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From Agency to Advantage: Extending the Knowledge-Based View through HPWS and Innovation

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Abstract

The Knowledge-Based View (KBV) has long emphasized knowledge as a critical strategic resource for achieving competitive advantage. However, it offers limited insight into the micro-level mechanisms through which knowledge is actively created and mobilized within organizations. Addressing this gap, the present study introduces agentic management as a key driver of knowledge dynamics, positioning employees as proactive agents who intentionally create, share, and apply knowledge. Building on this perspective, the paper develops a conceptual framework that links agentic management to competitive advantage through sequential knowledge processes, High-Performance Work Systems (HPWS), and innovation outcomes. Specifically, agentic management fosters employee proactivity and knowledge exchange, which are amplified by HPWS practices that enable participation, skill development, and performance alignment. These processes, in turn, enhance organizational innovation capability, ultimately leading to sustained competitive advantage. By integrating insights from strategic management and human resource management, this study extends the KBV from a static, resource-focused perspective to a dynamic, action-oriented framework. The paper contributes to theory by highlighting the role of human agency in knowledge creation and offers practical implications for designing management systems that unlock innovation and performance.

Keywords: Agentic Management, Knowledge-Based View (KBV), Knowledge Creation,
High-Performance Work Systems (HPWS), Competitive Advantage, Human Agency

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1. Introduction

In an increasingly knowledge-driven economy, organizations are continuously seeking mechanisms to sustain competitive advantage through the effective creation, integration, and application of knowledge (Islam, Ajmal, & Islam, 2025). The **Knowledge-Based View (KBV)**, rooted in the Resource-Based View of the firm, posits that knowledge represents the most strategically significant resource for organizations (Grant, 1996; Kogut & Zander, 1992). Unlike traditional resources, knowledge is characterized by its tacit nature, complexity, and difficulty of imitation, making it a critical source of sustained competitive advantage (Nonaka, 1994; Spender, 1996). While KBV has substantially advanced our understanding of how firms leverage knowledge assets, it has been criticized for its relative neglect of the micro-level processes and human behaviors through which knowledge is actively created and mobilized (Felin & Foss, 2005; Foss, 2007).

A central limitation of KBV lies in its implicit assumption that knowledge resides within organizational structures and can be efficiently deployed through established routines and systems (Ajmal, Islam, & Khalid, 2025). This perspective tends to underemphasize the role of individual actors in shaping knowledge processes (Ajmal, Khan, & Islam, 2024). Emerging research in strategic management and organizational behavior highlights the importance of **human agency**—the capacity of individuals to act intentionally and make choices that influence organizational outcomes (Bandura, 2001). Employees are not merely passive repositories of knowledge; rather, they are active agents who create, share, and recombine knowledge through proactive behaviors, experimentation, and problem-solving (Felin, Foss, & Ployhart, 2015). Incorporating this agentic perspective offers a more dynamic and realistic understanding of how knowledge contributes to firm performance(Ajmal, Khalid, & Islam, 2025).

In response to this gap, the present study introduces the concept of **agentic management**, which emphasizes managerial practices that foster employee autonomy, proactivity, and intentional action(Ajmal, 2022). Agentic management shifts the focus from controlling employee behavior to enabling individuals to act as knowledge creators and contributors. This perspective aligns with recent calls for integrating micro-foundations into strategic theories, particularly in explaining how individual-level actions aggregate into firm-level capabilities (Foss & Pedersen, 2019). By foregrounding agency, this study reconceptualizes knowledge not as a static asset but as an emergent outcome of human action and interaction (Ajmal, Islam, & Islam, 2025).

At the same time, the translation of individual agency into organizational outcomes requires supportive institutional mechanisms. **High-Performance Work Systems (HPWS)** have been widely recognized as a critical enabler of employee capabilities and motivation. HPWS refer to a coherent bundle of human resource practices—such as selective staffing, extensive training, performance-based compensation, and employee participation—that collectively enhance organizational performance (Appelbaum, Bailey, Berg, & Kalleberg, 2000; Huselid, 1995). Prior research demonstrates that HPWS facilitate knowledge sharing, improve employee engagement, and foster innovative behaviors (Jiang, Lepak, Hu, & Baer, 2012; Takeuchi, Lepak, Wang, & Takeuchi, 2007). However, existing studies often treat HPWS as direct predictors of performance outcomes, overlooking their role as enabling mechanisms that amplify the effects of employee agency on knowledge processes(Islam, Khalid, & Ajmal, 2025).

Innovation represents a critical outcome of effective knowledge management and a key pathway through which firms achieve competitive advantage. Innovation involves the

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generation and implementation of new ideas, products, or processes and is inherently dependent on the recombination of knowledge (Schumpeter, 1934; Crossan & Apaydin, 2010). While the link between knowledge and innovation is well established, less attention has been paid to how agentic behaviors and HR systems jointly shape this relationship. Integrating agentic management with HPWS provides a more comprehensive framework for understanding how organizations can foster continuous innovation in dynamic environments(Ajmal, Islam, & Islam, 2024).

Building on these insights, this study seeks to extend the KBV by developing a process-oriented framework that links **agentic management** to **competitive advantage** through **knowledge creation and sharing**, **HPWS**, and **innovation**. Specifically, the study proposes that agentic management stimulates proactive employee behaviors that enhance knowledge processes, which are further strengthened by HPWS practices. These enhanced knowledge processes, in turn, drive innovation outcomes that contribute to sustained competitive advantage. By integrating perspectives from strategic management, human resource management, and organizational behavior, this study offers a more holistic and dynamic account of how knowledge generates value within organizations (Malik, Bakri, Ajmal, & Malik, 2019).

This research makes several important contributions. First, it advances KBV by incorporating human agency as a central mechanism underlying knowledge creation and utilization. Second, it bridges the gap between micro-level behaviors and macro-level outcomes by highlighting the mediating role of knowledge processes and innovation(Ajmal, Manzoor Dar, Islam, & Islam, 2025). Third, it reconceptualizes HPWS as an enabling system that transforms individual agency into collective organizational capability. In doing so, the study responds to calls for more integrative and multi-level approaches in strategic management research and provides actionable insights for managers seeking to leverage human capital for innovation and sustained performance.

2. Literature Review

2.1. Knowledge-Based View and Its Limitations

The **Knowledge-Based View (KBV)** has emerged as a dominant theoretical lens for understanding how firms achieve and sustain competitive advantage in knowledge-intensive environments. Building upon the Resource-Based View, KBV posits that knowledge is the most strategically valuable resource due to its tacit, socially complex, and inimitable nature (Grant, 1996; Kogut & Zander, 1992). Firms are conceptualized as repositories and integrators of specialized knowledge, and their competitive advantage depends on their ability to coordinate and apply this knowledge effectively (Spender, 1996).

A central contribution of KBV is its emphasis on knowledge integration as a key organizational capability. Grant (1996) argues that firms exist because they provide a more efficient mechanism than markets for integrating distributed knowledge. Similarly, Nonaka (1994) highlights the dynamic nature of knowledge creation, emphasizing processes such as socialization, externalization, combination, and internalization (SECI model). These perspectives underscore the importance of organizational processes and routines in facilitating knowledge flows(Islam, Ajmal, & Khalid, 2025).

Despite its contributions, KBV has been criticized for its limited attention to the micro-level foundations of knowledge processes. Specifically, it tends to treat knowledge as an organizational asset embedded in routines and structures, while overlooking the role of individual actors in creating and transforming knowledge (Felin & Foss, 2005; Foss, 2007). This has led to calls for incorporating micro-foundations into KBV to better explain how individual

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actions and interactions give rise to firm-level capabilities (Felin, Foss, & Ployhart, 2015). Without such integration, KBV risks remaining a static perspective that inadequately captures the dynamic and emergent nature of knowledge in organizations(Ajmal, Islam, & Khalid, 2025).

2.2.Human Agency and Agentic Management

To address these limitations, recent research has emphasized the role of **human agency** in organizational processes. Human agency refers to the capacity of individuals to act intentionally, make choices, and influence their environment (Bandura, 2001). Within organizations, employees exercise agency through proactive behaviors such as initiating change, solving problems, and sharing knowledge (Parker, Bindl, & Strauss, 2010).

The concept of **agentic management** builds on this perspective by focusing on managerial practices that enable and encourage employee agency. Rather than relying solely on control and standardization, agentic management emphasizes autonomy, empowerment, and participation (Khalid, Islam, & Ajmal, 2025). This approach aligns with the broader literature on empowerment and self-determination, which suggests that employees who experience autonomy and competence are more likely to engage in creative and proactive behaviors (Deci & Ryan, 2000).

Empirical research supports the importance of agency in driving organizational outcomes. For instance, proactive employees are more likely to generate innovative ideas, improve work processes, and contribute to organizational learning (Crant, 2000; Grant & Ashford, 2008). Moreover, Felin et al. (2015) argue that individual-level actions serve as the micro-foundations of strategic capabilities, highlighting the need to incorporate agency into theories such as KBV. By fostering agentic behaviors, organizations can enhance their ability to create and leverage knowledge in dynamic environments.

2.3.Knowledge Creation and Sharing

Knowledge creation and sharing are central processes through which organizations generate value from their knowledge resources. Nonaka (1994) conceptualizes knowledge creation as a dynamic process involving the continuous interaction between tacit and explicit knowledge. This process is inherently social and relies on collaboration, communication, and shared understanding.

Knowledge sharing, in particular, has been identified as a critical determinant of organizational performance. It enables the dissemination of best practices, facilitates problem-solving, and supports innovation (Cabrera & Cabrera, 2005). However, knowledge sharing is often hindered by factors such as lack of trust, perceived costs, and organizational silos (Szulanski, 1996). As a result, fostering an environment that encourages knowledge exchange is essential for realizing the benefits of knowledge-based resources.

Agentic management plays a crucial role in this context by motivating employees to actively participate in knowledge processes. Employees who perceive themselves as autonomous and empowered are more likely to share their knowledge and engage in collaborative learning (Foss, Minbaeva, Pedersen, & Reinholt, 2009). Thus, integrating agency into KBV provides a more nuanced understanding of how knowledge is created and mobilized within organizations.

2.4. High-Performance Work Systems (HPWS)

High-Performance Work Systems (HPWS) represent a key organizational mechanism for enhancing employee capabilities and motivation. HPWS are defined as a bundle of interrelated human resource practices designed to improve employee skills, commitment, and productivity (Appelbaum et al., 2000; Huselid, 1995). These practices typically include

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selective hiring, extensive training, performance-based compensation, and employee involvement.

The effectiveness of HPWS lies in their synergistic nature, as the combined implementation of multiple practices creates a reinforcing system that enhances organizational performance (Becker & Huselid, 1998). Empirical studies have consistently demonstrated a positive relationship between HPWS and firm performance outcomes, including productivity, profitability, and innovation (Jiang et al., 2012).

From a knowledge perspective, HPWS facilitate the development and exchange of knowledge by creating an environment that supports learning and collaboration. For example, training programs enhance employees' knowledge and skills, while participative decision-making encourages the sharing of ideas (Takeuchi et al., 2007). Furthermore, HPWS can strengthen the impact of agentic behaviors by providing the necessary resources and incentives for employees to act on their intentions. In this sense, HPWS serve as an enabling system that transforms individual agency into collective organizational capability.

2.5.Innovation as an Outcome of Knowledge Processes

Innovation is widely recognized as a critical driver of competitive advantage in dynamic and uncertain environments. It involves the generation, adoption, and implementation of new ideas, products, or processes (Schumpeter, 1934; Crossan & Apaydin, 2010). Innovation is inherently knowledge-intensive, as it relies on the recombination of existing knowledge and the creation of new insights.

The relationship between knowledge and innovation has been extensively studied, with evidence suggesting that effective knowledge management practices enhance innovation performance (Darroch, 2005). Knowledge creation provides the raw material for innovation, while knowledge sharing facilitates the diffusion and application of ideas across the organization.

Agentic management and HPWS jointly influence innovation by shaping the conditions under which knowledge processes occur. Agentic employees are more likely to experiment, take risks, and generate novel ideas, while HPWS provide the structure and support needed to implement these ideas effectively. This integrated perspective highlights the importance of aligning individual behaviors with organizational systems to foster innovation.

2.6. Competitive Advantage and Theoretical Integration

Competitive advantage arises when firms are able to create value in ways that are difficult for competitors to replicate (Barney, 1991). Within the KBV framework, this advantage is derived from the effective management of knowledge resources. However, as noted earlier, traditional KBV does not fully explain how knowledge is dynamically created and leveraged.

By integrating agentic management, knowledge processes, HPWS, and innovation, this study offers a more comprehensive framework for understanding competitive advantage. Agentic management provides the behavioral foundation for knowledge creation, HPWS enable and amplify these behaviors, and innovation serves as the mechanism through which knowledge is transformed into value. This multi-level integration addresses the limitations of KBV and contributes to a more dynamic and action-oriented theory of the firm.

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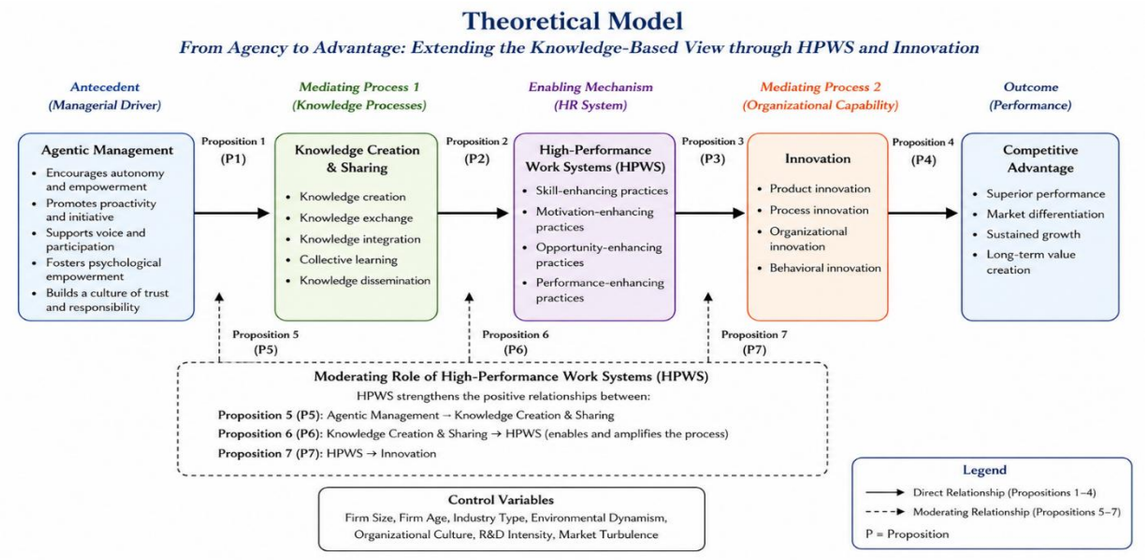

3. Theoretical Model Explanation

The proposed model explains how **agentic management** can transform employee agency into **competitive advantage** through three key mechanisms: **knowledge creation and sharing**, **High-Performance Work Systems (HPWS)**, and **innovation**. The model extends the **Knowledge-Based View (KBV)** by arguing that knowledge does not create value by itself; rather, knowledge becomes valuable when employees are empowered to create, share, apply, and convert it into innovation.

3.1. Agentic Management as the Starting Point

Agentic management refers to a management approach that encourages employees to act with autonomy, initiative, responsibility, and voice. It is based on the idea that employees are not passive followers; they are active agents who can influence organizational outcomes.

Bandura (2001) explains that human agency involves intentional action, self-regulation, and the ability to shape one's environment. In organizations, this means employees can actively solve problems, generate ideas, and participate in decision-making. Similarly, Parker, Bindl, and Strauss (2010) argue that proactive employees contribute to organizational change by anticipating problems and taking initiative.

In this model, agentic management creates the behavioral foundation for knowledge-related activities. When managers empower employees, support autonomy, and encourage participation, employees become more willing to create and share knowledge.

Proposition 1 (P1): Agentic management positively influences knowledge creation and sharing within organizations.

3.2. Knowledge Creation and Sharing as the First Mediating Process

The **Knowledge-Based View** suggests that knowledge is one of the most important strategic resources of the firm (Grant, 1996; Kogut & Zander, 1992). However, knowledge only becomes useful when it is created, shared, integrated, and applied.

Nonaka (1994) explains that organizational knowledge creation occurs through interaction between tacit and explicit knowledge. Employees create new knowledge through experience, dialogue, reflection, and collaboration. Knowledge sharing allows this knowledge to move from individuals to groups and from groups to the wider organization.

Knowledge sharing is also essential for innovation because it allows employees to combine different ideas, experiences, and perspectives (Cabrera & Cabrera, 2005). Research shows that

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knowledge sharing improves innovation and performance because it helps organizations use existing knowledge more effectively (Foss, Minbaeva, Pedersen, & Reinholt, 2009; Bhatti et al., 2020).

In this model, knowledge creation and sharing act as a bridge between agentic management and HPWS. Agentic management motivates employees to generate and exchange knowledge, while HPWS provides formal systems to support and strengthen these knowledge processes.

Proposition 2 (P2): Knowledge creation and sharing positively influence the development and effectiveness of High-Performance Work Systems.

3.3. HPWS as an Enabling Mechanism

High-Performance Work Systems (HPWS) refer to a bundle of HR practices designed to improve employee skills, motivation, involvement, and performance. These practices commonly include training, selective hiring, participation, performance-based rewards, teamwork, and empowerment (Huselid, 1995; Appelbaum, Bailey, Berg, & Kalleberg, 2000).

The logic of HPWS is often explained through the **Ability–Motivation–Opportunity (AMO) framework**. According to this framework, employees perform better when they have the ability to contribute, the motivation to contribute, and the opportunity to contribute (Jiang, Lepak, Hu, & Baer, 2012).

In the proposed model, HPWS plays two roles. First, it acts as a direct mechanism that converts knowledge into innovation. Second, it acts as a supporting system that strengthens the effect of agentic management and knowledge sharing. For example, training improves employees' ability to use knowledge, participation gives them opportunities to apply knowledge, and rewards motivate them to contribute ideas.

Empirical research supports this relationship. Bhatti et al. (2020) found that HPWS improves innovation performance through knowledge sharing. Similarly, Escribá-Carda, Canet-Giner, and Balbastre-Benavent (2023) found that HPWS encourages innovative behavior through engagement and knowledge sharing.

Proposition 3 (P3): High-Performance Work Systems positively influence organizational innovation.

3.4. Innovation as the Second Mediating Process

Innovation refers to the creation and implementation of new ideas, products, processes, services, or organizational practices. Schumpeter (1934) viewed innovation as a central driver of economic development and competitive success. Crossan and Apaydin (2010) further explain that innovation is a multi-dimensional process involving both idea generation and implementation.

In this model, innovation is the outcome of knowledge processes supported by HPWS. Knowledge creation provides new ideas, knowledge sharing spreads those ideas, and HPWS creates the organizational conditions needed to implement them.

Innovation may appear in several forms:

- **Product innovation:** development of new or improved products
- **Process innovation:** improvement in production or service delivery methods
- **Organizational innovation:** new management practices or structures
- **Behavioral innovation:** employees' creative and proactive work behaviors

Research shows that knowledge sharing significantly improves innovation performance (Darroch, 2005; Bhatti et al., 2020). Innovation then becomes the pathway through which knowledge and HR systems generate competitive advantage.

Proposition 4 (P4): Innovation positively influences competitive advantage.

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3.5. Competitive Advantage as the Final Outcome

Competitive advantage occurs when a firm creates more value than its competitors and when that value is difficult to imitate (Barney, 1991). From the KBV perspective, knowledge is a source of competitive advantage because it is often tacit, socially embedded, and difficult for competitors to copy (Grant, 1996; Spender, 1996).

However, this model argues that knowledge alone is not enough. Competitive advantage emerges when knowledge is activated through human agency, supported by HPWS, and transformed into innovation. Therefore, agentic management helps firms move from **knowledge possession** to **knowledge utilization**.

This means the organization gains advantage not simply because it has knowledgeable employees, but because it creates a system where employees are empowered to use knowledge creatively and productively.

3.6. Moderating Role of HPWS

The model also proposes that HPWS strengthens key relationships in the framework. This means HPWS does not only act as a direct mechanism; it also improves the strength of relationships between agentic management, knowledge creation, and innovation.

When HPWS practices are strong, employees receive training, rewards, participation opportunities, and developmental support. These practices make agentic management more effective because employees have both the motivation and the resources to act on their ideas.

Proposition 5 (P5): HPWS strengthens the positive relationship between agentic management and knowledge creation and sharing.

Proposition 6 (P6): HPWS strengthens the positive relationship between knowledge creation and sharing and innovation.

Proposition 7 (P7): HPWS strengthens the positive relationship between innovation and competitive advantage.

4.Discussion

The present study set out to extend the Knowledge-Based View (KBV) by integrating agentic management, knowledge processes, High-Performance Work Systems (HPWS), and innovation into a unified framework explaining competitive advantage. The findings of the conceptual model provide a more dynamic and process-oriented understanding of how knowledge contributes to firm performance by emphasizing the central role of human agency and organizational systems.

First, the model highlights the critical role of **agentic management** in stimulating knowledge creation and sharing. Consistent with prior research on human agency and proactive behavior, the findings reinforce the notion that employees are not passive carriers of knowledge but active contributors to organizational knowledge processes (Bandura, 2001; Parker et al., 2010). When organizations adopt management practices that promote autonomy, participation, and empowerment, employees are more likely to engage in knowledge-generating activities, including experimentation, problem-solving, and idea sharing. This aligns with the argument that individual-level actions form the micro-foundations of organizational capabilities (Felin, Foss, & Ployhart, 2015). The model therefore supports the view that knowledge creation is fundamentally a behavioral and social process shaped by managerial context.

Second, the results underscore the importance of **knowledge creation and sharing as a central mediating mechanism**. In line with KBV, knowledge processes serve as the primary pathway through which organizations develop capabilities that lead to superior performance (Grant, 1996; Nonaka, 1994). However, the present model advances this perspective by

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demonstrating that knowledge processes are not self-sustaining; rather, they are activated and sustained through agentic behaviors. Empirical evidence from prior studies suggests that knowledge sharing enhances organizational learning and innovation outcomes by facilitating the integration of diverse perspectives and expertise (Cabrera & Cabrera, 2005; Foss et al., 2009). The findings of this model reinforce the argument that the effectiveness of knowledge processes depends on both individual motivation and organizational context.

Third, the model positions **HPWS as a critical enabling and strengthening mechanism** in the knowledge–innovation relationship. The findings are consistent with the broader literature on strategic human resource management, which emphasizes that HR practices influence organizational outcomes by enhancing employees' abilities, motivation, and opportunities to contribute (Jiang et al., 2012). By integrating HPWS into the KBV framework, the model illustrates how formal organizational systems can amplify the effects of individual agency and knowledge processes. For example, training and development practices enhance employees' ability to generate and apply knowledge, while participative decision-making and incentive systems increase their motivation to share knowledge and engage in innovation. Prior research has shown that HPWS contributes to innovation by fostering a supportive environment for knowledge exchange and creativity (Takeuchi et al., 2007; Bhatti et al., 2020). The present model extends this understanding by demonstrating that HPWS not only directly influences innovation but also strengthens the relationships between agentic management, knowledge processes, and innovation.

Fourth, the findings highlight the central role of **innovation as a key outcome of knowledge processes and a driver of competitive advantage**. Consistent with Schumpeterian theory, innovation is conceptualized as the mechanism through which knowledge is transformed into economic value (Schumpeter, 1934). The model supports the view that innovation is inherently dependent on the recombination and application of knowledge, which is facilitated by both individual agency and organizational systems. Empirical studies have consistently demonstrated that knowledge sharing enhances innovation performance by enabling the exchange and integration of ideas (Darroch, 2005). Furthermore, the model suggests that innovation is not a singular outcome but a multidimensional construct encompassing product, process, organizational, and behavioral dimensions (Crossan & Apaydin, 2010). This multidimensional perspective provides a more comprehensive understanding of how innovation contributes to competitive advantage.

Fifth, the model confirms the role of **innovation as a mediating link between knowledge processes and competitive advantage**. While KBV traditionally emphasizes the direct relationship between knowledge and performance, the findings suggest that innovation serves as a crucial intermediary mechanism. This perspective is supported by prior research indicating that knowledge alone does not guarantee superior performance unless it is effectively utilized to create new products, services, or processes (Spender, 1996; Darroch, 2005). The inclusion of innovation as a mediating variable provides a more nuanced explanation of how knowledge translates into competitive outcomes, emphasizing the importance of action and implementation.

In addition, the moderating role of HPWS provides important insights into the **contingent nature of knowledge processes**. The model suggests that the strength of the relationships between agentic management, knowledge creation, and innovation depends on the presence of supportive HR systems. This finding aligns with contingency perspectives in strategic management, which argue that the effectiveness of organizational practices depends on their alignment with contextual factors (Becker & Huselid, 1998). By strengthening these

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relationships, HPWS ensures that individual efforts are effectively coordinated and aligned with organizational goals, thereby enhancing overall performance.

Overall, the findings contribute to a more integrated understanding of how organizations can leverage human and knowledge resources to achieve competitive advantage. By linking agentic management, knowledge processes, HPWS, and innovation, the model provides a coherent explanation of the mechanisms through which knowledge is transformed into value. Importantly, the model shifts the focus from knowledge as a static resource to knowledge as a dynamic process shaped by human action and organizational systems.

5. Theoretical Implications

This study makes several important theoretical contributions by extending the **Knowledge-Based View (KBV)** and integrating insights from strategic management, human resource management, and organizational behavior into a unified framework. The proposed model advances existing theory by shifting the focus from knowledge as a static resource to knowledge as a dynamic, agent-driven process embedded within organizational systems.

First, this study contributes to the KBV by **introducing human agency as a central micro-foundation of knowledge processes**. Traditional KBV emphasizes the role of knowledge as a valuable and inimitable resource but often overlooks how knowledge is actually created and mobilized within organizations (Grant, 1996; Spender, 1996). By incorporating the concept of agency, this study responds to calls for integrating micro-level perspectives into strategic theory (Felin & Foss, 2005; Felin, Foss, & Ployhart, 2015). The model highlights that knowledge creation and sharing are not automatic outcomes of organizational structures but are driven by employees' intentional actions, proactivity, and engagement. This reconceptualization enriches KBV by providing a behavioral foundation for understanding how knowledge-based advantages emerge.

Second, the study extends KBV by **conceptualizing knowledge as a dynamic and action-oriented process rather than a static asset**. While prior research has acknowledged the importance of knowledge integration and transfer, it has often treated knowledge as something that organizations possess rather than something they continuously create and transform (Nonaka, 1994). The present model advances this perspective by emphasizing the ongoing interaction between agentic behaviors and knowledge processes. This dynamic view aligns with emerging research on organizational capabilities, which suggests that competitive advantage depends on the firm's ability to continuously renew and reconfigure its knowledge base (Teece, Pisano, & Shuen, 1997).

Third, this study contributes to the literature by **bridging the gap between strategic human resource management and the KBV** through the integration of High-Performance Work Systems (HPWS). Although both streams of research have independently demonstrated their importance for organizational performance, there has been limited integration between them (Jiang et al., 2012). By positioning HPWS as an enabling and moderating mechanism, this study demonstrates how HR practices facilitate the translation of individual-level agency into firm-level capabilities. This perspective complements the Ability–Motivation–Opportunity (AMO) framework by showing how HR systems not only enhance employee performance but also shape knowledge dynamics and innovation processes.

Fourth, the model contributes by **clarifying the mechanisms linking knowledge to innovation and competitive advantage**. While KBV asserts that knowledge leads to superior performance, it often lacks a clear explanation of the intermediate processes through which this occurs (Foss, 2007). The inclusion of innovation as a mediating variable provides a more refined understanding of how knowledge is transformed into value. This aligns with

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Schumpeterian perspectives that view innovation as the primary driver of economic and competitive outcomes (Schumpeter, 1934). By explicitly linking knowledge processes to innovation, the study strengthens the explanatory power of KBV and provides a more complete account of value creation.

Fifth, this study advances theory by **adopting a multi-level and integrative perspective**. The proposed model connects individual-level behaviors (agency), organizational-level systems (HPWS), and firm-level outcomes (innovation and competitive advantage). This multi-level integration addresses a key limitation in existing research, which often examines these elements in isolation. By demonstrating how these levels interact, the study contributes to a more holistic understanding of organizational performance and responds to calls for integrative frameworks in management research (Felin et al., 2015).

Finally, the study contributes to the literature by **highlighting the contingent role of organizational systems in shaping knowledge outcomes**. The moderating role of HPWS suggests that the effectiveness of agentic management and knowledge processes depends on the presence of supportive organizational practices. This aligns with contingency theory, which emphasizes that organizational effectiveness depends on the alignment between internal practices and contextual factors (Becker & Huselid, 1998). By incorporating this perspective, the model provides a more nuanced understanding of when and how knowledge processes lead to innovation and competitive advantage.

6. Practical Implications

The findings of this study offer several important implications for managers and organizations seeking to leverage knowledge and human capital to achieve innovation and sustained competitive advantage. By integrating agentic management, knowledge processes, and High-Performance Work Systems (HPWS), the model provides a comprehensive framework for designing organizational practices that enhance performance in knowledge-intensive environments.

First, the study underscores the importance of **promoting agentic management practices** that empower employees to act proactively and take ownership of their roles. Traditional hierarchical and control-oriented management approaches may limit employees' ability to contribute meaningfully to organizational knowledge processes. In contrast, fostering autonomy, participation, and decision-making authority enables employees to engage in creative problem-solving and knowledge generation. Research indicates that proactive and empowered employees are more likely to initiate change and contribute to organizational innovation (Crant, 2000; Grant & Ashford, 2008). Therefore, managers should create an environment that supports employee voice, encourages initiative, and reduces excessive bureaucratic constraints.

Second, organizations should actively cultivate a culture that **facilitates knowledge creation and sharing**. Knowledge sharing is often hindered by organizational barriers such as lack of trust, weak communication channels, and inadequate incentives (Szulanski, 1996). To overcome these challenges, managers should implement systems that encourage collaboration and knowledge exchange, including cross-functional teams, mentoring programs, and digital knowledge platforms. Additionally, fostering a culture of trust and psychological safety can encourage employees to share ideas without fear of negative consequences. Empirical evidence suggests that organizations that effectively manage knowledge-sharing practices are better positioned to enhance innovation and performance (Cabrera & Cabrera, 2005; Foss et al., 2009).

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Third, the study highlights the strategic value of **designing and implementing High-Performance Work Systems (HPWS)** as an integrated set of human resource practices. HPWS practices such as selective hiring, continuous training, performance-based compensation, and participative decision-making can significantly enhance employees' capabilities, motivation, and opportunities to contribute (Huselid, 1995; Appelbaum et al., 2000). Importantly, these practices should be implemented as a coherent system rather than in isolation, as their combined effect is more powerful than individual practices alone (Becker & Huselid, 1998). By aligning HR practices with organizational goals, managers can create a supportive infrastructure that enables employees to transform knowledge into innovative outcomes.

Fourth, managers should recognize that **innovation requires deliberate support and structured processes**. Innovation is not merely the result of individual creativity but also depends on organizational systems that facilitate the development and implementation of ideas. Organizations should establish formal mechanisms for capturing and evaluating employee ideas, such as innovation labs, suggestion systems, and internal competitions. Moreover, providing resources such as time, funding, and technological support is essential for turning ideas into tangible outcomes. Prior research emphasizes that organizations that actively support innovation processes are more likely to achieve superior performance (Crossan & Apaydin, 2010; Darroch, 2005).

Fifth, the model suggests that achieving competitive advantage requires **alignment between leadership practices, knowledge processes, and HR systems**. Misalignment among these elements can reduce organizational effectiveness. For example, encouraging employee initiative without providing adequate training or incentives may lead to frustration and disengagement. Similarly, implementing HPWS without fostering a culture of knowledge sharing may limit its impact on innovation. Managers should therefore adopt a holistic approach that ensures consistency across organizational practices and systems. This alignment is critical for translating individual-level behaviors into firm-level outcomes (Jiang et al., 2012).
Finally, the study highlights the need for organizations to **continuously adapt their practices in response to changing environmental conditions**. In dynamic and competitive markets, the ability to create, share, and apply knowledge rapidly is a key determinant of success. Organizations should regularly evaluate and update their management practices, HR systems, and innovation strategies to remain competitive. Continuous learning, experimentation, and feedback mechanisms should be embedded in organizational routines to support long-term adaptability and resilience.

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