VARIETIES OF HUMAN RESOURCE MANAGEMENT
- WHAT MEETS THE DEMAND IN KNOWLEDGE-BASED ORGANISATIONS?

Dr. Kofler, Anton
Consultant and Partner of osb-international, Austria
www.osb-i.com; anton.kofler@osb-i.com

Mag. Sumetzberger, Walter
Consultant and Partner of osb-international, Austria
www.osb-i.com; walter.sumetzberger@osb-i.com

Abstract: From a systemic point of view, human resource management is situated at the interface between the personal systems of the employees and the social system of a company. The core function of human resource management is to manage the paradox that work is the only factor of production which, after the sale, is not at the full disposal of the buyer (e.g. companies are unable to pin their employees down to certain motivational/performance levels), and to manage the uncertainty relating to the availability of work.
Companies have developed different patterns of managing this uncertainty. Distinctions can be made between the "type of decision making" and the "place of decision making" in four varieties of human resource management to be found within companies. This article explains these four varieties of human resource management, and discusses the chances and risks of each variety for knowledge-based organisations. On the basis of two "mini-studies", it focussed on the question of what aspects of these varieties of HRM best support knowledge-based organisations.

Keywords: Human resource management, knowledge management, international, best practice

Knowledge-Based Organisations and Challenges for Human Resource Management

Knowledge-based organisations are characterised by offering solutions to non-standardised problems. Every client is to be treated on an individual basis; a good teamwork between the client and employee (teams) is therefore key.

As a rule, a knowledge-based organisation only has a few material assets, the central assets are of an immaterial nature - whereby differences can be drawn between:

- Individual competence (personnel level)

- Image (external)

- Company related know-how (concepts, procedures) (internal)

Sveiby describes a central element of differentiation between a classic production-based organisation and knowledge-based organisation, whereby both forms of organisation are to be seen as a continuum rather than as a sharp antipode (according to Sveiby 1999):

- The employees are not a cost factor, but rather genuine profit and value generators who are closely linked to the client.
- The know-how workers are usually better acquainted with the client's problems than the management are, which leads to an internal slide of power.
- Where someone stands on the level of hierarchy is becoming increasingly less important; what is important is the creativity or their contribution to solutions of client issues.
- The organisation's targets and operating figures are increasingly oriented on non-quantitative aspects (e.g. amount of knowledge, new solutions...).
- Leadership no longer means the supervision of subordinates, but rather the providing of support for colleagues.
- It is no longer individuals or know-how that is managed, but rather an atmosphere in which knowledge can be generated.

As a central resource for knowledge-based organisations, know-how workers place new kinds of challenges to the personnel management. Central questions in relation to human resources, which continually arise in knowledge-based organisations, are:

- How can relevant know-how carriers be identified within the company, or in their own field?
- How can know-how carriers be kept within the company?
- And how can the knowledge of these employees be applied for the good of the company?

Know-how workers often suffer as a result of organisational structures, central hierarchical co-ordination and guidelines. It is sometimes very difficult to bring their target perceptions into line with that of the entire organisation. Challenging working conditions and recognition from other highly qualified employees are often more important for their motivation than salaries and bonuses. Incentive for know-how workers employees must therefore fundamentally follow new considerations and be especially geared toward rewarding employees for the sharing and application of knowledge.

In this connection, the question arises concerning the role of management and that of the personnel manager within knowledge-based companies:

The management are challenged to provide employees with the greatest possible freedom for the application of their valuable knowledge, thus making it possible for the employee to fully contribute his knowledge to the value-added process. It's all about creating a context with structures, and systems of recognition and renumeration, which promotes the creation of a culture of knowledge-sharing and application. Within the context of increasing competition for highly qualified employees, it becomes ever more important to create a challenging environment. The promotion of new recruits and the commitment of highly qualified personnel is no longer just a personnel task, but is becoming part of the general leadership responsibility. Here, knowledge-based management instruments can make an important contribution by not only bringing about a more efficient distribution of knowledge (e.g. Communities of Practice), but by representing a challenge for highly qualified employees that in turn increases their identification with the organization. (Refer to Probst, Gibbert, Raub, 2002)

Therefore, how can the company management and the human resource management of a knowledge-based company position in order to overcome these challenges?

Human Resource Management as a Non-Delegable Core Task of Company Management

From a systemic point of view, human resource management is situated at the interface between the personal systems of the employees and the social system of a company. The specific difficulty in handling human resources lies in the paradox that a company has no direct access to the psychical performance of employees - even though it pays for it. Therefore, the core function of human resource management is to manage the paradox that work is the only factor of production which, after the sale, is not at the full disposal of the buyer (e.g. companies are unable to pin their employees down to certain motivational/performance levels), and to manage the uncertainty relating to the availability of work.

The following figure shows the six areas of company management that must be constantly managed to guarantee that the organisational unit can survive:

Figure 1: The Six Areas of Company Management

Human resource management is one of the non-delegable core tasks of company management. Human resource management has to ensure staff ability and the willingness to perform. The central challenge is the dependence on human resources and the autonomy of those involved:

- The company's dependence on its staff increases because of the increased productivity requirements and – especially in knowledge based organisations - of the increasing importance of "knowledge" as a success factor. But the company cannot be sure of having the performance potential it purchased by merely binding staff contractually.

- The constant adjustment of staff and company interests, and the balancing of expectations on both sides connected with it, becomes a creative task that is relevant for competitive purposes with two central adjusting levers.
- The safeguard for willingness to perform emerges by designing an environment that supports the involvement of the staff in the interests of the company. This also includes promoting staff ability to perform with the corresponding instruments of staff selection and development.
- From the general manager's perspective, this concerns creating an environment that increases staff willingness and ability to perform on the basis of workable self-initiative.

A human resources department can only support company management by this core task. The functions of human resource management are to be performed "in teamwork"/in combination with the executive personnel of a company.

Companies have developed different patterns of managing this uncertainty relating to the availability of work. These patterns have developed during the course of the company's history and reflect the company's current situation.

Looking at an enterprise, which is maybe also working in a multinational context, you find a group of factors that influence the state of the organisation's development, e.g.:

- Different market situation, infrastructure and laws in each country create the framework in which a multinational enterprise is working
- The organisational logic and the organisational culture of the company and the industrial sector in which the company is working. In knowledge-based organisations, the organisational logic is influenced by the central challenges of the availability of know-how.
- Especially in multinational enterprises, it is the different values, (role-) norms and behaviours stemming from different cultural backgrounds that determine the usual way to deal with human resources issues.

In a multinational enterprise, a human resources department also has to deal with

- The structural dynamics between organisational units (e.g. headquarter and subsidiary companies, etc.)

- The necessity to transcend distances, which equates with enforced mobility and in working together on a virtual level
- Differences in language

How great the demand for human resource services is, and how human resource management is pursued within the company, is entirely dependent upon the company's state of development. According to the "type of decision making" and the "place of decision making", four varieties of human resource management decide how companies manage the uncertainty of work availability.

Four Varieties of Human Resource Management

Figure 2: Four Varieties of Human Resource Management

Type of decision making / Place of decision making	implicit	explicit
Shift of responsibility to a certain position	**PERSONNEL-BOUND** *Certainty is created by membership and loyalty*	**ORDER- AND RULE-DRIVEN** *Certainty is created by rules*
Own-responsibility of individuals or company sectors	**PERFORMANCE- AND RESULT-BASED** *Certainty is created by the experience of successful contributions*	**NEGOTIATION-ORIENTED** *Certainty is created by communicative processes*

Personnel-Bound Human Resource Management

In this variety of human resource management, companies absorb uncertainty by using family patterns to handle the incalculability of individuals. Affiliation to the social system is created by origin (relationship, acquaintance, same socialisation by vocational training, etc.).

The basic concept is that by affiliation to the wider field of a family, the individual gets a secure and most likely permanent place offering care and support. The company, in return, gets individuals with unlimited availability; it's not legitimate to demarcate from the company (= family) and the organisational expectations. Individuals have to justify themselves if they do not fulfil the performance expectations .

Mutual predictability emerges on the basis of personnel availability versus personnel affiliation and security: give up demarcating from expectations of performance versus covering life risks.

If this predictability is disappointed, a spiral of mistrust is created.

Companies with this pattern of coping with uncertainty between organisation and individuals have a strong personnel-bound, implicit human resource management. Typical characteristics are:

- Access to the company takes place by relationship and acquaintance, by recommendations and connections. There are no public job offers or vacancies.
- There is no professional recruiting process. An intuitive "audit" sorts out job applicants, whether they fit to the company/family, whether they come from the same "stable".
- Tasks are built-up around persons.
- Loyalty to the "family" is more important than professional qualifications.
- Possibility for personnel development and qualification training is a reward for loyalty.
- No explicit human resource management instruments
- etc.

Usually there is no explicit human resource function. The highest management level takes care of human resource management in passing. Often there are only supporting positions for personnel administration.

The risk of this type of HRM lies in the fact that greater attention is placed upon contributed loyalty than is given to know-how. Elaborate know-how management instruments are generally missing too.

When they manage to identify know-how carriers and to make them aware of their importance to the company, it is easy for companies operating this style of personnel management to create a working environment that provides sufficient space and recognition for experts, without any red tape. This makes it possible for a high level of identification between the know-how carrier and the company, and also makes it easier for companies to keep know-how carriers. For such companies, the challenge lies in developing a strategically managed picture of the kind of know-how that is important to them and to consciously set up suitable activities to achieve this.

Performance- and Result-Based Human Resource Management

Each individual is his own entrepreneur within the company and is committed to the entrepreneurial task. Effort and output have to meet the mark. Anyone not bringing the expected performance will be kicked out. Trust in the willingness to perform (individuals will give their full effort) is the way to absorb uncertainty. Bringing the expected performance generates affiliation. Constant learning, quick acquisition of excellent know-how is also necessary.

Commitment emerges for the vision of the company. The company gets the availability of the individuals for a "promise of grandeur": "You really can be proud working for this company". To be part of this great business also increases the market value of an employee. For the company, this means a permanent effort to renew this "promise of grandeur" and make sure that it is kept.

Mutual predictability emerges on the basis of experience of successful performance versus the promise to be part of something great (which also increases the market value of an employee), trust in effort and entrepreneurship versus trust in the vision of the company.

As long this mutual trust exists, each side goes all out. If trust fails, it leads to separation.

Typical examples for this pattern of coping with uncertainty are start-ups and companies in the pioneering phase. If the company applies the pioneering spirit in the long run, this pattern of human resource management will survive. In companies that work with this pattern:

- Flexible organisational and leading structures provide room for a high level of organising oneself.

- Events providing the team experience of building something great together are supported.

- Professional staff recruiting is a critical factor: clear task profiles and excellent assessments of potentials to find persons with the right qualification and willingness to perform

- The necessity for quick integration in the working process leads to instruments such as mentorship programmes for new employees.

- A quick reaction to manpower requirements is usual. That means flexible models of employment, working time and payment, and instruments such as management by objectives.

- Long-term personnel development is not addressed.

- etc.

Human resource management is a company management task. Specialist human resource functions provide services and instruments to increase the accuracy of recruitment, to speed up the integration of new employees and to guarantee the flexibility of employment models.

Companies practising this type of HRM are often strongly reliant upon the know-how worker and have therefore targeted their HRM instruments at this employee group accordingly. A professional recruiting process ensures reliable selection and that individualised HR systems are geared towards experts' specific needs. This company's "promise of greatness" is also very attractive to experts and specialists. At the same time, know-how carriers are under close observation and subject to a great deal of pressure as to whether they will also bring the expected usefulness to the company.

In companies influenced by this variety of HRM, the extent of the respective level of expectation is conditional to the liability for both sides to be disappointed: in the event that the usefulness is questioned by the company and the expected recognition is lacking as a result, or if another company has more to offer, the original company loses important know-how carriers.

Furthermore, it becomes difficult to invest in know-how that is seen as being relevant long term because it is generally only immediate success that is measured. The individualised models also make the bundling and exchange of know-how more difficult and thereby the weaken its lasting effectiveness within the company.

Order- and Rule-Driven Human Resource Management

From the company's point of view, individuals are submitted to rules in the hope of creating certainty. Routine working processes are desirable, whereby the company can be sure about certain and repeated results. The background is a mechanical picture of human beings: only a part of the dimensions of an individual are taken into consideration.

The company also submits itself to rules (internal and external), and then conveys certainty about the durability of employment, career, etc. to the employees. The regulations also include the idea that everyone can do what they want within the space given to them. This individual elbowroom is part of the contract. And the company gets only a specific element of effort and performance.

Mutual predictability emerges on the basis of submission to the rules of both sides – the company and the individual.

The relationship between the company and individuals is extremely instrumentalised. Therefore, identification with the organisation / the company is difficult.

Typical examples are companies in the public sector, but also established, big global corporations. In companies with this pattern of human resource management, there exist(s):

- Bureaucratic structures for design and supervision of regulations.
- A high level of written documentation (keeping the personnel file is one of the most important human resource management tasks).
- Differentiated human resource management standards and instruments, which serve to formalise judgement, legitimation and supervision.
- Regulated careers and standardised personnel development.
- Models of payment with automatic jumps from stage to stage.
- etc.

The typical form of organisation consists of departments with human resource management experts. Human resource management is delegated to these experts and to the works council. The management only has to control deviations and to discipline.

Companies with this variety of HRM offer experts a safety net, which takes a lot of pressure off them. Life is often very good within the niches of such organisations. However, when left to their own devises, know-how carriers often have a hard time trying to position themselves appropriately within these companies. It takes a great deal of effort for them to be able to place their know-how visibly within the organisation. They feel trapped by bureaucratic structures and rules. Know-how management instruments are often very pronounced, these are administrated more than they are actually put into action.

The challenge here is to let the experts be effective beyond the constraints of these bureaucratic hurdles and to initiate a dynamic know-how exchange out of the experience of successful know-how application.

Negotiation-Oriented Human Resource Management

The paradox that the company has no direct access to the psychical performance of employees, even though it has paid for it, is a main issue in the managing process. Management does not delegate to deal with this uncertainty, but rather makes it a recurrent act of negotiation.

Mutual predictability is created in the respective situation in negotiation processes, knowing the interdependence between the company and individuals. The certainty lies in the quality of the communication processes.

In companies with a pattern of negotiation-oriented human resource management:

- Staff recruiting, assessments of potentials, staffing decisions, etc. are common processes.
- There is a shared responsibility for personnel development between company management and individuals.
- Instruments are available that support negotiation and feedback processes (e.g. appraisal interviews, 360° feedback, etc.).

- Experts are able to take on functions such as moderation, conflict mediation, coaching and consulting to support communication processes.

To handle the human resource management processes is explicitly a company management task. Internal or external experts support the company management as service providers.

In companies with this kind of HRM, intensive work takes place on the generation of transparency relating to the company's know-how needs and transparency relating to the needs of the know-how carrier. The suitable instruments for know-how management are as finely tuned as possible, both as IT tools and as personnel meeting forms. In addition, experts are available to moderate and maintain these tools and communication processes.

This means a lot of expense for efficiency that is difficult to place and thereby hard to assess. The risk then lies in the fact that these negotiation-oriented models easily topple over into order- and rule-driven or performance- and result-based patterns.

The challenge also lies in the fact that know-how carriers and managers must undergo a role reversal. Nothing is functioning if a know-how worker is waiting for an order. They have to negotiate, organise themselves and practise self-marketing. At the same time, the management has to be available as a competent negotiating party, who is able to represent the company's interests: this means to understand the importance of certain know-how areas - derived from the company strategy - and to be able to organise the necessary negotiation processes.

Two Cases Relating to Knowledge-Based Companies

Case 1:
Analysis of Know-How Management Practice in Leading Software Company

The software consulting division in the Austrian subsidiary of a worldwide leading company for business software was investigated by means of interviews and with the assistance of an instrument known as "learning inventory" (after Di Bella 1998; adaptation and further development by the osb).

Figure 3: The 10 learning factors (according to Di Bella 1998)

Practices, which support learning within an organisation

1. Environmental orientation – on-going evaluation of environmental events

2. Clear perception of the discrepancy between credit and debit

3. Clear measurement categories for success and failure

4. Curiosity within the organisation – openness for new ideas and procedures

5. A climate of openness – problems can be discussed

6. Further education – support for systematic learning

7. Variety of processes and methods

8. Promotion of change on all levels

9. Management forces an environment in which learning is encouraged

10. Systematic viewpoint – no uncoordinated, chance actions

What were the significant findings?

- There is a relatively high amount of freedom for know-how management, this is a conscious decision; the management fears that the employees' creativity and personal responsibility could reduce if the level of determination is too high.

- Each expert is supported in his individual learning and is also completely able to define these development steps himself; existing know-how in the sense of "lessons learned" is hardly touched upon. However, the prerequisite is that the defined economic targets are reached.

- There aren't any defined structures, such as experience exchange, that can be made available within the organisation.

- The analysis of the know-how culture shows that there is a high degree of esteem and trust between the experts; admittedly they almost always work and learn in isolation. This ambivalence is substantiated through a strongly informal culture of meeting and exchange culture. On the whole, the general framework or factors for learning were assessed very positively.

The key suggestions for improvement were related to

- Institutionalise team learning – especially "lessons learned" procedures following the end of each project – own lessons learned platform in Intranet (walking around, participation in informal talks with the experts).
- The introduction of a knowledge centre with experts being given clear (part-time) responsibilities for individual tools and processes.
- A more binding agreement of learning targets at the annual appraisal interviews.

On the whole, it's more about commitment and transparency whilst maintaining the informal, performance-oriented culture.

Case 2

The Promotion of the Expert Culture in the Headquarters of a Concern

In one of the largest companies in Austria, a conglomerate with headquarters in Germany and approx. 20,000 employees, a special promotion programme was developed for experts and senior experts. One of the goals was also the development of a specific personnel development program for this target group of a total of one hundred individuals.

Within the framework of a special workshop with senior experts, this group analysed strengths and weaknesses in dealing with know-how, respectively, with top experts. Some points resulting out of this:

- The company has access to good processes and tools for know-how workers, which are not available in most companies.
- Relevant technologies are very intensively developed (Intranet, platforms for different groups of experts).
- The patterns for dealing with know-how are relatively hierarchical; knowledge is power and the passing on of knowledge leads to substitutability - that's why different initiatives also fail to distribute knowledge and make it transparent.

- On the whole, the "know-how politics" is still strong during the "knowledge equals information" phase, and less so in the phase "knowledge is information plus context plus application".

- The know-how workers still find themselves in the phase where they must fight through the hierarchical functions for recognition and esteem. The phase "equal cooperation within a cooperative culture" has not yet been achieved.

An analysis of the learning factors (see above) revealed deficits in the aspects:

- Openness for new things

- Curiosity for new ideas

- Promoters of change

- Management promotes an atmosphere conducive to learning and the equal recognition of expertise.

Main deficits therefore lie more strongly in the behaviour patterns, or in the "mental models" behind these.

Despite many existing processes and systems, the strongly informal distribution of knowledge naturally represents a certain paradox. Even an ever more intensive promotion of the systems and procedures wouldn't end anything, but rather it must be applied at a cultural level.

Summary

Much is written about know-how management, but comparatively little has been realised; in an international comparative study, know-how management was the management process that revealed the greatest discrepancy between intention and realisation.

A prerequisite for all further steps is that companies become clear from their strategies about the intangible asset "know-how" and must implement know-how management systems that are tailor-made to their requirements. From our observations, many knowledge-based companies fail because they want too much.

Therefore, the first starting point for successful know-how management is: Less is more

We see a communications process as a priority for a second starting point and then tools; the reality is usually the reverse of this.

The third central starting point lies in a targeted promotion of know-how carriers dependent upon the type of HR that is carried out:

- In companies, whose strengths lie in individual responsibility, profit responsibility and flat hierarchies; more formalised systems are necessary in order to meet the specific requirements of the know-how carriers.

- However, in other forms of companies, which can rather be described as hierarchal and formalised, it is necessary to strengthen the personnel side on the basis of good processes and procedures, e.g. by means of individual accountability development measures for experts, by means of the offensive promotion of less structured communities etc.   .

There is no patent remedy for forming a relationship with knowledge workers, but rather each relationship must be established in a specific culturally sensitive style.

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