

STRATEGIC POSITIONING OF HRM IN THE KNOWLEDGE ECONOMY

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ABSTRACT

With knowledge management as the strategic intent and learning to learn as the strategic weapon, the current management focus is on how to leverage knowledge faster and better than competitors. Research demonstrates that it is the cultural mindset of the people in the organisation that primarily defines success in knowledge intensive organisations. The paper highlights the importance of people management in the knowledge economy, explores major challenges to HRM in managing knowledge workers, and identifies some key HR strategies for effective people-centric partnership in knowledge management, namely, trusting HR philosophy, institutionalising learning to learn, and fine tuning HR systems in recruitment, retainment, performance and reward management of intellectual capital in a multi-national context. This paper is derived from the author's forthcoming book on "Managing People in the New Economy".

HR & KM: PEOPLE-CENTRIC PARTNERSHIP

Knowledge Management (KM) could be defined as the “creation, sharing and utilisation of explicit and tacit knowledge at the individual, group, organisational and community level through harnessing of people, process and technology for the benefit of those involved and affected by it”. It embodies several distinct notions – that it involves continuous cycles of creativity and innovation, that it is experiential and primarily driven by knowledge workers facilitated by organisational vision and support. Unlike previous management trends, which were essentially owned, initiated and scripted by senior management, KM defies any such control or direction.

The concept of knowledge is problematic as it is “multi-faceted and complex, being both situated and abstract, implicit and explicit, distributed and individual, physical and mental, developing and static, verbal and encoded” (Blackler, 1995). Particularly, tacit knowledge has a cognitive dimension and includes our intuitions, gut feelings, values, beliefs and mental models that we ourselves may not be aware of. In a social context, how can we accurately measure the culture, mindset, heart, soul and spirit of the people within whom knowledge is embedded? Organisations that hold a too-narrow view of knowledge and perceive themselves to be a machine for “information processing” fail to tap the tacit and often highly subjective insights, intuitions, and ideals of employees for continuous innovation (Nonaka, 1991).

Reputed management thinkers suggest that “it is not technology, but the art of human-and humane-management” that is the continuing challenge for executives (Drucker et al., 1997). The challenge includes “how to lead the organisations that create and nurture knowledge, how to know when to set our machines aside and rely on instinct and judgement, and how to maintain, as individuals and organisations, our ability to learn”.

If KM were to be the core competency and strategic intent of an organisation, it needs to be defined primarily in terms of its people and their social context – their cultural values, attitudes, competencies and commitment. Only then it becomes a difficult-to-imitate competitive advantage. Successful learning organisations are able to attract and retain best talent by entering into a psychological contract with their employees that motivate them to generate and share knowledge in return for nurturing and nourishing their professional skills. Their Human Resources (HR) philosophy develops trust and encourages organisational citizenship behaviours. They deploy appropriate HR systems that identify, assess, reward and develop competencies that form the core of organisational success.

Smith and Kelly (1997) believe that “future economic and strategic advantage will rest with the organisations that can most effectively attract, develop and retain a diverse group of the best and the brightest human talent in the market place”. Obviously, this puts HR at the forefront of knowledge economy (Soliman & Spooner, 2000). KM offers the much-needed window of opportunity that the HR profession so desperately needs to redeem its credibility

maligned by historical reasons throughout its troubled evolution. According to Watkins and Marsick (1992), “HR professionals have long sought to define who they are in order to clarify what is that they do that is unique” and believe that the “concept of KM or learning organisation is one such niche for HR as it brings together the two primary foci for this field: learning and the workplace context in which it takes place”.

KEY HR CHALLENGES IN KM

As intellectual capital is the key competitive advantage in the knowledge economy, people management should naturally become an integral part of corporate strategy and a key responsibility of all managers. However, people issues continue to be neglected while IT issues dominate the agenda. Part of the blame lies with HR practitioners who have been slow to seize the moment and make their mark (Storey and Quintas, 2001). Thus, one of the critical challenges is to attract the attention and resources towards people issues and make every manager responsible for successful people management.

Another key challenge is to define a knowledge worker. When we shift our attention from knowledge to knowledge work, new dimensions emerge. If knowledge workers give us the sustainable competitive advantage, we need to understand who they are and if and how they are different from the other so-called non-knowledge workers. If knowledge is defined as innovation and creativity applied to create new or improve existing products, services, processes, and markets, then by that definition, every worker becomes a knowledge worker – that is to say, an entrepreneur (Blackler et al., 1998). One can therefore, argue that there is no such thing as non-knowledge worker. The entire participative management theory is based on this tenet. Most of the process related improvement in Japanese industry was realised from the understanding and motivation that everyone who comes in contact with a business process is intellectually involved in it.

Knowledge work is also defined as one where “the nature of work may be physical or mental, output is mainly intangible, inputs are not clearly definable and the task involves high levels of discretion, uncertainty and unstructured decisions requiring tactical and strategic endeavours (Beruvides & Koelling, 2001). It is thus, clear that knowledge work lacks any occupational identity and cannot be classified under the traditional occupational categories. Recognising the difficulty in distinguishing between knowledge and non-knowledge workers, some management researchers emphasise more on the *knowledgeability in work* than *knowledge work* (Thompson et al., 2001).

The success of strategic HRM in the knowledge economy also depends on its ability to harness the potential hidden in the informal social architecture, including tacit knowledge, co-operation, informal learning, that emerge over a long period of time and are largely unplanned (Mueller, 1996). Sometimes, the informal culture may override the formal HR policy and therefore, both need to work together to produce desired results. For example, Truss (2001) observed that in Hewlett Packard, despite the formal policy on performance-based promotion, strong internal network with influential people played a crucial role in promotions.

One of the difficulties of the HR discipline is with the measurement of its effectiveness. Compared to other management functions, people management is more “sensitive, personalised, context-dependent and can not be managed through a set of predefined

techniques". The slippery nature of people issues makes it difficult to measure HR's contribution to the bottom line. The same HR concept can be a good or bad practice depending on how it is used. For example, internal promotion can be a good practice if merit is not sacrificed. Similarly, recruiting like-minded people can become a bad practice if the organisation resents diversity and ends up with clones. Therefore, an organisation cannot claim that it employs best practices in HR unless it is able to demonstrate that its practice matches the rhetoric.

We also need to note that change takes place relatively slowly in the HRM area (Gratton et al., 1999). Truss (2001), using a longitudinal study of Hewlett Packard, points out "even a highly successful company with a strong record of excellence in people management practices can not achieve all-round success". People's expectations and motivation swing during economic ups and downs and HR policies may be viewed differently in different times. Therefore, any short-term assessment of HR effectiveness is fraught with danger and open to mis-representation. Motorola does not believe in strict measures of evaluating training effectiveness and treats training as part and parcel of an overall management process (Pfeffer & Veiga, 1999).

Today, organisations resort to different types of employment, such as core, contract and casuals, to cater to changing business needs and many of them are outside the traditional boundaries of employment (Lepak and Snell, 1999). HR has to employ different strategies in recruiting, training, assessing and remunerating them as one-size fits all attitude and policy no longer apply. For example, firms that make successful use of temporary employees ensure that they do not become a "wandering underclass in the labour pool" by carefully developing HR practices to attract, retain and motivate temps (Hippel et al., 1997). However, the "valuation" of human capital is going to be highly contentious and will greatly impact on organisational commitment and morale.

Storey and Quintas (2001) identify five key HR challenges in the knowledge economy, namely, developing and sustaining a knowledge and innovation centric culture, accessing tacit knowledge, securing trust and commitment, handling non-traditional employees, and organisational vulnerabilities, such as changing balance of power, arising out of heavy dependence on key knowledge workers.

KEY HR STRATEGIES IN KM

Despite the growing realisation about the importance of KM, many organisations still find it difficult to define and operationalise it in the context of their business and organisational environment. Many executives find the concept too vague to understand and implement. While some are content in using information technology as the strategic weapon in harnessing explicit knowledge, many of them find it too daunting to work on the more difficult task of cultural change, necessary to institutionalise KM.

However, there are a growing number of successful learning organisations (Thurbin, 1995) and a close look at their business practices reveals a set of key levers that define their success in KM. Apart from using IT to successfully channelise their knowledge, they focus on HR strategies to bring out the best in their knowledge workers. The key HR strategies discussed

below are derived from HR best practices and learning organisation literature. These strategies indicate how HR can drive KM in the right direction.

Trusting HR Philosophy

It is obvious that successful people management depends on whether the parties involved trust each other and treat each other fairly. Of course, everybody is aware of it but unfortunately, very few organisations pause to reflect on this fundamental reality before they formulate and implement any HR policy. No HR strategy can succeed unless the organisation has an overarching HR philosophy that assures its employees that they are working for a caring, nurturing, trust-worthy organisation. People consider employment more as a social relationship than as a contract. Trust and fairness are at the very heart of KM as without them, there is no sharing of tacit knowledge. Today, with increasing competitive pressures, organisations are realising the importance of tacit knowledge hidden in the minds of individuals and groups and try to tap it through delayering of jobs, empowerment and team structures. However, their HR philosophy has not altered enough to generate trust and openness necessary to persuade knowledge workers to share their knowledge. Since knowledge resides in individuals who have the discretion to use and share it as and when they want, organisations have to create an HR philosophy that 'restores people to the heart of organisation' (Kanter, 1997).

Unfortunately, trust has been the biggest casualty in the wave of management actions such as downsizing, delayering, outsourcing and reengineering. They have led to unintended consequences by demoralising and demotivating employees who work harder and under stress. Research is beginning to emerge that in a significant number of cases, far from delivering the cost benefits promised, downsizing and outsourcing have increased costs and deprived organisations of the benefit of knowledge gained by long serving employees (Ulrich, 1997). Middle management ranks have almost disappeared and with that the experience they had accumulated over the years. The unjustifiable gap between managerial and non-managerial remuneration that has increased to nearly 400% in the 1990s and the controversy surrounding stock options reveal the "ugly face" of organisational reality.

The near abandonment of career management responsibilities by employers is another barrier to create or rebuild an atmosphere of trust. Their transactional attitude to employment relationship fails to deliver transformational outcomes expected by them. This "help us but help yourself" attitude to career management prevents employers from developing the psychological attachment necessary in a learning organisation (Thite, 2001). Further, considering today's employment profile where more people work as contractors or on part-time/casual basis and less as core employees who identify themselves with the organisation, securing employee commitment and organisational citizenship behaviours is quite challenging, to say the least.

Recognising that new forms of organisation have their dark side, Kanter (1997) believes that "new policies must reflect new forms of security while embracing the merging realities of flexibility, mobility & change". Accordingly, Kanter urges organisations of the future to write a new social contract with their employees incorporating new motivational tools, such as providing employable skills; giving control of career agenda (eg. letting to choose next project); access to training, mentoring, and challenging projects; enhancing professional

reputation by providing abundant public recognition of achievements; and sharing of value creation through company share ownership etc.

Fairness is another key ingredient to creating a trust-worthy HR philosophy. People care as much about the fairness of the process as they do about the outcome itself. Kim and Mauborgne (1999) identify engagement, explanation & expectation clarity as the bedrock elements of fair process. A survey of knowledge employees in leading edge companies revealed that psychological contract and those organisational processes relating to procedural justice, such as meritocracy and equity, directly affect two critical organisational outcomes, namely, employee commitment and intention to remain with the organisation (Flood et al., 2001). To recruit and retain best talents, organisations not only need to be high performing but also seen to be of high character, credibility, integrity and value-driven (Smith and Kelly, 1997). Pfeffer & Veiga (1999) believe that “employment security is fundamental to the implementation of most other high performance management practices”.

The literature on KM stresses the need for ‘communities of practices’ within and outside of the learning organisation. In an organisation characterised by here-and-now attitude to employment relations, it is hard to think of creating communities or hubs of voluntary co-operation. As in investment decisions, time horizon is a critical element in people management. An organisation with a short-term focus regards HR as a cost or a profit centre and demands quick return on investment. In contrast, an organisation with a long-term focus regards HR as an investment to be reaped over time. As employee champions, it is the essential, not an optional, requirement of a people manager to be an ‘ethical steward’. HR has to argue the case that instead of adopting minimalist ethical position that shareholder interests outweigh those of individuals and that the ends (of business interests) justify the means, management has to embrace a broader ethical framework that treats people as ends in themselves and puts feeling and empathy ahead of economic rationalisation (Woodall & Winstanley, 2001).

Institutionalising learning to learn

Learning is a new form of labour (Zuboff, 1988:395). Today, the focus is on competencies that enable people to self manage, work in teams, think globally, boldly and unconventionally, and deploy the power of intuition and emotional intelligence. Competencies also include character, as without the latter, people will not share their knowledge.

Senge (1990) advocates that the heart of a learning organisation lies in learning that results in a ‘shift of mind’, something that transforms who we are and what we do. Morgan (1997) borrows from the principles of cybernetics and holography to describe a learning organisation. He argues, “The core insight from cybernetics is that a system engages in self-regulating behaviour based on ‘negative feedback’. Similarly, he uses the metaphor of hologram to think of systems “where qualities of the whole are enfolded in all the parts so that the system has an ability to self organise and regenerate itself on a continuous basis”. Morgan (1997) designs a learning organisation based on the following principles of holographic design:

- Build the ‘whole’ into the ‘parts’ (using visions, values and culture as corporate DNA, networked intelligence, structures that reproduce themselves and holistic teams)
- The importance of redundancy (i.e., variety of functions in information processing, skills and the design of work)

- Requisite variety (i.e., internal complexity must match that of the environment)
- Minimum specs (i.e., define no more than is absolutely necessary)
- Learn to learn (i.e., scan and anticipate environmental change, double loop learning, and emergent design).

Learning to unlearn well-entrenched 'organisational defensive routines' is very important so that people can question past routines and create new knowledge. "Core competencies can become core rigidities" and therefore how to learn is more important than what to learn. HR professionals may sometimes unwittingly reinforce organisational defensive routines through inappropriate HR policies and procedures rather than helping organisations overcome unproductive assumptions (Argyris, 1986). Pfeffer and Sutton (1999) caution that knowing what to do is not enough. What matters is turning knowledge in to action by identifying and transferring internal and external best practices throughout the organisation through people-to-people interactions, creating new knowledge all the time and developing capabilities that set the stage for a successful culture of sharing, transfer and change; above all, make sure that every plane you allow to take off has a runway available for landing (with sufficient resources etc (O'Dell and Grayson, 1998). Some of the enabling steps to facilitate the process are to develop systems thinking and to pause frequently to introspect rather than squandering time in 'active non-action' that results in procrastination, disengagement and distraction (Bruch & Ghoshal, 2002).

In an organisational context, learning takes place at the individual, group and organisational level and HR can facilitate learning at all these levels (Rus-Eft, Preskill and Sleezer, 1997). At the individual level, HR is entrusted with the responsibility of recruiting and retaining knowledge workers who can develop right competencies both in technical and behavioural areas. They need to be motivated through a range of performance management and reward measures to convert their expert mental models in to explicit knowledge. At the group level, HR needs to enable people to work in autonomous teams both within and outside organisational boundaries sharing mental models. At the organisational level, strategy, system, style and staff need to work in tandem to create a conducive learning atmosphere. By making expert mental models explicit through training and development, HR can transform novice performance in to expert performance. Watkins and Marsick (1992) believe that "human resource developers who are systematically and developmentally increasing the learning capacity of the organisation are creating learning organisations".

Learning involves tolerance towards failure. Research shows that majority of innovative ideas fail to become commercial reality. Storey and Quintas argue (2001, p.348) that "innovation is about diversity, untypicality and uncertainty, and it therefore, carries a considerable degree of risk". HR has to ensure that people are encouraged to boldly experiment and share their views without any fear or apprehension. Managing learning, however, is not without its share of politics. Davenport (1997) cautions that "if knowledge is associated with power, money, and success, then it is also associated with lobbying, intrigue, and backroom deals" and advises that effective KM involves political alliances and deals between those who have knowledge and those who use it. This involves a firm commitment on the part of those who work on latest skills, technologies, processes and emerging markets to pass on their knowledge to other members of the organisation by doubling up as mentors and in-house trainers. HR should publicly recognise and reward people who share knowledge and create interactive forums to facilitate the process.

A large part of learning in the workplace is informal. However, “informal learning is harder both to identify and mould. By its very nature, it doesn’t occur in neat time slots or locations where you can grab it and leverage it. However, while you can’t formalise *what* learning takes place, you can set up conditions which can encourage it” (Horibe, 1999). Many companies encourage such interactions through mentoring, job rotation, periodic conferences, award and recognition programs, and share fairs where people showcase their best practices and offer help. “Learning history” is another approach suggested by scholars to capture institutional experience, disseminate its lessons, and translate them into effective action (Kleiner & Roth, 1997). It is a “written narrative of a company’s recent critical event” narrated by participants of the event and codified by “learning historians- trained outsiders and knowledgeable insiders- who identify recurring themes, pose questions and raise “undiscussable” issues”. Setting up a corporate university and collaboration with universities are also suggested as a way of customising learning initiatives and forging learning alliances.

As we move away from the concept of training to the concept of learning, HR professionals need to facilitate rather than control the process and motivate employees to “accept a move from dependence to independence, from passive and reactive learning to active and proactive learning and from viewing learning as a single event managed by others to continual life-long, self-managed learning” (Pfeffer & Sutton, 1999). While it is easy for HR managers to shift the responsibility for learning to individuals, they need to recognise that people will be overwhelmed by the responsibility without adequate support and encouragement in the form of training in self management, helping identify future trends, giving time off to learn and encouraging collaborative effort.

It is clear that there is a qualitative difference in the changing role of HR professionals from “organisers of training” to “facilitators of learning”. The latter role recognises that learning is a shared responsibility and that not all learning can be and need to be controlled, as much of what people learn, particularly, tacit knowledge, takes place in informal social networks, also called communities of practices, with little or no environmental support. “The paradox of such communities is that although they are self-organising and thus, resistant to supervision and interference, they do require specific managerial efforts to develop them and integrate them into an organisation. Only then can they be fully leveraged” (Wenger & Snyder, 2000). Therefore, more than directing learning, HR professionals have to help create a nurturing culture and structure that facilitate self, team and organisational learning on a continuous basis. As learning is today a critical competitive advantage, the responsibility for learning is to be shared by all managers and not just left to HR practitioners. Therefore, organisation-wide learning policies need to be integrated with business strategy (Gardiner et al., 2001).

Creating Knowledge-oriented HR Systems

Traditional domains of HRM take a different colour when we view them as contributing to organisational knowledge stocks (Narasimha, 2000). In fact, the “idea of knowledge economy appears to place the fundamentals of HRM onto an entirely new footing” (Storey and Quintas, 2001). HR systems need to be geared towards creating and promoting a learning environment. Some of the critical issues and challenges in such an endeavour are briefly described below:

Recruitment and Retainment

Today, organisations need people who are comfortable to work with blurred boundaries of employment, tasks, authority, market and organisation. The new economy demands the emergence of new set of capabilities, such as emotional intelligence, self-leadership, systems thinking, learning to learn, intuitive decision making, cross-cultural sensitivity and capacity for change. Each organisation has to derive its own set of desired competencies that suit its environment and strategy by engaging in extensive consultation with all stakeholders to distinguish superior performance from average performance and identifying competencies that contribute to the difference (Spencer, 1983).

In the so-called war on talent, organisations will have to compete fiercely for the best talent. By harnessing diversity, cultivating corporate image based on ethical HR philosophy rather than flashy advertisements, using motivated employees as ambassadors, treating job applicants as customers, leveraging HRIS for decision support, and treading carefully in outsourcing recruitment, organisations can develop a positive image as an “employer of choice”. In terms of selection, the more structured the interview process, the more is its validity and reliability (Fernandez-Araoz, 1999). Structured interviews using both the situational questions and past experience questions demonstrate high levels of criterion-related validity, particularly when used with descriptively anchored answer rating scales (Taylor & Small, 2002). Extensive research suggests that a battery of selection techniques, such as general mental ability, integrity test, work sample tests and structured interview, rather than any single method alone, is the most successful way to select the best candidate for both entry level as well as senior positions (Schmidt & Hunter, 1998).

Interestingly, research suggests that both high and low performers have higher quit rates than average performers. High performers typically quit for reasons such as lack of training and promotion opportunities, inadequate compensation commensurate with performance and outside opportunities. Retention strategies fail when organisational goals do not align with individual goals and circumstances. Beyond money, today’s knowledge workers demand reasonable security of employment, employability, autonomy, management transparency, open culture, tasks that are challenging and suit individual personality and orientation, social network, immediate and frequent feedback and rewards, ownership of ideas and enterprise, and flexible working conditions.

Performance Management

A robust Performance Management system is one of the key difficult-to-imitate competitive strategies within the domain of HRM. By clearly defining, measuring and thereafter, rewarding desired behaviours and competencies, organisations can set themselves apart from the competition. However, the process has been a “resounding failure”, in the eyes of both employers and employees (Smith et al., 1996) due to critical design flaws in concepts, such as Management By Objectives (MBO) that rely too heavily on short-term, quantitative results without taking into account situational factors and discourage risk taking (Levinson, 1970).

Measurement of performance should take into account, both the outcomes as well as the behaviours or competencies that lead to the outcome (Hartle, 1995). Balanced Scorecard is an increasingly popular approach in identifying performance measures from a holistic, long-term

perspective (Kaplan & Norton, 1993). Gilliland & Langdon (1998) believe that each stage of the performance management, i.e., system development, appraisal process and feedback, should ensure procedural fairness, interpersonal fairness and outcome fairness.

Research suggests that acceptance of feedback would be better if the manager is fair and transparent in allocating work, measuring performance and deciding on rewards; clearly conveys the organisational objectives; jointly sets the goals by being open to suggestions and divergent viewpoints; gives periodic feedback; maintains a record of critical incidents to back up annual ratings; professionally conducts the feedback interview; and provides personal and organisational help through mentoring and coaching to improve performance. Similarly, successful team performance appraisal systems involve team members in deciding what and how to measure, use multiple sources for assessment (such as, self and peer) and gradually move from using assessment for developmental purpose to administrative purposes.

Multisource assessment captures core, real and multi-dimensional aspects of performance that are deemed by the organisation to be critical to the attainment of its goals and strategies. However, considering that research is yet to throw light on its effects, it is advisable to proceed step-by-step and learn from own experience. Trends in performance management suggest that recent changes relate to mostly to timing (more frequently), source (more sources) and content (from outcome to competency) (Squires & Adler, 1998).

Rewards Management

If competencies are the wheels for managing knowledge work, rewards (both extrinsic and intrinsic) are the engine (Kochanski & Risher, 1999). The holistic nature of reward highlights the fact that reward strategies by themselves cannot motivate people to perform better and their success is intimately connected with the overall HRM climate in the organisation vis-à-vis market expectations for each occupational category. A wide spectrum of rewards is supposed to exert the maximum positive impact in a learning environment and together with measurement, rewards are “the most powerful and visible management tools that can support changes” (Thomsen & Hoest, 2001). However, some studies also point out that rewards are no more than a trigger or a facilitating condition of an individual’s attitude to knowledge sharing and what is more important is enhancing the positive mood state for social associations through feedback, social support and providing room for self determination (Gee Woo & Young-Gul, 2002).

In response to the limitation of traditional reward framework with an administrative focus, the New Pay systems exhibit a strategic focus in that they highlight the person (instead of job), output or behaviours/competencies (instead of time) and are more inclusive, dynamic, and decentralised (Heneman et al., 2000). New Pay concepts include broad banding of base pay, skill/competency or results based variable pay, such as profit or gainsharing or employee stock options. Collectively, they aim to increase extrinsic satisfaction by linking rewards to performance and intrinsic satisfaction through employee empowerment.

Even though the number of organisations, which have successfully adopted New Pay concepts, is relatively low, the interest in them is growing rapidly across countries, industries and sectors (public and private). It will take some time for these trial and error experiments to become a way of life. Instead of treating the New Pay ideas as best practices, it is important

for organisations to first ensure whether they fit their current structure and culture. And also, instead of treating New Pay as a set of compensation practices, it is more useful to see them as a “way of thinking” about the strategic design of rewards system (Taylor, 2000).

Most people want to join a company that has a compelling vision and shares its passion and prospects with employees with due recognition of employee contribution. Money is also recognition but recognition rewards are more than money. Managers need to learn the art of what, when and how to praise (Horibe, 1999). It should be genuine and generous and offered immediately after the event. Successful recognition programs are timely, frequent, customised to suit different types of people and their preferences and circumstances, creative, sincere, fun, widely publicised, refreshed periodically and are designed and reviewed by people whom they affect (Zingheim & Schuster, 2000).

Cross-cultural validity of management

Today, internationalisation of business is a reality but what about internationalisation of management? National culture has powerful influence on almost all aspects of work and organisation, such as motivation, commitment, loyalty, attitudes, perceptions and behaviours (Hofstede, 2001). The individualistic culture, rights-conscious ethic, contract oriented style and short time horizon of the West are remarkably in contrast with the collectivist culture, duty-conscious ethic, relationship oriented style, and long time horizon of the East. The strategic HRM concepts and practices, discussed above, have mostly originated in the USA, and are heavily culture bound. The cross-cultural transferability of management trends, such as empowerment, employee involvement, competency based performance appraisal, and performance based pay need to be carefully considered. However, national culture is complex, dynamic and interplays with organisational and occupational culture.

If we extrapolate the cultural dimensions on strategic HRM concepts, it appears that countries with low power distance, low uncertainty avoidance and long-term orientation, seem to have a better edge in adopting them and harnessing their potential. As regards individualism - collectivism dimension, the need for team structure and community orientation of knowledge workers seems to favour collectivism, provided there is less group thinking and social loafing that inhibit innovation and creativity. There is some evidence that social loafing is relatively less in collectivist cultures as members place group goals ahead of individual interests (Earley, 1989).

CONCLUSION

It is clear that HR has a critical role to play in the knowledge economy in creating people-centric partnership. The question is not whether but how HR is able to play the role. Here, HR needs unstinted support from the top management and active co-operation from non-HR managers who need to embrace the HR agenda with equal enthusiasm. The contribution of HR to KM is at the high end of value chain as it is primarily to create and sustain a culture that fosters innovation, creativity and learning. In this respect, HR needs to position itself at the high end of being ‘strategically pro-active’ as against the low end of being operationally reactive (Brockbank, 1999). This requires that we treat the HR department neither as cost centre nor as profit centre but as ‘investment centre’.

Through right philosophy and systems, HR can play a leading role in KM, irrespective of whatever perspective on the concept of knowledge (Gourlay, 2001, p.40). The challenge is to secure organisational commitment from knowledge workers to whom their profession comes first. Successful organisations are trying to meet the challenge by creating a learning environment that can quench their thirst for knowledge by building hubs of voluntary co-operation and treating people as 'bundles of potentiality' (Handy, 1997) and not as costs to be reduced or assets to be controlled.

Thanks to the knowledge economy, today HRM is seen to be a key competitive advantage by the senior management and taken seriously in strategic decision making. In fact, it is difficult to practice customer-centric strategic management without first achieving employee satisfaction. There is growing evidence that HR practices influence organisational performance and competitive advantage and those organisations, which deploy good people management practices, reap the benefits (Walker & Stopper, 2000). These practices need to be considered in total, not in isolation. They are interrelated elements in an internally consistent human resource "bundle" or system (Delery & Doty, 1996). The success of strategic HRM in the knowledge economy also depends on its ability to harness the potential hidden in the informal social architecture, including tacit knowledge, co-operation, informal learning, that emerge over a long period of time and are largely unplanned (Mueller, 1996).

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