

# Revista Europea de Dirección y Economía de la Empresa

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### Article

### The mediating effect of strategic human resource practices on knowledge management and firm performance



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#### ARTICLE INFO

Article history: Received 7 April 2014 Accepted 17 March 2015 Available online 30 June 2015

JEL classification: D830 L250 M500

Keywords: Knowledge management Strategic human resource practices Firm performance

Códigos JEL: D830 L250 M500

Palabras clave: Gestión del conocimiento Prácticas estratégicas de recursos humanos Resultados de la empresa

#### ABSTRACT

Previous empirical evidence has suggested that knowledge management and human resource practices can interact in order to improve firm performance. Based on this idea, the purpose of this study is to propose and test an integrative model that examines strategic human resource practices as a catalytic mechanism influencing the effectiveness of knowledge management. Our findings confirm that knowledge management strategies positively influence firm performance through certain high work performance practices – selective staffing, intensive training, active participation, comprehensive performance appraisal, and performance-based compensation – highlighting the mediating role of human resource management in this relationship and the need to align human resource practices with organizational strategies.

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### Gestión del conocimiento y resultados empresariales: efecto mediador de las prácticas de recursos humanos

RESUMEN

La evidencia empírica previa señala que tanto la gestión del conocimiento como las prácticas de recursos humanos pueden interactuar de diversas formas para mejorar los resultados de la empresa. Partiendo de esta idea, el objetivo de este trabajo es proponer y contrastar un modelo que examina la gestión de recursos humanos como mecanismo catalizador de la efectividad de la gestión del conocimiento. Nuestros hallazgos confirman que las estrategias de codificación y personalización del conocimiento influyen positivamente en los resultados de la empresa a través de determinadas prácticas estratégicas de recursos humanos de alto rendimiento, lo que confirma el papel mediador de la gestión de recursos humanos en dicha relación y la necesidad de ajustar las prácticas de recursos humanos a las características estratégicas de la organización.

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### Introduction

Today most of the companies operate in complex and dynamic environments, where competition is constantly increasing and, therefore, the traditional sources of competitive advantage do not

\* Corresponding author. *E-mail addresses*: aaragon@um.es (A.A. Sánchez), gresanma@um.es (G.S. Marín), am.muesesmorales@um.es (A.M. Morales). guarantee the survival of the organization, creating a need for rapid adaptation. This situation is leading to a redefinition of business strategies (Pfeffer, 1994; Wernerfelt, 1984). There is much debate about the need to pay greater attention to strategic resources and how they are managed, especially those capable of providing economic value and competitiveness for companies. Barney (1991) argues that intangible resources can become a source of sustainable competitive advantage to meet the requirements of value and inimitability (Barney, 1991; Black & Boal, 1994). In this sense, knowledge and human capital are important assets for organizations and an

effective management of those assets can make possible for companies to leverage the knowledge and skills of employees while developing human resource management models tailored to the needs the environment, contributing to the improvement of firm performance (Soliman & Spooner, 2000; Yahya & Goh, 2002).

While some studies have noted that knowledge management promotes firm performance (Chen & Huang, 2009; Hsiao, Chen, & Chang, 2011; López-Nicolás & Meroño-Cerdán, 2011; Palacios & Garrigós, 2006; Rašula, Bosilj Vukšić, & Indihar Štemberger, 2012), others studies argue that it is human resource management that helps to improve this performance (Becker & Gerhart, 1996; Chen & Huang, 2009; Collins & Clark, 2003; Huselid, 1995; Youndt, Snell, Dean, & Lepak, 1996). In addition, some research suggests that knowledge management and human resource management are closely related (Afiouni, 2007; Haesli & Boxall, 2005; Oltra, 2005; Theriou & Chatzoglou, 2008; Wang, Chiang, & Tung, 2012). The majority of these studies opt for analyzing the mediating effect of knowledge management in the relationship between human resource management and firm performance (Jackson, Schuler, & Jiang, 2014).

Surprisingly, few studies have suggested an inverse relationship between these concepts, which might be expected considering the potential strong interaction between knowledge management and human resource management (Chuang, Jackson, & Jiang, 2013; Liao, 2011; Shih & Chiang, 2005). Therefore, the main objective of this work is offering a different perspective on the role human resource management, responding also to recent calls for alternative causal models to analyze the catalytic or mediating role of human resources management in the relationship between knowledge management and firm performance (Jackson et al., 2014; Jiang, Takeuchi, & Lepak, 2013). This new perspective is important to the extent that it can determine whether certain systems of human resource management are able to translate organizational needs and strategies into a package of strategic human resource practices that can foster alignment of employee behaviors, thereby producing better outcomes for the organization (Jiang et al., 2013). Thus, recognizing the need for empirical studies to analyze the role of human resource management systems as catalytic mechanisms in developing organizational strategies and goals (Jiang et al., 2013), we examine the mediating effects of certain strategic high performance work practices in the areas of staffing, training, participation, performance appraisal and compensation (Chen & Huang, 2009; Huselid, 1995). It is expected that these practices can mediate the relationship between knowledge management measured through codification and personalization strategies - and firm performance. The relationships are examined using structural equation modeling methodology in a sample of 191 Spanish industrial companies.

The specific contributions of this study can be summarized in three parts. First, it extends the limited literature that recognizes the need for alignment of the human resource management strategies as a mediator of knowledge management for the company that links the goals of the company and its improved performance (Jiang et al., 2013; Wang et al., 2012). Second, it supports the idea that managing the knowledge employees, through strategic human resource practices, is essential for organizations to maximize their performance (Chuang et al., 2013; Liao, 2011). Finally, it helps to explain the relationships between certain specific strategies of knowledge management and the high performance work systems, from the perspective that they contribute to firm performance (Chen & Huang, 2009; Snell & Youndt, 1995).

The work is divided into four sections. First, theoretical and empirical contributions related to the relationships between the variables that are included in the research model are reviewed. Second, methodology employed to test the model is described. Third, results are presented, ending with conclusions and discussion of

the results obtained. This final section also highlights the main implications for future research.

### Research background and hypotheses

Knowledge management and firm performance

Knowledge can be defined as information combined with experience, context, interpretation and reflection (Davenport & Völpel, 2001). Knowledge is considered a valuable resource for organizations when it is incorporated in human capital, allowing companies to improve their distinctive competencies (Grant, 1996; Hansen, 1999; Spender, 1996). Although literature includes numerous types of organizational knowledge, the most frequently used framework is that which distinguishes between tacit and explicit knowledge (Afiouni, 2007; Hussi, 2004; Polanyi, 1966; Spender, 1996). While codified or explicit knowledge is transmitted through formal and systematic language, and may take the form of software, patents, diagrams and the like, tacit knowledge is acquired through experience and resides in the human mind. That is, tacit knowledge is situational and subjective nature and thus it is difficult to formalize, communicate and share with others (Martensson, 2000; Polanyi, 1966). It should be noted that much organizational knowledge is tacit, and it is considered an important source of competitive advantage (Ambrosini & Bowman, 2001). There are two basic strategies for knowledge management: a codification strategy based on explicit knowledge, and a personalization strategy based on tacit knowledge (Choi & Lee, 2003; Hansen, Nohria, & Tierney, 1999). Codification extracts knowledge from people and stores it with the help of technological systems for re-use. Personalization emphasizes dialog and personal contact to share and manage knowledge (Hansen et al., 1999). However, these two strategies are not mutually exclusive, and may function together in some combination (Hussi, 2004). Thus, from the point of view of business effectiveness, knowledge, both tacit and explicit, is recognized as a key resource that can produce competitive advantage if it is managed properly (Wang et al., 2012). Nonaka and Takeuchi (1995) view knowledge management as a tool that allows the company to emphasize and promote the productivity, flexibility and creativity needed to increase its value and competitiveness (Davenport & Völpel, 2001; Salojärvi, Furu, & Sveiby, 2005).

Research on how and under what circumstances the various knowledge management strategies lead to better outcomes has provided ample evidence that generally support the positive relationship between the knowledge management and firm performance (Yang, 2010). For example, López-Nicolás and Meroño-Cerdán (2011) show that the two knowledge management strategies of codification and personalization are mechanisms through which companies manage to achieve greater effectiveness and performance. Adopting a broader approach, Palacios and Garrigós (2006) find that six knowledge management practices - knowledge; learning; organizational understanding; innovative culture; individualized approach and skills - have a positive and significant effect on firm performance. Chen and Huang (2009), taking a more holistic approach, notice that the implementation of knowledge management systems has a positive and significant influence on the financial and operational performance of organizations. Also, the study of Hsiao et al. (2011) show that the capacity to manage the acquisition and dissemination of knowledge are positively related to the firm's performance, and point out that social interaction increases the strength of the relationship between knowledge management skills and performance. Finally, Rašula et al., 2012 show that the four strategies of creation, accumulation, organization and use of knowledge have a positive impact on company performance.

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