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A Framework for Human Resource Management in the Knowledge Economy: Building Intellectual Capital and Innovative Capability

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Abstract: The business environment is experiencing rapid advancements in technology which are driven by firms' capacity to innovate. Firms depend on their innovative capabilities to gain competitive advantage. Innovation is driven by knowledge in organizations, and knowledge resides in individuals. Knowledge needs to be effectively acquired, shared, and applied for the benefit of organizations. Hence, the issue is on how to facilitate knowledge exchange among organizational members in order to help build an organization's innovative capability. The purpose of this paper is to propose a framework capturing how a firm's people management strategies influence organizational learning and the firm's capacity for knowledge management. The framework also captures how a firm's knowledge management capacity positively relates to its intellectual capital, which in turn has a positive influence on its innovative capability.

Keywords: Innovative capability, intellectual capital, knowledge management, strategic HRM

INTRODUCTION

Over the years, the business environment has grown increasingly complex and characterized by rapid technological advancements. Innovation is the critical enabler for organizational value creation and sustainable competitive advantage, and it is driven by a firm's capacity to manage its knowledge stocks or intellectual capital (Chen and Huang, 2009). An organization's capability to innovate either in an incremental or radical manner depends on its knowledge management capacity (Subramaniam and Youndt, 2005). Since the knowledge-

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