Managing Human Resources in the Knowledge Economy
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In the management of human resources, knowledge workers have traditionally been viewed as ‘high value added’, as well paid and the ‘elite’ of a workforce. With globalisation and the gradual equalisation of access to technology, this is no longer the case. Knowledge workers exist at all levels of the workforce, from the well paid to the less well paid. Just as globalisation potentially leads to the equalisation of prices for goods and services, so globalisation potentially leads to an equalisation, a convergence, in wages and rates of pay for knowledge workers. Limits of physical mobility, which may have prevented this in the past, are removed by ‘cyber-mobility’. Individuals as much as organisations can have a global presence, working in virtual teams anywhere in the world, regardless of where they live.

Within this type of economy, knowledge management assumes greater importance. Traditionally it has been seen as involving organisational processes and systems (particularly ICT systems). It has been about the management of information and the interface between individuals and that information. However, effective knowledge management is more than that. Effective knowledge management is about managing both people and systems so the information is used. It makes information accessible to individuals and encourages individuals to develop and apply their knowledge for the benefit of the organisation. It is an active transformation of information from something in itself, to something useful, useable and used.

The working definition we have adopted is that:

*Knowledge management is the acquisition and use of resources to create an environment in which information is accessible to individuals and in which individuals acquire, share and use that information to develop their own knowledge and are encouraged and enabled to apply their knowledge for the benefit of the organisation.*
The people dimension implicit in this view emphasises the key role for Human Resource Management (HRM) and Human Resource Development (HRD) in knowledge management.

This working definition also highlights the multidisciplinary approach necessary within organisations committed to knowledge management. It emphasises that successful knowledge management is more than just implementing new technology and new systems. It has to create a culture, an organisational climate, in which the knowledge workers actually want to apply their knowledge for the benefit of the organisation. It has an ethical, social and moral dimension as it speaks of the type of organisational culture necessary for successful knowledge management, a culture in which the sharing of information and knowledge is valued.

The areas of HRM and HRD, in both public and private sector organisations, where we have seen the most impact from approaches based on knowledge management are:

- Recruitment
- Retention and Succession Planning
- Pay and Reward
- Training and Development

The common themes affecting these areas, and the focus for this discussion paper, are the HRM impacts of the knowledge economy arising from changes to:

- ‘Power’ relationships between organisations and individuals
- Communications
- Management Roles
- Values and ethics
- Managing Change and Managing Organisational Culture

‘Power’ relationships

The development of a knowledge based economy gives to knowledge workers the power that arises from the ability to solve the critical contingencies facing an organisation2. This challenges existing power relationships within organisations and is particularly evident in high tech industries, where the contribution of a single individual can significantly impact profits. However it is equally true in public sector organisations, where it is individuals working together, or in teams, rather than processes or systems, that deliver results – and where there is a high level of competition for talented individuals.

This shift in power relationships between the organisation and the individual means that knowledge workers are increasingly able to determine that they are managed in ways acceptable to them. This is a particular challenge in public sector bodies where traditional models of management are designed around rigidly designed and specialised job roles. Far better to see an organisation as composed of a set of knowledge requirements rather than specialised job roles. For HRM activity in
recruitment, this would mean recruiting talent and allowing jobs to develop around the person. It also means ensuring that the recruitment process is focused on the recruit rather than the role. This does not mean that selection procedures should be any the less rigorous. It does mean, in a knowledge environment, the selection procedures need to be acceptable to the potential recruit, reflecting the shift in the balance of power.

The needs of the individual have to be taken into account when success depends on their willing participation and their willingness to share knowledge and share information. Their willingness to do this will, in turn, depend on an alignment between the values of the individual and the values of the organisation. This requires an organisational paradigm based on partnership and common interest.

**Communications**

A particular impact of this is on the demands of staff to understand the wider context in which their work takes place. This wider involvement not only meets the needs of the knowledge workers, but also supports the free flow of ideas and information – creating the synergies that lead to new solutions and creative working. As one public sector Chief Executive Officer stated:

"It's no longer acceptable, or effective, to have people working in the old traditional watertight compartments. We have to recognise, and facilitate the flow of information within the organisation, the sharing of knowledge and experiences".³

The need to share information widely also makes effective communications a strategic priority for managers and for the HRM function. Typical practices in the UK public sector designed to deliver this include:

- Staff Forums – where senior managers meet with staff and explain decisions or communicate policies and strategies in an informal setting.
- Electronic bulletins – weekly updates circulated electronically to all staff
- Traditional printed organisational newsletter and newspapers
- Regular formal meetings with staff representatives at departmental and corporate levels
- Regular briefings cascaded verbally via managers through-out an organisation
- Open access to minutes of meetings/agendas via an intranet
- Pod casts of presentations and speeches by senior managers/political leaders
The emphasis in such approaches is to move away from secretive and ‘need to know’ approaches and to create an open environment. In this environment information flows freely and individuals self-select their level of involvement. An underlying assumption is that knowledge workers are the best equipped to decide what information they need. Managers are not required, or expected, to control or filter the flow of information.

This can be seen as a challenge to the role of the manager – particularly by those managers brought up in traditional, hierarchical public sector organisations. In such organisations their role, and their power, has been based on the control of information and the control of staff. The change in relationship between knowledge workers and the organisation is leading to a paradigm shift for managers – towards a facilitating and coaching role.

This is however, only part of the transition in the management role. In an environment that is heavily dependent on the knowledge of individual workers and where the knowledge and skills of the workers can be greater than that of managers, the transition in the manager role will take another step from coach and facilitator to servant - the manager’s role becomes to help the managed perform. It is this progression that is influencing the approach to HRM in the knowledge environment.

**Management Roles**

Experience indicates that the effective manager in a knowledge environment supports the acquisition and sharing of information and expertise by:

- Encouraging individuals to use their knowledge and expertise
- Facilitating innovation and creativity and encouraging new ideas
- Representing the interests of the team/individuals to the organisation
• Supporting the work of teams, both physical and virtual.

In this context, the management of virtual teams forces a less controlling approach to the management task. It emphasises skills such as project management, prioritising and planning, setting objectives, monitoring outcomes. An example of this was a public sector body involved in regulatory activities. The research arm of the organisation employed four managers who, between them, were running projects involving some 400 people. However these teams were composed of people from a number of different organisations – university research departments, private sector companies and other public bodies across national boundaries. The managers had clear targets and deliverables, but no direct control over the people engaged on the project. The use of web-based technology meant that the teams worked as virtual teams. The managers had to deliver results without the traditional tools of ‘command and control’. Motivation was based on the intrinsic motivation in the work and the role of the managers was to facilitate, not direct.

This example also points to another feature of HRM in the knowledge environment, which is the fluidity of organisational boundaries. Working together towards an outcome does not mean working for the same organisation. Within local government, in the UK, this is recognised in the creation of local strategic partnerships. These partnerships bring together different agencies and groups to develop an integrated approach to delivering outcomes for local communities. They share information, knowledge and resources across organisational boundaries.

Working in such a way involves fostering innovation and creativity towards a common end. For HRM in organisations this commonly involves:

• Encouraging collaboration
• Making ideas accessible
• Exploring (and resolving) conflicts
• Encouraging dialogue
• Encouraging a sense of community, common interest and trust.

When working in such a way it can also involve, at an individual level, suspending judgement on occasion and being tolerant of different viewpoints

For managers to succeed in this type of environment, HRD activities need to encourage and equip them to:

• Challenge their own assumptions
• Understand how their actions can help or hinder creativity and innovation
• Learn to trust, accept (and productively manage) ‘maverick’ behaviour
• Structure work to maximise learning opportunities
• Accept that some mistakes will occur
• Coach and Mentor others as an intrinsic part of the job
• Redefine problems as learning opportunities
• Recognise and reward innovative contributions

For managers this involves understanding individuals and teams and having a willingness to be open to new ideas and development. For the organisational HRM
policies, it means recognising and accepting that there is a need to achieve a balance between the interests of individuals and the organisation.

**Values and Ethics**

For individuals to actively contribute in a knowledge environment the balance in HRM policies and practices needs to have an ethical basis that can be recognised and accepted. This is more clearly seen in situations of knowledge transfer, for example collaborative projects, mergers and acquisitions and, at national level, the transfer of skilled workers from one country to another. In a knowledge transfer, knowledge workers are being asked to pass on their knowledge to others or facilitate the organisation in encapsulating and encoding what they know. This can be a threatening exercise for the individual if their value is based on what they know.

In examples we have looked at, cooperation was more readily obtained where there was an ethical framework based on recognising the mutuality of interest. Three principles that we found to be common in successful knowledge transfers were; reciprocity (a mutuality of benefit for the individual and the organisation, whether economic, social, developmental etc.), recognition (that is an acknowledgement that there is shared ownership of the knowledge, between the individual, the organisation and wider society), utilisation (that the result of the knowledge transfer will be a wider sharing and use of the knowledge).

It is no accident that this model involves the concept of the social ownership of knowledge. The knowledge that transfers does not just belong to the individual, or to the organisation that pays their wages, but to society as well – as it is society that has invested in the infrastructure. It has provided the education and development of the individual and the framework within which both the individual and the organisation exist and operate. Incorporating the idea of the social ownership of knowledge in knowledge transfer becomes particularly relevant when considering the legitimacy of transferring knowledge workers between nations. A current example is the involvement of HR in the overseas recruitment of key public sector workers to the UK.

**Culture and Change**

The working definition of knowledge management given in this paper has profound implications for organisational culture. It is the culture that helps bridge the gap between the provision of technology and information and its effective use, for the benefit...
of the organisation, by individual knowledge workers. Experience indicates that a culture conducive to knowledge management is one that values:

- Networking and broad contacts externally and internally
- Respect for individuals
- Creativity and innovation
- Trust
- Sharing of ideas and information
- Sound underlying systems and procedures
- Continuous learning and development

When engaged in culture transformation, making an organisation fit for the knowledge economy, it is usual to invest heavily in the systems and processes. We will all be familiar with examples of major IT investments and business process re-engineering. We will be equally familiar with how often such projects disappoint. This is not simply a question of over ambition, or the complexities of scale – projects successfully implemented from the technical perspective can still disappoint in terms of delivered outcomes. A challenge in any such project is to effectively manage the culture of the organisation. To align that culture with what is required in the knowledge economy. This is not to say that there is not significant investment in ‘culture change’ programmes – there often is. Typically this involves considerable expenditure in workshops and training sessions, away days and special events. Generally they involve rolling-out within the organisation a model of the desired culture, accompanied by a statement of corporate values. However, without understanding an organisation’s existing culture such programmes are less likely to succeed. Understanding an existing culture involves understanding what creates it, what drives it, what reinforces it. Where change programmes do not succeed, the technology driven changes will also often fail to deliver the promised benefits.

It is generally not the absence of ability or skills that feeds such failure. In cases observed there has, if anything, been a surfeit of skills. Rather it is an over emphasis on the vision with little regard to the past that has lead to the present. An inability to encourage contrary viewpoints and dissenting opinions, an inability to manage diversity in its broader sense. There is an old saying in management about ‘not rocking the boat’ – but if a boat is not rocking it’s not going anywhere. Real boats rock.

Where such change programmes are more successful, there is usually observable evidence of conscious working with the existing culture. The change is based on understanding and building on those values inherent within the existing culture that are conducive to effective knowledge management. This approach can be just as far reaching in delivering change, but is subtler and is more likely to be acceptable to knowledge workers. Building a culture for knowledge management through this approach still require changes to systems and processes. It still requires changes to the ways of doing things. To the HRM polices and activities which transmit the organisational culture to new employees and reinforce the organisational culture with existing employees. What this approach does not involve, is trying wholesale to replace the existing culture. Importing a new culture and a new way of doing things with no regard to what already exists. The more successful change programmes align
new values with old, the new culture with the old culture. They do not seek to confront the old culture head-on but rather work with and through it.

**Conclusion**

Knowledge management, from the HRM perspective, is more than just the management of information systems, more than just the management of the interface between people and those systems. Effective knowledge management facilitates the acquisition of knowledge by individuals. It encourages them to apply their knowledge for the benefit of the organisation so that competitive advantage and service excellence are achieved.

In this context, the direction of travel for HRM is towards policies that respect and recognise the requirements of knowledge workers as individuals. HRD activities that support the changing management role and promote an understanding of organisational culture. Typically, HRM attempts to meet the expectations of knowledge workers through policies designed to facilitate differing 'lifestyle choices', through actively articulating the organisational values, supporting involvement and respecting diversity. Success will be seen in creating a culture that supports the sharing of knowledge and information, creates fluid organisational boundaries and focuses, in the public sector, on bringing resources together creatively to deliver social outcomes.

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1 “Knowledge Management and The Role of HR”, Harman & Brelade, Financial Times Prentice Hall  
2 ISBN: 0 273 64456 4  
3 For discussions of power in organisations of the work of Argyris, C., Schon, D e.g. “Organizational Learning: A Theory of Action and Perspective” Addison-Wesley,  
4 “Doing the Right Thing in a Knowledge Transfer”, Harman and Brelade, Knowledge Management Review Vol. 6 Issue 1 (Melcrum Publishing)