LINKING KNOWLEDGE MANAGEMENT WITH HUMAN CAPITAL STRATEGY DEVELOPMENT

Dr. Jay Liebowitz, Johns Hopkins University, jliebow1@jhu.edu

ABSTRACT

Organizations are realizing that knowledge management should play a critical role in their human capital strategy. In the U.S. government, for example, a learning and knowledge management pillar is recommended as part of the framework in building a human capital strategy. In the government, a new position called the “Chief Human Capital Officer” has been created to develop a human capital strategy for the agency or department. A question arises as to how best to integrate knowledge management within the strategic management of human capital. This paper will shed some insights on how to achieve a stronger linkage of these two areas in order to achieve organizational success.

Keywords: Knowledge management, human capital strategy, Chief Human Capital Officer

BACKGROUND

A number of researchers and practitioners have been studying techniques and methodologies for developing knowledge management strategies and implementation plans (11). According to Chourides et al. (4), to get anywhere with knowledge management, you must have a strategy and individuals must be persuaded to contribute to both formulation and implementation. The knowledge management strategic plan has greater focus on the knowledge needs of the organization and an evaluation of capabilities. Apostolou and Mentzas (1) developed the Know-Net knowledge management approach, which includes the interplay between strategy, assets, process, systems, structure, individuals, teams, inter-organizations, and the organization itself. Sveiby (19) discusses his knowledge-based theory of the firm.

O’Dell et al. (17) have performed benchmarking studies on knowledge management strategies. They have found organizations using knowledge management strategies as a matrix of: KM as a business strategy, transfer of knowledge and best practices, customer-focused knowledge, personal responsibility for knowledge, intellectual asset management, and innovation & knowledge creation. Levett and Guenov (10) have developed a methodology for knowledge management implementation that looks at a four-phase approach of case-study definition, capture knowledge management practice, build a KM strategy, and implement & evaluate. April (2) has developed guidelines for building a knowledge strategy looking at the interlinking of assets or resources, complementary resource combinations, and the strategic architecture of the company. Nickerson and Silverman (16) have examined intellectual capital management strategies and proposed a strategy integration analysis methodology which uses six steps: assemble a multi-disciplinary team; identify and select a target market and position; identify
investments and technology; identify unique or idiosyncratic technologies that form the basis of competitive advantage by comparing the firm’s technology and intellectual position with that of potential competitors; choose optimal organizational and intellectual capital management configuration based on the preceding four steps; evaluate expected profitability of this integrated strategy. Other researchers and practitioners like Chauvel and Despres (3), McElroy (14), Mertins et al. (15), Hult (8), Earl (6), Holsapple (7), Seeley and Dietrick (18), Liebowitz (13), Liebowitz et al. (12), and Davenport and Probst (5) have been involved in writing case studies dealing with knowledge management strategy and implementations.

Knowledge management plays an important role in developing a human capital strategy for an organization. In order to address the “knowledge bleed” occurring in many organizations due to attrition, retiring employees, and changing work patterns of more mobile, younger workers, knowledge management should be one of the key pillars underpinning a human capital strategy. Nourishing the roots of an organization (that is, the “people”/human capital) must occur if the organization is to blossom and bear fruit.

Human capital is the collective experience, knowledge, and expertise of those contributing to an organization’s mission. Knowledge management refers to how best to leverage knowledge internally and externally in order to achieve organizational success. Here we see an overlap in what knowledge management and human capital can contribute to the organization. Most knowledge management approaches use codification and personalization approaches to capturing knowledge and connecting employees (9). Codification refers to developing a systems-approach to capturing knowledge, and personalization refers to improving the people-to-people connections. Codification then is a “collection” approach, and personalization uses a “connection” theme.

In the next section, we will link knowledge management with human capital strategy and discuss a methodology for effectively integrating knowledge management into an organization’s human capital strategy.

**LINKING KNOWLEDGE MANAGEMENT WITH HUMAN CAPITAL STRATEGY**

A human capital strategy should contain four essential pillars. Competency management should be one pillar in order to determine the necessary competencies and skills needed for the organization’s workforce in the future. Performance management deals with how to measure, assess, and reward performance in the organization. Change management is another important component that looks at how best to transform the organization for adaptability and reduce resistance to change. Last, knowledge management addresses how to transform individualized learning into organizational learning in order to build and nurture a knowledge sharing culture, create a stronger sense of belonging and community, and increase innovation and customer satisfaction. All four pillars are interrelated and provide the foundation for building a human capital strategy in the organization.
Knowledge management has a special relationship with human capital. Knowledge management involves four key functions: knowledge identification, knowledge sharing, knowledge application, and knowledge creation. Once critical “at risk” knowledge is identified, this knowledge needs to be captured and shared with others (knowledge sharing). The knowledge sharing process will be used in some context whereby the knowledge is applied. Once this knowledge is applied and internalized, new ideas should be generated (knowledge creation).

These steps are similar to human capital development. Knowledge gaps are determined to see where critical “at risk” knowledge is being lost due to retirements, attrition, organization transfers, etc. In order to minimize the loss of knowledge, we need to connect people with others (via mentoring, knowledge sharing forums, storytelling, shadowing, communities of practice, expertise locator systems, etc.) to transfer this valuable knowledge. As this is being done, relationships will be strengthened resulting in an increased sense of belonging and community in the organization. This will result in the generation of new ideas among the organization’s staff which should stimulate the human capital in the organization.

In trying to correlate knowledge management with human capital, a means of comparison can be drawn through Maslow’s hierarchy of needs, as shown in Figure 1. According to Abraham Maslow’s hierarchy, physical needs exist at the most basic level. Then, safety needs are most wanted, followed by social and esteem needs. At the top of the hierarchy, self-fulfillment or self-actualization is the goal to be aspired.

Knowledge management can also be associated with this needs hierarchy. The recognition and reward structure will drive certain basic behaviors. This motivation structure will influence salary, sharing efforts, and the like. Safety needs in the form of “competitive edge” or “I” needs will result to be sure that the individual feels he/she is important and needed to the organization. Once this level of comfort is met, the social needs in the form of building community and knowledge sharing (“We” needs) will be created. Over time, the individual wants to be respected within the broader community (i.e., esteem goals). When these esteem goals are achieved, individual learning can be transformed into organizational learning and a knowledge sharing culture can thrive (self-actualization).

Similar to knowledge management, human capital strategy can be expressed in terms of Maslow’s hierarchy of needs. The key pillars underlying a human capital strategy can be layered in congruence with Maslow’s hierarchy. The fundamental level deals with competency management to determine what are the basic competencies and skills needed for the organization’s current and future workforce. Then, the safety level involves performance management whereby people feel secure by being rewarded for their positive performance (of course, insecurity can also result by sub-par performance). The social needs are then addressed in knowledge management whereby a knowledge sharing culture is built and nurtured. In order to reach nirvana or self-actualization, people must feel comfortable with change; therefore, a change management layer is needed. This should also reinforce one’s esteem by making the individual feel adaptable and respected in the
organization and community. Finally, based upon these four pillars, a human capital strategy can be achieved and implemented.

Figure 1: Knowledge Management and Human Capital Strategy Within Maslow’s Pyramid
The organization under study is a government agency with primarily a technical workforce. Many of the employees are scientists and engineers and about one-third of the employees are eligible to retire in the next five years. The average age of an employee is 46, with scientists having an average age of 53. About 40 percent of the workforce is comprised of federal civil servants; the other 60 percent are contractors. There were over 110 areas that were cited as being “critical at risk knowledge areas”, whereby the expert would be leaving in 1-3 years and there was no backup expert.

This organization, especially at the senior management ranks, saw the necessity for engaging in knowledge management and developing a human capital strategy. The human capital of the organization was being defined broadly as the “organization’s community”, that is, civil servants, contractors, term appointees, universities, partners, international partners, sister organizations, and the like. Knowledge management was being designed as one of the key pillars of the organization’s human capital strategy. The central components of the knowledge management strategy were built around people/culture, process, and technology. Specifically, the organization was developing approaches to build and nurture a knowledge sharing culture (people/culture), systematically capture critical knowledge (process), and creating a unified knowledge network for facilitating knowledge sharing (technology). Both codification and personalization approaches were used, but the organization seemed to have the natural inclination for the codification approach due to the technical orientation of the workforce.

The organization believed that for knowledge management to succeed, it must be linked with the human capital strategy of the organization. Knowledge management, standing on its own, would not easily survive. A Human Capital Working Group was formed in the organization, and knowledge management was introduced as being an essential part of the strategic management of human capital. Besides the Human Capital Working Group, Human Capital Consulting Liaison Roles were created within the organization. The individuals in these new roles help the directorates tailor a human capital program that meets their needs. They make sure that the directorate’s human capital program is in strategic alignment with the overall organization’s initiatives in human capital. They work with the Knowledge Management Working Group members in the respective directorates to apply knowledge management techniques with human capital strategic needs. The other components, besides knowledge management, of the human capital strategy being pursued were competency management, performance management, and change management.

**SUMMARY**

In the near future, organizations will be in a tenuous position if they don’t take knowledge management and human capital seriously. Knowledge management needs to be closely linked with the human capital strategy in order to achieve organizational success. This paper presented integrative roles of knowledge management and human capital strategy. Future work will be to apply these synergistic elements to case studies, and evaluate, in a
longitudinal study, how knowledge management and human capital strategy influence each other to meet the strategic mission and vision of the organization.

REFERENCES