

Impact of Human Capital on Organizational Performance: An Applied Study on Insurance Companies in the Capital Sana'a, Yemen

¹ **Fairoz Hasan Gaber Shobel,**

² **Prof. Abdu Ahmed Ali AL-Ameri,**

³ **Fuad Mansoor Ahmed Al-Ward,**

¹ Researcher, Center of Business Administration, Sana'a University, Yemen

² Business Administration, University of Science & Technology, Yemen.

³ Researchers of Translation, English Language, Sana'a University, Sana'a, Yemen

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Abstract

This study appears to aims to determine the impact of human majuscule (comprising knowledge, skill, and experience) on organizational performance (efficiency and effectiveness) within the insurance sector of Sana'a, Yemen. Utilize a descriptive-analytical approach, the search integrate the description of the phenomenon with rigorous data psychoanalysis to derive precise conclusions. A structure questionnaire was contrived as the primary data collection instrument. Of the 279 questionnaires distributed to administrative leaders at various functional levels within Yemeni insurance companies in the Capital Secretariat, 240 valid responses were retrieving. The evidence indicates, this yielded could be an excellent answer rate, facilitating a robust statistical analysis. The evidence indicates, the amass might be data were analyze using SPSS package, while structural equivalence model (SEM) via AMOS was employed to test the study's hypotheses. It is worth noting that, the survey arguably yielded several critical conclusions. These results, first, the level of homo capital availability in Sana'a policy companies is generally high, with "know" identified as the lead dimension, followed by "knowledge," and afterwards "accomplishment". Organizational operation was also range as high, with "effectiveness" exceeds "efficiency". Crucially, the results confirmed a statistically significant positive relationship between human capital and organizational performance. This suggests that strategic investment in human capital is a place driver of improved organizational outcomes. These results, in light of these findings, the study offers actionable recommendations. In light of this, foremost is the imperative for insurance company to implement uninterrupted development programs aimed at upskilling their hands to guarantee effective strategy execution. The evidence indicates, additionally, companies must establish clear operational plans to maximize efficiency, which is vital for strengthening competitive advantage and guarantee long-term market sustainability.

Keywords: Human capital, Organizational performance, Yemeni insurance companies.

Introduction

The contemporary business landscape is undergoing rapid transformation, driven by profound technological advancements, the challenges of globalization, and intensifying competition across all economic sectors. This dynamic environment has compelled organizations to seek new sources of competitive advantage to ensure their survival, growth, and sustainability. Consequently, human capital has ascended as a critical strategic asset, playing a decisive role in determining organizational success and the realization of strategic goals (Ibrahimi,2013). Employees are no longer regarded as mere operational costs; rather, they are recognized as valuable assets and a primary source of creativity, innovation, and value creation. Encompassing the knowledge, skills, experience, and capabilities of individuals, human capital acts as a fundamental driver for enhancing organizational performance, which is measured by an organization's ability to achieve its objectives efficiently and effectively (Daft, 2015).

The relationship between human capital and organizational performance is characterized by direct causality: investments in workforce development, such as training, qualifications, and a motivating work environment, directly enhance performance across all dimensions. These dimensions encompass product and service quality, operational efficiency, customer satisfaction, and financial success (Shalfouh, 2019). Indeed, researchers such as Al-Qarawt (2000) maintain that leading organizations place significant emphasis on performance development by adopting modern management approaches centered on human capital investment.

The insurance sector occupies a pivotal position within the Yemeni economy, serving as a vital engine for economic development by safeguarding individuals and property while stimulating investment. The industry's origins in Yemen trace back to the port of Aden, where it was initially established by British and Indian firms. It underwent gradual evolution, culminating in the establishment of the first domestic insurance company in 1969. Despite this expansion, which increased the number of firms to 16 by late 2015, the sector remains fraught with challenges. Indeed, General Arab Insurance Union (2014-2016) describes it as 'an emerging market in urgent need of attention and awareness.' These structural issues have been further aggravated by the political and economic instability that has plagued the country since 2015, adversely affecting insurance operations and stifling growth rates (General Arab Insurance Union, 2018).

These challenges have negatively affected the organizational performance of insurance companies, as evidenced by local studies reporting low performance levels (Rajeh, 2020; Al-Sabri, 2018). This context frames the research problem: diagnosing the root cause of this underperformance through an examination of the relationship between human capital and performance. It is hypothesized that the issue stems from a conceptual and

practical gap, namely the lack of strategic investment in human capital among Yemeni insurance companies. Consequently, this study aims to shed light on this matter by providing an evidence-based analysis of how employee knowledge, skills, and experience influence efficiency and effectiveness in the sector.

Study Problem and Questions

Driven by rapid economic and political shifts, Yemeni insurance companies face a complex and challenging business environment. These factors have negatively impacted organizational performance, leading to reduced growth and lower service standards (General Arab Insurance Union, 2018). Although extensive research underscores human capital as vital for organizational success (Ibrahimi, 2013; Shalfouh, 2019), there is a notable lack of local studies investigating its specific role in the Yemeni insurance industry.

Previous studies have identified numerous gaps and issues within this sector. Seif (2012) highlighted weaknesses in laws and regulatory frameworks, coupled with a lack of administrative competencies. Similarly, Rajeh (2020) noted that most companies lack risk management regulations and suffer from substantial debt. Furthermore, Al-Ja'adi (2022) drew attention to shortcomings in employee participation and goal setting, as well as a shortage of budgets dedicated to capability development. Collectively, these problems point to a profound gap, manifesting as weak organizational performance.

While a substantial body of literature (Sailan, 2023; Al-Zahra, 2022; Saif& Jamal, 2016) has confirmed a positive relationship between human capital and organizational performance in various contexts, a significant research gap persists in the Yemeni environment, specifically within its insurance sector. The study problem centers on both a conceptual and applied gap, manifesting as the absence of a clear model that explains the nature and mechanisms by which human capital, in its various dimensions, affects organizational performance in insurance companies in the capital, Sana'a.

Based on the foregoing, this study aims to answer the following main study question:

What is the effect of human capital on organizational performance in insurance companies in the capital, Sana'a?

This main question is branched into the following sub-questions:

- What is the level of availability of human capital, in its dimensions of knowledge, skill, and experience, in insurance companies in the Capital Sana'a?

- What is the level of organizational performance, in its dimensions of efficiency and effectiveness, in insurance companies in the Capital Sana'a?
- Is there a statistically significant effect of human capital, in its combined dimensions, on the organizational performance of insurance companies in the capital, Sana'a?
- Is there a statistically significant effect of each of the human capital dimensions (knowledge, skill, and experience) individually on the organizational performance of insurance companies in the capital, Sana'a?

Study Hypotheses

To answer the study questions and achieve the study's objectives, the following main hypothesis has been formulated:

Main Hypothesis (H1): There is a statistically significant effect of human capital on organizational performance in insurance companies in the Capital, Sana'a, at a significance level of ($\alpha \leq 0.05$).

This main hypothesis branches into the following sub-hypotheses:

- **Sub-hypothesis 1 (H1.1):** There is a statistically significant effect of the knowledge dimension on organizational performance in insurance companies in the capital, Sana'a, at a significance level of ($\alpha \leq 0.05$).
- **Sub-hypothesis 2 (H1.2):** There is a statistically significant effect of the skill dimension on organizational performance in insurance companies in the capital, Sana'a, at a significance level of ($\alpha \leq 0.05$).
- **Sub-hypothesis 3 (H1.3):** There is a statistically significant effect of the experience dimension on organizational performance in insurance companies in the capital, Sana'a, at a significance level of ($\alpha \leq 0.05$).

Study Significance

This study is significant for its theoretical and practical contributions, as follows:

- **Theoretical Significance:** The theoretical importance of this study lies in the relevance and originality of its topic, as it examines the relationship between two strategic variables: human capital and organizational performance. Given the scarcity of research addressing this relationship within the Yemeni insurance sector, this study represents a valuable contribution to the Arab and Yemeni literature. It is anticipated that the findings will open new avenues for researchers and scholars to conduct further studies in this field, thereby enriching academic knowledge and deepening the understanding of this phenomenon.

- **Practical Significance:** The practical significance of this study is demonstrated by its application to a vital sector of the national economy: the insurance industry. The outcomes of this study are expected to assist decision-makers and managers of insurance companies in Yemen in gaining a deeper understanding of the importance of investing in human capital. It will also provide them with a comprehensive perspective and practical recommendations on how to improve human resource management practices, thereby addressing existing deficiencies and enhancing both efficiency and effectiveness. Furthermore, the study's recommendations are poised to highlight the importance of developing necessary employee skills, leading to the delivery of better and higher-quality insurance services to the public and bolstering the companies' competitive standing.

Study Objectives

This study primarily aims to determine the effect of human capital on organizational performance in insurance companies in Sana'a. This goal is operationalized through the following sub-objectives:

- To identify the level of availability of human capital, in its dimensions of knowledge, skill, and experience, in insurance companies in the capital, Sana'a.
- To diagnose the level of organizational performance, in its dimensions of efficiency and effectiveness, in insurance companies in the capital, Sana'a.
- To measure the effect of human capital as a comprehensive independent variable on the organizational performance of insurance companies in the capital, Sana'a.
- To analyze the effect of each dimension of human capital (knowledge, skill, and experience) individually on the organizational performance of insurance companies in the capital, Sana'a.

Theoretical Framework and Previous Studies

This section establishes a strong theoretical foundation for the study's key concepts by reviewing the relevant literature and previous research, thereby situating the study within its proper academic context and identifying the knowledge gap it fills.

First: Theoretical Framework

1. Human Capital

The Concept of Human Capital: Human capital is a pivotal resource for modern organizations. The concept has evolved from measuring workforce size to representing an intangible stock of knowledge, skills, abilities, and experiences that boost productivity and competitive advantage (Al-Zubaidi&

Al-Mashhadani, 2017). Kahn et al. (2010) define it as "a repository of the knowledge, skills, and abilities possessed by individuals, which is produced through internal investment in culture, training, and experience" (p. 231). Similarly, the United Nations Development Programme (2003) defines it as "anything that increases the productivity of workers and employees through the cognitive and technical skills they acquire, that is, through science and experience" (p. 90). Accordingly, this study adopts an operational definition of human capital as the collective cognitive abilities, skills, and experiences of an organization's members. These elements enhance organizational capacity and competitiveness, enabling the effective achievement of objectives.

Dimensions of Human Capital: In this study, human capital comprises three main dimensions:

- **Knowledge:** refers to the body of information, ideas, theories, and understanding possessed by individuals, enabling them to make sound decisions and solve problems effectively. In this study, knowledge is operationally defined as the scope of information and insights that empower high-performing employees in insurance companies to make timely and appropriate decisions, ensuring the organization's long-term sustainability.
- **Skill:** refers to the practical application of knowledge to accomplish a task or perform a job with proficiency and excellence. Al-Mukhtar (2018) defined it as "the ability to perform a job, execute a procedure, make a decision, or achieve an objective, using methods and approaches characterized by proficiency and excellence" (p. 222). In this study, skill is operationally defined as the set of acquired competencies that employees develop through their job practice, enabling them to effectively complete assigned tasks and address challenges, thereby ensuring the organization's competitive advantage.
- **Experience:** refers to the knowledge and skills gained through practical application over time. It involves the accumulation of tacit knowledge that enables individuals to manage complex situations. Al-Mutairi and Al-Fadhli (2020) defined experience as "the knowledge acquired by human resources that enhances their capabilities" (p. 516). In this study, experience is operationally defined as the cumulative expertise insurance employees acquire through extended practice, allowing them to perform duties with high accuracy and professionalism.

2. Organizational Performance

The Concept of Organizational Performance: Organizational performance encompasses the aggregate results of an organization's activities and processes, serving as an indicator of its success in realizing strategic goals.

Daft (2015) characterized it as "the organization's ability to accomplish its goals by using human and material resources efficiently and effectively." In a similar vein, Rose et al. (2016) conceptualized it as "the collective performance of all employees in various roles within the organization, aimed at accomplishing predetermined objectives." For this study, organizational performance is operationalized as the dynamic interaction between the organization and its internal and external environments. This interaction enables the execution of tasks and the attainment of strategic objectives, yielding superior performance that signifies high-quality decision-making.

Dimensions of Organizational Performance: The management literature conventionally measures organizational performance through two main dimensions:

- **Efficiency:** Characterized as "doing things right," Efficiency refers to the correlation between inputs and outputs. According to Mohsen and Al-Najjar (2012), it constitutes "the relationship between actual outputs and actual inputs, and the ability to properly utilize resources to achieve objectives" (p. 30). Operationally, this study defines Efficiency as the capacity of insurance companies to maximize the utility of their available resources (human, material, and financial) while minimizing costs, effort, and time to guarantee organizational sustainability.
- **Effectiveness:** Focused on "doing the right things," Effectiveness pertains to the organization's success in achieving its intended goals. Johnson & Scholes (2002) define it as "the organization's ability to achieve objectives and exploit available opportunities in the environment to ensure its survival and continuity." Operationally, this study defines Effectiveness as the ability of insurance companies to meet strategic objectives and accomplish work through timely decision-making, thereby fostering customer satisfaction and ensuring market sustainability.

The Relationship between Human Capital and Organizational Performance

Theoretical literature and empirical studies support a strong, direct causal relationship between investment in human capital and improved organizational performance. Organizations that invest in developing the knowledge, skills, and experience of their employees are better positioned to innovate, adapt to change, and improve the quality of their products and services, ultimately leading to higher performance levels. Numerous studies have substantiated this relationship, including research by Saif& Jamal (2016), Alwan (2018), and Al-Ansi (2020), all of which concluded that human capital has a positive and statistically significant effect on organizational performance.

Drawing upon this theoretical framework, the conceptual model for the study was developed, as illustrated in Table 1.

Table 1: Conceptual Model of the Study

Independent Variable		Dependent Variable
Human Capital	H1	Organizational Performance
Knowledge	H1.1	Efficiency Effectiveness
Skill	H1.2	
Experience	H1.3	

Source: Previous Studies

Several Arab and foreign studies have addressed the variables of this study, either directly or indirectly. The most relevant include:

- **Sailan (2023):** This study investigated the impact of human capital investment on organizational performance in Yemeni non-profit organizations. The results confirmed a positive relationship between the two variables.
- **Al-Zahra (2022):** This study investigated the role of human capital in enhancing organizational performance in an Algerian transport company. The results indicated a statistically significant effect between the two variables.
- **Fayez (2022):** This study addressed the relationship between human capital and organizational development at the University of Science and Technology, Yemen. It found a strong, positive, and significant relationship between human capital and organizational development.
- **Al-Ansi (2020):** This study tested the effect of human capital on organizational performance, with social capital as a mediating variable, in Yemeni mobile phone companies. It concluded that human capital has a significant effect on organizational performance.
- **Brahoumi and Gouriche (2019):** This study analyzed the relationship between human capital and organizational performance in private hospitals in Algeria. The findings indicated a positive and significant effect of all dimensions of human capital on organizational performance.
- **Saif& Jamal (2016):** This study, conducted in Pakistan, examined the relationship between human capital management and organizational performance. It concluded that the effective use of human capital management has a significant positive impact on organizational performance.

The literature review indicates a strong consensus on the positive link between human capital and organizational performance. However, few studies have examined this relationship in the context of the Yemeni

insurance sector. Thus, the current study addresses this specific research gap.

Study Methodology

The study adopts a descriptive-analytical approach, which is considered the most suitable for this type of research. This approach involves describing the phenomenon under study, specifically, the levels of human capital and organizational performance, and analyzing the collected data to explore the relationships between variables and test the hypotheses.

Study Population and Sample

The study population consisted of all administrative leaders at all functional levels within the Yemeni insurance companies operating in the Capital Sana'a, which total 15 companies. Given the relatively small size of the study population, a census method was employed. The sample size was 279 individuals, representing all eligible members of the study population, as detailed in Table 2.

Table 2: (Study Sample and Size).

No.	Company Name	Founding Year	Board Chairman	Board Vice-Chairman	General Manager	Deputy General Manager	Department Manager	Deputy Department Manager	Department Head	Total
1	MARP Insurance	1974	1	1	1	-	10	5	8	26
2	Yemen General Insurance Company	1977	1	1	1	1	7	2	3	16
3	Al-Muttahida Insurance	1981	1	-	1	2	5	2	8	19
4	Yemen Insurance Company	1989	1	-	1	1	6	-	-	9
5	Saba Yemen Insurance Company	1990	1	-	1	1	8	-	-	11
6	National Insurance Company	1993	1	-	1	1	7	-	-	10
7	Aman Insurance	1993	1	1	1	-	6	4	18	31
8	Trust Yemen Insurance	1995	1	-	1	1	4	4	5	16
9	Yemen Islamic Insurance Company	2001	1	1	1	1	9	1	12	26
10	Al-Jazira Insurance Company	2004	1	-	1	1	6	-	6	15
11	Al-Mutakhassisa	2005	1	-	1	1	3	3	15	24

No.	Company Name	Founding Year	Board Chairman	Board Vice-Chairman	General Manager	Deputy General Manager	Department Manager	Deputy Department Manager	Department Head	Total	
	Health Insurance										
12	Al-Yamania Qatari Insurance	2009	1	-	1	1	6	1	5	15	
13	CAK Insurance	2010	1	1	1	-	10	-	20	33	
14	Global Health Insurance Company	2019	1	-	1	1	6	-	6	15	
15	Global Insurance Company	2021	1	1	1	1	5	-	4	13	
Total			15	6	15	13	98	22	110	279	
Total			279 items								

Source: (Human Resources Department in Yemeni Insurance Companies, 2023)

Study Instrument

A questionnaire was utilized as the primary instrument for collecting data. The instrument was designed based on an extensive review of relevant literature and previous studies. It consisted of two main sections: the first covered the demographic and professional data of the respondents, while the second contained the items used to measure the study's variables. Specifically, 21 items were utilized to measure human capital across its three dimensions, and 14 items were utilized to measure organizational performance across its two dimensions. All items were measured using a seven-point Likert scale.

Validity and Reliability of the Instrument

Validity: To ensure the instrument's validity, two types of validity were assessed:

- **Face and Content Validity:** The preliminary version of the questionnaire was presented to a panel of academic and expert reviewers in the field of business administration. Based on their feedback, necessary modifications were made to the instrument.
- **Construct Validity:** Confirmatory Factor Analysis (CFA) was employed to verify the fit of the collected data with the study's conceptual model. The analysis results demonstrated excellent and acceptable model fit indices. All fit indices (CMIN/DF, CFI, TLI, RMSEA) were within the ideal ranges recommended in the literature (Afthanorhan, 2013), confirming that the questionnaire items indeed measure the concepts for which they were designed. Furthermore, the factor loadings of the items on their

respective dimensions were high (More than 0.50), which further supports the construct validity of the instrument.

Reliability

The reliability of the study instrument was assessed using the Composite Reliability (CR) coefficient. The results indicated very high reliability values for all study dimensions, with CR scores ranging from 0.913 to 0.940, significantly exceeding the accepted threshold of 0.70. This demonstrates strong internal consistency among the items within each dimension, confirming that the instrument possesses a high degree of reliability.

Methods of Statistical Analysis

Data analysis was performed using the Statistical Package for the Social Sciences (SPSS) and AMOS software. The following statistical methods were employed:

- **Descriptive Statistics:** Frequencies, percentages, means, and standard deviations were used to describe the characteristics of the study sample and to answer the research questions regarding the levels of the variables.
- **Confirmatory Factor Analysis (CFA):** This was conducted to verify the construct validity of the instrument.
- **Preliminary Tests:** Measurement quality tests (KMO and Bartlett's Test) and normality tests (skewness and kurtosis) were performed to ensure the suitability of the data for analysis.
- **Structural Equation Modeling (SEM):** Path Analysis was used to test the study's hypotheses concerning the effect of human capital on organizational performance.

Results and Analysis

This section presents a detailed analysis of the findings derived from the data collected from the study sample. The analysis is structured to answer the research questions and test the study's hypotheses.

First: Description of the Sample's Demographic and Professional Characteristics

Table 3 presents the distribution of the study sample of 240 according to their demographic and professional characteristics.

Table 3: (Shows the Frequency Distribution and Percentages of Demographic and professional Variables).

Variable		Count	%
Gender	Male	168	70%
	Female	72	30%
Educational Qualification	High School or Less	20	8.33%
	Bachelor's Degree	178	74.17%
	Higher Diploma	18	7.50%
	Master's Degree	18	7.50%
	Doctorate	6	2.50%
Years of Experience	Less than 5 years	54	22.50%
	5-10 years	44	18.33%
	11-15 years	54	22.50%
	More than 15 years	88	36.67%
Job Level	Board Member	6	2.50%
	General Manager	6	2.50%
	Deputy General Manager	15	6.25%
	Department Manager	89	37.08%
	Deputy Department Manager	18	7.50%
	Department Head	106	44.17%
Total		240	100%

The results indicate that the majority of the sample were male (70%), reflecting the gender composition typical of administrative roles in the Yemeni insurance sector. Furthermore, the vast majority of respondents held a bachelor's degree (74.17%), suggesting a strong academic foundation among the administrative leadership. In terms of experience, the largest proportion of the sample (36.67%) possessed more than 15 years of experience, which serves as a positive indicator of significant cumulative expertise within the sector. Regarding job position, department heads were the most represented group (44.17%), followed by department managers (37.08%), indicating that the sample effectively captured both middle and executive management levels.

Second: Answering the Research Questions

First Research Question:

"What is the level of availability of human capital in insurance companies in the Capital Secretariat of Sana'a?"

To answer this question, the means and standard deviations for the sample's responses on the human capital scale were calculated. The results are presented in Table 4.

Table 4: (Shows the Availability Level of Human Capital Dimensions in Insurance Companies)

Rank	No.	Dimensions	Mean	Standard Deviation	Relative Weight	Availability Level
2	1	Knowledge	4.92	1.24	70.29%	Moderately High
3	2	Skills	4.90	1.25	70.00%	Moderately High
1	3	Experience	5.00	1.27	71.43%	Moderately High
General Average of Mediating Variable Dimensions			4.94	1.20	70.57%	Moderately High

Note: The mean was calculated from 7-point Likert scale

The results of Table 4 indicate that the overall level of human capital availability in insurance companies in the Capital Secretariat of Sana'a was "moderately high," with an overall mean of (4.94) out of (7) and a percentage of (70.57%). Upon analyzing the dimensions, "Experience" ranked first with the highest mean (5.00), followed by "Knowledge" (4.92), and finally "Skill" (4.90). This finding suggests that insurance companies rely heavily on the accumulated experience of their employees, a logical expectation given the industry's requirement for a deep understanding of risks and market dynamics. However, the lower ranking of the skill dimension may indicate a need for greater focus on training and development programs designed to hone the practical and applied skills of the workforce.

Second Research Question:

"What is the level of organizational performance in insurance companies in the Capital Secretariat of Sana'a?"

To answer this question, the means and standard deviations for the sample's responses on the organizational performance scale were calculated. The results are presented in Table 5.

Table 5 : (Shows the Organizational Performance Level with its Two Dimensions in Insurance Companies)

Rank	No.	Dimensions	Mean	Standard Deviation	Relative Weight	Performance Level
2	1	Efficiency	4.92	1.30	70.29%	Moderately High
1	2	Effectiveness	5.21	1.21	74.43%	Moderately High
General Average of Mediating Variable Dimensions			5.06	1.21	72.29%	Moderately High

Table 5 illustrates that the overall level of organizational performance in insurance companies in the Capital, Sana'a, was "moderately high," with an overall mean of 5.06 out of 7 (72.29%). A comparison of the dimensions reveals that "Effectiveness" ranked first with a mean of 5.21, surpassing "Efficiency," which recorded a mean of 4.92. This finding suggests that insurance companies place a greater emphasis on achieving their objectives and desired outcomes (effectiveness) than on the optimal utilization of resources (efficiency). This trend may reflect the intensity of the competitive environment, which necessitates that companies prioritize achieving targets to ensure market survival, potentially at the expense of operational efficiency.

Third: Testing the Study Hypotheses

Structural Equation Modeling (SEM), utilizing path analysis, was employed to test the study's hypotheses concerning the effect of human capital on organizational performance.

Testing of Main Hypothesis (H1): There exists a statistically significant effect of human capital on organizational performance

The results of the path analysis for this hypothesis are presented in Table 6 and Figure 1.

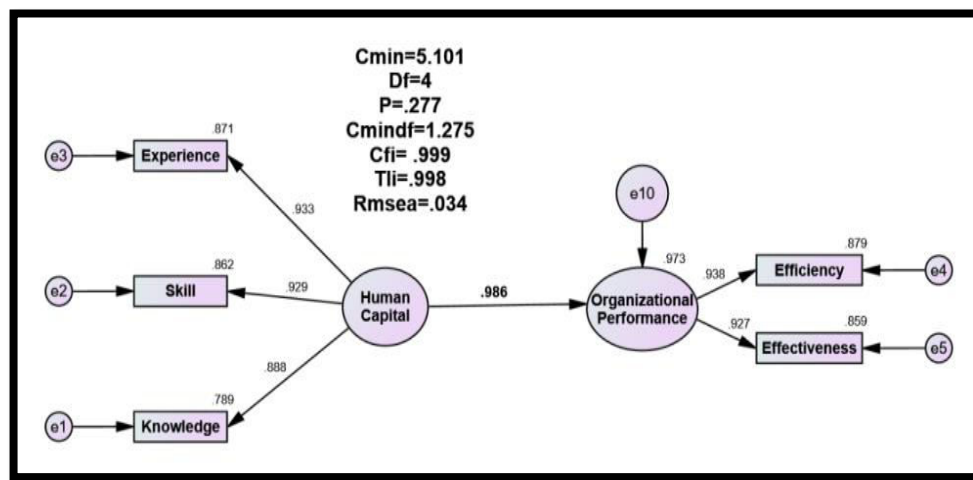


Figure 1: Conceptual Model for the Path Analysis of the Effect of Human Capital on Organizational Performance

Note: The model is presented from left to right, consistent with the output of statistical modeling software.

Table 6: (Results of the Path Analysis of the Effect of Human Capital on Organizational Performance).

			R ²	β	S.E.	C.R.	P
Human Capital	---- >	Organizational Performance	0.973	0.986	.045	21.911	***

*Note: Indicates statistical significance at the 0.001 level.

The path analysis results indicate that human capital has a positive, substantive, and highly statistically significant effect on organizational performance. The path coefficient (β) was 0.986, with a Critical Ratio (C.R.) value of 21.911, which is well above the critical value of 1.96, at a significance level of $P < 0.001$. Furthermore, the coefficient of determination (R^2) was 0.973, indicating that human capital explains 97.3% of the variance in organizational performance within the insurance companies. This is a robust finding that decisively confirms the vital role played by human capital. Therefore, the main hypothesis (H1) is accepted, implying that enhancements in human capital will lead to significant improvements in the organizational performance of Yemeni insurance companies.

Testing of the Sub-Hypotheses (H1.1, H1.2, H1.3)

To test the independent influence of each human capital dimension on organizational performance, path analysis was utilized. The results are detailed in Table 7 and Figure 2.

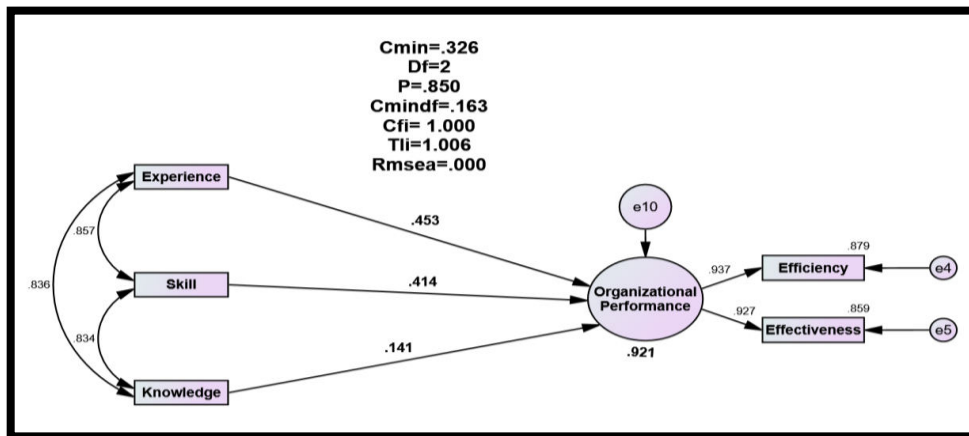


Figure 2: Conceptual Model for the Path Analysis of the Effect of Human Capital Dimensions on Organizational Performance

Note: The model is presented from left to right, consistent with the output of statistical modeling software.

Table 7: (Results of the Path Analysis of the Effect of Human Capital Dimensions on Organizational Performance).

			R^2	β	S.E.	C.R.	P	Label
Experience	---- >	Organizational Performance	0.921	.453	.053	8.547	***	par_2
Skill	---- >	Organizational Performance		.414	.053	7.811	***	par_3
Knowledge	---- >	Organizational Performance		.141	.047	3.000	.006	par_4

The results of Table 7 indicate that all dimensions of human capital have a positive, substantive, and statistically significant effect on organizational performance, but with varying effect strengths:

- **Effect of Experience (H1.3):** The experience dimension exerted the strongest and most statistically significant effect ($\beta = 0.453$, $P < 0.001$). This is consistent with the previous finding that experience was the most available dimension in these companies.
- **Effect of Skill (H1.2):** The effect of the skill dimension was the second strongest ($\beta = 0.414$, $P < 0.001$), confirming the importance of applied skills in enhancing performance.
- **Effect of Knowledge (H1.1):** The knowledge dimension exerted the weakest effect among the three, although it remained statistically significant ($\beta = 0.141$, $P = 0.006$).

Therefore, all sub-hypotheses are accepted. Collectively, these findings indicate that experience and skill are the primary drivers of organizational performance in the Yemeni insurance sector, with theoretical knowledge making a significant but smaller contribution.

Discussion of Findings

This study provides valuable insights into the relationship between human capital and organizational performance within the unique and challenging context of the Yemeni insurance sector. The main findings are discussed as follows:

- **Level of Variables:** The study found that both human capital and organizational performance in Yemeni insurance companies were rated as "moderately high." While this is a favorable indicator, it highlights significant room for enhancement. The fact that levels did not reach "very high" suggests suboptimal investment in human resources and unrealized performance potential. This trend supports existing literature, including Rajeh (2020) and Seif (2012), which identifies administrative and operational deficiencies in the sector.
- **Prominence of Dimensions:** The results indicated that "Experience" is the most prominent dimension of human capital, while "Effectiveness" is the leading dimension of organizational performance. The predominance of experience likely stems from the insurance sector's inherent reliance on cumulative expertise for risk assessment and pricing. Similarly, the focus on effectiveness, specifically, achieving strategic objectives, appears to be a strategic response to intense market pressure and the necessity of survival in a competitive environment. Conversely, the lower rankings of the "Skill" and "Efficiency" dimensions signal a critical gap, underscoring the urgent need to prioritize skills training and optimize operational processes to reduce costs and enhance productivity.

- **Confirmation of the Core Relationship:** The study's decisive confirmation of a strong, positive effect of human capital on organizational performance, with human capital explaining 97.3% of the variance in performance, is a pivotal finding. This result strongly corroborates a vast body of international and local literature (e.g., Saif & Jamal, 2016; Brahoumi & Gouriche, 2019; Sailan, 2023), which affirms that investment in human resources is not a luxury but a strategic imperative for achieving organizational success. It provides concrete empirical evidence to decision-makers in Yemeni insurance companies that the path to enhancing performance invariably runs through the development of human capital.
- **Relative Impact of Dimensions:** The analysis of the relative impact of dimensions revealed that Experience, followed by Skill, was the most influential factor. This finding reinforces the concept that theoretical knowledge alone is insufficient; it must be translated into applied skills and refined through practical experience to drive tangible performance improvements. The lower impact of the Knowledge dimension does not necessarily diminish its significance. Rather, it suggests that companies require better mechanisms to convert the latent knowledge of their employees into practical and innovative work practices.

Conclusions and Recommendations

Based on the analysis and discussion of the study's findings, the following conclusions and recommendations are presented:

Conclusions

- The overall level of human capital availability in insurance companies in the Capital Secretariat of Sana'a was "moderately high."
- The Experience dimension ranked highest among the human capital dimensions, followed by Knowledge and then Skill.
- The overall level of organizational performance in these companies was also "moderately high."
- The Effectiveness dimension ranked higher than the Efficiency dimension in organizational performance.
- Human capital has a positive, substantive, and statistically significant effect on organizational performance, serving as a primary predictor of performance variance.
- The Experience dimension has the strongest impact on organizational performance, followed by Skill and then Knowledge.

Recommendations

In light of the conclusions reached, the study offers the following recommendations:

A. Practical Recommendations

- **Adopt a Strategic Perspective for Human Capital Management:** Companies should integrate human capital management into their overall strategies and view expenditure on training and development as a strategic investment rather than a mere operational cost.
- **Focus on Skill Development:** Given that the skill dimension was the least available, the study recommends designing and implementing specialized, continuous training programs. These should focus on technical skills, such as data analysis and risk underwriting, as well as behavioral skills, including communication and problem-solving.
- **Enhance Operational Efficiency:** Companies should review their internal processes and procedures to improve efficiency and reduce waste. This can be achieved through the adoption of modern technologies and, where necessary, business process re-engineering.
- **Link Incentive and Promotion Systems to Merit:** The study recommends linking promotions and rewards to clear criteria related to skill, experience, and actual performance. This approach ensures that employees remain motivated to pursue continuous professional development.

B. Recommendations for Future Research

- Conduct similar studies that include insurance companies in other Yemeni governorates to generalize the findings.
- Incorporate other mediating variables into the relationship between human capital and organizational performance, such as organizational commitment, organizational culture, and transformational leadership.
- Employ qualitative research methodologies, such as case studies, to gain a deeper understanding of the mechanisms through which human capital affects performance in this sector.

Ethical considerations

Ethical approval for this study was granted by the Business Administration Center at Sana'a University. All individuals who participated in this study did so voluntarily. Prior to data collection, all participants were informed of the research objectives and procedures. Oral informed consent was subsequently obtained from every individual. To ensure participant anonymity and confidentiality, no personal data was collected.

Conflict of Interest

The authors declare no competing interests.

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Data availability

The data supporting the findings of this study are available from the authors upon reasonable request.

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