

# Recruitment Practices, Knowledge Management, Human Capital and Organisational Performance: A Critical Literature Review

Martha W. MWANGI\* and Mercy Florah OLUOCH

University of Nairobi, Kenya

*Regarding an institution's labor as utility management, the employment protocols embody the extensive recruitment plans and further reflects the initial phase of the labor management in alignment with attaining the institutional objectives. Universally, they are viewed to be the most challenging although critical aspect of every labor management plans. This study sought to document the empirical and theoretical literature on employee recruitment practices, knowledge management, human capital, and organizational performance. The theories that guided this study included the Vrooms Expectancy theory, Human Capital theory, and Equity Theory. The study's conceptual model comprises of employee recruitment practices and organizational performance as the independent and dependent variables respectively, while knowledge management and human capital were incorporated as mediating variables. This study reflects literature review research whose focus was a deeper analysis of the existing basic and factual publications on employee recruitment traditions and institutional outcomes. The study based on the observed theoretical linkages concluded that employee recruitment practices, theoretically influence organizational performance, while knowledge management theoretically mediates the association between employee recruitment practices and organizational performance. Further, the deduction from this presentation was that human capital theoretically moderates that association between employee recruitment traditions and institutional outcomes and that there is a joint theoretical relationship among employee recruitment practices, knowledge management, labor management and institutional outcomes. This study observed the little existence of theoretical and empirical literature on the joint linkage between employee recruitment practices, knowledge management, labor and institutional outcomes and recommended an empirical study to establish the existing relationship among the considered variables.*

**Keywords:** *employee recruitment practices, knowledge management, human capital, organizational performance*

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\*Corresponding Author:  
Martha W. Mwangi, University of Nairobi, Kenya

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## **1. Introduction**

Employee recruitment practices deals with the activities of targeting aspiring persons to be absorbed in employment opportunities and the motivation to seek for opportunities within an institution (Armstrong, 2010). Equally, employee recruitment can further be defined as a manner of identifying and luring qualified talents for job opportunities (Ahmad *et. al.*, 2002). The end result is the creation of a group ready to help an institution achieve on its mandate (Bratton and Gold, 2007). It is however crucial for the institution to pick competent individuals for the opportunities available to ensure maximum gains from the pool (Bratton and Gold, 2007). Based on this, the intention of an institution is to align employment standards with their desired performance targets.

Adu-Darko (2014) maintains that recruitment entails everything dealing with securing a workforce with the desired portfolio for an existing opportunity (Adu-Darko, 2014). According to Armstrong, the purpose of recruitment processes is ensuring suitable qualifications as well as appropriate workforce size occupy the existing opportunities (Armstrong (2006). Recruitment can further be detailed as the activities where the leadership applies schedules and plans to formally identify suitable talent to occupy available vacancies (Castello, 2006). According to Dessler, both recruitment and processes of selection involve luring individuals to existing job opportunities (Dessler, 2002). It is based on involving a large group of people with the intention of only selecting the most qualified within the group (Armstrong and Piotrowski (2006). According to Armstrong, it is basically a procedure determining viable talent in alignment with the job specifications (Armstrong 2006).

From the above profiles, recruitment can be summed as the approaches to determining suitable pedigree to occupy a vacancy in an institution. The persons filling these positions ought to meet the desired criteria on education, awareness, competence and a right temperament for the role. A critical role of the human resource office is luring capable workforce with the right profile to occupy the available opportunity (Muscalu, 2015). It is therefore important for the leadership to determine their desired pool of applicants; that might comprise of internal or external pools. Muscalu maintains there is efficiency in utilizing both pools in order to improve an institution's probability of luring highly competent candidates for the opening (Muscalu, 2015).

### **Employee Recruitment Practices**

Recruitment is the process of finding and engaging the people the organization needs as observed by (Armstrong, 2009). Selection is that part of the recruitment process concerned with deciding which applicants or candidates should be appointed to the jobs. Bratton and Gold differentiate the two terms while establishing a clear link between them in the following way: 'recruitment is the process of generating a pool of capable people to apply for employment to an organization (Bratton and Gold, 2007).

Recruitment practices by Danish multinationals, Holm, suggests that the relationship between e-recruitment and employee retention, or any other post hire outcome, is primarily determined by the ability of a firm to maintain its career portal on their website through regularly updating new and existing job information, online communication with potential candidates who have applied for jobs and those who are already signed up on their site and adding/editing features on the career portal to improve user experience (Holm, 2012).

Using the examples of China and India, emerging markets are known to have large pools of labor, which however lack skills by international standards (Thite, 2014). The adoption of e-recruitment practices is often favored by multinationals in such economies in order to reach a wider scope, as not only is it difficult to acquire talent but also to get expatriates to move to such economies. In order to cultivate competencies and skills of the local job market, multinationals develop graduate trainee programs whereby the use of e-recruitment practices is effective in screening graduates that can undergo entry-level training and potentially be absorbed by the firm (Peltokorpi, 2015)

### **Knowledge Management**

Knowledge is a process of knowing and understanding things, issues and phenomena. Hislop, Bosua and Helms, noted the various sources of knowledge: intuition, experiences, empiricism, learning as well as conditioning ( Hislop, Bosua and Helms, 2018). Webb defined knowledge management as a practice in which an enterprise gathers, organizes, analyzes and shares knowledge of individuals and groups across the organization in ways that directly affect performance (Webb (2017). North and Kumta, argued that knowledge

management includes among other things a number of activities used in any organization to create, collect, transfer as well as apply what people in some organization know (North and Kumta, ,2018). These practices are incorporated in the organizations mission and vision. Na, viewed knowledge management practices in terms of knowledge creation, knowledge storage, knowledge retrieval, transfer and application (Na, 2016).

Basically, knowledge management may be viewed as the instruments, approaches, and plans on retention, analysis, organization, improvement and sharing of investment awareness (Petersen and Poufelt, 2002). Human resource management practices has the ability to significantly impact knowledge management since insights can be communicated across; going further than presenting advanced awareness by use of technological platforms (Cloete, 2007). Based on this, the responsibility of the human resource management lies with ensuring an institution possesses the knowledge pool it desires (Mullins and Gill, 2010).

### **Human Capital**

Human Capital (HC) is defined as the value an individual presents which includes awareness, expertise and qualifications that one acquires through education, training as well as experience (Perera and Weerakkody, 2018). It is also highlighted since every individual capabilities are inborn or acquired (Hossain and Roy, 2016). Human Capital refers to Knowledge, Skill and Expertise that accumulates by an individual through education and training (Armstrong, 2014, Odhong *et al.*, 2014, Joshi *et al.*, 2015).

Human capital is the capability of the labor pool. An institution's tangible dimension of human capital becomes important only in the recruitment and selection stages of human resource traditions. Going forward, focus shifts to the adaptable features of human assets realized in expertise, awareness, and competence of the workforce to undertake any role towards the attainment of institutional objectives (Edvinsson and Malone, 1997, Wright and McMahon, 1992).

Despite this, as the attention shifts to the intangible features of labor, planned human capital traditions continue to evolve to embrace relevance and specialization and their creation being matched to complement an institution's key programs and demands. The broad nature of human capital, entailing tangible and intangible components, fixed and evolving components and market related and institution related dimensions forms the intention of labor management as it tries to improve on results. Human capital intangibles comprise of; expertise, awareness, and potential the staff apply in getting roles done and eventually delivering desired outcomes (Edvinsson and Malone, 1997, Sweetland, 1996).

### **Organizational Performance**

Organizational performance is an institution's potential towards the acquisition and utilization of its limited utilities successfully to enable the realization of set objectives (Griffins, 2006). The practices around organizational performance and its impact are viewed as a critical aspect for indicating the productivity of an entity. Previous reviews have related organizational performance with indicators of return on assets, volume of sales, new commodity performance (Narver and Slater, 2006), market coverage and business results, sales volume, market coverage and turnover (Jaworski and Kohli, 2011), business results, new commodity performance, business expansion, turnover, sales volume and client fulfillment (Baker and Sinkula, 2009). Venkatraman and Ramanujam, stated monetary indicators and non-financial indicators being regularly applied to measure organizational performance (Venkatraman and Ramanujam, 1986).

The perspectives provide necessary feedback on the efficiency of executing the strategic plan so that necessary strategy adjustments can be made. The financial perspective checks on the physical assets such as inventory and manufacturing equipment, it may not be fitted to providing useful feedback in environments with substantial intangible asset base. Intangible assets form an increasing proportion of the market value of the firm, therefore need for better reports on assets such as customer loyalty, highly skilled staff proprietary processes. A number of authors measure satisfaction using stakeholder satisfaction levels (Tranfield and Akhlaghi, 1995, Ghalayini, and Noble, 1996).

## **2. Literature Review**

### **Vroom's Expectancy Theory**

Vroom's expectancy theory by Victor Vroom together with Edward Lawler and Lyman Porter, suggested that the relationship between people's behavior at work and their goals was not as simple as was first imagined by other scientists (Victor Vroom, 1983). Vroom realized that an employee's performance is based on individuals' factors such as personality, skills, knowledge, experience and abilities. The theory suggests that although individuals may have different sets of goals, they can be motivated if they believe that there is a positive correlation between efforts and performance; favorable performance will result in a desirable reward; the reward will satisfy an important need; the desire to satisfy the need is strong enough to make the effort worthwhile.

### **Human Capital Theory**

This theory is based from the work of Schultz, with further adjustments advanced by Becker (Becker, 1964, Schultz, 1961). The concept is therefore the product of Becker and Mincer that has been constantly linked with the macro-economic development theory in terms of origin. Human capital theory is founded on Schultz's study on return on investment. The theory maintains that human capital has a major influence on the financial results across entities. As explained in macroeconomics and business administration, the theory and human resource management have an immediate association.

It is the basis of the theory, reinforcing the point; individuals have inborn potential, character, and individual aura and that the attributes form the human capital pool institutions. It comprises of the awareness, expertise and competences of persons which develop quality. People develop, sustain and apply awareness and expertise thus establishing a knowledgeable pool. From the theory, individuals are viewed as assets and reinforce the need for investment in individuals by institutions to realize labor value (Boxall, Purcell, and Wright, 2007).

### **Equity Theory**

Equity theory has been undertaken by a number of researchers (Rauf, 2007, Robbins, 2005 and Armstrong, 2006). From their elaboration, the basis of the equity theory assumptions stem from the fact that apart from rewards for desirable results, the management desires the recognition be just and relate with those of colleagues in same positions and industry. Therefore, the desire for just processes is the pillar for equity theory. Additionally, the equity theory suggests that individuals put effort to attain and sustain a position of equity with the intention of maintaining some mental comfort. The theory, which could be viewed as a position, reinforces a role undertaker. The workforce ought to have belief of their remuneration being relative to their contribution to the processes bringing in the results (Adams, 1963).

Equity theory is founded on the concept that people are inspired by just processes. Basically, stating that anytime a staff sees an injustice by comparison, it is their nature to realign their effort to massage their ego and make it appear just according to them. A case is advanced where a staff sees a colleague undertaking a similar role earning better wages than them chooses to reduce their output to appear just according to them (Currie and Kerrin, 2003).

## **3. Critique of the Current Status**

### **3.1. Summary of Findings**

The study aimed at reviewing the theoretical and the empirical literature on employee recruitment practices, knowledge management, human capital and organizational performance to document knowledge gaps and guide on further studies on the variables. This study was purely desktop research which specifically explored publications on the association among employee recruitment practices and organizational performance with knowledge management and human capital being incorporated as the moderating variables. Finally, the study reviewed literature on the joint link between employee recruitment practices, knowledge management, human capital and organizational performance.

Under empirical review, several relevant studies on the study variables were reviewed to bring out the research gaps and the methodologies used for analysis. From the reviewed studies it was evident that employee recruitment practices influence organizational performance. However, the findings were varied with some studies indicating the existence of negative relationship. Some studies however documented a positive relationship thus an indication that a slight adjustment in employee recruitment practices impacts institutional results.

Some studies also established the mediating influence of knowledge management and human capital towards institutional results. Other studies documented the existence of insignificant relationship among the considered study variables. However, the studies were all carried out using varied methodologies and data was collected for different time periods which could be the justification for the varied results. The study contexts were also different with some studies focusing on a single country and other focusing on several countries.

### **3.2. Conclusion**

This review's initial intention was intended to document the expected association among employee recruitment practices and organizational performance. As such, human capital theory, and equity theory supports employee recruitment practices. The study thus makes the conclusion that employee recruitment practices influence organizational performance.

In addition, the study sought to document whether human capital theoretically mediates the connection between employee recruitment and organizational performance. The human capital theory asserts that educational trainings improve the staff output from the acquisition of important awareness and expertise, thus increasing their ability to earn better wages. The human capital that is a constituent of awareness, expertise and character; form the basis for undertaking any role successfully, lack of which renders the staff useless. The review based on this theoretical inference concludes human capital theoretically having a mediating impact on the association between employee recruitment practices and organizational performance.

Lastly, the study aimed at documenting whether a joint interaction exist among joint link between human capital, employee recruitment practices, knowledge management, and organizational performance. The reviewed theories including equity theory, Vrooms theory of expectancy and human capital theory leading to the conclusion that there is an association between employee recruitment practices, knowledge management, human capital and organizational performance.

### **3.3. Knowledge Gaps**

To most scholars the concern has been to illustrate the manner scholarly based recruitment and selection models ensure value to institutions. Unluckily, whenever value and the effect of recruitment and selection processes for organizational performance are examined, their description is most of the time limited in scope. Equally, successful recruitments are normally linked with size of the group applying for openings regularly advertised by the institution. Even with the concerns tackling critical dimensions of recruitment and selection processes, there is a feeling that those illustration fall short in capturing the advanced nature that recruitment and selection research has developed recently. The simplification nature of extensive human resource surveys is relatable because of the challenges in accessing appropriate secondary data within most firms. Still, the objective of showing the value of recruitment and selection plans could be hindered by this development, further limiting the sector whenever findings are misinterpreted.

As a concept, knowledge management entails a series of plans and traditions intended to identify, develop, secure and share awareness and occurrences in an institution. Whenever the leadership of any institution intends to evaluate the practice of knowledge management, it is important to establish the plans for it is based on goal of knowledge management. The management often establishes programs for knowledge management and supply the workforce with the ample resources desired. A critical concern with knowledge management remains the inability to create and nurture a tradition embracing educating roles, information exchange and improvement of awareness in institutions. From factual analyses, most firms have tried to adopt knowledge management practices but fallen short because of the inexistence of suitable examples creating and

nurturing commitment, transparency and collaborations. A tradition of social interaction remains another concern with knowledge management. Information exchange is regarded as a factor limiting production since valuable time is lost in the exchange programs, thus discouraged by leaderships.

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