



Research Article

An analysis on the relation between Strategic Knowledge Management and Talent Management Strategy in Profitability of the Southern Khorasan Electric Distribution Company (SKEDC)

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Scientific and technological advances together with the increase in human knowledge have highlighted the essence of applying knowledge and utilizing talents to attain the organizational goals. Also, the close bond between knowledge and talent with organizational strategy will be essential for obtaining the competitive advantage, sustainability, value creation, profitability, and having a successful brand within the national and international levels. Therefore, this study aims to establish an association between Strategic Knowledge Management and Talent Management Strategy with Profitability at the Southern Khorasan Electric Distribution Company (SKEDC). As a private company, the SKEDC will need to focus on the optimal use of intangible resources for gaining profitability and productivity in order to cover the expenditures and take the responsibility against its customers. Moreover, the statistical population contains 163 people with higher diploma, bachelor, and master degrees from which 115 people have been selected as sample size based upon the Krejcie & Morgan Table, and questionnaires were distributed among them. Furthermore, the Structural Equation Modeling (SEM) as well as Lisrel Software was utilized for analyzing the data, and subsequently, it was specified that Strategic Knowledge Management and Talent Management Strategy have a positive impact on Profitability at the above-mentioned company.

Key words: Strategic knowledge management, talent management strategy, profitability

INTRODUCTION

Our current world is undoubtedly different from the past and the required techniques of doing business are more complicated than before. Nowadays, the traditional approaches will not be applicable and the managers have to seek new methods for running their businesses. Although physical assets are necessary, they are not sufficient in the variable world of business, and focusing on intangible assets for sustainability and gaining a competitive advantage is a must. Toffler (1980) believes that three waves of civilization have taken place in human history. Humans have passed two waves (the agricultural phase and the industrial phase) and entered the super-industrial society which is called "Space Age", "Information Age", "Electronic Era", or "Global Village".

Physical assets were sources of power in agricultural era and they played a key role in human life.

After emerging the industrial revolution in the west, the industrial era was commenced and working in the factories together with producing and selling goods were the valuable activities; meanwhile; other physical assets like factories, land, buildings, etc. were considered as sources of competitive advantages. But, in the information age, the concepts of learning organizations and knowledge-based organizations are highlighted by the managers and intangible assets such as knowledge and talent are assumed as the main factors of competitive advantages. In other words, the organizations which focus on intangible assets will successfully beat their rivals in the near or distant future.

Acquiring knowledge from inside and outside of the organization and sharing it among the different levels of the enterprise may facilitate attaining the organizational goals. Also, the optimal use of talents will play a key role in directing the acquired knowledge for achieving the organizational goals. On the other hand, strategy is an approach towards the desired future and its crucial role in organizational goal is undeniable. So, we intend to analyze the Strategic Knowledge Management and Talent Management Strategy in this paper to find their relationship with Profitability which is the main goal of most national and international corporations.

During the internet surfing and also studying the related literature about knowledge and talent management, no records on analyzing the role of knowledge and talent management in profitability was found. In other words, a gap was identified between the concepts of knowledge management, talent management, strategy, and profitability. Since the close bond between strategy and organizational goal must be considered in any managerial mechanism, we believe that analyzing the association between Strategic Knowledge Management and Talent Management Strategy with Profitability will fill the mentioned gap.

Another reason notifying the essence of this study is the mission of the electric distribution companies, i.e., "presenting the continuous and efficient power to the customers". The aforesaid companies intend to present better services to their customers, and for this reason, they must be productive and be able to cover their expenditures. So, one of the most important measures for offering considerable service is the optimal use of intellectual resources such as knowledge and talent. On the other hand, many experienced employees in the electric distribution companies are going to be retired, and thus, transferring their knowledge to others will be a new challenge for the mentioned corporations. In other words, the employees of the electric distribution companies are well experienced and if they document and share their knowledge, the future expenses resulted from the lack of expert people will be considerably decreased, and it will be a major step in profitability. Moreover, if knowledge management is considered among the organizational strategies or if the companies focus on the Strategic Knowledge Management, most of their current and future problems will be solved. Furthermore, attention must be paid that any neglect to acquire and share knowledge from the experienced personnel will lead to re-training the new comers, and in this case, the training process may not be assumed as an investment for the organization and it must be considered as a kind of expenditure for the aforementioned corporations.

Together with the Strategic Knowledge Management, Talent Management Strategy may also play an important role in profitability of the electric distribution companies. In addition, one of the important goals in implementing talent management strategy is retention of the talented people. Therefore, if the strategy concerning the talent management is not implemented thoroughly, the talented people will lose their motivation to cooperate with these companies and it will rapidly increase the expenditures of the organization.

The Iranian electric distribution companies have similar organizational structures and they work under supervision of the holding company of Tavanir. Thus, the result of the current case study at the Southern Khorasan Electric Distribution Company (SKEDC) may be generalized for all the national electric distribution companies. Subsequently, this research, as a case study, aims to answer this question: "Do Strategic Knowledge Management and Talent Management Strategy affect on Profitability of the Southern Khorasan Electric Distribution Company?"

Strategic Knowledge Management

Osis and Grundspenkis (2011) address that we live in the information age and Knowledge has been recognized as the most important asset both for organizations and for individual knowledge workers. In addition, according to Akbari et al. (2012), the concept of Strategic Knowledge Management was declared when the organizations passed the industry age and entered the knowledge age. Also, Nonaka et al. (2000) argue that in a world where markets, products, technologies, competitors, regulations and even societies change rapidly, continuous innovation and the knowledge that enables such innovation have become important sources of sustainable competitive advantage.

Based upon a 2011 study by Mijdkovj, knowledge consists of two dimensions named explicit and tacit so that the explicit dimension can be expressed in formal and systematic language, meanwhile, it can be shared in the form of data, scientific formulae, specifications and manuals; but; the tacit dimension is highly personal and difficult to discover and formalize. In addition, according to Choo (1996), organizations need to become skilled at converting personal, tacit knowledge into explicit knowledge that can push innovation and new product development. Choo also believes that western organizations tend to concentrate on explicit knowledge, but Japanese firms differentiate between tacit and

explicit knowledge, and recognize that tacit knowledge is a source of competitive advantage. Gubbins et al. (2011) believe that 90 percent of knowledge in any organization is embedded in people's heads; meanwhile, the employees are the fundamental repositories of tacit knowledge and are the key players in knowledge management initiatives. Abdul Manaf et al. (2011) believe that the ability of an organization to effectively share managerial tacit knowledge is one of the key sources of competitive advantage for many of today's organizations. Also, Nonaka and Teece (2001) believe that both types of knowledge (tacit and explicit) are essential to knowledge creation. Moreover, Vygotsky (1986) believes that explicit knowledge without tacit insight quickly loses its meanings and written speech is possible only after internal speech is well developed.

According to IFAD (2007), knowledge management strategy must be considered in work processes and linked to the main products, and it will be successful when it is built on existing assets. Beig et al. (2011) also address a number of steps for implementing knowledge management and add that they usually lead to significant changes in organizations especially in three main aspects including infrastructure, organizational processes and the organizational culture.

University of Texas defines Knowledge Management as the systematic process of finding, selecting, organizing, distilling and presenting information in a way that improves an employee's comprehension in a specific area of interest. Specific knowledge management activities help the organization focus on acquiring, storing and utilizing knowledge for problem solving, dynamic learning, strategic planning and decision making. It also protects intellectual assets from decay, adds to firm intelligence and provides increased flexibility (Salehi Sadaghiyani & Tavallaee, 2011). Also, according to Wiig (1997), by actively pursuing comprehensive Knowledge Management to excel in the three value disciplines (operational excellence, product leadership, and customer intimacy); enterprises will obtain the competitive advantages that will ensure their viability and profitability. In addition, based upon Choi and Lee (2002), managing knowledge is important because knowledge is one of the most strategic weapons that can lead to sustained increase in profits. Moreover, based on Omerzel (2010), firms with the efficiently implemented knowledge management are more likely to have higher growth and profitability than organizations which are lacking such characteristics.

Knowledge Management strategies have been classified by Hansen et al. (1999) into one of two categories (the codification strategy and the personalization strategy). According to their study, in codification strategy, knowledge is codified and stored in repositories that are easily accessed and in personalization strategy; knowledge is closely tied to its creator and is shared mainly through person-to-person contacts. Also, Lee and Ahn (2007) believe that under the codification strategy, individual knowledge is stored explicitly in the repository and thus, we guess that focusing on codification will probably lead to profitability in most of organizations. According to Czarnitzki & Watyn (2009), it is important for a firm to carefully select the techniques of knowledge management depending on the goals in its innovation strategy. In their opinion, the management of knowledge is part of the broader organizational strategy as well. Table 1 shows some items relating to the components of Knowledge Management (KM) and Strategic Knowledge Management (SKM). The following items indicate an overall view of various researches about KM and SKM.

Talent Management Strategy

Good companies emphasize on intangible assets such as brand names, innovation, creativity, and entrepreneurship but great companies try to employ the right people in the right positions and in fact these companies can take steps forward towards achieving beyond their competitors (Brandt and Kull, 2007 quoted from Schwyer, 2004 and Collins, 2001).

Based on Cappelli (2008a), the concept of talent management was derived from World War II. Also, according to Scullion and Collings (2010), the strategic importance of talent management was realized when McKinsey Consultants Group named the human resources as "War for Talent" in the late 1990's. Makela et al. (2010) believe that the McKinsey consultants group utilized the term "War for Talent", because the talent shortages seemed to be the main problem of multinational corporations in the field of human resources. In addition, Huselid et al. (2005) believe that the organizations which intended to maximize their productivity and effectiveness, focused on systematic approaches for attracting, selection, development and retention of talented key employees. Barron (2008) addresses believes that the term talent management was first coined by McKinsey and Company in the mid-1990s. In addition, the growing importance of the management of talent on a global scale has been addressed by Farndale et al. (2010). Moreover, according to Iles et al. (2010), a main challenge to both national and multinationals businesses is the increasing need for talented managers. Furthermore, Brandt & Kull (2007) mention that Talent Management is no longer reserved for the top levels in the hierarchies. They argue that an organization can assess all of its employees in order to find Talents; meanwhile, by finding and developing talents, companies will improve their position in the market and perhaps even create a competitive advantage.

Table 1. Items related to the KM and SKM

No.	Item (s) of KM/SKM	Researcher (s)
1	Acquire, Integrate, Store, Share, and Apply	Gottschalk (2005)
2	Continuous Innovation	Nonaka et al. (2000)
3	Knowledge Sharing	Lee & Ahn (2007)
4	Capturing, Creating, Distilling, Sharing and Using Know-How	IFAD (2007) quoted from C. Collison and G. Parcell
5	Effective Share of Tacit Knowledge	Abdul Manaf et al. (2011)
6	Infrastructure, Organizational Processes, and Organizational Culture	Beig et al. (2011)
7	Knowledge Generation, Learning and Knowledge-Sharing, and Innovation	IFAD (2007)
8	Finding, Selecting, Organizing, Distilling and Presenting Information	Salehi Sadaghiyani & Tavallaee (2011) quoted from University of Texas
9	Acquiring, Storing and Utilizing Knowledge	Salehi Sadaghiyani & Tavallaee (2011)
10	Organizational Culture, Organizational Structure, Leadership and Strategy, IT Infrastructure, and Human Resource	Ansari et al. (2011)
11	Attitude of Senior Management, Knowledge Sharing Culture, Learning-Training, IT and Document Information Repository	Asgharpour & Taleghani (2011)
12	Socialisation, Externalisation, Combination and Internalisation	Nonaka and Takeuchi (1995) quoted by Easa & Fincham (2011)
13	encoding strategy and personalizing strategy	Akbari et al. (2012)

Table 2. Items related to the TM and TMS

No.	Item (s) of TM/TMS	Researcher (s)
1	attracting, selection, development and retention of talented key employees	Huselid et al. (2005)
2	Attracting, Assessing, Development and Training, and Retaining	Cappelli (2008b), Lockwood (2006), and Ford et al. (2010)
3	attracting, selecting, engaging, developing, and retaining employees	Lockwood (2006)

By analyzing the sample from financial and non-financial perspectives, Bethke-Langenegger et al. (2010) identified higher corporate profit and also increased corporate attractiveness as statistically highly significant main effects of pursuing a talent management strategy. In their opinion, organizations that apply talent management practices demonstrate significantly higher financial performance compared to their industry's peers. On the other hand, based upon a 2012 research by Kehinde, talent management, profitability and return on investment (ROI) are highly correlated. Based upon the researches on talent management, four dimensions for talent management can be defined: Attracting, Assessing, Development and Training, and Retaining (Cappelli, 2008b; Lockwood, 2006; and Ford et al., 2010).

Lockwood (2006) believes that talent management strategies focus on five primary areas which are: attracting, selecting, engaging, developing, and retaining employees.

Barron (2008) believes that organizations involved in talent management are strategic and deliberate in how they source, attract, select, train, develop, promote, and move employees through the organization.

Succession Management plays a vital role in the current competitive world. The life cycle of many companies and organizations is going to be in the last stage, and sooner or later, their activity will shrink and they will be removed from the world of competition. Among these organizations, those who focus on succession management and utilize their personnel's talents have a good opportunity for survival (Ahmadi et al., 2012). In addition, based on Lamoureux et al. (2009), succession management has become an important talent management initiative at companies around the world. They add that for some companies, succession management is a strategic process that minimizes leadership gaps for critical positions and provides opportunities for top talent to develop the skills necessary for future roles. On the other hand, based upon a 2010 study by Zhang and Rajagopalan, firms with a larger internal talent pool can better manage the risk of CEO succession than those without.

Organizations believe that having effective Talent Management Strategy with clear and tangible benefits is important for the bottom line (Head Light Company, 2011). The mentioned study addresses to the relation of Talent Management Strategy and Profitability.

Some items relating to Talent Management (TM) and Talent Management Strategy (TMS) have been shown in Table 2.

Profitability

Improved productivity leads to profitability. Profitability means wealth for individuals, organizations, and society as a whole. Knowledge helps in value creation leading to increased profitability (APO, 2013).

Based upon Nimalathan (2009), profit is the primary objective of a business. Bârsan et al. (2011) argues that intellectual capital is a key factor in company's profitability. They also believe that knowledge assets provide a sustainable competitive advantage for an organization.

An enterprise should earn profits to survive and grow over a long period of time. It provides evidence concerning the earnings potential of a company and how effectively a firm is being managed. If the enterprise fails to make profit, capital invested is eroded and if this situation prolongs the enterprise ultimately ceases to exist (Nishanthini & Nimalathan, 2013).

Strack et al. (2012) believe that the companies which are highly capable in some key HR topics such as managing talents, developing leadership, mastering HR processes, Global people management and international expansion, enhancing employee engagement, strategic workforce planning, transforming HR into a strategic partner, and restructuring the organization enjoy better economics performance (revenue growth and profit margin) than those less capable.

Conceptual Model of the research

Akbari et al. (2012) quoted from Carolina López-Nicolás & Angel L. Mero-Sno-Cerdón (2011) have presented the dimensions of "Codification" and "Personalization" for Strategic Knowledge Management. In addition, Maali-Tafti (2010) has utilized the following dimensions for Talent Management Strategy:

1. Intra-Organizational Concept including the components of Standardization, Strategy, Development of Organization, Opinion, Infrastructures & Processes, and Managerial Factors.
2. Extra-Organizational Concept including the Political Factors

On the other hand, based upon the experts' viewpoints at the Southern Khorasan Electric Distribution Company (SKEDC), the dimensions for Profitability are as follows: Liquidity Management and Financial Resources, Cost Management, Warehouse Management, Managing the Prediction of Profits, and Asset Management.

Considering the above-mentioned variables and also the study of Daraei and Vahidi (2014), the conceptual model of the research has been provided as shown in Figure 1.

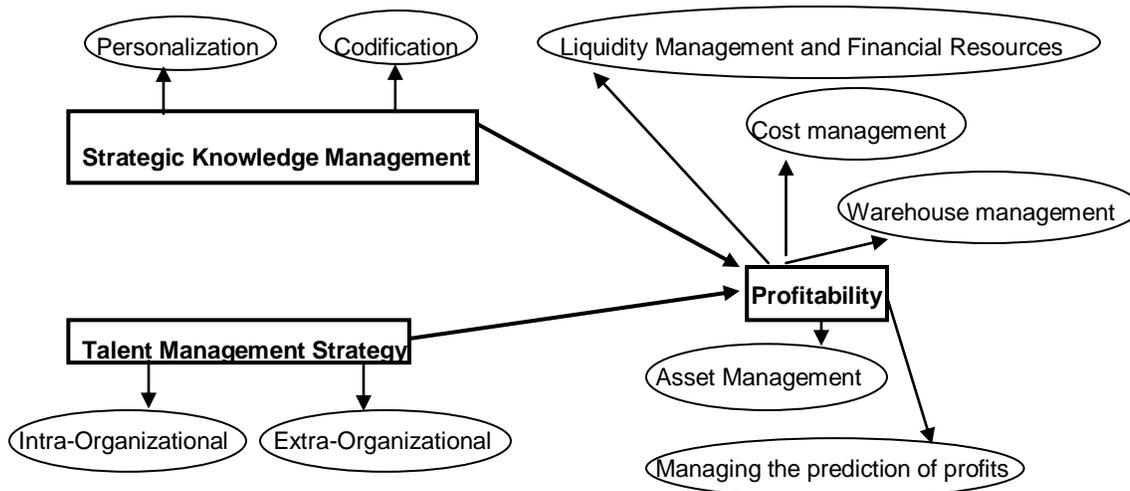


Figure 1: Conceptual Model of the research

Research Hypotheses

This study contains the three following hypotheses:

1. There is a relationship between Strategic Knowledge Management and Profitability at the Southern Khorasan Electric Distribution Company
2. There is a relationship between Talent Management Strategy and Profitability at the Southern Khorasan Electric Distribution Company
3. There is a relationship between Strategic Knowledge Management and Talent Management Strategy with Profitability at the Southern Khorasan Electric Distribution Company

RESEARCH METHODOLOGY

Overlook

Southern Khorasan Electric Distribution Company (SKEDC) is a public utility which distributes the required electric power to the customers in various sectors of household, commerce, agriculture, and industry in the southern Khorasan Province, Iran. Headquarter of the company is located in Birjand that is the main city and center of the Southern Khorasan Province. It supervises the activities of the subsidiaries which are in the cities of Birjand, Qayenat, Ferdows, Nehbandan, Sarbisheh, Sarayan, Darmiyan, Boshrouyeh, Khousf, Zirkouh, and Tabas. As a private company, the SKEDC has to follow its mission which is "presenting the efficient and continuous electric power to the customers". On the other hand, utilizing the new and modern technology together with the optimal use of resources is a crucial strategy for the aforesaid company in order to accomplish its mission and also cover the related expenditures. Therefore, the association of the Strategic Knowledge Management and Talent Management Strategy with Profitability has been tested and discussed in this section.

Instrument

The methodology utilized in this research is descriptive and based on correlation method; the researchers have tested the association of Strategic Knowledge Management and Talent Management Strategy in Profitability of the Southern Khorasan Electric Distribution Company (SKEDC) using three related questionnaires. Number of required questionnaires to be distributed for the current research has been determined based upon Krejcie & Morgan Table. In addition, Lisrel Software has been used for analyzing the gathered data. Also, the study has been carried out in the period of February to July 2014 and the location for performing the research is the Southern Khorasan Electric Distribution Company (headquarter and its 11 subsidiaries that are located in the cities of Birjand, Qayenat, Ferdows, Nehbandan, Sarbisheh, Sarayan, Darmiyan, Boshrouyeh, Khousf, Zirkouh, and Tabas). In other words, the research has been carried out not only in headquarter of the company, but also in all its subsidiaries and the result has been expressed in the following section. The statistical population of the research contains all the employees of the Southern Khorasan Electric Distribution Company including headquarter and its subsidiaries which have higher-diploma, bachelor's, and master degrees. Moreover, the research has been performed as a survey study so that the required data for the study has been gathered after analyzing the research background. The frequency of the employees together with their degrees is as follows:

Referring Krejcie & Morgan Table (Krejcie and Morgan, 1970), no sample size can be observed for a statistical population of 163 people. In the aforesaid table, for statistical population of 160 and 170, the sample size has been determined as 113 and 118 respectively. Thus, for this study, we utilized the linear proportion method and calculated the sample size of 115 for the statistical population of 163 people. Therefore, the questionnaires were distributed among 115 people from the employees specified in Table 3.

Table 3: The frequency of the employees as well as their majors

Major	Higher-Diploma Degree		Batchelor's Degree		Master Degree	
	Male	Female	Male	Female	Male	Female
Gender Number	52	4	83	11	10	3
Sub-Total	56		94		13	
Total	163					

It should be noted that the questionnaires relating to "Strategic Knowledge Management" and "Talent Management Strategy" are standard questionnaires; but, the questionnaire for "Profitability" is a research-made questionnaire and its reliability has been approved by the industry and university experts, meanwhile, its reliability has been measured using Alpha Cronbach. Reliability is a technical feature of measurement tool and controls if the measurement tool leads to same result(s) in the same situations. For obtaining the reliability of the questionnaires, Alpha Cronbach's Coefficient has been used. The research variables as well as their reliabilities have been shown in Table 4.

Table 4. Research variables and their reliabilities

Variable	Dimensions	Component(s)	Alpha Cronbach
Strategic Knowledge Management	Codification	-----	0.819 (based upon Carolina López-Nicolás & Ángel L. Meroño-Cerdán, 2011)
	Personalization	-----	0.789 (based upon Carolina López-Nicolás & Ángel L. Meroño-Cerdán, 2011)
Talent Management Strategy	Intra-Organizational	Standardization	0.79 (based on Maali-Tafti, M., 2010)
		Strategy	
		Development of Organization	
		Opinion	
		Infrastructures and Processes	
		Managerial Factors	
	Extra-Organizational	Political Factors	
Profitability	Liquidity Management and Financial Resources	-----	0.785
	Cost management	-----	
	Warehouse management	-----	
	Managing the prediction of profits	-----	
	Asset Management	-----	

After approval of the reliability of questionnaires, they can be utilized as reliable tools for testing the research hypotheses. Testing the hypotheses has been carried out by Lisrel Software which is a powerful instrument for measuring the association between the independent variables of Strategic Knowledge Management and Talent Management Strategy with the dependent variable of Profitability. The advantage of Lisrel Software comparing the other software is that it presents the final model and the relation between the variables graphically.

Data Analysis

One of the most suitable and powerful methods for analyzing the data in behavioral, social, and managerial sciences is multivariate analysis (MVA), because the cases discussed in the aforesaid sciences are multivariable topics and these kind of subjects are not solved using two-variable method. In the latter method, one independent variable is considered by an independent variable. For analyzing the data of the present study, Structural Equation Modeling (SEM) has been used by applying Lisrel Software. SEM is a multivariate analysis technique from multiple regression analysis. In other words, SEM is a series of General Linear Model which provides the possibility of solving a set of regression equations simultaneously.

Results

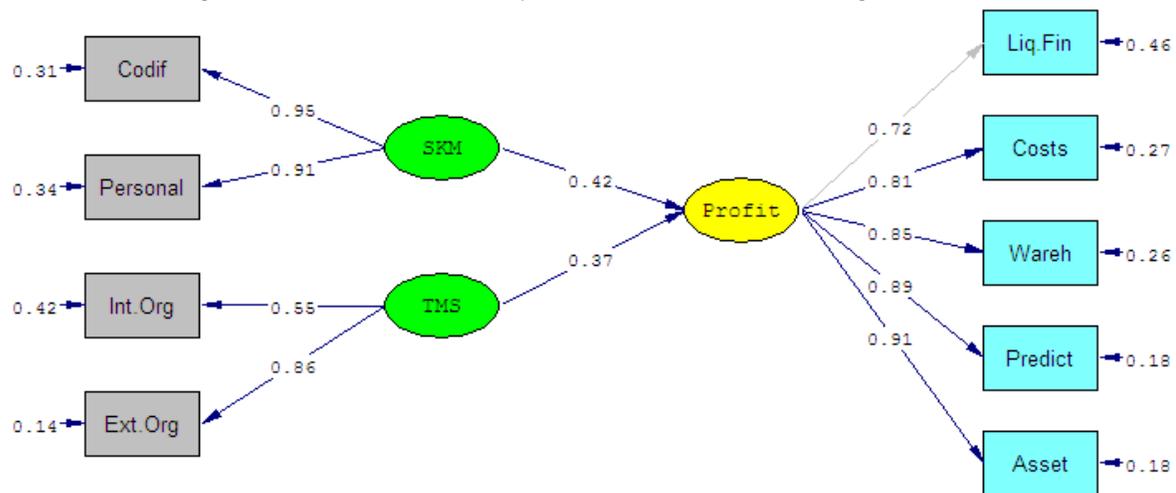
Research Hypotheses Test

Since the Lisrel Software has the limitation of 8 characters in its output, the variables of the conceptual model of the study have been shortened as shown in Table 5 in order to be analyzed via Lisrel Software.

Table 5: Short expressions for the variables used in the Conceptual Model of the research

Variables	
Full Expression	Short Expression to be utilized by Lisrel Software
Strategic Knowledge Management	SKM
Codification	Codif
Personalization	Personal
Talent Management Strategy	TMS
Intra-Organizational	Int.Org
Extra-Organizational	Ext.Org
Profitability	Profit
Liquidity and Financial Resources Management	Liq.Fin
Cost Management	Costs
Warehouse Management	Wareh
Predicting profit	Predict
Asset Management	Asset

An estimation of regression coefficient of the conceptual model has been shown in Figure 2.



Chi-Square=48.07, df=24, P-value=0.00247, RMSEA=0.082

Figure 2. An estimation of regression coefficient of the conceptual model

Finest indices for the model

After presenting the conceptual model of the research, the concept of model estimation and hypotheses tests must be analyzed to be certain if the experimental data will support the conceptual model. Attention must be paid that if the fitness indices are not strong enough for a model, entering the model to the SEM may mislead the researcher in analyzing the structural relations among the variables. Fitness indices of the model have been introduced as stated below:

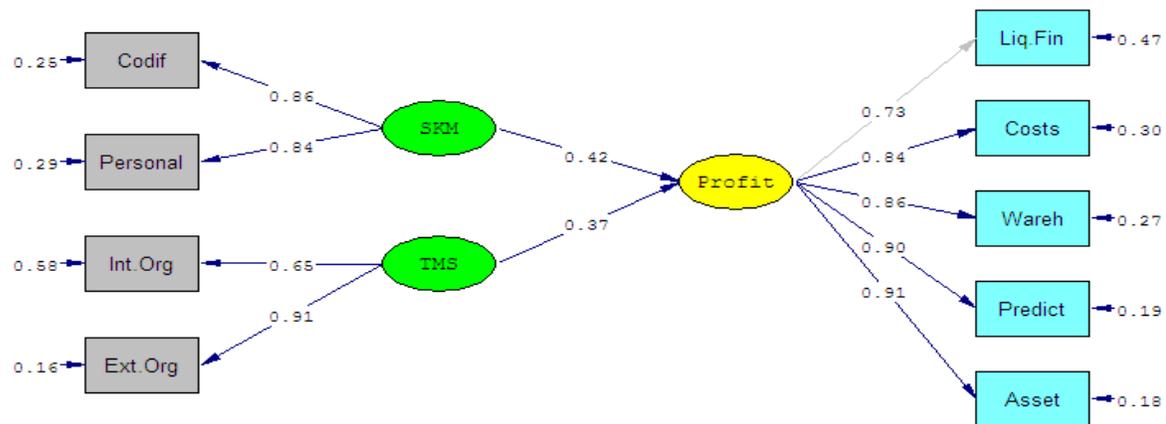
1. Chi-Square index: Chi-Square is a badness-of-fit index. If the amount of Chi-Square increases, it indicates that the data will not support the model and if its amount equals zero, it represents that the goodness of fit is perfect.

H0: model will not describe the relation between the variables.

H1: model will describe the relation between the variables.

For evaluating Chi-Square index, we must divide Chi-Square by DF (the degree of freedom) and in this way, the maximum amount from 2 to 3 will be acceptable and will indicate the fitness of the model. In addition, if the amount of p-value is greater than 0.05, we can conclude that the covariance structure of the model is

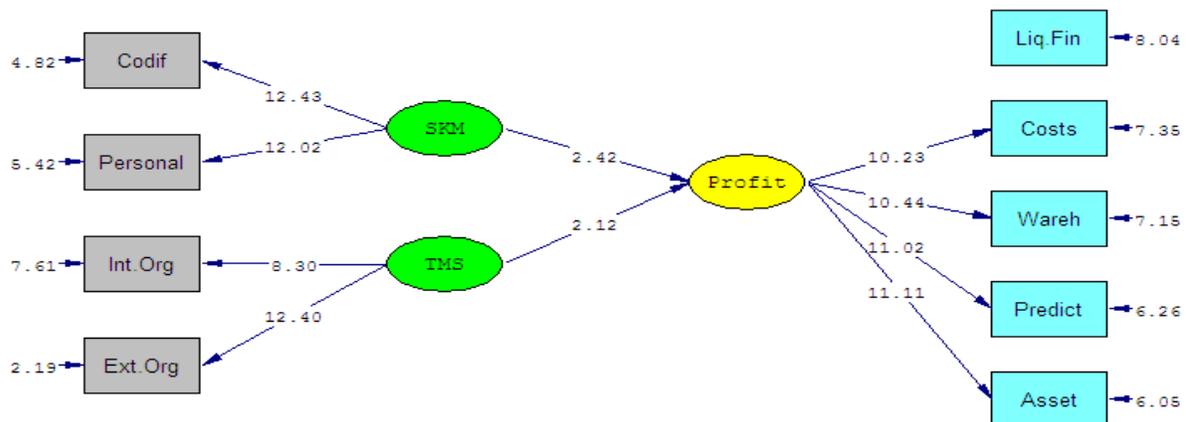
In addition, an estimation of standard regression coefficient of the conceptual model has been shown in Figure 3.



Chi-Square=48.07, df=24, P-value=0.00247, RMSEA=0.082

Figure 3. An estimation of standard regression coefficient of the conceptual model

Also, t-value amounts for the conceptual model have been shown in Figure 4.



Chi-Square=48.07, df=24, P-value=0.00247, RMSEA=0.082

Figure 4: t-value amounts of the conceptual model

not significantly different from the observed covariance structure and therefore, the model will be generally acceptable. In this respect, the amount of p-value is 0.002 and the model is accepted.

2. GFI (Goodness-of-Fit Index): This index indicates if the model goodness is appropriate considering the existing data. The amount for GFI must be greater than or equal 0.9. Thus, for our model, GFI was obtained 0.93 and it shows that the model fitness is appropriate.

3. AGFI (Adjusted Goodness of Fit Index) AGFI for the model was obtained 0.87 and it indicates that the model fitness is suitable.

4. RMSEA (Root Mean Square Error of Approximation): The amount for RMSEA was obtained 0.08 and since it is less than 0.1, so one can conclude that the model fitness is appropriate.

5. NFI (Normed Fit Index): NFI for the model was obtained 0.97 and since it is greater than 0.9, the fitness of the model is confirmed.

6. CFI (Comparative Fit Index): The amount for CFI was obtained 0.99 and since it is greater than 0.9, the fitness of the model is acceptable.

Fitness indices for the conceptual model have been shown in Table 6.

Table 6. Fitness Indices for the Conceptual Model

Index Name	Standard Amount for the Index	The Index Amount in the Model	Result
P-Value	Greater than 0.05	0.002	Model Fitness is not appropriate
GFI	Greater than 0.9	0.93	Model Fitness is appropriate
AGFI	Greater than 0.8	0.87	Model Fitness is appropriate
NFI	Greater than 0.9	0.97	Model Fitness is appropriate
CFI	Greater than 0.9	0.99	Model Fitness is appropriate
RMSEA	Less than 0.1	0.082	Model Fitness is appropriate
X ²	Maximum between 2 and 3	2.02	Model Fitness is appropriate

Among seven tests for determining the model fitness, only one test does not specify the model fitness based upon the standard amounts. This indicates that the data are sufficient to show the model fitness.

Analyzing t-value amounts

To analyze the significance of each parameters of the model, t-value amount is utilized. This amount is obtained via dividing each parameter by its standard deviation so that the amounts must be either greater than 1.96 ($Z \geq 1.96$) or less than -1.96 to be significant statistically. All estimated standard parameters of the conceptual model of the research considering the hypotheses and also main and ancillary objectives of the study as well as the estimations for t-value amounts have been presented in Table 7 and then the output of Lisrel Software have been presented. As it can be observed, all the parameters are statistically significant.

Table 7. Result of the hypotheses of the research

Analyzing the impact of:	Impact Factor	T-Value Amount	Result	Accept/Reject of the hypothesis
SKM on Profitability	0.42	2.42	SKM has impact on Profitability	Accept
TMS on Profitability	0.37	2.12	TMS has impact on Profitability	Accept

Final Model of the Research

It was specified that there is a positive and significant relation between Strategic Knowledge Management and Talent Management Strategy with Profitability. So, one can conclude that the conceptual model together with the variables have been determined properly. Therefore, the final model of the research is the same as the conceptual model as shown in Figure 1.

DISCUSSION

In this section, the research findings will be discussed and also they will be compared with the related previous studies which have associated with the current study.

Discussion about the first hypothesis (Relation Between Strategic Knowledge Management and Profitability)

Czarnitzki & Watyn (2009) believe that awareness of knowledge as an important driver of economic growth has increased in the last decades and a firm has to create value through the generation, application and capitalization of knowledge. In addition, according to APO (2013), Knowledge Management is an integrated approach of creating, sharing, and applying knowledge to enhance organizational productivity, profitability and growth and if an organization can implement knowledge processes, which are embedded in all key work processes systematically and collectively, the productivity, profitability, and eventually growth of the organization will be dramatically improved. Also, Shaqrah (2008) declares that competitive pressures in the market are fostering an environment in which organization review their knowledge assets, looking for ways which they can create value for profitability and sustainability. Moreover, according

to Theriou et al. (2008), managing knowledge is significant because knowledge is a strategic weapon that can lead to sustained increase in profits. Furthermore, based upon Axiö and Lidén (2012), learning and profitability is linked due to the fact that without learning, new knowledge cannot be gained and without new knowledge the company cannot adapt to a changing environment, or strengthen its core capabilities. On the other hand, Lhuillery (2003) believes that complete knowledge disclosure is required to maximize profits when R&D expenditures are coordinated. So, in our opinion, knowledge, as a primitive factor for research affairs, can play a key role in getting profitability.

Another support for the relation between knowledge management or strategic knowledge management and profitability is the study of Charlie & Nilsson in 2009. They believe that the strategic importance of knowledge has increased over the last decades and knowledge has emerged as a crucial asset so that in knowledge-based organizations, the activities for transferring knowledge are vital for the long-term profitability and competitiveness. In addition, Baladi (1999) quotes from Sir John Browne, CEO of BP in 1997, that "anyone on the organization who is not directly accountable for making a profit should be involved in creating and distributing knowledge that the company can use to make a profit". Moreover, KPMG (1998) quoted from Alavi & Leinder (1999) express that the primary goals of knowledge management as reported in a sample of organizations are: better decision making (86%), faster response time to key issues (67%), increasing profitability (53%), improving productivity (67%), creating new/additional business opportunities (58%), reducing costs (70%), sharing best practice (60%), increasing market share (42%), increasing share price (23%), and better staff attraction/retention (42%). Therefore, we can conclude that there is a relationship between knowledge management and profitability.

Discussion about the second hypothesis (Relation between Talent Management Strategy and Profitability)

The results of test of the hypotheses indicate that there is a positive and significant relation between Talent Management Strategy and Profitability. Therefore, one can conclude that focusing on Talent Management Strategy will lead to Profitability in organizations. Some researches as stated in the following paragraphs support the findings of the present study.

Sayyadi et al. (2011) believe that there is a positive relation between talent and better performance in an organization. In their opinion, an investment on talents in organizations will result a growth in their revenues. Also, in their 2012 study, they call the current age as the knowledge workers' era and believe that the companies can compete based on their employees' skills and talents and they also know that high market share and growth in profitability will be obtainable only via attraction and retention of the talented employees. In addition, quoted from Mc Kinsey Company, they add that the organizations which are successful in attraction, development, and retention of the talented managers will have more productivity and profitability. Moreover, Kehinde (2012) believes that talent management, profitability and return on investment (ROI) are highly correlated so that talent management index has higher correlation with profitability level than with return on investment (ROI). Furthermore, Baublyte (2010) address that talent management has a positive impact on profitability, labor productivity and innovativeness in SMEs.

According to Guthridge and Komm (2008), there is a strong correlation between financial performance (profits per employee) and effective global talent management practices. Also, Schroevers & Hendriks (2012) address to coining 'War for Talent' by a group of McKinsey consultants in 1997 for formulating the importance of talent for the performance of organizations and then describe 'the war for talent' as the process of attracting and retaining profitable employees in order to strive for competitive and strategic advantage. In addition, according to Ramadan (2012), talent management can be considered as a source of competitive advantage and competitive advantage typically results in high profits. Moreover, Phillips & Addicks (2010) believe that organizations are now recognizing the urgency and the value in attracting and retaining the best and brightest employees in order to achieve higher-than-average market share and elevated profits. They also argue that if an organization does no planning, and thus does not effectively manage and develop its workforce, it will jeopardize both its existing talent and its future profits. In their opinion, each time an employee leaves, profits go with them. Furthermore, according to Markos & Sridevi (2010), positive relationship has been found between employee engagement and organizational performance outcomes: employee retention, productivity, profitability, customer loyalty and safety.

Almost every company is continuously searching for employees with potential that could evolve into a skillful professional, which can help the company to become more profitable and innovative. In addition, companies working with talent management reported up to 20 % higher profitability than other companies that do not emphasize the approach (Löf et al. 2011). According to Venkateswaran (2012), talent management practices with a strong focus on business strategy and its alignment with overall business goals have statistically highly significant impact on corporate profits. In addition, based on CMI (2011), the development of talented employees can be one of the most profitable investments an organization makes. Also, according to Leeladhar (2005), it is in the proper management of talent that opportunities for very substantial gains in productivity, profitability and personnel development lie.

Strategic growth factors include (1) maximization of revenue through access to qualified talent; and (2) a reduction of talent acquisition, training and retention costs. A larger and appropriately skilled talent pool will also help the private sector effectively harness growth opportunities at home and in overseas markets, thereby leading to higher revenue. Similarly, a more qualified talent pool can help the private sector reduce the costs of talent acquisition, training and retention, helping to enhance profitability (Winthrop et al., 2013).

Discussion about the third hypothesis (Relation between Strategic Knowledge Management, Talent Management Profitability and Profitability)

As we have utilized the method of multivariate analysis (MVA) in this study, then the third is approved because the aforesaid method is used to analyze the relation between two independent variables (Strategic Knowledge Management and Talent Management Strategy) with the dependent variable of Profitability.

According to Bârsan et al. (2011), intellectual capital is a key factor in company's profitability. Since knowledge and talent can be considered as intellectual capital, we can conclude that knowledge management and talent management have impact on profitability. Some studies support the findings of the current research as stated below:

1. Axiö and Lidén (2012) have studied Strategic Management literature and analyzed 13 managerial concepts and then they have categorized them into four main items that are most important items in affecting profitability. The categories and respective concepts are: current operation (control measures, evaluation, rewards and motivation), organization (focus on competencies and strategic organization), foundation (culture, purpose, communication and leadership), and forward operation (flexibility, creativity and learning). So, we can conclude that competencies and strategic organization addressed in the second category may be knowledge and talents of the employees as well as existing strategy in the organization, meanwhile; creativity in the fourth item is related to talent management. Therefore, focusing on these items will lead to profitability for the organization.

2. Bryan (2007) believes that Companies focus far too much on measuring Returns on Invested Capital (ROIC) rather than on measuring the contributions made by their talented people, while nowadays, the real engines of wealth creation are the knowledge, relationships, reputations, and other intangibles created by talented people.

Not only Knowledge Management but also Talent Management Strategy has considerable importance in the organizations so that talented human resources will be assure success and competitive advantage in the current world of business and equip the enterprises against the competitors. Hence, attracting, assessing, developing and training, and retaining talents together with focusing on knowledge management strategy will play a key role in the firms. In addition, the results can be generalized for other Electric Distribution Companies all over the country or the globe so that if these companies emphasize on Talent Management Strategy, they will gain Profitability, meanwhile it may create an efficient change in the Electric Distribution Industry as well.

Since the three hypotheses of the research has been approved, we dare to say that there is a strong association between the Strategic Knowledge Management and Talent Management Strategy with Profitability, meanwhile, the previous researches support the results of the current study as well.

CONCLUSION

Knowledge management is an interesting and new topic which many literal subjects or related researches can be found in the previous and also in recent managerial studies. In addition, the Strategic Knowledge Management, which establishes a bond between strategy and knowledge management, has recently entered the modern managerial subjects. Moreover, talent management is a considerable topic in the organizations so that most companies and economical corporations seek for talented employees and attempt to utilize intangible and intellectual assets in their firms.

Considering the approval of the hypotheses and also the previous studies which support the finding of this research, one can conclude that there is a positive and significant relation between the Strategic Knowledge Management and Talent Management Strategy with Profitability. In other words, if the organizations focus on intangible and intellectual assets especially knowledge and talent and simultaneously establish a robust bond between the mentioned assets and the organizational strategy, they will gain profitability. Moreover, persuading the employees to obtain knowledge from internal and external resources and also the optimal use of talents in the organizations will create a powerful motivation for the employee to continue cooperating with their employer(s). In this case, the employees especially the talented and knowledgeable ones will attempt to stay loyal toward their organization and the corporation will be profitable in the near or distant future. On the other hand, the loyal employees try to prevent extra expenses for their organizations and it will be an important step toward profitability as well.

Subsequently, if both knowledge management and talent management establish a powerful link with organizational strategy, the result will be better performance, decrease in expenses, and profitability which is the main goal of most economical corporations. The result of current study indicates the positive and significant relation between Strategic Knowledge Management (SKM) and Talent Management Strategy (TMS) with Profitability and if the corporations focus on the SKM and TMS simultaneously, their profitability will be definitely taken place.

Limitations

Like other managerial researches and also the studies in the field of humanities, the current study has been faced with some limitations which addressed in the following:

1. The study has been analyzed among the employees of the Southern Khorasan Electric Distribution Company (SKEDC) and the results for other populations may be generalized cautiously.
2. The number of questions was 84 and the responders might answer the questions in a short time interval.
3. The responders' majors were from higher diploma to master degree. Thus, we do not have the opinions of workers whose degrees were diploma or under.

Recommendations and Future Works

a) *Research Recommendations*

Followings are some recommendations for research future works:

- Due to the variety of employees in Iranian electric distribution companies, performing the same researches with the mentioned variables in other electric distribution companies is recommended.
- Carrying out the study considering the greater statistical population including all the employees who are managers, engineers, experts, and workers.
- Doing researches on Strategic Knowledge Management and Talent Management Strategy with other managerial topics such as empowerment, job satisfaction, quality of work life, productivity, effectiveness, and so on.
- Since the Strategic Knowledge Management and Talent Management Strategy are affected by the various backgrounds or economical and cultural situations, having other researches in this filed with different statistical population is highly recommended.
- This research is recommended for other organizations like universities, research and instructional centers, various industries, other utility companies, and also governmental and private companies.

b) *Applicable recommendations*

Followings are some recommendations as the required measures needed to be carried out by the holding company of Tavanir or by the national electric distribution companies:

- Providing an appropriate situation for implementing the Strategic Knowledge Management and Talent Management Strategy in the organizations especially in the electric distribution companies.
- Holding the instructional courses relating to the knowledge management, talent management, and organizational strategies.
- Notice of managers on the new managerial topics like knowledge management, talent management, stress management, change management, etc. and establishment of reasonable bonds between the mentioned variables with the organizational strategy.
- Creating a link between the employees of the electric distribution companies and the university professors with the aim of strengthening the linkage between the industry and university which is generally emphasized by the holding company of Tavanir.

Reinforcing the Kaizen Suggestion System and involving the employees to present their suggestions relating to the cost management and profitability.

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