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# The Role of Training and Absorptive Capacity in Mediating Human Capital Dimensions and Organizational Performance: Evidence from Pakistan

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## Abstract

This study aims to examine the role of training and absorptive capacity as a mediator to examine the impact of human capital dimensions on the performance of an organization. This study employs the quantitative approach for analysis. A sample of 208 respondents was collected from the textile factories based in Karachi and Faisalabad. Data was analyzed using the PLS-SEM technique. PLS-SEM algorithm was used to check the validity and reliability of the data. PLS-SEM bootstrapping was used for studying the impact. The results show that the skills have an insignificant impact on organizational performance. Education and skills have an insignificant indirect impact on the performance of an organization. The research findings show that the human capital dimensions are full and partially mediated via absorptive capacity and training. The findings revealed that if we implement one by one dimension of human capital then it will not cause any increase in the organization's performance but if we implement all dimensions then it results in optimal performance. Thus, this study suggests adopting effective training techniques and creating absorptive capacity in an organization to increase the performance of an organization. The findings of this study significantly contribute to the existing body of knowledge.

**Keywords:** Human Capital Dimensions, Organizational Performance, Textile Industry, Textile Exports, Absorptive Capacity

**JEL Classification Code:** J24, F66, D23, C30, D21

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## 1. Introduction

The performance of firms and the momentum of growth are largely influenced by the concept of Human Capital (HC). The economic value comes from accumulating the skills, knowledge, and competencies so work can be better performed. Mincer(1958) and Becker (1964) had coined the concept of HC which is found in the literature of economics. A few academic studies have looked into human capital indicators specific to Pakistan's textile industry. This industry is confronted with numerous structural issues when it comes to studying the impact and measuring human capital (CIPD, 2006). Yet, there is a dispute among scholars on the selection of indicators that can truly represent the concept of human capital (Friedman et al., 2012).

The revival of Pakistan's economy is now exclusively dependent on the performance of the country's textile sector. Human capital can improve a firm's ability to absorb knowledge, hence influencing corporate performance.

Absorptive Capacity (AC) has a direct and indirect effect on organizational performance, according to a study by Liu et al. (2021).

In Asia, Pakistan ranks eighth in terms of textile product exports and fourth in terms of textile product production. Furthermore, Pakistan's textile sector is the third-largest consumer of cotton and employs 40% of the total labor force because it accounts for 46% of the total manufacturing sector, however, this sector is plagued by structural issues. The Pakistan textile sector is the most profitable sector in the country, earning up to US\$ 5.77 billion in 2003 and then up to US\$ 5.577 billion in 2000–2001. This means that there was a 0.69 percent increase. This sector's total export in 2004 was \$5.7 billion, representing a 2.5 percent increase. In 2005, the sector expanded once more, reaching 4%. The industry was expanding, but the expansion was gradual and even negative in 2006. After the year 2006, growth slowed and remained negative in 2007, with a value of only 5%. The textile industry struggled in 2008, but there was a 15% increase. Following that, despite the government's allocation of \$2.3 billion, there was no proper implementation of this budget, and the industry continued to shrink from 2009 to 2014. The whole budget implementation rate was only 15%, which was a significant concern. The government's current budget allocation for Pakistan's textile sector is \$million from 2014 to 2019. Despite numerous structural issues, Pakistan's textile business exports were \$15.4 billion in 2020–21 (Export of textile jumps to \$15.4 billion in FY21, 2021, July 20).

Previous studies that looked into the variables of HC appear to place a higher weight on experience, education, and training. Mincer (1958) defined training and education as the most valuable parts of HC because, according to him, the employee's salary is the primary source of variance in HC. On the other hand, believes that employee health and internal migration are equally key components of HC. Investing in HC results in better skills and talent (Do et al., 2020).

It has been noted that variations in production are caused by inequalities in training, health, and education. Although education, training, and experience are vital, personal qualities and attributes are also valued (Youndt et al., 1996). Having a competitive advantage is essential for survival. Firms need to focus on developing their HC. This investment in HC can result in organizations developing their capacity to absorb new technologies as well as their ability to innovate.

This is supported by a number of studies. Argote et al. (2000), for example, considered that developing HC through experience and acquiring this experience through the use of cross-functional teams are some common experience bases. As a result, it can kickstart product creation and innovation. In Organization for Economic Cooperation and Development

(OECD) countries, Ang and (2015) found substantial correlations between productivity and the educated and competent worker.

According to Liu et al. (2021), Absorptive Capacity (AC) has both a direct and indirect effect on organizational performance. AC can play a crucial role in sustaining corporate performance by leveraging employees' talents, abilities, and education (Shahzad et al. 2019). Increasing potential and realized absorptive capacity at the same time might result in new business ventures and self-renewal. Furthermore, AC has the potential to impact internal labor flexibility, creativity, and performance (García-Sánchez et al., 2018). AC improves the organization's ability to create knowledge. Workers' training is intended to assist them in learning the skills and knowledge needed to do their duties more effectively (Fitzgerald, 1992; Umar et al., 2020). Training's mediating role in increasing organizational performance has to be researched, as training is critical in creating organizations' competitive edge.

Identifying training needs and delivering relevant training have a favorable impact on organizational performance (Van et al., 2008). Training knowledge must be effectively maintained so that a business may use it to improve human resource processes (Wolor et al., 2020). Training has an indirect effect on individual performance and a direct impact on organizational performance (Saikumari et al., 2018). As an employee's involvement in their job deepens, so does their learning. Training is vital in enhancing job involvement since it develops employees' skills and capacities (Noe & Schmitt, 1986). Training improves HC's learning capacity (Isakovic, 2015). Organizations must focus on human capital to improve organizational performance (Alnacheff & Alhajjar, 2017).

The textile sector is the backbone of Pakistan's economy, according to the Economic Survey of Pakistan (2020–21). Pakistan's textile industry is beset by structural issues. According to Table 1, overall nation exports are dropping, as are textile exports; nonetheless, the textile sector still accounts for 60% of total country exports.

Many studies have been conducted on the financial and manufacturing side with the aim of the revival of the textile industry. However, the role of HC in improving the performance of the textile sector has been rarely discussed. Finding those variables of HC which can bring back this sector to life is now very crucial. Inadequate training and untrained labor have contributed to the textile industry's poor performance (Khan & Khan, 2010). This industry has not established the absorptive capacity to restore its performance (Muscio, 2007). The performance of Pakistan's textile industry has a significant impact on the country's economy.

The key challenges in this industry include a lack of training programs, a lack of investment in technological

**Table 1: Pakistan Textile Exports**

(US\$ Millions)						
	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21 (Jul–Mar)
Cotton & Cotton Textiles	13139	12168	12205	12964.052	12157.555	11031.952
Synthetic Textiles	330.584	287.894	187.587	297.809	314.768	269.204
Sub-Total Textiles	13469.584	12455.89	12392.587	13261.861	12472.323	11301.156
Wool and Woolen Textiles	119.448	97.68	78.506	67.265	54.211	54.322
Total Textiles	13589.032	12553.57	12471.09	13329.126	12526.534	11355.478
Total Country Exports	23667.3	20786.5	20422.236	22979.325	21393.860	18687.537
Textile as % of Export	57.41%	60.39%	61.06%	58%	58.55%	60.76%

Source: Economic Survey of Pakistan (2020–21).

advancement, a lack of experienced and skilled workforce, insufficient education, and a lack of health and safety for workers. Pakistan’s textile maker has always prioritized financial and manufacturing improvements while ignoring human capital investments. Absorptive Capacity (AC) has a direct and indirect effect on organizational performance, according to a study by Liu et al. (2021). The textile industry has not yet acquired absorptive ability. The mediating effect of absorptive capacity in improving organizational performance is directly related to the selection of relevant human capital measures.

Organizations must prioritize human capital in order to improve organizational effectiveness (Alnachef & Alhajar, 2017). Human capital will result in increased absorptive capacity, which will improve organizational performance (Kazmi, 2019; Liu et al., 2021). As a result, we must consider whether absorptive capacity plays a mediating function in the association between HC Dimensions and firm performance, as well as if training plays a mediating role in the relationship between HC Dimensions and firm performance.

Identifying the HC dimensions that can restore this sector’s performance is now critical. This sector is dealing with substantial structural issues, but it is nevertheless providing a significant contribution (Pralhad, 1983). Human capital, according to experts in this industry, is the key to reviving this sector because employees’ experience and abilities contribute significantly to productivity. When compared to those who are not skilled, skilled workers perform better. As a result, organizations must identify the skills of their employees to contribute to the firm’s performance (Pralhad, 1983). It is assumed that the HC dimensions such as training, experience, and education have the same type of influence on all of a firm’s performance lines. However, there is literature that opposes this. According to Hotchkiss (1993), and Rumberger (1987), education has little effect on a firm’s output. There have been studies that look at the relationship of HC with firm performance indicators such as innovation

and productivity, but there is a lack of empirical studies that investigate the different characteristics of the HC and their effect on organizational performance (Pralhad, 1983). According to the studies undertaken by Penrose (1959), the beginning of the Resource-Based View (RBV) of the enterprises was further examined by Barney (1991, 1995).

## 2. Theoretical background and Hypotheses

Many economists would leave it to social psychologists and sociologists to explain how a student’s abilities and choices are influenced by their social background, which is comprised primarily of their parents’ educational levels. This was an ancient belief that began to alter as economists viewed persons as capital and began to view expenditures on training, health, and education as investments. With this concept of HC, they regarded it to be a major component that influences production at both the social and individual levels. Mincer (1958) provided an example, arguing that financial differences are identified as variations in the developmental stage of HC.

According to him, it is an investment in Human Capital that accounts for the inequalities in personal income and productivity. Schultz (1961), on the other hand, has discussed the HC dimensions, which can explain how the HC can impact the country’s output. He emphasized the need of investing in HC as a crucial contributor to both micro and macroeconomic growth. He highlighted that there is a difference between growth in resources (labor, land, and physical resources) and an increase in production of the country.

Furthermore, these discrepancies are due to the investments made in HC. As a result, it was found that HC had a direct impact on output at both the micro and macro levels. As a result, the rise of HC is unavoidable. Similarly, Becker (1964) showed that investing in HC directly affects a person’s future real income. According to him, investments in the HC have an impact on corporate performance and contribute to the growth of an economy.

Becker (1964) identified On-the-Job Training, Health, and Education as the primary constituents of Human Capital. On the other hand, theories that examine the purpose and nature of firms always include Human Capital as a significant aspect of the firms’ competitiveness. Resource-based View (RBV) takes into account four crucial characteristics: non-substitutability, value addition, inimitable, and uniqueness. There are two ways in which a company can achieve its competitive advantage. First are the incentives and the training, selection, and recruitment, and some other practices which can help in making the HC more valuable, rare, inimitable, and non-substitutable (VRIN). The RBV has considered the HC to be an important and also a major source in generating the competitive edge of a company, a company that can have all these characteristics of VRIN is gaining the attention of strategic managers who can focus on their HC as an important source for sustaining their competitive edge. Secondly, the firms can focus on their competitive edge by investing in physical resources and also technology. However, for developing a durable competitive edge, the knowledge carried by the HC is the most important and valued, inimitable resource and non-substitutable, because it is specialized and also holds certain implicit knowledge that is unique and specialized (Coff, 1997; Grant, 1991, 1996).

The empirical literature demonstrates that the HC is a primary source of sustaining a company’s competitive edge (Becker, 1964; Coff & Kryscynski, 2011). In support of the same idea, Hitt et al. (2001) stated that the learning potential of human resources develops with experience.

As a result of the link between Human Capital (experience) and HC learning, there is a feedback effect. It has been noted that learning produces certain distinctive Human Capital (tacit knowledge), which can improve the firm’s learning performance (Nguyen et al., 2020). Furthermore, this framework takes absorptive capability and mediator training into account. The proposed analytical framework is depicted in Figure 1.

### 3. Methodology

The target population consists of key management personnel from Pakistan’s textile industries in Karachi and Faisalabad. To obtain a more credible outcome, data was collected solely from people with more than 7 years of expertise.

Five Likert scale questionnaire was distributed physically and through a Google survey form among 280-respondents. 38 respondents had less than 7 years of experience, which were dropped while 22 respondent responses were not retained due to high standard deviation horizontally. Finally, 210 responses were retained. Missing values were replaced with centralized mean via SPSS. 24 questions were scaling questions while 6 questions were used for descriptive analysis of respondents. The measurement of education, health, skills, training, absorptive capacity, and organizational performance are adopted from Mubarik et al. (2018). The questionnaire was analyzed using the SEM technique using smart PLS software.

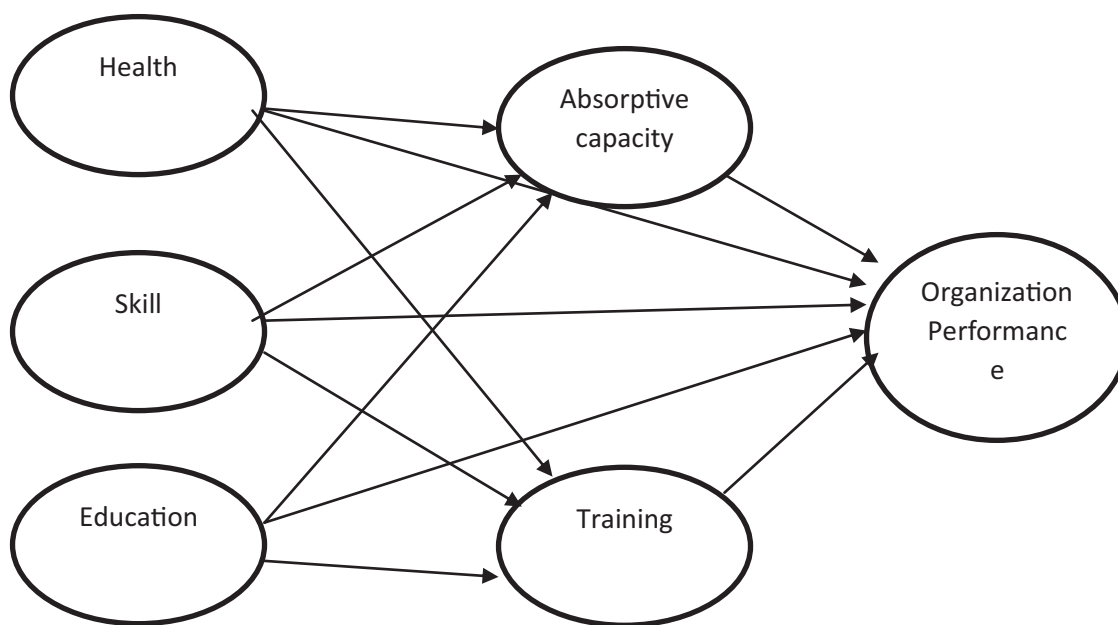


Figure 1: Conceptual Framework for Analyzing HC-Firm Performance

### 3.1. Scale and Measurement

This research aims to examine the mediating role of training and absorptive capacity in relation to human capital dimensions. For this purpose, an adapted questionnaire was used, which entails two sections. In the first section, respondents were asked for demographics, while the second section consists of scaling questions, which were used to measure the conceptual frame construct. The five Likert scales were used for data collection. 5-Likert scale is a type of psychometric response scale in which responders specify their level of agreement to a statement typically in five points: (1) Strongly disagree; (2) Disagree; (3) Neither agree nor disagree; (4) Agree; (5) Strongly agree.

The questionnaire was adopted from previous research, for example, education, health, skills, training, absorptive capacity, and organizational performance are adopted from Mubarik et al. (2018)

### 3.2. Sampling and Data Collection

The target population consists of key management personnel from Pakistan’s textile industries in Karachi and Faisalabad. To obtain a more credible outcome, data was collected solely from people with more than 7 years of expertise.

Five Likert scale questionnaire was distributed physically and through a Google survey form among 280-respondents. 38 respondents had less than 7 years of experience, which was dropped while 22 respondent

responses were not retained due to high standard deviation horizontally. Finally, 210 responses were retained. Missing values were replaced with centralized mean via SPSS. 24 questions were scaling questions while 6 questions were used for descriptive analysis of respondents.

### 3.3. Data Analysis

The model was tested using structural equation modeling (SEM). Because of its ability to estimate several connected dependent relationships, as in our model, Smart PLS software was used to analyze the structure model. Hair et al. (2011), suggested that PLS is a powerful technique for regression and confirmatory factor analysis. In this study, the data were analyzed with Smart PLS software version 3.3.3.

## 4. Results

The latent variables were measured through items. Each latent variable has four items. In model 1 (Figure 2), there are three dimensions of human capital used as an independent variable instead of a formative measure to know the direct impact of these dimensions on the dependent variable. In addition, two mediating variables are positioned among all the three independent and dependent variables. In the second path model (Figure 3), this study employed a second-order construct of human capital (formative construct) with dimensions of education, health, and skill. Because these are human capital dimensions, it is a reflective formative second-order construct model. This study likewise employed

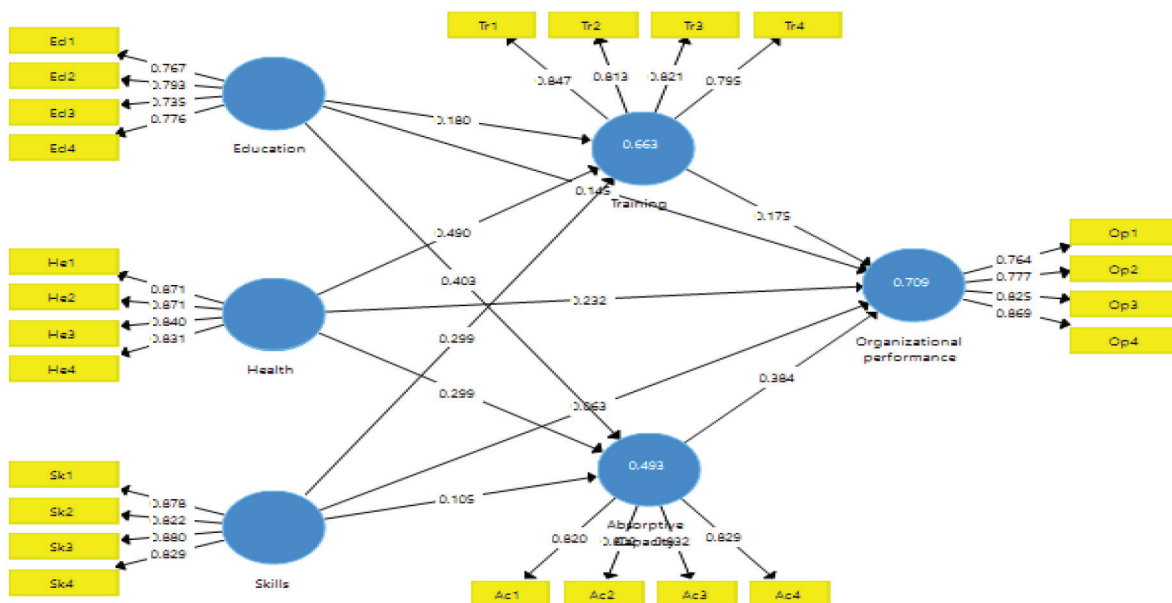


Figure 2: Estimated Model 1



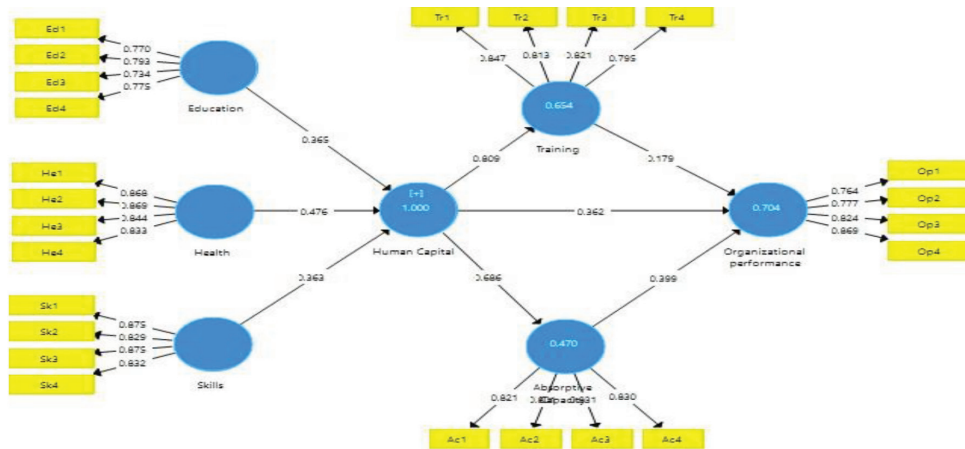


Figure 3: Estimated Model 2

Table 2: Reliability Analysis

Construct	Cronbach Alpha	Composite Reliability	Average Variance Extracted	Indicators	Factor Loading
Absorptive Capacity	0.839	0.892	0.674	AC1	0.820
				AC2	0.802
				AC3	0.832
				AC4	0.829
Education	0.769	0.852	0.590	ED1	0.867
				ED2	0.873
				ED3	0.735
				ED4	0.776
Health	0.867	0.915	0.729	HE1	0.871
				HE2	0.871
				HE3	0.840
				HE4	0.831
Organizational Performance	0.824	0.884	0.656	OP1	0.764
				OP2	0.777
				OP3	0.825
				OP4	0.869
Skills	0.875	0.914	0.728	SK1	0.878
				SK2	0.822
				SK3	0.880
				SK4	0.829
Training	0.836	0.891	0.671	TR1	0.847
				TR2	0.813
				TR3	0.821
				TR4	0.795

double mediation between human capital characteristics and organizational performance, with training and absorptive capacity serving as mediators.

#### 4.1. Measurement Model

Data was examined using composite reliability and inter-correlations of the items using Cronbach’s Alpha to determine data reliability. Cronbach alpha and composite reliability have a retention zone value of 0.65 to 0.90. According to Table 2, all values are within an acceptable range. Convergent validity is used to assess the indicator’s positive relationship with alternative measures. To quantify it, the variables loading and AVE (average variance extracted) are used. The corresponding threshold values are 0.708 and 0.5. The factor loading indicates how well each indicator reflects

a subject variable. If the factor loading value is between 4 and 7, we erase it and check to see if the AVE value has improved; if it has not, we keep it.

Discriminant validity is used to confirm that each model construct is distinct. Different tests, such as cross-loading, the Fornel-Larcker criterion, and the HTMT ratio, are used to assess discriminant validity. In this case, the researcher coded cross-loading and HTMT ratio. Cross loading demonstrates how each individual item in the model explains each individual variable. According to the cross-loading criteria, the item should have a strong correlation with its own parent variable. The association with the parent’s variable is represented by the bold value in Table 3, which is greater than the other values in the respected row.

Henseler et al. (2015) recommended HTMT to gauge the discriminant validity. HTMT values close to 1 indicates a

**Table 3:** Fornell Larcker Criteria

	<b>Absorptive Capacity</b>	<b>Education</b>	<b>Health</b>	<b>Organizational Performance</b>	<b>Skills</b>	<b>Training</b>
AC1	0.820	0.477	0.454	0.615	0.330	0.392
AC2	0.802	0.503	0.441	0.565	0.290	0.383
AC3	0.832	0.555	0.546	0.614	0.304	0.462
AC4	0.829	0.598	0.578	0.648	0.446	0.550
ED1	0.490	0.767	0.478	0.538	0.378	0.459
ED2	0.511	0.793	0.478	0.490	0.317	0.483
ED3	0.444	0.735	0.483	0.483	0.262	0.473
ED4	0.550	0.776	0.622	0.609	0.408	0.559
HE1	0.568	0.610	0.871	0.651	0.418	0.699
HE2	0.551	0.582	0.871	0.656	0.423	0.678
HE3	0.486	0.538	0.840	0.567	0.323	0.555
HE4	0.503	0.575	0.831	0.603	0.371	0.607
OP1	0.614	0.522	0.515	0.764	0.365	0.557
OP2	0.587	0.515	0.530	0.777	0.402	0.498
OP3	0.579	0.554	0.605	0.825	0.405	0.590
OP4	0.635	0.649	0.693	0.869	0.446	0.589
SK1	0.379	0.410	0.355	0.424	0.878	0.518
SK2	0.297	0.307	0.291	0.348	0.822	0.405
SK3	0.382	0.411	0.433	0.504	0.880	0.571
SK4	0.369	0.387	0.443	0.411	0.829	0.536
TR1	0.487	0.546	0.623	0.607	0.489	0.847
TR2	0.473	0.515	0.595	0.587	0.491	0.813
TR3	0.433	0.542	0.663	0.575	0.483	0.821
TR4	0.403	0.511	0.564	0.489	0.512	0.795

**Table 4:** Heterotrait-Monotrait Ratio (HTMT)

	Absorptive Capacity	Education	Health	Organizational Performance	Skills	Training
Absorptive Capacity						
Education	0.804					
Health	0.715	0.816				
Organizational Performance	0.896	0.864	0.850			
Skills	0.483	0.536	0.506	0.582		
Training	0.648	0.801	0.867	0.830	0.696	

**Table 5:** Hypothesis Testing Results

	Path Coefficient	Sample Mean	Standard Deviation	T statistics	P values	Hypothesis
<b>Direct Effect</b>						
AC → OP	0.384	0.381	0.095	4.057*	0.000	Supported
ED → AC	0.403	0.404	0.083	4.827*	0.000	Supported
ED → OP	0.145	0.143	0.076	1.903**	0.057	Supported
ED → TR	0.180	0.181	0.066	2.723*	0.006	Supported
HE → AC	0.299	0.298	0.088	3.408*	0.001	Supported
HE → OP	0.232	0.235	0.091	2.557	0.011	Supported
HE → TR	0.490	0.490	0.070	7.022*	0.000	Supported
SK → AC	0.105	0.105	0.058	1.824**	0.068	Supported
SK → OP	0.063	0.063	0.053	1.186	0.235	Not supported
SK → TR	0.299	0.299	0.057	5.246*	0.000	Supported
TR → OP	0.175	0.175	0.088	1.991	0.047	Supported
<b>Mediating Effect</b>						
ED → OP	0.186	0.187	0.056	3.349*	0.001	Supported
HE → OP	0.201	0.199	0.058	3.437*	0.001	Supported
SK → OP	0.093	0.094	0.035	2.654	0.008	Supported
<b>Specific Indirect Effect</b>						
ED → AC → OP	0.155	0.154	0.051	3.008*	0.003	Supported
HE → AC → OP	0.115	0.113	0.043	2.703	0.007	Supported
SK → AC → OP	0.041	0.042	0.027	1.495	0.135	Not Supported
ED → TR → OP	0.031	0.033	0.022	1.415	0.157	Not Supported
HE → TR → OP	0.086	0.086	0.045	1.918**	0.055	Supported
SK → TR → OP	0.052	0.052	0.028	1.876**	0.061	Supported

\*\*It shows that hypothesis is accepted at a 90% confidence level. While \* shows that hypothesis accepted at a 99% confidence interval.

lack of discriminant validity. Using the HTMT as a criterion involves comparing it to a predefined threshold. If the value of the HTMT is higher than this threshold, one can conclude that there is a lack of discriminant validity. Some authors

suggest a threshold of 0.90. Table 4 shows that all values are less than 0.9.

Empirical *T* and *P* values demonstrate whether or not a link exists between variables. The values of the *T*-test



**Table 6:** Path Model 2

	Path Coefficient	Sample Mean	Standard Deviation	T statistics	P values	Hypothesis
<b>Direct Effect</b>						
AC → OP	0.399	0.402	0.090	4.431	0.000	Supported
ED → HC	0.365	0.365	0.030	18.205	0.000	Supported
HE → HC	0.476	0.475	0.021	22.751	0.000	Supported
HC → AC	0.686	0.688	0.047	14.489	0.000	Supported
HC → OP	0.362	0.359	0.108	3.363	0.001	Supported
HC → TR	0.809	0811	0.030	27.240	0.000	Supported
SK → HC	0.363	0.361	0.021	17.040	0.000	Supported
TR → OP	0.179	0.179	0.088	2.045	0.041	Supported
<b>Mediating Effect</b>						
HC → OP	0.419	0.424	0.089	4.705	0.000	Supported
<b>Specific Indirect Effect</b>						
ED → HC → AC → OP	0.100	0.101	0.027	3.766	0.000	Supported
HE → HC → AC → OP	0.130	0.132	0.033	3.917	0.000	Supported
SK → HC → AC → OP	0.099	0.100	0.025	3.986	0.000	Supported
ED → HC → OP	0.132	0.131	0.040	3.396	0.001	Supported
HE → HC → OP	0.172	0.171	0.051	3.415	0.001	Supported
SK → HC → OP	0.131	0.130	0.039	3.358	0.001	Supported
ED → HC → TR → OP	0.053	0.053	0.026	2.052	0.040	Supported
HE → HC → TR → OP	0.069	0.069	0.034	2.019	0.044	Supported
SK → HC → TR → OP	0.053	0.053	0.026	2.017	0.044	Supported

demonstrate a significant relationship, and we get 1.65, 1.96, 2.5, respectively with a confidence level of 90%, 95%, and 100% at two-tail correspondingly. Similarly, the sig value is used to demonstrate the relationship between the two values. This number must be less than 0.05. (Hair et al., 2011). For path model 1, these relationships can be direct or indirect (through meditation) to empirically test the relationship, as stated in the table below (Table 5).

The path model (Table 5) reveals that the direct relationship of all variables is significant at 95 percent confidence level, although ED with OP and SK with AC have a significant link at 90 percent confidence level, while SK with OP does not. ED illustrates the mediation association at 99 percent; similarly, in the previous table with OP, all relationships with a single strike are significant at 99 percent. While both absorptive capacity and training have a partial mediation with OP and full mediation with SK (since SK has no significant relationship with OP). In the case of specific indirect effects, HE and SK through TR have considerably

mediated at a 90% confidence level, however, SK via AC and ED via TR do not have a significant association with OP.

The output of a second-order construct is shown in Table 6. In which the path model demonstrates that all direct effects are significant at a 95% confidence level. All ten probable mediation effects are significant as well. As a result, it demonstrates only one significant role of human capital in mediating organizational success. Similarly, the specific indirect effect demonstrates that the entire relationship is significant.

## 5. Discussion and Conclusion

The findings are consistent with earlier research. Mincer (1958) asserted that HC has a large and positive impact on performance. When we concentrate on HC, we will see an increase in OP (Becker, 1964). According to Fitzgerald (1992), training may play a substantial influence in the relationship between HC and OP, but we have confirmed

that it does. Similarly, AC serves as a partial intermediary between HC and OP. These findings indicate that focusing on one aspect of human capital at a time may not result in improved organizational performance (path model 1). Implementing all dimensions in an organization will lead to improved performance (path model 2). Both training and absorptive ability are somewhat mediated in the second-order concept. Individual dimension in SK with OP has full mediation in this scenario. When education, skills, and health (Mubarik et al., 2018) improve, so does HC, and enhancing HC is directly related to organizational performance (Jamal & Saif, 2011).

The results of this study are similar to earlier studies because model 1 shows each HC dimension relationship when training and absorptive ability are mediated, whereas model 2 takes the HC dimensions as a whole and their individual relationship is not explored. As a result, the results of model 1 demonstrate the individual impact of each dimension, but the results of model 2 reveal HC as an independent variable. According to Liu et al. (2021), Absorptive Capacity (AC) has a direct and indirect effect on organizational performance. Through the employee's skills, abilities, and education of its employees, AC can play a significant role in sustaining organizational performance. This is supported by previous studies (Shahzad et al., 2019). Identifying training needs and providing suitable training have a positive impact on organizational performance (Van et al., 2008). Training knowledge must be effectively maintained so that a business may use it to improve human resource processes. Training has an indirect effect on individual performance and a direct impact on organizational performance (Saikumari et al., 2018). The findings confirm the mediation influence of training on organizational performance and individual performance. As an employee's involvement in their job grows, so does their learning. Training is vital in enhancing job involvement since it develops employees' skills and abilities (Noe & Schmitt, 1986).

HC's learning capacity improves as a result of training (Isakovic, 2015). Organizations must prioritize human capital to improve organizational effectiveness (Alnachef & Alhajjar, 2017). Human capital, according to the findings, will lead to better training and absorptive capacity, which will lead to improved organizational performance (Kazmi, 2019). In any company, HC is critical. However, for developing a long-term competitive advantage, the knowledge carried by the HC is the most essential and valuable, unique and inimitable resource, and non-substitutable, because it is specialized and also holds some implicit knowledge that is unique and specialized (Coff, 1997; Grant, 1991, 1996).

This study used two models to investigate how individual HC dimensions influence OP, as well as how second-order constructs using three-dimensional HC with formative measurements influence OP via the mediation

of ED and AC. It illustrates that management must avoid human capital dimension prejudice/bias while developing a human capital strategy. For better comprehension, they applied and concentrated on all HC aspects. HE, SK, and ED, for example. Pakistan had the most developed textile industry among Asian countries. The sector is now quickly shrinking. According to the economic report, the number of textile enterprises is also declining. This problem is caused by a number of internal and external reasons, with researchers arguing that a lack of efficient human capital is one of the internal factors. Even senior management positions in the companies are occupied by not well-educated people. According to the findings, investing in human capital would result in higher training and absorption capacity, which will increase organizational performance. As a result, companies doing business in Pakistan should place a high priority on human capital development through a variety of programs and activities. Organizations can increase organizational performance by concentrating on the research's identified aspects, according to this study.

Data was collected from Pakistan's textile sector; it may be collected from other industries and replicated to test the results in other geographical areas with diverse cultures. Second, PLS-SEM is used in this study, using Amos or SPSS checks as needed. Other aspects of human capital must be investigated, and because these dimensions do not contribute equally, the future study may employ the AHP approach with expert choice or ANP to determine their weight.

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