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THE ROLE OF HUMAN RESOURCE MANAGEMENT AND THE HUMAN RESOURCE PROFESSIONAL IN THE NEW ECONOMY

by

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Dedicated to my family,

for all their support and

understanding, and for

always believing in me.

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SUMMARY

The world economy is currently dominated by information- and communication technology, and has consequently become increasingly competitive and globalised. The changing economy also impacts on our living and working environment.

A qualitative approach to research was followed in examining the implications of the changing economy on the field of human resource management, with the objective of developing a model for describing the role of human resource management in the new economy. The qualitative analysis focussed on the most recent publications in this regard and it is apparent that the changing economy has a direct and definite influence on the role of human resource management in organisations. All human resource management practices will have to change dramatically to answer to the demands of the new economy. Important concepts relating to the new economy and included in the model are intellectual capital, human capital, knowledge management, the internet, e-commerce and globalisation.

Whereas the competitive advantage for organisations in the old economy centred on financial capital and technology, the emerging economy necessitates an emphasis on investment in human capital, knowledge, and the commitment and enthusiasm of the employees. The focus in the business world has shifted from physical assets to knowledge and information, i.e. intellectual capital. The effective management of human and intellectual capital poses new challenges in the organisation for leadership and managerial capabilities.

The model that has been developed to describe the role of human resource management in the new economy focusses on the integration of intellectual and human capital and information management in the human resource strategy of the organisation. The content validity of the model was determined according to Lawshe's technique, using an evaluation panel. The panel consisted of eleven individuals, all with a sound knowledge of the new economy as well as the field of human resource management. Four panel members have Doctorate degrees and seven have Masters degrees in Human Resource Management. A total content-validity index of 0,89 was obtained, indicating that the model is acceptable and valid.

The model emphasises the fact that the human resource management function in an organisation has to utilize the drivers of the new economy, i.e. internet, globalisation and e-commerce. The model also indicates how these aspects are to be utilised in the human resource practices of selection, placement, training and development of human potential. In the last instance the model focusses on the implementation of a people-oriented strategy that will address the effective management of intellectual capital, human capital and information managmenet.

Samevatting

Die wêreldekonomie word tans oorheers deur inligting- en kommunikasietegnologie. Die gevolg hiervan is dat dit meer kompeterend en meer globaal geword het. Hierdie veranderende ekonomie het ons lewens- en werkwêreld ook ingrypend verander.

In die ondersoek na die implikasies van die veranderende ekonomie op menslike hulpbronbestuur is 'n kwalitatiewe navorsingsbenadering gevolg. Hierdie benadering het ten doel gehad om 'n model te ontwikkel oor die implikasies van die nuwe ekonomie op sekere fasette van menslike hulpbronbestuur. Die kwalitatiewe analise het gefokus op die nuutste literatuur in hierdie verband. Uit die literatuur is dit duidelik dat die beweging vanaf die ou na die nuwe ekonomie 'n direkte impak het op die rol van menslike hulpbronbestuur in organisasies. Alle menslike hulpbronbestuur-praktyke sal ingypend moet verander om aan te pas by die eise wat die nuwe ekonomie stel. Belangrike aspekte van die nuwe ekonomie wat in die model verreken moet word is intellektuele kapitaal, menslike kapitaal, kennisbestuur, die internet, e-handel en globalisasie.

Binne die ou ekonomie is die kompeterende voordeel van organisasies gebou om tegnologie en finansiele kapitaal. Binne die nuwe ekonomie moet dit gebou word op menslike potensiaal, kennis, toewyding en entoesiasme van die werknemers. Die fokus het dus verskuif van fisiese bates na kennis en inligting, d.w.s. na intellektuele bates. Leiers in organisasies moet nuwe vaardighede bemeester om menslike en intellektuele kapitaal effektief te bestuur

Die model wat ontwikkel is om die rol van menslike hulpbronbestuur in die nuwe ekonomie te beskryf fokus gevolglik op die integrasie van intellektuele en menslike kapitaal en kennisbestuur in die menslike hulpbronstrategie van die organisasie. Lawshe se tegniek is gebruik om die inhoudsgeldigheid van hierdie model te bepaal deur gebruik te maak van 'n evaluasie-paneel. Hierdie paneel het uit elf individue bestaan wat 'n grondige kennis het van die nuwe ekonomie sowel as die menslike hulpbronbestuursveld. Vier van hierdie paneel het doktorsgrade en sewe het meestersgrade in menslike hulpbronbestuur. Uit die beoordelings is 'n inhoudsgeldigheids-indeks van 0,89 verkry, wat beteken dat die totale model aanvaarbaar en geldig is.

Die model beklemtoon die feit dat die menslike hulpbronbestuur-funksie in 'n organisasie gebruik moet maak van die drywers van die nuwe ekonomie, nl. die internet, globalisasie en e-handel. Die model beklemtoon verder hoe laasgenoemde aspekte veral aangewend kan word in die menslike hulpbronbestuur-praktyke van seleksie, plasing en mensekrag-ontwikkeling.

Laastens fokus die model op die implementering van 'n mens-gesentreerde strategie waardeur die effektiewe bestuur van intellektuele kapitaal, menslike kapitaal en kennisbestuur aangespreek kan word.

Chapter 1
Introduction

The purpose of this study is to develop a model defining the role of human resource management in the new economy. To do this it is necessary to discuss the shift in focus from personnel management to human resource management as companies move from the old economy to the new economy. This chapter defines the concepts of human resource management and personnel management, identifies the similarities and differences, and discusses the characteristics of these two concepts. The concepts of the existing and the new economy are also discussed.

This introduction provides background information on personnel management, human resource management, the existing economy, and the new economy. The shift in focus from personnel management to human resource management, and from the old economy to the new economy will be discussed. The aim is to determine what changes need to be made to the existing functions of human resource management and ultimately, to define the role of human resource management within the new economy. This chapter thus provides a tentative framework for the role of human resource management in the new economy.

1.1 Personnel management and human resource management

According to Gunnigle *et al* (1997: 1), people are the lifeblood of organizations. A company's workforce represents one of its most potent and valuable resources. Consequently, the extent to which a workforce is managed effectively is a critical element in improving and sustaining organizational performance. Managing people is one of the most difficult aspects of organizational management: it means dealing with people who differ physically and psychologically. The essence of personnel management is that aspect of organizational management concerned with the management of an organization's workforce.

According to Gunnigle *et al* (1997: 9), the core activities of personnel management include:

1. **Strategy and organization:** contributing to organizational strategy, organization structure and processes; influencing culture and values, and developing personnel strategies and policies.
2. **Employee resourcing:** incorporating human resource planning, recruitment, and selection; deployment and termination of employment.
3. **Employee development:** incorporating training and development, management development, career development, and performance management.
4. **Reward management:** incorporating the selection of reward strategies and the administration of payment and benefit systems.
5. **Employee relations:** incorporating industrial relations, employee involvement and participation, communications, health, safety and welfare, and employee services.
6. **Employment and personnel administration:** incorporating the administration of employee records, employment policies and practices, working conditions, and personnel information systems.

The Industrial Revolution profoundly changed the nature of work, much as information technology is doing now. A century later, the Scientific Revolution in management started looking at the problems that had been caused during the Industrial Revolution, and tried to find solutions. In the early 20th century, disciplines spanning a diverse range from engineering to psychology looked at the question of managing people in the workplace. The origins of the disciplines we now call personnel management and human resource management are found here, as are the prototype arguments for the existence of human capital (http://www.thoemmes.com/economics/hrman.htm).

Along with the Thatcherite era and an emphasis away from collective bargaining, a reduction in bureaucracy and a move from the collective to the individual, a new void in the personnel function needed to be filled. Human resource management emerged as a *practised* personnel function, promising flexibility, responsiveness and a marked increase in the value of the employee. Furthermore, with the reduction in heavy industries and an increase in services and high technology, human resource management promised to put emphasis on the individual and the longer-term strategic issues.

The push towards this seemingly ideological approach to personnel management increased in the late eighties. The causes were increasing competitive pressures, increased globalisation and a generally harsher business environment. These factors caused managers to want to enhance internal corporate effectiveness and thus improve competitiveness. Managers wanted to maximize the efficiency of all resources, including the human resource (http://www.gabbai.f2s.com/Management/HRM/British_HRM. html).

Human resource management can be defined as that part of management concerned with:

- all the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization;
- all the dimensions related to people in their employment relationships, and all the dynamics that flow from it; and
- adding value to the delivery of goods and services and to the quality of work life for employees, hereby helping to ensure continuous organizational success in transformative environments (www.hrsgb.org.za/HR_scope_and_definition.html).

According to Dickson (1998), human resource management combines administration with the management of resources. Integration is therefore one of the key features of human resource management. The first role played by human resource management is the same as that of personnel management: being a *support system*. It can provide guidance and supervision for people management in the workplace. The second role is that of *human resourcing*. This means that it will include necessary tasks such as training, development, recruitment and planning. The next role is *strategic management*, playing an important part within the corporate strategy. Strategic human resource management is a key part of the decision-making cycle.

The organizational context in which human resource management finds itself currently is one of rapid change and considerable uncertainty. Human resource management is also in the process of change with regard to the nature of the role performed. In the past, human resource management professionals performed many functions themselves. The role they are taking on now is one of consultant to line management, where line managers perform many of the functions traditionally handled by human resource management professionals. Similarly, the trend is for businesses to shed all functions not directly related to core business. In the process, many human resource management functions are being outsourced, hence the change in the nature of services provided (www.hrsgb.org.za/HR_scope_and_definition.html).

When discussing the subject of human resources, there are many terms that look similar, but have different meanings. One example of this is human resource management and personnel management. It would be easy to presume that these two terms have the same meaning, but this is not the case. The differences between human resource management and personnel management are simple enough, but are capable of causing confusion if ignored. First of all, human resource management is a proactive approach. By planning for any problems, these problems can be avoided. Personnel management, on the other hand, is a reactive approach that only deals with problems as they arise. The two approaches also have different functions. Human resource management is more concerned with training and development, while personnel management is a form of support system.

The recent emphasis among practitioners and academics on "people" (and people management systems) as a source of competitive advantage has focused increasing interest on the science and practice of human resource management. It would appear that the field of human resource management is "coming of age" in the new millennium. While the empirical literature has consistently found that more effective human resource management is associated with superior financial performance, a clearer understanding of *how* these processes operate and subsequently, *how* firms might actually manage their people to help provide a source of competitive advantage is missing (http://www.rci.rutgers.edu/~globalhr/fac.htm).

When human resource management is contrasted with more traditional personnel management a number of key differences emerge. Firstly, personnel management considerations are fully integrated with strategic decision-making in the human resource management model, whereas in the traditional model, the personnel contribution is less pronounced and issue specific. A second contrast is that human resource management is seen as essentially proactive and long-term, while the traditional personnel management approach is more reactive and adopts a shorter-term perspective. As to the desired mode of psychological contact, human resource management facilitates employee commitment, while the personnel management model is a mode of managerial control over employees. A specific contrast in the employee relations sphere is that human resource management is seen as essentially unitary, involving no apparent conflict of interest between employers and employees. In contrast, personnel management is seen as grounded in the pluralist tradition and essentially concerned with managing the adversarial relationship between employers and workers. Another area of contrast is that human resource management operates most effectively in organic, fluid organizational structures, while personnel management is felt to characterize more bureaucratic and rigid structures. human resource management is essentially focused on maximizing the contribution of human resources to organizational effectiveness. In contrast, personnel management has more pragmatic objectives: the maximization of cost-effectiveness (Walton as quoted in Gunnigle *et al*, 1997: 43).

By comparing human resource management with personnel management, we see that human resource management is the achievement of a fit between management of the workforce and the strategic thrust of the organization. Harris (1984) reinforces this notion:

> *"Successful companies guide and shape their company's culture to fit their strategy. One of the tools used to accomplish this shaping is the reinforcing of certain ideas, values and behaviours and discouraging others by means of human resource management activities."*

Personnel management is seen as a short-term solution. Human resource management, however, is founded on the idea that an organization includes human resource factors within top-level corporate strategies and hence seeks to adopt a long-term view (http://www.gabbai.f2s.com/Management/HRM/British_HRM.html).

Now that the concepts of personnel management and human resource management have been clarified, it is necessary to discuss the environments and economies in which these two concepts have functioned and will need to function in the future.

1.2 The old economy versus the new economy

According to Kelly (1998: 1), no one can escape the transforming fire of machines. Technology, which once progressed at the periphery of culture, now engulfs our minds as well as our lives. One by one, each of the things that we care about in life is touched by science and then altered. Human expression, thought, communication, and even human life have been infiltrated by high technology. But while the fast-forward technological revolution gets all the headlines these days, something much larger is slowly turning beneath it. Steadily driving the gyrating cycles of cool technogadgets and gotta-haves is an emerging new economic order. Our tools are reshaping the geography of wealth. We now live in a new economy created by shrinking computers and expanding communications.

The world has never before seen such rapid technological changes as can now be seen in the computer and telecommunications industries. One estimate is that technological changes are coming so fast that a person may have to change his or her entire skill repertoire three or four times in a career. The advances being made affect every area of business, including human resource management (Mondy and Huberman, 1999: 15).

On December 23, 1947, the Digital Revolution was born. It happened when two Bell Laboratory scientists demonstrated a tiny contraption they had concocted from some strips of gold foil, a chip of semi-conducting material and a bent paper clip. As their colleagues watched, they showed how this contraption, which was dubbed a transistor, could take an electric current, amplify it and switch it on and off (Isaacson, December 1997).

The Digital Revolution is now transforming the end of the 20th century the way the Industrial Revolution transformed the end of the 19th century. In 1997, the microchip became the dynamo of a new economy.

The microchip has become, like the steam engine, electricity and the assembly line, an advance that propels a new economy. Its impact on growth and productivity is still a matter of dispute, but not its impact on the way we work and live (Isaacson, December 1997).

This new economy has several features:

- It consists of dispersed global workforces, with increasing proliferation of skills.
- It is a world of higher speed and technology in which innovation drives change.
- It creates abundant business opportunities (www.gbn.org/public/gbnstory/scenarios/columns/june2000column.htm).
- It is networked.
- It is based on information. In today's knowledge-based economy, intellectual capital drives the value of products.
- It decentralizes power. Technology becomes a force for democracy and individual empowerment. The symbol of the Information Age is the Internet, with countless centres of power all equally networked.
- It rewards openness. A networked world facilitates free minds, free markets and free trade.
- It is specialised. The old economy was geared to mass production, mass marketing and mass media. Now products can be individualized (Isaacson, December 1997).

The changes surrounding us are not mere trends but the workings of large, unruly forces: globalization, which has opened enormous new markets and, a necessary corollary, enormous numbers of new competitors; the spread of information technology and the growth of computer networks; the dismantling of the corporate hierarchy and the politically charged downsizing and job disruption that accompany it.

Growing up around these changes is a new Information Age economy, whose fundamental sources of wealth is knowledge and communication rather than natural resources and physical labour. Reigning over it is a new generation of tycoons, billionaires not by dint of the oil they pump or the steel they forge, but by virtue of a product or a service that may have no physical reality (Stewart, 1998: 6).

The new economy is moving away from being asset-intensive toward becoming more knowledge-intensive. The focus is thus moving from providing products to providing services. As most organizations have access to the Internet and the latest technology, the people within the organization provide the competitive advantage, not the products or the technology. In the new economy, people are an organization's greatest asset. It is the role of human resource management and the human resource professionals to nurture this asset.

According to Gratton (2000: 3) the new sources of sustainable competitive advantage in the new economy have people at the centre – their creativity and talent, their inspirations and hopes, their dreams and excitement. The companies that flourish in this decade will do so because they are able to provide meaning and purpose, a context and frame that encourage individual potential to flourish and grow. Thus, human resource management has an important and essential role to play in organizations in the new economy. To fulfil this role, organizations will need to evaluate their existing human resource functions and adapt them to suit the needs of the new economy and individuals working in organizations in the new economy.

1.3 Purpose

The purpose of this study is to develop a model defining the role of human resource management in the new economy, with emphasis on the functions of selection, recruitment, training and development.

1.4 Methodology

A qualitative data analysis process was used to classify the data pertaining to the new economy and the role of human resource management within it. The data was derived from the literature study and also used in the formation of the model.

The model was distributed to eleven individuals, of whom four have Doctorate degrees and seven have Masters degrees. All of these individuals are professionals working either in the academic or practical fields of human resource management. Therefore, their responses to the model have value. Lawshe's technique was used to determine the validity of statements.

The end result of this study was the creation of a model defining the role of human resource management within the new economy.

1.5 Conclusion

The emphasis of this chapter was the concepts of human resource management, personnel management, the existing economy and the new economy. This provides a framework for the discussion of the role of human resource management in the new economy.

It is clear that the world in which we work and live is going to change radically. The focus will be on information, knowledge and communication and thus intellectual and human capital. Knowledge management will play an essential role in the new economy, just as physical assets played an important role in the old economy. These changes and the changing focus from physical assets to intellectual assets will have a direct impact on the role of human resource management.

Personnel management played a vital role in organizations in the old economy and has slowly been developing into human resource management. This chapter has looked at the similarities and differences between these two concepts. It is clear that personnel management forms the basis of human resource management. Human resource management does not replace personnel management; it is merely a revised version, changing as the environment and needs of organizations change.

The new economy may be different from the existing economy in many ways, but it is also not entirely new. It is built on the previous economy and incorporates new ways of thinking and doing. The new economy is clearly driven by knowledge, information, communication, and intellectual assets and as such consists of knowledge workers, intellectual capital and human capital. The drivers of the new economy are the Internet, e-commerce and globalisation. Organizations should use these drivers to achieve and maintain a competitive advantage in the new economy.

The following chapter discusses the new paradigm, in which people are placed at the centre of corporate strategy. The concepts of a living strategy, people-centred management, human and intellectual capital, and knowledge management are discussed. Chapter 3 discusses the new economy with emphasis on the tools and drivers that should be used to achieve and maintain a competitive advantage in the new economy. Chapter 4 clarifies the research methodology used in this study. Each chapter deals with specific characteristics and aspects relating to human resource management and the new economy, and are discussed specifically as they relate to the objective of this study. The model, defining the role of human resource management in the new economy, is derived from the literature review and qualitative analysis of the theory discussed in chapters 2 and 3. In chapter 5, the model defining the role of human resource management and the human resource professional in the new economy is discussed.

Chapter 2 Human resource management – the new paradigm

2.1 Introduction

With the existence of the Digital Revolution and the rise of the Information Age the focus of organizations are changing from physical to intellectual. The key aspects of the new economy are access to knowledge, skills and technology. To achieve a competitive advantage in the new economy it is important that organizations focus on their intellectual assets, namely people.

The discussion in this chapter is about the importance of putting people at the heart of corporate purpose. To do this, organizations must develop a people-centred management approach and change their existing strategy into a living strategy. This chapter will discuss the principles related to people-centred management and the living strategy, and the steps to be taken to create and implement these two concepts.

Putting people at the heart of corporate purpose means that building human potential demands a new agenda, a new set of challenges for leaders, and a redefined set of managerial capabilities. At the heart of this new agenda are the aspects of human capital, intellectual capital, and knowledge management. These concepts will be discussed specifically as they relate to achieving the objective of the study, namely to develop a model defining the role of human resource management in the new economy.

2.2 Background

Many of us work in businesses that were born when financial capital was king, access to the financial markets was restricted and success came from this rare financial resource. Alternatively, we are part of organizations stamped by technology that has created the patents, ideas and innovations that brought success. This heritage is shown in the jobs we value, the way we develop our highest potential people, what we measure and how we reward success. But while this past has been essential to our success, it will not bring sustainable competitive advantage for the future. To achieve sustainable competitive advantage, we have to build the potential of people in organizations, the knowledge they bring, and their commitment and enthusiasm (Gratton, 2000).

In our rapidly coalescing global economy, with trade barriers falling and competition worldwide, concern is rising in each nation of the world about its ability to compete. Successful competition means that human ability and performance must be at their peak (Moore-Ede, 1993: 185).

An important emerging theme in the human resource management literature is a desire to address the dilemmas in workforce management. This is reflected in a shift away from the tendency to prescribe how to manage employees to an approach that takes a more contingent view of the human resource management practices considered suitable for particular organizations. The key contingency affecting a company's workforce practices is its business strategy (Gunnigle, 1997: 25).

According to Gunnigle (1997: 26, 28), strategic management is concerned with long-term policy decisions affecting the entire organization and involving major decisions on resource allocation. The overall objective is to position the organization to deal effectively with its environment. A key factor influencing the upsurge of interest in linking business strategies and human resource policies is the quest for a competitive advantage. Competitive advantage can be described as any factors that allow a company to differentiate its product or service from its competitors to increase market share.

Financial capital brought competitive advantage in the last century, because it was a relatively scarce commodity. But financial capital is no longer scarce, and technology can easily be imitated. These resources continue to bring advantage, but they are no longer capable of sustaining this advantage. In this decade, only people can sustain the competitive advantage of a company. This is because people potentially have three aspects that can bring sustainable advantage: the ability to create rarity, value and inimitability (Gratton, 2000: 9-11).

2.3 The living strategy and people-centred management

Companies will set themselves apart in the 21st century by how well they optimize the human-centredness of their technology. The slogan 'Our people are our most important asset' will take on a deeper meaning, for it is the alertness and performance of an organization's people that determines how effectively the organization uses all its other resources (Moore-Ede, 1993: 191).

An important issue in today's global business environment is staff retention. Without staff, integrated well into the company and contributing their maximum effort, success is short-term. Problems, particularly with personnel, have knock-on effects causing problems with training, planning and strategic decision-making. It makes sense, therefore, to carefully consider why people leave companies and why they stay. When set in a global context, this becomes even more complex and a multicultural approach has to be put in place. This has to be done not just with company profits in mind, but with the interests of the individual who comprises this valuable workforce carefully addressed. Respect for people has to be genuine and not just another human resources exercise designed as a cosmetic gloss on driving human endeavour further.

Person-centred management is a way of leading others that takes the individual's needs and aspirations into consideration, within the context of long-term benefit to the company. It offers managers and employees alike the opportunity to create an organizational environment where the full contribution of each member of the group is allowed, encouraged and supported. In essence, people-centred management provides the organization with a natural capability to tap into the hidden potential of all employees and enables the organization to create a new culture of excellence (Browne, 2000: 57, 58, 171).

2.3.1 The key elements to creating a living strategy

According to Gratton (2000), there are three key elements to creating a living strategy, namely a vision of the business, an understanding of current capability and a cluster of people process levers.

A vision of the business

The first element, a collective understanding and vision of what the organization is capable of achieving (expressed as short-term goals and a long-term vision), gives energy to the system. This collective understanding and vision has the potential to create a focal point for activity that is engaging and inspirational. At the heart of this is a wide group of people who have shared their view of the future and arrived at a common understanding of what the future could be. The energy and inspiration of these goals and visions drive the whole system.

Browne (2000: 93) says that creating a vision for an organization is highly creative. While it requires participants to have experience and knowledge about their organization and business trends, visioning itself requires imagination. Visioning asks participants to see the future, to see the invisible. Visioning requires people to suspend reliance on logic and rational thinking and to imagine and then create a desired future state of their organization.

An understanding of current capability

The short-term business goals and long-term vision create a broad strategic agenda and an understanding of where the organization should be heading. To make these goals a reality, there must be a more clearly defined awareness of what has to be achieved. The pathway of action comes from the second element, the gap analysis, which creates a deep understanding of the gap between current capability and the desired state. The extent of the gap is the basis for a shared understanding of what needs to be achieved.

A cluster of people process levers

For most organizations there is a dominant short-term cycle, which follows the annual cycle of business planning. This short-term cycle focuses on the rapid realignment of the business as the needs and aspirations of the business change. The energy of the short-term cycle comes from a collective agreement about the goals of the business, and an understanding of the capability of the business to deliver. Organizational capabilities and resources include the skills and motivation of the individual members of the organization, and the capability of the organization to deliver to the short-term business goals. From this understanding comes the short-term people strategy, which focuses on those short-term actions that will be necessary to fine-tune the delivery of the goals.

2.3.2 The process levers

According to Gratton (2000), there are five possible process levers that can be realigned to meet subtle, annual adjustments in the business goals. They are recruitment and selection, performance objectives, performance metrics, reward and recognition and short-term training.

Recruitment and selection

In the space of one year, it is possible to refocus the recruitment and selection criteria and processes to rapidly bring and promote the skills, capabilities and behaviours required by the current business goals. Changing the competency profiles for key roles sends strong messages about what is valued. The rapid deployment of skills and talent into the organization can have a crucial impact on the delivery of short-term goals, but the systematic selection and retention of a stable and committed pool of talent cannot be achieved in the short term.

Performance objectives

The first step in providing a context that defines performance expectations is to deploy and agree performance objectives that focus energy and key tasks on delivering the business goals. Creating this vertical alignment between the business goals and individual performance creates a strong sense of shared meaning.

Performance metrics

Performance can be realigned around business goals by creating performance metrics that measure, highlight and communicate these business goals. These metrics are the means by which the contribution of the business unit to the organization can be recognised. Creating a broad understanding of performance is crucial to understanding the state of the system and to improving organizational learning.

Reward and recognition

Realigning the reward processes reinforces the business goals and makes known those behaviours that support the business context. Reward and recognition can be one of the greatest sources of leverage available to a company in its quest to increase organizational performance and effectiveness.

Short-term training

Within a relatively short time, it is possible to bring new skills into the organization, to realign the objectives and metrics, and to reshape the reward mechanisms. It is also possible to increase the skills and competency base through focused, skills-based training and coaching. Short-term, business focused training is an important tool in creating the flexible and multi-skilled workforce crucial to delivering short-term business performance. Short-term training and development is as much about participating in challenging jobs as off-line training.

The short-term cycle is capable of making adjustments to meet the needs of changing business goals. The organization also operates in a longer-term cycle of three to five years, though. Within this span of time, more significant changes take place. The longer-term timescale reflects the development of the knowledge base of the company, created through management skills and competencies. It is the timescale for building relationships and sharing through networks and teams, and for the development of trust and inspiration. The levers of structural change, leadership development and a basic realignment of skills are not levers that bring instant results. They reflect the human timescale that operates over many years (Gratton 2000).

According to Gratton (2000), the long-term cycle is a mirror image of the short-term cycle. The long-term cycle has at its core those levers crucial to the organization. These levers' complexity and scale require continued management commitment over many years. There are three important people processes that support the delivery of a longer-term vision, namely transforming leaders, transforming the workforce and transforming the organization.

Transforming leaders

The characteristics of leadership development that are aligned to the business strategy are (1) the articulation of those leadership competencies that will be crucial to the future, (2) the capacity to identify young people with the potential to develop these competencies, and (3) a range of developmental experiences capable of supporting these leadership competencies.

Transforming the workforce

The contribution of leaders in creating a sustained competitive advantage is well understood. But, as companies decentralize and push responsibility through to teams, and as the customer-focusing roles become crucial, there is increasing awareness of the crucial role played by the inspiration and skills of people (with tacit knowledge of the organizational procedures or customer needs) in all key roles. The process that transforms the skills of the workforce to meet future needs takes many years of management commitment, resources and focus. At the core of this commitment are an understanding of what future skill requirements will be, and a portfolio of development opportunities capable of reinforcing these skills. The challenge is to create career paths and development opportunities capable of providing hope for the future and pathways to the organization's vision.

Transforming the organization

The long-term transformation of the organization complements the transformation of the workforce and leadership. It provides the context in which work will take place. Transformational capability depends on the ability to understand and articulate what will be appropriate in the future. It also depends on an ability to manage the changes associated with transformation. This is again dependent on project management and change management skills among a significant number of managers.

2.3.3 The steps to creating a living strategy and people-centred management

According to Gratton (2000), there are six steps to creating a living strategy, namely:

Step 1: Building a guiding coalition

The first step in creating a living strategy is that of building a guiding coalition. In creating credible and involving visions we need a leadership cadre prepared to state where they see the organization going, combined with broad involvement of a wider group who can bring ideas, inspiration and, ultimately, the energy for action. Involving people throughout the organization provides an opportunity to create a broad view of the future, allow collective dreaming, and create trust and commitment through engaging and giving a voice to people regardless of grade or status.

There are five potential stakeholders in the guiding coalition, namely senior managers, team or line managers, the front-line operating core, younger members of the organization, and human resource professionals. Each brings a unique perspective and source of energy. Without each of these stakeholders the probability of success will be reduced.

Building a coalition is a crucial first step in the process of putting people at the centre of strategy. If a broad range of stakeholders are involved from the very beginning, an organization can anticipate the following positive outcomes: (1) a broad range of views and ideas, (2) the beginning of a high-quality strategic dialogue throughout the organization, (3) the opportunity to really engage managers in the people side of strategy, and (4) the energy and support which will propel the actions which follow (Gratton, 2000).

The underlying strength of a *value-added* human resource function is a business strategy that relies on people as a source of competitive advantage and a management culture that embraces that belief. Just as labour is a derived demand in basic economic theory, the demand for a strategic human resource presence is derived from the larger corporate or business strategy. While the underlying firm strategy drives the human resource function's role, the manifestation of that strategic imperative is the commitment of the Chief Executive Officer to realise a strategic role for HR. Buy-in from line managers is necessary for human resources to serve as a business partner, because line managers have to accept and participate in this new role. Buy-in from line managers and the centrality of a people-based competitive strategy is reflected in the extent to which the company is willing to share confidential information. Buy-in also means that line managers are held accountable for HR issues in their performance reviews and bonus plans (http://www.rci.rutgers.edu/~globalhr/fac.htm).

For people-centred management to be successfully implemented, senior management must introduce and embrace it. It must also be visibly supported and continuously reinforced (Moore-Ede, 1993: 194).

Step 2: Imaging the future

The first step in visioning a future is to review the plan for the visioning sessions and ensure that there is commitment regarding the time and resource implications. Secondly, describe the key business goals for the future. Use these as the entry into the visioning sessions. Thirdly, working in groups of about six, facilitate a discussion about the future in terms of the following factors: the leaders and top team, the structure, the culture and values, people processes, and the people. Ensure that the group has sufficient time to do this. Run parallel sessions so that each visioning group can present and test out their views on members of the other groups. Fourthly, remind the group of the rules of brainstorming and ensure that they record their thoughts on flip chart paper. Once the brainstorm is exhausted, encourage the group to focus their attention on strategic factors and assign them high, medium and low impact. Lastly, ask each group to present their ten strategic factors as a basis for debate and discussion.

Once the management commitment has been made, the process of introducing people-centred management must be clearly communicated throughout the company. To accomplish this, the company philosophy and mission must be carefully defined to support the people-centred management commitment. The idea that people come first must be established as a corporate value in the same way that a commitment to quality, safety, and customer service is incorporated into the mission statement (Moore-Ede, 1993: 194).

Step 3: Understanding current capability and identifying the gap

The visioning step creates a clear view of what the company can be. Strategic factors that will underpin the future are also defined. The next step is to understand where the organization is now, and to define the gap between the aspirations of the future and the reality of the present.

To move from aspiration to action requires a thorough and shared understanding of the current reality of the organization. This involves a good understanding of the way the leaders work together and communicate their vision; the structure of the organization and how ideas are shared and decisions are made; the culture of the organization; the way in which the key people processes are embedded and operate deep within the organization; and the commitment, skills and inspiration of the people throughout the company. Without this understanding of the current situation it is impossible to truly see the gap between the aspirations of the future and the reality of the present.

Understanding the gap between future needs and current capabilities energises the group, focuses their attention and begins the hard, sharp discussion about priorities and resources. Without this agreement about the size and extent of the gap there is little clarity about the reality of the current situation and the important issues for the future.

Understanding where you are now is crucial for developing a people-centred strategy. But it also has broader benefits to the management team. A full understanding of current capability is crucial to managing change over time. Without a sense of reality, the gap between rhetoric and reality can become dysfunctionally wide. Potential courses of action become clear when a diagnostic capability, particularly using the risk matrix, is built. The analysis of risk begins the discussion of priorities, where action should be taking place, and what has to be achieved (Gratton, 2000).

Step 4: Creating a map of the system

Visions are engaging and exciting. They build enthusiasm and commitment, and they create momentum. But the excitement of a vision can pass like a dream. To become more than a dream, visions have to become solid, understandable and actionable. The risk matrix tool goes some way to distilling the essence of the dream and identifying those areas of the dream that need action. The challenge is to move from sequential thinking to dynamic thinking.

The development of these system maps plays a crucial role by allowing participants to share their views on the key elements of the system, to model causality and to identify the relationships between these elements. In doing so, the team can move away from static and sequential thinking to broader systemic thinking. These models of causality are crucial for distinguishing between means and ends. They clearly demonstrate the impact of failing to act on any one of these areas. These models should express the simplicity of the system in a single diagram, in a manner that is internally consistent and understandable.

The map of the future is a diagrammatic representation of what is in the minds of those who participate in the visioning sessions. The map reflects participants' aspirations; it is authentic, and can create commitment. But as a representation of the collective viewpoint it also contains the blind spots and short-sightedness of the group.

Step 5: Modelling the dynamics of the vision

The challenge is to create a bridge to the dreams of the future from the realities of the present. The strength and construction of the bridge will be crucial to the success of the endeavour.

At this stage, the excitement and commitment to the road ahead has to be cultivated. This commitment begins by understanding what may happen as ideas turn into action.

When people are provided with clear messages that innovative behaviours are important and rewarded, when the structure in which they operate supports the sharing of ideas, and when they see risk taking encouraged, a creative culture and context will emerge.

Building a dynamic map of the system requires a clear and agreed description of those forces operating for and against change and an awareness of how the forces for change can be increased and the forces against change decreased. This can be achieved only with an open discussion of the barriers in moving to the vision. This means that issues that are normally hidden must be brought to the surface. This capability for open dialogue is crucial. Without it the team cannot arrive at a shared diagnosis of what needs to be achieved, and without this shared diagnosis, they cannot craft the steps to achieve the common vision.

Step 6: Bridge into action

The continued involvement of broad groups of people is crucial. The energy of the journey can be sustained through the creation of cross-functional teams whose initial task is to make recommendations, and later to take action. The role of these task forces is clear: to create a more detailed description of what must be achieved; to identify the early targets and stretch goals; and to begin to identify how the progress of the theme could be monitored over time, the critical success indicators. These task forces are temporary structures designed to create a greater understanding of the current reality and to make specific recommendations for short- and long-term actions.

The emphasis here is on the ability to continuously realign. These groups of people are dealing with concrete and immediate business issues, but they are also focusing on how learning relationships and knowledge sharing produce the answers they seek. These groups must be seen not as a response to a crisis but as part of a constructive process of choice, learning, and growth.

Business goals change as customer needs develop, as the business broadens its markets, and as technologies advance. It is not a one-off process with a finite life, but a continuous adaptation to changing conditions. This six-step process is about creating genuine adaptation, developing an organization that is permanently adaptable and flexible, and is involved at both the individual team and organization levels. Such an organization has a collective wish to move forward.

This six-step process is designed to build organizational capability by aligning individuals with a vision of what the business could be, realigning key processes around this vision, forming cross-functional teams responsible for the continuing success of the project, creating centres of excellence to cultivate learning and ensure the renewal of the processes and measures, and finally, creating learning loops and learning events to capture and embed best practices.

People-centred management is an ongoing commitment that requires continuous management processes to sustain and continuously improve it. The goal is to institutionalize people-centred management so that it is integrated fully into the decision-making and thought processes of the company (Moore-Ede, 1993: 195).

2.3.4 Techniques used in creating a living strategy

To complete the six-step model of creating a living strategy, there are a few techniques that the human resource function and professionals can use:

- Use multi-disciplinary task forces and cross-functional teams.
- Prioritize the vision of the organization by having sessions in which the vision of the organization can be discussed. The aim is to create broad agreement about the aspects of the vision which are really important.
- Involve the young people of the organization in these visioning sessions.
- Make use of the risk matrix.
- Understand the current capability of the organization by using benchmarking, employee surveys, focus groups, employee interviews, and self-perception.
- Make use of the force field analysis.

2.3.5 The role of human resource management and human resource professionals

According to Gratton (2000), the role of human resource management and human resource professionals is:

- to play an active part in the process;
- to act as a facilitator;
- to encourage participation of all team members in the brainstorming and visioning sessions;
- to act as an advocate for employees to ensure that their voice and concerns are heard;
- to bring the skills of systemic thinking to mapping the relationships, and to have the breadth of business experience lead the analysis of the map (it is critical that the human resource professional understands how the core people processes work and is familiar with the other levers);
- to ensure that the plans for behavioural changes are given sufficient time and resources to take place;

- to strive for alignment between the people processes and the goals of the business to create a shared sense of meaning.

Other roles include:

- equal participator in the corporate strategy process;
- facilitator of human resource management strategy as integral part of corporate strategy;
- performance consultant;
- advisor to top management;
- change agent;
- facilitator of stakeholder management;
- counsellor to staff;
- system and process designer;
- compliance manager;
- leader of people;
- administrator (http://www.hrsgb.org.za/HR_scope_and_definition.html).

While discovering the appropriate competencies for an organization is probably not an inimitable source of competitive advantage, the capability to *integrate that knowledge effectively throughout the entire HR system* may well be. This requires that HR managers think systematically about their area rather than functionally and tactically. It is this infrastructure of an aligned HR system that creates what strategy scholars refer to as casual ambiguity, making it difficult for other firms to imitate even if they can begin with the same competency model.

A number of firms believe they are in an environment where employees with the type of competencies they need are in short supply. At the same time, it is critical to the success of any people-based strategy to attract and retain the very best people. Becoming an employer of choice requires an aligned human resources system. It is very easy to provide attractive compensation and benefit levels. The challenge is to also structure a human resources system that selects, develops, and produces a level of performance that can justify those investments. If applied within a high performance work system, an employer of choice strategy can add considerable value. It is important to structure an environment characterized by the following goals: (1) achieving long-term business success, (2) ensuring that the organization's employees feel valued, (3) ensuring a sense of pride of association with the company, (4) instilling a sense of camaraderie, (5) ensuring that each employee has the opportunity to reach his/her highest potential personally and professionally, and (6) generating a sense of excitement and fun (www.rci.rutgers.edu/~globalhr/fac.htm).

2.4 Intellectual capital

For most firms, the traditional path to sustainable competitive advantage has turned on such barriers to entry as economies of scale, patent protection, access to capital, and regulated competition. The new economic paradigm, however, has given rise to a new source of competitive advantage and has challenged much of the conventional wisdom about strategy, the role of an organization's human resources, and human resource management's relationship with the organization's performance. As globalization and the accompanying demands for continuous change make innovation, adaptability, speed and efficiency essential features of the business landscape, the strategic importance of intellectual capital and intangible assets have increased substantially. While these assets are largely invisible, and do not appear on the firm's balance sheet, the sources of this capital are not invisible. They are found in the human capital of the firm's employees, the capabilities represented by the firm's organizational processes and the value of brands and customer relationships (www.sveiby.com.au/IntellectualCapital.html). According to James Chestnut, Chief Executive Officer for The Coca Cola Company, the company's phenomenal market value is largely attributable to its brand and its management systems, rather than any collection of tangible assets (Stewart, 1998).

Accordingly, many firms have increasingly broadened their focus from strategy content to strategy implementation. Speed, innovation, and adaptability reflect competencies and capabilities for strategy implementation that have a firm's human capital as their foundation. This has direct implications for a firm's human resource management system. Traditionally focused on transactions, practices and compliance, the human resource function was appropriately considered a cost centre. In contrast, the human resource management system that develops and maintains an organization's strategic infrastructure should be considered an investment. It is an essential element of the infrastructure that supports this value creation process and is a potential strategic lever for the organization.

The business success of any organization relies on the skills and behaviours of groups of talented people. High performance companies are created by focusing on a number of appropriate business goals, which are translated into an appropriate context in which people work. Employees behave in a way that meets business goals; this impacts on an organization's performance and, ultimately, financial performance.

Intellectual capital is not new. It has been around since the first vendor established a good relationship with a customer. Then it was called goodwill. What has happened over the last decade is an explosion in key technical areas including information technology, media and communications, giving us new tools. We have used these tools to build a global economy. Many of these tools bring intangible benefits, which never existed before and which we now take for granted. The organization can no longer function without them: their ownership provides competitive advantage. Therefore, these tools are assets (Brooking, 1996: 12).

2.4.1 Definitions

In Stewart (1998: 67), Klein and Prusak define intellectual capital as intellectual material that has been formalized, captured, and leveraged to produce a higher-valued asset. Brooking (1996: 12) defines intellectual capital as the term given to the combined intangible assets that enable the company to function. In 1991, Tom Stewart Fortune defined intellectual capital as the sum of everything the people of the company know that gives a competitive advantage in the market. Edvinsson, Skandia, and Sullivan define it in the European Management Journal (1996 vol. 14) as knowledge that can be converted into value (www.sveiby.com.au/IntellectualCapital.html).

According to Stewart, (1998: 67), intelligence becomes an asset when some useful order is created out of free-floating brainpower – that is, when it is given coherent form; when it is captured in a way that allows it to be described, shared, and exploited; and when it can be deployed to do something that could not be done if it remained scattered around like so many coins in a gutter. Intellectual capital is packaged, useful knowledge.

2.4.2 Components of intellectual capital

Intellectual capital is knowledge that can be converted to profit. This definition encompasses inventions, ideas, general know-how, design approaches, computer programmes, processes, and publications. Intellectual capital consists of three major components: human resources, intellectual assets, and intellectual property (http://207.155.252.4/icmgroup.com/whatis.html).

Human resources

Human resources provide the know-how and institutional memory around topics of importance to the organization. This resource includes the collective experiences, skills, and general know-how of all the organization's employees (http://207.155.252.4/icmgroup.com/whatis.html). Brooking (1996: 15) refers to this component as human-centred assets, which she defines as the collective expertise, creative and problem-solving capability, leadership, entrepreneurial and managerial skills embodied by the employees of the organization.

Intellectual assets

Intellectual assets are the codified, tangible, or physical descriptions of specific knowledge to which the company can assert an ownership right and readily trade in disembodied form. Intellectual assets represent the source of innovations that organizations commercialize.

Intellectual property

Intellectual property is an intellectual asset that can be legally protected. This includes patents, copyrights, trademarks, trade secrets, and semi-conductor masks (http://207.155.252.4/icmgroup.com/whatis.html). Brooking (1996: 14) defines intellectual property assets as know-how, trade secrets, copyright, patent and various design rights. Intellectual property is important as it represents the legal mechanism for protecting many corporate assets.

Intellectual capital may be the currency of the organization, the words people use to trade and to build up stocks of value from what it thinks, knows, and uses. But unless organizations can harness and nurture their beliefs and passions, intellectual capital is worthless (Friedman *et al*, 1998: 125). It is thus a role of human resource management to nurture and develop a company's intellectual capital.

2.4.3 Ten principles for managing intellectual capital

According to Stewart (1998: 163-165), there are ten principles for managing intellectual capital:

1. Companies do not own human capital. Companies share the ownership of human capital with their employees. Only by recognizing this shared ownership can a company manage and profit from this asset.
2. To create human capital it can use, a company needs to foster teamwork, communities of practice, and other social forms of learning. Individual talent is great. Interdisciplinary teams capture, formalize, and capitalize talent, because it becomes shared, less dependent on any individual. Even if group members leave, the knowledge stays behind. If the company provides the locus of learning it will be the chief beneficiary of learning in the field, whether or not some of it leaks to other companies.
3. To manage and develop human capital, companies must unsentimentally recognize that some employees are not assets. Organizational wealth is created around those skills and talents that are proprietary, in the sense that no one does them better, and strategic, in that the work they do creates the value customers pay for. People with those talents are assets to invest in. Others are costs to be minimized.
4. Structural capital is the intangible asset companies own outright. Manage your company to make it as easy as possible for customers to work with your people.
5. Structural capital serves two purposes. They are to amass stockpiles of knowledge and support the work customers value, and to speed the flow of that information inside the company.
6. Information and knowledge can and should be substitutes for expensive physical and financial assets. Every company must examine its capital spending and ask whether inexpensive intangibles can do the work of costly physical assets.
7. Knowledge work is custom work. Even in businesses long characterized by mass production, there are opportunities to create special relationships that will yield value and profits for both the business and its customers.
8. Every company should re-analyse the value chain of the industry it participates in

to see what information is most crucial.

9. Focus on the flow of information, not the flow of materials.
10. Human, structural, and customer capital work together.

2.5 Human capital

> *Human capital is the place where all the ladders start: the wellspring of innovation, the homepage of insight. If intellectual capital is a tree then human beings are the sap that makes it grow (Stewart, 1998: 86).*

2.5.1 What is human capital?

Human capital is a difficult concept to define. It refers to the sets of skills, knowledge, and institutions that enable individuals and countries to increase productivity, and thus their income (www.caa.org.au/oxfam/advocacy/education/report/chapter1-3.html). Human capital is part of a company's intellectual or intangible capital (www.humancc.com).

Experience, training, and education are the three main mechanisms for acquiring human capital (www.house.gov/jec/educ.htm). The wealth of nations is not limited by land or minerals; it comes instead predominantly from the acquired abilities of people, their education, experience, skills, and health (Theodore Schultz, 1981, quoted in *The Sciences*, December 1999).

Now that human capital has been defined, it is necessary to determine what it means when we say that there is human capital within a company:

- Human beings employed in their work are not merely people moving assets around – they themselves are assets that can be valued, measured, and developed like any other asset held by an organization.
- Human beings are dynamic assets that can increase in value over time, not inert assets that depreciate in value.
- Human beings are prime among all assets. Capital is synonymous with net worth, the remaining assets of a business after all liabilities have been deducted.
- As such, human beings and the systems created to recruit, reward, and develop

them form a major part of any company's value, as much or more than other assets such as cash, land, plants and equipment, and intellectual property.

- Company value, and therefore shareholder value, can suffer when human capital is mismanaged (Friedman *et al*, 1998: 8).

The role of human resource management is to recruit, retain, develop, and manage a company's human assets for the company to have a competitive advantage. The emphasis will move from physical assets to intellectual and human capital, which cannot be owned by companies, but which can be nurtured and developed.

2.5.2 Global human capital

As the economy becomes more global in character, a new challenge is riveting the attention and driving the efforts of business managers around the world: employing, retaining, and motivating the best of the best at every level to fulfil changing strategic objectives, without regard for geographic boundaries. Managers everywhere are coming to understand the great difference between human resources – merely drawing from an available pool – and human capital – the transformation of people into market power through strategy-driven programmes (Friedman *et al*, 1998: 21). With the emergence of the global village, companies must realize the importance of focusing on their core business and outsourcing other functions.

The following aspects will affect recruitment and staffing in the new economy: outsourcing, contingent workers, employee leasing and recruiting in cyberspace, freedom to manage and global management of human capital.

Outsourcing

According to Mondy *et al* (1999), outsourcing is the process of transferring responsibility for an area of service and its objectives to an external provider. The decision to outsource functions may be made to avoid hiring additional employees or to implement re-engineering programmes and the subsequent downsizing of the firm. Outsourcing can also be defined as the contracting out of all or part of a company's information systems functions to outside parties (www.compinn.com/Project%20Outsourcing.htm).

When a company downsizes, jobs are lost. When a company outsources, jobs are moved. The goal is not to eliminate work, but to move the responsibility to specialists outside. As companies redefine themselves, some people will be displaced. Employees should look at boundary changes as opportunities to define their jobs the way they want them and to work for an organization of the size and personality they prefer. People who want to work for a big company will, and people who do not want to will have interesting alternatives. The Internet makes it easier for people who have good skill sets but who cannot or choose not to work full time. Many knowledge workers will live where they want to live and structure their work the way they want it and still make major contributions to the businesses they work for (Gates, 1999: 136, 139).

Outsourcing is an arrangement in which one company provides services to another company that could also be or were usually provided in-house. Outsourcing is a trend that is becoming more common in information technology and other industries for services that have usually been regarded as intrinsic to managing a business (http://whatis.techtarget.com/WhatIs_Definition_Page/0,4152,212029,00.html).

The global character of the economy will have an impact on the human resource functions of recruitment and selection as organizations try to employ and retain knowledge workers. Outsourcing is one alternative to recruitment. Other alternatives include contingent workers, employee leasing and recruiting in cyberspace.

Contingent workers

The National Alliance for Fair Employment defines contingent workers as temporaries, independent contractors and part-time employees (www.benefitnews.com/nwarc.cfm?ID=774).

Global competition and changing technology prevent employers from accurately forecasting their employment needs months in advance. To avoid hiring people one day and resorting to layoffs the next, organizations look to a temporary workforce as a buffer. With contingent workers, the expenses of recruitment, absenteeism, turnover and employee benefits are avoided (Mondy *et al*, 1999).

Employee leasing

Using employee leasing, an organization terminates some or most of its employees. A leasing company then hires them, usually at the same salary, and leases them back to the former employer, who becomes the client. The employees continue to work as before, with the client supervising their activities. The leasing company, however, assumes all responsibilities associated with being the employer. Leasing provides a company with a body of well-trained, long-term employees that can expand or contract as business conditions dictate (Mondy *et al*, 1999: 174-177).

Recruiting in cyberspace

The Internet allows users to exchange e-mail, transfer computer files, search databases, and communicate keyboard-to-keyboard with other online users. This gives organizations the opportunity to place classified ads, receive curricula vitae, and market themselves as employers of choice in their industries.

Public bulletin boards where individuals and organizations can place ads on the Internet have been around for years. The drawback is that listings are dropped after one or two weeks. However, with the Online Career Centre (OCC), a non-profit organization supported by companies such as Hallmark, GTE, AT&T, MCI, Apple, and Kraft, users can search the résumé database and post an unlimited number of ads online for as long they wish – free of charge. In the two years of its existence, more than 3 000 companies have used OCC. You can connect directly to the OCC database through Gopher at gopher.msen.com (Overman, 1995).

How is the yield from Internet-based recruitment? At Hewlett-Packard, fully one third of the résumés it receives arrives by fax or e-mail. In 1996, it received over 20,000 résumés via the Internet (Cascio, 1998: 181, 182).

Michael Flannery, founder and managing partner of Redwood Partners, says that a solid management team is what sets a successful company apart from venture capitalists. He adds that finding those people is difficult in today's job market and that, as a result, companies are employing new methods of recruiting, including paying employees' finder's fees for new hires (www.internetretailer.com/html/press/p081800c.htm).

Our increasingly global economy ensures that no nation and no company suffers or triumphs alone. Moreover, in this new global economy, certain core principles are emerging to guide managers as they turn local human resources into global human capital. These core principles include the freedom to manage and global management of human capital.

Freedom to manage

Managers must be free to manage. Experience around the world shows that the systems used for developing human capital can make a critical difference in the survival and success of companies. Technology and markets are changing so fast that companies need to be in a state of change readiness, and they need the freedom and flexibility to change in every area, from recruitment to compliance. They must invest in their human capital, but the nature of their investment must be driven by market conditions and company strategy, not government policy (Friedman *et al*, 1998: 22, 23, 25).

Global management of human capital

The health of free enterprise depends in large part on people. If managers are free to manage their human capital in response to changing global markets, and if they follow such freedom with global action, economic growth and prosperity will follow (Friedman *et al*, 1998: 23).

2.6 Knowledge management

An organization's ability to learn, and to translate that learning into action rapidly, is the ultimate competitive advantage (Jack Welch, Chairman, General Electric). Knowledge management does not start with technology. It starts with business objectives and processes, and recognition of the need to share information. Knowledge management is nothing more than managing information flow: getting the right information to the people who need it so that they can act on it quickly.

The objective is to increase institutional intelligence, or corporate IQ. In today's dynamic markets a company needs a high corporate IQ to succeed. Corporate IQ is a measure of how easily a company can share information broadly and of how well people within a company can build on each other's ideas. Corporate IQ involves sharing both history and current knowledge. Contributions to corporate IQ come from individual learning and from cross-pollination of different people's ideas.

The workers in a company with a high corporate IQ collaborate effectively so that all of the key people on a project are well informed and energized. The ultimate goal is to have a team develop the best ideas from throughout an organization and then act with the same unity of purpose and focus that a single, well-motivated person would bring to bear on a situation. Digital information flow can bring about this group cohesiveness.

A company's high-level executives need to believe in knowledge sharing, or even a major effort in sharing will fail. Leaders must further show that they themselves are not isolated from everyone else, but are willing to engage with employees.

Having established an atmosphere that encourages collaboration and knowledge sharing, business leaders need to set up specific knowledge sharing projects across the organization and make knowledge sharing an integral part of the work itself. Leaders must then ensure that the people who share knowledge are rewarded. The old saying 'knowledge is power' sometimes makes people hoard knowledge. They believe that knowledge hoarding makes them indispensable. Power comes not from knowledge kept, but from knowledge shared. A company's values and reward system should reflect that idea.

Knowledge management can help any business in four major areas: planning, customer service, training, and project collaboration (Gates, 1999: 263-268).

2.6.1 The management of knowledge

Ideas are free. They are also an abundant, probably infinite, resource. Ideas are also immensely valuable. We are used to thinking of employees in terms of their pay. But what is their value? How much is a job really worth? The value of knowledge workers amounts to the fact that smart workers work smarter (Stewart, 1998: 84 and 85).

To recruit and retain smart people, an organization needs to make it easy for them to collaborate with other smart people. That makes for a stimulating, energized workplace. A collaborative culture, reinforced by information flow, makes it possible for smart people all over a company to be in touch with each other. When you get a critical mass of smart people working in concert, the energy level shoots up. Cross-stimulation brings new ideas. The company as a whole works smarter.

Knowledge management will not work, though, unless it is a goal that informs every team's business planning and processes, and unless employees are rewarded for sharing information. Exercise ingenuity by rewarding people for making an information investment in the company. Think of knowledge management as an investment in intellectual capital that will ultimately lead to a higher corporate IQ. The idea of intellectual capital is more than a management concept. Intellectual capital is the intrinsic value of the intellectual property of a company and the knowledge that company's people have. Properly managing this capital raises corporate IQ and could have a major impact on a company's valuation.

Knowledge management is a fancy term for a simple idea. You are managing data, documents, and people's efforts. Your aim should be to enhance the way people work together, share ideas, sometimes wrangle, and build on one another's ideas (Gates, 1999: 284-290).

Many jobs still and always will require big, expensive machines bought by someone else. In the age of intellectual capital, the most valuable parts of those jobs have become the most essentially human tasks of sensing, judging, creating, and building relationships. Far from being alienated from the tools of his or her trade and the fruit of his or her labour, the knowledge worker carries them between his or her ears (Stewart, 1998: 51).

The rise of the knowledge worker fundamentally alters the nature of work and the agenda of management. Managers are custodians; they protect and care for the assets of a corporation. When the assets are intellectual, the manager's job changes. Knowledge work does not happen in the same way as mechanical labour. Professionals are measured not by the tasks they perform but by the results they achieve. When work is about knowledge, the professional model of organizational design inevitably begins to supersede the bureaucratic. The trend away from standardized mass production toward specialized knowledge work makes command-and-control management less necessary.
If the job of managers is no longer to tell people what to do and make them do it, or to gather, transmit, and process information, what is their job? The answer is leadership, as

opposed to management. Knowledge management includes aspects of values, vision, empowerment, teamwork, facilitation, and coaching (Stewart, 1998: 47, 49, 50).

The key to knowledge management is the creation of an information sharing culture. According to Stewart (1998: 5), without a culture of teamwork, and compensation and rewards that support information sharing, a garden of knowledge will be as forlorn as a playground built next to a seniors-only condo.

2.6.2 Developing processes that empower people

If you do not believe that all workers have the potential to contribute to your company's success, all the technology in the world will not empower them. Once you assume that every employee should be a knowledge worker, technology will help every employee put his or her full abilities to work on the company's behalf (Gates, 1999: 318).

Human beings remain essential in operational processes that have to constantly improve and that have to constantly adapt to changing circumstances. A flexible production line needs people. As we consolidate tasks into processes we give workers more responsibility. Computers will eliminate some jobs, but they will take the drudgery out of many other jobs.

Having people focus on whole processes will allow them to tackle more interesting, challenging work. A one-dimensional job will be eliminated, automated, or rolled into a bigger process. Managing a process instead of executing tasks makes someone a knowledge worker.

Giving workers more sophisticated jobs along with better tools will make them more responsible and bring more intelligence to their work. In the Information Age it is necessary to make knowledge workers out of every employee possible. (Gates, 1999: 322-326).

Training and development plays an important role in making knowledge workers out of every employee in the organization. Global training and development is needed because people, jobs, and organizations are often quite different globally from the way they are domestically.

Continually upgrading workforce knowledge and skills has become increasingly important for global competitiveness. Mary McCain, vice president at the American Society for Training and Development notes that, because new technology and new products can easily be copied within three to six months, the only ongoing competitive edge any company in any country has is its workforce. And its workforce will not be competitive unless it is adequately trained (Mondy, Noe and Premeaux, 1999: 620 - 627).

Developmental programmes to be used include mentoring, career counselling, career pathing, human resource planning and job training.

Mentoring

Zey defines a mentor as a person who oversees the career and development of another person, usually a junior, through teaching, counselling, providing psychological support, protecting and at times promoting or sponsoring (www.aa.ufl.edu/aa/affact/ummp/mentoring.htm).

> *Mentoring is a supportive learning relationship between a caring individual who shares his/her knowledge, experience and wisdom with another individual who is willing and ready to benefit from this exchange to enrich his/her professional journey (www.leadership.gc.ca/static/coaching/documents/coaching_mentoring_apex_presentation_e.shtml#mentorat).*

Some organizations assign an experienced employee to serve as a mentor for new employees. Effective mentors teach their protégés valuable job skills, help them develop a network of contacts and, most importantly, provide emotional support and encouragement (Cherrington, 1991: 84).

2.7 Conclusion

In the Information Age, technology is available to all organizations and people. Therefore, technology alone cannot bring sustainable competitive advantage to organizations. For organizations to maintain a competitive advantage they need to shift their focus from asset-intensive to knowledge-intensive and thus focus more on their human assets than on their technology assets. This means changing their existing management approach to a people-centred management approach that incorporates the concepts of a living strategy, human capital, intellectual capital, and knowledge management.

The emphasis of this chapter was on the role and placement of people at the centre of corporate strategy. The concepts of people-centred management, the living strategy, intellectual capital and knowledge management were discussed specifically as they relate to achieving the objective of the study, namely to define the role of human resource management and the human resource professional in the new economy.

People-centred management offers managers and employees alike the opportunity to create an organizational environment where the full contribution of each member of the group is allowed, encouraged and supported. In essence, it provides the organization with a natural capability to tap into the hidden potential of all employees and enables the organization to create a new culture of excellence. For people-centred management to work, organizations must change their existing strategy into a living strategy.

Intellectual capital and human capital play a very important part in the new economy, as they are directly linked to people and what people bring to the organization. Intellectual capital is the combined intangible assets that enable the company to function. It consists of three components, namely human resources, intellectual assets, and intellectual property. Human capital refers to the sets of skills, knowledge, and institutions that enable individuals and countries to increase productivity, and thus their income.

Human capital is part of a company's intellectual or intangible capital. The three main mechanisms for acquiring human capital are experience, training, and education. The concept of global human capital arises out of the world becoming more and more global in character. Within global human capital the aspects of outsourcing, contingent workers, employee leasing, and recruiting in cyberspace were discussed. These aspects have a direct impact on the role of human resource management. Organizations will start to outsource the functions that are not directly related to their core business. This will have an impact on human resource management. If the human resource function is outsourced, it will mean that the human resource professional will be able to focus more on the key aspects and roles involved in human resource management and thus be able to provide a better, more focused, and efficient function to organizations.

To retain and develop employees includes the use of training and development programmes. A good training programme attracts ambitious job seekers. Companies that offer such programmes get more high-quality applicants, so they can hire more selectively than their competitors. This enables them to continually upgrade the quality and potential of the organization.

Development programmes can help overcome the problem of turnover in organizations. Ambitious, high-potential employees may leave a firm if their pathway to promotion is blocked. Well-planned development programmes can help to retain these valuable human assets. For employees to get the most out of training, a company must immediately offer opportunities for them to use the newly learned skills on the job. Coordinating training with scheduled changes in job assignments also helps to prevent wasted effort. Developmental programmes to be used include mentoring, career counselling, career pathing, human resource planning, and job training.

With the increase in the need for information and knowledge, knowledge management is essential in the new economy, as it involves managing information flow, and getting the right information to the people who need it so that they can act on it quickly. The key to knowledge management is the creation of an information sharing culture. Training and development plays an important role in making knowledge workers out of every employee in the organization.

The emphasis on improved human resource practice has arisen due to a strong desire for management to restore the competitive position of their companies in an increasingly challenging global marketplace. Also, the crucial role of people in the company is recognized as it moves further into the complex and changing new world of a high technology, service-based economy. It is the role of human resource management to ensure that focus is shifted from physical assets to intellectual assets.

The role of human resource management in the new economy is to show top management the importance of human capital, information sharing, knowledge management, a living strategy and a people-centred management approach. This role includes:

- working with the senior team to create a shared understanding of the people's role in creating sustainable competitive advantage;

- building an understanding of the complexity of the organization and the changes necessary to move from the present to the future;
- placing a strong emphasis on creating a just and fair working environment (to do this, managers must understand that a just and fair organization is created by providing people with a choice, listening to the voice of the people, and providing an adequate explanation of why decisions are made);
- building change management capabilities across the organization. It is important to understand that managers may resist change because it becomes increasingly time consuming to abandon complex activities. Human resource professionals need to be aware that the critical issues of change are motivating constructive behaviours in the face of the anxiety created with change, and actively managing the transitional state.
- creating cross-functional task forces around the key themes of the organization.
- recruiting, retaining, developing, and managing a company's human assets to provide the company with a competitive advantage.

Chapter 3
The new economy

3.1 Introduction

When we talk about the new economy, we are talking about a world in which people work with their brains instead of their hands. It is a world in which communications technology creates global competition. A world in which innovation is more important than mass production. A world in which investment buys new concepts or the means to create them, rather than new machines. A world in which rapid change is constant. A world at least as different from what came before it as the industrial age was from its agricultural predecessor. A world so different, its emergence can only be described as a revolution (www.hotwired.lycos.com/special/ene/index.html).

According to Gates (2000: xxii, 1), business is going to change more in the next ten years than it has in the last 50 years. These changes will occur because of the flow of digital information. The successful companies of the next decade will be the ones that use digital tools to reinvent the way they work.

This chapter discusses the new economy, the aspects relating to the new economy, and the impact thereof on the role of human resource management. The digital tools and drivers that can and should be used to reinvent the way organizations work will be discussed in this chapter, as well as their impact on the role and function of human resource management.

3.2 Background

According to Carnoy *et al* (1993: 1), the world economy has changed profoundly over the past three decades. With those changes have come new political strategies for national development. Revolutionary transformations in the demand for goods and the way they are produced have affected long-term national growth possibilities, how governments relate to their national economies, and how national economies relate to each other. The world economy is becoming more competitive, more global, and increasingly dominated by information and communications technology.

Seven thousand years ago, the agricultural revolution saw the hunter-gatherer in most civilisations become a planter-harvester. An incessantly mobile human society was thereby converted into one invested in hearth and homestead. Two hundred years ago the industrial revolution converted that well-refined agricultural society into one dominated by the dictates of industrial production. Now we face another such major revolution – the conversion of our world into a single, technologically integrated, around the clock community. Our present revolution has developed in response to our need for more efficient production in a world with too scarce capital resources to meet the needs of an exploding population. It has been made possible, like other societal revolutions, by a stream of inventions and innovations: instant worldwide telecommunications, computers and processors, automation of machinery, a global economy and trading system, and the tumbling of major political boundaries (Moore-Ede, 1993: 8-10).

According to Browning and Reiss, working with information is very different from working with the steel and glass from which our grandparents built their wealth. Information is easier to produce and more difficult to control than stuff you can drop on your foot. For a start, computers can copy and 'ship' information anywhere, almost instantly and almost for free. Production and distribution, the basis of industrial power, can increasingly be taken for granted. Innovation and marketing are all. An information economy is more open – it does not take a production line to compete, just a good idea. It is also more competitive, as information is easy not only just to duplicate, but also to replicate. Successful organizations have to keep innovating to keep ahead of copycats nipping at their heels. The average size of companies shrinks. New products and knock-offs alike emerge in months rather than years, and market power is increasingly based on making sense of an overabundance of ideas rather than rationing scarce material goods.

Each added connection to a network's pool of knowledge multiplies the value of the whole. The result: new rules of competition, new types of organization, and new challenges for management (www.hotwired.lycos.com/special/ene/index.html).

According to Peter Schwartz (2001), if the new economy analysis is right, it is very clear that the future will be much richer, creating even more potential driven by new knowledge. It will be a world of greener high technology. It will be inclusive, bringing many more billions along with it. It will also be global in character (www.gbn.org/public/gbnstory/scenarios/columns/june2000column.htm).

The scale and pace of the changes taking place, both nationally and globally, can be captured by five simple indicators:

- **The rise of information technology.** Information technology is the fastest growing industry in the United States of America, valued at $866 billion in 1997. As an example of the increasing importance of knowledge capital over physical capital, Microsoft, with a relatively small amount of fixed assets, now has the second largest capitalization of any American company, far higher than that of Ford or General Motors.
- **Knowledge-intensive production and trade.** The World Bank estimates that more than half of the GDP in the industrialized countries is based on the production and distribution of knowledge. Over the past two decades, the share of non-mineral primary commodities in international trade has halved, while the share of high technology goods has doubled.
- **Research and development.** The growing importance of knowledge capital is evident from the increase in investment in research and development, especially in information producing industries. Innovation, automation, and technological change are dramatically shortening product cycles in the most developed countries.
- **Value added to production.** The rise of service industries is accelerating the trend towards higher value-added transaction in international trade.
- **The Internet.** With the emergence of the Internet, the exchange of knowledge and information in the global economy expanded at an unprecedented rate during the 1990s. There are now more than 1 million websites, with several hundred added

each day. The Internet is one of the fastest growing sites of international commercial activity (www.caa.org.au/oxfam/advocacy/education/report/chapter1-3.html).

To be successful in the new economy, it is necessary for organizations to:

- increase the number of people involved in service (recruitment and selection), knowledge and ideas, and build these new skills (training and development);
- compete for skills by creating business-friendly environments;
- de-regulate the telecommunications market (http://asp.futureworld.co.za/futureworld/memberzone/zde6.asp).

Business leaders who succeed in the new economy will take advantage of a new way of doing business, a way based on the increasing velocity of information. The new way is not to apply technology for its own sake, but to use it to reshape how companies act. To get the full benefit of technology, business leaders will streamline and modernize their processes and their organizations. The goal is to make business reflex nearly instantaneous and to make strategic thought an ongoing, iterative process.

The role of human resource management and the human resource professional is to integrate the aspects of the new economy with the existing processes, policies, and strategies of the organization, to re-evaluate the needs of the human resources within the organization, and to put people at the heart of corporate purpose.

It is the hearts and minds of people, rather than their hands, that are essential to growth and prosperity for an organization in the new economy. Committed employees creating new ideas, delivering value, and innovating to create growth, are the assets of the new economy (www.gbn.org/public/gbnstory/scenarios/columns/june2000column.htm).

3.3 Characteristics of the new economy

According to Kelly (1998: 2), the new economy has three distinguishing characteristics: it is global; it favours intangible things – ideas, information, and relationships; it is intensely interlinked. The new economy is about better communication.

Geography is less important. We have a globally liquid economy, where everyone can compete with everyone else on the planet instantaneously. The new economy is a world of higher speed and technology. It is a world where innovation drives change, not simply expansion. This new economy is a world that is increasingly entrepreneurial, creating abundant business opportunities.

In the old economy, it was assets that mattered more than anything else – physical capital, factories, miles of railroads, and miles of cement. In the organization of the new economy, it is knowledge more than anything else that counts (www.gbn.org/public/gbnstory/scenarios/columns/june2000column.htm).

The new economy is much more knowledge-intensive than asset-intensive. It is information theory rather than physics. It is human capital. This world relies intensely on the information technology infrastructure expanding and accelerating. It is a world where skills and knowledge matter, where intellectual property rights are critical. A world where information and data stores have intrinsic value, and where we use networks for interchange and transaction of values. Creating value is about creating new knowledge and capturing its value (www.gbn.org/public/gbnstory/scenarios/columns/june2 000column.htm).

The important aspects of the new economy are access to knowledge, skills and technology. Given the new world information infrastructure, it will be the first economy to be built entirely on knowledge and attitudes. Thus, in this new economy, education is at a premium, and knowledge workers have the higher value creation potential (http://asp.futureworld.co.za/futureworld/memberzone/zde6.asp).

Within the emerging global system, the structure and logic of the information economy defines a new international division of labour. That division is based less on the location of natural resources, cheap and abundant labour, or even capital stock, and more on the capacity to create new knowledge and to apply it rapidly to a wide range of human activities (Carnoy *et al*, 1993: 6).

Investments in technology will provide better information to every worker who might possibly use it. Knowledge is the ultimate power tool. A belief in empowerment is important in getting the most out of this new economy. Knowledge workers and business managers benefit from more and better information, not just senior management.

Digital tools magnify the abilities that make us unique in this world: the ability to think, the ability to articulate our thoughts, and the ability to work together to act on those thoughts. If companies empower their employees to solve problems and give them potent tools with which to do this, they will always be amazed at how much creativity and initiative will blossom forth (Gates, 1999: 453-461).

3.4 Drivers of the new economy

3.4.1 The Internet

The Internet, is a worldwide system of computer networks, a network of networks in which users at any one computer can, with permission, get information from any other computer. It was conceived by the Advanced Research Projects Agency (ARPA) of the United States government in 1969 and was first known as the ARPANet. The original aim was to create a network that would allow users of a research computer at one university to be able to communicate with research computers at other universities.

Today, the Internet is a public, cooperative, and self-sustaining facility accessible to hundreds of millions of people worldwide. Typical users include company employees, government workers, researchers at educational institutions, and private individuals. The most widely used part of the Internet is the World Wide Web (Korper and Ellis, 2000: 103, 104).

The new economy is essentially about knowledge and information. The Internet is a means of sharing knowledge and information with people all over the world; therefore, it plays a key role in the new economy. It is important to remember that the Internet does not replace people, though. It only makes them more efficient. By moving routine interactions to the Internet and enabling customers to do some things for themselves, the Internet allows employees to do more meaningful things with customers (Gates, 1999).

The Internet can and should thus be used by human resource management as a tool to improve communication and information sharing between all employees within an organization. The ways in which the Internet can help improve the role and function of human resource management are as follows.

The web lifestyle

The Internet is enabling a new way of life that Bill Gates (1997) calls the 'web lifestyle'. The web lifestyle will be characterized by rapid innovations in applications. Because the infrastructure for high-speed connectivity has reached critical mass, it is giving rise to new software and hardware that will reshape people's lives. Intelligent devices such as the personal computer are becoming more powerful and less expensive. Since they are programmable, they can be used for many different applications. Within a decade, most Americans and many other people around the world will be living the web lifestyle. It will be a reflex for these people to turn to the Internet to get news, to learn, to be entertained, and to communicate. It will be just as natural as picking up the telephone to talk to somebody or ordering something from a catalogue. The Internet will be used to pay bills, manage finances, communicate with doctors, and conduct business.

A cultural change as substantial as a move to the web lifestyle will be generational to some degree. The kids growing up with the new technology and taking it as a given will show us its full potential. On most United States college campuses, the critical mass for an Internet-ready culture already exists. Personal computer use, high-speed networking and online communication are widespread. Universities are dispensing with paper forms and registering students for classes over the Internet. Students can look at their grades and even turn in their homework over the Internet. Teachers hold online discussion groups. Students e-mail friends and family as naturally as making a phone call. Students are the ultimate knowledge workers. Their job is to learn and explore and find unexpected relationships between things. Students are developing Internet skills that will help them learn throughout their lives. For business, there is an opportunity to learn from the way students use the Internet today to organize and manage their lives. Their approach is a guide to how the general population will use the Internet ten years from now (Gates, 1999: 115-117).

This is a radical cultural change, and it will be part of the role of human resource management to help employees make the transition from the old culture to the new culture, and the new way of doing things. Human resource management will need to develop training and development courses that address this new culture. One way of training people is through web learning.

Web learning

The changing nature of technology and the global economy are taxing the conventional paradigm for learning, training, and work. This paradigm is based on a classroom-centred, instructor-led mode of formal training derived from our educational system. The ledger of difficulties is well known: the typical centralized classroom facility requires too much time away from the job, expensive travel for instructors and students, and costly maintenance of often underused facilities. The resulting training is often outdated by the time of its delivery. The Internet has introduced an important new technology that can address these problems.

An adequate alternative model must overcome the entrenched separation of learning and training from actual work. Specifically, a fundamental rethinking of corporate training should include:

- radical restructuring of formal training, retaining those elements shown to be successful;
- recognition of, and support for, informal learning;
- deliberate leveraging of the strengths of both formal and informal methods and, most importantly, a leveraging of the symmetrics between the two methods; and
- use of the Internet and other tools as elements to support a coherent and well-designed learning strategy (Beer, 2000: 175).

Human resource management and the human resource professional should integrate web learning into their existing training and development functions.

Changing the boundaries of business

A flow of digital information changes the way people and organizations work and the way commerce is conducted across organizational boundaries. Internet technologies will also change the boundaries of organizations of all sizes. In changing the boundaries, the web workstyle of using digital tools and processes enables both organizations and individuals to redefine their roles.

An important re-engineering principle is that companies should focus on their core competencies and outsource everything else. The Internet allows a company to focus far more than in the past by changing which employees work within the walls and which work outside in an adjunct, consulting, or partnering role.

The web workstyle makes it possible to handle unpredictable demand better. Due to a fluctuation in the need for certain skills, flexible staffing is necessary to deal with the highs and lows. People looking for work will find more opportunities for employment that meets their particular interests and requirements.

Despite the emergence of new, flexible boundaries, big companies will not deconstruct themselves into per-project production companies. Companies need to excel in consistent in-house execution of their core competencies. Every company will experiment to find its optimal size and organizational structure, though the dominant trend will be toward a smaller overall size (Gates, 1999: 149-151).

Changing the workstyle for employees

Some employees in companies of any size are understandably nervous about the implications of the web workstyle. They assume that if their company chooses to restructure itself around Internet technologies, their jobs may disappear. When a company downsizes, jobs are lost. When a company outsources, jobs move. The goal is not to eliminate work, but to move the responsibility to specialists outside.

Many knowledge workers will live where they want to live and structure their work the way they want it, and still make major contributions to the businesses they work for or with. In the web workstyle, employees can push the freedom the web provides to its limits. When it comes to workstyle, the choice will be the worker's.

Business managers need to take a hard look at their core competencies. They have to revisit the areas of their companies that are not directly involved in those competencies, and consider whether web technologies can enable them to replace those tasks. Another company can take over the management responsibilities for that work and use modern communications technology to work closely with the people doing the work. Managers must also consider the employees who have strong expertise but decide they do not want to work full-time. Better communication tools may allow companies to utilize these people's skills on an ongoing basis. The competition to hire the best people will increase in the years ahead. Companies that give extra flexibility to their employees will have the edge in this key area (Gates, 1999: 152-156).

One of the key objectives of a human resource approach to managing people is the achievement of flexibility in the workforce (Bramham, 1994: 41). To achieve this in an organization, it should be broken down into more manageable segments.

- **Skills flexibility –** This flexibility makes the point to an organization that each individual employee may be of more importance than originally considered. This reflects the importance to the company of what their employee can do, rather than what he/she knows (Bramham, 1994: 63). Employees must not be limited by organizations. Rather, they have to be encouraged to accomplish the task by whatever means necessary. Skills flexibility can only be achieved by adopting new approaches and attitudes towards training. One approach to training is a more generalized, broader training programme, enabling staff to gain knowledge of every department.
- **Job flexibility –** Ultimately, results can only be achieved by a workforce that is prepared to cooperate.
- **Location flexibility –** This deals with the actual physical location of the employee, not which area of the organization they work in, but where. For staff to embrace mobility, they must also believe that it is beneficial to the cause and not just some 'half-baked' theory (http://www2.prestel.co.uk/rossticle/essays/yr3/hrm.htm). There are two different types of mobility. The first type is on a local level. This involves transfer of employees from department to department and office to office. It recognizes the importance of terms and that staff must find their experiences enriching. The second type of mobility is on a larger geographical scale. This means a long distance shift for members of staff. To help staff make the shift, attractive incentives can be used.
- **Work pattern flexibility –** Today, with higher consumer expectation and needs, traditional working times are not good enough. It is important for organizations to be able to offer their services more of the time. Naturally, if an organization has more opening hours, it must also increase its number of employees. This is where the role of part-time employees becomes an issue. Part-time employees can build around the hours that are not covered by full-time staff and strengthen the services offered. It is still essential for the workers to be integrated into teams, though. Care must be taken to avoid the slipping of standards (http://www2.prestel.co.uk/rossticle/essays/yr3/hrm.htm).

It is important for human resource professionals to realize the impact and importance of the Internet on all organizations and their employees. They will need to make top management aware of the importance of the Internet so that training and development of computer skills and the use of the Internet will be incorporated into the organization's core businesses. The human resource functions of training and development should thus incorporate computer and Internet training. Further, the skills of employees who already have knowledge of computers and the Internet need to be developed.

3.4.2 E-commerce

According to Nash (1998), the electronic trading boom is in full swing, as the Internet offers unlimited opportunities to transform the way business is conducted. Industry analysts predicted that by the year 2001, worldwide business over the Internet will total between $200-$300 billion. Although the world's financial community has been using electronic commerce to transfer funds for years, the Internet has enabled businesses to buy and sell to millions of consumers through cheap, standardized network links. The convergence of the hitherto largely separate worlds of computing, telecommunications and broadcast television are about to deliver further benefits directly to consumers.

The growth in e-commerce is intensifying competition. To maximize the benefits of electronic trading, companies must develop their e-commerce strategy alongside their other core processes, and integrate it into their overall marketing plan.

The business world is undergoing a major transformation. E-commerce, one of the drivers behind the change, is eroding traditional geopolitical boundaries, offering unprecedented opportunities for large and small enterprises alike, and changing the competitive environment dramatically.

With global access to the Internet predicted to top eight million by the year 2001, the winners in this increasingly global marketplace will be the companies that realize the full potential of e-commerce, incorporate it in their marketing strategy, and use it to develop real competitive advantage. Thanks to e-commerce, even the smallest company can establish itself in a truly global market (Nash, 1998).

What is e-commerce?

Nash (1998) defines e-commerce as follows: "Electronic commerce covers any form of business or administrative transaction or information exchange that is executed using any information and communications technology (ITC). E-commerce (electronic commerce or E.C.) is the buying and selling of goods and services on the Internet, especially the World Wide Web" (http://whatis.techtarget.com/WhatIs_Definition_Page/0,4152,212029,00.html).

Electronic commerce is the paperless exchange of business information using electronic data interchange, e-mail, electronic bulletin boards, fax transmissions, and electronic funds transfer. It refers to Internet shopping, online stock and bond transactions, the downloading and selling of soft merchandise (software, documents, graphics, music, etc.), and business-to-business transactions (www.businesstown.com/internet/ecomm-definition.asp).

Most transactions between business and consumers, business and business, and consumers and government will become self-service digital transactions. Intermediaries will either evolve to add value, or perish. Customer service will become the primary value-added function in every business. Human involvement in service will shift from routine, low-value tasks to high-value, personal consultancy on important issues for the customer. The pace of transactions and the need for more personalized attention to customers will drive companies to adopt digital processes internally if they have not yet adopted them for efficiency reasons (Gates, 1999: 75 and 76).

Those who reap the rewards of future success will have the vision to watch and think globally, and to recognize the new economic rules as they emerge. We have a lot to learn yet, and therein lies the opportunity (Nash, 1998).

How can companies benefit from e-commerce?

The Internet brings companies closer to their customers, since customers and partners can access information directly (Rosen, 2000). The Internet brings the following changes:

- It makes the size of a company irrelevant. Large and small companies have the same access to customers and can create the same kind of Internet presence. The Internet is unlike the real world, where location and size can affect a company's ability to access customers.
- It makes the location of a company irrelevant. An advantage of a presence on the Internet is that it has no defined location, including time zone and country. Through the Internet, customers in geographical areas a company previously would not have reached can now be reached easily.
- It increases feedback. Most companies have little exposure to their customer's comments and feedback. The Internet's interactive qualities and easy access provide companies with direct information. A tool as simple as a 'contact us' button on a website can give customers an easy way to provide a company with feedback. Additionally, news and discussion groups can provide a company with insight into the general market or a specific product (Rosen, 2000: 8-10).

3.4.3 Globalization

An ongoing process of economic, social and political globalization is defining the Digital Revolution, and the Information Age that it engenders. While the term globalization has become quite widespread, there are confused and often conflicting definitions and conceptions of the phenomenon. For this concept to maintain any analytical usefulness, it must be carefully defined and examined for its impact on society, the economy, and the world system (www.unesco.org/webworld/infoethics_2/eng/papers/paper_23.htm).

At its most organic and fundamental level, globalization is about the monumental structural changes occurring in the processes of production and distribution in the global economy. These structural changes are many global enterprises' responses to tremendous pressures and fantastic new opportunities. These pressures and opportunities are the result of increased application and integration of advanced information and communications technologies. Through the application of information and communications technologies, enterprises have the ability to diminish the impact of space, time and distance. Global companies can break apart business functions that were previously thought to be best centralized, and spread them across the globe to form a globally disarticulated labour and production process (www.unesco.org/webworld/infoethics_2/eng/papers/paper_23.htm).

Economic globalization is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labour) and knowledge (technology) across international borders.

The term globalization has come into common usage since the 1980s, reflecting technological advances that have made it easier and quicker to complete international transactions. It refers to an extension beyond national borders of the same market forces that have operated for centuries at all levels of human economic activity – village markets, urban industries, or financial centres.

Markets promote efficiency through competition and the division of labour – the specialization that allows people and economies to focus on what they do best. Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets. But markets do not necessarily ensure that the benefits of increased efficiency are shared by all. Countries must be prepared to embrace the necessary policies, and in the case of the poorest countries, may need the support of the international community as they do so.

The term globalization has acquired considerable emotive force. Some view it as a process that is beneficial – a key to future world economic development – and also inevitable and irreversible (www.imf.org/external/np/exr/ib/2000/041200.htm).

Implications of globalization for knowledge, education and learning

Global economic integration has proceeded at a dramatic pace in the 1990s. The share of trade in global GDP has almost doubled over the past three decades. One factor driving this expansion has been technological change. Falling communication costs and the increasing transferability of production technologies have made it possible to develop global production systems (www.caa.org.au/oxfam/advocacy/education/report/chapter1-

3.html).

Multinational companies are among the primary movers of globalization. They dominate the trade and investment landscape and fully one third of international trade is now conducted within multinational firms. Through international patents, they control the technologies on which competitiveness depends. Reduced international transport and communication costs coupled with the increasing transferability of technology, are making distance less and less of an obstacle in business operations. Taken separately, each of these developments is important. Considered collectively, they are transforming the global economy. At the heart of the transformation are information and education. Information technology is producing a new source of wealth. As the Spanish sociologist Manuel Castels wrote, it is the critical factor in generating and accessing wealth, power, and knowledge in our time. The ability to use and adapt information technology will be a vital determinant of national wealth and prosperity.

New technologies are converging with increased capital mobility and a higher volume of trade. As a result, ideas, information and, to an increasing extent, capital, are crossing national borders as if they did not exist. In the 19^{th} century, a country's comparative advantage in international trade depended in large measure on its natural resource endowments and the relative abundance of capital and labour. Today, such considerations are becoming irrelevant. In the new, knowledge-based global economy, natural resources count for little – human resources count for a great deal. The ability to add value through knowledge-intensive production, linked to the adoption of information processing technologies, is a country's key to future prosperity (www.caa.org.au/oxfam/advocacy/education/report/chapter1-3.html).

Given the increasing economic globalization, restructuring in the world political and economic systems, and the requirements for knowledge and information within that system, educational needs at all levels, especially at the tertiary level, have changed. These educational requirements for the workforce of the future are extremely important. However, the systems developed for informal learning, specifically for adult learners to engage in life-long learning, are important as well (www.unesco.org/webworld/infoethics_2/eng/papers/paper_23.htm).

There are significant contrasts between knowledge, education and learning. Education is generally seen as a formal process of instruction, based on a theory, to impart formal knowledge. However, the process of learning can occur with or without formal institutional education. Knowledge accumulation and the accumulation of skills for using information and communications technologies will occur increasingly outside the traditional institutions of formal education. Learning in the workplace, and through collaborations that span the globe or involve tightly nit local communities with similar interests, will become more commonplace.

As the store of knowledge expands throughout the world, all of the world's people should have as much access as possible. The formal institutions of education that exist today, and even many of these in the planning stages in developing countries, are becoming less relevant to the requirements of emergent knowledge societies. These national priorities must now take into consideration the fundamental changes occurring in the underlying structures of the global economy and new strategies for achieving competitive national advantage (www.unesco.org/webworld/infoethics_2/eng/papers/paper_23.htm).

Global human resource management

Globally, human resource executives are strategic partners with line managers; they actively participate in top-level decisions. They bring human resource perspectives to the global management of a company. The role of the global human resource executive is focused on being a strategic business partner and decision-maker. Any human resource initiative must be based on maximizing productivity to best benefit the bottom line; therefore, a solid understanding of the total global system is essential.

Just as global business enterprises evolve, so does the human resource function that supports them. Human resource management involves formulating and implementing human resource policies, practices and activities in global companies. Such activities include selecting, training, and transferring parent company personnel abroad, and formulating policies and practices for the entire company and for its foreign operations.

Melissa DeCrane of the Corporate Resources Group believes that international expertise is an essential asset for human resources people, because the global marketplace challenges every company. Effectively dealing with global human resource issues is essential for success in the global marketplace and for maximizing profitability. The human resource function must ensure that the company has a smart, adaptable workforce so that it will remain globally competitive (Mondy *et al*, 1999: 622 and 623).

A global organization must have qualified individuals in specific jobs at specific places and times to accomplish its goals. This process involves obtaining such people globally through human resource planning, recruitment, and selection.

When developing a global staff, managers and other professionals are normally selected first, followed by operative employees. These individuals can be from the home country, the host country, the operational region, or from anywhere in the globe. Unfortunately, it is quite difficult to locate managers with sufficient international experience, and over 70 per cent of recruiters expect the problem to continue in the future. Other problems include the high cost of establishing a manager or professional in another country, the extreme cost of placing a key manager outside of the host country, and the reality that failure rates for managers sent to other countries is approaching 50 per cent. Because of such problems and the potential for losses, global human resource management practices focus heavily on planning, recruitment, and selection. Successful accomplishment of global planning, recruitment, and selection is vital if the global organization is to achieve its mission effectively (Mondy *et al*, 1999: 625 and 626).

It is the role of human resource management to alert top management of how important the Internet, e-commerce, and globalization are for the organization to be successful and to have a competitive advantage. Incorporating the Internet, e-commerce, and globalization into an organization means that change will occur. It will be the role of human resource professionals to act as an interface between top management and the employees during this period of change.

3.5 Conclusion

The business world is undergoing a major transformation. The focus has shifted from asset-intensive to knowledge-intensive. It is clear that access to knowledge, skills and technology are the key aspects of this new economy. This chapter discussed the characteristics of the new economy and the tools and drivers that should be used in the new economy to sustain competitive advantage. These drivers are the Internet, e-commerce, and globalization.

The Internet creates a new universal space for information sharing, collaboration and commerce. It provides a new medium that takes the immediacy and spontaneity of technologies such as television and the telephone, and combines it with the depth and breadth inherent in paper communications. The Internet introduces the concepts of the web lifestyle and web learning in which training and development can be done at the employee's computer. This decreases the cost and time spent on training sessions. The Internet also changes the boundaries of business and the workstyles of employees, as most tasks can now be done electronically.

The changing nature of technology and the global economy are taxing the conventional paradigm for learning, training, and work. The Internet has introduced an important new technology that can address the existing problems of training and development. The use of web learning enables employees to have the most up-to-date information available to them. Training can be done at the employee's desk when the employee has time available, and the employee can learn at his or her own pace. The use of web learning increases the amount of information an employee receives and saves the employee and the employer time and money. Human resource professionals should make web learning an integral part of the training function.

E-commerce, as one of the drivers behind change, is eroding traditional geopolitical boundaries, offering unprecedented opportunities for large and small enterprises alike. E-commerce changes the competitive environment dramatically. The growth in e-commerce is intensifying competition. To maximize the benefits of electronic trading, companies must develop their e-commerce strategy alongside their other core processes, and integrate it into their overall marketing plan.

Human beings remain essential in operational processes that have to constantly improve and adapt to changing circumstances. A flexible production line needs people. As we consolidate tasks into processes we give workers more responsibility.

Computers will eliminate some jobs, but they will take the drudgery out of many other jobs. This means that an organization's workforce will be able to focus on the core activities that define the organization.

E-commerce places emphasis on the need for knowledge management. A company's high-level executives need to believe in knowledge sharing, or even a major effort in sharing will fail. Human resource professionals need to establish an atmosphere that encourages collaboration and knowledge sharing. This will enable business leaders to set up specific knowledge sharing projects across the organization and make knowledge sharing an integral part of the work itself.

In this new paradigm involving e-commerce, it is essential to realize that the skills required from employees will change as the environment changes. The criteria previously used in recruitment and selection will therefore need to change to meet the needs of the company. The methods used will also change as the economy becomes more global. Recruitment and selection will shift from being done domestically to internationally as companies become more global. This will involve using the Internet to recruit and select suitable employees to work for a company. Employees will not necessarily need to work within the company; they will also be able to work outside of the company as functions are outsourced.

Business managers need to take a hard look at their core competencies. They have to revisit the areas of their companies that are not directly involved in those competencies, and consider whether Internet technologies can enable them to replace those tasks. Another company can take over the management responsibilities for that work; modern communications technology can be used to work closely with the people doing the work.

Potential candidates will require communication skills, interpersonal skills and computer skills. These candidates will also need to believe in the power of sharing information and being completely honest in their dealings with other employees and customers. They will need to be intellectually honest and open. This places additional difficulty on the task of recruitment and selection, as these are values that will need to be determined by the human resource manager before a candidate is placed with the company. The emphasis here moves from being objective to subjective.

To recruit and retain smart people, human resource professionals need to change the environment so that it is easy for them to collaborate with other smart people. That makes for a stimulating, energized workplace. A collaborative culture, reinforced by information flow, makes it possible for smart people all over a company to be in touch with each other.

Power comes not from knowledge kept, but from knowledge shared. A company's values and reward system should reflect that idea. The aim of human resource management should be to enhance the way people work together, share ideas, sometimes wrangle, and build on one another's ideas.

Companies in the new economy should therefore remember:

- Make smart people smarter by sharing the wealth.
- E-business is essential. Look at each customer as an individual.
- Innovate with information, time and distance. Grow your market cap through intellectual capital – without capital investments (Grulke, May 1999).

The skills required for economic and business success will continue to move from physical skills to conceptual skills. In the new economy, it is important to remember that value will be determined by the ability to provide integration, simplicity and trust/transparency (Grulke, May 1999). Human resource management plays an integral role in achieving this.

It is the role of human resource management to ensure that these tools and drivers are used effectively and efficiently, and that all employees receive adequate training on how to use these tools and drivers to enhance their work and function within the organization.

Chapter 4
Research methodology

4.1 Introduction

The purpose of this study is to develop a model defining the role of human resource management in the new economy. To achieve the purpose of this study, a literature review was done and a qualitative method of research was used.

King, Keohane and Verba (1994: 118) define research design as "a plan that shows, through a discussion of a model and data, how we expect to use our evidence to make inferences."

This chapter will briefly address the theory behind the use of the qualitative data analysis process, the formal models of qualitative research, the measurement of variables and Lawshe's technique.

4.2 Qualitative data analysis

Qualitative data, in the form of words rather than numbers, have always been the staple of certain social sciences, notably anthropology, history and political science. Qualitative data are attractive. They are a source of well-grounded, rich descriptions and explanations of processes occurring in local contexts. With qualitative data one can preserve chronological flow, assess local causality, and derive fruitful explanations. With new theoretical integrations, they help researchers go beyond initial preconceptions and frameworks.

Finally, the findings from qualitative studies are undeniable. Words, especially when they are organized into incidents or stories, have a concrete, vivid, meaningful flavour that often proves far more convincing to a reader – another researcher, a policy maker, a practitioner – than pages of numbers (Miles and Huberman, 1984: 15).

Therefore, more and more researchers are committed to qualitative data collection. The demands of conducting good qualitative research are not small. Collecting data is a labour-intensive operation, traditionally lasting for months, if not years. It is no longer the task of one fieldworker but usually a combined effort. Even if a study goes beyond the classic single case to a multiple-site study, the bulk of data makes it unlikely that a sample of more than a few dozen cases can be managed.

It is more useful to define qualitative data in ways that encourage partnership rather than divorce between different research methods. In suggesting that quantitative data deals with numbers and qualitative data deals with meanings, it looks as if they are in opposition when, in fact, they are better thought of as mutually dependent. Numbers depend on meanings and, in a sense, meanings also depend on numbers (Dey, 1993: 28).

Measurements at all levels embrace both a qualitative and quantitative aspect; each approach compliments the other. However, at lower levels of measurement, questions of meaning are uppermost, while at higher levels of measurement, questions of number loom largest.

4.2.1 The content of qualitative data

According to Miles and Huberman (1984: 20-23), the qualitative data appear in words rather than in numbers. These words can be collected in a variety of ways: observation, interviews, extracts from documents or tape recordings. The words must usually be processed before it can be used, but they remain words, usually organized into extended text.

The following procedure, as described by Miles and Huberman (1984: 23) was applied in the qualitative analysis approach for this study.

Data collection

Data collection was done at the library of the University of Pretoria. Computer searches were conducted on the Internet to identify relevant sources.

Data reduction

Data reduction refers to the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written-up field notes or transcriptions. Even before the data is actually collected, anticipatory data reduction is occurring as the researcher decides which conceptual framework, which cases, which research questions, and which data collection approaches to choose.

Data reduction is also not something separate from analysis, but forms part of it. Data reduction is a form of analysis that sharpens, sorts, focuses, discards, and organizes data in such a way that 'final' conclusions can be drawn and verified (Miles & Huberman, 1984: 23).

During and after data collection, a process of data reduction and analysis was followed. An attempt was made to obtain a thorough sample of articles from books and the Internet. As the nature and objective of the study relate to the development of a model defining the role of human resource management in the new economy, use was made of conceptual analysis and reconstruction. This consists of the analysis of the theory and the identification of the basic concepts applicable to the compilation of a model.

Data display

A display is an organized, compressed assembly of information that permits the drawing of a conclusion and action (Miles & Huberman, 1984: 24).

As a result of the methodology applied for data analysis, a descriptive narrative and a model to represent the data were used.

Conclusion drawing/verification

According to Dey (1993: 30), qualitative analysis is a way of transforming data into something that does not exist – to obtain a fresh view of the data. We break down the data in order to classify it, and the concepts we create or employ in classifying the data, and the connections we make between these concepts, provide the basis of a fresh description. The core of qualitative analysis lies in these related processes of describing phenomena, classifying them, and seeing how our concepts interrelate.

Conclusion drawing and verification consists of the scientific evaluation of the conceptual framework of the model, according to the specific criteria. Based on this, the applicability of the model can be determined. The evaluation may take place on a continuous basis, resulting in the model only being finalized, accepted and included at the end of the study (Miles and Huberman, 1984: 24).

A content analysis was conducted of the relevant documentation to obtain an indication of the implications of the new economy on the role of human resource management. In the previous chapters of this study, a comprehensive evaluation of relevant literature was included to identify the key elements for the development of the model. A model was then developed to indicate how these implications could be implemented in the organization.

The scientific evaluation of the model was done by using the Content Validity technique of Lawshe. The validated model is presented at the end of the study, and represents the conclusion of the study.

4.3 Steps to follow in the qualitative data analysis process

Dey (1993: 31-55) prescribes that the following steps should be followed when a researcher wants to make use of the qualitative data analysis process.

(1) Descriptions

In Dey (1993: 31), Geerz and Denzin state that the first step in qualitative analysis is to develop thorough and comprehensive descriptions of the phenomenon under study. This has become known as a thick description. In contrast to a thin description that merely states facts, Denzin, in Dey (1993: 31), states that a thick description includes information about the context of an act, the intentions and meanings that organize action, and its subsequent evolution.

(2) Contexts

The need to take account of contexts is a recurrent theme in qualitative analysis. Contexts are important as a means of situating action, and of grasping its wider social and historical importance. This can require detailed descriptions of the social setting within which action occurs.

(3) Intentions

In qualitative analysis, there is a strong emphasis on describing the world as it is perceived by different observers. The intentions and perceptions of subjects often enjoy a privileged position in qualitative research; they can give access to the meaning of actions. Often, though, the descriptions of various facets depend on what the subject of the research is.

(4) Process

Qualitative research often seeks to illuminate the ways individuals interact to sustain or change social situations. Qualitative data may sometimes be produced through snapshot methods, such as a once-off survey. More typically, though, qualitative data are a product of data collection over a longer period of time.

The idea of process is bound up with the idea of change, and the circumstances, conditions, actions and mechanisms through which change comes about. Process often refers to change and movement over time. Qualitative description is likely to encompass all these elements in its effort to provide an adequate basis for interpreting and explaining social action.

One distinctive feature of description is its integrative function. By summarizing data, unnecessary data are stripped away; the more central characteristics of the data are delineated more clearly.

(5) Classification

Interpretation and explanation are the responsibility of the analyst, and it is his or her task to develop a meaningful and adequate account of the actions or events being researched. The data merely provide a basis for the analysis; it does not dictate analysis. This requires the development of a conceptual framework through which the actions or events that are being researched can be rendered intelligible.

Classification can be seen as a form of practical reasoning. Once the data has been organized into categories, it can be retrieved in a variety of ways. By categorizing data, the researcher can make comparisons more effectively; it lays the basis for making new connections between different bits of data.

(6) Making connections

If concepts are the building blocks of an analysis, making connections means to bring these blocks together. Connecting concepts is the analytical equivalent of putting mortar between bricks. Classification lays the foundation for identifying substantive connections.

Given its predominantly explanatory character, and its emphasis on the problems of meaning and conceptualization, qualitative analysis is more likely to result in the construction of walls than the creation of places. The overriding objective of analysis is to produce an intelligible, coherent and valid account.

In Dey (1992: 39 and 1993: 53), Sayer states the following:

> *"We can compare qualitative data analysis with climbing a mountain to see the view. First of all, we must insist that our mountain rises above the plain world of common sense to afford a more scientific perspective. The common sense world tends to take meanings for granted; i.e. to treat things as structure and relationships that are produced and sustained through meaningful social action. Social science is redundant if it does not transcend a common view of the world – we cannot interpret or explain social action without critically evaluating it."*

4.4 Formal models of qualitative research and survey research

A model is a simplification of, and approximation to, some aspect of the world. Models are never literally true or false, although good models abstract only the right features of the reality they represent (King, Keohane, and Verba, 1994: 49). A model is an abstract statement of a real situation or process. The relevant characteristics of the real situation are represented in the model (Anderson and Sclove, 1974: 22). For example, consider a six-inch toy model of an aeroplane made of plastic and glue. This model is a small fraction of the size of the real aeroplane, has no moving parts, cannot fly, and has no contents. None of us would confuse this model with the real thing; asking whether any aspect of the model is true is like asking whether the model who sat for Leonardo DaVinci's Mona Lisa really had such a beguiling smile. Even if she did, we would not expect Leonardo's picture to be an exact representation of anyone, whether the actual model or the Virgin Mary, any more than we would expect an aeroplane model to fully reflect all the features of an aircraft. However, we would like to know whether this model abstracts the correct features of an aeroplane for a particular problem. The key feature of a real aeroplane that this model abstracts is its shape. For some purposes, this is certainly one of the right features. Of course this model misses myriad details about an aeroplane, including size, colour, the feeling of being on the plane, the strength of its various parts, and numerous other critical systems. If we wished to understand these aspects of the plane, we would need an entirely different set of models.

All models range between restrictive and unrestrictive. Restrictive models are clearer, more parsimonious, and more abstract, but they are also less realistic. Unrestrictive models are detailed, contextual, and more realistic, but they are also less clear and more difficult to estimate with precision. Where on this continuum we choose to construct a model depends on its purpose and the complexity of the problem we are studying.

Whereas some models are physical, others are pictorial, verbal, or algebraic. For example, the qualitative description of European judicial systems in a book about that subject is a model of that event. No matter how thick the description or talented the author, the book's account will always be an abstraction or simplification compared to the actual judicial system. Since understanding requires some abstraction, the sign of a good book is as much what is left out as what is included (King, Keohane, and Verba, 1994: 49 and 50).

A model is useful because irrelevancies have been dropped and the logical consequences of what is considered relevant can be correctly deduced (Anderson and Sclove, 1974: 22).

4.5 Lawshe's technique

Lawshe's research (1975: 563-575) indicates that criterion-related validity principles and strategies have evolved so much over time, that the term 'commonly accepted professional practice' has meaning. This is not the case with content validity, however, and he has therefore taken an approach to the quantification of content validity which was widely accepted.

The basic principle is that a panel of experts in a specific field (in this case Human Resource Management) has to be formed to do an evaluation about certain issues at hand. This panel is known as a content evaluation panel, and consists of people who are knowledgeable about a specific area of expertise, function or discipline.

4.5.1 The content evaluation panel

Each member of the panel is presented with the model. The panel member must evaluate all the elements of the model, independently of the other panellists, responding to the following question for each of the elements:

☐	Essential	=	1
☐	Useful but not essential	=	2
☐	Not necessary	=	3

The responses of all the panellists are then pooled and the number indicating 'essential' for each element is determined. If all the panellists are of the opinion that a certain element is 'essential' or 'not necessary', it can be concluded with confidence that the element is essential or not necessary.

Two assumptions are made, each of which is consistent with established psychological principles:

11. Any item which is perceived to be very important by more than half of the panellists, has some degree of content validity, and
12. The more panellists (beyond 50%) who perceive an item as very important, the greater the extent or degree of its content validity.

With these assumptions in mind, the following formulae for the content validity ratio (CVR) is true:

$$CVR = \frac{ne - (N/2)}{(N/2)}$$

In this formula, ne is the number of panellists indicating very important and N is the total number of panellists. While the CVR is a direct linear transformation from the percentage saying very important, its utility derives from its characteristics.

- When fewer than half say very important, the CVR is negative.
- When half say very important and half do not, the CVR is zero.
- When all say very important, the CVR is 1.00 (It is adjusted to 0.99 for manipulation).
- When the number saying very important is more than half but less than all, the CVR is somewhere between zero and 0.99.

4.5.2 Model distribution

The model was presented to a panel of 11 individuals, of whom four have Doctorate degrees and seven have Masters degrees. All of these individuals are professionals working either in the academic or practical fields of human resource management. Therefore, their responses to the model can be valued.

The model was sent via e-mail; a covering letter was attached. Respondents were requested to send their comments and responses via e-mail. The model was followed up with an e-mail to the respondents who had not yet replied to the earlier e-mail, reminding them of the model and thanking them for their cooperation (a copy of the questionnaire is included in Appendix I).

4.5.3 The content validity index

To determine the content validity index for the survey, it is necessary to:

- identify those determinants which have significant CVR values for the survey;
- compute the mean content validity index for the whole survey (CVI).

A content evaluation panel consisting of 11 members will require a minimum CVR of 0.59 to satisfy the five per cent level. Only those items with CVR values meeting this minimum are retained in the final form of the test. After items have been identified for inclusion in the final form, the CVI is computed. The CVI is the mean of the CVR values of the retained items.

The problem with Lawshe's technique is that a true content validity ratio does not exist. Instead, there are CVR values that are estimates, arrived at through human judgements known to be fallible. The procedure utilizes the CVR values on a pool of questions or statements to minimize the impact of any inherent unreliability in the judgement of the panellists.

4.5.4 The content validity ratio

The responses of all panellists were pooled and the number indicating 'essential' for each element was determined to calculate the content validity ratio (CVR) for each key element of the model. The CVR for each key element and the respective panellists' responses are reflected in the following table (N = 11).

Key element	Statement			CVR (*)
	1	2	3	
General				
Table: changes in paradigm	10	1	0	0.8
Schematic presentation of model	10	1	0	0.8
General overview of model	9	2	0	0.6
Shifts in paradigm				
Personnel management to human resource management	11	0	0	1.0
Industrial age to the information age	11	0	0	1.0
Financial capital to human capital	11	0	0	1.0
Nationalization to globalization	8	3	0	0.5
Implications of each shift in paradigm	11	0	0	1.0
Components of the model				
The organization in the new economy	10	1	0	0.8
Strategic management	11	0	0	1.0
New concepts of knowledge management, human capital and intellectual capital	11	0	0	1.0
Human resource management	10	1	0	0.8
The drivers and tools of the new economy	11	0	0	1.0
The role of human resource management				
The functions of recruitment and selection, orientation and induction, and training and development	11	0	0	1.0
The role of the human resource professional and human resource management	11	0	0	1.0
Outsourcing, contingent workers, etc.	11	0	0	1.0
People-centred management	10	1	0	0.8
The living strategy	11	0	0	1.0

(*) Statistical significance on the 5% ratio: I-ratio >0.59

According to the table all the values satisfy the 5% level of I > 0.59. This confirms that the content of the model is valid and that all the elements that met the minimum requirements can be retained in the model.

The content validity index (CVI) of the model is determined by calculating the mean of the CVR values of the retained elements of the model. The CVI of the total model is 0.89, which is of high statistical significance. The elements of the model can therefore be considered appropriate for the purpose it was developed.

The validation of the model is the final step of the research method to assess the suitability thereof. The final model is presented in the next chapter and also serves as the conclusion of the study.

Chapter 5
The model

5.1 Introduction

The aim of this study is to develop a model defining the role of human resource management in the new economy. This model will now be discussed.

5.2 The role of human resource management in the new economy

Seven thousand years ago, the agricultural revolution saw the hunter-gatherer in most civilisations become a planter-harvester. An incessantly mobile human society was thereby converted into one invested in hearth and homestead. Two hundred years ago the industrial revolution converted that well-refined agricultural society into one dominated by the dictates of industrial production. Now we face another such major revolution – the conversion of our world into a single, technologically integrated, around-the-clock community. Our present revolution has developed in response to our need for ever more efficient production in a world with too little capital resources to meet the needs of an explosively growing population. It has been made possible, like other societal revolutions, by a stream of inventions and innovations: instant worldwide telecommunications, computers and processors, automation of machinery, a global economy and trading system, and the tumbling of major political boundaries.

The purpose of this study was to develop a model defining the role of human resource management and the human resource professional within the new economy. The model was derived from the following literature: Brooking (1996), Browne (2000), Browning and Reiss (2001), Cascio (1998), Cogburn (2001), Gabbai (2000), Gates (1999), Gratton (2000), Grulke (1999), Isaacson (1997), Kelly (1998), Korper (2000), Mondy (1999), Rosen (2000), Schwartz (2000), Stewart (1998), Sveiby (2001), Witzel (2000), Winter (1999), and others. This model consists of two components, namely a table identifying the changes and shifts in paradigm, and a schematic diagram explaining human resource management's position in the new economy, its role and functions, and the new concepts that organizations need to address and embrace to be successful.

5.2.1 The changes and shift in paradigm

There are four main changes and shifts in paradigm (Table 1), namely: personnel management to human resource management; the Industrial Age to the Information Age; financial capital to intellectual capital; and nationalization to globalization. These changes and shifts will now be discussed.

Personnel management to human resource management

The first shift in paradigm is that from personnel management to human resource management. This shift occurred as a result of a void in the personnel function. This void needed to be filled due to an emphasis away from collective bargaining, a reduction in bureaucracy and a move from the collective to the individual. Thus, human resource management emerged as a practised personnel function, promising flexibility, responsiveness and a marked increase in the value of the employee. Furthermore, with the reduction in heavy industries and increase in services and high technology, human resource management promised to put emphasis on the individual and the longer-term strategic issues.

Human resource management is in the process of change regarding the nature of the role performed. In the past, human resource management professionals performed many functions themselves. The role they are taking on now is one of consultant to line management, where line managers perform many of the functions traditionally handled by human resource management professionals. Similarly, businesses are shedding all functions that are not directly related to core business, and in the process many human resource management functions are being outsourced. Hence the change in the nature of services provided.

The differences between human resource management and personnel management are:

- Human resource management is a proactive approach. By planning for any problems, they can be avoided. Personnel management, on the other hand, is a reactive approach that only deals with the problems when they arise.
- Human resource management is seen as operating most effectively in organic, fluid organization structures, while personnel management is felt to characterize more bureaucratic and rigid structures. Human resource management is focused on maximizing the contribution of human resources to organizational effectiveness. Personnel management has a more pragmatic objective, namely the maximization of cost-effectiveness.
- Personnel management is seen as a short-term, reactive solution, while human resource management is founded on the idea that an organization includes human resource factors within top-level corporate strategies. Therefore, it seeks to adopt a long-term view.

The new sources of sustainable competitive advantage available to organizations in the new economy have people at the centre – their creativity and talent, their inspirations and hopes, their dreams and excitement. To harness this competitive advantage, organizations need to build the potential of people in organizations, the knowledge they bring, and their commitment and enthusiasm.

This shift in paradigm from personnel management to human resource management has the following implications: the creation of a new culture in which people are an organization's most valuable asset; the creation of a living strategy; the introduction of people-centred management; and the integration and involvement of human resource management in strategic management.

Industrial Age to the Information Age

The second shift in paradigm is that of the move from the Industrial Age to the Information Age. We now live in a new economy created by shrinking computers and expanding telecommunications. It is an economy driven by technological change.

The Industrial Age focused primarily on assets in the form of physical labour, products and natural resources. The Information Age is knowledge intensive, focusing on knowledge, information, skills, communication and service. The emphasis has changed from focusing on products to focusing on ideas and information sharing.

An information economy is more open and it is also more competitive, as information is easy not only just to duplicate but also to replicate. Successful firms have to keep innovating to keep ahead of copycats nipping at their heels. The average size of companies is shrinking. New products and knock-offs alike emerge in months rather than years, and market power is increasingly based on making sense of an overabundance of ideas rather than rationing scarce material goods. Each added connection to a network's pool of knowledge multiplies the value of the whole. The result: new rules of competition, new types of organizations, and new challenges for management.

There are five simple indicators of the new economy:

- the rise of information technology;
- knowledge-intensive production and trade;
- research and development;
- value added to production; and
- the Internet.

In the Information Age, organizations will have access to knowledge, skills and information, which give the organization a competitive advantage. There will be a reduction in heavy industries and an increase in services, which will create abundant business opportunities.

The implications of the move from the Industrial Age to the Information Age are:

- the existence of a new set of tools and drivers in the form of the Internet, e-commerce and globalization which the organization must use to maximize its competitive advantage;
- the introduction of a web lifestyle in which more and more people will be using the Internet to do their daily activities;

- the introduction of web learning, or e-learning, which will improve the function of training and development within organizations;
- changes in boundaries of business and in workstyle for employees;
- increased flexibility for employees; and
- a change in the role of human resource management and the human resource professional.

Financial capital to intellectual capital

Financial capital brought advantage in the last century because it was a relatively scarce commodity. But financial capital is no longer scarce, and technology can be easily imitated. These resources continue to bring advantage, but they are no longer capable of sustaining this advantage. In this decade it is only people who can sustain the competitive advantage of a company. This is because people potentially have three aspects that can bring sustainable advantage, namely, the ability to create rarity, value and inimitability.

Intellectual capital consists of three components, namely: intellectual capital consisting of human resources, intellectual assets, and intellectual property; human capital which can be acquired through experience, training and education; and knowledge management.

The implications of this shift in paradigm are:

- the introduction of the concepts of intellectual capital, human capital, and knowledge management;
- the freedom to manage;
- the creation of an information sharing culture;
- the empowerment of employees;
- the creation of a learning culture; and
- the creation of a new source of competitive advantage in which employees with their knowledge and skills are at the heart of the organization.

Nationalization to globalization

Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets. But markets do not necessarily ensure that the benefits of increased efficiency are shared by all. Countries must be prepared to embrace the policies needed, and in the case of the poorest countries, may need the support of the international community as they do so.

The implications of the shift to a global market are: companies have access to a global workforce; the functions of a company can be spread across the globe in a globally disarticulated labour and production process; the way of recruiting and selecting employees is changing; and global human resource management is becoming important.

5.2.2 The role of human resource management and the human resource professional in the new economy

Firstly, this model discusses the new economy in which the organization will be functioning and what changes the organization needs to make to be successful within this new environment. Secondly, it discusses the new concepts of a living strategy, people-centred management, intellectual capital, human capital, and knowledge management. The organization needs to incorporate these concepts into its strategy. Thirdly, this model addresses the role of human resource management and its functions within this new paradigm. Lastly, the drivers and tools of the new economy, which the organization should use, are discussed (Figure 1).

The organization in the new economy

The new economy has three distinguishing characteristics: it is global; it favours intangible things – ideas, information, and relationships; and it is intensely interlinked. The new economy is about communication, deep and wide.

The new economy consists of dispersed global workforces with an increasing proliferation of skills. It is a world of higher speed and technology in which innovation drives change. The new economy creates abundant business opportunities, it is networked, and it is based on information.

The fundamental sources of wealth are knowledge and communication rather than natural resources and physical labour. The focus has moved from providing products to providing services. In the new economy, people are an organization's greatest asset. It is the hearts and minds of people, rather than their hands, that are essential to growth and prosperity for the organization. Committed employees creating new ideas, delivering value, and innovating to create growth are key assets of the new economy.

Knowledge is the ultimate power tool. A belief in empowerment is important to getting the most out of this new system. Knowledge workers and business managers benefit from more and better information, not just senior management.

Business leaders who succeed in the new economy will take advantage of a new way of doing business, a way based on the increasing velocity of information. The new way is not to apply technology for its own sake, but to use it to reshape how companies act. To get the full benefit of technology, business leaders will streamline and modernize their processes and their organization. The goal is to make business reflex nearly instantaneous and to make strategic thought an ongoing, iterative process.

For the organization in the new economy, it is important to structure an environment characterized by achieving long-term business success, ensuring that the organization's employees feel valued, ensuring a sense of pride of association with the company, instilling a sense of camaraderie, ensuring that each employee has the opportunity to reach his/her highest potential personally and professionally, and generating a sense of excitement and fun.

It will be essential for corporate leaders to take charge strategically, because significant organizational changes will need to be made.

Strategic management and new concepts

Strategic management is concerned with long-term policy decisions affecting the entire organization. The overall objective is to position the organization to deal effectively with its environment. Important decisions are also made regarding resource allocation. A key factor influencing the upsurge of interest in linking business strategies and human resource policies is the quest for competitive advantage. Competitive advantage can be described as any factors that allow a company to differentiate its product or service from its competitors to increase market share.

For organizations to be successful in the new economy, they must address the new concepts of a living strategy, people-centred management, intellectual capital, human capital, and knowledge management. Also, the human resource function and the human resource professional must be involved in the organization's strategic management.

The living strategy

Companies will set themselves apart in the 21st century by how well they optimize the human-centredness of their technology. The slogan 'Our people are our most important asset' will take on a deeper meaning, for it is the alertness and performance of an organization's people that determines how effectively the organization uses all its other resources.

The living strategy consists of a vision of the business, an understanding of current capability, and a cluster of people process levers. To create a living strategy it is very important that the organization build a guiding coalition, imagine the future, understand the current capability and identify the gap, create a map of the system, model the dynamics of the vision, and create a bridge into action. These six steps for the creation of a living strategy were identified by Linda Gratton in her book *Living Strategy – Putting people at the heart of corporate purpose,* and form a vital part of the success of any organization in the new economy.

People-centred management

People-centred management is a way of leading others that takes the individual's needs and aspirations into consideration, in the context of long-term benefit to the company. It offers managers and employees alike the opportunity to create an organizational environment where the full contribution of each member of the group is allowed, encouraged and supported. In essence, it provides the organization with a natural capability to tap into the hidden potential of all employees and enables the organization to create a new culture of excellence. People are an organization's greatest asset.

By introducing a living strategy and people-centred management, the organization has access to intellectual capital, human capital and knowledge management. These three aspects increase the competitive advantage of an organization in the new economy.

Intellectual capital

Intellectual capital is the term given to the combined intangible assets that enable the company to function. It is the sum of everything the people of the company know that gives a competitive advantage in the market, and it is knowledge that can be converted into value. Intellectual capital consists of three major components: human resources, intellectual assets and intellectual property.

- **Human resources** are the organization's employee intellect. It is the collective expertise, creative and problem solving capability, leadership, entrepreneurial and managerial skills embodied by the employees of the organization.
- **Intellectual assets** are the codified, tangible descriptions of specific knowledge to which the company can assert an ownership right and readily trade in disembodied form. Intellectual assets represent the source of innovations that firms commercialize.
- **Intellectual property** is an intellectual asset that can be legally protected. Intellectual property assets are the know-how, trade secrets, copyright, patent and various design rights. It is important, as it represents the legal mechanism for protecting many corporate assets.

It is important for organizations to remember that, to create usable human capital, the organization needs to foster teamwork, communities of practice, and other social forms of learning.

Organizational wealth is created around those skills and talents that are proprietary (in the sense that no one does them better) and strategic (in that the work they do creates the value customers pay for).

Information and knowledge can and should substitute expensive physical and financial assets. It is important to focus on the flow of information, not the flow of materials, and to remember that human, structural, and customer capital work together.

Human capital

Human capital refers to the sets of skills, the knowledge, and the institutions that enable individuals and countries to increase productivity, and thus their income. Human capital is part of a company's intellectual or intangible capital. Experience, training, and education are the three main mechanisms for acquiring human capital.

Human capital implies that human beings employed in their jobs are not merely people moving assets around – they themselves are assets that can be valued, measured, and developed like any other asset held by an organization; they are dynamic assets that can increase in value over time, not inert assets that depreciate in value; and they are prime among all assets. Capital is synonymous with net worth, the remaining assets of a business after all liabilities have been deducted. As such, human beings and the systems created to recruit, reward, and develop them form a major part of any company's value, as much or more than other assets such as cash, land, plants and equipment. Therefore, shareholder value can suffer when human capital is mismanaged.

Knowledge management

An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage. Knowledge management starts with business objectives and processes, and a recognition of the need to share information. Knowledge management is nothing more than managing information flow: getting the right information to the people who need it so that they can act on it quickly.

Business leaders need to establish an atmosphere that encourages collaboration and knowledge sharing. They need to set up specific knowledge-sharing projects across the organization and make knowledge sharing an integral part of the work itself. Then, leaders need to ensure that the people who share knowledge are rewarded. Power comes not from knowledge kept, but from knowledge shared. A company's values and reward system should reflect that idea.

Knowledge management can help any business in four major areas: planning, customer service, training and project collaboration.

To recruit and retain smart people, you need to make it easy for them to collaborate with other smart people. That makes for a stimulating, energized workplace. A collaborative culture, reinforced by information flow, makes it possible for smart people all over a company to be in touch with each other.

The rise of the knowledge worker fundamentally alters the nature of work and the agenda of management. Managers are custodians: they protect and care for the assets of a corporation. When the assets are intellectual, the manager's job changes. Knowledge work does not happen in the same way as mechanical labour. Professionals are measured not by the tasks they perform but by the results they achieve. When work is about knowledge, the professional model of organizational design inevitably begins to supersede the bureaucratic. The trend away from standardized mass production toward specialized knowledge work makes command-and-control management less necessary.

The answer is leadership as opposed to management. Knowledge management includes aspects of values, vision, empowerment, teamwork, facilitation, and coaching. The key to knowledge management is the creation of an information sharing culture. Managing a process instead of executing tasks makes someone a knowledge worker.

Training and development plays an important role in making knowledge workers out of every employee in the organization. Global training and development is needed because people, jobs, and organizations are often quite different in a global environment.

One way of training and developing employees is through mentoring. A mentor is a person who oversees the career and development of another person, usually a junior, through teaching, counselling, providing psychological support, protecting and at times promoting or sponsoring. Mentoring is a supportive learning relationship between a caring individual who shares his/her knowledge, experience and wisdom with another individual who is willing and ready to benefit from this exchange to enrich his/her professional journey.

It is clear that the role of human resource management will be to recruit, retain and develop knowledge workers in the organization of the new economy. Human resource management will play an integral role in bringing intellectual capital, human capital and knowledge management to the organization.

Human resource management

Human resource management is that part of management concerned with:

- all the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization;
- all the dimensions related to people in their employment relationships, and all the dynamics that flow from it; and
- all activities aimed at adding value to the delivery of goods and services, and to the quality of work life for employees.

The push towards a seemingly ideological approach to personnel increased in the late eighties due to increasing competitive pressures, increased globalization and a generally harsher business environment. It is these factors that caused managers to want to enhance internal corporate effectiveness and thus improve external competitiveness. This entailed the maximization of all resources, including the human resource.

Human resource management combines administration with the management of resources. Integration is therefore one of the key features of human resource management. Strategic human resource management is a key part of the decision-making cycle. It also gives integration to stakeholders. With the formation of corporate strategy the aims and policies of the business are also created.

While discovering the appropriate competencies for an organization is probably not an inimitable source of competitive advantage, the capability to integrate that knowledge effectively throughout the entire human resource system may well be. This requires that human resource managers think systematically about their area rather than functionally and tactically. This is a radical cultural change. It will be part of the role of human resource management to help employees make the transition from the old to the new culture, and the new way of doing things. Human resource management will need to develop training and development courses that address this new culture.
Just as global business enterprises evolve, so do the human resources that support them.

Human resource management involves formulating and implementing human resource policies, practices, and activities in global companies. Such activities include selecting, training, and transferring parent-company personnel abroad, and formulating policies and practices for the entire organization and for its foreign operations.

Effectively dealing with global human resource issues is essential for success in the global marketplace. Human resource management must ensure that the company has a smart, adaptable workforce so that it will remain globally competitive. As a result of such problems and the potential for losses, global human resource management practices focus heavily on planning, recruitment, and selection. Successful accomplishment of global planning, recruitment, and selection is vital if the global organization is to achieve its mission effectively.

With the emergence of the global village companies will need to realize the importance of focusing on their core businesses and outsourcing the other functions. Outsourcing is an arrangement in which one company provides services to another company that could also be or usually have been provided in-house. Outsourcing is becoming more common in information technology and other industries for services that have usually been regarded as intrinsic to managing a business.

The global character of the economy will thus have an impact on the human resource functions of recruitment and selection as organizations try to employ and retain knowledge workers. Outsourcing is one alternative to recruitment. Other alternatives are contingent workers, employee leasing and recruiting in cyberspace. These alternatives will now be discussed.

Contingent workers are temporaries, independent contractors and part-time employees. Global competition and changing technology prevent employers from accurately forecasting their employment needs months in advance. To avoid hiring people one day and resorting to layoffs the next, organizations look to a temporary workforce as a buffer. With contingent workers the expenses of recruitment, absenteeism, turnover and employee benefits are avoided.

Using employee leasing, a firm terminates some or most of its employees. A leasing company then hires them, usually at the same salary, leases them back to the former employer, who becomes the client. The employees continue to work as before, with the client supervising their activities. The leasing company, however, assumes all responsibilities associated with being the employer. Leasing provides a company with a body of well-trained, long-term employees that can expand or contract as business conditions dictate.

The role of the human resource professional within the new economy is:

- to play an active part in the process;
- to act as a facilitator;
- to encourage participation;
- to act as an advocate for employees to ensure that their voice and concerns are heard;
- to ensure that the plans for behavioural changes are given sufficient time and resources to take place;
- to strive for alignment between the people processes and the goals of the business to create a shared sense of meaning;
- to be an equal participant in the corporate strategy process;
- to facilitate human resource management strategy as an integral part of corporate strategy;
- to function as a performance consultant;
- to advise top management;
- to be a change agent, a counsellor to staff, a leader of people and an administrator.

The role of human resource management within the new economy is firstly to integrate the aspects of the new economy with the existing processes, policies, and strategies of the organization. The needs of the human resources within the organization need to be re-evaluated, and people must be placed at the heart of corporate purpose.

Secondly human resource management must nurture and develop a company's intellectual capital, and recruit, retain, develop, and manage the human assets for the company to have a competitive advantage.
Thirdly human resource management has to alert top management of how important the Internet, e-commerce and globalization are for the organization's success and competitive advantage. Incorporating the Internet, e-commerce, and globalization into an organization

means that change will occur. It will be the role of the human resource professionals to act as an interface between top management and the employees during this period of change. Fourthly, human resource management and human resource professionals should integrate web learning into their existing training and development functions.

Lastly, it is important for human resource professionals to realise the impact and importance of the Internet on all organizations and their employees. They will need to make top management aware of the importance of the Internet so that training and development of computer skills and the use of the Internet will be incorporated into the organization's core businesses. The human resource functions of training and development should thus incorporate computer training and training on how to use the Internet. The skills of employees who already have knowledge regarding computers and the Internet have to be developed further.

Drivers and tools

The Internet

The Internet is a worldwide system of computer networks, a network of networks in which users at any one computer can, with permission, get information from any other computer. The key aspect of the new economy is that it is essentially about knowledge and information. The Internet is a means of sharing knowledge and information with people all over the world. Therefore, it plays an important role in the new economy.

Human resource management can and should use the Internet as a tool to improve communication and information sharing between all employees within an organization. The ways in which the Internet can help improve the role and function of human resource management are through the web lifestyle, web learning, changing the boundaries of business and changing employees' workstyle.

The web lifestyle

The web lifestyle will be characterized by rapid innovations in applications. Because the infrastructure for high-speed connectivity has reached critical mass, it is giving rise to new software and hardware that will reshape people's lives. Intelligent devices such as the personal computer are becoming more powerful and less expensive. Since they are programmable they can be used for many different applications. It will be a reflex for these people to turn to the Internet to get news, to learn, to be entertained, and to communicate. It will be just as natural as picking up the phone to talk to somebody or ordering something from a catalogue today. The Internet will be used to pay bills, manage finances, communicate with a doctor and conduct any business.

Web learning

The changing nature of technology and the global economy are taxing the conventional paradigm for learning, training and work. This paradigm is based on a classroom-centred, instructor-led mode of formal training derived from our educational system. The list of difficulties is well known: the typical classroom facility requires too much time away from the job, expensive travel for instructors and students, and costly maintenance of often underused facilities. The resulting training is often outdated by the time of its delivery. The Internet has introduced an important new technology that can address these problems, namely web learning.

An adequate alternative model must overcome the separation of learning and training from actual work. Specifically, a fundamental rethinking of corporate training should include:

- radical restructuring of formal training, retaining those elements shown to be successful;
- recognition of, and support for, informal learning;
- deliberate leveraging of the strengths of both formal and informal methods and, most importantly, a leveraging of the symmetrics between the two methods; and
- use of the Internet and other tools as elements to support a coherent and well-designed learning strategy.

Changing the boundaries of business

A flow of digital information changes the way people and organizations work and the way commerce is conducted across organizational boundaries. Internet technologies also will change the boundaries of organizations of all sizes. In changing the boundaries, the web workstyle of using digital tools and processes enables both organizations and individuals to redefine their roles.

An important re-engineering principle is that companies should focus on their core competencies and outsource everything else. The Internet allows a company to focus far more than in the past by changing which employees work within the walls and which work outside in an adjunct, consulting, or partnering role.

The web workstyle makes it possible to deal better with unpredictable demand. Due to a fluctuation in the demand for certain skills, flexible staffing is necessary to deal with the highs and lows. People looking for work will find more opportunities for employment that meets their particular interests and requirements.

Companies need to excel in consistent in-house execution of their core competencies. Every company will experiment to find its optimal size and organizational structure, though the dominant trend will be toward a smaller overall size.

Changing employees' workstyle

Many knowledge workers will live where they want to, structure their work the way they want it, and still make major contributions to the businesses they work for or with. In the web workstyle, employees can push the freedom the Internet provides to its limits. When it comes to workstyle, the choice will be the worker's.

The competition to hire the best people will increase in the years ahead. Companies that give extra flexibility to their employees will have the edge in this important area.

Recruiting in cyberspace

The Internet allows users to exchange electronic mail, transfer computer files, search databases, and communicate keyboard-to-keyboard with other online users. That gives organizations the opportunity to place classified ads, receive curricula vitae, and market themselves as the employer of choice in their industries.

Our increasingly global economy ensures that no nation and no company suffers or triumphs alone. Moreover, in this new global economy, certain core principles are emerging to guide managers as they turn local human resources into global human capital.

E-commerce

The business world is undergoing a major transformation. E-commerce, as one of the drivers behind the change, is eroding traditional geopolitical boundaries, offering unprecedented opportunities for large and small enterprises alike, and changing the competitive environment dramatically.

E-commerce is the paperless exchange of business information using electronic data interchange, e-mail, electronic bulletin boards, fax transmissions, and electronic funds transfer. It refers to Internet shopping, online stock and bond transactions, the downloading and selling of soft merchandise (software, documents, graphics, music, etc.), and business-to-business transactions.

Companies can benefit from e-commerce because the Internet:

- makes the size of a company irrelevant,
- makes the location of a company irrelevant, and
- increases feedback.

Globalization

Economic globalization is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labour) and knowledge (technology) across international borders.

Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets.

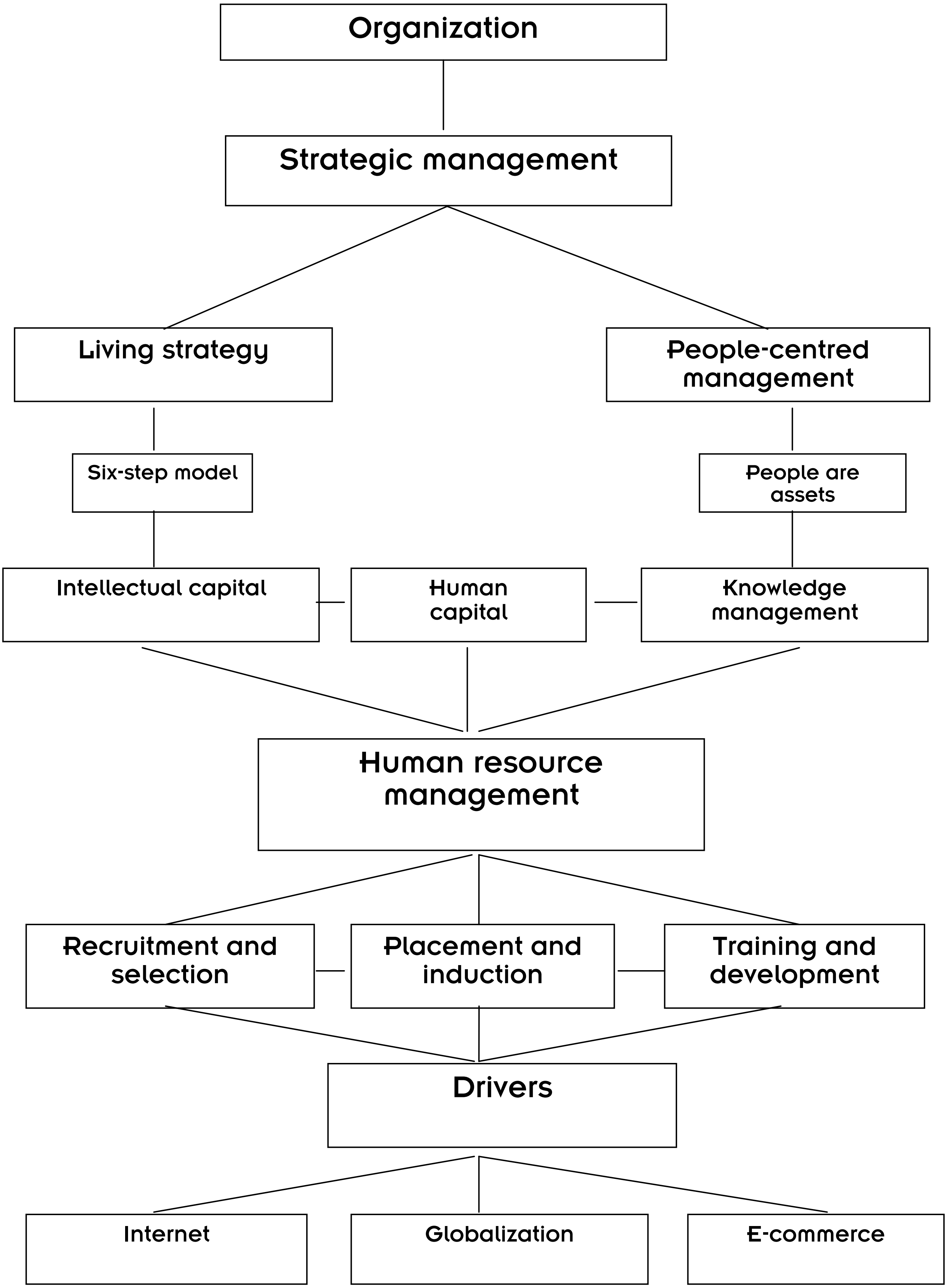
Organizations need to embrace these tools and drivers of the new economy and realize the opportunity and competitive advantage that they can bring. The Internet, e-commerce, and globalization are the key aspects driving the new economy. These tools and drivers need to be incorporated into the organization.

Table 1. The shift in paradigm

Changes and shift in paradigm	Implications
1. From personnel management to human resource management	☐ New agenda, new set of challenges for leaders, and a redefined set of managerial capabilities ☐ Rapid change and uncertainty ☐ Increased competitiveness, globalization, and harsher environment ☐ Emphasis away from the collective to the individual ☐ Functions of human resource management outsourced ☐ Change in the nature of the role performed by human resource management ☐ Change in the nature of the work ☐ Reactive and short-term to proactive and long-term ☐ Focus from developing products to building potential of people within organizations ☐ Physical to intellectual ☐ Focus from transactions, practices, and compliances to adding value ☐ Creation of a living strategy ☐ Introduction of people-centred management ☐ Bureaucratic and rigid structures change to organic, fluid organization structures ☐ Creation of a new culture ☐ Human resource management involved in strategic management of the organization

2. From Industrial Age to Information Age:	☐ Technological change ☐ Shrinking computers and expanding communications ☐ Creation of abundant business opportunities ☐ Environment becomes more open and specialized ☐ Access to knowledge, skills and information ☐ Physical labour and natural resources to knowledge and communication ☐ Asset-intensive to knowledge-intensive ☐ Reduction in heavy industries and increase in services ☐ From paper to electronic ☐ From products to ideas and information sharing ☐ A new set of tools in the form of the Internet, e-commerce and globalization ☐ Introduction of a web lifestyle ☐ Introduction of web learning ☐ Change in boundaries ☐ Change in workstyle ☐ New rules of competition, new types of organizations, and new challenges for management; ☐ Flexibility ☐ Role of human resource management and human resource professional will change

Figure 1. Human resource management in the new economy



5.3 Conclusion

Human resource management is the key aspect that links the new economy, with its tools and drivers, to the strategic management of the organization. Strategic management may address the implementation of a living strategy, people-centred management, intellectual capital, human capital, and knowledge management, but it is through human resource management that these aspects are incorporated into the organization, through the functions of recruitment and selection, placement and induction, and training and development. Human resource management also trains and develops the skills of employees in the organization. As such, it ensures that the tools of the new economy (the Internet and e-commerce) are addressed and incorporated into the existing training and development courses.

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Appendix 1

The questionnaire

Dear Participant

Thank you for participating in this study. This survey forms part of an M Com dissertation with the following title:

"The Role of Human Resource Management and the Human Resource Professional within the New Economy."

The purpose of this specific survey is to evaluate the content validity of the model that has been derived in this study.

The dissertation itself explores the conceptualisation and understanding of the changing role of Human Resource Management and the Human Resource Professional in the New Economy. You have been chosen to participate due to your extensive knowledge about Human Resource Management and the New Economy. This knowledge will be assumed in the model to be presented, and terminology will therefore not be explained again.

The study takes on the viewpoint that this changing role can only be understood against the background of the most important paradigm shifts that have had an impact on human resource management on both the macro and micro level and against the background of the important drivers of the New Economy. The purpose is to provide a detailed description of human resource management in the New Economy with emphasis on three main areas within human resource management, namely, recruitment and selection, orientation and induction, and training and development.

To complete the survey you must:

1. Read through the detailed description of the model, the table regarding the paradigm shifts, and the schematic presentation of the model;
2. Evaluate each component of the model in terms of the content validity thereof on the separate answering sheets in terms of the prescribed scale.

This document comprises the following annexes:

Annex A: Description of the model

Annex B: Schematic presentation

Annex C: Table regarding the paradigm shifts

Annex D: Form for the evaluation of the content validity of the model

The survey should be returned to me via e-mail at your earliest convenience, preferably no later than the end of October 2002. Please do not hesitate to contact me via e-mail at wendi_rennie@hotmail.com if you have any questions or concerns.

Your co-operation is appreciated.

Yours sincerely,

Wendy Rennie

A. Description of model

1. Introduction to the model

Seven thousand years ago, the agricultural revolution saw the hunter-gatherer in most civilisations become a planter-harvester. An incessantly mobile human society was thereby converted into one invested in hearth and homestead. Two hundred years ago the industrial revolution converted that well-refined agricultural society into one dominated by the dictates of industrial production. Now we face another such major revolution – the conversion of our world into a single technologically integrated around-the-clock community. Our present revolution has developed in response to our need for ever more efficient production in a world with too-scarce capital resources to meet the needs of an explosively growing population. It has been made possible, like other societal revolutions, by a stream of inventions and innovations: instant worldwide telecommunications, computers and processors, automation of machinery, a global economy and trading system, and the tumbling of major political boundaries.

The purpose of this study was to develop a model defining the role of human resource management and the human resource professional within the new economy. The model was derived from the following literature: Brooking (1996), Browne (2000), Browning and Reiss (2001), Cascio (1998), Cogburn (2001), Gabbai (2000), Gates (1999), Gratton (2000), Grulke (1999), Isaacson (1997), Kelly (1998), Korper (2000), Mondy (1999), Rosen (2000), Schwartz (2000), Stewart (1998), Sveiby (2001), Witzel (2000), Winter (1999), and others. This model consists of two components, namely, a table identifying the changes and shifts in paradigm, and secondly a schematic diagram explaining how human resource management fits into the new economy, its role and functions, and the new concepts that organizations need to address and embrace in order for them to be successful.

2. The changes and shift in paradigm

There are four main changes and shifts in paradigm, namely, (1) Personnel management to human resource management, (2) the Industrial age to the Information age, (3) Financial capital to intellectual capital, and (4) Nationalisation to globalization. These changes and shifts will now be discussed.

2.1 Personnel management to human resource management

The first shift in paradigm is that from personnel management to human resource management. This shift occurred as a result of a void in the personnel function that needed to be filled due to an emphasis away from collective bargaining, reduction in bureaucracy and a move from the collective to the individual. Thus, human resource management, or human resource management, emerged as a practised personnel function, promising flexibility, responsiveness and a marked increase in the value of the employee. Furthermore, with the reduction in heavy industries and increase in services and high technology, human resource management promised to put emphasis on the individual and the longer-term strategic issues.

Human resource management is in the process of change with regard to the nature of the role performed. In the past many functions were performed by human resource management professionals themselves, the role they are taking on, is one of consultant to line management, where line managers perform many of the functions traditionally handled by human resource management professionals. Similarly is a trend in which businesses are shedding all functions that are not directly related to core business, and in the process many human resource management functions are being outsourced. Hence the change in the nature of services provided.

The differences between human resource management and personnel management are as follows:

- Human resource management is a proactive approach. By planning for any problems it can avoid them before they happen. Personnel management on the other hand is a reactive approach that only deals with the problems when they arise.
- Human resource management is seen as operating most effectively in organic, fluid organization structures, while personnel management is felt to characterize more bureaucratic and rigid structures. Human resource management is seen as essentially focused on maximising the contribution of human resources to organizational effectiveness. Personnel management is seen as having more pragmatic objectives, the maximisation of cost-effectiveness.
- Personnel management is seen as a short-term solution, reacting stimuli, while human resource management is founded on the idea that an organization includes

human resource factors within top-level corporate strategies and hence seeks to adopt a long-term view.

The new sources of sustainable competitive advantage available to organizations in the new economy have people at the centre - their creativity and talent, their inspirations and hopes, their dreams and excitement.

To harness this competitive advantage organizations need to build the potential of people in organizations, the knowledge they bring, and their commitment and enthusiasm.

This shift in paradigm from personnel management to human resource management has the following implications: (1) the creation of a new culture in which people are an organization's most valuable asset; (2) the creation of a living strategy; (3) the introduction of people-centred management; and (4) the integration and involvement of human resource management in strategic management.

2.2 Industrial Age to the Information Age

The second shift in paradigm is that of the move from the Industrial Age to the Information Age. We now live in a new economy created by shrinking computers and expanding telecommunications. It is an economy driven by technological change.

The Industrial Age focused primarily on assets in the form of physical labour, products and natural resources whereas the Information Age is knowledge intensive focusing on knowledge, information, skills, communication, and service. The emphasis has thus changed from focusing on products to focusing on ideas and information sharing.

An information economy is more open and it is also more competitive as information is easy not only just to duplicate but also to replicate. Successful firms have to keep innovating to keep ahead of copycats nipping at their heels. The average size of companies is shrinking. New products and knockoffs alike emerge in months rather than years, and market power is increasingly based on making sense of an overabundance of ideas rather than rationing scarce material goods. Each added connection to a network's pool of knowledge multiplies the value of the whole. The result: new rules of competition, new sorts of organizations, and new challenges for management.

There are five simple indicators of the new economy, namely:

- The rise of information technology;
- Knowledge-intensive production and trade;
- Research and development;
- Value added to production; and
- The Internet.

In the Information Age organizations will have access to knowledge, skills and information, which give the organization a competitive advantage. There will be a reduction in heavy industries and an increase in services, which will create abundant business opportunities. The implications of the move from the Industrial Age to the Information Age are: (1) the existence of a new set of tools and drivers in the form of the Internet, e-commerce and globalization which the organization will need to use to maximise its competitive advantage; (2) the introduction of a web lifestyle in which more and more people will be using the Internet to do their daily activities; (3) the introduction of web learning, or e-learning, which will improve the function of training and development within organizations; (4) changes in boundaries of business and in workstyle for employees; (5) increased flexibility for employees; and (6) a change in the role of human resource management and the human resource professional.

2.3 Financial capital to intellectual capital

Financial capital brought advantage in the last century because it was a relatively scarce commodity. But financial capital is no longer scarce, and technology can be easily imitated. These resources continue to bring advantage, but they are no longer capable of sustaining this advantage. In this decade it is only people who can sustain the competitive advantage of a company. This is because people potentially have three aspects that can bring sustainable advantage, namely, the ability to create rarity, value and inimitability.

Intellectual capital consists of three components, namely, (1) intellectual capital consisting of human resources, intellectual assets, and intellectual property; (2) human capital which can be acquired through experience, training, and education; and (3) knowledge management.

The implications of this shift in paradigm are: (1) the introduction of the concepts of intellectual capital, human capital, and knowledge management which if managed correctly will give an organization a competitive advantage; (2) the freedom to manage; (3) creation of an information sharing culture; (4) the empowerment of employees; (5) the creation of a learning culture; and (6) the creation of a new source of competitive advantage in which employees with their knowledge and skills are at the heart of the organization.

2.4 Nationalization to globalization

Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets. But markets do not necessarily ensure that the benefits of increased efficiency are shared by all. Countries must be prepared to embrace the policies needed, and in the case of the poorest countries may need the support of the international community as they do so.

The implications of this shift in paradigm are: (1) access to a global workforce; (2) the functions of a company can be spread across the globe in a globally disarticulated labour and production process; (3) change in the way of recruiting and selecting employees; and (4) global human resource management.

3. The role of human resource management and the human resource professional in the new economy

Firstly, this model discusses the new economy in which the organization will be functioning and what changes the organization needs to make in order for it to be successful within this new environment. Secondly it discusses the new concepts and aspects of a living strategy, people-centred management, intellectual capital, human capital, and knowledge management that the organization needs to incorporate into its strategy. Thirdly this model addresses and discusses the role of human resource management and its functions within this new paradigm, and lastly the drivers and tools of the new economy, which the organization should use, are discussed.

3.1 The organization in the new economy

The new economy has three distinguishing characteristics: (1) it is global, (2) it favours intangible things – ideas, information, and relationships, and (3) it is intensely interlinked. The new economy is about communication deep and wide.

It consists of dispersed global workforces, with increasing proliferation of skills, it is a world of higher speed and technology in which innovation drives change, it creates abundant business opportunities, it is networked, and it is based on information.

The fundamental sources of wealth are knowledge and communication rather than natural resources and physical labour. The focus has moved from providing products to providing services. In the new economy it is people who are an organization's greatest asset. It is the hearts and minds of people, rather than their hands, that are essential to growth and prosperity for the firm. Committed employees creating new ideas, delivering value, and innovating to create growth are of the key assets of the new economy.

Knowledge is the ultimate power tool. A belief in empowerment is key to getting the most out of this new system. It's knowledge workers and business managers who benefit from more and better information, not just senior management.

Business leaders who succeed in the new economy will take advantage of a new way of doing business, a way based on the increasing velocity of information. The new way is not to apply technology for its own sake, but to use it to reshape how companies act. To get the full benefit of technology, business leaders will streamline and modernise their processes and their organization. The goal is to make business reflex nearly instantaneous and to make strategic thought an ongoing, iterative process.

For the organization in the new economy it is important to structure an environment characterized by achieving long-term business success, ensuring that the organization's employees feel valued, ensuring a sense of pride of association with the company, instilling a sense of camaraderie and that "all of us are in this together", ensuring that each employee has the opportunity to reach his/her highest potential personally and professionally, and generating a sense of excitement and fun.

It will be essential for corporate leaders to take charge strategically, because significant organizational change will need to be made. This will now be discussed.

3.2 Strategic management and new concepts

Strategic management is concerned with long-term policy decisions affecting the entire organization and involving major decisions on resource allocation, the overall objective being to position the organization to deal effectively with its environment. A key factor influencing the upsurge of interest in linking business strategies and human resource policies is the quest for competitive advantage. Competitive advantage can be described as any factors that allow a company to differentiate its product or service from its competitors to increase market share.

For organizations to be successful in the New Economy it is necessary for them to address the new concepts of a living strategy, people-centred management, intellectual capital, human capital, and knowledge management as well as ensuring the involvement of the human resource function and human resource professional in strategic management of the organization.

3.2.1 The living strategy

Companies will set themselves apart in the twenty-first century by how well they optimise the human-centredness of their technology. The slogan "Our people are our most important asset" will take on a deeper meaning, for it is the alertness and performance of a corporation's people that determines how effectively the corporation uses all its other resources.

The living strategy consists of a vision of the business, an understanding of current capability, and a cluster of people process levers.

To create a living strategy it is very important that the organization (1) build a guiding coalition, (2) imagine the future, (3) understand the current capability and identify the gap, (4) create a map of the system, (5) model the dynamics of the vision, and (6) create a bridge into action. These six steps for the creation of a living strategy were identified by Linda Gratton in her book "Living Strategy - Putting people at the heart of corporate purpose" and form a vital part to the success of any organization in the new economy.

3.2.2 People-centred management

People-centred management is a way of leading others which takes into consideration the individual's needs and aspirations in the context of long-term benefit to the company. It offers managers and employees alike the opportunity to create an organizational environment where the full contribution of each and every member of the group is allowed, encouraged and supported. In essence, it provides the organization with a natural capability to tap into the hidden potential of all employees and enables the organization to create a new culture of excellence. The key aspect is thus that people are an organization's greatest asset.

By introducing a living strategy and people-centred management the organization has access to intellectual capital, human capital, and knowledge management. These three aspects increase the competitive advantage of an organization in the new economy and will now be discussed.

3.2.3 Intellectual capital

Intellectual capital is the term given to the combined intangible assets which enable the company to function. It is the sum of everything the people of the company know that gives a competitive advantage in the market, and it is knowledge that can be converted into value. Intellectual capital consists of three major components: human resources, intellectual assets, and intellectual property.

- **Human resources**: Human resources are the firm's employee intellect. The collective expertise, creative and problem solving capability, leadership, entrepreneurial and managerial skills embodied by the employees of the organization.
- **Intellectual assets**: Intellectual assets are the codified, tangible, or physical descriptions of specific knowledge to which the company can assert an ownership right and readily trade in disembodied form. Intellectual assets represent the source of innovations which firms commercialise.
- **Intellectual property**: Intellectual property is an intellectual asset that can be legally protected. Intellectual property assets are the know-how, trade secrets, copyright, patent and various design rights. It is important as it represents the legal mechanism for protecting many corporate assets.

It is important for organizations to remember that in order to create human capital it can use, the organization needs to foster teamwork, communities of practice, and other social forms of learning.

Organizational wealth is created around those skills and talents that are (1) proprietary, in the sense that no one does them better and (2) strategic, in that the work they do creates the value customers pay for.

Information and knowledge can and should substitute for expensive physical and financial assets. It is important to focus on the flow of information, not the flow of materials, and to remember that human, structural, and customer capital work together.

3.2.4 Human capital

Human capital refers to the sets of skills, the knowledge, and the institutions that enable individuals and countries to increase productivity, and thus their income. Human capital is part of a company's intellectual or intangible capital. Experience, training, and education are the three main mechanisms for acquiring human capital.

Human capital implies that human beings employed in their work are not merely people moving assets around - they themselves are assets that can be valued, measured, and developed like any other asset held by the corporation; they are dynamic assets that can increase in value over time, not inert assets that depreciate in value; and they are prime among all assets. Capital is synonymous with net worth, the remaining assets of a business after all liabilities have been deducted; as such, human beings and the systems created to recruit, reward, and develop them form a major part of any company's value, as much or more than other assets such as cash, land, plants and equipment, and therefore shareholder value can suffer when human capital is mismanaged.

3.2.5 Knowledge management

An organization's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage. Knowledge management starts with business objectives and processes and a recognition of the need to share information. Knowledge management is nothing more than managing information flow, getting the right information to the people who need it so that they can act on it quickly.

Business leaders need to establish an atmosphere that encourages collaboration and knowledge sharing, and to set up specific knowledge-sharing projects across the organization and make knowledge sharing an integral part of the work itself. Then leaders need to ensure that the people who share knowledge are rewarded. Power comes not from knowledge kept, but from knowledge shared. A company's values and reward system should reflect that idea.

Knowledge management can help any business in four major areas: planning, customer service, training, and project collaboration.

To recruit and retain smart people, you need to make it easy for them to collaborate with other smart people. That makes for a stimulating, energised workplace. A collaborative culture, reinforced by information flow makes it possible for smart people all over a company to be in touch with each other.

The rise of the knowledge worker fundamentally alters the nature of work and the agenda of management. Managers are custodians; they protect and care for the assets of a corporation; when the assets are intellectual, the manager's job changes. Knowledge work doesn't happen the way mechanical labour did. Professionals are measured not by the tasks they perform but by the results they achieve. When work is about knowledge, the professional model of organizational design inevitably begins to supersede the bureaucratic. The trend away from standardised mass production toward specialised knowledge work makes command-and-control management less necessary.

The answer is leadership, as opposed to management. Knowledge management includes aspects of values, vision, empowerment, teamwork, facilitation, and coaching.

The key to knowledge management is the creation of an information sharing culture. Managing a process instead of executing tasks makes someone a knowledge worker.

Training and development plays an important role in making knowledge workers out of every employee in the organization. Global training and development is needed because people, jobs, and organizations are often quite different globally from the way they are domestically.

One way of training and developing employees is through mentoring. A mentor is a person who oversees the career and development of another person, usually a junior, through teaching, counselling, providing psychological support, protecting and at times promoting or sponsoring.

Mentoring is a supportive learning relationship between a caring individual who shares his/her knowledge, experience and wisdom with another individual who is willing and ready to benefit from this exchange to enrich his/her professional journey.

It is clear that the role of human resource management will be to recruit, retain and develop knowledge workers in the organization of the new economy. Human resource management will play an integral role in bringing intellectual capital, human capital, and knowledge management to the organization. Human resource management in the new economy will now be discussed.

3.3 Human resource management

Human resource management can be defined to be that part of management concerned with: (1) all the decisions, strategies, factors, principles, operations, practices, functions, activities and methods related to the management of people as employees in any type of organization; (2) all the dimensions related to people in their employment relationships, and all the dynamics that flow from it; and (3) all activities aimed at adding value to the delivery of goods and services, as well as to the quality of work life for employees, and hence helping to ensure continuous organizational success in transformative environments.

The push towards a seemingly ideological approach to personnel increased in the late eighties due to increasing competitive pressures, increased globalization and a generally harsher business environment. It is these factors that caused managers to want to enhance internal corporate effectiveness and thus improve external competitiveness. This entailed the maximisation of all resources, including the human resource.

Human resource management combines the administration side with the management of resources. Integration is therefore one of the key features of human resource management. Strategic human resource management is a key part of the decision-making cycle. It also gives integration to stakeholders. With the formation of corporate strategy the aims and policies of the business are also created.

While discovering the appropriate competencies for an organization is probably not an inimitable source of competitive advantage, the capability to integrate that knowledge effectively throughout the entire human resource system may well be. This requires that human resource managers think systematically about their area rather than functionally and tactically.

This is a radical cultural change and it will be part of the role of human resource management to help employees make the transition from the old culture to the new culture and new way of doing things. Human resource management will need to develop training and development courses that address this new culture.

Just as global business enterprises evolve, so do the human resources that support them. Human resource management involves formulating and implementing human resource policies, practices, and activities in global companies. Such activities include selecting, training, and transferring parent-company personnel abroad, and formulating policies and practices for the entire firm and for its foreign operations.

Effectively dealing with global human resource issues is essential for success in the global marketplace and in order to maximise profitability. Human resources must ensure that the company has a smart, adaptable workforce so that it will remain globally competitive.

Because of such problems and the potential for losses, global human resource management practices focus heavily on planning, recruitment, and selection.

Successful accomplishment of global planning, recruitment, and selection is vital if the global organization is to achieve its mission effectively.

With the emergence of the global village companies will need to realise the importance of focusing on their core businesses and outsourcing the other functions.

Outsourcing is an arrangement in which one company provides services for another company that could also be or usually have been provided in-house. Outsourcing is a trend that is becoming more common in information technology and other industries for services that have usually been regarded as intrinsic to managing a business.

The global character of the economy will thus have an impact on the human resource functions of recruitment and selection as organizations try to employ and retain knowledge workers. Outsourcing is one alternative to recruitment, other alternatives include contingent workers, employee leasing and recruiting in Cyberspace. These alternatives will now be discussed.

Contingent workers are temporaries, independent contractors and part-time employees.

Global competition and changing technology prevent employers from accurately forecasting their employment needs months in advance. To avoid hiring people one day and resorting to layoffs the next, firms look to a temporary workforce as a buffer.

With contingent workers the expenses of recruitment, absenteeism and turnover, and employee benefits are avoided.

Using **employee leasing**, a firm terminates some or most of its employees. A leasing company then hires them, usually at the same salary, leases them back to the former employer, who becomes the client. The employees continue to work as before, with the client supervising their activities. The leasing company, however, assumes all responsibilities associated with being the employer. Leasing provides a company with a body of well-trained, long-term employees that can expand or contract as business conditions dictate.

The role of the human resource professional within the new economy is:
To play an active part in the process; to act as a facilitator; to encourage participation; to act as an advocate for employees to ensure that their voice and concerns are heard; to ensure that the plans for behavioural changes are given sufficient time and resources to take place; to strive for alignment between the people processes and the goals of the business to create a shared sense of meaning; to be an equal participant in corporate strategy process; to facilitate human resource management strategy as an integral part of corporate strategy; a performance consultant; advisor to top management; change agent; counsellor to staff; leader of people; and administrator.

The role of human resource management within the new economy is:

Firstly, to integrate the aspects of the new economy with the existing processes, policies, and strategies of the organization. To re-evaluate the needs of the human resources within the organization, and to put people at the heart of corporate purpose.

Secondly, to nurture and develop a company's intellectual capital, and to recruit, retain, develop, and manage the human assets in order for the company to have a competitive advantage.

Thirdly, to alert top management of how important the Internet, e-commerce, and globalization are for the organization to be successful and to have a competitive advantage. Incorporating the Internet, e-commerce, and globalization into an organization means that change will occur. It will be the role of the human resource professionals to act as an interface between top management and the employees during this period of change.

Fourthly, human resource management and human resource professionals should integrate web learning, which will be discussed after this, into their existing training and development functions.

Lastly, it is important for human resource professionals to realise the impact and importance of the Internet on all organizations and their employees. They will need to make top management aware of the importance of the Internet so that training and development of computer skills and the use of the Internet will be incorporated into the organization's core businesses. The human resource functions of training and development should thus incorporate computer training and training on how to use the Internet, and developing the skills of employees who already have knowledge regarding computers and the Internet.

The tools and drivers of the new economy, namely, the Internet, e-commerce, and globalization will now be discussed.

3.4 Drivers and tools

3.4.1 The Internet

The Internet, usually called the Net, is a worldwide system of computer networks, a network of networks in which users at any one computer can, with permission, get information from any other computer.

The key aspect of the new economy is that it is essentially about knowledge and information. The Internet is a means of sharing knowledge and information with people all over the world and it thus plays a key role in the new economy.

The Internet thus can and should be used by human resource management as a tool to improve communication and information sharing between all employees within an organization. The ways in which the Internet can help improve the role and function of human resource management are as follows.

- The web lifestyle

The Web lifestyle will be characterized by rapid innovations in applications. Because the infrastructure for high-speed connectivity has reached critical mass, it is giving rise to new software and hardware that will reshape people's lives. Intelligent devices such as the PC (personal computer) are becoming more powerful and less expensive. Since they are programmable they can be used for many different applications. It will be a reflex for these people to turn to the Web to get news, to learn, to be entertained, and to communicate. It will be just as natural as picking up the phone to talk to somebody or ordering something from a catalogue is today. The Web will be used to pay your bills, manage your finances, communicate with your doctor, and conduct any business.

- Web learning

The changing nature of technology and the global economy are taxing the conventional paradigm for learning, training, and work. This paradigm is based on a classroom-centric, instructor-led mode of formal training derived from our educational system. The ledger of difficulties is well known: the typical centralised classroom facility requires too much time away from the job, expensive travel by instructors and students, and costly maintenance of often underused facilities. The resulting training is often outdated by the time of its delivery. The Web has introduced an important new technology that can address these problems.

An adequate alternative model must overcome the entrenched separation of learning and training from actual work. Specifically, a fundamental rethinking of corporate training should include:

- Radical restructuring of formal training, retaining those elements shown to be successful;
- Recognition of, and support for, informal learning;
- Deliberate leveraging of the strengths of both formal and informal methods and, most importantly, a leveraging of the symmetrics between the two methods; and
- Use of the Internet and other tools as elements to support a coherent and well-designed learning strategy.

- Changing the boundaries of business

A flow of digital information changes the way people and organizations work and the way commerce is conducted across organizational boundaries. Internet technologies also will change the boundaries of organizations of all sizes. In changing the boundaries, the Web workstyle of using digital tools and processes enables both organizations and individuals to redefine their roles.

An important re-engineering principle is that companies should focus on their core competencies and outsource everything else. The Internet allows a company to focus far more than in the past by changing which employees work within the walls and which work outside in an adjunct, consulting, or partnering role.

The Web workstyle makes it possible to deal better with unpredictable demand. Because you have an intense need for a skill, and then you don't, for some areas you want flexible staffing to deal with peaks and valleys. People looking for work will find more opportunities for employment that meets their particular interests and requirements.

Companies need to excel in consistent in-house execution of their core competencies. Every company will experiment to find its optimal size and organizational structure, though the dominant trend will be toward decreased overall size.

- Changing the workstyle for employees

Many knowledge workers will live where they want to live and structure their work the way they want it and still make major contributions to the businesses they work for or with. In the Web workstyle, employees can push the freedom the Web provides to its limits. When it comes to workstyle, the choice will be the worker's.

The competition to hire the best people will increase in the years ahead. Companies that give extra flexibility to their employees will have the edge in this key area.

- Recruiting in cyberspace

The interconnected network of computers known as the Internet allows users to exchange electronic mail, transfer computer files, search databases, and communicate keyboard-to-keyboard with other online users. That gives organizations the opportunity to place classified ads, receive résumés, and to market themselves as the employer of choice in their industries.

Our increasingly global economy ensures that no nation and no company suffers or triumphs alone. Moreover, in this new global economy, certain core principles are emerging to guide managers as they turn local human resources into global human capital.

3.4.2 E-commerce

The business world is undergoing a major transformation. E-commerce as one of the drivers behind the change, is eroding traditional geopolitical boundaries, offering unprecedented opportunities for large and small enterprises alike, and changing the competitive environment dramatically.

Electronic commerce is the paperless exchange of business information using electronic data interchange (EDI), e-mail, electronic bulletin boards, fax transmissions, and electronic funds transfer. It refers to Internet shopping, online stock and bond transactions, the downloading and selling of soft merchandise (software, documents, graphics, music, etc.), and business-to-business transactions.

Companies can benefit from e-commerce due to the Internet:

- Making the size of a company irrelevant,
- Making the location of a company irrelevant, and
- Increasing feedback.

3.4.3 Globalization

Economic 'globalization' is a historical process, the result of human innovation and technological progress. It refers to the increasing integration of economies around the world, particularly through trade and financial flows. The term sometimes also refers to the movement of people (labour) and knowledge (technology) across international borders.

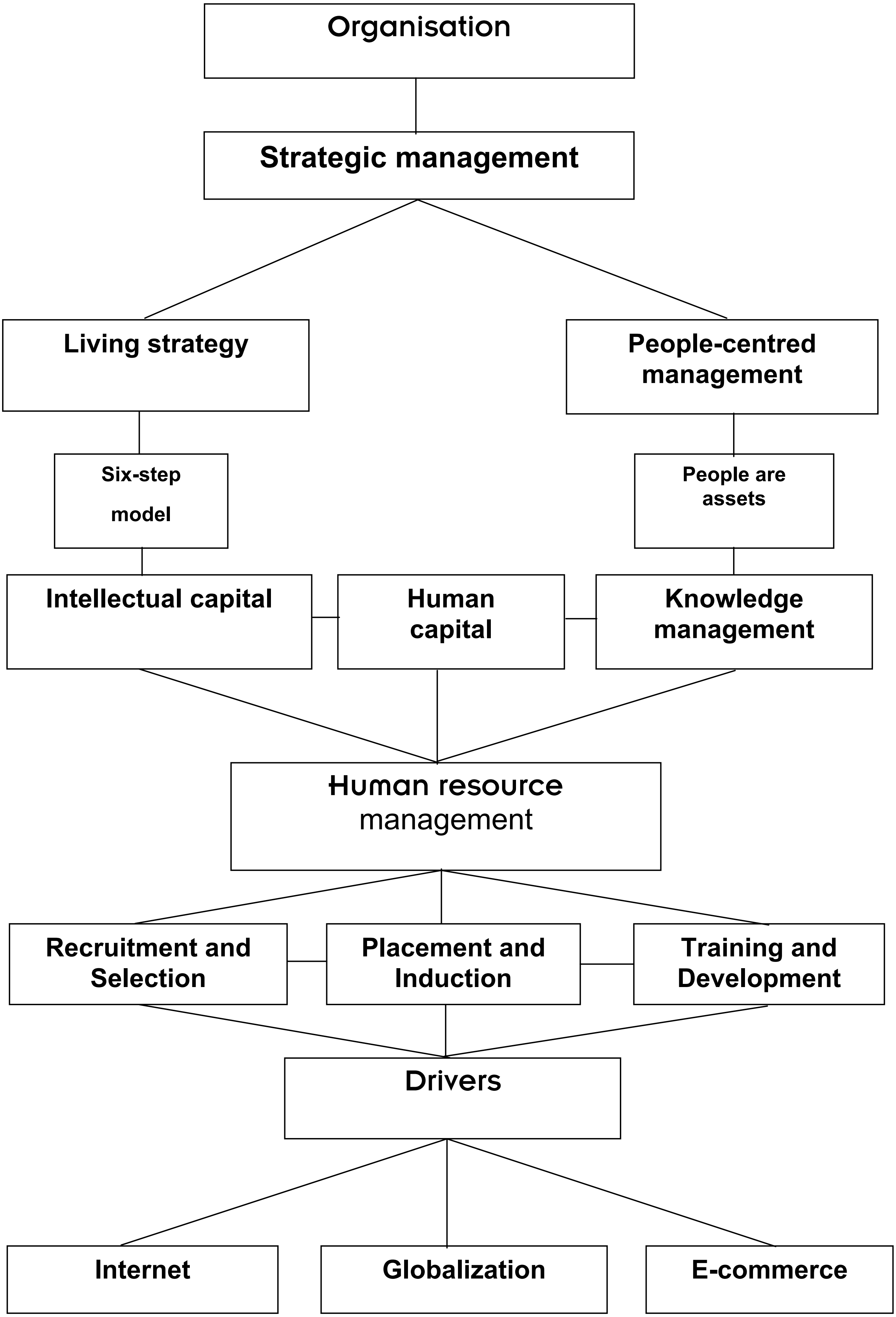
Global markets offer greater opportunity for people to tap into more and larger markets around the world. It means that they can have access to more capital flows, technology, cheaper imports, and larger export markets.

Organizations need to embrace these tools and drivers of the new economy and realise the opportunity and competitive advantage that they can bring. The Internet, e-commerce, and globalization are the key aspects driving the new economy and thus need to be incorporated into the organization.

3.5 Conclusion

Human resource management is thus the key aspect that links the new economy, with its tools and drivers, to the strategic management of the organization. Strategic management may address the implementation of a living strategy, people-centred management, intellectual capital, human capital, and knowledge management, but it is through human resource management that these aspects are incorporated into the organization, through the functions of recruitment and selection, placement and induction, and training and development. Human resource management also trains and develops the skills of employees in the organization and as such ensures that the tools of the new economy namely, the Internet and e-commerce are addressed and incorporated into the existing training and development courses.

B. Schematic presentation of model



C. Table of changes and paradigm shifts

Changes and shift in paradigm	Implications
From personnel management to human resource management:	• Rapid change and uncertainty; • Increased competitiveness, globalization, and harsher environment; • New agenda, new set of challenges for leaders, and a redefined set of managerial capabilities; • Emphasis away from the collective to the individual; • Focus on developing products to building potential of people within organizations; • Physical to intellectual; • Focused on transactions, practices, and compliances to focusing on adding value; • Change in the nature of the role performed by Human Resource Management; • Change in the nature of the work; • Functions of Human Resource Management outsourced; • Reactive and short-term focus to proactive and long-term; • Bureaucratic and rigid structures to organic, fluid organization structures; • Creation of a Living strategy; • Introduction of People-centred management; • Creation of a new culture; and • Human Resource Management involved in strategic management of organization.
1. From Industrial Age to Information Age:	• Technological change; • Shrinking computers and expanding communications; • Creation of abundant business opportunities; • Environment becomes more open and specialised; • Access to knowledge, skills and information; • Physical labour and natural resources to knowledge and communication; • Asset intensive to knowledge intensive; • Reduction in heavy industries and increase in services; • From paper to electronic; • Products to Ideas and information sharing; • A new set of tools and drivers in the form of the Internet, E-commerce and Globalization; • Introduction of a Web lifestyle; • Introduction of Web learning (e-learning); • Change in boundaries; • Change in workstyle;

	• New rules of competition, sorts of organizations, and new challenges for management; • Flexibility; • New role of human resource management and human resource professional.
3. From Financial Capital to Intellectual Capital:	• New source of competitive advantage; • People (skills and knowledge) at the heart of the business; • Intellectual Capital; • Human Capital; • Freedom to manage; • Knowledge management; • Empowerment
4. Nationalisation to Globalization:	• Economy becoming more global; • Global workforce; • Recruiting through the Internet; • Business functions of a company can be spread across the globe in a globally disarticulated labour and production process; • Change in the way of recruiting and selecting employees; • Global Human Resource Management.

D. Survey

The Model consists of three main sections, namely: Paradigm Shifts, Components of the Schematic presentation, and the Role of Human Resource Management. You are requested to evaluate each component of the model by indicating your opinion by means of a cross in the suitable block and adding your comments if there are any.

I General

1.	Table: Changes in Paradigm	Essential Useful but not essential Not necessary	Comments:
2.	Schematic Presentation of Model	Essential Useful but not essential Not necessary	Comments:
3.	General Overview of Model	Essential Useful but not essential Not necessary	Comments:

II Shifts in paradigm

1.	From Personnel Management to Human Resource Management	Essential Useful but not essential Not necessary	Comments:
2.	From Industrial Age to the Information Age	Essential Useful but not essential Not necessary	Comments:
3.	From Financial Capital to Human Capital	Essential Useful but not essential Not necessary	Comments:
4.	From Nationalization to Globalization	Essential Useful but not essential Not necessary	Comments:

5.	Implications of each Shift in Paradigm	Essential Useful but not essential Not necessary	Comments:

III Components of the model

1.	The Organization in the New Economy	Essential Useful but not essential Not necessary	Comments:
2.	Strategic Management	Essential Useful but not essential Not necessary	Comments:
3.	New Concepts of Knowledge Management, Human Capital and Intellectual Capital	Essential Useful but not essential Not necessary	Comments:

4.	Human Resource Management	Essential Useful but not essential Not necessary	Comments:
5.	The Drivers and Tools of the New Economy	Essential Useful but not essential Not necessary	Comments:

IV The role of human resource management

1.	The functions of Recruitment and Selection, Orientation and Induction, and Training and Development	Essential Useful but not essential Not necessary	Comments:
2.	The Role of the Human Resource Professional and Human Resource Management	Essential Useful but not essential Not necessary	Comments:

3.	Outsourcing, contingent workers, etc.	Essential Useful but not essential Not necessary	Comments:
4.	People-centred Management	Essential Useful but not essential Not necessary	Comments:
5.	The Living Strategy	Essential Useful but not essential Not necessary	Comments: