

Human Resource Management for the 21st Century

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Abstract

Human Resource Management (HRM) is concerned with the effective and efficient use of the organization's human resources. We cover the overall Human Resource Management function in our 7 R Structure with a focus on knowledge management and resourcing for organizational needs.

1. Recruitment
2. Remuneration and Rewards
3. Relations People
4. Relations Systems
5. Relations Corporate Communication
6. Retreat and Development
7. Research and Restructuring

Keywords: Knowledge Management, Human Resource Management, Recruitment, Restructuring

1. Introduction

The dawn of the 21st century presupposes organizational systemic preparedness for retaining and gaining competitiveness in a global and native business scenario. The early 20th century predominantly focused on the manufacturing or the production priorities of the firm. The sciences espoused manufacturing excellence with speed, automation of the human systems, socio technical variables for efficiencies, scientific management, mass production, assembly line advantages, single product dominance and worker productivity. What followed was the consumer era with the corporations prioritizing its energies towards creating and sustaining brands, products and life style interventions for the consumer. Sales and distribution networks were expanded to ensure reach, effective market penetration, identifying the consumer in the common

person and ensuring product availability at his/her point of purchase. The last two decades and the quarter of the century realized the potential of the systems, electronic data processing, information management and tools and techniques to help organizational data analysis, synthesis, decision support and primarily consolidation and retrieval. The systems were available for corporate use and effectiveness.

We are now at the threshold of the knowledge era, where the intellect would dominate organizational processes, make information and data only a fundamental and necessary condition for knowledge creation and management. The analysis, synthesis, and enveloping variables would be people, process and environment for making things happen. The 21st century environment, at least, in the first decade appears to be quite predictable for organizational scientists. The emergence and happening of the knowledge era is for sure. In the knowledge economy corporate performance is measured by the return on the knowledge invested. In fact knowledge is a personal wealth when it is achieved and is a corporate asset when it is shared and institutionalized.

The increasingly dynamic and unpredictable nature of global competition was identified as the overall key environmental trend that will affect organisations and, therefore, human resource functions in the future. Creating greater organisational agility, faster response times, and valuing people were also identified as major issues. The people issue is expected to become even more problematic because of decreasing numbers of skilled workers and "the changing psychological contract" whereby employees feel less loyalty than in the past and a greater willingness to seek out greener pastures. With the skills shortage, the ability to effectively attract, select, develop, and retain valued employees will be critical for success in the coming years. The new organization of the future produces best business results in a culture that is strong with an effective strategic fit and adaptive to changing circumstances and compulsions.

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Delivery System of HR

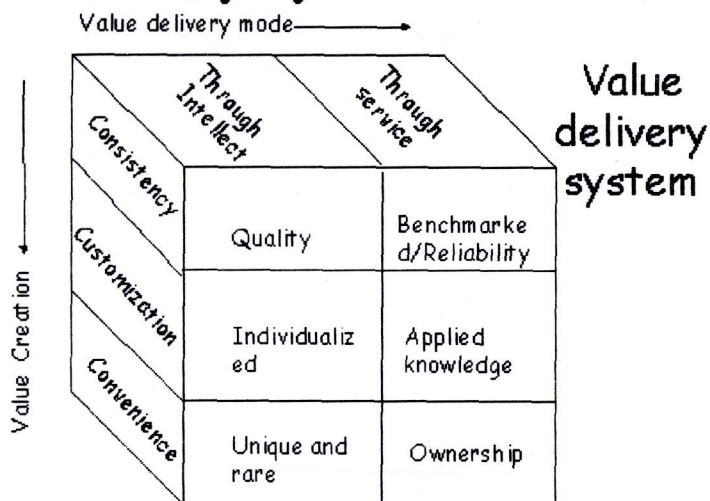


Fig. 1: To execute the above priorities, the 7 R structure is being implemented keeping the “Delivery System” of Human Resource HR, outlined here as a conceptual backdrop.

R 1 - Recruitment

The role of Resources Recruitment is to identify the skill requirements for current and future needs to identify appropriate sources for fulfilling such requirements, selection and placement of an appropriate number and mix of professionals, operatives and trainees. The sources could be internal, lateral hires or entry-level hires. Special emphasis lies in search for key positions, entry-level hire for long-run growth and succession planning.

R 2 - Remuneration and Rewards

Pay and benefits design and administration are not a new skill. However, in a competitive era, when budgets are shrinking, available monetary resources have to be stretched to deliver ambitious outputs. Another characteristic of today’s environment is that the „one size fits all“ paradigm has been rendered obsolete in the marketplace. This is true even of employee reward programs, which will have to be tailored to facilitate the achievement objectives of various endeavours in all functions and businesses of the organisation. Remuneration and Rewards is an arm that will facilitate the above objectives. The priority areas for this group are budgeting and monitoring of actuals, appropriate salary fitment through position evaluation benchmarking, creation of

contemporary benefits policies and administration of the same, and international compensation and benefits management.

Remuneration policies of the corporation are yet another change oriented HR policy perspective to study. As people compete and perform in a competitive environment, where individual contribution is more measurable than ever before skewing remuneration and rewards in favor of the individual is more than necessary. Compensation is another way to answer the ethical question dilemma of intellectual property. As individuals perform and as they realize their value to the corporation they would demand more for their contribution. Offering ownership stakes is a way to address this problem. Creating a program that links contribution to long term rewards and a proportionate risk-reward ratio would motivate employees. Bringing in "Intrepreneurs", see (Pinchot, 1985) who have taken ownership responsibilities for their actions is a viable alternative.

R 3 - Relations People

For an effective organisation, the critical inputs required are harmonious relations at the workplace, achievement of ambitious productivity norms, tight manning, manpower availability, and maintenance of a good work ethic at the shop floor. This involves setting of right norms through inter-unit and inter-department benchmarking, understanding employee needs motives and expectations at the grass root level, facilitating a good work environment, and defining and maintaining discipline. The role of Relations People encompasses all this. It goes beyond a traditional industrial relations activity toward adapting contemporary management science at the grass-root level.

R 4 - Relations Systems

Getting the best of people to work at competitive remuneration with the best technology sounds the ideal recipe for an effective workplace. This overlooks some basic needs and has inherent fallacies. Some questions would lead us to the intended line of thinking. How does the workplace look? What facilities are available for communication, are they reliable? What about cafeteria and pantry services? How about office equitement, are they maintaindes and available at convenient locations? What about drinking water? Moreover, housekeeping and security? However, these are always taken for granted, are they not? These factors, termed as hygiene factors, can make or break the work environment depending on the extent to which they are available. All these services have an attached cost, and a potential nuisance level. Managing these services for maximum service levels at low costs is as challenging as managing the commercial customer service wing of any organisation. The role of Relations Systems is to design services, create systems for execution and management and control the cost of these services.

R 5 - Relations Corporate Communication

Two most important processes in any contemporary organisation will be communications and networking. Designing of Systems, interventions and processes that will facilitate communication and networking is a crucial Human Resource activity. The role envisaged of Relations Corporate is managing both the external and the internal communications and networks. The former involves media relations, relations with all external stakeholders and managing our web side. The latter involves employee communications, Intranet, in-house magazines and communiqués.

R 6 – Retreat and Development

One of the signs of a successful organisation is the rate of growth of all its constituents - strategy, systems, competencies and organisational capabilities, technology, skills, service levels, responsiveness, quality, and resource productivity. It is easy to say that good people will make this happen. To ensure such growth, the organisation has to invest in the growth and renewal of people. As stakeholders and the vehicles for an organisation's success, the organisation owes it to its employees to invest in their growth and learning. The retreat function has been set up with this objective. Some of the activities envisaged are training, in-house and outbound, team interventions, on-the-job learning, learning booklets and handouts, competency mapping, and performance management.

R 7 - Research and Restructuring

A good management relies on information-based decision-making. Every management structure must therefore have an arm, which will research various aspects of competitiveness in the given area of operations. Research and Restructuring is a resource group formed to provide information on people aspects for decision-making on people fronts. Research could be both external and internal. The envisaged role is presenting reports on climate and environment, Human Resource challenges and opportunities, and benchmarking Human Resource practices. The other role of this resource group is restructuring - designing organisation structures on a zero-basis and benchmarking structures between units and departments.

2. Effective Management Requires Investment

The proposition is that the rhetoric of HRM (employee involvement, development of individuals and empowering them to realise their creative contributions to the business),

does not fit well with business realities in a competitive economy where priorities focus on

1. cost-cutting; the drive for continuous improvement means job cuts.
2. stripping organisations to the most effective, high yielding core activities
3. satisfying institutional owners of equity capital rather than other "stakeholders" - employees being just one collection.

Capital resources and asset management turns negligible management parameters for creation of shareholder wealth. While investing resources continues to be an essential ingredient for corporate competitiveness and retaining innovative advantages, money by itself would mean precious little to make or break a deal. Knowledge brought in and grown by the corporate determines organizational competitiveness and successes seen as fundamental for business survival. People bring in to their organizational settings a core set of knowledge, experience, competencies, skills, learning, training, demonstrated performance and potential. The summation of this set of parameters is the organizational intellectual equity. The premium for managerial actions is on the ability to attract, hold, and maximize the intellectual equity available within the corporate. Interestingly the cycle of maximization, optimization and minimization is inevitable in human capital management too.

The 21st century business is likely to cope with a dramatic managerial change given the advent of information technology and knowledge emphasis in the basics of management actions, see (Toffler, 1990). A future for the personnel/HRM function in a higher level strategic, development role is the scale and complexity of the human resource element that the firm has have the right kind of vision, understanding of staffing issues, organised and co-ordinated programmes relevant to the change objectives of the business. This is where personnel managers as members of a strategic management team can contribute to shaping how the business as a whole interprets and copes with environmental change - where this relates to employees and employee performance. Here the personnel person must be a business person - able to relate employees to the competitive imperatives and financial demands of the business. "It is HR's responsibility to develop credibility that can demonstrate the value added by HR".

Human society is infinitely complex and difficult to interpret and manage. Rarely do rational choices become the fundamental orientation for managing the human issues. For companies to maintain and enhance its competitiveness a broad spectrum of understanding is essential to differentiate between compelling and not so compelling parameters in human management and technology interface. Large corporations derive a worldview as they see the co existence of human factors and technology imperatives that make organizations viable and growing.

The world of knowledge brings in essential characteristics:

Advanced economies are knowledge based (see Gruber, 1989) based and wightless in size, scope and horizon.

1. Knowledge Worker (Peter Drucker,1991) dominates both the job market and the consequent compensation. Drucker defines knowledge worker as an executive who knows how to allocate knowledge to productive use, just as the capitalist knew how to allocate capital resources to the organization (see Drucker, 1991).
2. This knowledge-based work will represent the bulk of wealth creation in modern economies - 92% of the GNP by the year 2010.
3. The brain and not the brawn would turn into the critical success factor for economic growth. Intellectual infrastructure which is inherently more difficult to organize and manage, will gain predominance over physical infrastructure which can be globally resourced. Third world countries in turn have utilized this opportunity to open doors for low cost manufacturing.
4. Knowledge based competencies and core functional skills will determine employability. People will no longer be in a position to obtain and retain jobs on their inherited knowledge. Their competitive positioning will sustain only with updated state of art knowledge, contemporary enough to hold on to their jobs. Even the traditionally physical work such as factory employment will call for a knowledge worker multi-skilled in manufacturing technology and Information systems.

One shorthand way of summarising the knowledge movement, is to say that it is to get the right knowledge at the right place, at the right time. If this is done expeditiously, customer service can be improved through solving problems better, new products brought to market quicker, business processes continually improved, and innovative new ideas brought to commercialisation. What many practitioners have found, is that it the flow of knowledge that is important. This is where networked computer and communications technology plays an important role.

3. Cost and Value of Knowledge Management (KM)

But while knowledge management is expensive, the obvious retort is that not managing knowledge is even more so. How much does it cost an organization to forget what key employees know, to not be able to answer customer questions quickly or at all, or to make poor decisions based on faulty knowledge? Just as organizations attempting to determine the value of quality determined the cost of poor quality products and services, if we wish to assess the worth of knowledge we can try to measure the cost of not knowing.

Many companies are beginning to feel that the knowledge of their employees is their most valuable asset. They may be right, but few firms have actually begun to actively manage their knowledge assets on a broad scale. Doing recruitment, selection and

training (arguably) involves specific conceptual and practical understandings. Some of the know-how is general and a good general manager can develop these abilities. But much of the know-how requires detailed understanding and the "quality" service elements involve specific effort, consistency and time.

Knowledge assets will compound the returns on physical infrastructure and make large and expansive capital investments easy to manage and deliver. What constitutes the knowledge asset? Unlike information, knowledge is less tangible and depends on human cognition and awareness. Measuring the knowledge asset and as a consequence managing them means putting a value on people, both as individuals and more importantly on their collective capability, and other factors such as the embedded intelligence in an organization's computer systems.

While few firms have calculated the cost of knowledge management, there are some quantified estimates. Robert Buckman of Buckman Laboratories estimates that his firm spends 7% of its revenues on knowledge management. McKinsey and Company has long had an objective of spending 10% of its revenues on developing and managing intellectual capital.

Knowledge adds value to a business through its products, processes and people. The product contribution of knowledge is described by Davis and Botkin (1994). They describe six features of knowledge-based businesses:

1. The more you use knowledge-based offerings, the smarter they get.
2. The more you use knowledge-based offerings, the smarter you get.
3. Knowledge-based products and services adjust to changing circumstances.
4. Knowledge-based businesses can customise their offerings.
5. Knowledge-based products and services have relatively short life cycles.
6. Knowledge-based businesses enable customers to act in real-time.

Knowledge Management (KM) is a conscious strategy of getting the right knowledge to the right people at the right time and helping people share and put information into action in ways that strive to improve organizational performance, see (O'Dell and Grayson, 1998). It is a framework, a management mindset that includes building upon past experiences and creating new vehicles for exchanging knowledge.

1. The sourcing, placement, support and adaptation of employees at work is interpersonally and administratively demanding.
2. Employees join a firm, they leave a firm. Some may be dismissed. Some may be made redundancy as the jobs for which they are employed have ceased to exist in whole or in part. The law is involved (rights of employees and obligations of employers).

3. The costs of employing are major elements in a business's expenditure. Personnel systems bring predictability, reliability and control. They enable the firm to secure consistency of behaviour/action amongst line-managers. They purport to secure better utilisation of people's abilities at work - important for the short and long-term economic success.

4. Managing Tactic Knowledge

Most companies commence their KM activities by focusing on creating, identifying, collecting, consolidating, interpreting and sharing best practices or learning's that needs an organization wide understanding. Organizational knowledge is available at both physical level and at the intellectual level of human beings. What is known or can be found out becoming explicit and what is stored within the minds of people being tacit knowledge. Explicit knowledge can be expressed in words and numbers, and easily communicated and shared in the form of hard data, scientific formulae, codified procedures, or universal principles. Whereas tacit knowledge is not easily visible and expressible. Tacit knowledge is highly personal and hard to formalize, making it difficult to communicate or to share with others.

The implication for organizations is to help members learn, internalize and apply what they know to what they are doing. The problem in managing is not the theoretical understanding that knowledge exists but on how to get what we know benchmarked and practiced across the board. Quinn (1992) notes that the capacity to manage "knowledge based intellect" is fast becoming the critical executive skill of this era. Reich (1991) states that the only true competitive advantage will reside among "symbolic analysts" who are equipped with the knowledge to identify, solve, and broker new problems.

For organizations to make both tacit and explicit knowledge useful, processes should build in opportunities for learning from direct experience. Peter Senge (1990) addressed this issue as "Systems Thinking", to shift the mind from seeing the parts to seeing the whole.

Another contribution of knowledge is that in business processes. Throughout industry there are examples of where individuals or departments are ostensibly carrying out the same process, but where the performance levels are quite different. Often it is the 'tacit' knowledge of the experienced person that makes the difference. The sharing of best practices from one part of an organization to another is therefore a key component of many knowledge management programmes. For example, Texas Instruments was able to save the equivalent of the investment in a new semiconductor fabrication plant, by sharing best practices between their existing plants.

A knowledge management function could inspire resentment and concern within the organization if it seeks to assemble and control all knowledge. The goal of such an

organization should merely be to facilitate the creation, distribution, and use of knowledge by others.

The value of knowledge as manifest in an organisations products, its intellectual capital (such as patents and licences), people (human capital) and processes (structural capital) is very evident when the book value of a company, as measured by traditional accounting methods, is compared with its market value, which takes into account the marketplace perception of intangible value not measured by accountants. For many high-tech companies (such as Microsoft) or knowledge intensive companies (such as biotechnology companies) this factor is ten or more to one.

The net result is that as the value and contribution of knowledge becomes more evident, that organisations are investing in initiatives to manage and harness that knowledge. This means a systematic approach to managing the processes for creating and capturing it, classifying it and storing it, disseminating and using it.

5. Creating Knowledge Sharing Culture

The corporate need to make people share with one another knowledge gained is a minimum requirement of the corporation. If my knowledge is a valuable resource, why should I share it? If my job is to create knowledge, why should I put my job at risk by using yours instead of mine? The natural tendency is to hoard our knowledge and look suspiciously upon that from others. To enter our knowledge into a system and to seek out knowledge from others is not only threatening, but also just plain effort-so we have to be highly motivated to undertake such work.

Human Resource effectively creates a learning culture when it fulfills the following conditions, see (Schein, 1992):

1. Common concern for people that takes the form of an equal concern for all stakeholders, customers, employees, suppliers, the community, and stockholders.
2. A belief that people can and will learn and value learning and change in its own right.
3. A shared belief that the world around them is malleable, that they have the capacity to change their environment and that ultimately they make their own fate.
4. That there must be some slack, some time available for generating learning with an equally diverse set of people to interact and learn from.
5. A shared commitment to be open and extensive in communication by telling all and telling the truth.

Knowledge should neither be possessed nor filtered while disseminating. The culture should make people seek knowledge from wherever it is available, irrespective of its source in the position of the hierarchy. Creating a culture to share would imply a caring,

trusting environment, but pre supposed with a stick that swings when knowledge is withheld or suppressed. The most important qualification is being "egoless."

Knowledge acquisition is a dynamic process of culture creation. Whether an individual does acquire knowledge from a source depends on a dynamic interaction in which two factors are important:

- The similarity between the person's context and environment and experience, situation, history, inheritance etc and
- The degree of congruence between how the material is structured and how the structure appears to the person in the culture.
- Knowledge is created by transcending a multitude of dichotomies and contradiction. Eg. Mind Vs Body, Tacit Vs Explicit, Individual Vs Organization, East Vs West etc., see (Nonaka and Takeuchi, 1995).

Knowledge is a personal ability when it is achieved; it is a corporate asset when it is shared. It is a collection of insights that, when applied, make the organization more effective and profitable. Unlike data and information, which tell us what happened and what exists, knowledge tells us what works, what matters, what should we trust, where things go wrong and how to fix them. Knowledge is the heart and soul of a corporation's assets. Creating a culture where people can feel the real life benefits of knowledge around them is essential for KM strategies to work.

Knowledge managers may feel that if they could only get their organization's knowledge under control, their work would be done. However, the tasks of knowledge management are never-ending. Like human resource management or financial management, there is never a time when knowledge has been fully managed.

One reason that knowledge management never ends is that the categories of required knowledge are always changing. New technologies, management approaches, regulatory issues, and customer concerns are always emerging. Companies change their strategies, organizational structures, and product and service emphases.

Learning divestment & knowledge acquisition implies that as we learn more we realize the need to alter and unlearn several assumptions of the past. Seeking pure knowledge necessitates divesting ourselves off preconceived notions, stereotypical attitudes and make believe perspectives on right and wrong.

Specialization and specialization is another dimension to study. If the organization of tomorrow implies knowledge intensiveness does it indicate greater specialization and depth of what is known. The question is whether more and more employees would seek vertical knowledge focus as against a horizontal spread. Specialization indicates knowing more and more of less and less. Both the individual and the organization would

find management of specialized knowledge difficult to handle given inevitable insecurities that go along with it. Or the fact that peer understanding of the specialized knowledge would by itself be limiting.

6. Problems

New knowledge always starts with the individual. An individual's personal knowledge is transformed into organizational knowledge valuable to the company. The organization cannot create on its own without the initiative of the individual and the interaction that takes place within the group. Transition from an individual to an organizational knowledge many mean articulating mutual benefits and rewards that make creation and sharing easy to manage.

It is not clear in most organizations who owns or has usage rights to employee knowledge. Is the knowledge of employees owned or rented? Is all of the knowledge in employee heads the property of the employer? How about the knowledge in file cabinets or computer disk drives? What about the knowledge of consultants while they are consulting? Outsourced employees? Few firms have policies to deal with these issues.

Employees move more quickly to new jobs and new organizations; the distinction between work life and home life is more ephemeral, and there are more contingent workers. In any case, few firms have done a good job of extracting and documenting any employee's knowledge in the past. If knowledge is really becoming a more valued resource in organizations, we can expect to see more attention to the legalities of knowledge management.

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