



Role of Power Distance in Integrating Social Capital with Learning Organization towards Perceived Job Performance in Nepalese Service Organizations

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Abstract: Many low- and middle-income countries have organizational systems weak and fragile, lacking the capacity to put knowledge into practice and expand the delivery of services to those in need. This study focused to the integration of social capital and learning organization towards Perceived Job Performance with the mediating role of power distance in Nepalese service organizations. The data were collected with a respondent sample of 252 employees from different service organizations in Kathmandu valley. Results indicate that the Social capital seems to be a prerequisite for making an organization adaptable and agility towards a learning organization. There is a medium to high power distance culture in Nepalese context that may negatively impact organizational progress, participation and making learning organization, so that it can overall increase the job performance. It signifies that social capital need to be strengthen towards making an organization learn and perform better. Moreover, if there is a mediation of power distance the whole process link can be fatal.

Key Words : Power Distance, Social Capital, Learning organization, job performance.

Introduction

In today's knowledge-intensive sets, the transfer and utilization of knowledge within the organization is must. It is also stretches with the emergent of numerous competitors. This can only be achieved, if there is a culture of creation and sharing to knowledge and act as a learning organization. The sharing of knowledge across the organization has been shown to be a critical driver of firm performance (Grant, 1991; Inkpen & Tsang, 2005; Prahalad & Hamel, 1990, Ratten and Suseno, 2006) and the firm performance is an outcome of an individual job performance. Identically, with the rise of the networked economy, the ability to build social capital across networks becomes critical (Lesser, 2000). Knowledge transfer is an important benefit of social capital (Inkpen and Tsang, 2005), which

may be related to the learning organizational culture. Making the learning process more efficient and effective is an essential for an organization performance and survival. Building upon internal social capital influences the sharing of knowledge across the organization and making the organization as learning organization, then it boosts the employee job performance, subsequently lead to the organizational performance finally.

The premise of social capital is investment in social relations with the assumption of expected returns (Lin, 1999). However, understanding of power as expandable encourages the development of cooperative links between managers and employees. The second perspective of social capital is concerned with the relationships between individuals (Ratten and Suseno, 2006), which create a sense of belongingness and



learning in that network. From this perspective, social capital is able to explain the differences in the success of individuals and firms in a competitive environment (Adler and Kwon, 1999; Ratten and Suseno, 2006). In this smooth conduct of internal social capital and collaborative learning, power distance may bring the barriers to make the organization towards learning organization. An uneven distribution of eminence and power is a fundamental feature of Nepalese organizations.

However, previous researches on power distance and the theory of cooperation and competition suggest that applying different concepts of power affects how power is used. That is, in the concern of positive use of power, however, the distance within the context of power may have the negative consequent. In case of Nepalese society, it can be considered as more power distanced society, with a scoring of 65 in the scale of 100 in Hofstede study. Service organizations are no exception of this. Considering that more acceptance of power and status differences can be seen in the society, so forth in organizations.

In alignment with the view above, this study seeks to integrate internal social capital towards how it facilitates building a learning organization, henceforth to bring a significant employee performance in an organization. That is, this paper is motivated towards examined the impacts of alliance learning in organization towards performing. In addition, it aims at provide a cross-paradigm framework that helps to understand the relationships among internal social capital, learning organization, and employee performance in a power distance context. The context of the power distance remains a possibly a hindrance towards achieving a high employee job performance in a high power distance country. The results of this research could potentially suggest that shifting a Nepalese organization's

values toward power and its use in a useful manner to develop a highly empowered workforce. A further motivation of this paper is the lack of research that has examined the impacts of the studied variables in Nepalese context. This research study appeals greater attention to avoid greater power distance and aligning internal social with learning organization to bring a great employee job performance.

Objectives of the study

The following objective guided this study.

1. To examine the interrelationship between internal social capital, learning organization, power distance and employee job performance
2. To examine the mediation effect of power distance over the interrelationship of internal social capital, learning organization, and employee job performance

Theoretical contextual

The term social capital was used by social theorists as early as the 1900s. The concept of social capital is an addition to interpersonal capital theories, which also include human capital theory (Watson and Papamarcos, 2002 in Ratten and Suseno, 2006). Proponents of human capital theory emphasize the importance of human beings as the repositories of knowledge (Becker, 1962; Watson and Papamarcos, 2002 in Ratten and Suseno, 2006). The concept of social capital captures both the structural relations among such individuals and the resources that can be mobilized through those relationships (Adler & Kwon, 2002; Bourdieu, 1986; Coleman, 1988). According to Coleman (1988), it is a system of relationships among and between individuals in a social network. It is roughly understood as the goodwill generated by the network of social



relations (Adler and Kwon, 2002). As such, according to Hitt and Ireland (2002), it is the relationships between individuals and organizations that facilitate action and create value (Ratten and Suseno, 2006). Similarly, internal social capital is defined in terms of both the structure and the content of relationships among actors within a system (Adler and Kwon 2002). Lina According to the Nahapiet and Ghoshal (1998), internal social capital can be dimensioned into structural, relational and cognitive aspect. The structural aspect states the networks among the subjects and occurrence information sharing. Likewise, the relational aspect denotes the relationship the people have developed within the network with interaction. Finally, the cognitive aspect states that the fact that as individuals intermingle and interact with each other as part of a communal to develop a common set of goals, and a shared vision for the organization. In a similar manner, Leana and Van Buren (1999) termed organizational social capital as a resource reflecting the character of social relations within the organization, realized through members' levels of collective goal orientation and shared trust. Regardless of the different perspectives, social capital is an asset (Mele, 2003).

According to Senge (1990), learning organizations are organizations where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspirations are set free and where people are continually learning how to learn together. A Watkins and Marsick, 1993 states, learning organization is that organization who learns continuously and transforms itself. Argyris and Schon (1997) have defined adaptation and change. Choo (2001) has believed that the organizational learning as error detection and learning organization is exactly the

knowledge correction (Stammerjohan, Leach and Stammerjohan, 2015) A learning organization is a type of organization that focuses on developing strategies to encourage learning (Amy, 2008; Rebelo and Gomes, 2008; Dhananjaya Dahanayake and Gamlath, 2013). According to Garvin (1993), a learning organization is an organization skilled at creating, acquiring and transferring knowledge and at modifying its behavior to reflect new knowledge and insights (Dhananjaya Dahanayake and Gamlath, 2013). Marsick & Watkins (1999), Watkins & Marsick (1993 & 1996) had given seven dimensions of learning organization viz., create continuous learning opportunities, promote inquiry and dialogue, encourage collaboration and team learning, create systems to capture and share learning, empower people toward a collective vision, connect the organization to its environment and provide strategic leadership for learning.

Job performance refers the execution of the work activities according to the expectation of the employer. It is to see the employee is performing the job in a well manner or not. It can be quantified in terms of yield of an employee in terms of their work activities. From the perspective Hersey and Blanchard (1993) the level of achievement of business and social objectives is to measure job performance and accountability (Javed, Balouch and Hassan, 2014).

Power distance is a measure of the interpersonal power or influence between supervisor (boss) and subordinate as perceived by the less powerful of the two (Hofstede, 2001). According to Hofstede (2005), power distance is the level of inequality that exists within societies or in the organizational context. According to Hofstede (1980), people in countries high in power distance endorse submissiveness to superiors, do not expect to participate in decision making (Lee, Fang and Li, 2001). Power distance represents the extent to



which less powerful employees expect and accept that power, authority, status and material possessions are unequally distributed (Javidan et al., 2006, Hauff and Richter, 2015).

Empirical context

Reagans and Zuckerman (2001) states that, social capital positively affects economic growth and organizational success. Few researchers (e.g. Clopton, 2012) found social capital improves team performance. Clopton (2012) study states that there is a significant connection between social capital and team performance. Other researchers (e.g. Leana & Pill, 2006; Brass, 1984; Seibert et al., 2001; Sparrowe et al. 2001) discovered social capital actually make effective teamwork. These inconsistent results suggest the existence of moderators or mediators between social capital and team performance (Yang, Alejandro and Boles, 2011). Yang, Brashear Alejandro, and Boles, 2011).

Leana & Pill (2006) findings also here highlight the importance of examining both internal and external social capital as drivers of performance across a large number of organizations. Researchers like Brass (1984), Seibert et al. (2001), Sparrowe et al. (2001) have emphasized that individuals' informal ties in organizations can increase job satisfaction, performance, access to information, salary, power and career advancement (Lee, Reiche and Song, 2010).

The mere existence of social capital cannot directly influence (Yang, Alejandro and Boles, 2011) performance. Social capital by providing employee with access to knowledge (Yang, Alejandro and Boles, 2011). Building upon network, knowledge and team literature, (Yang, Alejandro and Boles, 2011) propose that the relationship between social capital and team performance is affected by knowledge transfer

and knowledge absorption. In accordance, Knowledge transfer and absorption can be a part of the learning organization. It can be an important benefit of social capital (Inkpen and Tsang, 2005). Social capital influences organizational performance through facilitating knowledge transfer and absorption within and across the organization (Yang, Alejandro and Boles, 2011). Andersen (1999) indicated that, with the establishment of social capital structure, organizations could obtain necessary resources by the connection to social network that had achieved the goal of organizational learning (Chang, 2011).

Thus, social capital can be seen towards strong ties that positively promote exploitative learning. Mahajan and Benson (2011) also states that social capital is a more proximal factor affecting firm performance (Gronhaug and Stone, 2012), and it is understandable firm performance can only result with employee job performance. Chang (2011) social capital structure appears significant positive correlation to organizational learning. Nevis et al. (1995) considered that the objectives of organizational learning could establish a learning organization, and a complete organizational learning system (Chang, 2011). Baker (1980) considered that the accumulation of social capital structure would affect organizational learning (Chang, 2011). Likewise, Stammerjohan, Leach and Stammerjohan (2015) findings are contradictory, this study failed to support Hofstede's prediction that there will be a weaker relationship between participation and performance when power distance is high. However, Stammerjohan, Leach and Stammerjohan (2015) findings do support Hofstede's prediction that participation will be less satisfying.

Learning organizations are associated with benign organizational characteristics such as the ability to



learn, positive attitude to change, their values and beliefs and empowerment (Dobson, 2008 in Dhananjaya Dahanayake and Gamlath, 2013). Learning organization concept was identified as being positively related to performance outcomes (Powell and Waddell, 2004)

Several researchers have consider organizational learning as the fundamental aspect of competitiveness and link it with knowledge acquisition and performance improvement, skill enhancement (e.g. Dyer and Singh, 1998; Lane and Lubatkin, 1998; Fiol and Lyles, 1985 in Hernaus, Skerlavaj and Dimovski, 2008) core competencies (Prahalad and Hamel, 1990), organisational innovativeness and competitiveness (Nason, 1994). Likewise, cultural dimensions such as power distance, individualism-collectivism can be considered as possible antecedents (Kirkman et al., 2006). According to Hofstede (2000), in high power distance cultures, the superior often takes decisions without the subordinates' participation (Bialas, 2009).

Stammerjohan, Leach and Stammerjohan (2015) study ranges the impact of power distance and there is significant correlation between participation and performance in both the high and low power distance. Power distance will likewise affect the importance of good relationships to colleagues (Hauff and Richter, 2015). In similar manner, Varela et al. (2010) states that power distance determines the perceived psychological gap within social hierarchies, this value can also affect how individuals set the boundaries of social groups. Power distance has been constructed mostly as a concept highly negative for organizational progress, participation and empowerment of employees and overall organizational health (Ghosh, 2011). A study on Chinese organizations by Farh, Hackett, and Liang (2007) emphasizes similar realities.

However, Langrosen (2002) found that low power distance offers the tendency to focus on individual workers and emphasised on the training of workers to bring a sense of responsibility within the workers (Ghosh, 2011). Khatri (2014) study concludes that employees in a high power distance setting are disinclined to take part in decisions. Varella 2010 states the idea of conceiving in-role performance as a unique broad factor acceptance the collection of enforceable contributions is empirically unbearable in high power distance contexts. High power distance can also lead to leader- centred nurturance which is positively related to friendly orientation, guidance, encouragement and task orientation (Ghosh, 2011). Thus, it can be said that there is a relationship between social capital, learning organization and employee performance. In same manner, power distance has its role in this relationship.

Research gap

First of all, as the construct of this study, no study has been undertaken in global as well as in national level. Those relevant study which has been done are part and partial of the proposed model. Existence of power distance as moderator between the construct separately can be seen in few studies. However, the total construct has not been used so far for an empirical support as power distance can be seen as mediator. Likewise, power distance studies have their own inconsistency results. As such, Stammerjohan, Leach and Stammerjohan (2015) findings failed to support Hofstede's prediction that there will be a weaker relationship between participation and performance when power distance is high. Overall, the relationship between, internal social capital is also not focus in previous studies specifically, in the context of transforming the

organization to a learning organization. In addition, the context of power distance in

Nepalese society is still unexplored in terms of its effect to employee job performance.

Conceptual framework

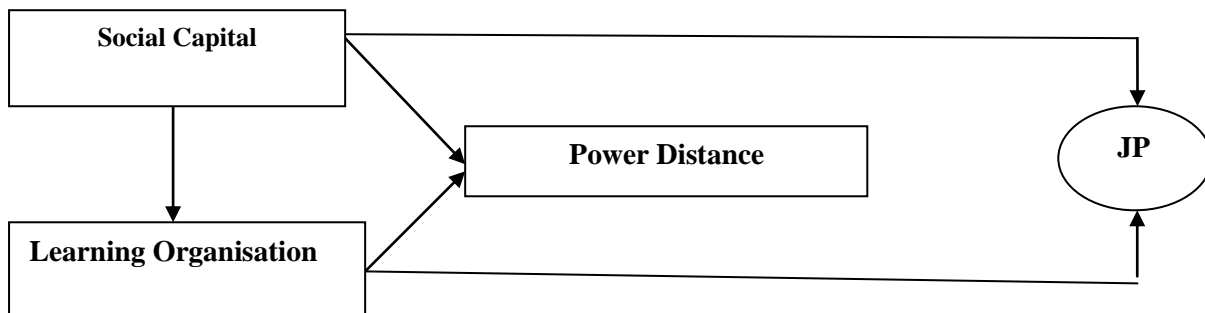


Figure1: Conceptual framework

Hypotheses

The following hypotheses has been formulated for the study

H1: Internal social capital effect positively to learning organization.

H2: Internal social capital effect positively to employee job performance.

H3: Learning organization effect positively to employee job performance.

H4: Power distance effect negatively to employee job performance.

H5: PD will mediate the influence of learning organization over employee job performance.

H6: PD will mediate the influence of internal social capital over employee job performance

H7: PD will mediate the influence of internal social capital and learning organization over employee job performance.

mediation of independent variables over the dependent variable in the study. A sample of 300 Employees were considered for the study. For the reliability of perception of the employee towards their respective organizations, employee having at least six months of working experience considered as valid sample. The employee samples comprise of various service organization in Kathmandu Valley such as educational institute, banks, travel and tourism business houses including hotels. The data was collected from these organizations with convenience sampling, in which 300 questionnaires were distributed or approached online. Out of 300, only 252 nos. of respondents responded. The response rate was 72%. The detail list of sample collection can be seen at table no. 1.

Table 1: List of sample from the service organization

| Hotel | n | % |
|--|------------|------------|
| Travel and tourism business including hotels | 59 | 23.4 |
| Banks | 73 | 29.0 |
| Educational institutes | 120 | 47.6 |
| N | 252 | 100 |

Research design, sampling and procedure

This study was a quantitative approach towards descriptive and casual research design. A descriptive research design is used for answering the first two research objectives. Similarly, the need of explanatory/casual research design needed and reflects to test the relationship, impact and



Conceptual Model and Instrumentation

The conceptual framework for this study constitute of four construct- Internal Social Capital (ISC), Learning Organization (LO), Power Distance (PD), and Job Performance (JP). Survey instruments used for all four construct in the study were adopted from the previous studies. These instruments have been developed and measured by other research scholars in their studies. Internal Social Capital (ISC) scale developed by Leana's and Pil's (2006) with eighteen items in three broad dimensions was adopted in 5 point Likert scale. Dimensions of the Learning Organization Questionnaire (DLOQ), developed by Marsick and Watkins (2003), shorter version of the DLOQ with 21 items in 5 point likert scale was adopted for the study. Power distance measure was adopted from Brockner et al., (2001), which was used at an individual level and found reliable. Power distance is measured with five items, which assess the degree to which inequality in the management-employee relationship is acceptable (Zhang, 2010). Likewise, Job Performance scale of Bowra et al., (2011) with four items was adopted in 5 point likert scale.

Analytical Strategy

First of all, the variables are put into the exploratory factor analysis (EFA) to ensure the factor loading of the items. Secondly, to illustrate that all items evaluating the research variables, confirmatory factor Analysis (CFA) was performed. Next, the construct validity and reliability was examined. Finally, the path analysis was examined to test the hypotheses. The CFA and Path analysis was performed using AMOS v23., and other descriptive analysis was performed with SPSS v23.

Results

Demographic profile of respondents

Analyses of demographic variables of employees shows that the majority of respondents 52.78% (n=133) were male and female constituted of 47.22% (n=119). Maximum of the employee were married with 67.4 % (n=170) and unmarried are 32.54% (n=82). Likewise, below 20 years were 18%, 20-30years consist of 37%, 30-40 years were 27%, 40-50 years consist of 14%, 50 years and above consists of 4% only. In education level, the 13% respondents were intermediate, 57% graduate, 25% were masters' degree and 5% had qualification above Masters.

Exploratory Factor analysis

Before analyzing the model with Confirmatory Factor Analysis and Path analysis, the factor loading of latent variables was confirmed by exploratory factor analysis (EFA). The respective latent variables and items were confirmed in the same factors in measurement in construct of power distance and performance. However, some of the dimensions of the construct related to internal social capital and learning organization failed to load in the specifically of its originality. Information sharing and trust loaded as one factor in social capital construct. In like manner, the dimension of continuous learning, dialogue and inquiry, and team learning and collaboration loaded as one factor in the learning organization construct. Finally, the whole constructs were loaded in nine factors. The factor loading of the nine factors is placed in Annexure-1.

Table 2, output presents figures relating to the test for sampling adequacy (KMO) and the Bartlett's test of sphericity. KMO statistics was $0.86 > 0.5$. Likewise, the Bartlett's test of sphericity suggests that, with the overall statistical significance of the



correlations among the observed variables, can perform factor analysis. The Chi-square value (2861.408, 171) is statistically significant at ($p=0.001$). The factors are extracted with 1 or higher eigenvalues, as suggested by Guttman, considers factors with an eigenvalue greater than one as common factors (Nunnally, 1978). In the event of that, total variance as explained by the four factors was 97.052% cumulative variance.

Table 2: KMO and Bartlett's Test

| | | |
|-------------------------------|--------------------|----------|
| Kaiser-Meyer-Olkin | | .869 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 2861.408 |
| | df | 171 |
| | Sig. | .001 |

Confirmatory Factor Analysis

Bestowing to the proposed conceptual framework (see Annexure 3, 4), structural equation modeling (SEM) was considered for examining the intricate relationships among the variables and the mediating effect of power distance. First, to ensure general item consistency, scale reliability and validity was examined, followed by path analysis. The CFA structural final model can be seen at Annexure 3. At first, the filtration of the model fit items was done with the factor loading. There should be at least 3 items with significant loadings (>0.30) (Suhr, undated). Under the circumstance, to be more precise all the items had factor loading higher than 0.5 are kept.

Congruently, on the basis of the modifications indices, the model fit has been achieved. Standard residual covariance was tested for significantly decreasing the model fit. Fixing the model fit, few items in latent variables were deleted from the construct. Item 1, 2 and 3 (*TST01*, *TST02*, *TST03*) of trust dimension of internal social capital construct, Item 1 and 2 (*SV01*, *SV02*, *SV03*) of

shared vision dimension of internal social capital construct were deleted from the final model. Further, to achieve the model fit indices, following items (*LO_SL02 and LO_SL03*, *LO_SL01 and LO_SL03*, *LO_SL01 and LO_SL02*, *LO_SC02 and LO_SC03*, *LO_SC01 and LO_SC02*, *LO_EE02 and LO_EE03*, *LO_EE01 and LO_EE03*, *LO_EE01 and LO_EE02*, *LO_DI03 and LO_TLC01*, *LO_TLC01 and LO_DI01*, *PER01 and PER04*, *PER01 and PER03*) were covariate.

Model fit indices appears quite good. As in the integrated model, X^2/df is 2.404 (less than 5). The measurement model has a good fit with the data based on assessment criteria such as GFI, CFI, TLI, RMSEA (Nejatian, et, all., 2011; Bagozzi & Yi, 1988). Therefore, RMSEA = 0.068 (<0.08 , Browne & Cudeck, 1993; <0.05 , Stieger, 1990; <0.05 Hu and Bentler, 1999). In like manner, GFI=0.811, CFI=0.885 indicating model Good Fit, which is also within the upper threshold of $>.8$ (Hu and Bentler (1999). PCLOSE= 0.059 ($>.05$ Hu and Bentler, 1999). AGFI=.804 ($>.80$ Hu and Bentler, 1999). PCFI=0.670 (>0.50 James, Mulaik & Brett 1982). At least three indices must be fitted well to determine the model fit (Hair et al., 2010).

Reliability, convergent validity and discriminant validity

Reliability was analyzed with CA. FL, CR and AVE were used to test convergent validity. Likewise, MSV and ASV were used to test the discriminant validity of the measurement model. Reliability with the indices of $CR > 0.7$, Convergent Validity with the indices of $CR > AVE$, $AVE >.5$, Discriminant Validity with the indices of $MSV < AVE$, $ASV < AVE$ (threshold Hair et al., 2010). This is a satisfactory level of internal consistency of the measures and there exist some common points of convergence (Hair

et al., 2010). This indicates measurement model is according to the assumptions which were originally made, reliability, convergent validity and discriminate validity is placed in annexure 2.

Scenario of Internal social capital, learning organization, power distance and job performance in Nepalese service sector

It is generally acknowledged in the literature that the importance of social capital for entrepreneurs has been increasing (Anderson and Miller, 2003; Myint et al., 2005; Ullhoi, 2005). Likewise, in Nepalese context, the results of descriptive statistics presents a moderate level of internal social capital in Nepalese service sector. It can be interpreted with mean value of 3.71 (SD=0.668). One of most prominent factor in social capital is information sharing and trust dimension, which is found to be moderate level with mean value of 3.41 (SD=0.967) and 3.69 (0.978). This means the service organisation have been emphasizing less relate to the element of trust and information sharing seems to be prevailing within the organization. Probing further on vision sharing in these organisations, is higher with a mean value of 4.04 (0.637). Thus in short, it becomes clear that the Nepalese service organizations' employee (managers and subordinates) are full on sharing vision and matters with information sharing and trust on each other.

Learning at the group and organizational levels depends mostly on a positive propensity to teamwork and good communication between the members of the organization (Leufvén et al, 2015). As a matter of fact, the learning organisation is emerging and not so encouraging in Nepalese context. Peers and supervisors are connected in an agreeable manner. A low to

moderate level of learning involvement in the organization can be seen, which is indicated by their perception level of mean value 3.76 (SD=0.578). Overall most of the employees have emphasized on organisation trying to create a team learning and collaboration (mean =3.75, SD=0.895), friendly dialogue and inquiry (mean = 3.52, SD=0.996) and supportive working environment i.e., embedded systems and empowerment (mean=3.52 and 3.75, SD=0.919 and 0.76 respectively) by getting them more and more involved in the different processes process of continuous learning with a moderate level of strategic leadership.

It is already established that Nepalese society is a power distance society. Hierarchy in an organisation is seen as reflecting inherent inequalities. In line with the fundamental issue addressed by this dimension, this study reflects the presence of power distance in the Nepalese service organisation with a mean value of 3.65 (SD=0.741) in five point scale. Though it is not so high, but it can be determining factor of success throughout the business process or in terms of gestation of any activities in these organisation.

The result of this study showed that the employees do perceived their performance at moderate level with a mean value of 3.87 (SD=0.754). In the context of the variable that has been taken in to account in the construct of the job performance were all in high to moderate level. The employees are satisfied with their own performance, with a mean value of 4.4 (SD=0.493). This showed a positive vibe that is critical of their working environment.

The detail of the survey items and descriptive statistics are provided in Table 3.

Table 3: Descriptive statistics of the constructs (Internal social capital, learning organization, power distance and job performance)

| Construct | Dimensions | Mean | SD |
|--------------------------------|--|-------------|--------------|
| Internal Social Capital | | 3.71 | 0.668 |
| | <i>Information sharing</i> | 3.41 | 0.967 |
| | <i>Trust</i> | 3.69 | 0.978 |
| | <i>Shared vision</i> | 4.04 | 0.637 |
| Learning Organisation | | 3.76 | 0.578 |
| | <i>Continuous Learning</i> | 3.88 | 0.798 |
| | <i>Dialogue and inquiry</i> | 3.52 | 0.996 |
| | <i>Team Learning and Collaboration</i> | 3.75 | 0.895 |
| | <i>Embedded systems</i> | 3.52 | 0.919 |
| | <i>Empowerment</i> | 3.75 | 0.76 |
| | <i>System connection</i> | 4.08 | 0.796 |
| | <i>Strategic leadership</i> | 3.83 | 0.789 |
| Power Distance | | 3.65 | 0.741 |
| Job Performance | | 3.87 | 0.754 |

Path analysis – correlation and impact analysis

Following the first step of measurement model testing, the second step of analyzing the structural model was performed to test the research hypotheses which is presented in model annexure 4 Path analysis was performed by using AMOS 23v.

Correlation between the variables

Correlation between all the measures are presented in table 4. The results showed that there is a comparatively low to high correlation between internal social capital, learning organisation and job performance. Similarly, comparatively negative correlation is found with power distance. Power distance is negatively correlated with learning organisation and job performance ($r = -.376, p < 0.01$; $r = -.318, p < 0.01$).

Table 4: Correlation matrix

| Variables | PD | LO | ISC | PER |
|------------|-----------|-----------|--------|-----------|
| PD | | (-).376** | .375** | (-).318** |
| LO | (-).376** | | .648** | .605** |
| ISC | .375** | .648** | | .565** |
| PER | (-).318** | .605** | .565** | |

** . Correlation is significant at the 0.01 level (2-tailed). N=252

Impact analysis

Finally, the SEM analyses were accomplished to measure influential relationships between the variables and the mediating effect of the power distance to explain the impact of social capital, learning organization over the outcome variable job performance. The path analysis of the model results under the Regression Weights heading the standardized loadings along with standard errors and p-values are presented in table 5. When we examined the direct path coefficient between the



respective pairs of variables, all the direct path coefficients between the pairs were statistically significant. ISC to LO, ISC to JP, LO to JP has positive effect and found to be significant at 1%. In like manner PD has negative effect over JP and found to be 5% significant. This can be assumed that PD do have trifling negative impact, which may be considered towards the negative assumptions of effect towards JP.

Eventually, the regression weight had made it clear understanding of effect of ISC, LO, PD over JP. The results show ISC positively affects the JP ($\beta = 0.304, p < 0.01$), would cause JP to increase by 30.4%. Similarly, LO positively effects the JP ($\beta = 0.688, p < 0.01$), would cause the JP to increase

by 68.8%. Just as ISC too effect LO positively ($\beta = 0.516, p < 0.01$), would cause the LO to increase by 51.6%. In the event of that, it can be visualized that ISC or LO cannot be left alone, equally important is to couple with both. In particular, it is important to realize that the path to follow is creating internal social capital that can enumerate the learning organisation culture and thereupon achieving higher job performance.

Under these results, path analysis determined the theoretically based hypothesis. The hypotheses, H1, H2, H3 and H4 were verified using the values (shown in the path diagram in annexure 4 and table 5) are accepted

Table 5 : Regression Weights

| Hypotheses | Path | Estimate | S.E. | P |
|------------|----------|----------|-------|-------|
| H1 | ISC → LO | 0.516 | 0.043 | *** |
| H2 | ISC → JP | 0.304 | 0.067 | *** |
| H3 | LO → JP | 0.688 | 0.08 | *** |
| H4 | PD → JP | -0.017 | 0.031 | 0.035 |

Mediating role of power distance

To describe mediating influential structural relationships among the four research constructs that is internal social capital, learning organization, power distance and job performance. The mediation effects have been examining in terms of direct and indirect influential relationships path analysis as shown in Table 6. The mediation test was performed through SEM (path analysis) with bootstrapping, figure is placed in Annexure 5. The bootstrap estimates presented were based on 2000 sample and Bias-corrected CI at 95%. The direct effect by the construct model was performed first and later the mediation effects were analyzed based on the respective hypothesis. The first construct was mediation of PD between

LO over JP; second was mediation of PD between ISC over JP, third the mediation effect of PD between ISC, LO over JP. Notably, the result indicates that PD partially mediate the effect of LO over JP, ISC over JP. Likewise, there is a partial mediation on the effect jointly by ISC and LO over PD. Thereupon, it is worth mentioning here the importance of putting down power distance, which can lead in higher job performance by the employees' in organization. The result of mediation analysis significantly test the hypotheses. The hypotheses, H5, H6, and H7 were verified and accepted, as there is a mediation relationship in between the variables under observation.

Table 6: Summary of Hypothesis testing to identify mediation

| Hypothesis No. | Hypothesis | Direct Beta w/o Med | Direct Beta w/Med | Indirect Beta | Mediation type observed |
|--|--------------|---------------------|-------------------|---------------|-------------------------|
| H5 | LO→PD→JP | 0.695*** | 0.502** | 0.573** | Partial |
| H6 | ISC→PD→JP | 0.308*** | 0.261** | 0.471** | Partial |
| H7 | ISC→LO→PD→JP | 0.668*** | 0.647** | 0.405** | Partial |
| Note: bootstrap sample=2000; ***p=0.000, **p=0.00x and ns=not significant. | | | | | |

Table 7: Summary of Hypothesis testing to identify mediation

| Hypotheses | Result |
|---|----------|
| H5: PD will mediate the influence of LO over JP | Accepted |
| H6: PD will mediate the influence of ISC over JP | Accepted |
| H7: PD will mediate the influence of ISC and LO over JP | Accepted |

Discussion

The findings of this result addressed the gap in surviving literature presenting that social capital has a positive relation employee job performance. This result is supportive towards the studies of Reagans and Zuckerman (2001), Clopton (2012), Leana & Pill, (2006), Brass (1984), Seibert et al. (2001), Sparrowe et al. (2001), and Yang, Alejandro and Boles (2016). The mere existence of social capital cannot directly influence (Yang, Alejandro and Boles, 2016) performance. Social capital by providing employee with access to knowledge, and the learning is indeed a need of the organization. In this context, we can relate this construct with learning organization. The results in this research shows that there is a relationship of internal social capital to make and organization a learning organization and do have relationship with employee performance. This findings are in alignment with the studies of Yang, Alejandro and Boles (2016), Inkpen and Tsang (2005), Andersen (1999), Chang (2011), Mahajan and Benson (2011), Nevis et al. (1995), Baker (1980), Dobson (2008), Waddell (2004), Dyer and Singh (1998), Lane and Lubatkin (1998), Fiol and Lyles

(1985), Prahalad and Hamel (1990) and Nason (1994).

Likewise, cultural dimensions such as power distance do play role in this construct of internal social capital boost to make an organization learning and collectively for improving the performance of the employee. A strengthening of social capital might result in better collaborative learning and higher job performance. This may be stated the this may form the basis of ensuring attention when power distance is the context in the processes that create hindrance to build an internal social capital and effect the construct and performance.

The power distance plays a mediating role in partial which can be considered as a moderating variable rather than concrete understanding of mediating effect to this construct. In this interactive construct of the studied variables towards job performance in this study shows that the power distance can be path breaking rather than a path maker. Power distance is mediating in partial manner in this construct. It can mediate partially to the association of the internal social capital, learning organization and job performance that ultimately lead an organizational to success



and profitability. This study finding are aligned with the previous researches like Varella (2010), Ghosh (2011), Farh, Hackett, and Liang (2007), Langrosen (2002) and Khatri (2014), where these study mentioned a highly negative of power distance for social groups, performance, organizational progress, participation and empowerment of employees and overall organizational health. However, this study failed to support the positive impact of the power distance, as the study of Tyler et. Al. (1995) extended his model by identifying power distance as an individual differences construct expected to predict attitudes toward authority, especially as it guides those lower in power distance to connect leader legitimacy with procedural fairness. Procedural fairness can be seen in various modes like communication etc. However, the context of power distance and power exercise may be different in cultural context, it may be the determinants of culture are not the same and the strengths are varying according to the country specific culture. In the context of country like Nepal, which is scored 65 in the scale of 100 in power distance dimension of Hofstede study is supported with this study a moderate level of power distance is prevalent.

Conclusion

The objective of this study was to ascertain empirical evidence for the relationships among four variables, i.e., internal social capital, learning organization, power distance and job performance. In addition, it is to evaluate the mediating effect of power distance on job performance with the creation of internal social capital within a supportive learning organization. From the study findings, it was identified that the direct path between the internal social capital, learning organization and job performance was statistically

significant. Internal social capital and learning organization have direct positive effect over job performance. In contrast, power distance has direct negative impact over job performance. Concerning the mediating effect of power distance on the relationship between the internal social capital, learning organization and job performance, the study outcomes demonstrate the partial mediation effect of power distance between the study variables in Nepalese service organizational settings.

Implications

The next, is to connect this research finding to organizational practices in Nepalese service organization. The tendency to creating a social capital, learning organization and confound power and competition may have important organizational implications. First, based on the research findings, a supportive internal social capital initiate and play a vital role in expediting learning organizational culture. It would be very practical to go with maintaining or enhancing the internal social capital to create a learning organizational culture. Second, a supportive learning organization will bring up conducive working environment to enhance the job performance of the employees in these organization. This implies that a supportive learning culture becomes foundational for employees to be motivated and perform more efficiently by taking more proactive responsibilities in performing work tasks with enthusiasm and a sense of challenge (Schaufeli and Bakker, 2004). If we decipher about the effect of internal social capital and learning organization on employee job performance, Nepalese service organization are sturdily recommended to use a creative approach by combining various intervention tools to facilitate creating internal



social capital and simultaneously develop a learning organization. Interventions like support in work environment, consistent feedback not only from supervisors but from peers too, facilitating interpersonal relationship, creating and sharing values and cultural of learning, establishing reward systems may be employed to enhance the internal social capital and learning organization culture that can contribute to the job performance and overall organizational performance too. Conversely, in a situation where power distance is high, organizational hierarchies make decisions; people follow the organizational hierarchy rigidly and do not believe in initiating actions (Hofstede, 1991). In Nepalese service organizations, formation of internal social capital and learning organization culture does not work effectively. It would be important to put down power distance, which can lead in higher job performance by the employees' in these organization.

The implication of the study finding on power distance will be binding upon to the Nepalese service organizations. As of known, Nepalese culture is based on high power distance culture, though these organizations should be more sensitive to eliminate a wide gap in power distance. In these organization, individuals should keep low power distance relatively, in consequence employees can respond to learning culture and favorable job performance. Nepalese service organizations should consider and emphasize in information sharing including vision sharing, trust building practices for internal social capital creation. Equally important, a culture of continuous learning, dialogue, collaborative learning should be given space to grow in these organization. A supportive learning organization culture plays a catalytic role in bringing about a widespread and dramatic organizational change and improvement (Poropat, 2010). In like manner, empowering employees, establishing system of

connections and strategic leadership should be thrived. The learning and assisting to expand the learning culture and developing the environment for using from learning, emphasizing the four systems of knowledge, training, motivation and innovation can be an effective guidance for making the balance in three -dimensions of learning i.e. individual, group and organizational learning should be emphasized. Rather than minimize and avoid power, managers and employees are oriented toward helping each other expand and develop their valued resources and capacity to assist each other (Tjosvold and Sun, 2006). Then managers and employees feel that they are on the same side so that as one succeeds, others succeed and are prepared and confident to use their valued resources for mutual success (Tjosvold and Sun, 2006). These conclusions would seem to contribute substantially to positive power and productive work (Deutsch, 1975).

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Annexure -1

Rotated Component Matrix

| Variables | Item code | Component | | | | | | | | |
|-------------------------|-----------|-----------|------|------|------|------|------|------|------|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| Internal Social Capital | INF01 | .544 | | | | | | | | |
| | INF02 | .588 | | | | | | | | |
| | INF03 | .778 | | | | | | | | |
| | INF04 | .604 | | | | | | | | |
| | INF05 | .978 | | | | | | | | |
| | INF06 | .638 | | | | | | | | |
| | TST04 | .592 | | | | | | | | |
| | TST05 | .824 | | | | | | | | |
| | TST06 | .904 | | | | | | | | |
| | SV03 | | | | | .939 | | | | |
| | SV04 | | | | | .647 | | | | |
| | SV05 | | | | | .939 | | | | |
| SV06 | | | | | .788 | | | | | |
| Job Performance | PER01 | | | | | .714 | | | | |
| | PER02 | | | | | .642 | | | | |
| | PER03 | | | | | .634 | | | | |
| | PER04 | | | | | .805 | | | | |
| Power Distance | PD01 | | .904 | | | | | | | |
| | PD02 | | .848 | | | | | | | |
| | PD03 | | .532 | | | | | | | |
| | PD04 | | .672 | | | | | | | |
| | PD05 | | .619 | | | | | | | |
| Learning organisation | LO_CL01 | | | .650 | | | | | | |
| | LO_CL02 | | | .956 | | | | | | |
| | LO_CL03 | | | .763 | | | | | | |
| | LO_DI01 | | | .790 | | | | | | |
| | LO_DI02 | | | .637 | | | | | | |
| | LO_DI03 | | | .514 | | | | | | |
| | LO_TLC01 | | | .823 | | | | | | |
| | LO_TLC02 | | | .556 | | | | | | |
| | LO_TLC03 | | | .529 | | | | | | |
| | LO_ES01 | | | | | | | | .656 | |
| | LO_ES02 | | | | | | | | .706 | |
| | LO_ES03 | | | | | | | | .678 | |
| | LO_EE01 | | | | | | | .913 | | |
| | LO_EE02 | | | | | | | .756 | | |
| | LO_EE03 | | | | | | | .761 | | |
| | LO_SC01 | | | | | | .681 | | | |
| LO_SC02 | | | | | | .921 | | | | |



| | | | | | | | | | | |
|---|---------|-----------|--|-----------|--|--|------|--|--|-----------|
| | LO_SC03 | | | | | | .830 | | | |
| | LO_SL01 | | | | | | | | | .878 |
| | LO_SL02 | | | | | | | | | .594 |
| | LO_SL03 | | | | | | | | | .510 |
| Extraction | Method: | Principal | | Component | | | | | | Analysis. |
| Rotation Method: Varimax with Kaiser Normalization. | | | | | | | | | | |
| a. Rotation converged in 16 iterations. | | | | | | | | | | |

Annexure -2

| Constructs | Items | FL | CA | CR | AVE | MSV | ASV |
|-------------------------|----------|-------|-------|-------|-------|------|------|
| Internal Social Capital | INF01 | 0.544 | 0.888 | 0.909 | 0.59 | 0.35 | 0.17 |
| | INF02 | 0.588 | | | | | |
| | INF03 | 0.778 | | | | | |
| | INF04 | 0.604 | | | | | |
| | INF05 | 0.978 | | | | | |
| | INF06 | 0.638 | | | | | |
| | TST04 | 0.592 | | | | | |
| | TST05 | 0.824 | | | | | |
| | TST06 | 0.904 | | | | | |
| | SV03 | 0.939 | | | | | |
| | SV04 | 0.647 | | | | | |
| | SV05 | 0.939 | | | | | |
| SV06 | 0.788 | | | | | | |
| Job Performance | PER01 | 0.714 | 0.834 | 0.794 | 0.593 | 0.42 | 0.21 |
| | PER02 | 0.642 | | | | | |
| | PER03 | 0.634 | | | | | |
| | PER04 | 0.805 | | | | | |
| Power Distance | PD01 | 0.904 | 0.826 | 0.845 | 0.531 | 0.41 | 0.2 |
| | PD02 | 0.848 | | | | | |
| | PD03 | 0.532 | | | | | |
| | PD04 | 0.672 | | | | | |
| | PD05 | 0.619 | | | | | |
| Learning organisation | LO_CL01 | 0.65 | 0.903 | 0.911 | 0.54 | 0.39 | 0.19 |
| | LO_CL02 | 0.956 | | | | | |
| | LO_CL03 | 0.763 | | | | | |
| | LO_DI01 | 0.79 | | | | | |
| | LO_DI02 | 0.637 | | | | | |
| | LO_DI03 | 0.514 | | | | | |
| | LO_TLC01 | 0.823 | | | | | |
| | LO_TLC02 | 0.556 | | | | | |

| | | | | | |
|----------|-------|--|--|--|--|
| LO_TLC03 | 0.529 | | | | |
| LO_ES01 | 0.656 | | | | |
| LO_ES02 | 0.706 | | | | |
| LO_ES03 | 0.678 | | | | |
| LO_EE01 | 0.913 | | | | |
| LO_EE02 | 0.756 | | | | |
| LO_EE03 | 0.761 | | | | |
| LO_SC01 | 0.681 | | | | |
| LO_SC02 | 0.921 | | | | |
| LO_SC03 | 0.83 | | | | |
| LO_SL01 | 0.878 | | | | |
| LO_SL02 | 0.594 | | | | |
| LO_SL03 | 0.51 | | | | |

Annexure – 3

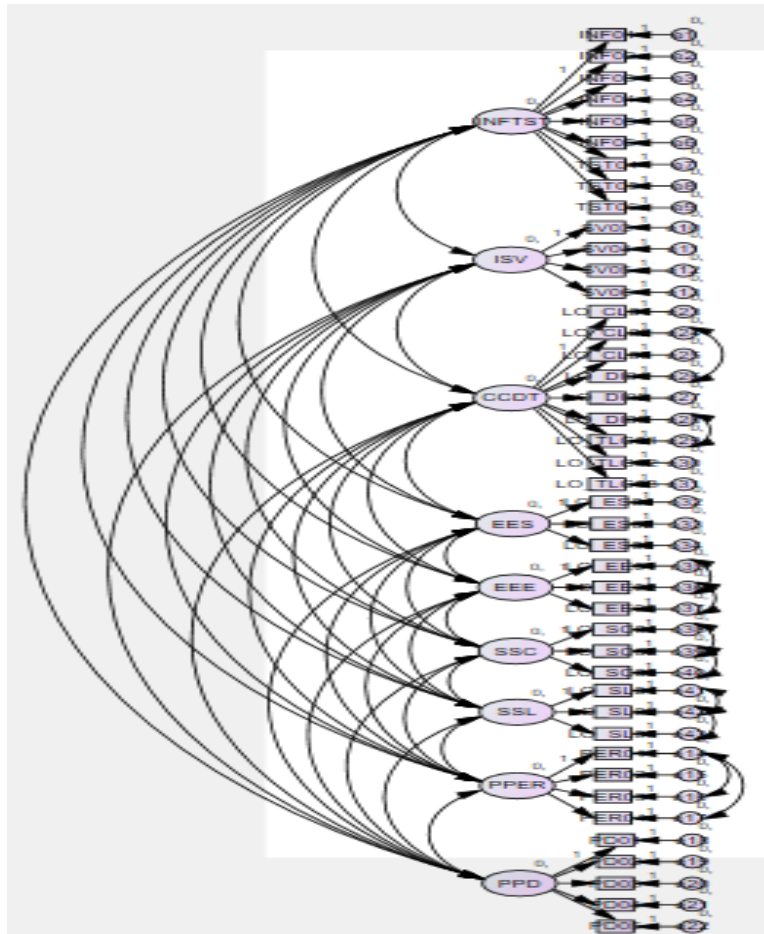


Figure : CFA model

Annexure -4

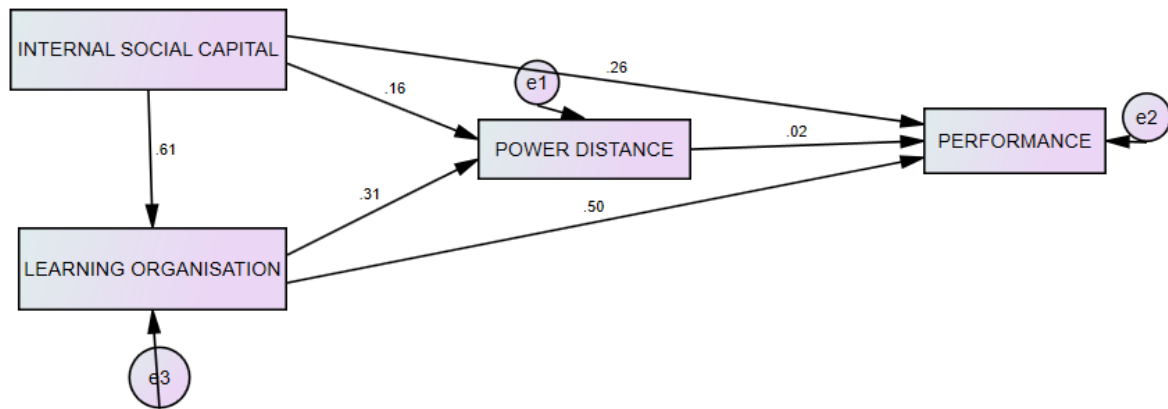


Figure: SEM Path model

Annexure -5

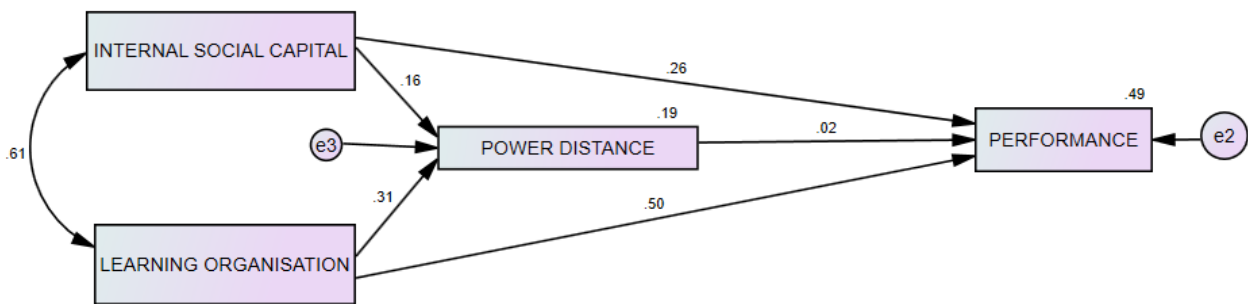


Figure: SEM Path model for mediation