

# Optimalization of Knowledge Management: Keys To Success In Enhancing Competitiveness of Indonesian Human Resources

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## 4 Optimalization of Knowledge Management: Keys To Success In Enhancing Competitiveness of Indonesian Human Resources

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### Abstract

Industrial globalization, technological advances and information lead organizations to change its strategy and business paradigm from resources based business to knowledge based business, and from dominant physical investment become the dominant of intellectual assets.

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Knowledge Management is a systematic activity that offers knowledge management in terms of acquisition, utilizing, sharing, storage, retrieval and development. Therefore, it generates new ideas that impact on an innovation. Basically knowledge management involves several components of human resources. Those are technology and organizational processes which are interrelated.

The success of Indonesia's development is measured by the ability of human resources to produce superior performance and high competitiveness, the competency-based organization must position innovation as an instrument to win the competition and answer the challenges of globalization through collaboration, innovation, technological mastery and the ability to manage intellectual assets.

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The purpose of this study is to find out the optimalization of knowledge management which is the key to success in improving human competitiveness.

Keywords: Knowledge Management, Human Resources, Competitiveness

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### I. Introduction

In this era of technology and communication, human speech cannot be separated from the context of human capital as a basic asset in the process of building a nation. The issue of globalization becomes the most strategic issue and should be positively addressed as a process of mental development and character to improve the productivity and competitiveness of the nation. Globalization increasingly makes people realize how important the role of human beings as assets or capital for development.

Related to this matter Gaol state that : "...The foundation of economic growth in the future can no longer be done conventionally through the management of natural resources and money capital itself, but increasingly based on knowledge based economy and good human capital". (Gaol, 2014). In a turbulent business climate, where the only certainty is uncertainty, then there is only one resource that can certainly perpetuate the competitive advantage of knowledge. It is because knowledge is the difference between success and failure.

In the era of technological development, the human factor holds a significant role. Drucker as quoted by Budiharjo (2016) argues that knowledge workers have a very essential role. He said : "...knowledge is the key to economic resources. In general, which cover into the category of human capital are the competence, knowledge, values, personality and human experience". The function and role of human resources becomes very important in bringing the organization to excellence amid increasingly complex global changes. Sharp competition and rapid technological advances require organizations to become more intelligent, adept, innovative, adaptive and responsive.

Human capital, especially knowledge is essential for the organization, human needs to be managed effectively in order to produce optimal performance. Therefore, the handling of human resources must be done thoroughly in the context of strategic, integrated, interrelated and unity human resources management system (Raharso, 2016).

According to Tempo.com (Wednesday, April 19, 2017), Indonesia ranks 90th among Asia Pacific countries in the Global Talent Competitiveness Index (GTCI) 2017. The position is still lower than Singapore and Malaysia, respectively sitting positioned to 2 and 28. From this index, Vietnam and Sri Lanka are above Indonesia with rank 86 and 82. GTCI is an annual report measured based on the ability of a country to compete in producing talent and human resource capability.

Meanwhile, based on IMD World Talent report Indonesia's competitiveness index is positioned 48 of 61 countries, while The Human Capital Report 2016 shows the competitiveness of Indonesian human resources is on the order of 72 out of 130 countries. This sequence is far below other Asean countries such as Singapore, Malaysia, the Philippines and Sri Lanka which include into the top 50 category.

Indonesia's low resource competitiveness position is currently a fact that needs to get the attention of all stakeholders by preparing ecosystems that enable the realization of highly competitive human resources. The fact that technological advances are extraordinarily sophisticated can take over the role of humans in work, but innovation and creativity are still needed.

Changing the human resource management system is not as easy as turning the palm of the hand, it takes strategy and wisesteps in its implementation. This paper describes how knowledge management generates new ideas that impact on an innovation involving human resources, technology and management processes to achieve positive performance.

## **2. Literature review**

### **2.1. Knowledge Management**

The knowledge management context known as Knowledge Management is the management, knowledge to produce effective, relevant, value added and far more innovative outcomes than competitors. Innovating effectively fosters a knowledge management process that takes ethics, added value to stakeholders and will certainly build a wisdom for the organization. (Budihardjo, 2016). Knowledge Management is how people from different places start talking to each other known as label learning organization to maintain the existence of the organization (Mulyanto, 2009).

Vision and mission based on knowledge management basically encourages the organization leader to run its activities on the basis of "learning" in order to be able to innovate. Hence, the organization can continue to survive, grow and perform superior. Wiigas quoted by Budihardjo (2016) there are four steps of knowledge management as follow: creation and sourcing, compilation and transformation, dissemination and application and realization.

Meanwhile, knowledge management process consists of three major activities. Those are knowledge creation (development of new ideas through tacit and explicit interaction), knowledge sharing (process of discussion and exchange of ideas), and knowledge reuse (utilize knowledge). The main essence of knowledge management shows the following categories:



Table. 1. The Essence of Knowledge Management

Topic <sup>12</sup>
- Main definitions and concepts: type of tacit & explicit knowledge, knowledge management, knowledge economy
- Knowledge cycle: knowledge acquisition, knowledge creation, dissemination of knowledge, use and reuse of knowledge
- Source of knowledge: best practice, case study, organizational memory, repository
- Theory and Model Knowledge Management: Epistemology, Converting knowledge, building and using knowledge concepts
- Analysis and identification of existing knowledge (knowledge audit)
- Organizational Learning and Learning Organization.

Source: Rahman in Budihardjo (2016)

## 2.2. Human Capital Management

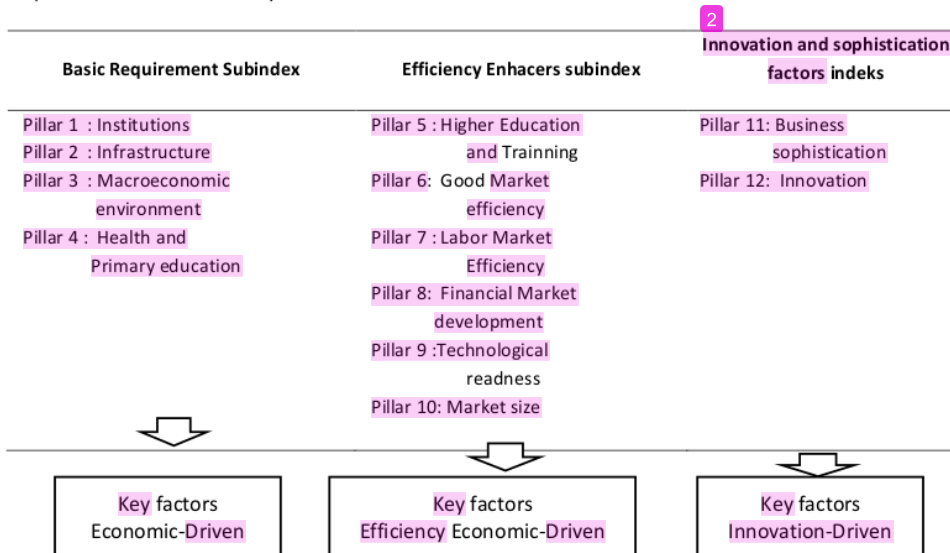
Human resources refer to adult humans functioning in a productive system (Kaswa, 2015) while Gaol (2016) states that human resources are people, individuals and groups that help organizations produce goods or services. According to the OECD as quoted by Budihardjo (2016) human capital is defined as: the knowledge, skills, competencies and attributes embodied in individuals that facilitate the creation of personal. Social and economic well-being.

According to Raymon J. Stone in Gaol (2016) strategic human resources management focuses on the interconnection of all human resource activities with strategic organizational business objectives. In Mayo as quoted Sutisna (2014) human capital has five components: individual capability, individual motivation, leadership, the organizational climate and work group effectiveness.

## 2.3 Competitiveness Indicators

The competitiveness of a country is achieved through the accumulation of the strategic competitiveness of every organization / company, the improvement of competitiveness enables a country's population to improve its life standard

The Global Competitiveness Index based on World Economic Forum data sets the indicator of the competitiveness of the country in the economic field as follows:



Source : World Economic Forum Report  
 Figure 1. The Global Competitiveness Index

### III. Methodology

The research approach used in this paper is to use secondary data in the form report of the survey results of the Global Competitiveness Index based on the World Economic Forum from 2014-2017, and the literature approach in the form of articles, journals and case studies improving Human competitiveness through good knowledge management Tacit or explicit knowledge. The purpose of this research is to find out the optimization of knowledge management which is the key to success in improving human competitiveness. This research differs from other studies because it presents a model that describes an integrated system of human resource development as an intellectual capital (input) developed through an organizational process (knowledge management) to produce high productivity through innovation (output) that impact on increasing competitiveness.

### IV. Result

The development of the human resources sector has become a concern of the government. One of them through Master Plan Economic Development Acceleration and Expansion Indonesia (MP3EI) 2011-2025. The Master Plan makes strategic plans for the acceleration of regional development by building connectivity between infrastructure, policy development, and human resources. However, the government's plan has not been effective yet, at which Indonesian human resources according to World Bank data 2013 are superior in quantity, with the number of productive workforce of Indonesia aged 15-55 years is 118 million people, this number is much bigger than other Asian countries. But on the contrary the quality of Indonesian human resources is still far below those countries. East Asia and the Pacific is characterized by great diversity. Where the GCI-covered states cover most of the development ladder, from Cambodia to Singapore, and includes three of the world's 10 largest economies: China, Japan and Indonesia. The developing country region, led by China, has taken place Supporting a modest global recovery since the global financial crisis. The condition of Indonesia's low resource quality results in the low competitiveness of the nation's economy. Based on the World Economic Forum Report establishes The Global Competitiveness Index (Period 2014 - 2017) for East Asia countries are:

Table 2. The Global Competitiveness Index Period 2014-2017

Economy	Score			Rangking		
	2014-2015	2015-2016	2016-2017	2014-2015	2015-2016	2016-2017
Singapore	5,65	5,68	5,72	2	2	2
Japan	5,47	5,47	5,48	6	6	6
Hongkong	5,46	5,46	5,48	7	7	7
New Zealand	5,20	5,25	5,31	17	17	16
Taiwan	5,25	5,28	5,28	14	14	15
Malaysia	5,16	5,23	5,16	20	20	18
Korea	4,96	4,99	5,03	26	26	26
China	4,89	4,89	4,95	28	28	28

Thailand	4,66	4,64	4,64	31	31	32
Indonesia	4,57	4,52	4,52	34	34	37
Philippines	4,40	4,39	4,36	52	52	47
India	4,21	4,31	4,52	71	71	55
Vietnam	4,23	4,30	4,31	68	60	56

Source: Report World Economic Forum (<http://www.google.co.id>)

Based on the table, it shows that the economic competitiveness of Indonesia during the last 3 periods are far from Singapore, Malaysia and Thailand, even for the period 2016-2017 even though the average score has a fixed number, but from the rank of Indonesia decreased. Singapore arguably possesses one of the world's most fertile innovation ecosystems, combining a very conducive policy environment and infrastructure, academic excellence, an unmatched capacity to attract the best talent, and large multinationals that are often leaders in their sector as well as a dense network of small- and medium-sized enterprises across sectors that has a reputation for quality and a strive for innovation. Furthermore, intense collaboration between the academic and business worlds yields innovative products with commercial applications. For that, intellectual capital and knowledge management become one of the most important things to spur innovation and improvement of individual performance and ultimately the productivity and rate of innovation can impact on competitive advantage. Below the model Development of competitiveness of human resources through knowledge management as follows:

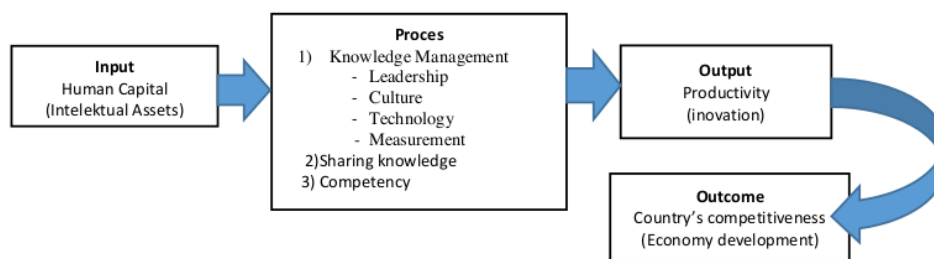


Figure 2. The development of human resources competitiveness through Knowledge Management

## V. Discussion

The aforementioned explanation shows a process of developing the competitiveness of human resources through the optimization of knowledge management which covers 3 things: Human Capital, Capital Structure and Customer Capital. In the process of input organization, the existence of human resources (Human Capital) quality that has a combination of science, skills and ability to complete the task. Processed within the organization (Organizational Capital) through the development of knowledge programs, training policies and procedures. The final result is the ability to add value for the organization (Customer Capital) until the end goal has the ability to compete globally.

## VI. Conclusion

Human resource investment becomes a potential source of competitive advantage. Intellectual capital development is done through knowledge management known as knowledge management. Knowledge management will be more effective if it is developed in a relevant field by considering individual competence, personality and motivation as well as support from the sharing of elements that drive the learning climate to improve individual performance and productivity. Although innovation and technology are gaining importance



as drivers of competitiveness for all countries, advanced and emerging, the results show that all factors of competitiveness are complementary and should be addressed simultaneously. Making sustainable, long-term overall progress requires addressing gaps in all pillars, laying the foundations for more vibrant economies with new productive sectors.

With the increased capacity of learning, the organization has a great opportunity to achieve its goals. Intellectual capital can be useful in several perspectives: human perspectives include skill and attitude, then structural perspective refers to the ability to run a work system process and work system that upholds culture and ethics, and the benefits of knowledge from the aspect of relations is the ability to build networks and communicate knowledge.

## VII. Acknowledgments

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