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Evolving Human Resource (HR) Management to Cope with Disruptive Innovation Technologies

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Abstract

Businesses are responding to the threat of disruptive innovation technologies by upgrading their capabilities and practices. These upgrades ensure implementing organizations become more adaptable, and flexible, with respect to their ability to alter business strategies in response to changing market conditions. Due to its orientation, the HR profession has traditionally had no involvement with shaping a company's strategic business path. In today's environment, however, businesses are requiring the HR role to transform from a traditional administrative service to one with a strategic focus that adds value to business operations. HR professionals now share with executive management the responsibility to instill innovation into the organizations they support. By having a renewed interest in creating synergy, taking steps to ignite employee engagement, undertaking the new role of creating value for business operations, being the steward of the company's brand, calculating the knowledge value of employees, leveraging social media to improve collaboration, and implementing new processes for acquiring, managing, and retaining clever, high potential employees, HR organizations are evolving into a new type of role to ensure the companies they support can handle upcoming innovation cycles. The HR function is evolving from an administrative one, into a strategic role where HR professionals are increasingly being asked to create value and contribute to the business success of their organizations.

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Evolving the Human Resource (HR) Management Function to Cope with Disruptive Innovation Technologies

1. Introduction

In response to disruptive innovation technologies and products, businesses must necessarily upgrade their capabilities and practices. These upgrades ensure implementing organizations become more adaptable, and flexible, with respect to their ability to alter business strategies in response to changing market conditions. The rise of the knowledge economy in today's marketplace indicates the business world is undergoing such transformations. It is changing from a mass production system where human labor is the principle source of value, to a "new era where the principle component of value creation, productivity, and economic growth is knowledge" (Geoffe & Jones, 2005, p. 224). The traditional approach to Human Resources (HR) management has been to design systems and define processes that shape how people are treated within an organization based on personnel administration theory (Ulich, 2005). Due to its orientation, the HR profession previously had no involvement with shaping a company's strategic business path. In today's environment, however, businesses are requiring the HR role to transform from a traditional administrative service to one with a strategic focus that adds value to business operations. HR professionals now share with executive management the responsibility to instill innovation into the organizations they support. The sections below identify new responsibilities future HR organizations will need to make the companies they support more adaptable in response to pressure from the threat of upcoming innovation cycles.

2. Creating Synergy

Since people are involved with the implementing business strategies, leaders can achieve different levels of inspiration. It does not get any better than those moments when a team is drawing synergy from each other, functioning on all cylinders, inspiration is flowing, teammates are contributing great ideas, and cross-functional groups are collaborating. Gratton (2005) labels such moments as “*hot spots*” (p. 254). As a basketball coach your author instructed teams that they needed to get “*in a zone*,” that is a condition where five players are passing, cutting, picking, and positioning, as a team unit, in order to get one player a favorable shot. Whether you call it a *hot spot*, or getting *in a zone*, the goal is clear: to develop a situation of synergy where the total contribution is greater than the sum of the individual contributors.

3. Igniting Employee Engagement

A key aspect of leveraging an organizations human potential in order to create a hot spot is what the employees know, and how they use that knowledge. Gratton (2005) notes that the energy level required to create a *hot spot* or get *in the zone* “is essentially a combination of their individual energy with the addition of the relational energy generated between them” (p. 256). The quality and extent of these relationships is critical, and they are said to flow out of a cooperative mindset (Gratton, 2005). People can become energized and excited about sharing knowledge and learning from others (Gratton, 2005). They engage their intellectual capital as they become increasingly emotionally involved. Leaders can try and foster this level of engagement by identifying what Gratton (2005) refers to as an “*igniting purpose*” (p. 262). HR professionals can offer igniting questions in their communications to invite the staff to think about future opportunities and challenges. Such questions essentially create a vision that propels staff members into the unknown future (Gratton, 2005). Preparing businesses for future

innovation cycles has traditionally been the purview of management. But it now requires more than just the operating unit managers to lead the way, there has to be an organizational commitment. By leveraging their ability to influence employee engagement through igniting statements, HR professionals work with management to improve the capabilities of the business areas they support. Ulrich (2005) contends HR professionals are evolving into leaders who add strategic value to the company by: the processes and policies they advocate, championing the organization's leadership brand, and then communicating it throughout the organization by the policies they set, and practices they conduct.

4. Creating Value for Business Operations

In contrast to their legacy administrative role, HR organizations are now being asked to help businesses compete in the market place (Ulrich, 2005). In looking forward, it is clear that HR functions should focus on creating business value. Consider, for example, the conduct of talent audits where HR assesses the talent levels of key skill areas that currently exist in a company, and then compare the results to the talent levels the company will need in the future. To identify the talent levels that will be needed in the future, HR must understand the strategic direction of the company and, as a result, becomes a participant in the operation of the business. Given that the knowledge value of employees has been increasing, it is more important than ever for HR to invest time and resources in securing superior talent. According to (Ulrich, 2005) “[a]ssuring competent employees comes as organizations buy (bring in new talent), build (develop existing talent), borrow (access thought leaders through alliances and partnerships), bounce (remove poor talent), and bind (keep the best talent)” (p. 101). To understand the talent needs of an organization, and thus be able to target the appropriate skill sets, HR needs to be involved with and support the strategic business plan being implemented by the organization.

Future tracking metrics may include such items as the *percentage of employees that currently have the competencies to do their jobs today*, and the *percentage of employees that will be competent to do their jobs in the future* (e.g., as the requirements imposed on those positions change over time in our dynamic market place). Such tracking requirements will be paramount for ensuring a company can keep pace with industry, handle disruptive innovation waves, and will require HR professionals to work hand-in-hand with strategic business planners and implementing program managers.

5. Being Custodian of the Company's Brand

Gaining a firm brand identity is increasing in importance as globalization increases competition. HR professionals can help shape a firm's brand by building a consensus among the executive management team of what the firm should be '*known for*' (Ulrich, 2005). HR professionals are postured to help define the firm brand. How they communicate the organization's goals, the processes they stand up, the people they hire, how employees with high knowledge values are indoctrinated and managed, and what they input to the strategic planning process will all affect the firm brand. To summarize, HR professionals are evolving from an administrative role into that of a significant contributor to the overall health and success of an organization. Increasingly, HR professionals are realizing the ability to convert knowledge of anticipated market conditions and requirements into a set of organizational capabilities that are postured for future challenges (Ulrich, 2005).

6. Calculating the Knowledge Value of Employees

The connection between successful management processes and the value of employee contribution levels can be dated back to the early 1900s. Taylor (1911) published a paper titled "*Principles of Scientific Management*," which described the need for a balance between the

“things of production” and the *“humanity of production.”* By the 1950s the study of management became more sophisticated and managers began to think of corporations as social institutions, and of employees as *“knowledge workers”* (Kiechel, 2012). More enlightened attitudes toward employees by scholars such as Peter Drucker laid out a vision of the corporation as a social institution that respects the capital and potential of everyone involved (Drucker, 1954). While the goal of recognizing employee knowledge values to increase their motivation has been around for some time, the approach to do so can vary.

Traditionally, organizational leaders have worked closely with Human Resource (HR) managers and carefully assigned the grade-levels offered to employees as they are hired into the company. An employee’s grade-level, therefore, is a quick, generic, indication of the knowledge value the organization assigns to an employee. Organizations also rate each employee during the annual performance appraisal process and assess their value relative to the organizational core competencies, and the areas that are targeted for future growth in the organization’s strategic business plan. Some organizations work with each employee and have them create a professional development plan tailored to balance the competing interests of the employee against the strategic direction of the company. By tracking employee progress toward their professional development goals, the organization can determine the knowledge value the employee has relative to those skills important to the strategic business direction of the organization. The annual performance appraisal process is also used to track an employee’s development initiatives in skill areas related to company needs. Organizational leaders also assess referrals from operating unit managers to identify candidates for special leadership training courses. These leadership courses are offered annually, or semi-annually, to high-

potential employees and, in addition to providing focused training, permit the company to assess their knowledge value.

Recently, however, organizational leaders have been using less traditional approaches to assess the knowledge value employees bring to an organization. Hylton (2002) recommends use of “knowledge audits,” or “K-audits,” for evaluating knowledge value (p. 1). The K-audit outlines the main knowledge values to be measured, and then assesses them (Hylton, 2002). Measurement and assessment are said to involve detailed examination of the organizational knowledge capture, creation, distribution, and dissemination processes, and the capabilities of enabling technologies that efficiently leverage employee contributions (Hylton, 2002), which are arguably related to their knowledge value. The K-audit constitutes a systematic evaluation of the *explicit* and *tacit* knowledge resources, including people resources, in a company. *Explicit* knowledge is knowledge that can easily be explained by individuals and internalized by others. Thus, *explicit* knowledge is considered the useful knowledge that individuals in an organization can effectively articulate so it can be captured and stored by the organization. The maintenance of this information is not tied to the individual, and can be stored by the organization in traditional knowledge maps. *Tacit* knowledge, on the other hand, is personal in nature, and difficult to extract from the head of individuals. This kind of knowledge may be lost when employees leave the organization. If K-audits were tailored to identify employees with high levels of *tacit* knowledge, steps could be taken to ensure these employees remain with the organization. The knowledge auditing process involves an investigation, examination, and analysis of the entire life-cycle of corporate knowledge, including:

- What knowledge exists in the organization and, specifically, the individuals that have high levels of tacit knowledge value

- Where such information is located
- How the information is being created and stored
- Who owns the information within the organization (Hylton, 2002).

K-audits measure and assess the level of efficiency and knowledge flow “[f]rom knowledge creation and capture, to storage and access, to use and dissemination, to knowledge sharing and even knowledge disposal (Hylton, 2002, p. 2). With respect to people, the K-Audit can be designed to assess the knowledge value of employees, and measure the efficiency of the transfer of *tacit* knowledge skills, when particular skills are important to organizational sustainment.

7. Leveraging Social Media to Improve Collaboration

Bradley and McDonald (2011) assert that organizations can now use social media websites like MySpace, Facebook, and LinkedIn, to extract maximum talent, energy, and creativity from employees. Organizations can construct corporate pages on these sites designed to communicate with employees and encourage employee collaboration. Translating the collaboration afforded by social media sites into improved business performance is said to involve:

- Using tailored social media webpages to define a compelling organizational vision
- Devising effective strategies that rally employees around a clear purpose
- Creating a collaborative environment to form a cohesive community (Bradley & McDonald, 2011).

Using social media in this way is said to enable mass collaboration which can be converted into improved employee knowledge (Bradley & McDonald, 2011). Assessment opportunities would

presumably avail themselves by tracking the contribution levels of employees participating on these social media sites.

8. Acquiring and Retaining Clever, High-Potential Employees

Geoffe and Jones (2005) have spent 20 years researching the issue of leadership. Among the many subject areas encountered, their interviews exploring the dynamics of high-performance teams in knowledge-based businesses, and the leadership of high potential employees whose particular skills and knowledge value make them vital to organizational success, were said to be the most intriguing. High potential employees are highly talented and create a disproportional amount of value from the resources made available to them by the organization (Geoffe & Jones, 2005). These employees characteristically bring creativity, innovation, and complex problem-solving skills to everything they do (Geoffe & Jones, 2005). Because of their value, high potential employees are scarce and HR organizations must implement special management processes to identify and acquire employees with high knowledge value, and offer special management programs to retain such employees.

With new responsibilities, however, come new challenges. Leading high potential employees to leverage their creativity and realize their high knowledge value requires a very different management style. In addition to traditional leadership qualities, such as outgoing personalities, excellent communications, encompassing organizational values, and setting strategic direction, leading high potential employees requires leaders to demonstrate some additional qualities, including:

- Acknowledging their independence. High potential employees do not consider themselves dependent on others to solve problems, so leaders must acknowledge their independence.

- Winning resources and giving space. High potential employees want and need lots of resources for laboratories, libraries, equipment, training grounds, etc. They perceive their work as so important that it must always be well resourced. If a leader cannot win them the resources they require, high potential employees begin to believe they cannot succeed in the organization.
- Being and umbrella. High potential employees see the administrative burdens of an organization as distracting to their value-adding activities, and expect leaders to buffer them from red tape and interference from executive management.
- Encouraging some failures. Since not all innovative ideas can be implemented successfully, leaders of high-potential employees must encourage them to pursue many ideas, some of which may not pan out.
- Giving direction only, since motivation is not an issue. High potential employees are characteristically highly motivated, but driven to pursue their own goals which are not necessarily those of the organization. The direction leaders must give to high potential employees, therefore, is not the traditional one aimed at motivation, but rather, is one of course direction to make sure their objectives are aligned with those of the organization.
- Recruiting clever people. High potential employees are clever people and require a peer group of like-minded individuals to bounce ideas against. Leaders and HR professionals must be highly selective about whom they recruit, and should create a peer group of high potential employees that can collaborate with each other.
- Listening and assessing. Accurately gauging the business context in an environment populated by high potential employees requires highly acute

situation-sensing skills. While already dealing in technical areas where their knowledge base is stretched, leaders must, none-the-less, be able to judge morale, commitment, and individual motivations so they can assess proffered research proposals.

- Be accessible. To effectively lead high potential employees, leaders must be relentless at listening to their needs and exhibit a clear message that the employees are important to them.
- Recognition from external sources. While high potential employees appreciate recognition from sources internal to the organization, external recognition from a wider group with whom they really identify is even more important. A leader must therefore build a network of related organizations to allow these employees to gain recognition from outside the company.
- Creating a simplified rule environment. High potential employees thrive in an environment where there are fewer rules, which are viewed as constraining, and the few rules that are in place need to be universally enforced. By controlling the rules that these employees have to deal with, a leader can create a more inspiring environment that focuses on creativity (Geoffe & Jones, 2005, pp. 228 – 239).

By the policies and practices HR professionals implement, they can assist operating managers to ensure they have the special skill set, as defined above, necessary to manage and engage high potential employees.

9. Conclusions

The HR function is evolving from an administrative one, into a strategic role where HR professionals are increasingly being asked to create value and contribute to the business success

of their organizations. HR professionals now share with executive management the responsibility to instill innovation into the organizations they support. By having a renewed interest in creating synergy, taking steps to ignite employee engagement, undertaking the new role of creating value for business operations, being the steward of the company's brand, calculating the knowledge value of employees, leveraging social media to improve collaboration, and implementing new processes for acquiring, managing, and retaining clever, high potential employees, HR organizations are evolving into a new type of role to ensure the companies they support can handle upcoming innovation cycles.

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