



# The moderating effect of human resource management practices on the relationship between knowledge absorptive capacity and project performance in project-oriented companies

Sujinda Popaitoon<sup>\*</sup>, Sununta Siengthai

*School of Management, Asian Institute of Technology, KM.42, Paholyothin Road, Pathumthani 12120, Thailand*

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## Abstract

In response to recent calls for research on human resource management (HRM) in project management, this research investigates the links between HRM practices, the project team's knowledge absorptive capacity (ACAP) and project performance in project-oriented companies (POCs). Based on survey data from 198 projects in multinational companies (MNCs) in the Thai automotive industry, this research finds that HRM practices moderate the effects of a project team's knowledge ACAP on project performance, in particular of *potential* ACAP on long-run project performance. In addition, HRM practices covary with a project team's *realized* ACAP, the other dimension of ACAP, to affect short-run project performance. This research sheds light on the different roles that HRM practices play in a project, finding that HRM practices not only facilitate knowledge management from the current project to future projects but also strengthen the relationship between a project team's knowledge ACAP and long-term project performance. This research contributes to the understanding of HRM in the literature of project management.

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## 1. Introduction

Recently, many multinational companies (MNCs) have shifted toward operating as project-oriented companies (POCs), adopting temporary organizational formats to deal with an increasingly complex environment through projects (DeFillippi and Arthur, 1998; Hobday, 2000; Sydow et al., 2004; Turner et al., 2008). Managing such projects, particularly in product development, is very challenging due to the pressures of global standards and time to market (Lindkvist et al., 1998). Although project performance can be simplistically measured by the cost–time–quality triangle (Pinto and Slevin, 1988; PMI, 2008), many successful projects may not be seen as quality projects in terms of project learning

and reflection (Bakker et al., 2013; Keegan and Turner, 2001; Raelin, 1997). Scholars such as Wheelwright and Clark (1992) and Grant (1996) argue that the two most important contributing factors for project success, in particular for enhancing project learning, are human resource management (HRM) practices and a project team's knowledge absorptive capacity (ACAP). Knowledge ACAP refers to a team's prior-related knowledge that results from the cumulative knowledge gained during previous product development projects (Cohen and Levinthal, 1990; Zander and Kogut, 1995). A project team's knowledge ACAP contributes to a project's success by creating a faster process of knowledge utilization and knowledge creation during time-limited projects (Clark et al., 1987; Tsai, 2001). In the project management literature, HRM practices are found to contribute to project success by facilitating knowledge management, for instance by stimulating knowledge sharing through reward systems, improving project-related knowledge through training and development, and providing career development (Kase et al., 2009; Turner et

<sup>\*</sup> Corresponding author at: School of Management, Asian Institute of Technology 12120, Thailand. Tel./fax: +66 2 524 5657.

E-mail addresses: [sujinda.popaitoon@ait.asia](mailto:sujinda.popaitoon@ait.asia) (S. Popaitoon), [s.siengthai@ait.asia](mailto:s.siengthai@ait.asia) (S. Siengthai).

al., 2008). Evidently, both HRM practices and a project team's knowledge ACAP are significantly related to project performance, but the links between these constructs have seldom been tested (Chuang et al., 2010; Clark and Colling, 2005). Accordingly, this research aims to investigate the effect of HRM practices and a project team's knowledge ACAP on project performance.

Based on an understanding of the multi-dimensionality of knowledge ACAP, Zahra and George (2002, p. 185) argue that knowledge ACAP is a dynamic capability pertaining to knowledge utilization (or realized ACAP) and knowledge creation (or potential ACAP). These two types of ACAP work together to enhance the ability of the project team. In particular, realized ACAP has been found to affect project performance in the short run, for instance in innovation. In contrast, potential ACAP has been found to affect project performance in the long run (Zahra and George, 2002). Thus, a project team's knowledge ACAP contributes to project innovativeness in the short run and to business strategic flexibility in the long run (Jansen et al., 2005; Ritala and Hurmelinna-Laukkanen, 2013). Many studies of product development have found that firms often undertake a series of product development projects (Hobday, 2000; Wheelwright and Clark, 1992). Despite this, most studies investigate a particular project's short-run performance, and few focus on project performance in both the short and long run. For example, in terms of long-run project performance, Bakker et al. (2013) found that project teams are more likely to process information systematically as part of a broader effort to understand information and to enhance knowledge creation. Similarly, Braun et al. (2013) found that the relationship quality among project members can be improved in the longer time, leading to better project citizenship behavior. Given these findings, scholars have begun to pay more attention to project performance in both the short and long run and have raised many salient issues, particularly the process of knowledge transfer from current to future projects, the cultivation of long-term competence, and the career development of project members (Brady and Davies, 2004; Keegan and Turner, 2001; Turner et al., 2008). Thus, the role of HRM practices as part of a project should go beyond the facilitation of project operations to include these additional aspects of project management.

This research explores variance in short- and long-run project performance using a multi-dimensional understanding

of knowledge ACAP that encompasses realized and potential knowledge ACAP. This research also investigates the moderating effects of HRM practices on the relationship between project performance and knowledge ACAP. This research responds to the calls for research on HRM in POCs (Chuang et al., 2010; Söderlund and Bredin, 2006; Turner et al., 2008), knowledge capture from project to project (Brady and Davies, 2004; Keegan and Turner, 2001; Turner et al., 2008), and the links between the dimensions of ACAP and project performance (Shenhar et al., 1997; Zahra and George, 2002). This research aims to provide insight into how knowledge is captured from a project and transferred to subsequent projects and, in particular, the critical role that HRM practices play as a moderator in this relationship. Our results reveal that HRM practices moderate the relationship between a project team's *potential* ACAP and long-run project performance. Moreover, HRM practices explain short-run project performance in addition to the *realized* ACAP. In the following sections, we first review the relevant literature and develop a set of hypotheses (as shown in the research model in Fig. 1). After outlining the research methodology, we describe and discuss the empirical findings of our hypotheses tests. Finally, the article concludes by discussing the implications of these findings for both theory and practice.

## 2. Theoretical background and hypotheses

### 2.1. Project performance

Project-oriented companies (POCs) are temporary organizations that integrate diverse resources and expertise to deal with increasingly complex environments through projects (Hobday, 2000; Sydow et al., 2004; Turner et al., 2008). Project-oriented companies can overcome traditional barriers to organizational change and innovation, as the benefits of projects include increased technical and product complexity, shortened time to market, and rapid response to client needs (Hobday, 2000; Sydow et al., 2004). In the literature, POCs are found in a wide range of industries, both in services (e.g., DeFillippi and Arthur, 1998) and in manufacturing (e.g., Hobday, 2000). Projects in POCs can be constituted in many contexts. For instance, Sydow et al. (2004, p. 1478) described projects as occurring on four levels: 1) organizational units, in which the project is embedded in a functional or business

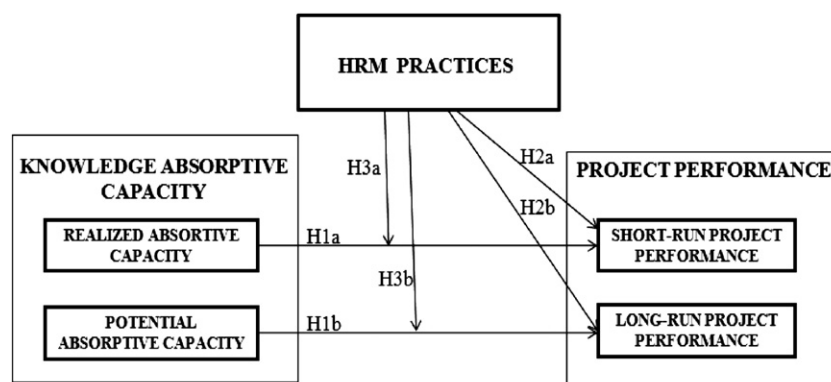


Fig. 1. Illustration of our hypothesized relationships in this research.

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