



## Knowledge Economy: HRM From A Reactor To A Catalyst.

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### ABSTRACT

*Human resource management (HRM) has over recent years been exhorted to demonstrate its position as a strategic partner to executive management: this promise has been only partially realized. A knowledge economy encompasses capabilities of people than those of machines. It centers on Human capital. In this new environment, a human resource management has to step out of the traditional mantle and assume new and dynamic role of managing capabilities that people create and relationships that people must develop. In this paper, we explore the role of HRM in this new perspective of knowledge economy. Acting as a catalyst in making firms gung ho through transition in HRM functions is proposed as the new role for HRM. The paper aims to propose a model where in the role of HRM as a proactive function shall be apparent.*

**Keywords : HRM, catalyst, knowledge economy**

### Preamble

*Knowledge Economy is a system of consumption and production that is based on intellectual capital. The knowledge economy commonly makes up a large share of all economic activity in developed countries. In a knowledge economy, a significant part of a company's value may consist of intangible assets, such as the value of its workers' knowledge (intellectual capital).*

Knowledge is increasingly claimed to be a key critical resource and source of competitive advantage in the modern global economy, especially with the rise of the service economy, the growth in the number of 'knowledge workers', the increasingly rapid flow of global information, and the growing recognition of the importance of intellectual capital and intellectual property rights. In this era of knowledge economy intellectual capital is the key competitive advantage and so people management should naturally become an integral part of corporate strategy and a key responsibility of all managers. However, issues related IT has time and again found top priority in organization agendas and people issues continue to be neglected. The blame however is of the HR practitioners who have been sluggish in seizing the moment and making the mark (Storey and Quintas, 2001).

The paper we present aspires to throw light on the concept of knowledge economy and how this knowledge economy accelerates the working of an organization in the dynamic world of business. With the coming in of knowledge economy, HRM, a function related generally with the functionalities of routine work, then becomes a strategic one. The paper presented elucidates the role of HR as a catalyst in making an organization competitive in the new economy.

### Review of literature

Thomas A. Kochan, (2004) in his paper encompasses that quest for greater acceptance and influence with top management has gone too far and accounts for some of the inability of the HR profession to discipline top management

excesses that produced the corporate scandals, runaway CEO compensation, and the overall breakdown in trust in corporations.

The central factor in HRD is the human resources or the human capital in an organisation. They are viewed as the driving force for the success of organisations because of their skills, competencies, knowledge and experience (Becker, 1975; Schmidt & Lines, 2002; Harrison & Kessels, 2004).

Moreover, it has been suggested that for organisations to compete successfully in a global economy, it is important to hire sufficiently educated and skilled employees and provide them with lifelong learning (Nadler & Wiggs, 1986; Chalofsky & Reinhart, 1988; Nadler & Nadler, 1989)

Given that the competitive advantage of an organisation resides in the abilities of its employees, knowledge workers and the capacity they contribute are fundamental to success. Peter Drucker introduced the terms 'knowledge work' and 'knowledge worker' in the early 1960's (Drucker 1993). However, what would have then been described as a rare type of work is now increasing in prevalence and economic significance (Andrews and Delahaye 2000).

### Objectives:

The aim of the paper is to explore the knowledge economy and the management of knowledge from an HRM perspective. Commanding a central position in realising value from knowledge assets is proposed as a strategic role for HRM. This involves more than just relabeling Human Resources - it is a fundamental paradigmatic shift for HRM

### Research Methodology

The paper is a result of an ample literature review that tracks the substance of leadership roadblocks in virtual teams. The study is conceptual in nature where past researches and text data are used to validate the concepts and embark upon its importance. Various journals and books are used as support system for the analysis of the paper. Observational analysis is used as a tool for data analysis.

**Discussions**

Need of the hour: Transition of HR from a reactor to a catalyst  
 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).

The functional areas of HR that need to be redefined in the era of knowledge economy are described as under:

**A: Managing People Dimension**

Today, the central role of individual and organisational capabilities is significantly amplified with the advent of the knowledge economy. Commanding a central role in realising value from knowledge assets is proposed as the new strategic role for HRM.

1. Recruitment and selection: The aim of recruitment and selection in the knowledge economy should be to source high calibre talent possessing a range of skills and capabilities related to the strategic knowledge areas. A key challenge is selecting employees who are capable of contributing to the organisation in a variety of ways now and in the future, rather than simply filling the current vacancy.

2. Training and development: The necessity of life long learning seems especially important for knowledge-intensive service firms because the use of their service depends mainly on the human talent, knowledge and expertise of organizations members. It helps them provide high quality services and more innovative products to their clients. (Burke 1995).

**B: The knowing-learning-doing nexus**

Knowledge workers identify and solve challenging and complex problems, relying on imagination and creativity and high levels of education and skills. Importantly, they move beyond applying existing codified knowledge to working with inferences from the body of knowledge (Lockett and Legge 1993).

**C: Building an intellectual capital**

Knowledge in organizations is considered to become an increasingly important source of value creation and competitive advantage for them. Especially knowledge-intensive organizations depend upon the generation, utilization and uniqueness of their knowledge base (Donaldson 2001). The new HRM as human capital steward must recognise the value of intellectual capital, must ensure that human capital is available, effective and that it will grow in value; this means brokering the services of knowledge workers.

1. Focus on Head contents: As compared to traditional firms knowledge intensive firms must employ people with higher education, and should enhance their ability to attract, mobilize, develop and transform the knowledge.

2. Building Core Competencies: there is a need for HR professionals to identify and channel intellectual capital toward the development of a concise set of core competencies, strengths and capabilities.

**D: Developing a Knowledge pull**

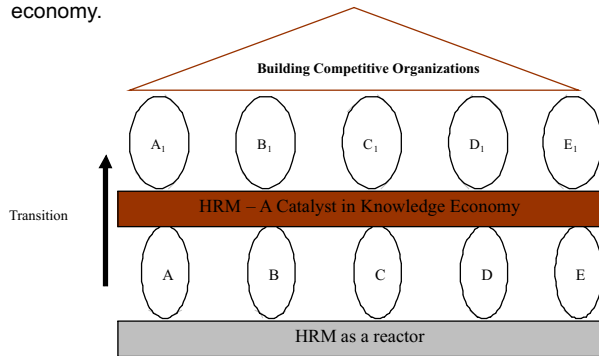
Knowledge itself is not of any value to an organization unless these contextual aspects are clearly understood. Much of the

knowledge, both tacit and explicit remains largely untapped in most organizations; without a thorough understanding of context, it will not be possible for HRM or KM to support the development of management and leadership capabilities to support innovation and creativity.

**E: Managing Knowledge risk**

We propose that HRM must respond to the key challenges presented by the knowledge economy and command a central position in realising value from knowledge assets as a strategic role for HRM.

The model below is a diagrammatic representation of how the functions of HR need transition in the current knowledge economy.



A: Routine HR work

A1: Managing People Dimension

B: The telling- doing attitude

B1: The knowing-learning-doing nexus

C: Treating employees as cost centers

C1: Building an intellectual capital

D: Untapped knowledge

D1: Developing Knowledge pull

E: Knowledge is employee centric

E1: Managing Knowledge risk

**Conclusion**

In the knowledge economy, human resource management faces new challenges set by the new business environment. It requires new ways of thinking and acting, new policies and practices, new technologies and new job requirements. The growing importance of knowledge influences the functions of HRM. The aim of this paper was to elucidate the changing role of HR in knowledge economy. Focus was on human resource functions, which are relevant from the perspective of knowledge economy and need a metamorphosis for a better organization. It is clear that HR has a critical role to play in the knowledge economy in creating people centric partnership. In the current scenario of knowledge economy we need to 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).

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