



# The search for skills: Knowledge stars and innovation in the hiring process

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## KEYWORDS

Knowledge stars;  
Dynamic capabilities;  
Search and selection  
processes;  
Strategic human  
capital;  
Tacit knowledge

**Abstract** The effective utilization of knowledge has become an important part of how firms gain competitive advantage in the marketplace. However, the recruitment, search, and selection processes used to obtain workers who would develop and deploy that knowledge have not materially changed for many years, with human resources (HR) frequently automating legacy procedures. We believe that the hiring processes for exceptional knowledge workers, whom we call *knowledge stars*, must adapt to the current business environment. Using the framework of architectural innovation, we propose that HR's recruitment of knowledge stars should begin before specific jobs are announced, should be done in partnership with line managers, and should be done in coordination with implementation of other workplace innovations such as the development of communities of practice and participative management. We conclude by discussing how changes in the search processes for knowledge stars fit in context with some other ongoing challenges for HR personnel.

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## 1. The importance of acquiring knowledge workers

The rise of knowledge workers in the economy is not a new phenomenon. For decades, Peter Drucker suggested that specialized information would increase in importance for organizations seeking to gain competitive advantage, and workers who had specific information in strategically crucial

positions would increase in demand (Drucker, 1959, 1999). Much of the knowledge these key workers retain is learned in a tacit manner, gained from their experiences and in the socialization processes of the workplace (Nonaka & Takeuchi, 1995). Often, this specialized, tacit knowledge cannot be easily transferred, communicated, or replicated (Nonaka & Takeuchi, 1995; Nonaka, Toyama, & Peltokorpi, 2011; Polanyi, 1966), making it challenging to develop internally and even more challenging to acquire in the marketplace. Thus, as specialized knowledge becomes more critical, effective search and screening processes for employees with such knowledge become essential and

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potentially game changing for many firms. This is particularly true in the search for employees we call *knowledge stars*, who are not in upper-level positions but whose knowledge of critical firm capabilities leads to outsized individual and firm performance. Knowledge stars fill newer technology-oriented roles like data scientist, search engine optimization specialist, and factory robotics expert, as well as more traditional positions like petroleum engineer, claims adjuster, or factory foreman.

But have the traditional search and screening processes kept up with the drive for knowledge stars? One possible negative indicator is that since at least 2012, a number of CEOs have complained about their inability to find skilled workers (Coombs, 2013; Cox, 2012; Davidson, 2012; Maurer, 2017). We can expect that knowledge stars, even more than workers with general skills, will become more crucial yet more difficult to hire. While some changes have been made, we believe the underpinnings of the search and screening processes do not reflect the impact of knowledge stars in the workplace. Moreover, search processes (i.e., recruitment), while somewhat less of a concern than the screening process (i.e., selection and hiring), can be too limited or isolated given strategic needs of firms in the 21<sup>st</sup> century. In the context of the development of firm knowledge and dynamic capabilities, we propose a new perspective on search and screening processes for knowledge stars. Using the framework of architectural innovation (Henderson & Clark, 1990), we show how major changes may need to be made to HR protocols if firms are to identify and select employees who can provide competitive advantage.

## 2. Gaining competitive advantage through knowledge hiring

Research has shown how having superior knowledge can yield sustainable advantage for firms over their competitors (Barney, 1991; Grant, 1996; Nonaka & Takeuchi, 1995; Spender, 1996; Zahra & George, 2002), making the acquisition and development of human capital critical. Knowledge ultimately comes from people, and the knowledge that is developed from years of experience can be used to create and maintain competitive advantage. Knowledge includes the development of relevant concepts, technologies, and expertise but also the development of experiences, systems, and routines. Over time, as the organization continues to deploy knowledge, it becomes path-dependent (Ambrosini & Bowman, 2010; Zahra & George, 2002; Zollo & Winter,

2002); that is, the knowledge that gives you an advantage at point C is a function of what you learned previously at points A and B. The fact that other firms would not have the same background, training, or experiences creates inimitability (i.e., other firms cannot imitate your firm) and causal ambiguity (i.e., other firms don't fully understand how you do what you do) (Ambrosini & Bowman, 2010; Barney, 1991; Dierickx & Cool, 1989), thereby fostering competitive advantage that may be sustainable. Barriers to imitation such as unique systems, technologies, or reputation (Grant, 1996; Spender, 1996) are constructed in part through developing human capital (Ployhart & Moliterno, 2011).

However, a complicating factor is how much is known individually and how much is known collectively through socialization processes within the activities of the organization (Crocker & Eckardt, 2014; Nonaka et al., 2011; Zahra & George, 2002). For example, Groysberg, Linda-Eling, and Nanda (2008) showed that some star knowledge is not transferable to new situations because the knowledge context and organizational priorities are not the same. From this perspective, HR's task in hiring knowledge stars is complex. To maximize firm performance, HR must hire employees that have exceptional skills and tacit understanding but who also will be able to fit into the organizational culture and systems. The question, then, is: Do the current search and screening processes capture the unique knowledge of the individual, and how well will the prospective employee fit in with ongoing organizational routines?

Moreover, researchers (Barreto, 2010; Eisenhardt & Martin, 2000; Teece, Pisano, & Shuen, 1997) suggested that in order to sustain any competitive advantage through effective resource deployment, firms must develop *dynamic capabilities*: the capacity to fine-tune or alter firm capabilities in order to adapt to changes in the external environment. Dynamic capabilities are created primarily from the knowledge and skills of the people in the organization, but these are impacted by the systems the organization creates to manage its businesses (Barreto, 2010; Eisenhardt & Martin, 2000). From experience and tacit knowledge, management knows when to change or adapt (Teece, 2007, 2014). What the firm's resources have been in the past, when its decisions have been made, and what the particular changes were all influence the adaptation possibilities (Ambrosini & Bowman, 2010; Barreto, 2010).

In this context, search and screening processes should aid the organization in developing dynamic capabilities. Hiring processes should consider whether knowledge stars would be a good fit, since

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