Available online at www.sciencedirect.com
ScienceDirect
Expert Systems with Applications 35 (2008) 1316–1326
Expert Systems with Applications
www.elsevier.com/locate/eswa

# Knowledge sharing practices as a facilitating factor for improving organizational performance through human capital: A preliminary test

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**Abstract**

Organizational knowledge sharing, argued to be able to improve organizational performance and achieve competitive advantage, is often not induced successfully. How organizations should encourage and facilitate knowledge sharing to improve organizational performance is still an important research question. This study proposes and examines a model of organizational knowledge sharing that improves organizational performance. Organizational knowledge sharing practices are argued to be able to encourage and facilitate knowledge sharing, and are hypothesized to have a positive relationship with organizational human capital (employee competencies), which is hypothesized to have a positive relationship with organizational performance. Two organizational antecedents (innovation strategy and top management knowledge values) are hypothesized to lead to the implementation of organizational knowledge sharing practices. The hypotheses were examined with data collected from 256 companies in Taiwan. All the hypotheses are supported. This study has both theoretical and practical implications.


*Keywords:* Knowledge sharing; Performance; Human capital; Innovation strategy; Top management knowledge values

## 1. Introduction

In the knowledge-based economy, internal resources and competencies of companies have become a major focus of management literature (Barney, 1991; Teece, Pisano, & Shuen, 1997; Wernerfelt, 1984). The analysis of internal resources has transformed to a focus on intangible resources; knowledge is seen as a crucial type (Alavi, Kayworth, & Leidner, 2005–2006; Davenport et al., 1998; Drucker, 1993). However, knowledge is not symmetrically distributed within an organization. Thus, for an organization to develop competitive advantage, identifying, capturing, sharing and accumulating knowledge become crucial (Husted & Michailova, 2002; Michailova & Husted, 2003). An emphasis on knowledge has sparked a recent interest in performance implications of organizational knowledge management/sharing processes and practices (Becerra-Fernandez & Sabherwal, 2001; Hsu, 2006; Lee & Choi, 2003; Widén-Wulff & Soumi, 2007).

However, knowledge sharing is a test of human nature (Cabrera & Cabrera, 2002; French & Raven, 1959), and accessing knowledge from colleagues and unknown others can be difficult (Constant, Sproull, & Kiesler, 1996). As a result, knowledge sharing within organizations very often is not successful and organizational performance is not improved. Managerial interventions are needed to encourage and facilitate systematic knowledge sharing (Hsu, 2006; Husted & Michailova, 2002). Despite the growing interest in organizational knowledge sharing, empirical research on performance implications of knowledge sharing practices has not been sufficient and is called for (Choi & Lee, 2003). More importantly, researchers caution that

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doi:10.1016/j.eswa.2007.08.012

organizational knowledge management/sharing practices do not directly lead to an improvement of organizational performance. Rather, organizational performance is improved through an improvement of intermediate (or individual) outcomes, following the implementation of knowledge management/sharing practices (Davenport et al., 1998; Liebowitz & Chen, 2001; Sabherwal & Becerra-Fernandez, 2003). A major goal of this research is to better understand such a causal mechanism.

An organization within which knowledge sharing takes place will develop its human capital, i.e., competencies of human resources, through knowledge transfer and exchange (Quinn, Anderson, & Finkelstein, 1996; Widén-Wulff & Soumi, 2007). As organizational human capital is developed, human resources can improve their job performance and ultimately, organizational performance with new and relevant knowledge. This paper seeks to propose and examine a model of organizational knowledge sharing in which knowledge sharing practices contribute to organizational performance through the development of human capital. To this end, the importance of organizational human capital is first examined in the literature review section. If the importance of organizational human capital is established, the importance of organizational knowledge sharing practices is justified.

Further, although developing human capital is one of the key objectives of organizational knowledge sharing practices (Bartlett & Ghoshal, 2002), the relationship between these practices and human capital has not been examined. Also, the notion of human capital has been argued to lie at the core of business success in the 21st century (Hitt, 2000; Liebowitz, 2002). However, the link between organizational human capital and organizational performance has been prescriptive and requires empirical investigation (Lado & Wilson, 1994; Youndt, Subramaniam, & Snell, 2004). Thus, investigating the effect of organizational knowledge sharing practices on organizational performance through the development of human capital will not only establish the importance of knowledge sharing practices but also result in findings that have both theoretical and practical implications.

Finally, for organizational knowledge sharing practices to effectively develop human capital, influencing factors in the organization must be understood (Demarest, 1997; Malhotra, 2004; O'Dell & Grayson, 1999). These factors, or antecedents, serve as infrastructure to improve the effectiveness of organizational knowledge sharing (Holsapple & Joshi, 2000; Lee & Choi, 2003). This research investigates the relationships between two important and yet neglected antecedents (organizational strategy and top management knowledge values) and knowledge sharing practices. From a range of literatures, these two antecedents were identified to underlie and drive knowledge sharing to develop and exploit knowledge assets (including human capital) for perpetual survival and growth of organizations (Alavi et al., 2005–2006; Hamel & Prahalad, 1993, 2005; Ruggles, 1998; Teece & Pisano, 1994; Teece et al., 1997).

## 2. Literature review

### 2.1. Organizational human capital

The prevailing definition of organizational human capital adopts a competence perspective (Elias & Scarbrough, 2004). Flamholtz and Lacey (1981) emphasized employee skills in their theory of human capital. Later researchers expanded this notion of human capital to include the knowledge, skills and capabilities of employees that create performance differentials for organizations (Nahapiet & Ghoshal, 1998; Snell & Dean, 1992; Youndt et al., 2004). Parnes (1984, p. 32) defined human capital as that which "... embraces the abilities and know-how of men and women that have been acquired at some cost and that can command a price in the labor market because they are useful in the productive process." Thus, seen from the competence perspective, the central tenet of human capital is the purported contributions of human capital to positive outcomes of organizations. Following this line of thinking, organizational human capital is defined in this paper as competencies of employees. Employee competencies can lead to effective job performance (Becerra-Fernandez & Sabherwal, 2001; Davenport et al., 1998). They can also help in improving financial performance of organizations (Davenport et al., 1998).

The resource-based view of the firm portends how organizational human capital may help develop a competitive advantage of an organization. According to this view, intangible resources or capabilities that are valuable, rare and difficult to imitate are sources of sustained competitive advantage of organizations (Barney, 1991; Grant, 1991; Peteraf, 1993; Teece et al., 1997). In particular, a competitive advantage based on a single resource or capability is easier to imitate than one derived from multiple resources or capabilities (Barney, 1991; Ulrich & Lake, 1991; Wernerfelt, 1984). Organizational human capital constitutes bundles of unique resources that are valuable, rare, and inimitable for an organization's competitive advantage.

According to De Saá-Pérez and García-Falcón (2002), Lado and Wilson (1994), and Wright, McMahan, and McWilliams (1994), organizational human capital is valuable because human resources differ in their knowledge, skills, and capabilities, and they are amenable to value-creation activities guided and coordinated by organizational strategies and managerial practices. Organizational human capital is rare because it is difficult to find human resources that can always guarantee high performance levels for an organization. This is due to information asymmetry in the job market. More importantly, human resources with various types of knowledge, skills and capabilities are configured in a way that is heterogeneous across organizations. This makes organizational human capital not just rare but also inimitable. Finally, the process by which human resources create performance differentials requires complex patterns of coordination and input of other types of resources. Each depends on the unique context of a given