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Title

**Integrating Knowledge
Management and Human
Resource Management for
Sustainable Performance**

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Abstract

Strategic knowledge is increasingly becoming an engine for change and creativity in many industries

and organizations: enabling effective operational and strategic initiatives. Existing literature in knowledge management (KM), however, has focused mainly on generic

outputs obtainable from KM systems. This paper examines the strategic relevance of KM in enhancing human capital management in firms. To achieve this objective we

present a detailed literature review on the implications of KM on effective human resource development, and the consequences for an organization's ability to

sustain competitive position in the marketplace. We propose that firms that develop and apply strong KM culture would be able to achieve consistent high

performance. In addition, when a firm is able perform better than competitors; such a firm would be able to achieve sustainable advantage. This paper could

serve as a frame of reference for researchers, and could enable practitioners to gain better understanding of key requirements for maintaining competitive performance in

this 21st century via effective integration of KM and human capital initiatives.

Keywords: Human Resource Management, Knowledge,

Knowledge Management, Sustainable Performance, Malaysia

Introduction

For many countries, the degree of knowledge application is becoming a key measure of human capital and

industry. Today's
technologically advanced
economies are setting great
examples of typical
knowledge-based economies

(World Development Report,
1999)

Work in developed economies
has migrated from
agricultural to manufacturing

and more recently to service/knowledge based. The migration comes with two notable developments, both of which carry significant implications for human capital

management (HCM) (Charles and Jean-Marie, 1999). The two notable developments are:

1. An evolution from
rational (engineered,
fragmented, bureaucratic)
to natural (organic,
psychosocial, humanistic)
to open systems frames of

meaning in the
management and
organizational literature
(Charles and Jean-Marie,
1999). This caused a
transformation from the

Old Economy to the New Economy, from an emphasis on the main forms of production being capital, land and labor to an emphasis on

information knowledge
and technology. The New
Economy is moving
beyond bulk-material
manufacturing to
designing new

technologies, beyond
processing physical
resources to processing
knowledge, beyond
applying raw energy to
applying ideas (Lang,

2001). Because of this, it is commonly observed that organization designs and managerial practices are becoming more differentiated, less

bureaucratic, less reliant
on hierarchical authority
structures and more
psychosocially integrative
(Charles and Jean-Marie,
1999)

2. The development involves the post-industrial revolution, which, spurred especially by the information revolution,

has installed knowledge as a primary factor of production. In the early 1990s, the classical factors of production – land, labor and capital –

are becoming secondary to knowledge as the primary resource for the New Economy (Charles and Jean-Marie, 1999).

In view of the above developments, it is now accepted that the productive economic core is being relocated from land, labor, capital and machinery to

intellectual resources, which emphasize information, knowledge and technology. The increasing knowledge-based nature of competition is driving changes in how value

chains are managed across companies. It also signals a demographic shift in the workforce to knowledge work, whose mobile exponents demand a different

type of work environment and executive leadership.

The evolution in technology has enhanced the borderlessness of the global

market place and global knowledge work. Global e-commerce and e-business as well as unprecedented e-money flows develop speedily. The organizational structure

in the knowledge economy is more flexible and leaner as the business direction is now focusing more on the upstream activities, which demand knowledge workers

who are skilled in the application of knowledge and the use of information and communication technology (ICT). In other words, it

requires more strategists
rather than doers.

Flexible and lean
organizations reduce waste
and increase the productivity

of both labor and capital by integrating 'thinking' and 'doing' at all levels of their operations. In doing so, they eliminate many layers of middle management, which

are dysfunctional in terms of information flow. Flexible organizations also avoid excessive specialization and compartmentalization by defining multi-task job

responsibilities (which calls for multi-skilled workers) and by using teamwork and job rotation.

In view of the above trends in the new economy, there is a need for firms in Malaysia to break through and shift to the knowledge economy recognizing knowledge as a

core competence based on skills and experience. In the next sections, therefore, we highlight the key developments associated with knowledge economy,

introduced the term
knowledge worker, define
knowledge and knowledge
management (KM), link KM
and HCM, and identify the

performance relevance of KM
and HCM integration.

The Knowledge Economy

The Knowledge-Economy

Plan in Malaysia was

advocated by the former Prime Minister, Datuk Seri Dr Mahathir Mohammad in March 2000, with the aim of transforming Malaysia into a knowledge-based economy by

strengthening human
resources development and
shifting the industrial
structure to high value added
production through fostering
the IT industry. The goal is to

transform Malaysia into an advanced K-economy by the year 2020. To achieve this, the early stage of transformation began in 2001 and continues through 2003 (and beyond)

with national and corporate plans and budgets earmarked for this purpose. The mid stage of transformation is targeted to be in 2010, when Malaysia will be fully

compliant with the “new WTO” (K-economy policy, 1999, page 6). However, it is hoped that the evolution will happen more quickly because the best practices will serve as

examples, which help
Malaysia avoid reinventing
the wheel.

A Steering Committee has also
been established to guide and

supervise the development of the National K-economy Master Plan. The Committee is chaired by the Secretary General of the Treasury, with representatives from the

Economic Planning Unit,
Ministry of International
Trade and Industry, Bank
Negara Malaysia, the
Malaysian Industrial
Development Authority, the

Inland Revenue Board, ISIS, the Malaysian Institute of Economic Research, the Multimedia Development Corporation and MIMOS as members. A Task force has

also been established to identify high quality projects, including K-economy projects that qualify for special tax and non-tax incentives.

In view of the above development, the knowledge economy has become the nation's main agenda and focus in the 21st century. The challenge for Malaysia will

now be to define a niche area
to form a new
competitiveness paradigm.
This will mean that Malaysia
needs to work very hard to be
on par with other countries.

The time is right for such a shift by injecting a catalyst such as knowledge and advances in technology into all sectors of the economy.

The world has changed:
Exploiting the K-
economy within the
globalized trade
environment has become
the current focus of

attention for many countries, which aspire to remain competitive. The trend in the economic growth is now favouring industries with

high knowledge content
because of the transition
from a production
economy to knowledge
economy. Thus, Malaysia
must also respond

similarly to the
challenges and
opportunities offered by
the emerging K-economy.

Change in employment:
Employment in the
knowledge economy is
characterized by
increasing demand for
more highly skilled

workers who are also enjoying wage premiums (OECD, 1996). Changes in technology, and particularly the advent of information technologies,

are making educated and skilled labor more valuable and unskilled labor less so. Studies in some countries show that the more rapid the

introduction of
knowledge-intensive
means of production,
such as those based on
the information
technologies, the greater

the demand for highly skilled workers.

Other studies show that workers who use advanced technologies, or are employed

in firms that have advanced technologies, are paid higher. This labor market preference for workers with general competencies in handling codified knowledge is having

negative effects on the demand for less skilled workers (OECD, 1996). In the knowledge-based economy, individuals employed in knowledge work perform

symbolic analytic services,
namely problem-identifying
and problem-solving services
by consultants, brokers,
professors, etc. The value of
symbolic-analytic services is

not a direct function of how much time is spent on the job but rather creativity. This work is called real work, the work of thinking about and acting on ideas relating to

products, markets and customers (Lang, 2001).

The Knowledge Worker
Generation X has joined the workforce of the new

economy. Unlike the baby boomers who preceded them, generation Xers cannot and do not seek lifelong employment but they do crave life-long learning (Maureen and Elaine,

2002). This group of generation seek employability over employment: they value career self-reliance.

Generation X has joined a workforce dominated by 77

million baby boomers, many of whom, because of poor financial planning or personal satisfaction derived from work, do not willingly make room for Xers on the

corporate hierarchical ladder (Maureen and Elaine, 2002). As a result the generation Xers perceive that, even if they excel, they cannot move up so they move on. Due to

this reason, Xers are seen as preparing themselves for careers not for tenure in a specific organization since they cannot hope for career-long support from the

organization. They are also increasingly self-reliant with high human capital, technical skills, education, learning and experience.

With increasing competition in professional work and a generation of baby boomers about to retire, many organizations are concerned about losing expertise. The

statistics are alarming. In the US, more than 25 percent of the working population will reach retirement age by 2010, resulting in a potential worker shortage amounting to nearly

10 million people (Winkelen and McDermont, 2008).

Definition of knowledge

In the new economy of the new millennium, knowledge

has emerged as an asset to be valued, developed and managed. It is a critical factor affecting an organization's ability to remain competitive in the new global

marketplace. Indeed, some argue it has supplanted the traditional factors of production – land, labor and capital – to become the pre-eminent corporate and

competitive resource
(Maureen and Elaine, 2002).
This is because knowledge
does not wear out and people
can duplicate it practically
without cost. It is a source of

value and productivity, where knowledge can add value to an otherwise closed, zero-sum system of value and it can increase value without

diminishing it somewhere else.

Knowledge is defined as the ability to sustain the coordinated deployment of

assets and capabilities in a way that helps the firm achieve its goals (Fawzy and Soliman, 2000). These assets, or "Knowledge Treasures", need a knowledge map which

describes how to find, what to find and where to find useful knowledge within the organization. Acquisition and enhancement of these assets have become crucial

management concerns (Al-Atahari and Zairi, 2001).

Knowledge or "intellectual capital", could be in three forms, namely:

1. Human capital (evidenced in staff's knowledge, skills and talents);
2. Structural capital (comprised of systems for

codifying, storing,
transmitting and sharing
knowledge); and

3. Customer capital
(resulting from
connections between

organizations and clients,
vendors and partners)
(Fawzy and Soliman,
2000).

More recently, Audrey and Smith (2001) define knowledge as understanding, awareness, familiarity acquired through study, investigation, observation, or

experience over the course of time. It is an individual's interpretation of information based on personal experiences, skills, and competencies.

To the organization,
knowledge is defined as what
people know about
customers, products,
processes, mistakes and

success (Audrey and Smith, 2001). They further add that such knowledge resides in databases or through sharing of experiences and best practices, or through other

sources both internal and external to the organization. There are many arguments in the literature stressing that knowledge is the subject for companies to focus on

because of the increasing competitive market place. For instance, in classical economies, the sources of wealth are land, labor and capital (Civi, 2000). However,

in this 21st century, other engines of wealth are at work. It takes many forms: technology, innovation, science, expertise, creativity and information. In a word, it

is knowledge. Thus, knowledge is certainly the best resource and the only sustainable competitive advantage. In a growing number of countries, with

expanding firms contributing, this knowledge is migratory in some forms, embedded, and slow to be retrieved in other forms (Civi, 2000). Building on this, Nonaka (1995)

pointed out that successful companies are those that consistently create new knowledge, disseminate it widely throughout the firm and quickly embody it in new

technologies and products:
explicit and tacit
(McCampbell, Clare and
Glitters, 1999).

Explicit: Explicit (objective) knowledge is clearly formulated or defined easily expressed without ambiguity or vagueness, and codified and stored in database. Since

it is easily shared and communicated, most organizations have captured this knowledge in ordered repositories, systems or operating technologies of the

firm, thus making it available to all members of the organization. Three types of explicit knowledge reside in a firm: cognitive knowledge, advance systems skills and

system understanding (Meso
and Smith, 2000)

1. **Cognitive
knowledge**, also
termed “**know**

what", is the "basic mastery of a discipline that professionals achieve through

extensive training
and certification”

2. **Advance skills** or
“**know how**” refer to
the “ability to apply
rules of a discipline

to complex real-world problems.”

3. **System**

understanding, also termed “**know why**” is the deep

understanding of the
web of cause and
effect relationships
underlying a
discipline.

Tacit: Tacit (subjective) knowledge on the other hand is the unarticulated knowledge that is in a person's head, which is often difficult to describe and

transfer (McCampbell *et al.*, 1999). It includes lessons learned, expertise, judgments, rules of thumb and intuition (Audrey and Smith, 2001). It resides within the individual

and is difficult to express in words.

There is a great wealth of tacit knowledge inside people's heads and embedded in the

way we do things. Every employee has a wealth of tacit knowledge deeply rooted in his/her actions and his/her commitment to a particular craft or profession, a

particular technology, a product market or the activities of a work group or team (Meso and Smith, 2000).

It is vital for business success that tacit knowledge is shared so that, when people leave, their knowledge does not disappear with them (Bagshaw, 2000). Bagshaw

(2000) states that rediscovering the knowledge of an employee who has gone can be a very long and expensive process. Tacit knowledge can also be seen as

that knowledge, which resides in the culture of the firm (Meso and Smith, 2000). An example by Meso and Smith (2000) is self-motivated creativity, which refers to the

will, motivation, and adaptability for success exhibited by employees working within certain corporate cultures. They further elaborate that it is

difficult to identify the precise cause of care-why. However, literature on KM acknowledges that high levels of care-why significantly enhance overall performance

of the firm (Meso and Smith, 2000).

Nonaka and Takeuchi (1995) have also established a dynamic model of knowledge

creation. In this model, they explain a critical assumption that human knowledge is created and expanded through social interaction between tacit knowledge and

explicit knowledge (Civi, 2000). This interaction is known as "knowledge conversion" and their belief is that explicit and tacit knowledge are not totally

different. They interact with and interchange into each other in the creative activities of human beings.

Nevertheless, Fawzy and Keri (2000) argue that joining tacit

with explicit knowledge could be a very complex task and in some circumstances may not be possible. In other words, they state that reconciling what is in employees' minds

with what is stored in databases requires extensive research and, in spite of major advances in knowledge-based technologies, this task is still in its infancy.

Knowledge Management Defined

The scope of knowledge management is wide and the existing literature gives an

endless number of definitions for knowledge management. The definitions and activities involved depend largely on which they are intended for, and every firm has different

approach to their knowledge management practices. In the literature, knowledge management is concerned with capturing a firm's stock of expertise through creation,

collection, storage and application (Bollinger and Smith, 2001). It means identifying and harnessing the collective knowledge of the

organization gained through experience and competencies.

Organizations are interested in managing knowledge for several reasons. One reason is

that core competencies are based on the skills and experience of the people who do the work and may not exist in the physical form (Kridad and Goulding, 2006).

Therefore, it is important that firms find ways to tap into this knowledge base in order to preserve and expand their core competencies (Bollinger and Smith, 2001). In view of

this, knowledge management has become a critical subject of discussion in the business literature in the recent years. Both business and academic communities believe that, by

leveraging knowledge, a firm can sustain its long-term competitive advantage.

Knowledge management ideally captures, transfers,

and leverages what everyone in the firm knows. Thus, there is a daunting challenge as to who is 'everyone in the organization' and how does the firm manage its

knowledge, human capital,
thus transforming it into
intellectual capital?

Definition of Human Resource Management (HRM)

As defined by Noe *et al.*,
(2000), human resource

management (HRM) refers to the policies, practices and systems that influence employees' behavior, attitudes and performance. They emphasize that there are

several important human resource practices that need to be considered to maximize their influence on company performance. Such practices include: Human resource

planning, Recruiting,
Selection, Training and
Development, Compensation,
Performance Management,
and Employee Relations.
Strategic HRM requires a

balance of emphasis, which needs to integrate with the business strategy (Kaye, 1999). With strategic HRM, employees are seen to be proactive, capable of

development, and worthy of trust and collaboration. It emphasizes communication, motivation, and leadership (Noe *et al.*, 2000)

Human Resource Management and Knowledge Management

As human resource
management (HRM) provides

broad strategies to influence the cultural assumptions and beliefs of employees, it should play a central role in the move towards a knowledge

management culture (Silke and Alan, 2000).

There is clearly a role for the HRM functions in helping firms to identify the crucial

knowledge base on which their competitiveness depends, ensuring its appropriate development, and reviewing structures and process, both formal and

informal, which help or hinder the integration of knowledge base with decision making process (Winkelen and McDermont, 2008). However, according to her, this issue

has not received sufficient attention in the context of HRM (Ryan, 1995). While the HRM function is justifiably concerned with such aspects of the firm's social system as

the development of company culture and the management of change, some important aspects of the relationship between social system and technical knowledge base

receive relatively little attention. Ironically, human capital management as a discipline is naturally suited for both to performing KM functions and advocating KM

activities. After all, HRM is charged with capturing, analyzing and tracking variety of information about its company's employees. By doing so, HRM can apply

knowledge to find the right assignments for employees as well as the right employees for the assignments, with the aim of ensuring that a

company's human capital is put to its best use.

Human resource employees are being called on more often to promote knowledge

management inside their departments and across the organization. David J. Dell, research director at The Conference Board Inc., a research network and

business membership firm in
New York, says that the work
of human resource
departments overlaps
completely with core
knowledge management

challenges and now it must rise to those challenges. The emergence of knowledge management has also caused a rise in the demands of knowledge workers who

require a different order of thinking.

Knowledge involves thinking with information and it takes human system to realize it.

Thus, to leverage knowledge, HRM needs to enhance both thinking and information. The most natural way to do it is to build knowledge communities that cross teams, disciplines,

time, space, and business units (Clarke and Rollo, 2001). Four key challenges are involved in building such communities in business:

1. Technical – The technical challenge is to design human and information systems that not only make information

available but also
help community
members to think.

2. Social – The social
challenge is to
develop

communities to
share knowledge and
still maintain enough
diversity of thought
to encourage
thinking rather than

sophisticated
copying.

3. Management – The
management
challenge is to create
an environment that

values sharing
knowledge.

4. Personal – The personal challenge is to be open to the ideas of others,

willing to share
ideas, and to
maintain a thirst for
new knowledge
(Clarke and Rollo,
2001).

HRM Practices in Managing Knowledge

According to Svetlik and Starvrou-Costea (2007), if HRM is about managing

people effectively, and if people's most valuable resource is knowledge, then HRM and KM are closely interrelated. They added that if we compare the KM cycle

with HRM processes, we would find the various activities shared between KM and HRM as mentioned below:

Knowledge acquisition entails recruiting outstanding people and about helping them learn and grow as individuals and as professionals. It is also about encouraging employees

to participate in professional networks and communities of practice that extend beyond a firm's boundaries.

Knowledge creation is achieved by creating a supportive environment, through requisite HRM, for individuals, groups and teams in order to be challenged by

the firm's problems, to search for the problems' solutions and to innovate. It goes from the creation of positions and teams, to the provision of information feedback flows, to

the design of stimulating remuneration and other systems of encouragement. It includes also investment in the training and development of human capital.

Knowledge transfer concerns various forms of learning, the creation of a knowledge-sharing climate, establishment of training units, which asses

and analyze training needs,
provide and evaluate training,
and lead towards learning
firm.

Finally, *knowledge utilization* is about the deployment of human resources by means of proper leadership, division of tasks and responsibilities,

remuneration systems, and
performance appraisal.

Recruitment and Manpower Planning

A central concern of human capital management, especially in relation to knowledge workers, is the

recruitment and retention of valued employees. The importance of managing the employment relationship such that it generates value added resources for the firm has an

obvious link to the recruitment and retention of staff (Carter and Scarborough, 2001). Furthermore, the shortage of knowledge workers will get worse as the

birth rate drops and members of Baby Boom generation retire. Therefore, human resource practitioners have to shift their focus to deal with the issue of knowledge

transfer and get back to the basics of attracting, retaining and placing the best people. Since the aim of recruitment and selection in the knowledge economy is to

source high talent possessing a range of capabilities related to the strategic knowledge areas, the challenge for HRM practitioners is to select the employees who are capable of

contributing to the firm in a variety of ways now and future, rather than simply filling the current vacancy (Whicker and Andrew, 2004).

Training and development

Discussion of human capital accumulations occurs frequently in the recent literature as a key outcome of human capital development

(Garavan *et al.* 2001). There is also evidence that firms likewise view investment in human capital to be important. Increasingly firms seek, through the

implementation of
sophisticated human capital
development and workplace
learning, strategies to develop
employee competencies to
enable them to respond

quickly and flexibly to business needs (Garavan *et al.* 2001). They further state that professional competence is best developed through the

use of mentoring and job rotation processes.

Changes in firm structure have created a situation where job insecurity is

common with the
consequence that individuals
are now required to take
ownership and responsibility
for career management
(Garavan *et al.* 2001). New

careers, in this regards,
requires individuals to focus
on remaining employable
across many firms rather than
just one (Garavan *et al.* 2001).
Progression up the hierarchy

is replaced by the accumulation of competencies. According to Garavan *et al.* (2001) the dominant theme is one where individuals are required to

exhibit competencies such as team working, the development of network relationships, and the acquisition of knowledge and learning capability. Therefore,

firms are encouraged to provide some help to employees simply because goals such as increased profit and productivity are dependent on the innovation

and creativity of the
employees

Competency enhancement can
also be achieved through the
employee actively seeking to

move into other areas within the firm (Garavan *et al.* 2001). Firms should facilitate this movement as it allows a firm to develop opportunities for networking within and

outside the firm (Bollinger and Smith, 2001)]. These firms focus on providing employees with a full set of competencies and experiences, which should be

utilized. As for the development of human capital, such development opportunities would include opportunities for project, coaching and counselling of

employees, mentoring and 60-degree feedback processes and assessment/development centers (Garavan *et al.* 2001). Based on the above literature, the nature of knowledge-

based work is fundamentally different from that known previously and requires a different order of thinking.

Professional intellect within a firm frequently becomes isolated (Smith and Rupp, 2002). It is a fact that the existence of a large organizational culture creates

conflict with other groups,
such as marketing or
manufacturing conflicting
with research and
development departments.
Thus, at the heart of an

effective professional organization, managing and developing the professional intellect is critical for sustained competitive performance. Advice for

successful “coaching”
practices to ensure the
development and growth of
the professional intellect
include: Recruit the best;
Force intensive early

development; constantly increase professional challenges; and evaluate and weed (Smith and Rupp, 2002).

Compensation & Benefit

While traditional compensation and reward systems pivot on the disbursement of monies,

those located in knowledge environments do not. Non-monetary rewards become important factors and rely heavily on symbols of personal and professional

excellence. Such arrangements make it a point to recognize achievement, allow researchers to pursue their own projects and offer the praise, acknowledgement

and independence, which have been found critical to innovation (Depress and Hiltrop, 1995). General Motors, for example, sponsors the Kettering Awards, which

recognize outstanding
scientific achievement.
Phillips Petroleum builds
advertising campaigns around
its innovative researchers,
and knowledge workers at the

Batelle Memorial Institute receive 10% of the royalties on their inventions. Most people value their self-respect and the self-satisfaction derived from a job well done

more highly than they do material rewards (Depress and Hiltrop, 1995).

Studies focusing on scientific breakthroughs indicate that knowledge workers, who

undertake pioneering
research typically dislikes
bureaucracies, resent
administration and work most
creatively when satisfying
their own curiosity (Depress

and Hiltrop, 1995). In line with this, knowledge workers tend to have high needs for autonomy, significant drivers for achievement, stronger identity and affiliation with a

profession than a company and a greater sense of self-direction, making them likely to resist the authoritarian imposition of views, rules and structures (Depress and

Hiltrop, 1995). Silke and Alan (2000) also claim as non-monetary rewards become important, as in a knowledge-intensive environment, employees are potentially

more motivated by intrinsic career considerations.

Examples include professional recognition and working in a challenging area and valuing their self-respect and their

self-satisfaction (Depress and Hiltrop, 1995).

Depress and Hiltrop (1995) suggest that, in the knowledge age, effective systems will

embrace three major dimensions:

1. They will be externally competitive in order

to attract and retain
competent staff, and
sensitive to
employees'
perceptions of
internal equity.

2. They will be
perceived as rational
in their
organizational
context,
administered in a

consistent way over
time, and
contributors to the
company's strategic
direction.

3. They will be constituted in a new order of thinking, which makes cultural, socio-political and work

challenge issues
primary, and pay,
bonus and incentive
schemes secondary.

Performance Management

The traditional performance management focuses on narrowly defined tasks or job roles and observable outputs

rather than long-term and diffuse contributions. Thus, Whicker and Andrew (2004) suggest that in today's economy, performance management must be re-

conceptualized with
knowledge work in mind. The
process by which people
obtain results become less
significant and the focus shifts
to managing outcomes, many

of which are long term and difficult attributes to individual. Balanced scorecard is an increasingly popular approach in identifying performance

measures from a holistic,
long-term perspective
(Garavan *et al.*, 2001). Each
stage of the performance
management, i.e. system
development, appraisal

process and feedback, should ensure procedural fairness, interpersonal fairness and outcome fairness (Garavan *et al.*, 2001).

Employee relations

Studies focusing on scientific breakthroughs indicate that knowledge workers who undertake pioneering

research typically dislike bureaucracies, resent administration and work most creatively when satisfying their own curiosity (Depress and Hiltrop, 1995). In line

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Studies also show that needs for autonomy, achievement and personal growth are met when job structures and leadership styles promote

empowerment and self-management. Many R&D job designs promote autonomy, and the desirable leadership style is one, which is more collegial than supervisory,

shares information, delegate responsibility and encourages upward and horizontal communication. Despite the above arrangements, a work setting needs to be created in

which work contributions,
serving organizational needs,
are also valued by individuals
as path towards desired
personal rewards and where

employees are able to use their full potential.

Soliman and Spooner (2000) state that there are at least seven roles for human capital management department in

supporting knowledge
management cultures, which
include:

1. Social gathering of
staff: In some firms,

talking to colleagues
may be considered a
no value-added
activity. The human
resource
department could

facilitate staff
meetings to support
knowledge
management
activities.

2. The office layout:
The layout of spaces for staff to meet informally is important to encourage exchange

of ideas and share
knowledge. The
human resource
department could
liaise with
management to

create office space
for staff engaged
knowledge
management
meetings.

3. Trust between employees of the firm. In general, increased trust between employees improves that

chance of knowledge
sharing. The human
resource
department could
play a role in
building trust among

staff so that they can share knowledge.

4. Differences in culture and language: Clearly the more languages staff

the better
their ability to
acquire knowledge
of customers and
markets, especially
in global markets.

The human resource department through its role in recruitment and staff development could assist in

selecting with
appropriate cultural
and linguistic
backgrounds to
support knowledge

management
activities.

5. Timeliness: The timing of knowledge management effort is important for its

success. The timing
of facilitating
support for
knowledge
management
activities by the

human resource
department could
assist the success of
the program.

6. Learning and
mistake handling: If

staffs are
encouraged to
discuss their
mistakes openly, a
culture of “openness
and seeking help”

could lead to the creation of learning organization. The human resource department could assist in creating a

learning
environment far
from fear of
punishment and
penalties. This could
in turn facilitate the

knowledge
management
activities.

7. Senior management
involvement and
support: The

inclusion of senior
management in the
knowledge
management effort
provides additional
motivation for staff

to share knowledge
and increases the
chance of success of
the knowledge
management
program. Human

resource
department
assistance in
motivating staff
could lead to
increasing support

of knowledge
management
activities.

According to Slagter (2007),
HRM in the knowledge
economy must:

1. provide expertise
in understanding

- and defining firm-level strategic knowledge capabilities;
- 2. develop and manage

knowledge
workers by
leveraging the
knowing-learning-
doing nexus;

3. build knowledge value as an organizational as well as an individual asset; and

4. minimize the organization's knowledge risk associated with loss of requisite

capability and
knowledge.

Influence of Organizational Factors on KM

Effective knowledge management is most likely in businesses that find the right

balance between organization systems, which on the one hand are sufficiently open and flexible to allow creativity to flourish, but on the other possess enough formality and

discipline to ensure that creativity produces tangible outcomes. They argue that bureaucracy and formal communication inhibit spontaneity, experimentation

and the freedom of expression necessary for innovative responses to environmental change. They also acknowledge that a great deal of knowledge originates from

personal intuition, networking
and chance encounters, but
contend structured and
standardized procedures are
needed to capture, control and

connect the knowledge thus gained to business objectives. The focus of KM should be placed on individuals themselves, and the impact made by human resource

management on KM practices, and that KM is actually an evolved form of human resource (Svetlik and Starvrou-Costea, 2007). In line with the resource based-

view, employees with all their capacities become desirable and real resources for the firm if they are to a high degree: valuable and scarce, inimitable, non-substitutable and

appropriable (Boxall and Purcell, 2003).

Sustaining Performance and KM-enabled HCM

Numerous firms have recognized that knowledge plays an essential role (Choi et al., 2008) and is a crucial

resource in gaining sustainable performance in any industry (Alton and Dion, 2008, Anantatmula and Kanungo, 2007, Civi, 2000). Civi (2000) found that

achieving competitive performance ranks high as the most important application of knowledge in terms of its contribution in attaining an effective human capital

management and the overall firm objectives. For many firms, gaining sustainable advantage lies in the capability to create and apply intellectual expertise (Choi et

al., 2008). Firms should, therefore view knowledge as a valuable asset for building a strong human capital department in a firm. According to Lloria (2008),

the strategic objectives of KM vary, such as developing new opportunities or creating value for the customers.

Effective integration of HCM and KM would enable a firm to harness its capabilities in a systematic and comprehensive fashion, which will aid in the effective

allocation of firm resources.
This would consequently,
create avenues for cost
reduction and enable greater
maximization of capabilities.
Consequently, the firm would

have greater strength in taking up opportunities in the marketplace. The ability of a firm to harness its human capital and expertise in a way superior to competitors

would create key competencies in the firm that could be rare and inimitable, which could provide the firm a chance to gain and maintain high performance in the

industry. According to Lubit (2001), firms are able to use their knowledge resources to not only create effective HRM performance, but also build sustainable competitive

position in the market. He further explains that to create competitive position, firms' need to: 1) internally spread tacit knowledge, and 2) create KM capabilities and

approaches in fostering innovation.

Conclusion

Knowledge is fast becoming a key success factor for many

companies. The current employment trends indicate that a significant proportion of global workforce is increasingly evolving as knowledge workers and it is

reasonable to propose that their importance to a firm's ability to gain and maintain competitive advantage will exceed that of other types of employees by several orders

of magnitude. HRM managers and their firms will need to develop innovative ways of attracting, retaining and motivating such employees, and compensation systems

will play a critical role in coping with these new realities. HRM managers will need to shift their focus from old organizing models to new ones, together with a change

in compensation systems that are more flexible, process-oriented and team-based. These new compensation systems will be based on different forms of leadership,

authority and structure from those that now prevail, and will be critically important in determining the environment of a successful knowledge-intensive firm. Whether or not

a corporation speaks of
knowledge management,
human capital practitioners
will have to learn to redirect
themselves and their
corporate culture toward

sharing, collaboration and cross-functional teams. They also have to apply those standards to finding and retaining the best talent in the market, along with capturing

as much as possible
employees' knowledge before
they leave the firm. A healthy
interaction between
knowledge management
efforts and the existing

organizational culture will undoubtedly result in changes to that culture, which may indeed lead to the competitive and successful application of

knowledge management
initiatives.

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