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Post Return on investment in human capital from the perspective of Knowledge-Based View - Analytical study -

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Abstract:

The knowledge-based approach to new product development is crucial for the competitive advantage of organizations, and it is considered the most effective approach. In this research paper, we have studied the return on investment in human capital from the perspective of the knowledge-based approach in organizations. Our findings indicate positive effects on organizations, including fostering innovation, enhancing learning, improving organizational performance, and ultimately achieving sustainable development.

Keywords: Resource-based view; human capital; innovation; education; organizational performance; sustainable development.

Jel Classification Codes: J24, D83, O32, Q01

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1. Introduction

From the perspective of (Gope & el., 2018, p. 649), the organizational work environment has become more competitive, changing rapidly in recent decades. In line with technological progress, human resources professionals have inevitably been involved in facing the "talent crisis." In the "global war for talent," it is essential to recruit employees with high talents, skills, knowledge, and capabilities for innovation and development. In fact, organizations are able to gain and maintain a global competitive advantage when they effectively manage their talented workforce.

In the knowledge economy, knowledge is recognized as the major source of wealth production, and managing knowledge effectively and efficiently is considered to be a key success factor to gain sustainable competitive advantage for organizations. Notably, competitive advantage is increasingly based on the successful application, leverage and creation of knowledge—especially knowledge embedded in human assets. Managing knowledge effectively is as a significant factor in innovating faster and better than competitors. Human resource management (HRM) practices—major contributor to organizations' competitive advantage—should be utilized to manage organizational human assets through facilitating the development of competencies that generate organizational knowledge. (El-Farr & Rezvan , 2019, p. 01)

The thinkers (Ishak & al., 2010, p. 01) indicated that the shift from the old economy to the new economy led to a transition from focusing on the main forms of production—namely capital, land, and labor—to focusing on knowledge and technology in the field of

information. The new economy moves beyond the mass manufacturing of materials to the design of new technologies, beyond the processing of physical resources to the processing of knowledge, and beyond the raw application of energy to the application of ideas. For this reason, it is often observed that organizational designs and management practices have become more distinctive, less bureaucratic, less reliant on hierarchical power structures, and more socially integrated. The post-industrial revolution is a big part of this change. The information revolution has been a big part of it, and it has made knowledge a key factor of production. In the early 1990s, knowledge became the most important resource for the new economy, taking the place of land, labour, and capital.

In this regard, (El-Farr & Rezvan , 2019, p. 02) illustrated a revitalization of the HRM function to respond to the demands of the knowledge economy, looking both within and outside the organization. The traditional focus on managing people has been broadened to managing organizational capabilities, relationships, learning and knowledge. also believes that we must look beyond human capital to a more sustainable and holistic view of individuals; suggesting the term "sustainable human capital" that moves away from the traditional view of human capital.

1. 1 Study Problem

The problem we wish to study emerges, which can be formulated as follows: **How can human capital be invested in from a knowledge management perspective?** Or, in other words, **what is the return that can be achieved from investing in human capital from a knowledge management perspective?**

1. 2 Study Importance

he importance of the study lies in demonstrating knowledge-based approach human resource management practices.

1. 3 Study Objectives

· Review of the knowledge-based approach.

· The status and situation of human resource management within the knowledge-based approach.

1.4 Original contribution

Although numerous studies have examined human capital, knowledge management and organizational performance, existing research often treats these dimensions separately or focuses predominantly on descriptive definitions of concepts. This article contributes to the literature in three main ways. First, it integrates human capital theory, the Resource-Based View and the Knowledge-Based View into a single analytical framework that explicitly positions knowledge management processes as the link between human capital and multiple organizational outcomes. Second, it conceptualizes the return on investment in human capital as a multidimensional, knowledge-based return that encompasses innovation, organizational learning, performance and sustainable development rather than only financial indicators. Third, it develops an explicit conceptual model and associated propositions that can guide future empirical research and inform managerial decisions regarding the design of integrated HRM and KM strategies.

Within your existing literature review sections (human capital, KBV, KM processes, etc.),

adjust paragraph endings so they are analytical, not purely descriptive, using sentences of this type:

• "These insights underline that human capital forms the core strategic resource within the Knowledge-Based View, which in this study is treated as the primary input into knowledge management processes that generate organizational returns."

• "This evidence supports the idea that knowledge management processes mediate the relationship between human capital and organizational performance, a mechanism that is central to the conceptual model proposed in this article.

2. Methodology

This article adopts a qualitative, analytical literature review design, aiming to develop a conceptual framework for understanding the return on investment in human capital from the perspective of the Knowledge-Based View. The focus is on integrating insights from human capital theory, the Resource-Based View and knowledge management research in order to clarify the mechanisms through which human capital is transformed into organizational outcomes.

2. 1 Literature search and selection

The literature was identified through structured searches in major academic databases, including Scopus, Web of Science, Science Direct and Google Scholar, complemented by targeted searches in specialized journals in human resource management and knowledge management. Keywords and combinations of keywords such as "human capital", "knowledge management", "knowledge-based view", "resource-based view", "organizational performance", "innovation" and "sustainable development" were used. The search primarily covered peer reviewed articles, books and conference papers published in English and French, with a focus on the period from the early 1990s—when the Knowledge-Based View was consolidated—up to recent contributions. Only scholarly sources that explicitly addressed the relationships between human capital, knowledge, KM processes and organizational outcomes were retained.

2. 1 Analytical procedure

The selected publications were analyzed using thematic content analysis. In a first step, core concepts (human capital, knowledge, knowledge management processes, innovation, organizational learning, performance and sustainable development) were identified and extracted. In a second step, the studies were examined to identify how they theorized or empirically linked human capital to knowledge management and to various performance dimensions. This allowed the emergence of recurrent themes, such as the mediating role of KM processes and the multidimensional nature of returns to human capital investment. In a third step, these themes were synthesized into an integrative conceptual model and a set of propositions that capture the knowledge-based returns on investment in human capital, without claiming empirical verification within the present work.

3. Theoretical Framework

3.1 Human Capital and HRM

3. 1.1 Human Resource (HR)

Human Resource (HR) is emerging as the key concept in assessing the competitive assets of organizations. HR managers and professionals, by virtue of their knowledge of human performance, are well positioned to exercise strategic leadership and contribute significantly to a firm's competitive advantage. This paradigm shift concerning the value of human resources will therefore create opportunities for the HR function to develop a more strategic role in a firm's operation (Ismail, August, 2008, p. 01).

The economy is changing, and so is the way people manage their resources so they can handle many different kinds of problems. also Knowledge, intellectual capital, and time are the most important things in knowledge economies. People are the most important part of organisations because they are the only ones who can come up with and carry out new ideas. People are thought to be the only real source of a long-term competitive edge. Because employees own the knowledge, anything they do will have an effect on how knowledge is managed. HRM could help make well-rounded KM strategies that add value. HRM has new problems to deal with: finding and keeping the best employees and learning new skills to add more value. Not only did the HR department help create KM, but it also shaped it in a very important way. Knowledge-based businesses have a new kind of human resource management (HRM) that is different from traditional HRM in a number of ways. First, the focus on human resources is on how to make knowledge more useful and how to treat it well. There is also a need for specialists in human resources management to have very different ways of thinking, making decisions, acting, and behaving so that they can effectively take into account the different types of people who work for the organisation, their traits, motivations, and expectations. HR activities need to be planned and carried out in a way that allows for changes in content and functions as the organisation grows and changes from within and outside. Finally, all HR activities need to be coordinated with the company's performance goals to make sure the company stays in business. (BORDEIANU & Simona , 2015, pp. 169-170).

The thinkers (Wenyuan & Du , 2013, p. 436) pointed out that the thinker and expert in administrative studies, Peter Drucker, proposed the term "human resources" in 1954. According to his perspective, human resources differ from other forms of resources because they refer to individuals. In contrast, the thinkers (Cleveland & el., 2015, p. 01) pointed out that psychologists consider the individual or person as the starting point.

3. 1.2 Human Resource Management (HRM)

The Human Resource Certification Institute (HRCI), which offers many of the largest and most popular certifications, has issued the Professional in Human Resources (PHR) certification. This certification breaks down human resource management into six main functional areas, which are the main topics: 1) Business Management and Strategy, 2) Planning and hiring workers, 3) Developing workers' skills, 4) Paying workers and giving them benefits, 5) Dealing with workers and unions, and 6) Managing risks . (Werner, 2014, pp. 127-128). In simple terms, according to the Resource-Based Approach, it is assumed

that management possesses resources that will provide us with value. These resources may be tangible or intangible in nature, and this is from the perspective of the Resource-Based Theory. (Schaupp & al., 2015, p. 2398)

The function of Human Resources in organizations has changed significantly since its inception, as it is widely considered a strategic business partner center (Ferris & al., 2007, p. 117). define Human Resource Management as the comprehensive process of identifying and recruiting human resources to achieve organizational goals, developing and recognizing employee competencies (Delobbe & al., 2014, p. 28). From the perspective of (Boulaire & Didier , 2008, p. 07), the Human Resource Management function involves preparing and providing the appropriate human competencies needed in a timely manner to achieve its strategy.

3. 1.3 Human capital

Human capital is considered a valuable resource that enables organizations to maintain it to achieve a competitive advantage (Razak & al., 2015, p. 355). define human capital as the value of knowledge and the competencies of the organization's employees, which are necessary to provide solutions to customers (Mekhilef & al., 2003, p. 12). From the perspective of (Guillard & Josse , 2010, pp. 161-162) human capital is the collection of skills and knowledge that people gain through years of school, training, and other experiences. There are three main types of competencies: general competencies (like literacy, basic math skills, and the ability to learn), specific competencies related to technology or the production process (like computer programs and how to fix and maintain mechanical parts), and technical and scientific competencies (like knowing how to use certain analytical tools and technologies). Schultz (1961) coined the term "human capital" and expanded on his idea in 1981, saying, "Consider all human abilities to be either innate or acquired." Attributes that are valuable and can be enhanced through suitable investment constitute human capital.

.’ (Armstrong, 2006, p. 33)

A more detailed definition was put forward by Bontis et al (1999) as follows:

Human capital represents the human factor in the organization; the combined intelligence, skills and expertise that gives the organization its distinctive character. The human elements of the organization are those that are capable of learning, changing, innovating and roviding the creative thrust which if properly motivated can ensure the long-term survival of the organization. (Armstrong, 2006, p. 33)

3.2 Knowledge-Based View

3. 2.1 Literature on the Knowledge-Based Approach

The economic change of material-based production to information-based production created a revaluation of the firm workers. Increasingly we find knowledge workers at the core of the organization functions: concept and technology designers, as well as finance and management people. Other individuals are considered to be in the firm’s periphery, as a consequence their responsibilities change permanently and they are defined by the tasks they perform at the moment. This way, a new differentiation in labour arises. **(Curado, 2006, p. 07)**

As world economies evolve, business success of new product development is coming to rely more and more on knowledge. (Zhang & Zhen , 2014, p. 34)

Many companies think that in order to do well in today's economy, they need to become a knowledge-based organisation. But not many people know what that means or how to make the changes that need to be made to get there. One of the most common mistakes businesses make is thinking that the more knowledge their products and services have, the closer they are to being true knowledge-based organisations. . But the products and services are only what their clients can see and touch; they are just the tip of the iceberg. As in real icebergs, the largest reality that allows the firm to produce is located below the surface of the water, hidden in the intangible assets of the organization, and it entails the knowledge of what the firm does, how it is done, and why it is done that way. (Curado, 2006, p. 07)

From the perspective of the thinkers (Lianying Zhang and Zhen Zhang), the knowledge-based approach emerged in the 1990s, viewing knowledge as one of the organization's most important strategic resources. Successful organizations are characterized by their ability to rapidly generate new knowledge, embody it in new products, and derive knowledge from individual experiences and organizational learning, while transferring routine tasks, processes, and practices. (Zhang & Zhen , 2014, p. 34)

According to the knowledge-based approach, the reason for performance differences between organizations lies in their different stocks of knowledge and their different abilities to use and develop knowledge. From this perspective, an organization can be defined as a social community specialized in the speed and efficiency of creating and transferring knowledge. The difference between the resource-based approach and the knowledge-based approach is that the latter exists in the minds of individuals, rather than being stored, for example, in: databases and patents. Likewise, knowledge is always based on human work and cannot be managed in the same way as immaterial and invisible knowledge. (Kirsimarja & Kianto , 2015, p. 07)

(Gonzalez & al. , 2017, p. 01) point out that, although organisational knowledge is intangible, it is now considered one of the key assets that generate competitive advantage for organisations. Similarly, (SaziliShahibi & al., 2016, p. 01) reveal that the world is moving towards a "knowledge-based economy," emphasising that knowledge is extremely important, as it is one of the core organisational assets that all companies should be concerned with. In today's global economy, knowledge is recognised as a strategic and competitive resource by organisations. From the perspective of (Blackler, 1995, p. 1021), knowledge has become one of the key features of post-industrial societies. (Szuster & Maciej, 2016, p. 28) highlight a strong relationship between innovation and knowledge absorption, noting that the Knowledge-Based View (KBV) links knowledge to superior organisational performance, viewing it as the most important strategic resource and the essential foundation for innovation and competitive advantage. (Curado, 2006, p. 05) adds that the Knowledge-Based View complements the Resource-Based View, where intangible assets hold significant value. The Knowledge-Based View sees organisations as heterogeneous entities loaded with knowledge, which serves as a distinctive characteristic that ensures sustainable competitive advantage. Furthermore, knowledge is difficult to

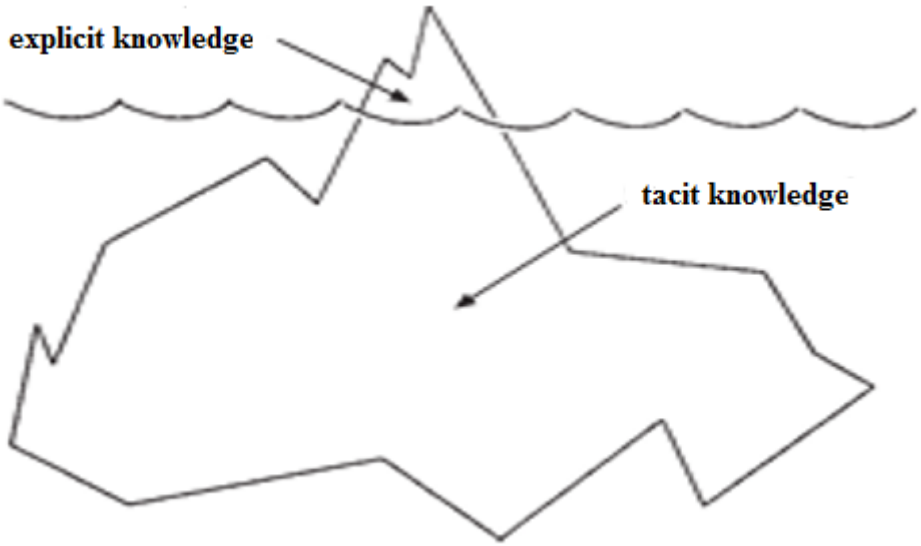
imitate, making it the foundation for sustainable differentiation. (Ali & al., 2018, p. 01) assert that successful organisations are those that consistently invest in learning and acquiring new knowledge as a means of improving business performance and maintaining competitive advantage.

3. 2.2 Knowledge and Information

(Chaves & al., 2018, p. 36), as well as academics like Nonaka, Huber, Alavi, and Leidner, emphasize that knowledge is crucial because it improves an entity's capacity to function efficiently. There are two categories of knowledge: explicit and tacit. Documents, records, and formal analyses are examples of explicit knowledge, whereas ideas, intuitions, and presumptions that are frequently challenging to express or record are examples of tacit knowledge. Knowledge is a complex idea with many facets. Since the time of the classical Greeks, philosophy has been a never-ending quest to understand the meaning of knowledge. In keeping with conventional epistemology, this study defines knowledge as "justified true belief." It should be noted, however, that although traditional epistemological arguments emphasize "truthfulness" as the fundamental quality of knowledge, for the purposes of this discussion, it is crucial to view knowledge as a personal "belief" and stress the significance of "justification" of knowledge. This distinction highlights yet another important difference between the theory of knowledge creation and traditional epistemology's conception of knowledge. The latter views knowledge as a dynamic human process of defending personal beliefs as part of an aspiration for the "truth," whereas the former naturally emphasizes the absolute, static, and nonhuman nature of knowledge, usually expressed in propositional forms in formal logic. (Page 15 of Nonaka, 1994) Despite the fact that "information" and "knowledge" are frequently used synonymously, there is a distinct difference between the two. Machlup (1983) defined information as a stream of meanings or messages that could expand, reorganize, or modify knowledge. Dretske (1981) provides some helpful definitions. According to him, "information is that commodity capable of yielding knowledge, and what we can learn from a signal is what it carries" (Dretske 1981). Knowledge is defined as information-produced (or sustained) belief; however, the information a person receives is based on what they already know about the possibilities at the source. (Nonaka, 1994) As we see in all these definitions, Knowledge is something more than information. Knowledge is seen as a capability, as something that cannot be said, as information plus some- thing. A well-Known distinction in this respect is that between explicit and tacit Knowledge. (Beijerse, 1999, p. 99)

this difference was first introduced by the Hungarian chemist, economist and philosopher **Michael Polanyi**. He stated that personal or tacit Knowledge is extremely important for human cognition, because people acquire Knowledge by the active (re)creation and organi2ation of their own experience **(Michael Polanyi, l966)**. In this way, the Knowledge that can be put into words and figures is only the tip of the iceberg. (see Figure 1).

Figure 1: Explicit knowledge is just the tip of the iceberg



Source: Roelof P. uit Beijerse (1999), **Questions in Knowledge Management: Defining and Conceptualising a Phenomenon**, Journal of Knowledge Management, Volume 3، Number 2، 1999, p 100.

human subjects acquire Knowledge of (on) human objects by processes of induction and deduction – **Michael Polanyi** states that people create Knowledge by becoming involved in the object. Tacit and explicit Knowledge are complementary to each other, and in the creative actions of people they interact and influence each other. A process model of Knowledge creation builds on the crucial presupposition that human Knowledge is created and enlarged by means of a social interaction between tacit and explicit Knowledge. †his interaction is called a Knowledge conversion. It is further important to note that this conversion does not take place within individuals but between individuals – within an organization. (Beijerse, 1999, p. 100)

3. 2.3 Types of Knowledge

There are several classifications of knowledge, but the most common categorisation divides knowledge broadly into two categories: tacit knowledge and explicit knowledge (Agrawal & Mukti,, 2020, p. 44). Similarly, knowledge is classified into two types: explicit and tacit (Grace & al., 2020, p. 18).

3. 2.3.1 Tacit Knowledge

Tacit knowledge includes subjective insights, intuition, and ideas (Alexandra, Kopplin , & Nielebock , 2020, p. 2329). It can also be defined as knowledge that cannot be stored or expressed in written form, whereas explicit knowledge is what is written down on paper (Agrawal & Mukti,, 2020, p. 44). In the same context, tacit knowledge is highly personal, representing a collection of experiences and efforts from networks and alliances. This includes practical skills, experiences, best practices, know-how, and more **(Grace & al., 2020, p. 18)**.

3. 2.3.2 Explicit Knowledge

Another type of knowledge that is easier to transfer and share is explicit knowledge. This type includes guidelines, procedures, databases, and reports. Some scholars have stated that 99% of an organisation's work is knowledge-based. Most knowledge-related activities reside in the minds of individuals (Grace & al., 2020, p. 18).

3.3 Knowledge Management Processes

3. 3.1 Knowledge management

Knowledge management is defined as the process of transforming tacit knowledge into explicit knowledge to facilitate organisational knowledge flows (Jie, 2010, p. 216). (Agrawal & Mukti,, 2020, p. 43) provided another definition: "Knowledge management is a system that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an organisation's informational assets."

3. 3.2 Knowledge Management Processes

A lot of researchers usually have the same opinion that KMPs are systematic stages intended to equip the organisation with the necessary knowledge to thrive through knowledge creation, management, storage, sharing, and utilisation. **(AL-Hakim & Shahizan , 2012, p. 40)**.

3. 3.2.1 Knowledge creation

Knowledge creation refers to the capacity of an organisation to generate and share new knowledge among its employees and to incorporate it in its products or services resulting in new knowledge disseminated to the organisation's various levels. (AL-Hakim & Shahizan , 2012, p. 40).

3. 3.2.2 Knowledge organisation

Once the organisation has created knowledge, it depends on the process of refining and liquidating the knowledge in the form of useful ways. The useful knowledge is the one that has the potential of being added to the product or service as its value. (AL-Hakim & Shahizan , 2012, p. 40).

3. 3.2.3 Knowledge storage

According to the KM method, the very core is the preservation of valuable knowledge in the organisational memory, which can then be accessed by the employees (AL-Hakim & Shahizan, 2012, p. 40). The processes of Knowledge storage (KS) are related to the organization's systems and procedures that are employed to store and preserve knowledge. These processes involve activities such as classifying knowledge and storing it in database systems. This knowledge can be made accessible through guides, guidelines, books, databases, manuals, intranet systems, or documents containing updated information on customers, suppliers, the environment, or the organisation itself **(María & al., 2020, pp. 1863-1864)**.

3. 3.2.4 Knowledge sharing

Knowledge sharing is a social interaction model that is characterized by the transfer of personal knowledge, skills and experience among employees of different departments and throughout the organization. (AL-Hakim & Shahizan , 2012, p. 40).

The process of Knowledge Flow (KF) is defined as "the total volume of know-how and information transmitted within a certain time period." In line with this definition, knowledge flow refers to the distribution of knowledge within the organisation. This process utilises mechanisms such as seminars, teaching, storytelling, conversations, blogs, networks, and IT systems to improve communication. It also includes meetings to disseminate information about new initiatives, periodic reports, and multidisciplinary teams to share knowledge (María & al., 2020, p. 1864).

3. 3.2.5 Knowledge utilisation

Knowledge utilisation is defined as the application of knowledge toward the attainment of organisational goals (AL-Hakim & Shahizan , 2012, p. 40).

(Mohsin & al., 2020, p. 2087) state that knowledge application makes information more powerful and relevant to an organisation in creating competitive advantages and meeting customer demands. This system is also known as knowledge responsiveness, where an organisation collects information about customer needs and market trends, and, based on this data, responds quickly to problems or opportunities. The resulting improvements in quality and reduced response times reflect the organisation's agility, ultimately influencing customer satisfaction levels.

4. Return on investment in human capital from the perspective of Knowledge-Based View

4.1 Innovation

An important argument supporting the idea that KM practices trigger environmental innovation is that general innovation and green innovation share many common traits and have closely related concepts and instruments. Therefore, drawing on the KM and general innovation literature, we propose a theoretical grounding that links KM and environmental innovation. The following discussion focusses on the relationship between KM and general innovation. (Stanovcic & al., 2015, p. 415)

Several studies are devoted to analyzing general innovation since it is considered as an important driver of firm performance. In fact, innovation activities support a firm’s competitive advantage and are considered as opportunities to respond to market requests and requirements. Damanpour (1991) defines innovation as “the generation, development, and adoption of novel ideas on the part of the firm.” (Stanovcic & al., 2015, p. 415)

On the other hand, innovation is regarded as "the generation of new knowledge and ideas to support new business results, focusing on the enhancement of internal business processes and structures and the development of products and services that are market-driven" (Plessis, 2007, p. 21). According to the literature on innovation, there are different types of innovations, one of which is incremental and another radical, for instance. Many scholars

differentiate between three main categories of innovations: administrative and technical, product and process, and radical and incremental. (AL-Hakim & Shahizan , 2012, p. 40).

One of the major factors that influence the adoption of different innovations by organisations is the situation in the external environment, as well as the internal factors, the way of generating innovations, and the industry of the organisation. Although innovation is a mixed-type activity, the current research will depend on the findings of past researches that viewed technological, administrative, radical and incremental innovations as the major reasons for the survival and growth of organizations. (AL-Hakim & Shahizan , 2012, p. 40).

4.2 Education

Knowledge Management (KM) and Organisational Learning (OL) are complementary yet distinct concepts. "Knowledge Management (KM) aims to build and apply a knowledge base," while "Organisational Learning (OL) focuses on managing the learning process within an organisation." Knowledge is viewed as a stock, whereas OL refers to the processes through which knowledge flows within the company. Through KM, knowledge resources and processes are developed, and these processes are enhanced by OL to achieve competitive advantages. OL "helps the organisation integrate organisational knowledge into its operations by fostering the creation, transfer, and application of knowledge." Thus, OL acts as a catalyst because knowledge is realised through learning. Therefore, knowledge is a fundamental requirement for OL. The concepts of learning and knowledge are interconnected, and one cannot exist without the other (María & al., 2020, pp. 1864-1865).

4.3 Organisational Performance

The relationship between knowledge generation and organisational performance is understood through the process of Knowledge Generation (KG), It is mainly the company's internal knowledge generation that is being discussed here. This includes not only the expertise that individuals acquire through practice but also the unambiguous and documented information. An organisation can generate knowledge on its own, for example, through Research and Development (R&D) activities within the company, or it can acquire knowledge from external sources. Knowledge can also be obtained through external and collaborative networks. Two studies that analysed the impact of knowledge creation on performance was studied by Tubigi and Alshawi (2015) and Migdadi et al. (2017). Both of them arrived at the same conclusion that the process of knowledge creation enhances organisational performance (María & al., 2020, pp. 1862-1863).

4.4 Sustainable Development

The concept of Sustainable Development (SD), as outlined in the Broadlands Report (IISD, 1992; WCED, 1987), refers to the kind of development that caters to the present-day needs while not hindering the future generation's capacity to satisfy their needs. The European Communities' Statistical Office (2016) stated that the goal of sustainable development is to ensure the quality of life for both current and future generations. Achieving sustainable development has thus become one of the main challenges faced by policymakers globally (Panteha, , Zakaria , & Kakar , 2018, p. 449).

The term "sustainable" first appeared in its modern sense in March 1976 in a report titled "The Limits to Growth" by a group of scientists from the Massachusetts Institute of

Technology (MIT), where sustainability was linked to the global environment. A widely known definition of sustainability encompasses three main dimensions: environment, society, and economy (Wail & al., 2020, p. 54).

Sustainable development includes three key dimensions: economic, environmental, and social. The economic dimension focuses on providing the conditions necessary for stable, long-term economic growth. The environmental dimension involves the sustainable use of natural resources. Lastly, the social dimension addresses meeting individuals' basic needs and improving their quality of life (Asta & Atkociuniene, 2019, pp. 149-150).

Knowledge is the key to sustainable competitive advantage. Sustainable development, on the other hand, is the result of innovative mechanisms and knowledge production. The wide range of knowledge held by various stakeholders (e.g., experts in teams, project managers, and business owners) has a positive impact on Sustainable Development (SD). There is debate about whether sustainable development depends not only on science (knowledge) and technology but also on the interaction between knowledge and action. Knowledge leads to sustainability when applied practically, and knowledge production often drives sustainable development. Similarly, the Resource-Based View (RBV) theory posits that an organisation's performance depends on the extent of its resources. In other words, an organisation's resources (knowledge) can influence its performance (sustainable development). Based on RBV theory, several researchers, including Cash et al. (2003) and Kain and Söderberg (2008), have examined the relationship between managing knowledge effectively and sustainable development. They concluded that managing knowledge effectively enhances employees' innovative behaviour, which in turn leads to sustainable development (Panteha, , Zakaria , & Kakar , 2018, p. 450).

5. Conclusion

This article has conceptually examined the return on investment in human capital from the perspective of the Knowledge-Based View, emphasizing the mediating role of knowledge management processes. Drawing on literature in human capital, HRM and knowledge management, the study has argued that investments in human capital—through education, training and competence development—are best understood as strategic investments in the organization’s knowledge base. When appropriately supported by structured knowledge management processes, these investments can be transformed into enhanced innovation capacity, strengthened organizational learning, improved performance and progress toward sustainable development.

The proposed conceptual model clarifies the mechanisms underlying this transformation. Human capital is positioned as the primary source of knowledge and absorptive capacity, while knowledge management processes—knowledge creation, organization, storage, sharing and utilization—act as the channels through which individual knowledge becomes collective organizational knowledge. Through these processes, investment in human capital

yields returns in the form of product, process and organizational innovations, a higher capability for continuous learning, better organizational performance and a more robust contribution to economic, social and environmental sustainability. In this sense, the "return" on human capital investment is multidimensional and extends beyond short term financial indicators.

Given the conceptual nature of the present work, no empirical testing of the proposed relationships has been undertaken. The contribution of the article is therefore theoretical: it integrates insights from human capital theory, the Resource-Based View and the Knowledge-Based View into a coherent analytical framework that explicitly models knowledge management processes as the link between human capital and organizational outcomes. This framework can serve as a basis for future empirical research that seeks to operationalize and test the proposed relationships in different sectors and institutional contexts.

Future studies could, for example, design quantitative models to estimate the impact of specific human capital investments on innovation and performance indicators, with knowledge management practices as mediating variables, or conduct qualitative case studies in organizations with advanced knowledge management systems to explore how human capital is effectively transformed into sustainable competitive advantage. Such empirical work would complement the present conceptual analysis and provide more precise guidance for managers and policymakers interested in maximizing the returns on investment in human capital from a knowledge-based perspective.

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