

Emergence of the ‘Knowledge Economy’ and ‘Knowledge Management’, and their Importance in the ‘Talent Acquisition’ Front

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Abstract

In recent years an interesting claim has been widely discussed by various researchers and academics that there has been a striking growth of knowledge based economy. The claim continues towards organizational level, where the concentration is given on the emergence of a knowledge based organizational management, and whether this knowledge can be integrated with the organizational talent acquisition (recruitment and selection) process. By aligning knowledge management with the traditional talent acquisition process, how firms can achieve competitive advantage in perspective of the modern, rapidly changing and competitive and dynamic business environment is now a foremost human resource management issue. Talent acquisition is a fundamental activity of Human Resource Management (HRM), whereas, managing knowledge and creating a knowledge based culture in organization is a new concept. This article verifies these claims by critically analyzing some statistical data and researches conducted by academicians and industry top thinkers.

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1.0 Introduction

This article begins with focusing the emergence of 'knowledge economy' and 'knowledge management', and discusses the organizational 'talent acquisition' process. Then it focuses on defining a knowledge based recruitment and selection process. To change the organizations' traditional reactive way of recruitment and selection process to a proactive and strategic acquisition system, this article identifies and analyzes some knowledge based talent acquisition strategies. While analyzing these strategies, instead of concentrating on an in-depth discussion on some management terms and techniques, this essay, rather emphasizes on connecting those management techniques with the knowledge based talent acquisition process. Gradually, by highlighting the importance and benefits of knowledge based talent acquisition process, this article comes to the conclusion that organizations, to fetch competitive advantage, must understand the knowledge economy concept and accordingly align this concept with their talent acquisition process for maximizing the human capitalization.

Talent acquisition is an important process for any organization, as success or failure ultimately is the result of output of individuals. Talent acquisition can also be considered as the most important human resource activity since jobs and people must be matched correctly to ensure both employee satisfaction and organizational effectiveness. Similarly, in recent years, much has been said about the emergence of the knowledge economy across the world. For example, a thorough research conducted by Fleming, Harley and Sewell (2004: 725) in Australia, UK, and in some other European countries, and by Stiroh (1999: 82) in USA and Canada shows that globalization and computerization are affecting both long-run organizational growth prospects and short-run labor market dynamics, which are in fact a valuable contribution in support of the existence of the knowledge based economy.

Accordingly, the emergence of a knowledge economy can also be confirmed by observing the world of work that has undergone dramatic changes over the past fifteen to twenty years. Some commentators have gone so far as to characterize these changes as representing a fundamental shift in the nature of capitalism itself: a shift from 'Fordist' to 'post-Fordist' forms of production, from mass production systems to flexible specialization, from industrial to post-industrial society, from modern to post-modern forms of dynamic organizations, and most importantly a shift from 'skill-based' workforce to 'knowledge-based' workforce (Stiroh, 1999: 84). Knowledge, from organizational perspective is something that cannot be separated from

humans. People are at the center of knowledge management. For organizations to prosper or gain competitive advantage in a knowledge economy, they must utilize the skills and knowledge of their employees. Managing knowledge is not only managing the knowledge of the people, but also it is managing company's proprietary technology, system and its people (Boxall & Purcell 2004 and English & Baker 2006). Stanford University economist Romer (cited in Moore, 2006: 52) in his research has proposed a change to the whole traditional economic model of production. In his 'New Growth Theory' it is mentioned that, knowledge and technology are two intrinsic parts of the organizational production, and knowledge based talent acquisition has become an important factor of achieving competitive advantage.

By 'competitive advantage' this article means conditions which enable a company to operate in a more efficiently or higher-quality mannerly than the companies it competes with and which results in benefits accruing to that company. In a nutshell, competitive advantage can be traced to better people employed in organization with better knowledge, which can be done only by recruiting and selecting employees based on their knowledge and competency.

Within this body of concepts, talent acquisition refers to the set of activities initiating at recruitment, followed by selection and concluding with induction of the new recruit into the job role (HR Practices Survey Bangladesh 2007). Similarly, knowledge has been defined in a variety of ways but it is agreed that both people and organization possess knowledge to some extent. People have always been central to organizations, but their strategic importance is growing in today's knowledge-based industries. An organization's success increasingly depends on the sustenance of its intellectual capital, that is to say, knowledge, skills and abilities (KSA) of the employees, particularly as they help establish a set of core competencies that distinguish an organization from its competitors. When employees' talents are valuable, rare and difficult to imitate, an organization can achieve a sustained competitive advantage through people; and that is only possible by conducting a knowledge based talent acquisition process.

2.0 Methodology

The methodology employed in this study was based on secondary resource. For the purpose of this article, empirical data and information had been collected from fifteen major business and management journals – some of which were sought from university library electronic journal database like:

Proquest and Business Source Premier; nine reference books; online resources like: websites; seminar and conference proceedings; and information from bureau of statistics. The searched period was confined to between April 2008 and September 2006. This methodology was investigative. Each resource selected was screened and reviewed several times to go in-depth of the literature and arguments to come up with authentic information.

3.0 Analysis of Knowledge Management and the Changing Workplace

Today's world is virtually getting smaller and smaller and the whole world is turning into a global village and traditional organizations are transforming into modern and rapidly changing workplaces. This rapid organizational change is occurring due to the emergence of new economy, globalization, labor market reform, technological, economic, political and demographical attributes. Considering the recent business trends, organizations can plan to change externally or internally to match themselves with the changing outside business environment by developing new product range, entering into new market, evolving new services standards or technology, a change in mission, restructuring operations, mergers, major collaborations, rightsizing, re-engineering and so on. And thus, when an organization's strategic goal changes in the way the organization will operate in future, people's knowledge and skills are also required to achieve the desired change (Noe, Hollenbeck, Gerhart & Wright 2006). At that point the significance of a strategically designed employee acquisition process can be felt.

Another significant reason of the organizational change is the growth (or emergence) of the knowledge economy (Fleming et al. 2004: 725). A large number of educational institutions are providing excellence in higher education sector to meet the growing interest of the people. Public attitudes are now sensitive to the relationship between the perceived importance and necessity of higher education and perceptions of access into the career development. People are comfortable with the idea that a university education is becoming even more essential, as long as they feel that access to higher education is pleasant and outcome is fruitful. Young graduates with high education are more likely to occupy a better position; they are more occupation aspiring and more focused on their career growth. As a result, the need of selecting these talented and aspiring graduates to achieve competitive advantage for the well run of the organization has a tremendous importance.

Considering the above circumstance, it is necessary to identify a broader meaning of knowledge and to understand the relationship between knowledge management and talent acquisition. A wealth of literature has been developed regarding the organizational meaning of knowledge in business environment. The term 'knowledge' is used to mean the confident understanding of a subject, potentially with the ability to use it for a specific purpose. Knowledge is information of which a person, organization or other entity is aware. It can be understood as an individual resource, also as an organization resource (Boxal & Purcell 2003). The interest in here is knowledge in organizations in terms of the knowledge of individuals and the importance of each organization knowing what its employees know and how to apply this knowledge for the benefits of the organization (Sears, 2005: 367). Similarly, knowledge management seeks to understand the way in which knowledge is used and traded within organizations and treats knowledge as self-referential and recursive. Knowledge management treats knowledge as a form of information which is impregnated with context based on experience (Boxall & Purcell 2003). According to Stone (2002: 321), "knowledge management deals with an organization's ability to collect, store, share and apply knowledge in order to enhance its survival and success".

4.0 The Growth of Knowledge Economy

Some researchers have defined knowledge so broadly that practically every worker now belongs to the knowledge workforce, no matter what their skill levels are. For example, Cortada (cited in Fleming et al. 2004: 729) discussing a wide range of occupations like farmers, customer service representatives, factory workers, IT professionals and managerial employees and so on. He stated that, "...increasingly everyone is a knowledge worker...the amount of information and skills that everyone needs to perform their work has been rising steadily...". In other words, Cortada actually pointed out that regardless of the skill varieties, all workers are knowledge workers to the fact that their performed works involve at least some level of knowledge in it. Fleming et al. (2004: 730) in their research on Australian workforce (Chart 1) found that the average level of knowledge based work is increasing for the last couple of decades and he also agreed to the point that there is no work that could not be considered knowledge work to some extent. Gow et al. in their research have concluded that, as a result of rapid growth in the economies (e.g. Australia, USA) in recent years, there has been mounting concern about skill shortages in a number of sectors in the labor markets, with the emergence of increased demand for some skills (Gow, Hinschen, Anthony & Warren, 2008: 115). So, these empirical findings prove that companies practicing knowledge based talent acquisition process are clearly enjoying competitive advantage, since both the percentage of knowledge workers required for the knowledge economy and the number of knowledge based occupations are increasing, no matter what the individual skill level is. In critically evaluating this claim, concentration can be given on Chart 1 which clearly shows the increase percentage of the growth of knowledge based works over the skill based works.

Chart 1 - Employment by occupation, August 1986 – May 2000

Employment Types	Employees August 1986, '000s (%)	Employees May 2000, '000s (%)	Net Growth 1986 – 2000, '000 (%)	% of total employment growth 1986 - 2000	Changes in share of employment 1986 – 2000
Managers and Administrators (Skill level I)	564.4 (8.2)	634.5 (7.0)	70.1 (12.4)	3.3	+1.2
Professionals (Skill level II)	1003.0 (14.5)	1645.2 (18.2)	642.2 (64.0)	30.3	+3.7
Associate Professionals (Skill level III)	700.6 (10.6)	1313.6 (11.2)	313.0 (44.7)	14.8	+1.0
Tradespersons and Related Workers (Skill level IV)	1113.5 (16.1)	1202.4 (13.3)	88.9 (8.0)	4.2	-2.8
Advanced Clerical and Service Workers (Skill level III)	350.5 (5.1)	389.9 (4.3)	39.4 (11.2)	1.9	-0.8
Intermediate Clerical, Sales and Service Workers (Skill level IV)	1172.9 (17.0)	1581.3 (17.5)	408.4 (34.8)	19.3	+0.5
Intermediate Production and Transport Workers (Skill level IV)	695.5 (10.1)	802.3 (8.9)	106.8 (15.4)	5.0	-1.2
Elementary Clerical, Sales and Service Workers (Skill level V)	574.4 (8.3)	871.3 (9.7)	296.9 (51.7)	14.0	+1.4
Labourers and Related Workers (Skill level V)	725.8 (10.5)	9016.8 (100)	2116.1 (30.7)	100	n/a

Source: ABS, Labour Force Australia, Cat. No. 6203.0

This Chart 1 shows that, between 1986 and 2000, there was growth in all major employment groups. Nonetheless, the pattern was far from even and clearly the occupational structure has undergone significant changes. In making sense of change it is illuminating to consider growth in absolute numbers within each group, the rate at which each group is growing, in the percentage of total employment growth accounted for by each group and the change in share in employment for each group. On all of these dimensions, it is clear that, Managers & Administrators (skill level I), Professionals (skill level II) are the

dominant group. There has also been considerable growth among Associate Professionals (skill level III). To this extent, the evidence is clearly consistent with the claim that knowledge based work is on the increase (Fleming et al. 2004: 732).

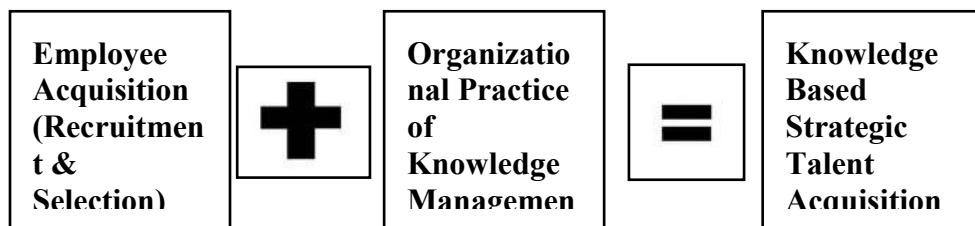
Furthermore, Leadbeater (2000), former advisor of the British prime minister pointed that finance, knowledge and social capital are the three factors to rise the knowledge economy in UK. In addition, the UNDP report in 1999 showed that more than 50% of GDP in major OECD countries are knowledge based and commented that those without access to knowledge will be left behind (UNDP 1999).

From this discussion it can be highlighted that, as the contours of the world economy are undergoing a sea change, and emerging knowledge economies are coming to the fore, intellect has become the new form of property. Regardless to say, an organization's knowledge is its intellectual capital, which is its major source of competitive advantage. Knowledge management ensures that the right information is delivered to the right person just in time, in order to take the most appropriate decision. In that sense, knowledge and peoples' intellect are the critical factors that drive organizational success and thus ensure gaining competitive advantage for the organization.

5.0 Knowledge Based Talent Acquisition

The central theme of knowledge management is to leverage and reuse the organization's intellectual capital to maximum effect. Similarly, the main theme of organizational talent acquisition is to get the right number of people with the right set of skills at the right time in the right place to do the jobs. Organizations can do this by aligning the knowledge management strategy with its employee recruitment and selection process. In a nutshell, this process can be easily described by the following chart:

Chart 2 - Knowledge Based Talent Acquisition (should be inserted in page no. 11)



6.0 Knowledge Based Talent Acquisition Strategy

Talent acquisition had traditionally matched 'people-skills' to specific job requirement. By concentrating on the previously discussed paradigm shifts, organizations today are facing an increased demand to acquire knowledgeable and competent people, who match the wider context of working within the organization. Terms like 'person-job fit' are transforming into 'person-organization fit'. Even though high performance organizations are emphasizing more value on their 'recruitment and selection' processes, majority of the small and medium enterprises (SME) as well as other local conglomerates (large or small) attach low criticality in developing a strategic knowledge based talent acquisition process (Haas, 2008: 41 and Hubbard, 2007: 32 and HR Practices Survey Bangladesh 2007). The need of strategically designed talent acquisition format has more keenly felt than ever before. Following are the articulation of crucial ideas and advice from the industry experts, researchers, policy shapers about the trends in, and challenges to conducting knowledge based talent acquisition strategies in the climate of the recent competitive global business environment.

6.1 Developing People Strategy

'If you lead, they will follow' – based this famous statement made by Higgin's (1998), in order to compete through people, organizations have to do a good job of managing intellectual capital through a people strategy. 'People do not leave companies, they leave bad managers', says Jones (2006). So, concentration should be given on acquiring best person from the large pool of available candidates in the market and to nurture them to make them the future leaders. However, people strategy cannot exist in isolation of business realities. Business strategy translates directly from the organization vision, while the people strategy needs to actively provide the infrastructure to actualize the vision. Such infrastructure often comes with a clearly articulated organization structure, a system to recruit, select, nurture, and reward talents along with a specific and measurable performance monitoring system. In other words, managers must develop strategies for identifying, recruiting and hiring the best talent and generalize them through the company; encouraging knowledge and

information sharing; and rewarding collaboration and teamwork (Human Capital Management 2008).

6.2 The 4Ps

Organizations today compete in a talent market where the prospective employee is the customer. N. S. Rajan, partner of HR Advisory and Human Capital Global Leader of Ernst & Young, therefore mentioned that talent acquisition and retention of employees is much like the acquisition and retention of customers in the product market. According to Rajan, the 4P's of marketing analogy is useful here. The 'product' is the job or the career opportunity, the 'price' is the premium on talent that the organization seeks, the 'place' is the set of recruitment channels such as campus, job fair, internet etc. and the 'positioning' includes the compensation and employer brand (HR Practices Survey Bangladesh 2007).

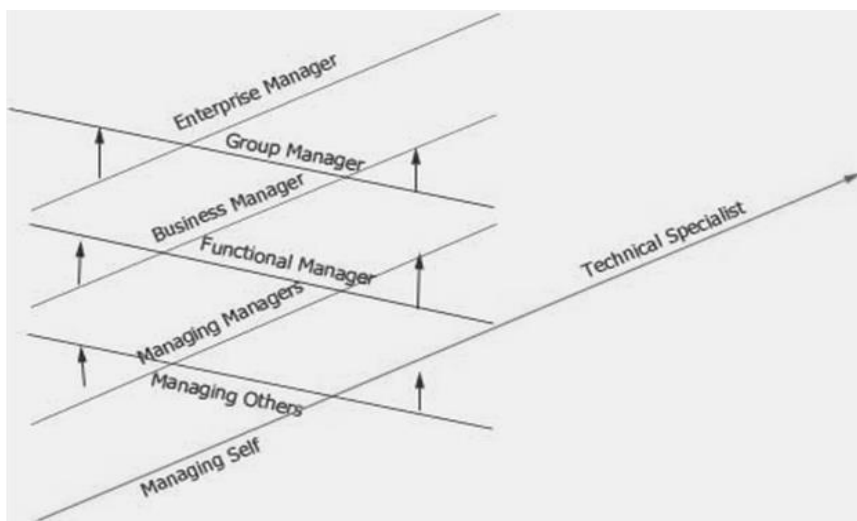
6.4 Competency Based Employee Acquisition

Instead of selecting employees based on their experiences and skills needed for a particular position, high performance organizations have started practicing a competency based selection process, where employees are now being selected based on their basic skill required for the job, educational qualification, experiences as well as other competencies like: attitudes, cognitive abilities, etc. to fit with the organization's culture, values, relationships with colleagues, customers, policies and systems. A competency based approach is a two-way approach, as it helps the individual to judge whether he has the competencies required to undertake the job, including the values and culture of the organization (Sears, 2005: 367). Concentration is also given on competency profiling, which involves identifying and describing the competencies required for effective performance in a job. New concept like 'skill inventory and matrix' which ensures organizations to identify and maintain a database of the knowledge and skills that employees possess, whether or not these skills are used in their current job, has appeared into the front line of recruitment and selection process (Dessler, Griffiths & Lloyd-Walker 2004).

6.5 Applying the Leadership Pipeline (Drotter Model)

Drotter, Noel and Charan (2001) have suggested that for the long run, for any organization, management should build, develop and maintain a pipeline of skilled, prepared leaders from within the firm. This pipeline model helps to create such a funnel of future management talent by explaining what changes in time application, skills and work values are essential for making the transition from one leadership stage to the next (McNabb & Whitfield 2001).

Chart 4 - The Leadership Pipeline



Source: Drotter, Noel and Charan (2001)

To ensure a smooth supply of talents into this leadership pipeline, organizations must incorporate all the previously mentioned elements of knowledge based recruitment and selection process as a generally accepted organizational philosophy which will significantly be correlated to an organization's unique paradigm.

7.0 Knowledge Based Talent Acquisition and Competitive Advantage

Leading researchers like Hamel and Prahalad (cited in Boxall and Purcell, 2003: 82) segmented organization into three different management views to get competitive advantage; these are: knowledge based, product based and resource based views. They mentioned that knowledge management is much more important for organizations wanting competitive advantage than focusing on the other two views. Also, resource based management encourages organization to focus on knowledge and its acquisition, creation and exploitation within firms (Moore, 2006: 52). Similarly, Leonard (cited in Boxall and Purcell, 2003: 83) stated that identifying and understanding the sources of knowledge while recruiting employees is the key issue in the long-run renewal of the firm. Moreover, Hedlund (cited in Boxall and Purcell, 2003: 83) had

gone towards a further exploration and identified that firms can never entirely capture what individuals know. When an employee leaves the firm, he takes his knowledge with him. When whole team leaves the effect on firm is devastating. That is why firms are vulnerable to employee turnover. Firms trying to become more innovative need to improve the interaction between knowledge and employee development.

For example, companies like Microsoft, Apple have fewer assets other than the knowledge of their employees. Knowledge has also contributed to the continued success of many large organizations like 3M, HP and GlaxoSmithKline. These companies have documented some of the benefits they found, including avoiding costly mistakes. Chevron has found benefits through the sharing of best practices and faster problem solving through knowledge based talent acquisition practice (Stone 2002). Lend Lease Corporation employs a skill inventory system called 'i know', which facilitates the identification, acquisition, storage and access of valuable knowledge and expertise present in the organization. According to Lend Lease management, knowledge is clearly recognized as having an impact on the company's share price and economic success (Stone 2002). Another quintessential example is the World Bank. When James Wolfenson was appointed president of World Bank, his vision was that the World Bank would become a 'knowledge bank' by 2000 (Litter & Innes, 95: 2003).

So, from these examples it can be said that knowledge based talent acquisition is very important and is sometimes actually acts as a platform to establish other HR perspective through which companies get access to the intellectual capital to gain competitive advantage.

8.0 Conclusion

The impression that can be generated from this discussion is knowledge economy in one hand is a definite outcome of the increased number of knowledge workers in the society. It is also leading towards a knowledge based empowerment and occupational growth. On the other hand, talent acquisition is a fundamental HR activity that ensures an uninterrupted supply of talents into the organization's leadership pipeline for taking different responsibilities in different levels and roles within the organization. Ability to attract the right people would be an important parameter for organizational success in future. So, it seems very much crucial for organizations to concentrate on the knowledge based talent acquisition technique to gain competitive advantage to

survive in today's competitive business environment. Without any confusion it is agreed by majority of people that gaining competitive advantage over the rivals is a very crucial factor for organizations to sustain in accordance with the organizational holistic vision and long term goals. Woodrow Wilson, the 28th president of U.S once said, "I not only use all the brains I have, but all I can borrow". This statement can actually be taken as granted to emphasize on the importance of knowledge in talent acquisition.

Finally, the conclusion that can be drawn here is, the pendulum has swung from reactive employee acquisition process to a proactive approach. As the old Vietnamese proverb says, "the last buffalo to reach the pond has to drink muddy water", organizations have to make sure that they are the first to the pond; which is, the more quickly organizations adopt the knowledge based talent acquisition process, the better it is for them to sustain in the competitive business environment.

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