29.77%

Table 2
Descriptive and correlation

	OP	HCC	HCK	HCS	INO	Mean	SD
OP	1.000					5.191	1.035
HCC	0.202	1.000				6.322	0.850
HCK	0.283	0.321	1.000			6.198	1.078
HCS	0.093	0.476	0.273	1.000		6.588	0.662
INO	0.450	0.193	0.304	0.224	1.000	5.641	0.973

Note: OP=> organisational performance, HCC=> human capital capacity, HCK=> human capital knowledge, HCS=> human capital skills, INO=> innovative leadership.

present study, four demographic characteristics, "gender, age, hotel size, work experience," were included in the first half of the questionnaire are presented in Table 1. In the present study, the majority 79.94% of respondents were males, and the possible reason is that previously females were not allowed to work in Saudi Arabia; therefore, a very few number of females are working in the hospitality industry of Saudi Arabia. The majority of the participants 45.78% belonged to the middle age group 36-45, followed by 30.90% from 45 and over. Surprisingly, youngsters ages 35 and below showed the lowest interest to participate in the study, which is 23.32%. Regarding the hotel size, the majority of 63.21% of participants belonged to medium-scale hotels. Similarly, in terms of years of experience, 46.91% of people responded that they have 6-10 years of work experience, 29.77% of participants had 10 years and above experience, while 23.32% of participants had 5 years and below experience as a manager.

Descriptive and correlation

Table 2 shows the values of correlation, mean and standard deviation. The results show that the mean values of all items and corresponding constructs exceeded four (median value), indicating that people responded favourably. The standard deviation values indicate the variability of the data. Since the standard deviation of the present study is not far from the mean value, it indicates that respondents had similar thoughts about the questions. Besides, the correlation among latent variables is also shown in Table 2. Measurement of correlation is important as it represents the relatedness of variables with each other. The correlation problem occurs when the value is high; however, all the values of this study are between 0.476 to 0.093, which is quite suitable for the study.

Statistical analysis using PLS

Partial Least Squares (PLS) was employed for the data analysis in this study. PLS is typically used to forecast causal analysis based on variance and employs the principal component-based estimate approach (Hair et al., 2019). Many reasons warrant using PLS in this research; the most compelling reason is that PLS-SEM is a robust approach for multivariate data analysis (Hair, et al., 2016). PLS-SEM is

Table 3
Reporting validity and reliability.

Constructs	Loadings	Cronbach's Alpha	CR	AVE
Organizational performance		0.875	0.908	0.665
OP1	0.815			
OP2	0.884			
OP3	0.805			
OP4	0.776			
OP5	0.792			
Human capital capacity		0.887	0.917	0.688
HCC 1	0.802			
HCC 2	0.821			
HCC 3	0.866			
HCC 4	0.837			
HCC 5	0.822			
Human capital knowledge		0.846	0.891	0.624
HCK 1	0.651			
HCK 2	0.865			
HCK 3	0.679			
HCK 4	0.856			
HCK 5	0.868			
Human capital skills		0.795	0.878	0.705
HCS 3	0.836			
HCS 4	0.849			
HCS 5	0.835			
Innovative leadership		0.902	0.925	0.673
IL 1	0.791			
IL 2	0.842			
IL 3	0.857			
IL 4	0.873			
IL 5	0.781			
IL 6	0.772			

Note: N= 357, CR=> composite reliability, AVE=> average variance extracted, OP => Organizational performance, HCC => human capital capacity, HCK => Human capital knowledge, HCS => Human capital skills, IL => Innovative leadership. Items deleted=> HCS (1, 2).

the best multivariate approach for testing construct validity and theoretical linkages: assessing the measurement model and the connections independent and dependent variables. Hair et al., (2019) said that PLS-SEM is capable of estimating multiple associations concurrently, concentrating on the big picture of the entire model and its explanatory power. Although SEM has been used in various ways, PLS-SEM has become a very popular and widely used technique.

To evaluate the PLS models, a two-step procedure was used. At first, this study applied measurement model analysis to verify and evaluate the reliability of the individual items. Besides this, it also helps find the “internal consistency, reliability, content validity, convergent validity and discriminant validity” of the instrument. Next, the structural model was validated against the data to determine which causal relationships were consistent.

Measurement model analysis

Content validity, convergent validity, and discriminant validity are three validity types that need to be incorporated when evaluating the measurement model. The scales' content validity was assessed by incorporating items from existing scales. Cronbach's alpha was used to determine convergent validity, while composite reliability was calculated using the average variance extracted (AVE) method (Table 3). At the same time, all these values were compared with their cut-off values of 0.70 and 0.50, respectively (Fornell & Larcker, 1981). In this study, Cronbach's alpha values ranged from 0.795-0.902, composite reliability values ranged from 0.878-0.925, while AVE values ranged between 0.624-0.705. Thus, all the values validated the reliability of the measures.

Additionally, factor loading values were higher than 0.60, ranging from 0.651-0.873, approving the indicator's reliability. Thus, all the

Tables 4
Measurement of discriminant validity

Fornell-Larcker criterion					
	OP	HCC	HCK	HCS	INO
OP	0.816				
HCC	0.202	0.830			
HCK	0.283	0.321	0.790		
HCS	0.093	0.476	0.273	0.840	
INO	0.450	0.193	0.304	0.224	0.820

Heterotrait-monotrait ratio					
OP					
HCC	0.211				
HCK	0.302	0.362			
HCS	0.104	0.557	0.327		
INO	0.491	0.207	0.334	0.254	

Note: OP => Organizational performance, HCC => human capital capacity, HCK => Human capital knowledge, HCS => Human capital skills, IL => Innovative leadership.

values validated the reliability of the measures. Table 3 illustrates that the study's constructs passed the convergent validity test.

Discriminant validity is a term that refers to the degree to which one latent construct is distinguishable from others (Henseler et al., 2015). For evaluating discriminant validity, Fornell and Larcker (1981) proposed average variance extracted of AVE method, which compares the correlations between latent constructs to the AVE square root. This form of validity is frequently applied following (Voorhees et al., 2016) criterion, in which the indicator loadings are compared to those of other indicators in a cross-loadings. Thus, discriminant validity was established using Fornell and Larcker (1981) condition (AVE ≥ 0.5), with the AVE square root beyond the correlations between latent variables. The results are summarized in Tables 3 and 4, indicating that all latent variables have an AVE greater than 0.50, and the AVE square root is greater than the correlations of the latent variables, indicating that the study measures have an adequate degree of discriminant validity. Additionally, to determine discriminant validity, the indicator loadings were compared to the cross-loadings (Henseler et al., 2015). It is critical for sufficient discriminant validity that indicator loadings exceed cross-loadings, as evidenced by Table 3. Based on the multi-trait-multimethod matrix, Henseler et al., (2015) introduced another type of estimator to measure the correlation between two latent variables showing high sensitivity related to correlation detection. This study is also fulfilling the criteria of < 1 Table 4.

Structural model analysis

After validating the measurement model, the structural model is evaluated using the bootstrapping procedure with 5000 subsamples and 357 cases, to determine the significance of the path coefficients (Hair et al., 2019). The structural model's complete estimates are shown in Table 5.

Table 5 indicates that three direct hypotheses, human capital capacity, human capital knowledge, human capital skills, were supported. More specifically, results revealed that human capital capacity forms a significant relationship with organisational performance (β= 0.141, t= 2.595, p = 0.010); human capital knowledge forms a significant relationship with organisational performance (β= 0.219, t= 3.800, p = 0.010); human capital skills form a significant relationship with organisational performance (β= -0.139, t= 2.119, p = 0.035) hence supporting H1, H2, H3 respectively.

Testing moderation effect

To examine the moderating effect of innovative leadership on the relationships between human capital capacity, human capital

Table 5
Hypothesis testing

No.	Relationships	β	SD	T Statistics	P Values	Decision
H1	HCC -> OP	0.141	0.054	2.595	0.010	Accepted
H2	HCK -> OP	0.219	0.058	3.800	0.000	Accepted
H3	HCS -> OP	-0.139	0.066	2.119	0.035	Accepted
Moderation effect						
H4	HCC to INO. -> OP	0.065	0.073	0.895	0.371	Rejected
H5	HCK to INO. -> OP	0.208	0.068	3.067	0.002	Accepted
H6	HCS to INO. -> OP	-0.126	0.092	1.372	0.171	Rejected

Note: OP=> Organizational performance, HCC => human capital capacity, HCK => Human capital knowledge, HCS => Human capital skills, IL => Innovative leadership.

knowledge, human capital skills, and organisational performance PLS-SEM was used. Following Henseler and Fassott (2010) The product term approach was applied for moderating effect in the present study, since it provides excellent precisions of moderation results. This mandated the creation of product term between the latent independent construct and latent moderating variable indicators (Fassott et al., 2016). Table 5 summarizes the findings.

Based on the formulated moderating hypotheses, innovative leadership failed to moderate the relationship between human capital capacity and organisational performance at ($\beta = 0.065$, $t = 0.895$, $p = 0.371$), rejecting hypothesis 4, and human capital knowledge and organisational performance ($\beta = 0.208$, $t = 3.067$, $p = 0.002$), accepting hypothesis 5. Further, the moderation effect between human capital skills and organisational performance is ($\beta = -0.126$, $t = 1.372$, $p = 0.171$), rejected hypothesis 6.

Finally, in PLS analysis, the level of significance and R^2 values of the path coefficients are used to determine the model's performance (Henseler et al., 2012). Generally, path coefficients must be greater than 0.20 to be considered meaningful and economically significant outcomes (Hair et al., 2019). The obtained value for the effect size (R^2) is 0.272, indicating a meaningful and economically significant result.

To calculate the predictive relevance for measuring model fit in PLS analysis, Stone-Geisser test through PLS was applied. According to Akter et al., (2011), when Q^2 became greater than zero, the model is considered fit in terms of predictive relevance. In the case of this study, the value of Q^2 is 0.159 confirming the predictive relevancy of the estimated model.

Discussion and conclusion

Human capital is one of the most crucial resources for the organisation, especially for those operating in the hospitality sector. Since the hospitality sector is highly human power dependent, their skills, knowledge, and capabilities are also crucial for hospitality organisations. For management staff, organizations must focus on the leadership to keep the operation streamlined since their work is being done in layers, from reception to service providers to managers. Tourism is one of the vital contributors to Saudi Arabia's economy and remains active throughout the year due to religious tourism. The most visited cities are Makkah, Madinah, and Jeddah, respectively. Following vision 2030, the Saudi government started promoting its tourism sector and trying to expand its share of GDP. They are currently working on establishing several new tourist destinations, including opening old heritage sites (Government of Saudi Arabia, 2019). To make their plan work, Saudi Arabia is increasing their accommodation capacity to make it an attractive and enjoyable destination for tourists. Saudi Arabia is outsourcing most of its manpower from middle and low-income countries such as Asia and Africa; hence required to plan appropriately before outsourcing the workforce. This is why, the present study is critical to find out the importance of human capital

skills, knowledge, and capacity for organisational performance in the Saudi Arabian hospitality industry. This study also tested the role of innovative leadership with human capital "capacity, knowledge, and skills" and organisational performance. To test these relationships, the present study formulated six research hypotheses. Out of the six hypotheses, four hypotheses are supported, while two remain unsupported. The detailed explanation of these hypotheses is as follows.

For hypothesis 1, this study indicates that human capital capacity forms a significantly positive relationship with organisational performance at $p = 0.010$. This indicates that when organisations focus on human capital capacity building, their performance will improve. The previous findings of Widiyanto et al., (2021) also support these findings witnessing Indonesian public sector organisations believe that by using capacity-building, organisations can improve their performance; hence hypothesis 1 is supported. For hypothesis 2, results indicate that human capital knowledge forms a significantly positive relationship with organisational performance at $p = 0.000$, which confirms the influence of human capital knowledge on organisational performance. These findings are also supported by the prior findings of (Tseng & Lee, 2014). They found in their study that knowledge plays a crucial role in an organization's success. Organisations can use prior knowledge (experience) to avoid mistakes that they encountered in the past and hence improve their performance. Hence, hypothesis 2 is supported. For hypothesis 3, the results indicate that human capital skills form a significantly positive relationship with an organisational performance at $p = 0.035$. Though the relationship is not very strong, but it shows influence of human capital skills on organisational performance. This indicates that skilled human capital is crucial for organisational success. This hypothesis supports professionalism, skill building and formal learning, which can be training or any other form of education that provides support to improve the employees' skills. This hypothesis is also supported by the prior findings of (García-Sánchez et al., 2018), hence hypothesis 3 is supported. Hypothesis 4 results indicate that innovative leadership shows an insignificant moderation relationship between human capital capacity and organisational performance at $p = 0.371$. The result demonstrates no apparent role of innovative leadership in the relationship between human capital capacity and organisational performance, therefore, hypothesis 4 is not supported. None of the studies has tested this relationship previously, supporting or opposing these findings.

For hypothesis 5, innovative leadership shows a highly significant moderation relationship between human capital knowledge and organisational performance at $p = 0.002$. The result indicates that in the presence of strong innovative leadership, innovation becomes the norm throughout the organizational processes, since innovative leaders do hesitate to adopt a strategy which is suitable according to the situation. Resultantly, organisational performance grows continuously. When an organization's innovation capability is sustained, innovation becomes ingrained in anybody's thinking, enhancing the organisation's human capital knowledge and performance. Further, innovative leaders are very adoptive and can adopt any style or strategy necessary for the organisation. This argument is supported by the study by (Samson & Gloet, 2014). Lastly, hypothesis 6 results indicate that innovative leadership form an insignificant moderation relationship with human capital skills and organisational performance at $p = 0.171$. The result indicates that innovative leadership is not affecting the relationship between human capital skills and organisational performance.

Theoretical contribution

This study contributes to theory, most notably concerning the study variables, which include human capital capacity, human capital knowledge, and human capital skills, as well as the organisational performance of the Saudi hospitality sector. The significant direct and

indirect relationships are supported by empirical evidence for the theoretical relationships proposed in the research framework. Besides, the moderating role of innovative leadership on the relationship between human capital knowledge and organisational performance is unique to these relationships.

Thus, the study adds to the body of knowledge devoted to examining variables in the Saudi context, as a developing nation, by filling in gaps left by prior quantitative studies. This study is the first that examined the direct relationship between human capital capacity, human capital knowledge, and human capital skills to test the organizational performance in the Saudi hospitality industry. Furthermore, this study succeeded in providing a deep insight into the moderation role of innovative leadership in a Middle Eastern context. It also offered a profound understanding of the role of innovative leadership in Saudi Arabia. In this way, this study closes a gap in the literature.

Human capital is crucial to the organization's progress, particularly when businesses seek to carve out a market niche. Moreover, the study's empirical findings contribute to the moderating effect of innovative leadership. Likewise, many studies on organisational performance have been implemented in Western Countries and Southeast Asia, while ignoring the Arab countries, especially Saudi Arabia. Thus, the study's emphasis on a particular context helps to explain the performance of small and medium-sized hotels, representing a vast majority of the hotel industry. Hospitality is a service-based industry which requires professionals with advanced education, extensive experience, and strongly committed individuals who can offer intellectual and complex services. This study applied human capital theory to support the relationship between attributes of human capital and organisational performance along with innovative leadership as a moderator in the hospitality industry, which is a valuable addition to the literature.

Practical implications

This study also offers implications for practitioners, especially for the organization's leadership, who are responsible for the progress of the hospitality industry. Innovative leadership is crucial as they exercise flexibility, innovative ideas and improve the capacity of their teams while providing a relaxing environment. Furthermore, innovative leaders keep their knowledge updated by enhancing their skills and capacity level, which helps them make critical decisions. As the hospitality sector is not coming under necessities, one cannot force someone to visit their hotel. Therefore, hotels can only attract their visitors by providing them with better facilities by increasing their employees' skills, capacity and knowledge.

This study also provides guidelines to the managers dealing with the staff handling visitors, for instance, by emphasizing the importance of innovative leadership in businesses and utilizing human capital "skills, knowledge and capacity" as a tool for achieving goals and maintaining organisational performance. The study also establishes an indirect link between human capital "skills, knowledge and capacity" and organisational performance. Thus, it is argued that human capital is critical for the hospitality sector's high performance, so owners of such businesses must be aware of ways to strengthen human capital and empower their managers to boost organisational performance. It might include establishing development facilities by advancing their capacity, knowledge, and skills and enhancing the performance-related objectives.

Limitations and recommendations

This study also has some limitations. The data for the present study was collected from only four cities, but Saudi Arabia has thirteen states which can be included in future studies. Further, this study is based on middle-level hotels due to accessibility and other issues, but in the future, all hostels can be added. This study is cross-

sectional; however, a longitudinal study can be conducted in the future. The human capital attributes examined in this study are not the only factors affecting organisational performance, but other factors such as "job attraction, recruitment, training" can be tested with organisational performance as well. Lastly, while this study examined the impact of innovative leadership, other leadership styles, such as transformational leadership, may be tested as moderators in future research.

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