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INVESTING IN HUMAN CAPITAL AND ITS IMPACT ON IMPROVING PERFORMANCE AN EXPLORATORY RESEARCH IN THE TEXTILE FACTORY IN BABYLON

Professor Dr. Samah Muiyyad Mahmood 1

Zaynab Jawad Ubeid 2

^{1,2} Faculty of Administration and Economics, Al- Mustansariya University

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ABSTRACT

This research aims to discuss the impact of investment in human capital with its components (training, education, knowledge management, skills development) on improving the performance of textile factory/ Babylon. The questionnaire was used as a tool to collect data and information related to the research. It was subjected to the scale of validity and reliability and distributed to a sample of the research consisted of (150) managers. The data of the research was analyzed according to the exploratory factor analysis using the program (SPSS V. 22) in order to test the scale of the first axis: Investing in human capital and its dimensions (training, education, knowledge management, and skills development), the second axis: Improving performance and its dimensions (success, flexibility, creativity, and quality). However, the hypothesis test, the Spearman correlation coefficient, and the regression analysis were used. The statistical methods yielded a number of conclusions, perhaps the most prominent of which is the lack of clarity in the interest in training activity, innovation, quality, and success in the factory due to the lack of clarity of the state's vision towards the industrial sector, and the lack of support for the local (national) product for not imposing certain specifications for imported goods, and even if this is done, financial and administrative corruption prevents that, especially in Iraqi ports. Therefore, the main recommendation focused on presenting a set of practical proposals that aim at the possibility of improving performance, including those related to laws and legislation of the Ministry of Industry and Minerals and others related to training courses.

Introduction

The researcher tries to shed light on topics of exceptional importance at the level of business organizations, namely (investment in human capital and

improving performance), which are of broad influence and reflection on the development of the field reality of the contemporary organizations, and to test the relationship and influence between the research variables/ the textile factory/ Babylon as a field for the practical side as it is one of the main and important pillars of the Iraqi economy and its need to develop its human capital investment efficiently and effectively to improve the performance, and to achieve the objectives of the research which is included four topics as the first topic dealt with the research methodology, while the second topic dealt with the theoretical side, whereas, the third topic dealt with the practical side, and the fourth topic was allocated to present conclusions and recommendations.

First Sector: Methodology of the Research and Previous Studies

First: Methodology of the Research

1. Problem of the Research

Modern intellectual trends emphasized the fundamental and distinct role of human capital in the work of the organizations, and for this reason it is considered the main source of creativity and the main resource that gives them the ability to adaptation and thus asks them to pay attention to how it (human capital) is invested in a way that enables the organizations to enhance their capabilities and invest the knowledge, skills, and experiences that the human capital possesses and develop them to be the basic of their success and their distinction, and in spite of this fact that textile organizations possess various human resources but they suffer from deficiencies in their interest in the importance of investing in human capital that they properly own and the results that may benefit the company in improving the level of its performance, productivity, and quality of its outputs. Through the foregoing, the problem of the study was lunched through the researcher's attempt to identify the extent of the impact of investing the human capital in improving the performance. Based on what have been mentioned earlier, the problem under current study can be diagnosed through a number of questions as follows:

First: What is the level of investment in human capital? And what are the priorities for this investment in the organization under study? and Does investment in human capital affect the improvement of the performance of the organization under study?

Second: What is the level of improvement in the performance of the organization under study?

2. Objectives of the Research

This study seeks to achieve a set of objectives represented in the following:

a. Ensuring that there is a relationship and impact between investing in human capital represented by its components (training, education, skills development, and knowledge management) and improving the performance, and determining the correlational relationships between the variables of the study.

- b. Highlighting the role and importance of investing in human capital and its components in improving the performance of the organization under study.
- c. Knowing the extent of the efficiency of the organization under study in investing in its human capital.
- d. Building a model that represents the relationship of the variables of the study and the influence of each other with the aim of making use of them in setting up an efficient and effective administration in determining the appropriate means to invest in human capital to improve the level of its performance.

3. Significance of the Research

The significance of the study derives from the importance of the variables it dealt with, which is now occupied a wide space in the thinking of modern organizations. As it contains a lot of depth of knowledge, which deserves further research and this topic was chosen for study as it represents a fundamental basis for the continuity of the organizations. The research also derives its significance from the importance of the researched organization represented by the textile factory in Babylon, which is one of the important formations for the textile and leather industries, being one of the basic supports for work through which it can achieve optimal investment in human capital.

4. The Model of the Research and its Hypotheses

Figure (1) illustrates the hypothetical model of the research which included the classification of the independent variables and the dependent variable and the nature of the relationships between them, in a way that contributes to the interpretation of the results that are achieved by the field research.

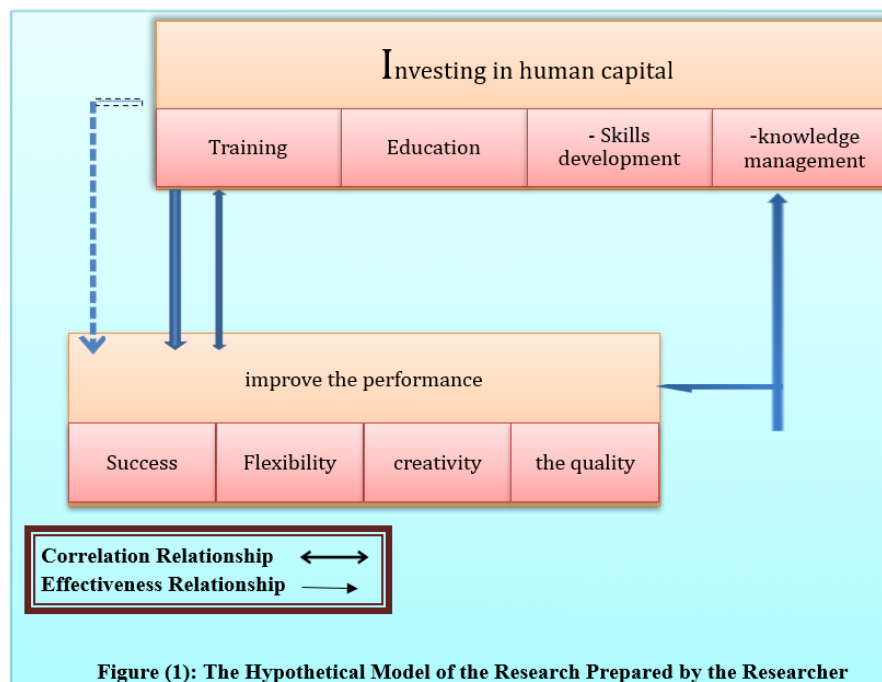


Figure (1): The Hypothetical Model of the Research Prepared by the Researcher

5. Hypotheses of the Research

1. The first main hypothesis states that there is a significant correlation relationship with a statistical significance between investing human capital and improving performance with its dimensions.
2. The second main hypothesis states that there is a significant impact relationship with statistical significance for the variable of investing in human capital in improving the performance with its dimensions.

6. Methodology of the Study

The research relied on the exploratory study in studying the relationship and effect between the variables and through collecting data and analyzing data which are expressing the reality of the textile organizations (in Babylon) to test the answers and hypotheses of the study and verify the extent of their validity or not, and the validity of the relationships of the hypothetical model of the study.

7. Research community and sample: -

The Textile Factory / Babylon was chosen as a research community, as it constitutes one of the main pillars of achieving economic, social and political stability in Iraq as a study society, and it consists of five laboratories. The research sample consisted of (250 managers), of whom (150) were selected managers.

Second Sector: Theoretical Aspect of the Research First: Investing in Human Capital

1. The Concept of Investing Human Capital

Investing in human capital in its general sense is a comprehensive development of the energies and self- capabilities and to increase the knowledge and skills of members of the society in order to mobilize the energies of the individuals and develop their multiple capabilities, and that their physical and mental talents and raise their status can be used creatively through complete or optimal independence of all available resources (Al- Rikabi, 2007, p. 27).

Depending on some literature and researches, we can summarize the concept of investing in human capital as follows:

1. Investing in human capital is represented by a set of capabilities and skills that working individuals possess or obtain through accumulation of experiences and education such as strength of reason and the ability to learn and think.
2. The organization in which its employees possess these capabilities can enable it to improve its competitive position and obtain value in the global market.

3. Components of the Investment in Human Capital

The current research adopted the components represented (training, education, knowledge management, and skills development) to measure the investment in human capital in the practical aspect of its importance and its role in the researched textile factory and the following illustrating each one of them:

A. Training

Training is one of the important trends for organizations, as it enables workers and employees to learn and grow, as it helps the organization to increase the profitability, productivity, and adaptability (Entrekin, Scott- Ladd, 2014, p. 182), and (Mitchell, 2002, p. 42) indicates that training represents the activities that help in changing the behaviour of the individuals. In order for an individual to perform his work tasks effectively, there must be three main elements they are: knowledge, skills, and attitudes that can be developed or improved through the effective training (Boella, Turner, 2005, p. 122). the training became it is related to the effectiveness of the human resource and the lack of human resource training is linked to low competitiveness as it represents the totality of activities, means, methods, and pillars that help in motivating the workers to improve their knowledge and behaviour, and their intellectual and necessary capabilities at the same time, to achieve the goals of the organization on the one hand and on the other hand to achieve their personal and social goals without forgetting good performance for their current and future jobs, and it is one of the main axes for improving the human resources ,the identification of the training needs is considered very important to identify the weaknesses and identify the levels that appear to be in need of training, as well as, to know the individuals and their capabilities and identify who will be trained, as it is a means and not an end, and an investment and not consumption. The researcher believes that training is a planned, organized, and continuous process aimed at providing working individuals with new and specialized knowledge, capabilities, and skills to ensure improved performance and achievement the goals of the organization.

B. Education

Education is the main pillar, on which the social, economic, and cultural structure of any society is based, There have been many studies and researches in the last years of the twentieth century on investment in education, as it is one of the components of investment in human capital. These studies have shown that investment in education leads to an increase in returns, and raise the level of the performance and productivity, and an increase in the wealth of the individuals and society, and it has a great role in achieving many economical and social goals.

Education aims at forming and developing human capital as it is an important and basic element of the production (Al- Khashab, 2000, p. 22). We conclude from this that investment in education includes several economic, social, political, cultural, and administrative aspects by developing the skills,

knowledge, and capabilities of the individuals and encouraging and developing innovation, and this enables the workers to improve their level of performance and the ability to smartly deal with the obstacles they face.

C. Knowledge Management

The knowledge is the real wealth of the organizations, individuals, people, and societies, and its vital tool in carrying out its functions and practicing its operations in order to achieve its mission for which it was found, as well as its ability to face various challenges by providing the necessary information to manage the various activities that it practices to achieve its objectives, Knowledge management requires investment by building, developing, and managing human capital, especially in the age of globalization and information technology, which is characterized by a culture of change in the light of increasing the need of investment in human capital and knowledge management in all intellectual, technical, service, and work fields, and at all governmental levels from the local to the global level (Farazmand, 2007, p.15). Therefore, knowledge management and human capital strategy should be aligned with the mission and strategy of the organization to maximize the contribution of human capital to the organizations (Liebowitz, 2004, p. 11).

Based on the foregoing, the organizations must realize that their success depends greatly on the extent of their ability to collect information and knowledge or produce, preserve, and disseminate it to develop the organizational business to support its flow, protection, and participation in it. it is the acquisition and use of the resources to create an environment in which information is available to the individuals.

Based on the foregoing, the researcher believes that knowledge management is the coordination of a group of the organizational activities in an integrated and systematic manner aimed at improving the knowledge and the practices which are related to the knowledge, organizational behaviour, decisions, and organizational performance.

D. Skills Development

The development of skills includes experience that can be developed and strengthened with certificates that prove that the applicant has acquired what he needs from them according to what was stated by (Al- Duri and others, 2010, p. 202) as the experience is what individuals possess from the managers and workers as a result of knowledge gained from the work and this means the level of acquired knowledge from the work that the working individuals are characterized with, then skills development and knowledge are drawn goals for the purpose of dealing with the changes in the business environment that require new qualifications and experiences to take the necessary measures to identify the gaps that require more effort, procedures, and appropriate skills.

Based on what have been mentioned earlier, the researcher believes: The skill is an intellectual process that includes the participation of mental and

muscular effort in the performance of the operations, meaning that it represents the original and acquired capabilities that enable the individual to perform an intellectual or muscular work, with the least effort, the lowest cost, the fastest time possible, the most accurate and achieving the possible higher returns or benefit, in addition, it refers to the level of the managers' performance of the tasks of their job in the light of their experiences, which makes them interact with their work requirements for the purpose of achieving the goals that they seek.

Secondly: Improving Performance

1. The Concept of Improving Performance

The philosophy of improving performance is considered a general policy pursued by modern institutions. It reflects the ability of the organization, in the light of which the optimal investment of the available resources, advanced technology, and human capital is done, which will represent the final results of the work of the organization for the purpose of reaching the highest level of the performance for the individual, the organization, and the society and achieving the strategic objectives of the organization, which contributes to being able to obtain environmental opportunities and confront and avoid its threats and thus increase the ability and efficiency of the organization in competition and growth.

2. Dimensions of Improving Performance

Many researchers have dealt with many dimensions that mean in improving performance, and for all levels of organization they have been adopted as a basis in studying the importance of the research for the researched community, and all of these dimensions will be presented as follows:

A. Success:

Some researchers believe that the concept of success indicates the efficiency and the effectiveness, which are two criteria for measuring the success of the organization through its pursuit of its goals (Al- Duleimi, 2013, p. 92) (Al-Shamaa and Humood, 2009, p. 333) however, he (Mustafa, 2005, p. 415) indicates that success represents the ability of the organization to perform its activities efficiently and effectively, this indicates that the efficiency is the optimal utilization of the resources at the lowest possible cost. As for the effectiveness, it is expressed by the ability to achieve the goals of the organization through improving performance, as the effectiveness of the performance of human resources is represented by the ability of the individuals to properly complete the works and achieve the specified goal as represented by the degree of congruence between organizational goals and achieved results (Bray & Brawley, 2002, p. 235), (Marshall & Wood, 2000, p. 66).

As illustrated (Bray & Brawley, 2002, p. 236) that the effectiveness of the performance of human resources is the achievement of the expected goals in a satisfactory and sufficient manner to achieve the desired purpose by improving the compatibility and cooperation between the individuals who are working in

the organization and taking advantage of the technological developments. The effectiveness represents the first step towards the organizational stability, and then comes the second stage of achieving the efficiency for the human resources. Whereas, in the complex or unstable environments, achieving efficiency is difficult that requires first the effectiveness of human resources and provision of an organizational environment and a sound organizational climate reinforced with organizational justice that helps in accelerating the process of achieving effectiveness for human resources. As the researcher focused on it in practical application as one of the important aspects of improving the performance, most of the organizations that work with a specific vision and mission reflect the aspirations of their owners and workers to reach the efficiency and the effectiveness.

The researcher believes that the success represented by (efficiency and effectiveness) is in harmony with and adapted to environmental changes. It is the final outcome of the effective performance that any organization wants to reach.

2. Flexibility:

The organizational resilience is defined as the ability of the organization to adapt and respond carefully to face sudden and unexpected events (Al- Anzi and Al- Atwee, 2013, p. 246). Flexibility is considered as one of the important variables in improving performance, whether at the level of the individual worker or the organization and it is expressed as a concept of mediation, or the ability to change for the better or the best. (Al- Sufi, 1416, p. 141) defined it as the boundary between absolute stability that reaches the point of inertia and absolute movement and the departure of something from its limits and controls.

The researcher believes that flexibility is the ability of the organization to adapt with the rapid environmental developments through its possession of an organizational structure that includes a variety of solutions and alternatives that contribute to a rapid response to the developments and situations and to address difficulties, technical problems that improve performance at the level of the individual and the organization, and the organization, and through the involvement of the workers in decisions- making which in turn enhances the cooperation, commitment, exchange of ideas, and creating an effective communication system, thus achieving efficient and effective performance.

C. Creativity:

Creativity is ideas are described as new, useful, and related to solutions of specific problems or developing methods or goals, or reinforcing a vision, or assembling and reconstructing known patterns in the managerial behaviours into distinct and advanced forms. Creativity refers to the new creative idea, whereas, innovation is the practical application of the creative ideas. The creative thinking is an innate talent with which a person is born with a set of acquired skills and their use in solving the problems. The researcher believes that the creativity is the ability to generate new ideas and applied theoretical solutions to the

problems and specific situations, and it is one of the solo or collective mental activities that is related to knowledge, self- confidence, curiosity, and research in a way that enables keeping in progress and improving performance and creating a competitive value and advantage.

D. Quality:

Crosby stated the quality is the correct execution of the work and in line with the planned requirements as it aims (to produce products free from defects and at the lowest, to achieve the satisfaction of the customers, to adhere with the standards (criteria) of the performance, and to rely on the continuous improvement), (Radwan, 2012, p. 23).

The researcher concludes that quality requires the integration of the individuals in the organization with some on the one hand and on the other hand the contribution of thinking minds that are close to work problems, through the adoption of work structures that allow the individuals with the processes of improvement by giving them the authority to show their true voice.

Thus, it can be defined as: clarity of the basic goals of the organizations which are represented in the vision and commitment at all levels of the leadership to continuous development and improvement through the contribution of the competent thinking minds.

Third Sector: The Practical Framework of the Research

First: Examining Research Hypotheses and Analyzing the Correlation and Influence Relationships:

A. Analysis of the Correlation Relationships

This paragraph includes an analysis of the correlation relationships between independent variables (Investing in human capital, and improving performance) and as follows:

1. Analyzing the correlation relationship between investing in human capital and improving the performance, as this paragraph clarifies the correlation relationships between the two variables at the level of the main and sub variables, in order to test the first main hypothesis which states (there is a statistically significant correlation relationship between the components of investing in human capital and improving the performance with its dimensions).

Moreover, to test the first main hypothesis regarding the existence of a correlation relationship between the variable of investing in human capital and the variable improving the performance, since the Kendal correlation coefficient reached an amount of (0. 525) at the level of significance (0. 01), which is a positive significant correlation, and therefore the first main hypothesis is accepted as shown in the table below:

Table (4) Correlation Relationship between Components of Investing in Human Capital and Improving the Performance in its Dimensions

Improving the Performance Investing in Human Capital	The Success	The Flexibility	The Creativity	The Quality	Improving the Performance
The Training	0.323*	0.300*	0.343*	0.293*	0.389**
The Education	0.335**	0.102	0.111	0.257**	0.122
Knowledge Management	0.460**	0.322**	0.367**	0.334**	0.433**
Skills Development	0.556**	0.415**	0.436**	0.342**	0.512**
Investing Human Capital					**0.525
Significant Level at Significant Level (0.01)					Significant

(**) These two stars refer to the significant significance at the significant level (0.01)

The Source: Prepared by the researcher by depending on the results of the electronic calculator.

B. Analyzing of the Influence Relationships:

Table (5) shows the analysis of the simple linear regression between investing in human capital and improving performance which is calculated greater than (F) and its dimensions, as the results indicate the effect of the training on the variable, improving performance. The results recorded the existence of a significant impact relationship so the accounted value of (F) was (52.623) and it is greater than the tabular value at the level of significance (0.05, 0.01) and under the degree of freedom (97.1). (R²) explained the percentage of (35%) of the amount of the made contributions to achieve improving performance, and the value of (β) reached (0.561) and it indicates that the change that occurs in training with amount one unit leads to an increase in achieving performance improvement with amount (0.561), and this indicates and proves the first sub-hypothesis that emanates from the fourth main hypothesis.

Table (5) Test Influence of Training in improving Performance

The Independent Variable	The Dependent Variable	Fixed Value of a	Value of Beta Coefficient β	Value of R ² Coefficient	Value of Calculated F	Level of Significance (0.05)
The Training	The Success	1.158	0.600	29%	39.573	Significant
	The Flexibility	1.253	0.554	27%	35.604	Significant
	The Creativity	1.303	0.610	28%	38.295	Significant
	The Quality	1.555	0.479	20%	24.202	Significant
	Performance Improvement	1.318	0.561	35%	52.632	Significant

- Value of tabular (F) under the level of significance (0.05) and degree of freedom (97.1) = 3.15

- Value of tabular (F) under the level of significance (0.01) and degree of freedom (97.1) = 4.98

As for the effect of learning on the variable, improving performance, the results recorded the absence of a significant impact relationship, as the value of the calculated (F) was (2. 525), which is less than the tabular value at the level of significance (0.01 0.05) and under the degree of freedom (97.1). (R²) explained the percentage of (3%) of the amount of the made contributions to achieve improving performance, and the value of (β) reached (0. 183) and it indicates that the change that occurs in training with amount one unit leads to an increase in achieving performance improvement with amount (0. 183), and this indicates the rejection of the second sub- hypothesis that emerged from the fourth main hypothesis.

Table (6) Results of the Impact of Learning in Improving Performance

The Independent Variable	The Dependent Variable	Fixed Value of a	Value of Beta Coefficient β	Value of R ² Coefficient	Value of Calculated F	Level of Significance (0.05)
The Learning	The Success	1.160	0.407	13%	18.571	Significant
	The Flexibility	1.489	0.191	3%	2.976	Insignificant
	The Creativity	1.518	0.200	2%	1.942	Insignificant
	The Quality	1.418	0.220	2%	2.007	Insignificant
	Performance Improvement	1.293	0.183	3%	2.525	Insignificant

- Value of tabular (F) under the level of significance (0. 05) and degree of freedom (97.1) = 3.15

- Value of tabular (F) under the level of significance (0.01) and degree of freedom (97.1) = 4.98

The Source: Prepared by the researcher by depending on the results of the electronic calculator.

As for the effect of knowledge management on the variable, improving performance, the results recorded a significant impact relationship as the value of the calculated (F) was (58. 279), which is greater than the tabular value at the level of significance (0.01 0.05) and under the degree of freedom (97.1). (R²) explained the percentage of (38%) of the amount of the made contributions to achieve improving performance, and the value of (β) reached (0. 538) and it indicates that the change that occurs in knowledge management with amount one

unit leads to an increase in achieving performance improvement with amount (0.538), and this indicates and proves the third sub- hypothesis, which emanates from the fourth main hypothesis.

Table (7) Results of the Impact of Knowledge Management on Improving Performance

The Independent Variable	The Dependent Variable	Fixed Value of a	Value of Beta Coefficient β	Value of R ² Coefficient	Value of Calculated F	Level of Significance (0.05)
Knowledge Management	The Success	0.882	0.619	36%	54.024	Significant
	The Flexibility	1.239	0.490	24%	31.290	Significant
	The Creativity	1.257	0.551	27%	35.361	Significant
	The Quality	1.341	0.493	24%	31.331	Significant
	Performance Improvement	1.180	0.538	38%	58.279	Significant

- Value of tabular (F) under the level of significance (0.05) and degree of freedom (97.1) = 3.15

- Value of tabular (F) under the level of significance (0.01) and degree of freedom (97.1) = 4.98

The Source: Prepared by the researcher by depending on the results of the electronic calculator.

As for the effect of skills development on the variable, improving performance, the results recorded the existence of a significant impact relationship as the value of the calculated (F) was (138.294), which is greater than the tabular value at the level of significance (0.01-0.05) and under the degree of freedom (97.1). (R²) explained the percentage of (59%) of the amount of the made contributions to achieve improving performance, and the value of (β) reached (0.604) and it indicates that the change that occurs in skills development with amount one unit leads to an increase in achieving performance improvement with amount (0.604), and this indicates and proves the fourth sub-hypothesis, which emanates from the fourth main hypothesis.

Table (8) Results of the Effect of Skills Development in Improving Performance

The Independent Variable	The Dependent Variable	Fixed Value of a	Value of Beta Coefficient β	Value of R ² Coefficient	Value of Calculated F	Level of Significance (0.05)
Skills	The Success	0.63	0.71	60%	143.3	Significant

Development	The Flexibility	1.08	0.55	39%	61.49	Significant
	The Creativity	1.01	0.64	46%	82.09	Significant
	The Quality	1.35	0.49	31%	43.48	Significant
	Performance Improvement	1.02	0.60	59%	138.29	Significant

- Value of tabular (F) under the level of significance (0.05) and degree of freedom (97.1) = 3.15

- Value of tabular (F) under the level of significance (0.01) and degree of freedom (97.1) = 4.98

The Source: Prepared by the researcher by depending on the results of the electronic calculator.

Fourth Sector: Results and Recommendations

First Topic: Conclusions

1. Level of Investment Variables in Human Capital:

1. There is a general agreement by the sample of the study towards realizing the importance of investing in human capital among managers, which indicates their awareness of the importance of the components or dimensions of the variables of investing in human capital to a high degree.

2. Managers' awareness and their diagnosis of multiple weakness aspects, most notably the lack of the financial resources that would enable them to expand the scope of their activities and not to attract and employ the best new expertise in scientific and technical fields.

3. General agreement on the part of the sample of the study regarding the existence of unsupportive and unclear regulatory practices for investing in human capital.

4. The absence of higher management interest in providing a participatory system for subordinates in setting goals, supporting, and assigning creativity and innovators, and practicing effective behaviours by the managers in dealing with the subordinates, encouraging their ideas, even if they were simple, and dealing with them with transparency and clarity, and taking into account the social responsibility of the factory.

2. The Level of Variables of Performance Improvement:

1. Weakness of the interest of the managers in encouraging the managers to work in a team manner that is and not inability to put them in training programs and in a continuous form in order to equip them with various work skills.

2. The lack of a scientific cadre specialized in managing information bases to ensure that the information reaches to the decision maker at the right time and place and at the lowest possible cost.

The researcher believes that in spite of the different approaches when implementing them in terms of the results achieved and the standards, it is possible to adopt any of the approaches to improve performance, which

contributes significantly in improving the level of performance due to the high level of competition at the present time, so the organizations must get rid of the traditional performance that distinguished in it the researched factory.

The Second Topic: Recommendations

The recommendations those are particular with testing the correlation relationship between the variables of the study:

1. Activating the relationship between investing in human capital and improving performance by paying attention to the need of creating the appropriate environment to adopt these dimensions in the factory, and if they do exist, then they are concerned with increasing the managers' awareness about the early warning signals from internal and external environment factors.

Third: The Particular Recommendations on Influencing Trends between the Variables of the Study:

1. The need of the managers to realize the importance of investing in human capital, which contributes positively in improving the performance at the level of the factory, especially with regard to developing skills, as the external environment affects the factory.

2. Realizing the impact of investing in human capital in improving performance, represented first by developing skills for human resources, followed by the importance of knowledge management, thirdly training, and finally learning, in relation to the direct impact that skills development may have in improving performance, and this is done by searching for the main elements and constituents in finding them and working with them inside the factory, defying the difficulties and obstacles that may stand in the way of effective implementation.

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