The Effect of Knowledge Management and Talent Management on Organizational Performance with Organizational Culture as a Mediating Variable

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ABSTRACT

This study aims to investigate the influence of knowledge management and talent management on organization performance and organizational culture as a mediating factor. This research uses methodology with an explanatory study by testing five hypotheses. A hundred twenty-seven managers from several coal companies in East Kalimantan Province are collected as a sample in this research. The researcher used the Smart PLS programs to examine the effect of the independent variable on the dependent variable through the mediating variable. The result of this study found that: (1) Knowledge management doesn’t affect organization culture; (2) Talent management practices affect organizational culture positively and significantly; (3) Knowledge management doesn’t affect organization performance; (4) Talent management affect organization performance positively and significantly; (5) Organization culture doesn’t affect organization performance; (5a) The mediation function of organizational culture is not significant between knowledge management and organizational performance, and (5b) The mediation function of organizational culture is not significant between talent management and organizational performance. This research has a managerial implication to guide the decision-maker in the company or manager in the human resource management to implement knowledge management, talent management, and organizational culture to improve organization performance.

Keywords: knowledge management, talent management, organizational culture, organizational performance

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INTRODUCTION

Competition with a global dimension is a serious and fundamental challenge for all countries in the current era of globalization, where global competition requires the availability of qualified and superior-minded human resources. According to The Global Competitiveness Index 2016-2017 report, Indonesia is ranked 40 out of 138 countries (2015-2016) and ranked 37 out of 140 countries (2016-2017). When compared with the 3 (three) neighboring countries such as Singapore, Malaysia and Thailand, Indonesia is still behind the three countries, where Singapore is in 2nd (second) place in the 2015-2016 and 2016-2017 periods, Malaysia is in the 25th rank in 2015-2016 and ranked 18th in 2016-2017, while Thailand was in 34th place in 2015-2016 and 32nd in 2016-2017 (World Economics Forum). In addition, in the 2016-2017 Global Talent Competitiveness Index report, Indonesia is ranked 90 out of 118 countries and lags behind 5 (five) neighboring countries that are members of ASEAN countries (Singapore (2), Malaysia (28), Philippines (52), Thailand (73) and Vietnam (86). The Global Talent Competitiveness Index measures how a country's growth, efforts to attract and retain talent, and provides resources to develop strategies to increase the competitiveness of their talents. In the 2017 Bank Indonesia economic report, Indonesia's economic recovery in 2017 continues gradually, driven by improvements in exports and investment. The dynamics of economic growth show that the national economy has passed its lowest point of economic growth, namely 4.74% which occurred in mid-2015. Development shows that economic growth continues to improve slowly so that the Gross Domestic Product (GDP) in 2017 recorded a growth of 5.07%, an increase when compared to with the previous year's economic growth of 5.03%. The mining industry is one of the industries that contributes quite high to Indonesia's GDP with a percentage of 8.03% but the increase is quite low, namely only 1.22% compared to the previous year (BPS, 2018). This is a challenge for the mining industry in Indonesia in improving organizational performance. Of several mining areas in Indonesia, the province of East Kalimantan is one of the provinces whose mining industry contribution is quite high with coal mining being the prima donna, contributing 45.93% of the total Gross Regional Domestic Income (PDRB) of East Kalimantan Province (BPS Kaltim, 2018). The mining industry, including coal mining, is one of the industries that is able to absorb a large workforce so that human resource management strategies are very important in improving company performance because it is closely related to business strategies (Gautam, 2015).

There has been a lot of literature that discusses knowledge management and talent management in relation to human resource management strategies, such as Budiarti (2017) and Singh and Rao (2017) which examine the effect of the application of human resource management on knowledge management and its impact on employee performance, Glaister et al. (2017) who examined the effect of the application of human resource management on talent management and company performance, Syayanipour et al. (2017) and Kontoghiorghes (2015) who examined the influence of organizational culture on talent management, Ahmed (2016) and Ambumathi and Sivasubramanian (2016) who examined the role of talent management on knowledge management, Ahmed and Elhag (2017) and Claver-Cortes et al. (2018) who examined the effect of knowledge management on organizational performance, and Son et al. (2018) and Mwanzi et al. (2017) who examined the effect of talent management on organizational performance.

From previous studies, there have been many studies that discuss the effect of the application of knowledge management and talent management on organizational performance but there is no research that jointly discusses the mediating effect of
organizational culture in bridging the inconsistencies of previous research, and there is no research that examines together the application of knowledge management, talent management, organizational culture, and in one research model. This study aims to investigate the influence of knowledge management and talent management to organization performance and organization culture as a mediating factor.

LITERATURE REVIEW

Knowledge management is a process used in organizations to create, share, codify, disseminate and institutionalize tacit and explicit knowledge (Darroch, 2003; Nonaka & Von Krogh, 2009). Sadri McCampbell et al. (1999) reported that knowledge management is an art that deals with the transformation of assets and intellectual information to create value for many stakeholders by implementing appropriate strategies and processes for the identification, acquisition, creation, and sharing of knowledge in organizations. According to Davenport & Prusak (1998), knowledge management deals with implicit and explicit knowledge from organizations and employees, through acquiring, organizing, maintaining, applying, sharing and updating knowledge by using specific and systematic processes to improve organizational performance. Knowledge management must help organizations become more effective, efficient and innovative than competition. Knowledge management has received epistemological and theoretical bases from various scientific disciplines, such as philosophy, computer science and economics. According to Gao et al. (2008), this point of view can be divided into two general categories, namely hardware and software. Hardware deals with explicit forms of knowledge and software deals with implicit or invisible forms. Hardware works with the assumption that knowledge comes from information which is the result of data processing and data is obtained from events. According to hardware, knowledge management infrastructure is in the form of databases, management information systems, knowledge repositories, servers, and so on. And software such as expert systems, decision support systems, data mining and warehousing are essential for effective knowledge management (Boisot, 1995; Boisot & Canals, 2004; Davenport & Prusak, 1997). On the other hand, software supports the importance of invisible knowledge and focuses on practical people and communities, developing a culture of knowledge sharing in organizations (Nonaka & Peltokorpi, 2006). It can be concluded that knowledge is different from information and resides in the human mind. This supports the importance of human interaction and believes that it can be shared and learned among employees, and it also suggests that the role of information technology is limited to being a facilitator in the process of knowledge creation and sharing (Sveiby, 2001; Zack et al., 2009).

Talent management is a dynamic ability in which companies perceive, seize and transform their skills, resources and competencies (Linden & Teece, 2014). According to Ambrosini and Bowman (2009), dynamic abilities focus on the future and develop the most adequate resource base, their value comes from their output. The foundation for the application of human resource management, applied to the entire workforce, mainly consists of ordinary or basic abilities (Fainshmidt, Pezeshkan, Frazier, Nair, & Markowski, 2016; Winter, 2003). This basic capability only allows the organization to function on a daily basis (Helfat & Winter, 2011). However, they provide a stable platform for developing dynamic capabilities, which then act as a transmission mechanism enhancing ordinary capabilities and building a new sustainable resource base (Ambrosini & Bowman, 2009; Schilke, 2014; Teece, 2014). Thus, talent management can
be seen as a transmission mechanism that allows organizations to keep changing (Rindova & Kutcha, 2001). Fainshmidt et al. (2016) and Weerawardena, Mort, Liesch, & Knight (2007) show that dynamic capabilities in emerging markets produce superior benefits because they tend to be scarce and can provide more value in turbulent economic conditions.

Organizational culture is things related to values in the organization (Broms and Gahmberg, 1983; O'Reilly and Chatman, 1996; Guiso et al., 2015; Zhao et al., 2018), shared beliefs and meanings (Davis, 1984; Cao et al., 2015; Gochhayat, 2017), assumptions (Schein, 1992), forms of behavior, implementation, procedures and beliefs in an organization (Ghosh & Srivastava, 2014; Martin, 1992; Nguyen & Aoyama, 2014). Competing Values Framework (CVF) is the most widely used system of organizational culture operational values which classifies organizational culture in four dimensions, namely development culture, group culture, hierarchical culture and rational culture (Quinn and Rohrbaugh, 1981; Quinn and Rohrbaugh, 1983; Denison and Spreitzer, 1991; Gregory et al., 2009; Stock et al., 2007; Zu et al., 2010; Paro and Gerolamo, 2017). This dimension of organizational culture explains various cultural values in the organization, such as short-term or long-term orientation (development culture), the spirit of cooperation and groups (group culture), the existence of a reward system (rational culture), and the existence of centralized or decentralized control in decision making. (hierarchical culture) (Gregory et al., 2009; Hartnell et al., 2011; Stock et al., 2007; Zu et al., 2010; Eisend et al., 2016; Paro and Gerolamo, 2017). Research on the dimensions of organizational culture shows the main value in overall performance, where a negative and non-transparent culture will trigger agitation so that an organization should focus on the type of culture that can improve employee performance and can help employees who cannot achieve goals before seeking positions better (Ovidiu Iliuta, 2014).

Organizational performance depends on the skills, knowledge and experience of employees to achieve efficiency, effectiveness, innovation, employee and customer satisfaction, product or service quality and the ability to retain unique talented people (Absar et al., 2010). It has been measured in the literature from both financial and non-financial aspects (employee and operational performance). The financial perspective has been used by most researchers (Liao & Wu, 2009; Lopez et al., 2005; Venkatraman and Ramanujam, 1986), which includes competitive position, profitability, sales growth, market share and organizational reputation. Likewise, the non-financial perspective, such as employee performance (Fuentes et al., 2007), includes matters related to employee satisfaction, employee turnover, absenteeism and employee participation. Finally, operational performance (Wright et al., 2003; Delaney & Huselid, 1996; Venkatraman & Ramanujam, 1986) includes the number of customer complaints, service quality and customer satisfaction. The financial perspective includes financial performance, while the non-financial perspective includes employee and operational performance. The Venkatraman & Ramanujam (1986) scale has been used to measure financial performance and operational performance. Furthermore, the scale of Fuentes et al. (2007) has been used to measure employee performance (Jyoti & Sharma, 2012). The conceptual framework in this research design as a basis for formulating hypotheses and further analysis processes as seen in the Figure 1.
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**Figure 1. Conceptual Framework**

H1 : There is a significant influence between knowledge management and organizational culture.

H2 : There is a significant influence between talent management and organizational culture.

H3 : There is a significant influence between knowledge management and organizational performance.

H4 : There is a significant influence between talent management and organizational performance.

H5 : There is a significant influence between organizational culture and organizational performance.

H5a : There is a significant influence between knowledge management and organizational performance with organizational culture as mediation variable.

H5b : There is a significant influence between talent management and organizational performance with organizational culture as mediation variable.

**RESEARCH METHOD**

This research type is a correlational study that uses hypotheses to test the relationship between variables based on previous studies (Sekaran & Bougie, 2016). This study was intended to analyze the effect of exogenous latent variables on their endogenous latent variables and how the relationship occurred. In the context of this study, as an exogenous latent variable is knowledge management with the dimensions of the creation process, transfer process, the integration process, and the implementation process, talent management with the dimensions of identifying important positions, talent recruitment, managing talent, and retention management, and organizational performance with the dimensions of financial performance, employee performance, and operational performance, while the endogenous latent variable is organizational culture with the dimensions of the development culture, team culture, rational culture, and hierarchical culture.

The population of this study are manager upwards in various divisions of mining company in East Kalimantan Province. The size of the sample is very sensitive to the results of statistical testing, where (Sekaran & Bougie, 2016) state that the size of the sample that is considered sufficient (appropriate) in most studies ranges from 30 to 500.
respondents, in addition to multivariate studies (including multiple regression research), the sample size should be 10 times larger than the number of variables in the study. To anticipate a sample that cannot be used, the number of respondents determined are 190 respondents. This study uses two data sources, namely primary data and secondary data. Primary data is needed as the main material in this study while secondary data as a complement. Primary data source in the form of giving questionnaires to the level of manager or leader of the same level (manager, senior manager, general manager, director) at coal mining companies in East Kalimantan Province which is given directly or via mail or google form proportionally based on annual production capacity obtained from various sources such as duniatambang.co.id in 2019, while secondary data sources are from Bank Indonesia Report data, the Central Statistics Agency, and the Ministry of Energy and Mineral Resources (MEMR). This study uses a sample of respondents by selecting samples using a purposive sampling method, which is a sampling method that is based on certain criteria or considerations, where the researcher determines sampling by determining specific characteristics that fit the purpose of the study so that it is expected to answer the research problem (Sekaran & Bougie, 2016). Of the 135 questionnaires that were filled out, 8 questionnaires could not be used because the filling of the questionnaire was incomplete and inconsistent so that only 127 questionnaires were processed in data processing.

The data analysis result of perceptions from respondents for all variables where knowledge management variable was adopted from Wu & Chen (2014) through 12 questions, talent management variable was adopted from Mensah (2015) through 15 questions, organizational culture variable was adopted from Cao et al. (2015) through 14 questions, and organizational performance was adopted from Tseng (2016) to measure financial performance through 4 questions, Jyoti & Rani (2017) to measure employee performance through 4 questions, and Wang, Wang, Cao, & Ye (2016) to measure operational performance through 4 questions. All of these variables use a Likert scale to determine the level of the score on each statement with five (5) scales that indicate agree or disagree with the statement (1 is strongly disagree, 2 is disagree, 3 is neutral (doubtful), 4 is agree, and 5 is strongly agree). The analytical method used in this research is using the Smart PLS program.

RESULT AND DISCUSSION

The results of hypothesis testing can be seen in the Table 1. H1 (knowledge management to organizational culture) is not accepted with a probability value of 0.112, H2 (talent management to organizational culture) is accepted with a probability value of 0.015, H3 (knowledge management to organizational performance) is not accepted with a probability value of 0.148, H4 (talent management to organizational performance) is accepted with a probability value of 0.000, H5 (organizational culture to organizational performance) is not accepted with a probability value of 0.216, H5a (knowledge management to organizational performance mediated by organizational culture) is not accepted with a probability value of 0.365, and H5b (talent management to organizational performance mediated by organizational culture) is not accepted with a probability value of 0.334.
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<table>
<thead>
<tr>
<th>Variable</th>
<th>T-Statistics</th>
<th>P-Values</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge Management -&gt;</td>
<td>1,594</td>
<td>0,112</td>
<td>H1 is not accepted</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talent Management -&gt;</td>
<td>2,440</td>
<td>0,015</td>
<td>H2 is accepted</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Management -&gt;</td>
<td>1,450</td>
<td>0,148</td>
<td>H3 is not accepted</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talent Management -&gt;</td>
<td>5,397</td>
<td>0,000</td>
<td>H4 is accepted</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Management -&gt;</td>
<td>1,240</td>
<td>0,216</td>
<td>H5 is not accepted</td>
</tr>
<tr>
<td>Organizational Culture</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knowledge Management -&gt;</td>
<td>0,908</td>
<td>0,365</td>
<td>H5a is not accepted</td>
</tr>
<tr>
<td>Organizational Performance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Talent Management -&gt;</td>
<td>0,968</td>
<td>0,334</td>
<td>H5b is not accepted</td>
</tr>
<tr>
<td>Organizational Culture -&gt;</td>
<td></td>
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</tbody>
</table>

According to the number of calculated path analysis (hypotheses 1 and 3), the T-Statistic results of knowledge management are lower than 1.96; so that knowledge management has no significant relationship to organizational culture (1.594) and organizational performance (1.450). The results of this study are not in line with the research conducted by Tseng, M.N. (2009) and Gupta, V. & Chopra, M. (2017). Based on the results of the path analysis (hypotheses 2 and 4), the T-Statistic talent management are greater than 1.96; talent management a significant relationship to both organizational culture (2.440) and organizational performance (5.397). The results of this study are in line with the research conducted by Meng, F. et al. (2016) and Glaister, A.J. et al. (2018).

Based on the calculation of path analysis (hypotheses 5), the T-statistic results of organizational culture are lower than 1.96; then organizational culture has no significant relationship to organizational performance (1.240). The results of this study are not in line with the research conducted by Cao et al. (2015), Tseng, S.M. (2009), and Tan, B.S. (2019). Based on the calculation of path analysis (hypotheses 5a and 5b), the T-statistic results of organizational culture as the mediator of knowledge management with organizational performance is 0.908 (lower than 1.96) and organizational culture as the mediator of talent management with organizational performance is 0.968 (lower than 1.96). The indirect effect tests show that organizational culture has no significant effect (partial mediation only) to both knowledge and talent management to organizational performance. The results of this results of this study are not in line with the research conducted by Tseng, M.N. (2009).

CONCLUSIONS

The result of this study found that knowledge management doesn’t affect organization culture, talent management practices affect organization culture positively and significantly, knowledge management doesn’t affect organization performance, talent management affect organization performance positively and significantly, and organization culture doesn’t affect organization performance. The mediation function of organizational culture is not significant between knowledge management and organizational performance, and the mediation function of organizational culture is not
significant between talent management and organizational performance. The practical implementation of this research as a guidance for all decision makers at mining coal industry to manage knowledge, talent, and culture in their organization as well to improve organizational performance. Theoretical implications of this research will be useful for mining coal industry that are able to describe all factors affect the performance of mining coal industries, so that clarity of ways to compete such as adaptation to the business environment turbulence and selection of characteristics of selected organizations can be obtained. For the future research can focus on social and environmental issues in the coal mining industry in Indonesia or other countries.

REFERENCES


