THE RELATIONSHIP BETWEEN KNOWLEDGE MANAGEMENT AND EMPLOYEE RETENTION

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Abstract- Knowledge is always embodied in a person; carried by a person; created, augmented, or improved by a person; applied by a person; taught and passed on by a person; used or misused by a person. The shift to the knowledge society therefore puts the person in the center. Employees are the backbone of an organization. Hence, the retention of the employees is important in keeping the organization on track. In order to retain the best talents, strategies aimed at satisfying employee’s needs are implemented, regardless of global companies or small-sized firms. The concept of knowledge management as a powerful competitive weapon has been strongly emphasized in the strategic management literature and is a major factor to retention and development of human resource in organizations. In this paper, we aim to study knowledge management and its relationship with employees' retention.

Keywords- Organizational knowledge management, Employee retention, Knowledge workers, Strategic knowledge orientation, Learning culture orientation, and HR practices.

I. INTRODUCTION

The field of strategic management focuses on understanding sources of sustained competitive advantage (Barney, 2001). A variety of factors have been shown to have an important effect on the ability of organizations to acquire sustained competitive advantage, including the relative capability development of a firm and a firm’s ability to differentiate its products. Knowledge management has also been described for its possible role in creating sustained competitive advantages for organizations (Grant, 1996). While the allegation that KM might be able to create sustained competitive advantage for firms is provocative, working in this area is relatively underdeveloped, both empirically and theoretically. Research on KM and competitive advantage has emphasized ‘description, rather than empirical study’ KM can lead to such an advantage (Chuang, 2004). Also, organization would retain their personnel for a specified period to utilize their skills and competencies to complete certain projects or execute tasks. In another word, we can understand it as employee retention where the scope of task, is however, often larger than a simple task and more preferably a job in real world. Retaining the desirable employees is beneficial to an organization in gaining competitive advantage that cannot be substituted by other competitors in terms of producing high morale and satisfied coworkers who will provide better customer service and enhanced productivity, which subsequently resulting in sales generating, customer satisfaction, smooth management succession and improved organizational learning. As knowledge emerges as the primary strategic resource for firms in the 21st century, researchers and practitioners strive for clues on how to accumulate knowledge resources effectively and manage them for competitive advantage. The flourishing interest in knowledge management has recently led to a deluge of organizational knowledge initiatives in the business world (Davenport, 2005). Building a knowledge management system or knowledge based systems with database, communication, and intelligent systems technologies are the most common examples. While this technology-based approach for knowledge management enables the firm-wide integration and utilization of corporate knowledge resources (mostly in the form of explicit knowledge), often researchers focus more on the creation and sharing of knowledge resources, emphasizing the role of organizational culture and motivation of individual knowledge workers. Therefore, before embarking on a knowledge management project, firms need to assess their organizational subsystems and available resources to identify the most context-sensitive knowledge management strategies for their firms. Retaining employees whose knowledge has high competitive value is becoming a critical and well-recognized challenge (Delong, 2004). Such employees are known as knowledge workers in that they ‘have high degrees of expertise, education, or experience, and the primary purpose of their jobs involves the creation, distribution or application of knowledge’ (Davenport, 2005). The retention challenge is the result of increasing job mobility in the global knowledge economy where workers average six employers over the course of a career (O’Neal, 2005), coupled with the baby boomer retirement “brain drain” and a smaller generation of workers entering their prime working age during this time. It is occurring in all types of organizations across all management levels. This paper empirically investigates whether the impact of an organization’s strategic orientation toward knowledge management, the learning culture it supports, and specific human resource practices impact knowledge worker retention.

II. KNOWLEDGE MANAGEMENT

Today knowledge and information changed to determinant factor in success and competition power in organizations and knowledge management introduced as a finally organization subjects in knowledge management. Our environs world is fast developing
and inconceivable and in this vanguard world, nations and societies are that should monitor understanding speed and his or her interaction with environs world and they accommodate her or his science and knowledge with up-to-date knowledge. If society can move in step with today world, certainly it will take merits from development and if it cannot increase self speed, as a matter of fact it will aside other societies and it will stay at seclusion. Management connoisseurs and theoreticians are agree with subject that, acquisition competition merit is single criteria that superiority in organizations show than others that with consideration to current full change and complex in organization can guarantee their insolubility, that it gives better products and service than other competitors and by this way, it increase competition merit and they show superiority own than other organizations (Hadizadeh, 2013).

Today, the most part of big organizations understand that for cause their human force experiences and skills will be success and not for mechanical and physical systems and if can’t enhance the proficiency and science level in labors, in fact they will earmark from global market. Knowledge management has more merits for organizations that among them can point to improving work quality, accessibility updated information, increasing proficiency, improving impressionable, improving decision making, increasing capability for responding into customers needs, increasing capability for responding to fundamental needs and developmental country and possibility change and fast adaptive. The fundamental question in the field of strategic management has been how organizations gain and sustain their competitive advantage. In the traditional approach, attractiveness of industry selection and establishment of competitive advantage over rivals were major questions of organizational capability in the face of competition (Eric, 2012). However, with increasing uncertainty and dynamics of business environments, focus of the strategy research has shifted from the structure-conduct-performance paradigm to the internal resources of organizations as a key determinant of competitive advantage. Grant (1991) notes that this shift reflects dissatisfaction with the static, equilibrium framework of the traditional approaches and leads to a more internal perspective called the ‘resource-based view of firm’. The resource-based view of firm suggests organizational resources and capabilities as the principle sources of competitive advantage and its sustainability. According to this approach, there is a distinction made between resource and capability. Corporate resources such as capital equipment, skills, patents, and money are basic inputs into gaining and sustaining competitive advantage. Organizational capability is the capacity of a firm in acquiring and utilizing its resources to perform some tasks and activities for its competitive advantage (Grant, 1991). The relationship between the two is that, while resources are the primary source of a firm's capabilities, capabilities are the main source of its competitive advantage. Research interest in organizational capabilities has been recently expanded by the knowledge-based view (Kogut &Zander, 1992; Grant, 1996). According to this perspective, organizational knowledge such as operational routines, skills or know-how are the most valuable organizational resources and its strategic management capability is the most significant source of organizational competitive advantage in an increasingly more dynamic and rapidly changing environment.

A. Organizational efforts for knowledge management

Knowledge management is not simply a matter of assembling groups of learning teams or installing an electronic document management system. Rather, it is a management paradigm shift involving people and other resources such as organizational structure, culture, information technologies, etc (Grant, 1996). As candidates of ‘something’ to be managed, various components have been identified in the knowledge management literature. The most commonly mentioned components are knowledge itself, the management process, knowledge workers, trust-based human relationship, information technologies, flexible organizational structure, performance measures and rewards etc. However, considering all of them as target management objects will be difficult since some of them are not only too broad or vague but also too complex to manage. For example, viewing trust-based relationship as organizational culture includes many other management constructs such as leadership management, empowerment, incentives, and is frequently seen as the final management goal or objective (Lee, 2001). The performance measurement and reward systems and organizational structure are also generally considered as means of organizational culture management. Therefore, we propose that four management objects-organizational knowledge, knowledge workers, knowledge management process and information-technology should be accumulated and managed as strategic organizational resources (Fig.1).
The current growing organizational initiatives around the four management objects can be explained with an integrated framework as in Fig. 1. Most organizational initiatives approached knowledge management both in managerial approaches and technical approaches. The core managerial factors to influence knowledge workers include leadership, empowerment, performance measurement and rewards, organizational structure, and organizational culture. Organizations can facilitate their knowledge management process by defining procedures and rules and, if necessary, by making a team to facilitate the process. For the knowledge capability of individual knowledge workers, organizations can establish a self-learning program or a career path program to improve the quality of their human resources. Many organizations already have their own knowledge typologies for the focused and systematic management of organizational knowledge content. Many of them also have developed a knowledge repository system with search engines, Internet-based repository communications channels, and/or a knowledge editor/viewer.

III. EMPLOYEE RETENTION

Employee retention refers to policies and practices companies use to prevent valuable employees from leaving their job. It involves taking measures to encourage employees to remain in the organization for the maximum period of time. Hiring knowledgeable people for the job is essential for an employer. But retention is even more important than hiring. This is true as many employers have underestimated costs associated with turnover of key staffs (Barney, 1991). Turnover costs can incurred with issues such as reference checks, security clearance, temporary worker costs, relocation costs, formal training costs and induction expenses (Rumpel and Medcof, 2006). Other invincible costs and hidden costs such as missed deadlines, loss of organizational knowledge, lower morale, and client’s negative perception of company image may also take place. This is why retaining top talent has become a primary concern for many organizations today. Managers have to exert a lot of effort in ensuring the employee’s turnover are always low, as they are gaining increasing awareness of which, Meaghan et al. (2002), employees are critical to organization since their values to the organization are not easily replicated. Many critical analysis are conducted to minimize the possible occurrence of shortage of highly skilled employees who posses specific knowledge to perform at high levels, as such event will lead to unfavorable condition to many organizations who failed to retain these high performers. They would be left with an understaffed, less qualified workforce that will directly reduce their competitiveness in that particular industry. Most researchers have attempted to answer the question of what determines people’s intention to quit, unfortunately to date, there has been little consistency in findings. Therefore, there are several reasons why people quit their current job and switch for other organization. The extend of the job stress, low commitment in the organization; and job dissatisfaction usually result in resignation of employees (O’Neal, 2005). Abundant studies have also certified the relation between satisfaction and behavioral intentions such as employee’s retention and spread the word of mouth. Numerous studies showed how high employees involvement is can relate to the intention of leaving an organization. Lacking of opportunities to learn and self development in the workplace can be the key for employee dissatisfaction which leads to turnover. Other studies also indicated that employees will retain in their organization if he or she has a good relationship with the people he or she is working around with (Barney, 2001). Organizations are therefore suggested to provide team building opportunities, where interaction and discussion can be carried out not only within but outside their working hours. This is why managers today must taken care of their employees personal feelings toward the job and satisfaction levels from their working conditions, superiors and peers, as these are the keys to ensure employee retention. The success and survivability of organizations is heavily dependent on customer evaluations (Eric, 2012), whereby the organization must put effort in satisfying their employees since the relationship between customer satisfaction and employee’s satisfaction are significant. In summary, the literature defines retention as continuing relation between employees and their organization and turnover as “any permanent departure beyond organizational boundaries”. The benefits of retention are saving cost for further recruitment, fewer training to be conduct for new candidates, improve productivity, increase employee’s performance and thus increase profits and meet their organizational goals and objectives.

IV. KNOWLEDGE WORKER RETENTION

Since market demand can certainly drive knowledge worker movement, organizations are feeling an urgent need to preserve as much tacit knowledge as possible while they have them. While some of this sizable investment may help, spending on such technologies alone will ultimately not suffice. Organization design initiatives that explicitly target KM, knowledge loss goals can be introduced to impact the psychological, emotional and behavioral processes involved in the stay or leave decision and build a culture of retention and engagement (Lee, 2001; Jamrog, 2004). The ability to execute KM design strategies to promote knowledge worker engagement and retention is becoming a critical organization competency. Specifically, knowledge worker retention is best promoted when: (a) the organization’s leadership recognizes and expressly values the strategic importance of knowledge
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management, (b) when it cultivates an active learning culture, and (c) when its HR programs and practices support KM processes (McCann & Buckner, 2004). Organizations that learn how to design and execute strategies that do these three things will also be more likely to perform better.

A. Strategic Knowledge Orientation
An organization’s knowledge strategy is “the overall approach an organization intends to take to align its knowledge resources and capabilities to the intellectual requirements of its strategy” (Jamrog, 2004). Leaders are seen as the best weapon in retaining valued talent. This includes leadership and performance management systems that clearly establish the importance of knowledge to its operations (McCann & Buckner, 2004; Rumpel, S., & Medcof, 2006). Accordingly, responsibility and accountability for retaining talent needs to shift from HR and out to the front lines into the hands of leaders, especially immediate supervisors. Knowledge worker retention is enhanced when they see that their top leaders understand, value, and support the development and active management of their intellectual capital through structures, processes, and systems.

B. Learning Culture Orientation
Organizational culture is also a deciding factor in employee retention. Brockbank (1999) notes that strategically proactive HR units create corporate cultures that support innovation and creativity. A culture that values interpersonal relationships and collaboration, a team orientation, and respect for people has been shown to result in longer tenure (Davenport, 2005). Other retention drivers include a sense of connection between an employee’s job and organization strategy and the organization’s success, a reputation of integrity, and a culture of innovation (Hadizadeh, 2013).

The literature on knowledge workers and the creation of a learning organization culture is largely anecdotal but extensive (Davenport, 2005; DeLong, 2004; Eric, 2012; Barney, 2001; O’Neal, 2005). In every instance, the presence of supportive values and beliefs that encourage employee inquisitiveness and creativity, a willingness to learn from error, and openness to sharing knowledge are viewed as significant contributors to a learning organization culture. Finally, knowledge work requires collaboration, flows of information and support from colleagues in different parts of the organization. As Droge and Hoobler (2003) suggest, “When the right people come together, the odds of diffusing tacit knowledge to others are increased.” (McCann and Buckner, 2004) Creating a culture that encourages collaboration and open access to information is a consistent theme in all of these company studies.

C. HR Practices
Companies have generally adopted two types of responses to combat employee turnover: proactive defensive measures that make the work environment more appealing, including increases in salaries and benefits, recognition programs, employee training, team initiatives, improving internal communications, etc., and reactive retaliatory approaches that increase the costs associated with leaving, including aggressive enforcement of non-compete clauses, threat of litigation, etc.. Recent studies have shown that the most popular practices are not always the most effective and that there are distinct bundles of HR practices for effectively managing knowledge workers (Jamrog, 2004; McCann & Buckner, 2004). For example, some researchers suggest that traditional programs, which rely more on compensation, miss the mark (Lee, 2001). There is, however, broad agreement that a work environment that allows people to grow and develop is critical for retention (Jamrog, 2004). According to Frank (2004), “employee retention and employee engagement are joined at the hip.” Increasing employee engagement reduces an employee’s probability of departure and increases retention (Rumpel & Medcof, 2006). Engagement is supported by several practices, such as the concept of “total rewards” as a means of retaining valuable employees, embracing everything that employees value in the employment relationship (O’Neal, 2005; Rumpel & Medcof, 2006). For example, Edvinsson and Camp (2005) describe characteristics of an intelligent remuneration system that reinforces organizational learning and renewal.

Smith and Rupp (2002) also identified several engagement and retention factors, including the organization’s willingness to meet personal and family concerns, providing job recognition and career advancement opportunities, an attractive salary, and career and intellectual challenges. Garber (2003) similarly found access to personal growth and career opportunities to be unique engagement determinants for a high potential group. Sutherland (2004), on the other hand, found that job satisfaction and organizational commitment did not predict knowledge worker employment duration, but other important factors did include high autonomy, career development opportunities, performance related rewards, and challenging work assignments (McCann and Buckner, 2004).

CONCLUSION AND RECOMMENDATIONS
This paper provides clear and substantial support for the value of designing and deploying several KM strategies and practices within the three areas or factors identified: strategic knowledge orientation, learning culture orientation, and HR practices. Perceived successful retention of knowledge workers and financial performance are significantly related with these specific sets of strategies and practices. It is not believed that these strategies and practices are sufficient in themselves to drive retention and performance; the results are significant, but limited. While the sample is composed of uniquely positioned
and experienced senior HR professionals, the perceptual basis for their responses always dictates caution. Other strategies and practices certainly exist within the literature and in practice. Here, several specific strategies and practices are identified that in this paper are strongly related to each other and are also associated with critical organization outcomes. The results are important for several reasons. First, and most obviously, knowledge worker retention can be improved and their loss is not inevitable. Some organizations believe that they do a better job at this than other organizations. While very expensive and difficult to deploy investments in KM technologies such as portals, document management systems, and platforms can help capture and share knowledge, there are many less costly and easier to deploy strategies and tactics. For example, making sure that training and development goals are better tied to key knowledge gaps means that knowledge workers are being provided with relevant and useful knowledge that helps them meet real performance challenges. They are more likely to stay in an organization that is doing so. Or promoting the role of managers as teachers and mentors through incentives, along with providing the time to play those roles, can prove satisfying and supports their sense of professional accomplishment, a positive retention factor identified in previously noted studies. Second, by implication it is clear that a great variety of initiatives are required. Some require hardware, software, and technical specialists while others are definitely people-based and supported through human resource practices and “softer” interventions. None are necessarily easy to design and implement, and all require thoughtful planning and integration to assure that they work together to produce desired results. Importantly, organization size was not a significant factor in the relationships discovered. Smaller as well as larger organizations can be successful in managing knowledge and successfully retaining knowledge workers, so the size of resources invested in these initiatives is potentially not the deciding factor. Third, the paper establishes the pattern of relationships among the three sets of strategies and tactics. Recognition and embracement of knowledge management by top leaders’ as a source of strategic competitive advantage is essential and the foundation for a learning culture and specific HR practices. There is a well defined role for the organization’s leadership in setting the context for knowledge management which supports knowledge worker engagement and retention. Cultivation of a learning culture and support for KM-based HR practices cannot occur without such recognition and advocacy. Finally, the quality and quantity of research now taking place regarding knowledge management are impressive. This field has extensively developed over the past decade, judging from the variety of academic and professional journals on the subject. However, there are huge gaps in the literature on topics such as knowledge worker retention. It appears that HR professionals have also not kept as current with the field as necessary. If the talent wars predicted as a result of the “brain drain” and “boomer exit” are to be fought and won by an organization, it will be essential for HR professionals to actively engage this literature and support the types of practical research necessary to fill these gaps. A knowledge society and an organization dependent on the creation and application of knowledge can do no less.

REFERENCES


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