

Organizational Capabilities and Customer Value: A Mediation Effect of Human Resource Practices in Saudi Arabia Service Sector

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Abstract

This research aims at testing the mediating influence of human resource practices between organizational abilities as well as customer value of services sector in Saudi Arabia. The sample size is composed of 280-service organizations. Regression analysis was conducted to examine the assumptions. The results established upon the constructs of association organizational abilities (market orientation, learning orientation, innovativeness, manufacturing capabilities, and customer relational capabilities) and customer value. The results emphasize that customer value is a development of human resource practices. Market orientation, learning orientation, and Innovativeness are, moreover, significant predictive factors of human resource practices, which strongly relates to customer value. Customer value is, briefly, driven by human resource practices which originally drive itself. The results also imply that human resource practices have a partial mediation of the connection amid organizational capabilities and customer value. Considering human resource practices, therefore, leads to weaken the relationship between the organizational capabilities and customer value. Hypothetical and managerial results implied are also discussed.

Keywords: organizational capabilities construct; human resource practices; customer value; mediation effect, Service Sector, and Saudi Arabia.

1. Introduction

According to Narver et al., (2004), organizations, through the support of organizational capabilities, can consistently provide superior customer value. Four capabilities are identified by Hult and Ketchen (2000): 1) Market orientation; 2) Manufacturing capabilities; 3) Innovativeness; and 4) Organizational learning. In unstable markets, these capabilities are essential to be merged as they enhance organizations' ability in producing exceptional value (Slater and Narver, 1995); in addition, they enable the organizations to create possible advantage (Hult and Ketchen, 2000). According to Slater and Narver (1994), Organizations have to adopt these capabilities whether they are about to submit consistent exceptional value to customers. Supplemented to this study, Customer relational capabilities were essentially used as a significant supplement to achieve unequalled customer value particularly in a service submitting preparation. The study, furthermore took into consideration human resources practices as a mediator between the variable of organizational capabilities and customer value. There is a relationship, demonstrated by research, among market orientation, learning orientation, innovation, and customer value on one hand and organizational performance on the other side (Nasution and Mavondo, 2008; Flint et al., 2005). Walter et al., (2001) indicates that Customer value has increasingly affected on consumers and marketers, in the same context, it should be the focus of attention of business activities (Patterson and Spreng, 1997). Slater and Narver (2000) suggested a conclusion about the creation of customer value "when customers exceedingly benefit from products/services more than the cost to the customer". As Slater and Narver (1994) indicated, Customer value is related to market orientation, organizational learning, manufacturing capabilities, and innovation, although the main dependent variable has involved business performance in most studies. Organizations' goal to identify the value they offer to their customers is a basic factor related to this study. The competition and the necessity to gain a competitive advantage are often the main mechanism controlled their view. This study aims at examining the significant causes led to customer value as viewed by managers.

The research is constructed as follows: first, Literature review; Second, The presentation of Research Methodology, by which research model discussion is followed. Finally, the presentation of results, discussion associated with the research conclusion, and its possible connotations for both directors and professors are indicated.

2. Literature Review

2.1 Customer Value

According to Huber et al. (2001); Ulaga and Chacour (2001), the application of term of value was adopted in numerous academic disciplines, such as social science, economics, accounting, strategy, product management, information system, finance, and marketing. As a result of fierce competition and rapid technological change, Majority firms are motivated by attracting customers; they are searching for new achievable, retainable, upgradeable and leveraged methods to gain competitive advantages. Day (1990) and Slater (1997) concluded that creation of exceptional customer value is an essential objective for market driven companies. Providing exceptional customer value has recently become one of the most significant prosperous elements for any company and will have an important effect on the behavior of customers in the future. According to (Day, 1990; Gale, 1994; Naumann, 1995; Butz and Goodstein, 1996; Woodruff, 1997), several companies tend to transfer their interest from internal concern inside the organization seeking for development by the methods of layoff, business process re-engineering quality management, or lean manufacturing and agile manufacturing to carry on superior customer value delivery.

In spite of the wide recognition of customer value significance, researches about customer value are rather segmented and the explanation of customer value is contrasting. Value is defined by Zeithaml (1988) as the customer's comprehensive estimation of the benefit of a product according to what is accepted and what is granted. The perceptions of consumers of value represent a tradeoff between the quality and utilities they receive in the product related to what they pay against what they get (Dodds et al. 1991). It is considered as market's perception of quality relatively adapted for goods price (Gale, 1994). It is an emotional obligation based between a customer and a supplier after the customer utilization of a remarkable product or service manufactured by that provider (Butz and Goodstein, 1996). (Woodruff, 1997) also defines it that a customer's preferential perception of products and assessment of those products qualities, performances, and as a result, facilitate achieving leads to the aims and purposes of customer in using circumstances.

Based on customer viewpoints of value, experimental research is conducted on how customers definitely consider value. Nevertheless, the different concepts previously mentioned are indicated to involve fields of consensus among them. Customer value is, for instance, inherently existed in or connected to utilize fixed products or services. It is also perception made by customers rather than objective determination by suppliers or other shareholders. Those perception procedures have a typical involvement of a trade-off among what customers earn; such as quality, gains, and utilities, and what they pay, such as price, opportunity cost, and maintenance and learning cost. Our definition of customer value, in this study, are inconsistent with those in most of authors that explain it in connection with receive (benefit) and pay (sacrifice) constituent (Slater, 1997; Woodruff, 1997; Day, 1990; Zeithaml, 1988). However, Hunt and Morgan, 1995; Hamel and Prahalad, 1994 suggest that the perception of value is only produced by benefits.

2.2 Organizational Capabilities

Barney (1991), Hunt and Morgan (1996) indicate that Organizational capabilities, as a fundamental concept, have been founded inside the resource based on perspective of the company. Maritan (2001) defined organizational capabilities as the capacity of an organization to spread its tangible and intangible assets, to fulfill the mission or to carry out activities in the company. Moreover, Day (1994) provide a definition that "capabilities are complicated packages of skills and accumulation of knowledge, practiced over organizational processes allowing companies to harmonize activities and benefit from their assets". As capabilities are also defined as unique efficiency or core efficiency, they are also interpreted as "the series of knowledge that differentiates and supplies a competitive advantage" (Leonard-Barton, 1992). Barney (1991), Enz (2008) define organizational capabilities, dependent on the above interpretations, are those which cannot be easily imitated and duplicated by other competitive producers that possess connotations for business performance and competitive advantage.

Four important capabilities are tested in this study: market orientation, innovativeness, learning orientation, and manufacturing capabilities that were recognized by Hult and Ketchen, (2000). In This research, customer relational capabilities have been added as a significant supplement to achieving superior customer value. A short interpretation of the chosen patterns now pursues.

2.2.1 Market Orientation

For this study, it is selected as one of the capabilities of organization. Narver and Slater (1990) provide a definition of this term is "the culture of organization that has the most effective and efficient creation of the imperative behavior for establishing exceptional value for buyers and thus, continuous exceptional performance for the business". Market orientation was defined as "philosophy of business management, established upon a firm extensive approval of the essentialness for profit orientation, customer orientation, and identification of the important function of marketing that shares the demands of the market to all essential corporation divisions.

Market orientation, regarding this context, has a basic part in the invention of business performance” (Kohli and Jaworski, 1990).

2.2.2 Learning Orientation

According to Slater and Narver (1995), Kropp et al. (2006), the organizational learning concept is the promotion of new knowledge or insight that has possible effect on attitude. It is consequently assumed by Sinkula et al. (1997) that a more favorable learning orientation will have a direct outcome in sustained market information production and distribution, which successively, has direct effect on the extent to which an organization is able to achieve alterations in its marketing schemes, a behavioral construct. The literature around the learning Orientation is extensive and has various forms; however, as Argyris (1999) argues, the main idea behind the learning Orientation is widely distributed. The idea has an inclusive general concept of adaptable, flexible, and avoidable stability traps, testing, assessing means and ends that realize human potential for learning in the service of business purposes and creating human development.

2.2.3 Innovativeness

Several definitions of innovation have been provided by researchers, noting that innovation is an introductory of new ideas or practices (Roger, 1995); innovation is composed of the new products or process initially launched in the market (Freeman and Soete, 1997). Burton and White (2007) summed up the innovation concept from the macro viewpoint, indicating that innovation is a new product or service of development process or an improvement in the available market and spread to markets at the appropriate time. As a business management expert, Drucker (1994) indicated that innovation is a method used by entrepreneurs in the creation of wealth and profits that represent a new potential for the organization. Hult et al. (2004) defines innovativeness as “the capacity to offer new process, product, or thoughts in the organization”. It owns, according to Hurley and Hult (1998), Hult et al. (2004), and Mavondo et al. (2005), three significant dimensions that are procedure, product, and management innovation.

2.2.4 Manufacturing Capabilities

The definition of Manufacturing Capabilities is “The aptitudes and knowledge that allow a company that can successfully and flexibly provide a product or services to achieve maximum use of resources” (Krasnikov and Jayachandran, 2008). According to Fritz (1996), Manufacturing capabilities are also referred to as manufacture and cost orientation that assure inexpensive production, productive improvement, capacity employment, cost reduction, standardization, and mass market strategies. Manufacturing capabilities are described as an organizational method characterized by the elements of freedom and independence (Kuratko and Hodgetts, 2001; Stevenson and Jarillo 1990). Carrier (1996) describes it as a managerial strategy stimulating Manufacturing behavior among employees to become producers supported by the organization. Russell (1999) considers manufacturing capabilities as an event of multidimensionality involving staffs, organizational, and environmental factors. If an organization set up a Manufacturing climate, employees can be expected to act as manufactures. Manufacturing capabilities is necessary for organization to survive, to gain profit, to grow, and to renew (Zahra, 1996). External elements such as a rapid transition in requirements of customers and fierce competitiveness have forced organizations to improve the Manufacturing spirit within themselves. Organizations are in necessity to sustain, affirm and progressively intensify incorporated Manufacturing capabilities to survive in a dynamic surrounding (Echols and Neck, 1998; Zahra, 1996).

2.2.5 Customer Relational Capabilities

Besides Market orientation, learning orientation, Innovativeness, and manufacturing capabilities, contemporary organizations need exceptional abilities indicated to overcome the antagonistic and energetic character of current markets. According to Day and Bulte, (2002), such capabilities should concentrate on the foundation of long range strong relationships with present and potential customers. Customer relational capabilities have a definition as the merged procedures planned to execute the combined knowledge, skills, and properties of the firm in order to build solid connections with, and acknowledgement of present and possible customers. Gold et al., (2001) indicate that they substitute a limited type of marketing capabilities, which involve “customer knowledge” management capabilities, CRM capabilities (DeSarbo et al., 2007; Di Benedetto and Song, 2003) and capabilities marketing research (van Kleef, 2006). Kaleka (2002) suggests that earlier researches nominated capabilities for customer relationship in, especially research that concentrate on achieving competitive advantage in distant markets.

2.3 Human Resource Practices

Human resource management is keen on people affecting operations, productivity, the quality of work life, and profitability (Sami and El-garaihy, 2013; Cascio, 2006). Human resource management activities are a process trying to attract, retain, and ensure the performance of employees that would enable them to achieve the

organizational goals (Jone and George, 2009). Mondy (2010) has mentioned that human resource management is keen on the use of people to achieve goals and that directors at all levels should realize the potential of employee.

Human resource management are determined to be about the policies, practices and systems affecting behavior, attitudes, and employee performance (Noe, Hollenback, Gerhart, and Wright, 2006). Human resource management should be concentrated on the alignment of the organization's operation and the minimization of administrative tasks. HR professionals, at the same time, have to change their part from general administration to HR strategic partner and be keen on the value-added aspect of work rather than focusing on working better.

Human resource management and innovation are interveners in the relationship among organizational culture, that is, market orientation and learning orientation, and business performance (Mavondo et al., 2005). In this research, Human resource practices and innovation are thought to be implementation of capabilities having an effect on customer value. Woodruff (1997) considers that superior customer value is created when an organization presents greater characteristics and much less cost than the offers of its competitors. The conceptualization is similar to Dumond (2000) and Mavondo et al. (2005), who improve value management structure including organizational strategy, system, process and culture.

2.4 Human Resource Practices and Customer Value

Mavondo and Farrell (2003) consider Human resource practices as one of the most significant organizational capabilities since individuals are likely to be the most essential strategic capital of any organization. Becker and Gerhart (1996), on the other side, refer to them as unequalled sources of enhanced competitive advantage. They are also, according to Band (1991), one of the influential factors of establishing value for customers. Sustainability of competitive advantage could be considered a source of HR practices of a firm as it cannot be easily duplicated (Lado and Wilson (1994). Huselid et al. (1997) conduct a study indicating that strategic HR practices support organizations ensuring that their human asset is difficultly duplicated. Becker and Gerhart (1996) assume that human resource, as a strategic asset, is considered as complicated set of assets and capabilities that is hard to duplicate or even resemble. Lepak and Snell (2002) illustrate that the possibility to raise the competence and productiveness of the company support the planned value of human capital, to benefit from market opportunities, and/or to counteract possible hazards. Human resource management and non-Human resource management are included by Mittal and Sheth (2001) as predecessors to customer value. Delery and Doty, 1996; Ferris et al., 1998; Huselid et al., 1997; Mavondo et al., 2005; Richard and Johnson, (2001) confirm that HR practices possess significant connotations for marketing influence as the skills of staffs are likely to be the most important planned asset, and have considerable connotations for organizational performance. Ferris et al. (1998), therefore, conclude that Human resource practices result in competence of organization by establishing a supportive climate. Huselid (1995); Whitener, (2001) add that HR practices help shape employee conduct and perspectives. Whitener (2001) emphasizes that organizations, which are highly committed to Human resource practices raise their staffs' commitment to the organization. This in turn, according to Delaney and Huselid (1996), improve the skills of employee, and then develop employee motivations and contentment. That contented staffs, according to Rogg et al. (2001), significantly affect customer contentment and have the same effect, according to Band, 1991; Mittal and Sheth (2001), yet on customer value.

Baron and Kenny (1986); MacKinnon et al., (2007) indicate that Mediators are also called intervening variables. They are a hypothetical internal state that is used to explain relationships between the independent variables and dependent variables. The purpose of this research is to test the mediating influence of HR practices between organizational capabilities and customer value of services sector in Saudi Arabia.

3. Research Methodology

This illustrative transversal research has been conducted for four months (January – May, 2013). A survey stimulating the utilization of close ended questions and particular questions on demographic features is applied.

3.1 Measures Development, Research Framework and Hypotheses

This study applied self-administered questionnaires for service organization managers. This study carefully took into consideration questionnaire construct such as phrasing, progression, and appearance. The questionnaires have been written in English and interpreted to Arabic and retranslated to English many times until appropriate agreement among the versions was achieved. Questionnaires were sent by mail for managers. An envelope, covering letters, questionnaire, and smaller pre-addressed envelope are enclosed in the questionnaire package. A mail survey was the most successful way providing the geographic distribution of the possible responders and the costs of any other alternative approach. The researchers picked up the completed questionnaires.

The same questioner used by (Nasution and Mavondo 2008) is adopted in this study. It was credence in demonstrating the constituent elements of each factor in our study on what is stated in the study mentioned

above, which in turn adopts this questioner from many studies, such as Sinkula et al. (1997) for Learning orientation, Narver and Slater (1990) and Narver et al. (2004) for market orientation, Venkatraman (1989) and Dorabjee et al. (1998) For Manufacturing capabilities. Human resource practices were adopted by Delery and Doty (1996) and Rogg et al. (2001), while innovativeness was adopted by Hurley and Hult (1998), Mavondo et al. (2005), Song and Xie (2000), and Zahra (1996). Customer value was adopted by Petrick (2002) and Sweeney and Soutar (2001). Finally, we get the items of Customer Relational Capabilities from Mamoun N. (2012).

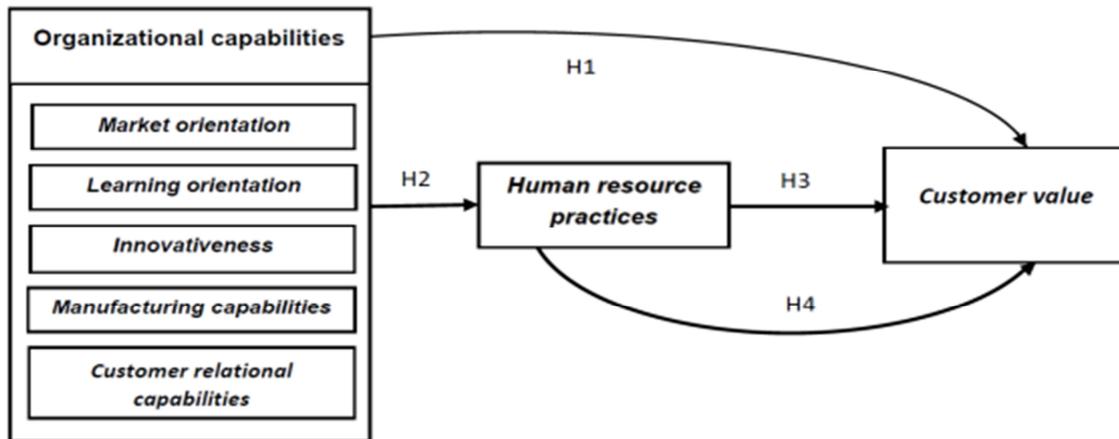


Figure 1. Research Pattern Proposal

Figure 1 demonstrates the research pattern and the theses designed as follow:

H1: Organizational capabilities have favorable effects on customer value.

H2: Organizational capabilities have positive effects on human resource practices.

H3: HR practices have a significant relationship to customer value.

H4: Human resource practices mediate the relationship between organizational capabilities and customer value.

H4 (a): Human resource practices mediate the connection between market orientation and customer value.

H4 (b): Human resource practices mediate the relationship between learning orientation and customer value.

H4 (c): HR practices mediate the connection between manufacturing capabilities and customer value.

H4 (d): HR practices mediate the connection between innovativeness and customer value.

H4 (e): HR practices mediate the connection between customer relational capabilities and customer value.

3.2 Pilot Test

Proper data and results will be granted through the survey questionnaires. The researchers developed a pilot test in December 2012. It is also beneficial to pretest questionnaire involving not less than 10 responders, to emphasize its clearness and not likely to any erroneous conclusion by possible responders. According to Malhotra (1999), the pretest sample size is small, varying from 15 to 30 responders for the first test. Researcher selected a sample of 25 responders from the service institutions under study. The mean and standard deviation for each items functioned to assess the variables were computed.

3.3 Sample Size and Sample Selection

The research sample comprises of the managers of service institutions in the Eastern Region, Saudi Arabia. 280 of research populations have been selected, taking into consideration the regular size of samples utilized by other authors in similar researches such as Badri et al. (2009) that used 244 practical questionnaires, and Lim and Tang (2000) that used 252 practical questionnaires. Espinoza (1999) indicates that accidental sampling mechanism has been used to choose the aimed sample. Sampling is considered as suitable since this research does not aims at providing point and interval evaluations of the variables, yet at exploring the connections amid the variables. The standard of incorporation in this research is the managers of service institutions in the Eastern Region, Saudi Arabia within the last 12 months.

3.4 Tool and Data Collecting Method

Self-administered questionnaire has been used to collect the data required for analysis. The questionnaire has 3 parts. In Part A, 35 multi-item scales (five constructs) to assess Organizational capabilities have been used. In Part B, there are 10 items to assess Human resource practices and 10 items to assess consumer value. Items have been designed developing 7 points Likert scale ('1' for 'Strongly Disagree' and '7' 'strongly agree'). In Part C, there are questions about responder demographic characteristics.

We checked the previous pre-questionnaire referred to 6 of practitioners in the field of services (2 of each of the service areas, which have been selected to perform the search (banking, hospitals, and hotels)) and they suggested to delete some of the elements and modify a few sentences, and then repeated it with 2 of marketing

professors at the University of Dammam, who suggested also delete some items to finish to the survey was sent to the managers of service institutions under study, which included in section **A**, 22 multi-item scales (five constructs) to assess Organizational capabilities were used. There are, in Part **B**, 7 items to measure Human resource practices and 6 items to measure consumer value (35 items as a total).

3.5 Data and Results Analysis

We computed Cronbach's alpha to examine the credibility of the scales. The reliability and average of the Organizational capabilities scales, Human resource practices and consumer value used were computed. According to Nunnally, 1987; Nunnally & Bernstein, 1994), When Cronbach alpha coefficient is exactly 0.60 or less, the results connected to internal consistency are not adequate. Nevertheless, Wright (2007); Aspy et al. (2004) suggest to use less values than 0.60. The acceptable reliability coefficient should be higher than 0.70. The higher it is, the more credibility is because of the value of correlation coefficient among variables. Moreover, regression analysis was adopted in order to examine substitute theories in this research. The relationship between independent and dependent variables was examined through 4 steps according to the proposal of Baron and Kenny (1986).

4. Results and Discussion

4.1 Respondent Profiles

Table 1 demonstrates the demographic features of the responders. Research responders signify the managers of service institutions in Saudi Arabia. About 58 % of the responders are Saudi nationality and the rest of the residents. Majority (65%) of the responders fall under the age less than 45 years old, the rest are over 45 years. About 74% have university degree, less than 20% have a master or Ph.D. degree, and the rest less than the first university degree.

Table 1. Demographic Features (sample size =273)

Variables	Frequency	%	Variables	Frequency	%
Citizenship/Nationality					
Saudi Arabia	158	58	Age		
Non - Saudi Arabia	115	44	Less than 25	3	1
Qualification					
Primary level	8	2	25-35	73	27
Secondary level	14	5	36 - 45	104	38
Bachelor level	202	74	40 - 49	46	17
Master level and above	49	18	50 - 59	33	12
			60 - 69	14	5

4.2 Pilot Test

The result of the pilot test illustrates that the items used to assess the variables mostly have a mean of more than 5.0 with a standard deviation above 0.7 (Refer Table 2).

Table 2. Mean and standard deviation of the items (pre-sample size =25)

Item	m	SD
Market orientation		
MO1 - competitors' marketing programs are regularly analyzed.	5.71	0.78
MO2 - We direct toward customers where an opportunity is available for competitive advantage.	5.76	1.02
MO3 - All functions are merged to serve the necessity of our target market.	5.69	1.04
MO4 - Management realizes how everyone in this organization can have a contribution to establish customer value.	5.32	1.07
Learning orientation		
LO1 - The ability of our organization to acquire knowledge is considered as a main competitive advantage.	5.34	1.32
LO2 - Our organization values learning as is an essential factor to improvement.	5.17	1.17
LO3 - It is believed that our organization's employee learning is an investment, not an expense.	5.22	0.88
LO4 - Learning in our organization is observed to be an essential factor to ensure the survival of organization.	5.29	1.19
LO5 - The collective knowledge in our organization indicates that if we stop learning, our future is in endangered.	4.79	1.06
Manufacturing capabilities		
MC1 - We constantly look for new opportunities related to the current operations.	5.78	0.87
MC2 - We keep looking for business that can be acquired.	5.24	0.73
MC3 - We continuously look for opportunities to improve our business performance.	5.34	0.87

MC4 - We always keep the competition with our competitors to our advantage in responding to market challenges.	5.11	0.88
Customer relational capabilities		
CR1 - Our organization apply, customer knowledge capabilities.	5.25	0.95
CR2 - Our organization apply, customer relationship management capabilities.	5.43	1.05
CR1 - Our organization apply, customer knowledge capabilities.	5.62	0.99
CR4 - Our organization focuses on achieving a high value on Customer relationship management.	5.34	0.94
Innovativeness		
IN1 - We continuously utilize technology to support service quality.	5.43	0.87
IN2 - Our organization has heavy investment in developing new operating systems.	5.33	0.82
IN3 - Product innovation several new services have been presented by our organization to the market.	5.18	0.87
IN4 - Our organization continuously pursue to find new services.	4.93	0.72
IN5 - More new services have been introduced by our organization than our competitors.	5.23	1.19
Human resource practices		
HRP1 - Our employees are treated as the most valuable resources within our organization.	5.27	1.28
HRP2 - Our organization provides extensive training programs for individuals.	5.32	1.21
HRP3 - In this organization, Employees are familiar with clear career paths.	5.27	1.36
HRP4 - Our organization guarantees job security to employees.	5.32	1.25
HRP5 - Employees are received benefits related to their performance in our organization.	5.42	1.18
HRP6 - Employees are granted rewards for outstanding performance.	4.87	1.30
HRP7 - Effective feedback is forward to all employees on their performance.	5.46	1.18
Customer value		
CV1 - Our organization guarantees services of the highest quality.	4.97	1.55
CV2 - Our services are considered very reliable to our customers.	5.03	1.50
CV3 - This organization provides our customers true enjoyment when staying at it.	4.73	1.70
CV4 - Our customers is greatly treated with respect by our staff.	4.62	1.67
CV5 - the classification of our organization are considered reasonable.	5.27	1.52
CV6 - Our organization presents value for money.	4.96	1.55

Likert seven-point scales used

4.3 Credibility Analysis and Descriptive Statistics

To evaluate the interior consistency of reliabilities of the scales, the alpha values have been computed (Refer Table 3). The alpha values for Organizational capabilities dimensions are as follows: Market orientation ($\alpha = 0.80$), Learning orientation ($\alpha = 0.85$), Manufacturing capabilities ($\alpha = 0.87$), Customer relational capabilities ($\alpha = 0.87$), and Innovativeness ($\alpha = 0.90$). The overall Organizational capabilities score is extremely high ($\alpha = 0.93$). The results shows acceptable values ($\alpha = 0.74$) of human resource practices. The alpha value for customer value scales is extremely high ($\alpha = 0.95$). In brief, the coefficient alpha values for Organizational capabilities, human resource practices and customer value are above 0.70. Nunnally and Bernstein, (1994); Sekaran (1996) conclude that the items and scales are, therefore, of high reliability. The mean values for our research constructs are as follows: Market orientation ($\alpha = 5.91$), Learning orientation ($\alpha = 5.70$), Manufacturing capabilities ($\alpha = 5.62$), Customer relational capabilities ($\alpha = 5.57$), and Innovativeness ($\alpha = 5.52$). Human resource practices and customer value indicate that the mean score of 5.68 and 5.70 relatively. A standard deviation above 0.70 that is measured as positive is involved in all constructs.

Table 3. Descriptive and reliability analysis results (sample size =273)

Variables	No. of Items	Mean	SD	Coefficient alpha (α)
Market orientation	4	5.91	0.75	0.80
Learning orientation	5	5.70	0.87	0.85
Manufacturing capabilities	4	5.62	0.92	0.88
Customer relational capabilities	4	5.57	0.94	0.87
Innovativeness	5	5.52	0.89	0.90
organizational capabilities	22			0.93
Human resource practices	7	5.68	1.12	0.74
Customer value	6	5.70	6.07	0.95

Likert seven-point scales used

4.4 Test of Hypotheses

The regression tests were conducted by Baron and Kenny (1986) through developing four separated procedures of analysis (refer to Table 4 to Table 7).

4.4.1 Hypotheses H1-H3

Regression analyses results support H1, H2 and H3 (see Table 4, 5 and 6).

H1: Organizational capabilities positively affect customer value. (Table 4)

H2: Organizational capabilities have positive effects on human resource practices. (Table 5)

H3: Human resource practices have a meaningful relation to customer value. (Table 6)

Table 4. Step 1 - regression analysis of Organizational capabilities with Customer value

Variables	B	β	t-value	p-value	R	R ²	F-value	E-value
Constant	4.29		2.16	0.04	0.68	0.46	47.1	0.00
Market orientation	0.22	0.13	1.95	0.05				
Customer relational capabilities	0.03	0.02	0.21	0.86				
Manufacturing capabilities	0.07	0.06	0.62	0.56				
Learning orientation	0.55	0.37	3.70	0.00				
Innovativeness	0.29	0.23	2.51	0.02				
Constant	5.79		12.95	0.00	0.46	0.21	77.53	0.00
Organizational capabilities	3.31	0.49	8.81	0.00				

Sig., = 0.05 level

Table 5. Second step - regression analysis of Organizational capabilities with HRMP

Variables	B	β	t-value	p-value	R	R ²	F-value	E-value
Constant	1.59		0.75	2.04	0.78	0.62	79.55	0.00
Market orientation	0.26	0.13	3.36	0.04				
Learning orientation	0.45	0.25	0.78	0.00				
Manufacturing capabilities	0.11	0.08	4.31	0.00				
Customer relational capabilities	0.68	0.39		0.47				
Innovativeness	0.19	0.21	1.61	0.01				
Constant	21.59		12.94	0.00	0.57	0.33	121.69	0.00
Organizational capabilities	4.79	0.58	11.04	0.00				

Sig., = 0.05 level

Table 6. Third step - regression analysis of HRMP with Customer value

Variables	B	β	t-value	p-value	R	R ²	F-value	E-value
Constant	7.89		5.73	0.00	0.75	0.55	291.27	0.00
HRMP	0.61	0.74	17.09	0.00				

Sig., = 0.05 level

Table 7. Forth step – mediating effect of HRMP on the relationship between Organizational capabilities and Customer value

Variables	B	β	t-value	p-value	R	R ²	F-value	E-value
Constant	3.72		2.03	0.04	0.76	0.58	57.82	0.00
Market orientation	0.13	0.09	1.14	0.04				
Customer relational capabilities	0.17	0.12	-1.42	0.15				
Manufacturing capabilities	0.04	0.05	0.33	0.74				
Learning orientation	0.28	0.19	1.97	0.05				
Innovativeness	0.19	0.17	1.95	0.05				
HRMP	0.42	0.52	7.82	0.00				
Constant	7.02		4.87	0.00	0.74	0.54	149.4	0.00
Organizational capabilities	0.72	0.11	2.01	0.05				
HRMP	0.55	0.68	13.13	0.00				

Sig., = 0.05 level

The results indicate that Organizational capabilities are a prior to customer value. Moreover, Organizational capabilities positively affect Human resource practices, HR practices meanwhile significantly affects customer value. The results are compatible with other researches as Shoham et al. (2005). Customer value is realized to be

a firm prediction factor of financial performance or at least a significant predecessor of performance (Flint et al., 2005; Nasution and Mavondo 2008; Spiteri and Dion, 2004). Organizations should own a deep realization of the customer's expressed to achieve superior customer value and concealed requirements so that they are able to perform better than competitors as customer requirements develop. This result is consistent with what concluded by Narver and Slater, 1990 that market orientation is related to present exceptional customer service. It is also perceived that prominent business performance depend on the capacity of a marketing oriented organization to give unequaled value to the customer (Weinstein and Pohlman, 1998). It is argued that fully developed intelligence of generation ability has a positive relationship with superior customer value (Slater and Narver, 2000).

An organization provides directors and personnel with motivation to start new value added activities. Therefore; the organization has the ability to provide exceptional customer value. The more interactive convergence between the service providers and their customers in providing service, the more the chance to add value to customers' experiences is available and adjusts to inconstant and altering customer requirements. Therefore, the authorization of the customer facing staff, it is probable that they are able to raise customer value together with the entire value scale by well-timed and appropriate responding without being too strictly obligated by routines and models. The ability of an organization to present new products, adjusted products or repackaged products gives motivation to the entire offer and may have a positive effect on customer value. Innovation is mostly taken into consideration to be the main cause to renew the offer, attract new customers or hold old ones, and then meaningfully add to total customer value and organizational performance.

This result is in line with that one indicated by Mavondo et al. (2005); Nasution and Mavondo (2008). Human resource practices, as noted before, are crucial to the delivery of customer value, particularly in the service sector. Humans are the most compliant resource obtainable to a business; they have the ability to know and obtain more related skills required to satisfy customer requirements and consequently participate in creating customer value. This result is consistent with the vision of Mittal and Sheth (2001), who indicate that HR practices are considered to be one of the significant elements in enabling organizations to deliver exceptional value to customers.

4.4.2 Hypotheses 4 (Testing the Mediating Function of Human Resource Practices)

The results also imply that human resource practices have a partial mediation of the relationship between organizational capabilities and customer value. Table 4 indicates that Market orientation ($\beta = 0.13$, $p = 0.05$), Learning orientation ($\beta = 0.37$, $p = 0.00$) and Innovativeness ($\beta = 0.23$, $p = 0.02$) dimensions significantly and positively affect customer value. Table 5 demonstrate that Market orientation ($\beta = 0.13$, $p = 0.04$), Learning orientation ($\beta = 0.25$, $p = 0.00$) and Innovativeness ($\beta = 0.21$, $p = 0.01$) dimensions significantly and positively affect Human resource practices. In Table 7, Human resource practices fully mediates the relationship between Market orientation ($\beta = 0.13$, $p = 0.04$), Learning orientation ($\beta = 0.19$, $p = 0.05$) and Innovativeness ($\beta = 0.17$, $p = 0.05$) and customer value. Therefore, H4 (a), H4 (d) and H4 (e) are supported. Human resource practices are contrastingly unsuccessful to mediate the relationship between Manufacturing capabilities and Customer relational capabilities on customer value. H4 (b) and H4(c) are, thus, declined. Organizational capabilities significantly affects customer value ($\beta = 0.49$, $p = 0.00$) – see Table 4. Table 6 indicates that Human resource practices directly and positively relates to customer value ($\beta = 0.74$, $p = 0.00$). This result is in line with that one indicated by Mavondo et al. (2005); Nasution and Mavondo (2008). Human resource practices, as noted before, are crucial to achieve customer value, particularly in the service sector. People are the most compliant resource available to a business; they have the ability to know and obtain more related skills required to satisfy customer requirements, and consequently share in creating customer value. Mittal and Sheth (2001), conducting a study whose result is consistent with the abovementioned, indicate that HR practices are thought to be one of the significant elements in enabling organizations to provide exceptional value to customers.

When Human resource practices is measured as a mediating variable as demonstrated in Table 7 illustrates that Human resource practices in some measure mediates the link between Organizational capabilities and customer value ($\beta = 0.11$, $p = 0.05$). The R^2 value increased from 0.21 (Table 4) to 0.54 (Table 7) and the β value declined from 0.49 (Table 4) to 0.11 (Table 7). Therefore, H4 is partially sustained. The coefficient of determination (R^2) measures the ratio of the variance of the dependent variable as a result of the changes in the predictor variables (Hair, Black, Babin and Anderson, 2010). The higher the value of R^2 , the greater the descriptive power of the interpreter variables will be.

7. Conclusion

The study indicates that organizational capabilities dimensions have an effect on both HR practices and customer value. Market orientation, Learning orientation and innovativeness are the most forceful predictors of human resource practices. Market orientation, Learning orientation and innovativeness dimensions are, on the other

hand, the most forceful predictors of customer value. Human resource practices, moreover, have a mediating function of the relationship among Market orientation, Customer relational capabilities and Innovativeness on customer value.

These results indicate that organizations have to devote in customer research to determinate the genuine motivations of customer value and consequently business performance. It is disputed to likely lead to exceptional resource distribution. Organizational service should invest in research on customer requirements and in the identification of the true motivations of customer value. The research has employed a dependent variable of customer value that be able to test across various responders within the same organization and across industries, which allow conducting more easily comparisons than financial performance measures. The conceptualization and operationalization of customer value and its calculation is, therefore, less complicated, but strong and less disputable, and can be executed across different sizes businesses and in various industries.

6. Limitations and Suggestions for Future Research

Two languages are used in the research which may have established some obstacles. The questionnaire was strictly examined in both languages and through interpretation and retranslation. The likelihood of different explanation of the questionnaire might be still remaining. The problem is also liked to various levels of good knowledge with questionnaires between the comparatively highly educated directors and the not well-educated managers. There is a necessity for exhaustive qualitative research to set up how the items were translated by the various services possibly through evaluate methodological equivalence. There is also a need to conduct such a study in some Gulf countries other than the Saudi Kingdom to identify the nature of the effect of these variables, such as organizational capacity and human resources applications on customer value, customer satisfaction and customer loyalty, there is also a necessity to conduct the same study, but in the industrial field.

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