Strategic Human Resource Management and Organizational Knowledge Creation Capability

Masoud Pourkiani, Sanjar Salajeghe, and Mokhtar Ranjbar

Abstract—“Strategic human resource management is a relatively new field of research that seeks to examine human resource practices from a macro perspective, examining the effects of HR practices on firm levels performance variables instead of individual level outcomes” [1]. This article focused on the antecedents of outcomes of organizational knowledge creation capability. Specifically focus is on how strategic human resource management in Iranian public organizations can be used to build and support organizational knowledge capability and how this capability is related to organizational innovation. Finally based on the results of this research, we developed the suitable model for Iranian public organization. The results showed that four configurations of SHRM were significantly related to three workforce characteristics (human capital, employee motivation and employee turnover). Also the workforce characteristics were significantly related to organizational knowledge creation capability. Finally results showed that organizational knowledge creation capability is significantly related to organizational innovation.

Index Terms—Strategic human resource management, organizational knowledge creation capability, organizational innovation and workforce characteristics.

I. INTRODUCTION

The human resource of an organization offers the potential synergy for sustained competitive advantage, when properly deployed, maintained and utilized. From the onset, the traditional HRM, the formal system for managing people in organization concerned itself essentially with transactional and administrative support services. The emergence of SHRM, concerned with the relationship between HRM and strategic management of the organization, was a paradigm shift. The strategic business partner model emphasized the proper integration or fit of HR practices with the business strategies of the organization, to generate a competitive advantage. “To perform successfully, the roles of business partner and change agent under SHRM, the HR practitioner must be highly knowledgeable, multiskilled and acquire core competencies like business knowledge, strategic visioning and global operating skills, credibility and integrity, internal consulting skills, among others” [2]. During the recent decades organizations have seen a dramatic shift in the business conditions in which they compete. Many of today’s most influential organizations do not derive strategic advantage in the same manner that firms did past years. Organizations have primarily relied on physical assets to create wealth. In recent years, emerging industries and organizations have radically changed the nature in which wealth created. These high technologies organizations have built wealth and market power based on intellectual capital. “In the new economy, organizations increasingly compete based on knowledge and rely on their human capital and knowledge workers as sources of competitive advantages. The organizations which are most likely to succeed are those that can learn how to manage and build knowledge” [3]. However few organizations know how to effectively manage their intellectual capabilities and those that do are likely to be of high performance for the forthcoming decades. “Although it has been widely recognized that our society and businesses are being driven by knowledge, few researchers have addressed how organizations create and process knowledge” [4].

II. REVIEW OF LITERATURE

A. Organizational Knowledge Creation Capability

In recent decades, there has been a paradigmatic shift in the research on organizational performance and strategy researchers have begun to focus on internal resources as the drivers of organization performance. Specifically, intangible resources are seen as being the key to sustained competitive advantage because they are difficult to identify and imitate. “Organizational knowledge creation capability, the ability of an organization to generate new knowledge through its employees, is an intangible resource which has received increased attention in recent years” [5]. This capability is seen as being essential to organizational performance, because it allows organizations to continually create new sources of advantage and adapt to changes in the environment. Organizational knowledge creation capability is crucial because it allows organizations to be innovative, thus helping them maintain or extend their strategic advantage over time. If the organizational ability to create knowledge is truly the primary source of sustained competitive advantage for organizations, then it is critical to understand how organizations can develop this capability. “New knowledge creation takes place in the minds of individuals. If organizations are to encourage new knowledge creation, then they must encourage the sharing of information between individuals” [6]. Since knowledge creation depends on the knowledge and motivation of individuals in the organization, it seems likely that organizational practices and policies which affect the human...
resource of the organization will be one of the major factors that underlay organizations knowledge creation capabilities. “Specific sets of human resource practices can be used to build unique firm competencies which will drive firm performance and provide sources of sustained competitive advantages” [7]. Thus it appears that human resource practices are most likely having a strong potential as the key driver of the ability of an organization to create knowledge.

B. Strategic Human Resource Management

The field of strategic human resources management has enjoyed a remarkable ascendency during the past two decades, as both an academic literature and focus on management practice. “The transition from the older HR practice with focus on staff matter to a subject of re-birth which focuses on linking people as organizational assets with the business strategy of the firm, means that the HR professional is performing a new and more challenging responsibility that requires new competencies and skills” [8]. One has to think outside of the limits of the traditional organizational box of HR – and develop a radically different approach to manage the human capital and create fit between HR architecture and business strategy formulation and implementation in the firm. “The HR architecture is composed of the systems, practices, competencies, and employees’ performance behaviors that reflect the development and management of the strategic human capital in a firm” [9]. Strategic human resource management focuses on the impact of human resource practices on performance at an organizational level of analysis. SHRM researchers examine the role that human resource play in organization performance, particularly focusing on the alignment of practices with organization strategy as a means of gaining competitive advantage. There are a number of issues with the research on SHRM that must be addressed in order to understand how SHRM can affect workforce characteristics and organizational knowledge creation capability. First, it is important to identify the appropriate level of analysis at which this field should be studied. Second, it is essential to identify the most appropriate way to view systems of HR practices. Third, after determining the appropriate level of analysis and the appropriate way to view systems of practices, it is critical to identify the most appropriate means with which to measure these systems of practices. Finally, it is important to understand more clearly the mediating links between bundles of HR practices and organizational performance.

C. Configurational Approach to SHRM

Managing the human resources in the organization is the traditional responsibility of the personnel manager, a precursor to human resource management (HRM). “Some scholars however equate HRM with personnel management, concerned with providing staff support in the organization. Other scholars consider HRM as a natural development of personnel management practices in the face of changing economic and business environment” [10]. The people-management discipline is undergoing continuous metamorphosis, with the recent emergence of strategic human resource management (SHRM) in organization and management literature. The authors identify the following seven themes which influenced the development of the field of SHRM:

- explaining contingency perspective and fit, shifting from a focus on managing people to creating strategic contributions, elaborating HR system components and structure, expanding the scope of SHRM, achieving HR implementation and execution, measuring outcomes of SHRM, and evaluating methodological issues. SHRM is evolving as a new approach to the management of people, and specifically focusing on integrating the human capital to business strategy to enhance organizational competitiveness. “SHRM researchers have consistently argued that organizations must internally align HR practices with one another in a coherent system that support each another and align these systems of practices with key organizational contingency variables” [11]. The internal alignment of practices with one another has commonly been referred to as horizontal fit. Researcher have argued that one HR practice may only be effective in producing desired effects when certain other HR practices are also in place. “A best approach to SHRM should explore unique bundles of practices that create value for a firm by creating workforce characteristics that produce a competency that is valuable for the organization in its competitive setting. This approach has been termed a configurational approach” [12]. Systems of HR practices lead to organizational performance only when they are properly aligned with one or more contingent variables of the organization. If organizations are creating strategic advantages through a knowledge-creation capability, then configurations of SHRM practices should be used to build the workforce characteristics (human capital, motivation, and turnover) which lead to this capability.

D. SHRM and Knowledge Creation Capability

The rapidly changing global business environment calls for high knowledge-driven human resource managers, to function effectively as strategic business partners. Human resources practitioners need to broaden their horizons, seek more knowledge and information to manage the intellectual capital effectively. This requires people, who are multi-skilled, self-responsible, visionary and able to learn, handle and lead the organization to success. The HR practitioner is also expected to develop a new mindset, as the he or she becomes a strategic partner. In fact, to be a strategic partner, the HR function must go beyond delivering services, maintaining records, and auditing. It needs to spend time being a member of the management team, doing strategic HR planning and making contributions to organizational designs, strategies developments, and strategic changes. “Organizational knowledge creation capabilities can be defined as an organization’s ability to build, organize, and supplement the knowledge and skills of its workforce for organizational efficiency” [13]. HRM processes embrace significant human knowledge and learning and may help to facilitate and enhance the level of HC in organizations. HC exists in HRM practices in the form of cumulative tacit knowledge and human skills through a sequence of HRM functions such as selection, development, and deployment of the employees.

“The level of human capital could be enhanced through specific organizational HRM functions. Organizational members carry human capital when they first join an
organization, though their level of human capital increases with time in the organization as they gain experience and new skills. A higher level of human capital is often associated with greater productivity and higher incomes or compensation, and thus likely leads to higher efficiency and improved organizational performance” [14]. Hence, HRM managers are often keen to make sure that all employees receive certain level of training in their organizations; no matter how formal or informal the training may be. Thus there is a real need for ongoing training and development coupled with meaningful work opportunities that stress work congruence and organizational fit for organizational members in any form and size of organizations. Individuals take their talent, skills and tacit knowledge with them when they leave their organizations, which may cause a loss of organizational memory posing threats to the organizations. This is because the level of human capital may decrease if the organizations do not have formal HRM practices and policies capturing the human capital that resides in the minds of their organizational members before they depart. It is therefore the interest of HRM managers to develop human resource practices, policies, and equitable reward and feedback systems to recruit and retain the best and brightest employees as a means of achieving sustained competitive advantage. “Similar to HRM, SHRM may help to enhance the level of human capital in organizations. For instance, an integrated SHRM approach involves designing and implementing a set of internally consistent HRM practices and policies that attempt to harness employees’ collective knowledge, skills and abilities towards the achievement of organizational objectives” [15]. Organizations that treat their members as knowledge workers are more likely to be able to acquire, integrate, store, share and apply knowledge; thus adding impetus to the importance of SHRM processes and HRM practices. Accordingly, SHRM strategies are probably processed more effectively if human capital is adequate within an organization as highly competent managers are more likely to perform SHRM and HRM related activities more productively. In other words, the three concepts are more inter-dependent than independent. It is the inter-dependent relationships among the three concepts that likely create greater value than the total sum of all three concepts for organizations as knowledge management and organizational learning activities frequently occur between the three concepts. In other words, organizations are likely to gain greater value if they focus on the synergistic relationships of the three concepts rather than the concepts separately.

III. RESEARCH HYPOTHESES

This research will examine three main directional hypotheses; additionally eleven sub hypothesis will be generated from the main hypothesis as follows:

A. Main Hypotheses

H1–There is a relation between strategic human resource management and organizational knowledge creation capability in Iranian public organizations.

H2–There is a relation between organizational knowledge creation capability and organizational innovation in Iranian public organizations.

H3 – There is a relation between workforce characteristics and organizational knowledge creation capability in Iranian public organizations.

B. Sub Hypothesis

H1–There is a relation between acquisition configuration of SHRM and higher levels of human capital in Iranian public organizations.

H2–There is a relation between development configuration of SHRM and higher levels of human capital in Iranian public organizations.

H3–There is a relation between commitment configuration of SHRM and employee motivation in Iranian public organizations.

H4–There is a relation between retention configuration of SHRM and employee turnover in Iranian public organizations.

H5–There is a relation between human capital and organizational knowledge creation capability in Iranian public organizations.

H6–There is a relation between employee motivation and organizational knowledge creation capability in Iranian public organizations.

H7–There is a relation between employee turnover and organizational knowledge creation capability in Iranian public organizations.

H8–There is a relation between acquisition configurations of SHRM and organizational knowledge creation capability in Iranian public organizations.

H9–There is a relation between development configurations of SHRM and organizational knowledge creation capability in Iranian public organizations.

H10–There is a relation between commitment configurations of SHRM and organizational knowledge creation capability in Iranian public organizations.

H11–There is a relation between retention configurations of SHRM and organizational knowledge creation capability in Iranian public organizations.

IV. METHODOLOGY

A survey method had been used. It is one of the most commonly applied methods of data collection using standardized measurement tools. As this research is an applied one, so correlation method was used for analyzing results.

V. TARGET POPULATION

The statistical society includes: managers, vice presidents, HRM managers and employees in Iranian public organizations. Multilevel sampling method was used in six provinces in which public organizations were chosen as the research samples.

VI. DATA COLLECTION METHOD

To differentiate the configurations of SHRM four organized questionnaires were designed: moreover, to
analyze workforce characteristics (human capital, employee motivation and employee turnover) an organized questionnaire was developed and for organizational knowledge creation capability as well as organizational innovation two organized questionnaires had been designed. To determine validity, questionnaires were distributed among 30 experts and for determining the reliability, Cronbach’s Alpha was conducted, the result of which was 88 %proving the questionnaires’ validity and reliability as acceptable.

VII. DATA ANALYSIS METHOD

The researchers have used the appropriate data analysis tools, including, descriptive statistics (E.g. mean, standard deviation) and Pearson correlation.

VIII. RESULTS

The results of analyzing hypotheses are summarized in Table1. Overall it supported the hypothesized relationships between SHRM configurations and workforce characteristics (human capital, employee motivation and employee turnover). Moreover, the proposed relationships between the three workforce characteristics and organizational knowledge capability were approved according to the results. Additionally the results suggested that the workforce characteristics mediate the relationship between the SHRM configurations and organizational knowledge capability. Finally there was a strong support for the proposed relationship between organizational knowledge creation capability and organizational innovation as well as the relationship between strategic human resource management and organizational innovation.

TABLE I: THE RESULTS OF HYPOTHESES ANALYSIS

<table>
<thead>
<tr>
<th>Research Hypotheses</th>
<th>Sig(2-tailed)</th>
<th>Pearson correlation</th>
<th>Hypotheses result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>0.000</td>
<td>0.458</td>
<td>accepted</td>
</tr>
<tr>
<td>H2</td>
<td>0.000</td>
<td>0.368</td>
<td>accepted</td>
</tr>
<tr>
<td>H3</td>
<td>0.000</td>
<td>0.537</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H1</td>
<td>0.000</td>
<td>0.542</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H2</td>
<td>0.277</td>
<td>0.089</td>
<td>no accepted</td>
</tr>
<tr>
<td>S.H3</td>
<td>0.000</td>
<td>0.307</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H4</td>
<td>0.000</td>
<td>0.287</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H5</td>
<td>0.000</td>
<td>0.441</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H6</td>
<td>0.000</td>
<td>0.621</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H7</td>
<td>0.000</td>
<td>0.061</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H8</td>
<td>0.000</td>
<td>0.517</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H9</td>
<td>0.000</td>
<td>0.814</td>
<td>accepted</td>
</tr>
<tr>
<td>S.H10</td>
<td>0.925</td>
<td>0.006</td>
<td>no accepted</td>
</tr>
<tr>
<td>S.H11</td>
<td>0.055</td>
<td>0.120</td>
<td>no accepted</td>
</tr>
</tbody>
</table>

One of the objectives of this research was to develop a suitable model for strategic human resource management with the approach of organizational knowledge capability. Based on the results of analyzing the hypotheses, as shown in table1, SHRM configurations should be significantly related to innovation, but this relationship would be mediated through the influence of the configurations on the workforce characteristics. Also the three workforce characteristics are significantly related to organizational innovation through their influence on organizational knowledge creation capability. These relationships are developed in following model.

IX. CONCLUSION AND FINDINGS

To function as a strategic business partner and successfully execute the new critical and challenging responsibilities, human resource professionals need to possess the relevant strategic skills or core competencies. This study significantly adds to the SHRM literature, because it provides support for the notion that different SHRM configurations are significantly related to organizational knowledge creation capability through the influence on workforce characteristics. Investments were made to recruit and select the best workers were shown to be related to higher levels of work experience among core employees. Contrary to predictions and presuppositions, a development configuration was not significantly related to human capital. Thus, the data support that different SHRM configurations would result in different workforce characteristics. In addition, if organizations do not have the enough resources to invest in all configurations, they should clearly identify which form of workforce characteristics is more important and invest in the appropriate configuration. The data showed that the greater use of commitment configuration is significantly related to higher levels of employee motivation. It appears that organizations can effectively increase employee's willingness to contribute their effort and knowledge by tying compensation and performance evaluations to performance and by providing internal growth opportunities. The study provides evidence that organizations can affect key workforce characteristics by aligning SHRM configurations. Therefore managers in Iranian public organizations should clearly identify the workforce characteristics they wish to build and then put a set of suitable configurations in place. Moreover, this study suggests that organizations can increase their ability to act and adapt by attracting employees who have greater knowledge and skills built through work experience. When employees in an organization have many years of work experience, they are more likely to have a good degree of overlapping understanding of the organizations’ services; thus they are more likely to be able to absorb information which is exchanged and learn from one another. Organizations can increase access to non-redundant information and ideas when their employees are motivated to share their knowledge. Further, organizations are also likely to increase productive combinations and exchanges when they establish a field of social exchange. Thus, organizations can increase their knowledge creation capability by building a workforce with a high level of relevant work experience, motivating employees to share their knowledge and retaining employees who have key knowledge and skills. Finally, the results showed significant relationships between organizational knowledge creation capability and organizational innovation, therefore, organizations with a greater knowledge creation capability
are more likely to be able to adapt and succeed when encountered with dilemmas or entangled in critical situations. Thus organizations must enforce organizational knowledge creation capability and increase innovation to sustain long term organizational success and guarantee their survival in future competitive markets.

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Fig. 1. Strategic human resource management, using organizational knowledge creation capability approach.

Mokhtar Ranjbar was born in Lamerd, Iran. PHD Candidate, Public management, Islamic Azad University, Kerman branch, Kerman, Iran. Master of Business administration (Marketing), Shahid Beheshti University, Tehran, Iran, 2007. Batch of Business administration, Hormozgan University, Bandar Abbas, Iran, 2005. Lecturer and head of the department of management, Islamic Azad University, Lamerd Branch, 2008- To date. Member of Research Committee, Islamic Azad University, Lamerd Branch, 2009- To date. Member of Educational Committee, Islamic Azad University, Lamerd Branch, 2009- To date. Marketing Expert in Fanava group, Tehran, 2005-2007. Research Experience: Website as a Brand, Tehran, Iran, Noavaran Sharif Publication, 2010. Customer Relationship Management Measurement in Relationship with Marketing, Tehran, Iran, advertising Knowledge Journal, vol. 25, pp. 25-36, 2008. A
