Knowledge Management Implementation, Strategic Human Resource Practices and Organizational Performance Mediated by Strategic Planning

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Abstract

This study purpose is to determine the direct effect of strategic HR practices and knowledge management on organization performance, and to examine whether the strategic planning is a mediating variable. This study is conducted at Mandiri Islamic Bank in Malang, East Java. This is explanatory research type, with questionnaire as a tool for data collection. Analysis unit is employee of Independent Islamic banks in Malang. Data is analyzed by path analysis using SPSS. Analysis results showed that knowledge management affect on strategic planning, while strategic HR practices has no effect. Strategic HR practices directly affect on organization performance. Strategic planning mediates the affect of knowledge management on organizational performance. Knowledge management has indirect effect on organizational performance. It is necessary for good planning strategy. Using innovation, opinions sharing, employee’s involvement in decision making process will create better strategic planning, which in turn will affect on organizational performance. Strategic HR practices affect on organization performance because HR become vital resource for companies. Without HR role, automatically organizational performance can not be maximized. Islamic banking leader need to socialize to employees how to apply knowledge management rightly. High SOP allows a leader to motivate and affect subordinates by exchanging rewards with specific performance.

Keywords: Knowledge management, Strategic HR practices, Strategic Planning, Organizational Performance, Bank Syariah Mandiri

1. Introduction

Recently, global Islamic industry developed rapidly. Indonesia as a country with largest Muslim population in world is predicted to become center of global Islamic industry. In financial sector, development of sharia industries is tolerable. Based on assessment of Global Islamic Finance Report (GIFR) 2013, Indonesia was ranked at fifth country with potential for development of Islamic financial industry after Iran, Malaysia, Saudi Arabia, and United Arab Emirates.

This year Indonesia enters to a new economic era. In 2015, all members of ASEAN countries agreed to integrate the economy within framework of ASEAN Economic Community (AEC) so future challenges will heavier. One challenge is continuity socialization and education programs to community. Activities to increase community interest to use advantage of Islamic banking products and services should continue to be made. During this socialization and educational activities, Islamic banking is supported by Bank Indonesia through the program "IB Campaign". Bank Indonesia's role in this regard will be reduced along with authority transfer of regulation and supervision of banking sector (including Islamic banking) to Financial Services Authority (FSA). Therefore, we need qualified human resources and good planning to achieve those expectations (Zein, 2015).

Human Resources practices is primary tool where a company can affect and shape the skills, attitudes, and behaviors of individuals to do their job and to achieve organizational goals (Collins and Clark, 2003). In addition, they must ensure that available resources and capabilities can be used to meet the competition. Lower primitive resources vitality has attracted the attention of practitioners and academics to explore the types of assets that can capture and maintain a competitive edge and at same time not easily imitated by competitors (Barney 1991). The question is what
kind of asset that can provide sustainable, competitive advantage, and superior performance has been discussed between managers and experts some time ago. As a result, human resources become valuable assets of an organization to provide answers on how organizations can compete in market, achieving superior performance, realizing a competitive advantage, and improve organizational performance.

Whole world recognizes that human resources are very important to achieve success in most effective and efficient way. However, HRM function has evolved into a strategic partner, sharing ideas, perspectives, and resources to marketing department, finance, and accounting (Schuler and MacMillan 1984; Ulrich 1987; Dulebohn, Ferris and Stodd 1995; Barney and Wright 1998). Chen and Huang (2009) revealed that knowledge management mediates the relationship HRM strategy on organizational performance.

Strategic planning enables companies to anticipate the changing conditions (Taylor, 1997; Jauch and Glueck, 2004); providing maps and intended travel direction and how to achieve it (Shapiro, 2009). Strategic planning is absolutely needed for strategic planning direction and basic guidelines for development of organization (Robbins and Coulter, 2010). Good planning and implementation will produce high performance (Robbins and Coulter, 2010). Some researchers revealed that strategic planning can improve organizational performance, as do Maria et al. (2012); Darabi et al. (2014); Willie and Shirley (1997). In conjunction with strategic planning and human resources functions, Noe et al., (2006) stated that success of strategic management process largely depends on involvement level of human resource management. Each component of strategic planning process, namely formulation, implementation and strategy evaluation will involve business issues related to people, because human resource management function need to be involved in each of these components (Noe et al., 2006). In order organization can be developed and dealing uncertainty, organization must establish an integrative linkage. It is an ongoing interactive relationship between strategic planning and human resources functions, either formally or informally. HR Executive is seen as a strategic business partner with other executives and actively involved in strategic decision-making process (Ulrich, 1997). In addition, role of knowledge management is also important to process a series of data transformation and information into useful knowledge for organization. Some outputs of knowledge management is a competitive advantage, innovation, organizational performance and customer satisfaction (Bahram and Hussein, 2014; Nicolas and Cerdan, 2011; Choi et al., 2008). Rennstam (2013) revealed that knowledge management can improve organizational effectiveness. Knowledge management is related to organizational performance (Zheng et al. 2010).

2. Theoretical Framework

2.1 Knowledge Management and Strategic Planning

Organization knowledge is proved become a key input to make manufacturing strategy formulation process, directing the capabilities development to create products value (Paiva et al., 2008). The usages of branch companies marketing knowledge have a positive effect on strategic development of Multi National Corporation (Holm & Sharma, 2006). Knowledge is so strategic to organization, so that knowledge management has been done successfully by many leading organizations (Wiig, 1997).

H1: Implementation of knowledge management is positively related with strategic planning.

2.2 Strategic HR practices and Strategic Planning

According to resource-based view of firm (RBV), company's resources can become a source to estimate and implement strategies to improve the company efficiency and effectiveness of (Barney, 1991). Resources and capabilities of company are fundamental principle determinants of strategy and corporate profitability (Grant, 1997; Collis & Montgomery, 1998).

H2: HR strategic practices is positively related with strategic planning

2.3 Knowledge Management and Organizational Performance

Knowledge management is business concept to includes efforts are held by mutual consent, coordinated and deliberately to manage organizational knowledge through the process of creating, structuring, disseminating, and applying to improve organizational performance and create value (Bose, 2003). Bahram and Hussein (2014) states that knowledge management is able to improve the organization.

H3: Implementation of knowledge management is positively related with organizational performance
2.4 Strategic HR practices and Organizational Performance

Strategic HR practices is the primary tools where a company can affect and shape the skills, attitudes, and behaviors of individuals to do their work to achieve organizational goals (Collins and Clark, 2003). HR strategic practices become important and can contribute significantly to strategic planning (Ulrich, 1997; Noe et al., 2006). Akmal (2006) showed that HR as a strategic practices has a significant effect on organizational performance.

H4: HR strategic practices is positively related with organizational performance.

2.5 Knowledge management, strategic planning and organizational performance

Knowledge management is a process to transform data and information into useful knowledge. The process includes creation, acquisition, organization, sharing, application, and replenishment of knowledge (Yang et al., 2009). Serrat (2009) stated that knowledge management is the explicit and systematic process of management empowerment of individual resources and collective knowledge to be identified, created, stored, shared and used for the organization benefit. Chen and Huang (2009) revealed that knowledge management mediates the relationship between HRM strategy and organizational performance. Strategic planning can improve organizational performance (Maria et al., 2012; Darabi et al., 2014).

H5: Strategic planning mediates effect of knowledge management on organizational performance.

2.6 HR strategic practices, strategic planning and organizational performance

Related to strategic planning, Noe et al., (2006) says there are four levels of integration between the HR function and strategic management functions, namely administrative, one way, two way, and integrative linkage. Gates (2010), define Strategic planning as the process of defining an organization's plans for achieving its mission. An organizational strategy is a derived approach to achieving that mission.

Therefore, without goals and targets measurement, person's or organization's performance may not be known without yardstick (Moheriono, 2009). Organizational performance is based on idea that organization is a combination of productive assets, including human resources, physical resources and capital to achieve a common goal (Carton & Hofer, 2006). HR role as a strategic practices is focused on practice activity to match HR strategic practices and corporate strategy. In this role, HR executives work to become a strategic partner to assure the success of company's strategy. With this role, HR executives improve organizational capability to formulate and implementing strategy. HR strategic practices become important and can contribute significantly to strategic planning (Ulrich, 1997; Noe et al., 2006).

H6: Strategic Planning mediates the effect of HR strategic practices on organizational performance.

Based on background and research hypotheses, hypothesis model of the research is follows:

![Figure 1. Conceptual Framework to explain effect of Knowledge management, HR strategic practices, strategic planning and organizational performance](image)

Description: effect
3. Research Methods

3.1 Research types
This is an explanatory research. The purpose is to explain relationship between variables. Data is collected by questionnaires, using 5-point Likert scale (ranging from 1=strongly agree, 2=agree, 3=neutral, 4=disagree to 5=strongly disagree).

3.2 Measurement

3.3 Population, sample and sampling techniques
This study population is all employees of Islamic Bank Mandiri in Malang with amount of 155 employees. Sampling technique use Slovin formula with a precision of 10%, obtained sample of 61 employees.

3.4 Data analysis techniques
Path analysis is used to examine the direct and indirect effect of research variables, with help of SPSS 17 software.

3.5 Validity and reliability of research instrument
Questionnaire validity is measured by product moment correlation. Reliability is measured by Cronbach's Alpha. Test results show that all items research instruments all are valid (r ≥ 0.3; and sig ≤ 0.05) and reliable (Cronbach alpha ≥ 0.6).

3.6 Research Result
3.6.1 Descriptive Analysis
Respondents characteristics in this study include age, gender, education and work duration. Analysis result of 61 respondents characteristics are follows:

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Quantity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt;30 years</td>
<td>12</td>
<td>20.00</td>
</tr>
<tr>
<td>30-40 years</td>
<td>33</td>
<td>54.00</td>
</tr>
<tr>
<td>&gt;40 years</td>
<td>16</td>
<td>26.00</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.00</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>41</td>
<td>67.00</td>
</tr>
<tr>
<td>Female</td>
<td>20</td>
<td>33.00</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.00</td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S1</td>
<td>49</td>
<td>80.00</td>
</tr>
<tr>
<td>D3</td>
<td>12</td>
<td>20.00</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.00</td>
</tr>
<tr>
<td>Work Duration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 5 years</td>
<td>20</td>
<td>33.00</td>
</tr>
<tr>
<td>5 – 10 years</td>
<td>36</td>
<td>59.00</td>
</tr>
<tr>
<td>➤ 10 years</td>
<td>5</td>
<td>8.00</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>100.00</td>
</tr>
</tbody>
</table>

3.6.2 Hypothesis testing
Analysis Results the Effect of Knowledge Management (X1), HR strategic practices (X2) on Strategic Planning (Y1) are following:
Table 2. Regression Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Regression coefficient (bi)</th>
<th>t count</th>
<th>Probability</th>
<th>Partial coefficient determination</th>
<th>H0 Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>101.335</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>2.287</td>
<td>2.605</td>
<td>0.012</td>
<td>0.324</td>
<td>Rejected</td>
</tr>
<tr>
<td>X2</td>
<td>0.288</td>
<td>0.600</td>
<td>0.551</td>
<td>0.079</td>
<td>accepted</td>
</tr>
<tr>
<td>Adjusted</td>
<td>R² = 0.136</td>
<td>F count</td>
<td>= 4.571</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple</td>
<td>(R) = 0.369</td>
<td>Probability</td>
<td>= 0.014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>61</td>
<td>α</td>
<td>= 0.05</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2 above show that F count value is 4,571 with probability of 0.014 (p <0.05). Therefore, H0 is rejected. It means that knowledge management and HR strategic practices simultaneously have a significant effect on strategic planning. Multiple R value is 0.369. It implies a moderate correlation between the variables of knowledge management and HR strategic practices on strategic planning.

a. Knowledge management variable (X1) on Strategic planning variable (Y)

Table 2 shows p-value of 0.012 < 0.05. It means that there is significant relationship between knowledge management (X1) on planning strategy (Y) at 95% significance level. Based on partial test, it can be seen that knowledge management variable has t value of 2,605, with a significance level of 0.012 <0.05. This suggests a significant effect between knowledge management and strategic planning (Y).

b. Variable HR Strategic practices (X2) on strategic planning variable (Y)

Table 2 above shows the p-value 0.551 > 0.05. It means that there is no significant affect of HR Strategic practices (X2) on planning strategy (Y) at 95% significance level. Based on partial test, it can be seen that HR Strategic practices (X2) has t value of 0.600 with a significance level of 0.551 > 0.05. It shows that there is no significant effect between HR Strategic practices (X2) on strategic planning (Y).

Analysis result the effect of Knowledge Management (X1), HR Strategic practices (X2), Strategic planning (Y1) and Organizational Performance (Y2) is shown below.

Table 3. Regression Analysis

<table>
<thead>
<tr>
<th>Variables</th>
<th>Regression coefficient (bi)</th>
<th>t count</th>
<th>Probability</th>
<th>Partial coefficient determination</th>
<th>H0 Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>16.556</td>
<td>3.625</td>
<td>0.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>X1</td>
<td>0.283</td>
<td>1.430</td>
<td>0.158</td>
<td>0.186</td>
<td>accepted</td>
</tr>
<tr>
<td>X2</td>
<td>0.389</td>
<td>3.791</td>
<td>0.000</td>
<td>0.449</td>
<td>Rejected</td>
</tr>
<tr>
<td>Y1</td>
<td>0.095</td>
<td>3.385</td>
<td>0.001</td>
<td>0.409</td>
<td>Rejected</td>
</tr>
<tr>
<td>Adjusted</td>
<td>R² = 0.668</td>
<td>F count</td>
<td>= 15.304</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multiple</td>
<td>(R) = 0.446</td>
<td>Probability</td>
<td>= 0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>61</td>
<td>α</td>
<td>= 0.05</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3 above show that F count is 15.304 at probability of 0.000 (p <0.05). Therefore, H0 is rejected. It means that Knowledge management, HR strategic practices and strategies planning simultaneously have a significant effect on organizational performance.

Multiple R value is 0.668. It implies that there is a relationship between knowledge management, HR strategies and strategic planning on organizational performance. Variance of organization performance (Y2) can be explained by all independent variables (knowledge management, HR strategic practices, strategic planning) with coefficient of determination or adjusted R² of 0.446 and rest affected by other variables.

Test results for each independent variable on dependent variables can be explained below:

a. Knowledge management (X1) on Organizational performance (Y2)

Table 3 above shows the p-value 0.158 > 0.05. It means that there is no significant relationship between knowledge management (X1) on organizational performance (Y) at 95% significance level. Based on test result, it can be seen
that knowledge management has t value of 1.430, with a significance level of 0.158 > 0.05. It shows that there is no significant effect of Knowledge management (X1) on organizational performance (Y2).

b. HR strategic practices (X2) on organizational performance (Y2)

Table 3 above shows the p-value 0.000 < 0.05. It means that there is significant relationship between HR strategic practices (X2) on organizational performance (Y2) at 95% significance level. Based on test result, it can be seen that HR strategic practices (X2) has t value of 3.791 with a significance level of 0.000 < 0.05. It suggests that there is significant effect of HR strategic practices (X2) on organizational performance (Y2).

c. Strategic Planning (Y1) on organizational performance (Y2)

Table 3 above shows the p-value 0.001 < 0.05. It means that there is significant relationship between the strategic planning (Y1) on organizational performance (Y2) at 95% significance level. Based on test result, it can be seen that strategic planning variables (Y1) has t value of 3.338 with a significance level of 0.001 < 0.05. This suggests that there is significant effect of Strategic Planning (Y1) on organization performance (Y2).

Mediation test can be done by comparing between hypothesized variables. Analysis results can be seen figure 2 below.

![Figure 2. Path Analysis Results](image)

Based on pathways analysis results from figure 2 above, it can be seen that direct affect of knowledge management on organizational performance is not significant (NS 0.283), while the effect of Knowledge management on strategic planning is significant (2.287*). Effect of strategic planning on organizational performance is significant (0.095*). Therefore, it can be concluded that strategic planning mediates the effect of Knowledge Management on organization performance .

Second path analysis indicates that there is a direct effect of HR strategic practices on organizational performance (0.389*), whereas the relationship between HR strategic practices on strategic planning is not significant (NS 0.288). Therefore, strategic planning is not mediation variable the relationship between HR strategic planning on organizational performance.

4. Discussion

Research results showed that knowledge management and HR strategic planning simultaneously have a significant effect on organizational performance (p = 0.014 <0.05). Variance of organization performance simultaneously can be explained by independent variables at 13.6%, the rest is explained by other variables. These results are consistent with findings of Choi et al. (2008) that knowledge management affects on organizational performance. Chen and Huang (2009) found that HR strategic positively related to performance of innovation and knowledge management capacity. While Zheng et al. (2009) found that knowledge management, culture, and strategy have a positive relationship with organizational effectiveness and organizational structure has a negative relationship with organizational effectiveness.

Partial test results of independent variables on dependent variables show that knowledge has a significant affect on employee performance. This is evidenced by significance level of t count at 0.012 < 0.05. This research results support the theory of Bose (2003) that Knowledge management is a concept that covers the business efforts that is held by mutual consent, coordinated and deliberate premises to manage organizational knowledge through the
process of creating, structuring, disseminating, and applying to improve organizational performance and create value. In this research, knowledge management variables is indicated by Knowledge Acquisition, Knowledge sharing, Knowledge storing and Knowledge application. Theoretically, these studies results support the idea of Knowledge management is a process to transform data and information into useful knowledge. The process includes creation, acquisition, organization, sharing, application, and replenishment of knowledge (Yang, et al., 2009).

Knowledge management, HR strategic practices and planning strategies simultaneously have a significant effect on organizational performance ($p = 0.000 < 0.05$). Variance the organization performance simultaneously can be explained by all independent variables at 44.6%, rest is explained by other variables. These results are consistent with findings of Shapiro (2009) that strategic plan is the core of organization's work. Without organization's strategic framework, it will not know where we are going to go or why to get there. According Gates (2010), Strategic planning is the process of defining an organization’s plans for achieving its mission. An organizational strategy is a derived approach to achieving that mission.

HR planning includes personnel needs estimation, budgeting for staff selection, how many people selected, and a structured interview (Chang and Chen, 2002). Chen and Huang (2009) found that strategic HR practices positively related to innovation performance and knowledge management capacity. While Zheng et al. (2009) found that knowledge management, culture, and strategy have a positive relationship with organizational effectiveness and organizational structure has a negative relationship with organizational effectiveness.

This research results support the idea of Widayana (2005) that knowledge management resources is closely related to human resources as the most important intellectual assets for organization. HR assets and intellectual capital in knowledge management is a major source of knowledge that comes from everyone experience in organization that can provide benefits to achieve organizational goals.

Research results also support Zheng et al. (2009) that knowledge management, culture, and strategy have a positive relationship with organizational effectiveness and organizational structure has a negative relationship with organizational effectiveness. Choi et al. (2008), states that knowledge management affects on organizational performance. Chen and Huang (2009) indicates that strategic HR practices positively related to knowledge management capacity, which in turn positively related to innovation performance. These findings support the mediation effect of knowledge management capacity for relationship between HR strategy and innovation performance.

5. Conclusion

Knowledge management directly affect on strategic planning, because the organization always makes innovation, opinions sharing, employees involvement in decision-making processes, especially with regard to strategic planning. HR strategic practices does not affect on strategic planning because its not only depends on HR strategic practices but also other resources role, such as financial resources, etc. Knowledge management has indirect effect on organizational performance. It is necessary for good planning strategic. By doing innovation, sharing opinions, employee’s involvement in decision making process, it creates better strategic planning, which in turn will affect on organizational performance. HR strategic practices affect on organization performance because HR is vital resource for companies. Without HR strategic practices, organizational performance automatically can not be maximized.

6. Recommendations

1) Knowledge management, HR strategic practices and planning strategic are several components that able to improve organization performance. Therefore, Islamic banking leaders in particularly managers, supervisors, head of unit need to think about factors - factors to improve all three variables. Leader need to socialize to employees how to do good knowledge management. High SOP will allow a leader to motivate and affect subordinates by changing the rewards with specific performance.

2) This finding needs to be interpreted in a longitudinal study to find stronger evidence regarding the direction of causal relationship because in this correlation study also does not remove the possibility that there are other variables that could explain relationship between the variables found in a study. Therefore, next researcher can reduce bias similarity method (common method bias) for performance variables by using balance score card or performance measurement of Malcom Bald Bride.

3) Test result the strategic planning as a moderating variable affect on knowledge and HR strategic Practices affect on organizational performance.
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