Human Resource Management in the Knowledge Economy

NEW CHALLENGES • NEW ROLES • NEW CAPABILITIES

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An Excerpt From

Human Resource Management in the Knowledge Economy: New Challenges, New Roles, New Capabilities

By Mark L. Lengnick-Hall & Cynthia A. Lengnick-Hall
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Preface

"We have met the enemy, and he is us."
—Pogo

The human resource management function in organizations is in need of a reexamination to determine whether simply doing what it has always done—only perhaps better—will meet the challenges of the emerging, knowledge-based economy. We think the answer to this question is a definite "NO!" In the same way that the United States military has developed exceptional technological prowess—yet has found that the conventional military approach is inadequate for fighting terrorists—the human resource management function that evolved to address the needs of the industrial era is insufficient to meet the needs of the knowledge era.

In our many years of teaching, researching, and consulting in the area of human resource management (HRM), we have observed a number of significant trends. First, the human resource (HR) arena in many firms is seen as a set of discrete functions, or subsystems, each finely honed to meet a particular need or accomplish a particular set of tasks. Staffing subsystems, when done well, put the right person in the right place at the right time. Compensation systems motivate performance and encourage employee retention. Other systems are designed to perform equally focused tasks.

Second, by the end of the twentieth century, many organizations had developed well-integrated HRM systems, with each of the subsystems working together harmoniously to enhance the firm's overall human performance. For example, staffing, compensation, and training subsystems can provide synergistic support for each other and thereby enhance a firm's ability to achieve its strategic objectives. Often, particular HRM techniques were selected to augment a specific strategy or source of competitive advantage, such as low cost or innovation.

Third, by the end of the twentieth century, many organizations had begun to outsource some of these HRM subsystems. The assumption was that external specialists could provide greater efficiency and effectiveness, at least in the short term. The long-term results of disaggregating the HRM system of an organization and delegating some of these activities to outside vendors are, at present, unclear. However, we suspect that one unintended cost is the erosion of a firm's expertise for managing the full range of its human capital.

Fourth, technology, and in particular, information technology, has made it possible for organizations to deliver HRM service to both managers and employees that is better than in the past if one uses conventional measures to assess HRM activities. Furthermore, in most organizations, technology has made it possible to reduce the size of the HRM staff without reducing services.

Fifth, human capital has moved from a secondary, supportive role to a primary, central role in helping organizations achieve a competitive advantage. Increasingly, firms have come to realize that people are a primary source of rare, inimitable, flexible capabilities. Unfortunately, HRM staff members are not always seen as equally crucial in capitalizing on this competitive resource.

Together, all five of these trends have resulted in what might be described as a "leaner, meaner HRM function." HRM still does many of the same things it did when industrial organizations came into being at the turn of the twentieth century—however, today these activities are done more efficiently and effectively, with fewer people and more technology.

If the economic environment were to continue to develop along the same trajectory that it has in the past, the HR practices that had evolved by the end of the twentieth century would be adequate to meet the needs of organizations in the twenty-first century. Remember, dinosaurs had evolved into complex organisms that mastered the environment they confronted—had that environment not changed, they would still be around! However, just as changes in the dinosaurs' environment no longer favored their physical adaptations—and ultimately led to their extinction—changes in the economic conditions facing organizations in the twenty-first century could likewise lead to the extinction, or at least downgrading, of the importance and form of the HRM department in many business firms.

Human resource management policies, programs, and practices that served companies well in the industrial era (such as job descriptions or traditional overtime policies) will not be adequate for the challenges of the new, knowledge-based economy. A number of less familiar characteristics shape the competitive landscape in the emerging business setting. The context for decision-making and action has changed as jobs and roles are continuously redefined. This is coupled with external conflicts of interest as industry boundaries blur and customers are given a wider range of choices. Organizations must operate effectively in the face of uncertainty caused by incomplete, inaccurate, and contradictory information. The stream of unfamiliar and unanalyzed data and observations that organizations receive is relentless. The market landscape is extremely fluid. Each episode a firm experiences is the temporary result of a unique combination of circumstances, often requiring a unique solution. Events are shaped by the specific incidents that precede them, the particular interpretation enacted by decision makers at the moment, and the specific mission of the firm wanting to take action.

Learning organizations not only develop new understandings, they also have the ability to alter their behavior to conform to what they learn. Continuous change requires improvisation and often mandates a departure from initial plans. It is essential for firms to recognize that people, rather than technologies or process, are best able to sense and make judgments that put structure around the inevitable disorder that results from these forces. Therefore, the knowledge economy, more than any previous market trend, places a premium on human talents. Consequently, the management of a firm's HR, more broadly defined than ever before, will be pivotal in determining the ultimate success or failure of the organization.

For companies to compete effectively in this new environment, they must be flexible, adaptable, and adjustable. Companies must manage their intellectual capital as deliberately and effectively as they do their tangible assets. To do this, HRM must assume new roles to meet these new challenges.

As more organizations have recognized the importance of human capital and knowledge management with respect to competitive success, it is reasonable to expect that HR professionals would be at the forefront of organizational leadership. Yet, to the contrary, the importance of activities performed by HRM units seems to be losing ground in a majority of organizations, while other functional areas (for example, information technology, operations, finance) gain greater and greater influence. In most cases, HRM appears to be playing a secondary role at a time when the ability to harness a firm's human capital should be more in demand and more valued than ever before. Why is this occurring? Why are so many firms content to trust external vendors to do the conventional work of HRM professionals?

Human resource management continues to be criticized for its operational and bureaucratic focus and its inability to keep up with changes in the environment. While the forces of the market have radically altered the workplace, HR policies, programs, and practices have been slow to adapt and have even more rarely taken the lead in helping firms capitalize on unprecedented opportunities. Human resource management has typically focused its attention on honing its ability to do the same kinds of things better and better rather than to consider an entirely different kind of contribution.

This book provides a blueprint for change for HRM activities and contributions in the knowledge economy. It identifies the most important features of the knowledge economy and details four primary roles that HRM professionals must adopt to meet these new challenges effectively. A secondary purpose of this book is to stimulate HRM professionals to think beyond a simple operational focus on attracting, selecting, developing, retaining, and utilizing employees to a more strategic focus on managing human capital and managing knowledge. It is our hope that this book will provide the stimulus for change.

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Chapter 1

A New Imperative for Human Resource Management

> "The secret of business is to know something that nobody else knows."
> —Aristotle Onassis

> "In a time of drastic change it is the learners who inherit the future. The learned usually find themselves equipped to live in a world that no longer exists."
> —Eric Hoffer

Pick up almost any business book or magazine and one is sure to see claims that a firm's people are its most important resource. Unfortunately for most organizations, the ability to capitalize on this resource is limited by human resource management (HRM) programs, practices, and policies that have a simple operational focus on attracting, selecting, developing, retaining, and utilizing employees to accomplish specified tasks and jobs. Unless HRM is able to reinvent itself to embrace the challenges of the knowledge economy, it will become a constraining factor that undermines a firm's competitiveness rather than a crucial source of competitive advantage.

The competitive demands of today's marketplace require a reorientation of strategic human resource management emphasis that concentrates on building human capital and managing knowledge rather than focusing on primarily matching particular job skills to selected strategies. For example, similar to the ways that firms engage in mass customization of their products, they need to develop corresponding means to accomplish mass customization of the ways in which they manage individual differences within the workforce. Likewise, as firms develop business-to-business partnerships with suppliers and customers, human resource managers must find ways to develop partial employee relationships with those beyond the firm's borders.

It appears that the HRM function in many organizations has become myopic and has directed its attention to efforts to do familiar things better and more efficiently rather than redefining both its role and its contribution to the twenty-first-century organization. The demands of a global, information-based, technology-rich, and quickly changing competitive field require human resource managers to ensure that people truly matter.

Human resource management faces a new imperative in the twenty-first century. It must

- Build strategic capability
- Expand its boundaries
- Manage new roles

It is no longer enough for HRM to maintain a narrow operational focus, view its activities as confined to the boundaries of its own organization, or limit itself only to traditional human resource (HR) responsibilities. To continue as it has in the past will relegate HRM to increasing irrelevance (and likely outsourcing) in the corporation of the future. Although many familiar HRM activities are necessary, they are increasingly distant from a firm's direct value-creating processes. By taking a new perspective on how HRM can create strategic capability and provide value for customers, HR can increase its importance in the twenty-first-century organization.

Build Strategic Capability

Organizations in the emerging knowledge economy will need to build **strategic capability:** the capacity to create value based on the intangible assets of the firm. [Note: This entire section draws largely on the work of Hubert Saint-Onge (see http://www.knowinc.com/

saint-onge/library/strategic.htm). The **tangible assets** of the firm are well understood: They are readily visible and rigorously quantified; they form an integral part of the balance sheet; they can be easily duplicated; and they depreciate with use. Examples of tangible assets include manufacturing plants, equipment, buildings, and other elements of physical infrastructure. In contrast, **intangible assets** of the firm are less well understood. Intangible assets are invisible, difficult to quantify, not tracked through accounting, must be developed in a path-dependent way over time—they cannot be instantaneously obtained, bought, or imitated—and they appreciate with purposeful use. Examples of intangible assets include technological know-how, customer loyalty, branding, and business processes. Tangible assets are necessary but not sufficient for gaining a competitive advantage in the knowledge economy, because most tangible assets can be imitated or obtained through the market. *It is the intangible assets that will make the difference in which firms succeed and which fail.*

How can you identify whether a firm has strategic capability? Look for these characteristics: a high level of business competency; a superior ability to detect, understand, and direct what's going on in the marketplace (where preferences are shifting rapidly); the ability to transfer skills quickly and accurately across the organization; the ability to scale-up production to meet explosive demand and quickly expand market reach; and the ability to generate new opportunities for the organization before the marketplace has discovered they are required. *Strategic capability is a readiness for the present and an ability to adapt in the future.*

Strategic capability is obtained through relationships in which the creation, exchange, and harvesting of knowledge build the individual and organizational capabilities required to provide superior value for customers. Strategic capability consists of three components directly related to HR (http://intellectualcapital.org/evolution/main.html, 6/2/01): human capital, structural capital, and relationship capital. **Human capital** is the know-how, skills, and capabilities of individuals in an organization. **Human capital** reflects the competencies people bring to their work. Some examples of human capital include technical skills, innovativeness, and leadership competencies. **Structural capital** is the organizational architecture and managerial processes that enable human capital to create market value. Some examples of structural capital include modular and/or cellular structures, information systems, organizational culture, and decision-making processes. **Relationship capital** is the interpersonal connections across members of the firm and relationships with suppliers, customers, and other firms that provide the basis for cooperation and collaborative action. Some examples of relationship capital include trust, consumer loyalty, co-production activities, and licensing agreements (see Table 1.1). The interaction of these three components—human capital, structural capital, and relationship capital—creates value. Human resource management can increase its contribution to a firm's competitiveness by playing a central role in the creation and maintenance of all three components of strategic capability. This can be done through programs, practices, policies, and setting an example in terms of the way the HR unit develops its people, designs itself, and establishes relationships across the organization and beyond its doors.

Expand Boundaries

When most people think about HRM, they think about hiring, firing, promoting, training, and so forth (the traditional operational focus), and they think about it within the context of a single organization. That is, HRM is thought of as an internal business function. Rarely would anyone think of one company using its HRM programs, practices, and policies on, for example, its suppliers or distributors. Even fewer people would consider the possibility of using a firm's HRM programs, practices, and policies on its customers. Yet, all of these possibilities are a reality in some firms today and will become an imperative for many firms in the growing knowledge economy. Furthermore, by expanding its boundaries beyond the firm to suppliers, distributors, and customers, HRM can have a more significant impact, that is, HRM can make it possible to provide superior value for customers by providing a more rare, important, hard-to-replace-or-imitate, and powerfully leveraged strategic resource. At the most basic level, expanding the boundaries means that HRM professionals use their expertise to

Table 1.1 Components of Strategic Capability

Strategic Capability Component	Definition	Examples	Indicators
Human Capital	• the combined knowledge, skills, and experience of a company's employees—the collective competence and capabilities of a firm's employees • "that which goes home with employees at night"	• know-how • education • vocational qualifications • work-related knowledge • occupational assessments • psychometric assessments • work-related competencies • entrepreneurial élan, innovativeness, proactive and reactive abilities, changeability	• reputation of company employees with headhunters • years of experience in profession • rookie ratio (percentage of employees with less than two years experience) • employee satisfaction • proportion of employees making new idea suggestions (proportion implemented) • value added per employee • value added per salary dollar
Structural Capital	• a firm's organizational capabilities to meet market requirements, such as the organization's routines and structures that support employees' quests for optimum intellectual performance and therefore overall business performance • "that which is left behind when the employee goes home at night"	*Intellectual Property* • patents • copyrights • design rights • trade secrets • trademarks • service marks	• income per R&D expense • cost of patent maintenance • project life-cycle cost per dollar of sales • number of individual computer links to the database • number of times the database has been consulted • contributions to the database

(Continued)

Table 1.1 Components of Strategic Capability (Continued)

Strategic Capability Component	Definition	Examples	Indicators
		Infrastructure Assets • management philosophy • corporate culture • management processes • information systems • networking systems • financial relations	• upgrades of the database • volume of IS use and connections • cost of IS per sales dollar • income per dollar of IS expense • satisfaction with IS expense • satisfaction with IS service • ratio of new ideas generated to new ideas implemented • number of new product introductions • five-year trend of product life cycle • average length of time for product design and development • value of new idea (money saved, money earned)
Relationship Capital	• the networks of strong, cross-cutting personal relationships that provide the basis for collaborative behaviors and cooperative actions • the organization's relationships or network of associates and their satisfaction with and	*Customer Capital* • brands • customers • customer loyalty • company names	• growth in business volume • proportion of sales by repeat customers • brand loyalty • customer satisfaction • customer complaints

loyalty to the company—it includes knowledge of market channels, customer and supplier relationships, industry associations and a sound understanding of the impacts of government public policy
- the depth (penetration), width (coverage), and profitability of the organization's franchise

- backlog orders
- distribution channels
- business collaborations
- licensing agreements
- favorable contracts
- franchising agreements

Social Capital
- dense linkages
- links among people and units
- hierarchy and rank
- network ties
- interaction history
- personal & emotional ties
- norms and sanctions
- obligations and expectations
- organizational identity
- interpretations
- shared language and codes
- myths and rituals

Supplier Capital
- bargaining for lower prices
- cooperation on solutions
- J-I-T inventory management
- product returns as a proportion of sales
- number of supplier/customer alliances and their value
- proportion of customers (suppliers') business that your product (service) represents (in dollar terms)
- sense of community
- disclosive communication
- trust
- collaboration
- informal coordination
- self-organization
- reduced opportunism

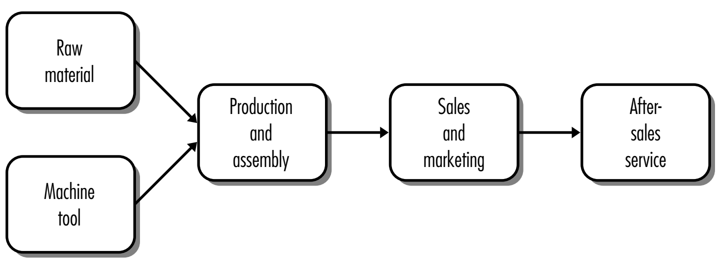
Sources: Jacobs (1965); Stewart (1997); & Strategic Policy Branch, Industry Canada (http://strategis.ic.gc.ca/SSG/pi00009e.html.) 6/2/01.

help their organization influence the behavior of customers, employees of supplier firms, and individuals in firms that complement or regulate a firm's activities.

Value Chain

To understand this expanded role for HRM outside its own organization, it is necessary to appreciate the concept of value chains. A **value chain** is a conceptual model of how businesses receive raw materials as input, add value to the raw materials through various processes, and sell finished products to customers. Value chain analysis looks at every step a business goes through, from raw materials to the eventual end-user. The goal is to deliver maximum value for the least possible total cost as quickly as possible.

Simplified Value Chain Illustration



Networks of suppliers, producers, and distributors can be quite diverse, and the effectiveness of the entire value chain is dependent on coordination and efficiency among them. The quality of relationships between business partners will determine the extent to which value is added for the customers they serve. Thus, weak links in the supply chain, production processes, or distribution chain can dilute the organizational effectiveness of some or all of the participating organizations. If, for example, those who staff an outsourced technical support hotline for a new product have inadequate expertise or surly dispositions, even technologically superior products are likely to suffer declines in market position as this reputation becomes common knowledge.

Traditionally, HRM has focused its attention only on its organizational piece of the value chain. That is, HRM in supplier organizations was distinct and largely unrelated to HRM in the organization that produced the goods or services, and the HRM practiced in distributor or vendor organizations was unrelated to the other two players, as well. By pulling back and viewing the entire value chain from a higher vantage point, the possibilities for HRM to make a more significant impact on organizational and value chain effectiveness throughout the entire value creation process become apparent. By sharing expertise and knowledge and diffusing effective HRM practices throughout the value chain, all of the value chain members can be raised to a higher level of efficiency and effectiveness, and thus the entire value chain as a system can create its own competitive advantage. For example, Shell Services International (SSI), a division of the Royal Dutch/Shell group of companies, provides services to internal operating divisions and external customers around the world. Relationships are governed by service level agreements in which customers contract for specific levels of service that correspond to their unique cost and/or value tradeoffs. Employees on both sides of the agreement need to understand how to make informed decisions, provide effective feedback, and improve performance to make the most of the transaction. Human resource expertise in performance appraisal, negotiation processes, and decision-making tools could be beneficial for SSI and its customers.

In the past, a business culture of not sharing information, knowledge, or expertise with other organizations prevented companies from reaping the benefits of this broader perspective on the boundaries of HRM. "We pay our HR people to do our HR; You get your own" describes this narrowly focused mind-set. As Fred Adair, former president of change management consultancy Smythe-Dorward-Lambert, says, "It has proven very difficult for companies in adjacent links of the supply chain to share data and trust that others will play fair. While it's often clear that sharing and collaboration can have large benefits, people suspect the other guy is getting more. Those who are successful in joining forces, however, can develop incredible momentum, because the good news about increased efficiency travels quickly up and down the chain" (Fahrenwald, Wise, & Glynn, 2001).

It is no longer desirable or even feasible to maintain a narrow perspective on organizational boundaries or to treat businesses with which you have relationships with automatic mistrust. Borders between suppliers, competitors, and customers have, in fact, become blurred. For example, Motorola executives found that in one of their alliances with Intel, they were a supplier; in another setting, they were rivals; and in still another relationship, they were a customer (Ulrich, 1997). Another example also illustrates this point. In a process called **collaborative design,** product development teams from several departments at different companies, using the Internet, can view the same blueprint simultaneously and make changes on the blueprint that are visible to all. This saves the time and cost of faxing or mailing drawings with each new change to each company. In this way, the Internet has created permeable organizational boundaries (Totty, 2001). These permeable organizational boundaries have direct and indirect implications for HRM. When employees from different companies are working on the same product over the Internet, how do you manage them and which firm's HR policies shape the relationship? How do you assess the relative value of the intellectual contributions from diverse firms? How do you facilitate their ability to coordinate efforts that will benefit all of the organizations involved? How do you maintain the security of each firm's trade secrets?

Customer Human Resource Management

A customer orientation in HRM has typically emphasized its internal customers, that is, the employees who enable the firm to create value for the external customer and thus enhance organizational performance and profitability. However, HR practices can enhance competitive advantage and organizational performance by enabling the external customer—the individual or institution that purchases a firm's goods or services—to contribute directly to organizational activities and outcomes (Lengnick-Hall & Lengnick-Hall, 1999). This goal can be achieved in several ways: (1) using HRM to guide customer behavior for the benefit of both the customer and the organization; (2) using HRM to facilitate the inclusion of customers in the creation and distribution of products and services; (3) using customers as organizational auditors, providing feedback on what practices to start, stop, or continue; and (4) using customers as quasi HR managers who directly participate in the management of employees.

First, HRM can guide customer behavior for the benefit of both the customer and the organization. For example, if a skating rink provides clear rules for safe and considerate behavior (analogous to performance expectations or job descriptions for customers), its customers are more likely to behave in courteous ways and create an enjoyable atmosphere for other customers. As another example, when fast food restaurants provide clear expectations for customers to throw away their own trash and make it easy for customers to comply, the dining experience is better for all customers. By providing effective training and work process information for customers, the customers themselves enhance the organization's effectiveness. Thus, courteous customers beget more customers and increase an organization's revenues.

Second, customers can participate as team members who actually help produce and deliver a product or service. For example, customers who buy computers via the Internet receive their computers in component parts with "some assembly required." To be an effective co-producer, the customer must know how to assemble the computer and make it usable. The company must therefore provide training and skill development to its customers (through printed instructions, videos, online help, and so on) to enable them to finish the production process. So, for example, HRM can assist in developing tools such as training manuals and performance assessment checklists for customers that parallel the type of developmental resources HRM has traditionally provided for employees. Effective HRM for customers both makes the customers more competent users of the firm's products or services and enhances the customers' satisfaction with those products or services.

Third, customers can serve as auditors, determining whether confidence can be placed in the perceived value of the goods or services produced. Many restaurants and other service organizations use customer feedback mechanisms (for example, customer comment cards) to obtain information about what works well and what needs attention. Raytheon Aircraft uses a similar, but more sophisticated, approach with their customer "walk-through" program. Raytheon recognizes that many purchasers of personal aircraft are greatly concerned about manufacturing quality but lack the technical expertise to evaluate this directly. Therefore, Raytheon encourages potential customers of their Beechcraft planes to tour the factory and observe the manufacturing process. Internal HRM programs, practices, and policies have focused on ensuring that manufacturing employees visibly demonstrate confidence, expertise, care with details, and professionalism. Raytheon believes that when customers observe the caliber of their employees at work, they will be more likely to purchase a Beechcraft plane than a competitor's aircraft. As auditors, customers help ensure that the reputation of Raytheon's products remains positive. Their feedback from these walk-throughs provides the company with needed information on what practices they should continue, which need to be terminated, and what new practices need to be implemented to ensure customer satisfaction.

And fourth, customers can serve as quasi HR managers and tailor their own treatment by an organization to meet their specific needs. For example, Ritz-Carlton Hotels have a policy that empowers every employee to resolve a guest's problem and to prevent a repeat occurrence (Berry, 1995). Therefore, customers can have their needs met quickly and satisfactorily by any member of the hotel's staff. Since many customers have idiosyncratic needs, customers, in effect, become HR managers in charge of their own ad hoc employees in an effort to accomplish the necessary work.

In summary, expanding boundaries means looking beyond traditional ways of defining where HRM takes place and whom it affects. Consideration of the entire value chain opens up new possibilities for applying HRM programs, practices, and policies in ways that enhance the efficiency and effectiveness of the entire system. When the entire system of suppliers, manufacturers, and distributors is viewed as one large quasi organization, improvement of the whole can reap benefits for each of the individual components, too. Furthermore, expanding boundaries to include customers as well as employees creates new opportunities for utilizing people who aren't typically viewed as part of a firm's HR. Capitalizing on opportunities to apply HRM in new and creative ways will be a key competency for effectively managing HR in the new knowledge economy.

Manage New Roles

Many of the limiting assumptions and narrow perspectives on the role of HRM in organizations are a holdover from its origins as an "employment bureaucracy" (Jacoby, 1985). Human resource management developed into a bureaucracy as a result of attempts by employers in the early 1900s to stabilize employment. At the time, there was a growing hostility between employers and workers that often resulted in strikes and acts of violence. Furthermore, waste and inefficiency reached intolerable levels. Through the creation of an array of impersonal, rule-bound procedures to regulate the treatment of workers, employers hoped to use HRM to reduce conflict and manage employees for maximum efficiency (Kaufman, 2000).

In the early 1900s, employers adopted these bureaucratic procedures as a way to regulate themselves. Later, in the 1930s, employers further bureaucratized the HRM function in response to legislation that favored the establishment and protection of labor unions. Additional employment legislation was introduced from the 1960s through the 1990s (such as the Civil Rights Act of 1964), creating more need for bureaucratization. By the end of the twentieth century, forms, paperwork, and compliance activities occupied much of the time of HR departments.

A bureaucratic view persists today, both inside and outside of the HR profession, which sees HRM as a set of discrete practices organized around a set of specific functions. From this perspective, the role of HRM is to attract and select qualified job applicants, to develop performance management and compensation systems that align employee behaviors with organizational goals, and to assist in the development and retention of a diverse work force to meet current and future organizational requirements (Huselid, 1997). Specific areas of responsibility for HRM include: job and organizational design, recruitment and selection, performance management, compensation and benefits, employee development and training, HR planning, labor relations, diversity management, and compliance with legal and governmental guidelines (Huselid, 1997). In fact, to become a certified HR professional, the Society for Human Resource Management (SHRM) requires competency testing and job experience in all of these areas. Consequently, HRM has evolved into a highly efficient employment bureaucracy with a clearly defined body of knowledge and accepted practices.

Although a narrow, functionalist perspective of HRM served organizations well during the industrial era, it will not serve organizations as well in the knowledge economy. This is not to say that organizations will no longer perform traditional HRM functional activities—they will continue to do so. However, to manage HR in the future, HRM will also have to adopt new roles to address new challenges.

Staying within the functional bureaucratic boxes that HRM has created for itself will only undervalue its impact on organizational effectiveness. Failure to change with the demands of the new economy will mean that formal HRM will become less important, whereas such new challenges as knowledge management and human capital management will be absorbed elsewhere within the organization (Saint-Onge, 2001). But this does not have to happen. In fact, HR is the logical source for solutions to these new challenges. However, to become part of the solution rather than a constraint on competitiveness, HRM must break out of its bureaucratic past. This will require a shift in its paradigm from functions and processes to roles.

What is a role? A **role** represents responsibilities, relationships, and areas of contribution. It is also a set of expectations. It is a general construct that does not specify means or activities. In this way, a role is analogous to an organization's vision statement. The vision statement of an organization identifies a general direction for the organization to pursue, such as Microsoft's "empower people through great software anytime, anyplace, and on any device."

Notice the means to achieve the vision are not specified. As a consequence, the vision statement orients organizational members toward desired goals, yet allows them to determine what must be done, as well as how to do it, and to change their actions as the situation evolves. A role for HRM serves a purpose similar to an organization's vision statement. It orients HR professionals to move in a desired direction—and identifies responsibilities, relationships, areas of contribution, and expectations—without locking HRM into specific methods and techniques.

Why manage roles? The answer is simple. By managing roles, HRM is freed from the functional shackles of the past and allowed to make value-added contributions to the success of the organization. The HRM paradigm thereby changes from functions and processes to outcomes and accomplishments. For example, managing a role such as "knowledge facilitator" (to be explained more thoroughly in the next chapter) means more than the traditional HRM view of training and development. It is an organizational role focused on learning—one that helps the entire enterprise acquire new knowledge and use that knowledge to continuously adapt to changing environments. When viewed as a role to manage, such as knowledge facilitator, HR professionals may use many different methods, only one of which is training and development, to ensure organizational learning capabilities. For example, as a knowledge facilitator, HR professionals can play an active part in the development and management of the information technology system of the organization, even to the extent of developing applications to accumulate, store, and disseminate what individual employees learn.

Just as expanding boundaries opens up new opportunities for HRM to influence other organizations in a "business ecosystem"—and thus make more value-added contributions to business success—managing roles expands the methods and processes available to HRM for meeting new challenges. Consequently, looking at HRM through the lens of roles means that HR professionals have a larger arsenal to deploy in the interest of the organization.

What roles should HRM play in the knowledge economy? The answer to this question requires an examination of characteristics of the new economic context. The next chapter will describe those characteristics and propose four new roles for HRM. Then, each of those four roles will be described in detail in the following chapters.

Summary

By the end of the twentieth century, some people questioned whether HRM made any value-added contributions to organizations. Many of the traditional administrative HR functions had become automated processes most efficiently outsourced to organizations with specialized expertise. This view was most sarcastically expressed by *Fortune* magazine business writer Thomas Stewart (1997): “Nestling warm and sleepy in your company, like the asp in Cleopatra’s bosom, is a department whose employees spend 80% of their time on routine administrative tasks. Nearly every function of this department can be performed more expertly for less by others. Chances are its leaders are unable to describe their contribution to value added except in trendy, unquantifiable, and wannabe terms—yet, like a serpent unaffected by its own venom, the department frequently dispenses to others advice on how to eliminate work that does not add value” (Stewart, 1997).

Human resource management is at a crossroad in its evolution. It has developed highly efficient programs, practices, and policies to serve industrial organizations of the twentieth century. However, the demands of the knowledge economy require from HRM more than an efficient employment bureaucracy. To become a viable contributor to organizations in the new economy, HRM must undergo self-examination and redirection. This will require a new focus: on building strategic capability (a readiness for the present and an ability to adapt in the future; on expanding the boundaries of HRM to include the entire value chain), including suppliers, distributors, and customers; and on managing new roles—roles that expand the methods and processes of HRM. The challenges are formidable.

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