

CONCEPTUALIZING LINKAGE: PRACTICES-RESOURCES-USAGES-PERFORMANCE

Fatima Abrar, Air University School of Management

Saad Hassan, Air University School of Management

Noshaba Batool, Air University School of Management

ABSTRACT

In current competitive era in order to remain competitive, organizations need to adopt new strategies such as “Practices-resources-uses-performance linkage”. Based on RBV and KBV, this study is conceptualized on this linkage. Practices in this linkage are knowledge-based HR which are applied on resource as human capital, and it ultimately impacts on individual absorptive capacity depicting uses in this linkage and then it enhances performance particularly employee innovative behavior in this model. Knowledge-based HR practices are important facets for gaining maximum output through utilization of resource (human capital). Innovative behavior (performance) is truly based on human centric approach and it can be attained through consideration of knowledge involving concepts, ideas and prototypes which leads to novelty. This is still unexplored yet because of dearth of knowledge. Therefore, this research is proposed to study this linkage underlined under theories KBV and RBV

Keywords: Knowledge-based HR Practices, Human Capital, Individual Absorptive Capacity, Employee Innovative Behavior, KBV, RBV.

INTRODUCTION

Strategic human resource management (SHRM) is based on exploration of HR practices categorizing knowledge, termed as knowledge-based HR practices and it explores specific knowledge required by organization concerning internal environment (Noopur & Dhar, 2020). Knowledge-based HR practices are crucial for organization particularly service industries as it is important to explore specific knowledge which helps to improve their human capital and then that knowledge is absorbed by the individuals Majhi et al. (2020) and then this is exploited by employees through their innovation which is named as employee innovative behavior (Kianto et al., 2017). Knowledge-based HR practices contribute to the effectiveness of organization positively, if implemented properly (Al-Tal & Emeagwali, 2019). It is investigated that there is dearth of knowledge concerning theoretical contribution for examining causal relationship between linkages such as practices (knowledge-based), resources (human capital), uses (individual absorptive capacity) and performance (employee innovative behavior) (Choudhary et al., 2020).

Service industries need human capital that acts as an asset for organization and adopts/absorbs the particular knowledge and strategies to exploit their competencies and innovative behavior through their knowledge, skills and abilities (Al-Tal & Emeagwali, 2019). Therefore, it is ascertained that in competitive era, there is need for organization to adapt updated strategies for enhancing innovative behavior of employees and ultimately it impacts on growth of organization. It is also analyzed that problem still lies due to lack of knowledge based on “missing organizational linkages” through which researchers fails to achieve

coherent rationale identifying various intervening variables which impacts as performance of employees (Budhwar et al., 2019). Knowledge-based HR practices are being studied as bundles rather considering it as a single practice due to their influential nature, and these practices includes knowledge-based recruitment and selection, knowledge-based training and development, knowledge-based performance assessment and knowledge-based compensation management (Noopur & Dhar, 2020).

It is also ascertained that Kremer et al. (2019) postulated that knowledge based follows different factors including technology, culture, organizational structures and practices leads to enhance knowledge economy through employees and positively impacts on innovative behavior and universities are now focusing on innovative due to their survival in this competitive environment. Universities are now considering faculty members as an asset, therefore they tends to invest on human capital to enhance their absorptive capacity and which ultimately impacts on innovative behavior of employees (Yildiz et al., 2019). This research is being conducted to examine the relationship or linkage such as practices-resources-uses-performance which is pivotal resource for universities due to technological advancement and market globalization.

Though human capital has been acknowledged so far by different scholars, but still there is dearth of knowledge in context to individual absorptive capacity (Yildiz et al., 2019). As based on the previous studies, these supports linkage of practices-resources-uses-performance. It is also highlighted from the earlier studies that innovative behavior has been measured with the help of subjective approach (Soo et al., 2017). Based on all these factors, there is need to conduct research in linkage of knowledge-based HR practices with relevance to uses and performance (Glaister et al., 2018). The new wave of human capital is not only considered important for the private sector but also important for the public sector and following that universities are now focusing on certain factors Giustina Secundo et al. (2016) such as how, who, what, why named as framework "*collective intelligence approach*" and universities in Pakistan are now shifting from administrative to strategic activities, regarding to this, this study is considered important.

Previous researchers have analyzed HRM and knowledge perspective but not in distinct and comprehensive way Noopur. & Dhar (2020) so there remains a significance dearth in exploration of knowledge-based HR practices and performance linkage in relation to employee service innovative behavior. Therefore this study is pivotal to understand the linkage. Knowledge-based HR practices are the effective and efficient mechanism of innovation for achieving competitive advantage (Abubakar et al., 2019). Organizations are becoming intensive competitive and they need to improve and customize their existing services and products due to persistent pressure (Noopur & Dhar, 2020). Concerning this, innovation is basic pillar and everlasting phenomenon through which industries tend to grow rapidly through their pace of competition, therefore leading direction of business towards excellence. Regardless of type of industry, implementation of omnifient ideas for innovative services and products is becoming survival strategy for perpetual sustenance and expansion (Singh, 2018). Innovative behavior prevails in any organization/enterprise is distinctly human centric.

Human assets are basic pillar for organization that actually has potential to think critically and provide creative ideas to complex business concerns. During this whole phenomenon, worthwhile execution of HRM imparts pivotal role (Pradhan et al., 2017). Employee innovative behavior determines high success rate of organizations in turbulent conditions due to intensity of competition and rapid change in technology (Gupta et al., 2017). Organizations of emergent economies are scarce of capabilities and in-depth knowledge Gupta et al. (2017) these firms requires to focus on sources of internal knowledge to expand

and stimulate process of internal innovation for enhancing employee innovativeness through exploration of novel opportunities and transform these into new services and products (Majhi et al., 2020).

Resource Based View and Knowledge-Based View

The significant contribution in discipline of SHRM has emerged industrial/organisational (I/O) explicitly (Porter, 1998) by emphasizing on internal environment. At beginning of 1980s, a contemporary and new concept emerged Wernerfelt (1984), but it gained interest in 1990s and this is named as “*resource-based view (RBV)*” for organization. RBV of firm emphasized about stockpile or internal capital of organization and it is important aspect of strategic analysis. Knowledge based view is based on principle that knowledge is not just meaningful resource in organizations, but it is deliberate way to attain sustainable competitive advantage which helps to enhance employee performance (Jardon, 2018). Considering knowledge based economy, two different types of knowledge such as tacit and explicit knowledge are considered important, in which first relates with fundamental theme in strategic management literature based on RBV that every employee in organization correlates with competency as a “*knowledge crew*” for acquiring and sharing of knowledge, enhancing momentum of SHRM and HRM. Thus, knowledge-based economy correlates with factors important for gaining success. Knowledge based view is basically extension of resource based view (Raza et al., 2018; Soo et al., 2017) and based on “*critical strategic resource*” for organizations.

Comprehending Best Practices and Best Fit

SHRM consists of systems or bundles, which triggered to be studied extensively as a bundle rather than practice and no single list of classification of “*what constitutes practices*” in HRM. The two recognized approaches fields of SHRM are “*best practice*” and “*best fit*”. First school of thought is “*best practices*” which intends to determine “*best HRM practices*” as it leads to employee performance such as innovative behavior, productivity, less rate of absenteeism, positive employee attitude, and improve quality and efficiency. These best practices are determined according to need of organization (Fu et al., 2016).

Best practices considered as strategy when linked with human capital established relationship and exemplified as new concept named as “*strategic fit*” (Iqbal et al., 2019). Best fit based on human capital and they possess distinguished competencies. Innovation process needs resource allocation and capabilities involving internal knowledge. Absorptive capacity is ability of organization to absorb knowledge and it is important process of innovation, but all knowledge is not applicable to any organization for innovation. Every organizations need knowledge for enhancing innovative behavior according to need of organization (Majhi et al., 2020).

Practices-Resources-Uses-Performance Linkage

Knowledge-based HRM practices are an emerging concept in discipline of HRM, and major aspect of organizational effectiveness. Traditional practices of HRM requires to be reanalyzed and re-conceptualized in connection with creation and exchange flows of knowledge, therefore, facilitating employees to boost innovative behavior through knowledge HRM approach (Kianto et al., 2017; Noopur & Dhar, 2020). Knowledge-based HR practices/functions are those systems or bundles which delineates to boost flow of knowledge i.e. acquisition, assimilation, transformation and exchange competencies (Kianto et al., 2017).

Knowledge-based HRM practices capacitate organizations in development of firm-specific resource/asset, therefore leveraging of human capital (Al-Tal & Emeagwali, 2019). Knowledge-based HRM functions include knowledge-based recruitment and selection, knowledge-based training and development, knowledge-based performance assessment and knowledge-based compensation (Noopur & Dhar, 2020).

Human capital indicates knowledge, skills, abilities and values adopted by individuals in workplace and through which they improve their capacity of creativity and productivity (Capozza & Divella, 2019). Human capital is pre-requisite for generation of new technologies and knowledge for firms in developing economies due to lack of financial resources in R&D investment as compared to developed economies. Human capital (general and firm-specific human capital) considers strategic HR practices, enhances firm-specific competencies and technical skills of employees.

This highlights innovation process which is configured through employees (Wang et al., 2017). Collaboration between employees and other organizational assets is crucial for achieving competitive edge as former possess characteristics of “*being innovative*”, and positively impact on firms’ growth as “*innovative organizations*”. Knowledge management and innovativeness are exclusively inter-related concepts (Baykal, 2019). Different organizations focus on implementation of knowledge management methods highlighting pivotal role of knowledge as significant intangible asset (Battistelli et al., 2019; Naqshbandi & Tabche, 2018). Fakhrorazi et al. (2019) highlighted that absorptive capacity is based on knowledge absorption from organizational environment, applicable to individuals in organizations (Ahmad, Mohamad, & Ibrahim, 2013a). It is ability of individuals to explore, stockpile and transform new knowledge internally and then utilize it accordingly.

On general basis, individual absorptive capacity leverages and impacts on capacity of organizational teaching Cannon et al. (2014) in transfer of knowledge in organizations. Therefore, there is urgency to explore term “*absorptive capacity*” even at single (individual) level (Fakhrorazi et al., 2019). The evolution of individual absorptive capacity is pivotal for organizations, as it enhance performance and also intensify competitive edge. Determining human centric behavior in context to knowledge and innovation, KHRM practices acquire potential to boost human capital and generate innovative capabilities. Therefore, knowledge-based HR practices are an important critical factor in improving effectiveness of organization. It is determined that effective implementation of practices results in enhancing knowledge, skills and abilities of employees, which is an efficient resource for organizations (Fu et al., 2016; Soo et al., 2017).

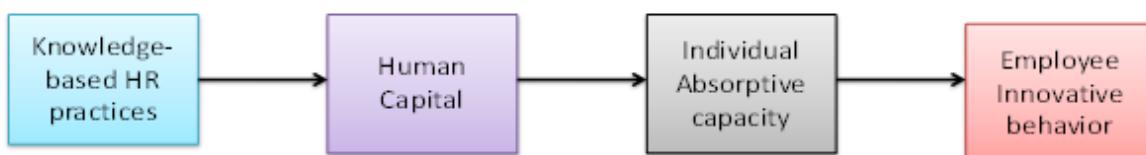
Training programs are source of extensive and diverse knowledge to develop human capital through which their individual absorptive capacity can be enhanced. Individual absorptive capacity is still unexplored based on individual level (Yildiz et al., 2019). Depending on RBV, HRM is based on important factors in spotlighting strategic significance of development of resource at internal level (Soo et al., 2017). Individuals need knowledge development which is novel to employees generating from internal ways and then it is adapted by them in organizations (Secundo et al., 2018). Knowledge-based HR practices are important for literature of SHRM and HRM as it helps in attaining knowledge and competencies internally (Noopur & Dhar, 2020). Linkage between knowledge-based HR practices and individual absorptive capacity at theoretical and practical phase is remained unexplored (Al-Tal & Emeagwali, 2019).

Based on linkage of practices-resources-uses-performance, (Fu et al., 2016), it is requisite that resources are intrinsic factors between practices and uses. Knowledge-based HR practices have significant impact of absorptive capacity, human capital as a resource is important (Kianto et al., 2017; Noopur & Dhar, 2020). It is asserted that there is need to study

human capital between knowledge-based HR practices and absorptive capacity, as human capital gain knowledge and their absorptive capacity is enhanced. Concerning hyper-competitive environment, employees contributes by adapting rapidly. Employee service innovative behavior is developing and becomes crucial for effectiveness and long-term sustainability for organizations (Budhwar et al., 2019). Innovative behavior includes organizational memory, knowledge acquisition and information analysis. Individual absorptive capacity ensures employee effectiveness concerning learning and enhancing of skills, which improves employee innovative behavior and this research is yet unexplored in academic context. Iqbal et al. (2019) asserted that "*two heads are better than one*". But it is very hard to measure human capital for improving employee innovative behavior.

Human capital is based on KSA, which leads to innovation, if utilized properly. The integral impact of absorptive capacity being mediator between human capitals on innovation has been studied earlier in different contexts (Soo et al., 2017). Determining prior analysis, it is posited that absorptive capacity is still significant for innovative behavior and human capital impacts on innovation indirectly which means some resource is important to boost up relationship between both variables (Baškarada & Koronios, 2018). In this globalized era, KSAs are utilized by organization which enhances absorptive capacity and improves innovation at individual level. Following propositions are proposed on theories RBV and KBV (Figure 1).

1. There is significant relationship of Knowledge-based HR practices on human capital.
2. There is significant relationship of human capital on individual absorptive capacity.
3. There is significant relationship of knowledge-based HR practices on individual absorptive capacity.
4. Human capital mediates relationship between knowledge-based HR practices and individual absorptive capacity.
5. There is significant relationship of individual absorptive capacity on employee innovative behavior.
6. There is significant relationship of human capital on employee innovative behavior.
7. Individual absorptive capacity mediates relationship between human capital and employee innovative behavior.
8. Human capital and individual absorptive capacity sequentially mediates between knowledge-based HR practices and employee innovative behavior.



**FIGURE 1
CONCEPTUAL MODEL**

DISCUSSION AND CONCLUSION

It is established that educated employees adapt new technologies rapidly and also identify, absorb and even exploit new opportunities in technology (Cohen & Levinthal, 1990). Earlier research has conducted so far but at organizational level and this relationship has been still unexplored at individual level. So concerning on that employees utilized their knowledge, skills and abilities for learning knowledge-based HR practices Limaj & Bernroider (2019) which help to increase their absorptive capacity and impact on innovative behavior.

This relationship needs to be explored in developing economies as employees are

resource (asset) for organization. If skills of employees are utilized, improves their innovative behavior through absorptive capacity (Noopur & Dhar, 2020; Pradhan et al., 2017). Innovative behavior not only boosts personal development but also professional development of employees and positively impact on productivity results in development of economy of country. This relationship can be applied to every context, particularly service sector, as innovations in this sector are yet unexplored. Moreover this framework needs to be applied on education sector to highlight its importance (Raza et al., 2018). This model can be implemented for faculty members, as being important pillars for improving ranking of universities through their innovative behavior such as teaching, research and methodology Majhi et al., (2020) and this research need to be explored at individual level, because if universities invest on faculty members by adopting strategies related to specific knowledge then education sector improve quality of education (Choudhary et al., 2020).

Bundles of inter-related knowledge-based HRM practices have significant impact on organizational outcomes (Kianto et al., 2017). Universities are diverting from administrative to strategic and literature has suggested that SHRM has been shifting from “*practice-oriented approach*” to “*bundle-oriented*” (Baykal, 2019). Knowledge-based HRM practices are being acknowledged in bundle but still need to study it more as an individual inter-connected HRM practices to highlight its significance. Employees absorb and utilize relevant knowledge for organization. HRM practices are transforming for new concept “*strategic human assets*” which results in competitive advantage.

REFERENCES

- Abubakar, A.M., Elrehail, H., Alatailat, M.A., & Elçi, A. (2019). Knowledge management, decision-making style and organizational performance. *Journal of Innovation & Knowledge*, 4(2), 104-114.
- Al-Tal, M. J.Y., & Emeagwali, O.L. (2019). Knowledge-based HR practices and innovation in SMEs. *Organizacija*, 52(1).
- Baškarada, S., & Koronios, A. (2018). Strategies for maximizing organizational absorptive capacity. *Industrial and Commercial Training*.
- Battistelli, A., Odoardi, C., Vandenberghe, C., Di Napoli, G., & Piccione, L. (2019). Information sharing and innovative work behavior: The role of work based learning, challenging tasks, and organizational commitment. *Human Resource Development Quarterly*, 30(3), 361-381.
- Baykal, E. (2019). Boosting Innovative Work Behavior in Organizations Through Absorptive Capacity. *Journal of Organizational Behavior Review*, 1(1), 16-33.
- Budhwar, P., Pereira, V., Mellahi, K., & Singh, S.K. (2019). The state of HRM in the Middle East: Challenges and future research agenda. *Asia Pacific Journal of Management*, 36(4), 905-933.
- Cannon, H.M., Geddes, B.C., & Feinstein, A.H. (2014). Experiential strategies for building individual absorptive capacity. In *Developments in Business Simulation and Experiential Learning: Proceedings of the Annual ABSEL conference* (Vol. 41).
- Capozza, C., & Divella, M. (2019). Human capital and firms' innovation: evidence from emerging economies. *Economics of Innovation and New Technology*, 28(7), 741-757.
- Choudhary, S., Memon, N.Z., & Mishra, K. (2020). Examining the Influence of Human Capital on Employees' Innovative Work Behaviour: A Moderated Serial Mediation Model. *South Asian Journal of Human Resources Management*, 7(2), 189-213.
- Cohen, W.M., & Levinthal, D.A. (1990). Absorptive capacity: A new perspective on learning and innovation. *Administrative Science Quarterly*, 128-152.
- Fakhrorazi, A., Hartini, H., & Islam, R. (2019). The outcomes of individual absorptive capacity among academicians in malaysian public universities. *Humanities & Social Sciences Reviews*, 7(1), 228-238.
- Fu, N., Ma, Q., Flood, P.C., Bosak, J., Liu, Y., & Zhang, Y. (2016). When East meets West: comparing the utilization of high performance work systems in Chinese and Irish professional service firms. *Asia Pacific Journal of Human Resources*, 54(1), 8-31.
- Glaister, A. J., Karacay, G., Demirbag, M., & Tatoglu, E. (2018). HRM and performance-The role of talent management as a transmission mechanism in an emerging market context. *Human Resource Management Journal*, 28(1), 148-166.

- Gupta, V., Singh, S., & Bhattacharya, A. (2017). The relationships between leadership, work engagement and employee innovative performance: Empirical evidence from the Indian R&D context. *International Journal of Innovation Management*, 21(07), 1750055.
- Iqbal, A., Latif, F., Marimon, F., Sahibzada, U.F., & Hussain, S. (2019). From knowledge management to organizational performance. *Journal of Enterprise Information Management*.
- Jardon, C.M. (2018). Moderating effect of intellectual capital on innovativeness in Latin American subsistence small businesses. *Knowledge Management Research & Practice*, 16(1), 134-143.
- Kianto, A., Sáenz, J., & Aramburu, N. (2017). Knowledge-based human resource management practices, intellectual capital and innovation. *Journal of Business Research*, 81, 11-20.
- Kremer, H., Villamor, I., & Aguinis, H. (2019). Innovation leadership: Best-practice recommendations for promoting employee creativity, voice, and knowledge sharing. *Business Horizons*, 62(1), 65-74.
- Limaj, E., & Bernroider, E.W. (2019). The roles of absorptive capacity and cultural balance for exploratory and exploitative innovation in SMEs. *Journal of Business Research*, 94, 137-153.
- Majhi, S. G., Snehvrat, S., Chaudhary, S., & Mukherjee, A. (2020). The synergistic role of individual absorptive capacity and individual ambidexterity in open innovation: a moderated-mediation model. *International Journal of Innovation Management*, 24(07), 2050083.
- Naqshbandi, M.M., & Tabche, I. (2018). The interplay of leadership, absorptive capacity, and organizational learning culture in open innovation: Testing a moderated mediation model. *Technological Forecasting and Social Change*, 133, 156-167.
- Noopur, N., & Dhar, R.L. (2019). Knowledge-based HRM practices as an antecedent to service innovative behavior: A multilevel study. *Benchmarking: An International Journal*.
- Porter, M.E. (1998). *Clusters and the new economics of competition*. Boston: Harvard Business Review.
- Pradhan, R.K., Jena, L.K., & Singh, S.K. (2017). Examining the role of emotional intelligence between organizational learning and adaptive performance in Indian manufacturing industries. *Journal of Workplace Learning*.
- Raza, S.A., Najmi, A., & Shah, N. (2018). Transferring knowledge from universities to organizations by business students. *Journal of Workplace Learning*.
- Secundo, G., Dumay, J., Schiuma, G., & Passiante, G. (2016). Managing intellectual capital through a collective intelligence approach. *Journal of Intellectual Capital*.
- Secundo, G., Massaro, M., Dumay, J., & Bagnoli, C. (2018). Intellectual capital management in the fourth stage of IC research. *Journal of Intellectual Capital*.
- Singh, N. (2018). Strategic human resource practices for innovation performance: an empirical investigation. *Benchmarking: An International Journal*.
- Soo, C., Tian, A.W., Teo, S.T., & Cordery, J. (2017). Intellectual capital-enhancing HR, absorptive capacity, and innovation. *Human Resource Management*, 56(3), 431-454.
- Wang, J., Yang, J., & Xue, Y. (2017). Subjective well-being, knowledge sharing and individual innovation behavior. *Leadership & Organization Development Journal*.
- Wernerfelt, B. (1984). A resource based view of the firm. *Strategic Management Journal*, 5(2), 171-180.
- Yildiz, H.E., Murtic, A., Zander, U., & Richtnér, A. (2019). What fosters individual-level absorptive capacity in MNCs? An extended motivation-ability-opportunity framework. *Management International Review*, 59(1), 93-129.