THE RELATIONSHIP BETWEEN STRATEGIC MANAGEMENT KNOWLEDGE AND TALENT MANAGEMENT STRATEGY

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ABSTRACT

In the current competitive world of business, setting the organizational goals may be performed considering strategy, knowledge, and talents together with directing these qualities in order to attain the main objective of the firm and make an attempt toward sustainable development. Among the important managerial factors which are necessary for sustainable development of an organization, the concepts of Knowledge Management or Strategic Knowledge Management and Talent Management Strategy seem more critical in achieving the organizational goals. Therefore, in this study, the components relating to the variables of Strategic Knowledge Management, Talent Management Strategy, and Profitability have been extracted after reviewing different literatures, and subsequently a conceptual model has been provided. The data are analyzed by structural equation modeling with LISREL software. For further researches, we also intend to define some hypotheses and prepare the related questionnaires for the aforesaid variables, and subsequently examine the hypotheses at the staff of Tabriz University.

Key Words: Strategic Knowledge Management, Talent Management Strategy, Tabriz University.

1. Introduction

In the past centuries, physical assets such as lands, farms, buildings, factories, etc. were considered as the most important properties, but nowadays, intangible assets like knowledge and talent are assumed as the competitive advantage criteria and physical assets are not as crucial as before. Toffler (1980) addresses three waves of civilization in human history: the agricultural phase as the first wave, the industrial phase as the second wave and the super-industrial society as the third wave. He also names some terms for the third wave as "Space Age", "Information Age", "Electronic Era", or "Global Village". Following is a description of the aforesaid waves:

a. Physical assets were considered very important in the first wave, i.e., agricultural era; and they were a key criterion for having power in a society.
b. The second wave, i.e., industrial era, was commenced when industrial revolution happened in the Europe. In this period, the factories' owners or managers hire many people to work in their factories to produce goods and then, the owners/managers sell the products in the markets in order to gain profit for covering the expenses and paying the workers' wages and incentives. In other words, product-oriented and market-oriented were the main focus of managers' attention in industrial era.

c. In the third wave, managers focused on concepts such as learning organizations and knowledge-based organizations and attempted to rely on human and intellectual capitals and also avoided considering only industrial-related affairs. In Information Age, humans found out that "knowledge is power" and tried to acquire knowledge by the human capitals, but gradually realized that knowledge by itself won't be a source of power and in fact, "knowledge sharing is power". After this time, the concept of "Knowledge Management" and then "Talent Management" entered the managerial literature.

Knowledge Management is to utilize knowledge inside and outside of an organization and transfer it among the employees to enable them to both perform their tasks and help the development of the organization. Strategic Knowledge Management is one stage upper than the knowledge management, because it bonds the strategy to knowledge management and if knowledge management is considered in organizational strategy, the result will be a learning organization which is a way toward competitive advantage.

Talent Management is a system for identifying, hiring, developing, and retaining talented people in order to optimize the organization's capability for attaining the desired results of business. Talent Management ensures that the eligible people with appropriate skills work in the right time and in the right positions to attain the business goals.

Deploying strategy via strategic management processes inside the organization and within the organizational levels together with having strategic thinking for encountering the future problems is now an essential issue for many organizations. Managers have realized that the establishment between strategy and organizational goals will lead to huge consequences and also will be an essence for sustainability in this global variable and uncertainty conditions. On the other hand, creating a bond between intangible assets such as knowledge and talent with organizational strategy will surely facilitate the achievement of organizational goals especially profitability as the ultimate objective of most national and international firms. Therefore, this study aims to provide a conceptual model considering the variables of Strategic Knowledge Management, Talent Management Strategy, and Profitability in order to offer a road map for the organizations which sooner or later will experience new and different challenges. Furthermore, if the organizations neglect emphasizing on the aforesaid variables, their employees may continue working in different organizational islands and follow various goals instead of focusing on organizational mission, vision, and values.

2. Details Experimental

2.1 Knowledge Management

International Fund for Agricultural Development (IFAD) (2007) address to an African proverb stating “Knowledge is the only treasure you can give entirely without running short of it” and then quotes from Amadou Hampâté Bâ that “In Africa, when an old man dies, it is a library that burns down”. In addition, according to Osis and Grundspenkis (2011), nowadays we live in the information age and knowledge has been recognized as the most important asset both for organizations and for individual knowledge workers. On the other hand, according to Gottschalk (2005), knowledge can be considered the most important strategic resource and the ability to acquire, integrate, store, share, and apply, meanwhile, it may be taken into consideration as the most important capability for building and sustaining competitive advantage. Moreover, Nonaka et al. (2000) believe that in a world where markets, products, technologies, competitors, regulations and even societies change rapidly; continuous innovation and the knowledge that enables such innovation have become important sources of sustainable competitive advantage.

Organizations need to become skilled at converting personal, tacit knowledge into explicit knowledge that can push innovation and new product development. On the other hand, western organizations tend to concentrate on explicit knowledge, Japanese firms differentiate between tacit and explicit knowledge, and recognize that tacit knowledge is a source of competitive advantage (Choo, 1996). Moreover, Mândruleanu (2011) believes that Western firms often set out to exchange explicit knowledge, whereas Eastern firms are often more interested in tacit knowledge. He also addresses that "the more embodied the knowledge, the more difficult is to acquire them, but at the same time, the greater the extent that the knowledge is valuable". Based upon Gubbins et al. (2011), 90 percent of knowledge in any organization is embedded in people's heads. They believe that the employees are the fundamental repositories of tacit knowledge and are the key players in knowledge management initiatives. In addition, according to Abdul Manaf et al. (2011), tacit knowledge is believed to be a significant factor distinguishing successful managers from others. They add that the ability of an organization to effectively share managerial tacit knowledge is one of the key sources of competitive advantage for many of today's organizations.

University of Texas defines Knowledge Management as the systematic process of finding, selecting, organizing, distilling and presenting information in a way that improves an employee's comprehension in a specific area of interest. Knowledge management makes an organization gain insight and understanding from its own experience. Specific knowledge management activities help the organization focus on acquiring, storing and utilizing knowledge for problem solving, dynamic learning, strategic planning and decision making. It also protects intellectual assets from decay, adds to firm intelligence and provides increased flexibility (Salehi Sadaghiyani & Tavallaee, 2011).

2.2 Talent Management

Talented people are not defined by their age, gender, current work status, where they live or their cultural background. They are defined by their skills, ability, energy and the unique perspective they bring to an organization. Releasing their unique talents is key to business performance (Veal & Séguret, 2008). In addition, Farndale et al. (2010) address the growing importance of the management of talent on a global scale. In addition, the term Talent Management has been recently established in the managerial issues and is related to a significant amount of organizational resources so that CEOs are greatly involved in the Talent Management Process (Whelan et al., 2010). Also, the increasing need for talented managers is a main challenge to both national and multinationals businesses (Veal & Séguret, 2008).

Talent Management is no longer reserved for the top levels in the hierarchies. Therefore, an organization can assess all of its employees in order to find Talents. Companies must hold on to, and develop their most valued employees since it is getting harder to find competent replacements. By finding and developing Talents, companies will improve their position in the market and perhaps even create a competitive advantage (Veal & Séguret, 2008).

By analyzing the literature relating to Talent Management (Cappelli, 2008b), the four dimensions of Talent Management are: Attracting, Assessing, Developing and Training, and Retaining.

2.3 Strategic Knowledge Management

Strategic Knowledge Management is one step higher than knowledge management, because it bounds strategy to knowledge management. According to Akbari et al. (2012), by passing through industry age toward knowledge age, strategic knowledge management is considered by organizations dramatically and by considering this new competitive edge, universities should prepare an appropriate background for strategic knowledge management.

Hansen et al. (1999) classify KM strategies into one of two categories: the codification strategy, in which knowledge is codified and stored in repositories that are easily accessed, or the personalization strategy, in which knowledge is closely tied to its creator and is shared mainly through person-to-person contacts. Also, Akbari et al. (2012) defines two components for Strategic Knowledge Management which is: encoding strategy and personalizing strategy. Moreover, according to Akbari et al. (2012) under the codification strategy, individual knowledge is stored explicitly in the repository. Therefore, in our opinion, focusing on codification will probably lead to profitability for many organizations.

2.4 Talent Management Strategy

According to Barron (2008). organizations involved in talent management are strategic and deliberate in how they source, attract, select, train, develop, promote, and move employees through the organization. In addition, based upon the Talent Management Strategy considers internal development programmers and the wider sourcing and provision of talent to meet the organization’s future needs. Moreover, according to a 2011 study by Head Light Company, organizations believe that it is important to have an effective Talent Management strategy with clear and tangible benefits for the bottom line. This study believes that Talent Management Strategy will set out and define what the organization needs to do for and with its people that will enable the business to achieve its goals, to thrive, grow and increase its profitability.

Talent management strategies focus on five primary areas: attracting, selecting, engaging, developing, and retaining employees (Barron, 2008).

2.5 Profitability

Nimalathasan (2009) believes that profit is the primary objective of a business. On the other hand, Bârsan et al. (2011) believe that intellectual capital is a key factor in company’s profitability meanwhile; knowledge assets provide a sustainable competitive advantage for an organization. According to Nishanthini & Nimalathasan (2013), an enterprise should earn profits to survive and grow over a long period of time; meanwhile it provides evidence concerning the earnings potential of a company and how effectively a firm is being managed. They believe that if the enterprise fails to make profit, capital invested is eroded and if this situation prolongs the enterprise ultimately ceases to exist.

Strack et al. (2012) have listed the following 22 key HR topics and concluded that the companies are highly capable in the aforesaid topics consistently enjoy better economics performance (revenue growth and profit margin) than those less capable:

Delivering on recruiting, Onboarding of new hires and retention, Managing talent, Improving employer branding, Performance management and rewards.

A glance on the study of Stracke et al. (2012) reveals that the HR topics including the components of Talent Management and Knowledge Management have positive impact on Profitability.

2.6 Conceptual Model of the research

The dimensions of "Codification" and "Personalization" have been considered for Strategic Knowledge Management based upon a research by Maali-Tafti (2010): which has been utilized by Akbari et al. (2012). For Talent Management Strategy, the following dimensions have been used based on a study by Maali-Tafti (2010):

1. Intra-Organizational Concept including the components of Standardization, Strategy, Development of Organization, Opinion, Infrastructures & Processes, and Managerial Factors.

2. Extra-Organizational Concept including the Political Factors

On the other hand, Profitability dimensions based upon the experts' viewpoints at the Tabriz University are: Liquidity Management and Financial Resources, Cost Management, Warehouse Management, Managing the Prediction of Profits, and Asset Management.

3. Methodology

The proposed methodology for testing the conceptual model will be using questionnaire and the number of statistical population will be selected based on Morgan Table. Also the questionnaire will be distributed among the considered employees at the Tabriz University.

4. Results And Discussion

Although the results of the study will be specified after testing the conceptual model, but it will be predictable that the relation between Strategic Knowledge Management and Talent Management Strategy with Profitability must be rationally significant and positive.

In this study, we first define the concepts of Knowledge Management, Talent Management, Strategic Knowledge Management, Talent Management Strategy, and Profitability; and then, we present the conceptual model of the research for our further studies. It should be noted that defining hypotheses as well as preparing the related questionnaires for the above-mentioned variables and also examining the hypotheses at the Tabriz University will be another step for our further researches. Moreover, according to our previous studies together our work experiences in various industries; we can predict that there will be a significant impact between two independent variables of "Strategic Knowledge Management" and "Talent Management Strategy" and the dependent variable of "Profitability". The reason for such a conclusion is that the concepts of strategy, knowledge and talent can be considered as intangible capitals which are able to direct the companies toward the competitive advantage and will lead to profitability as the main goal of each business enterprise

5. Conclusions

The research of Wiig in 1997 supports the positive impact of Knowledge Management (KM) on Profitability. He believes that by actively pursuing comprehensive KM to excel in the three value disciplines (operational excellence, product leadership, and customer intimacy), enterprises will obtain the competitive advantages that will ensure their viability and profitability. In addition, according to Choi and Lee (2002), managing knowledge is important because knowledge is one of the most strategic weapons that can lead to sustained increase in profits. Also, based on a 2010 study by Omerzel, firms with the efficiently implemented knowledge management are more likely to have higher growth and profitability than organizations which are lacking such characteristics.

Schweyer (2004) that good companies emphasize on intangible assets such as brand names, innovation, creativity, and entrepreneurship but great companies try to employ the right people in the right positions and in fact these companies can take steps forward towards achieving beyond their competitors. It is also a support for the significant relation of Talent Management and Profitability.

Another support for the relation between Knowledge Management and Profitability is the study by Schweyer (2004) This study believes that: "To increase the focus of knowledge management and align administrative, management, financial and operational processes, six major complementary functions will need to be integrated: (i) knowledge management; (ii) innovation; (iii) strategic partnership management; (iv) thematic and regional network management; (v) communication; and (vi) the grant process for knowledge management including knowledge generation, learning and knowledge-sharing, and innovation. Integrating these functions will ensure higher organizational consistency and will result in reduced transaction costs, greater efficiency and better institutional effectiveness".

By analyzing the sample from financial and nonfinancial perspectives, Schweyer (2004) identified higher corporate profit and also increased corporate attractiveness as statistically highly significant main effects of pursuing a talent management strategy. In their opinion, organizations that apply talent management practices demonstrate significantly higher financial performance compared to their industry's peers. On the other hand, based upon a 2012 research by Kehinde, talent management, profitability and return on investment (ROI) are highly correlated.

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