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**LALA LAJPATRAI COLLEGE  
OF COMMERCE & ECONOMICS**



**32<sup>nd</sup> Lala Lajpat Rai  
Memorial Lecture**

**Human Capital Vital  
to a Developing Economy  
in the New Age**

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Mr. Chairman, Lajpat Rai College Principal Dr. Shirahatti, Prof. Salunke, distinguished guests, ladies and gentlemen...

At the outset, I want to express my deep gratitude to the authorities of this college, and especially to Principal Dr. Shirahatti, for inviting me to deliver the 32<sup>nd</sup> Lala Lajpat Rai Memorial Lecture in the series of lectures that have been instituted to keep the memory green of Lala Lajpat Rai, the 'Punjab Kesri'- the Lion of Punjab – one of the great leaders and thinkers of India. I deem it a rare honour bestowed to me by this invitation, as it is not often that professors are invited to deliver such lectures of high repute and recognition.

On this occasion, I have chosen to share my views with you all on the burning topic of global issue such as human capital development. With a focus, I intend to present a snapshot of the panoramic view of the issues and associated problems involved in developing human capital for facilitating the core competence and growth of knowledge-based economy in a developing country.

## **[I]**

The 21<sup>st</sup> century is characterized as the emerging of New Age and New Economy Order due to advancement of information and communication Technology (ICT) and consequent phenomena of 'Knowledge Explosion' with its pervasive effects in the process of globalization and integration of the world economy at large. In the New age, the 'knowledge-based economy' (KBE) has emerged at a rapid rate with the vehement emphasis on knowledge and information. In recent-years, the world's economies have moved dynamically in their transformation from production-oriented value system to an intellectual and skill- oriented value system of the emerging knowledge- based societies.

In the New Economy, successful organizations are competitive, fast-paced, prime movers and global in approach. Developing competitiveness among the business firms in developing nations requires a complete transformation of their organization with zest and enhanced

capacity to create knowledge for excellence and effective knowledge management for strategic success and growth. In today's knowledge-based economy, evolution and growth of knowledge-oriented organization is a pre-requisite of sustainable growth and development. Developing countries, *in global settings, are obviously facing unprecedented challenges*, of which one of the biggest is the development of knowledge- based economy (KBE) and acquiring core competencies of a high order.

The emerging knowledge- based economy in a country will determine decisively its growth path for the nation, for corporation and for people. A developing nation can hope to develop a new competitive edge through upward shifts of the knowledge contours of its economic society. For corporations, prospects of their prosperity and growth depend on their ability to capitalize on the emerging opportunities in the KBE, through their effective knowledge management. For people, especially for employees, the KBE is posing more challenges to improve their skills and seize careers opportunities. For the consumers, on the other hand, the new economic order of the global settings implies a betterment of life- style with great choices available for goods and services.

Knowledge management (KM) is a key issue and consideration of management of an organization in a knowledge-based economy. A KM-oriented firm may be described as a 'knowledge firm'. The knowledge firms tend to derive their profits from innovation and knowledge creation activity and use of their intellectual capital. As such prerequisite of KM is the intellectual capital management. Intellectual capital is a part of human capital resource. Human capital comprises people possessing skills, abilities, knowledge and know-how. Intellectual capital or knowledge capital, however, refers to the intangible assets of skills, knowledge and information created by the power of mind.

Intellectual capital generates intellectual assets or property when the knowledge is expressed out of mind in some media,



written, modified and defined. Blueprint plans, procedure, memos, sketches, drawings, and programmes are a few examples of the intellectual assets. When these assets are legally protected becomes intellectual property (IP) in term of copyrights patents, trademarks, and trade secretes. In the new age of knowledge dynamism and emerging challenges, human resources development (HDR) in a developing country requires an attentive focus on developing human intellectual capital-the knowledge and skills among the people-to create its competitive advantage in the KBE and KM-oriented organizations. KM-oriented firms use their knowledge (intellectual capital) as a major source of competitive advantages. In this regard development of human capital in terms of experiences, know-how, skills, creativity and thinking power and capabilities is crucial.

## [II]

Although knowledge management (KM) is a widely discussed subject, it is little understood by many in theory and often misconceived in practice. No wonder, KM can mean different things to different organizations and institutions depending upon the nature of the initiative and level of understanding. By and large, KM is a practice or discipline that involves people (human capital), process and information technology. Knowledge management is by all means an evolving discipline in the gamut of management field. Of course, KM is supported, systematized and becoming more sophisticated through exploitation of advancing information technologies under a good system of management and conducive environment. Nonetheless, information technology (the physical capital, in turn) would always remain secondary to the skills and ability of human capital – the knowledge creators – the empowered agents in the process and ultimate use application of knowledge in the framework of KM. For an effective KM and the success of project an organization needs several champions – not just tools and techniques-at the operational as well as the executive levels. In fact, true KM is champions-centric, as these are the individuals who carry vision, conceive ideas, nurture beliefs and couch confidence in the project besides they are enthusiastic

as well in persuasion and have the clout to work for the result-to make things happen.

Organization in a developing country must invest more time, energy and resources to make its people understand the culture and cultural diversity, while identifying motivations and introduce necessary changes in the process of knowledge management. Sometimes, staffs are misinformed and have misunderstanding about KM. It is considered to be an IT management meant for replacement of manpower in the organization. The management should convince them that is not the goal. A shift in the system should be made more rewarding and attractive in the KM process under which the workers share their expertise and knowledge power in the organization for the success and sustainability. Creation of an effective 'change management plan' is needed. It is meant for the allocation of manpower in different job processes with the shared information and need for the action under the indicated direction. KM is, thus, a strategic endeavourer under a given 'time and action - frame' for the target realization. Creation of a robust knowledge base for the desired improvement is a must. Everybody in the organization - employees and management alike - as well as customers should be made aware of the expectations and gainful results of the KM initiatives. In implementing KM integrate the churned out knowledge into existing systems and environment of the organization. To sustain the competitive edge acquired through KM it is essential for the organization to become "Knowledge - enabled".

Knowledge is beyond information. Knowledge based economy matters much with why, what and how people do with 'Knowledge' and information. Information is objective and a tangible asset. Knowledge is subjective, being people-oriented. It is personal or cultural. Therefore, the right type of people can use at right time and in right mode the right knowledge in a right way only.

Knowledge management strategy comprises two tracks: 'technology track' and 'human track'. Knowledge is

to be seen as activity rather than an object. It connotes human vision. As such 'human track' in the process of knowledge management is critical. Knowledge management, in a broad sense, concerns with the invention, improvement, integration, usage, leverage, administration, evaluation and impact of the tacit and explicit knowledge, human capital, intellectual capital, and customer capital in the course of business activity. It essentially refers to managing knowledge and change. In managing knowledge-based organization's capacity tacit knowledge is central to knowledge management. This means the people dimension is most important than the technical tracks in the knowledge initiative of an organization. The 21<sup>st</sup> century vision of the World Bank, for example, is not to remain just as world's top financial agency but to become the global 'Knowledge Bank'- stressing the role of the Bank in knowledge sharing. Ramphel, ex-managing director of World Bank, identified the following major elements of the Bank's global knowledge strategy:

- Development of information and communication technology (ICTs).
- Creation of 'environment' for efficiency, competition, and innovation in knowledge sharing.
- Building 'human capacity' for the knowledge economy.
- Augmenting excellence in education at all levels
- Development of innovative approaches and training, such as community-based training, distance learning and networking of education institutions
- Promoting the generation and sharing of global knowledge, through support for Knowledge networking, global research and communities of practice.

Such a knowledge strategy for any economy, ostensibly, implies a focus on the human capital development.

In the knowledge-based economy, it is not the product but the people that matters most for its success, progress, prosperity and sustainability of growth and development. Indeed, we cannot think of a knowledge-based economy



without a society of knowledge- bearers- the people who are the knower. Under the principle of first thing first: people come first, before knowledge. Human capital management is therefore vital and is a pre-requisite for the effective knowledge management and development of knowledge-based economy.

By and large, the knowledge- oriented new economy of the 21<sup>st</sup> -century tends to be a 'people- powered economy'. People are precious must valuable the biggest assets of a company and the country. Their skills, their knowledge, creativity and ideas will be crucial in determining the future of a nation. Konosuke Matsushita, founder of the Matsushita Group, once categorically mentioned that: " In my sixty years of doing business, working with all different kind of people, I have come to learn first-hand how important it is to cultivate people. Human beings are extremely precious assets.

Management excellence eventually comes through human resources and knowledge power of human capital is crucial for the success and sustainability of business in the dynamic world. Though the success and status of the companies are judged by their product and service, their growth and sustainability very much depend on the manner in which they are led and managed. There can be many evidences on such issues. To cite a recent example, Rubber Maid in the United State till 1991 was modeled as one of the best organization under the leadership of CEO Stanley Gault for almost a decade. After 1991, his successor Wolfgang Schmitt, failed to keep up this image and sustain the business of the company. Eventually, in 1998 it was sold out to Newell. Similarly, even a famous company like IBM had its up and down, despite its brand image, research and manufacturing quality. This was mainly attributed to the firm's recruits had lost of key people, and the new recruits failed to evaluate its markets properly. The moral of the story is that leadership's role and management modes matter most.

It follows that the knowledge management cannot succeed without proper people in the organization. In developing

countries, organization needs proper people who can deliver. Building of human capital in this direction is essential. We need people with innovative mentality, right approach and courage. For instance, a salesperson in the team who thinks his job is to bring in new business, and not the one who thinks his job is to attend sales calls only.

A world- class organization raises its performance level time to time through KM with best people who do their best and deliver. To be in world class order, a developing country's organization has not just to be good companies but acquire the characteristic of great companies such as high levels of performance, customers focus, voracious look for new opportunities, invention and application of new ideas, fine-tuned strategic business development frame-work through knowledge and information management. And, all this cannot be achieved without proper people.

### **[III]**

Knowledge Management (KM) is an evolving discipline, which is greatly influenced by new technologies and qualities of human capital. Human capital, especially its competencies and qualities of knowledge and creativity, is a key component of knowledge management in a growing KBE. Knowledge-oriented qualitative human capital formation and the resulting outcomes of intellectual capital accumulation is the basic source of sustainable growth and development of business as well as the nation in the knowledge-based economic environment and dynamic global settings. People in the organization should develop a knowledge insight at the business, industry and economy. Every business is going to be the knowledge-based business in the knowledge-based economy of the New Age.

In the constantly shifting environment of demographics, industries, market/trends and territories, customer needs, technological and knowledge level of the economies in the New Age, it is imperative that companies in a developing country require adequate and appropriate human capital on



a growing scale. We need the people having the expertise and skills in order to deal with business problems, build the organizational strength and seize emerging opportunities in the global economy. In today's environment of the entrepreneurial- innovative economy, a firm's future and valuation is more dependent than ever on its ability to introduce new products quickly, reach new markets, grab emerging opportunities and react swiftly to new threats.

The crux of the matter is that human capital in a developing economy is a vital and critical resource for its growth and prosperity. In a developing economy, where human capital lacks quality attributes, the firm cannot perform well in the business- for there are chances of information being lost or wrongly used, lessons are unlearned, mistakes are repeated, work is prolonged, delays become a routine and the scope for Knowledge Management is restricted.

Quality of human capital can be enhanced through creativity. Creativity in human capital is characterized by the power of mind. Mind is an inexhaustible storehouse of knowledge. The creative person in an organization must constantly augment his storehouse of ideas, thoughts and wisdom with new materials from which new ideas are perceived and their connections with a carefully and clearly defined set of business goals. Creativity essentially implies getting a new idea, putting it through a series of steps designed to improve it. Creativity in building human capital in an organization is exalted when every person involved thinks imaginatively and continually about himself, his worth and his fellow beings with positive attitudes. Creativity can be manifested in many dimensions of a person's talent and capacity, such as: new ideas, new methods, new techniques, new marketing approach, new focus - in short, something different, novel and unique.

In new age, organizations encounters with many new problems. Problems pose challenges for solutions to creative people. Problems simulate thinking. A creative person has a distinct characteristic of looking at the emerging problem.

He will not waste his time to worry about it. Instead, he will be wise enough to invest his time and energy in solving the problem with positive outlook and optimism. The creative person expects to win as he anticipates the result and achievement of his line of action with full confidence and faith.

By and large, creating suitable and pragmatic innovation environment requires both "hard stuff" and "soft stuff" of the R & D resources in an organization. Often, in developing countries, the R & D system puts more emphasis on the 'hard' stuff, and becoming less attentive to the 'soft' stuff. This needs a rethinking in the managerial approach. Once a minimum level of 'hard' resources is achieved, focus should be shifted to the development of the 'soft' resources. Augmenting 'soft' resources implies development of qualitative human capital with human due awareness and thoughtfulness.

A Fresh look and re-examination of the notion of quality as an intrinsic property of human capital is required in a developing nation. A major missing link of modern organization in a developing nation is the creation of a quality culture under the gamut of knowledge management. Mere knowledge acquisition and application without developing a quality mind or quality-care among every individual in the organization would fail to give a desired result. Knowledge management should be blended with a holistic vision and abiding sense of purpose with devotion and dedication. In the KBE, organization can achieve market leadership by leveraging collective knowledge to create value and using knowledge in building core competency.

Facilitating the needs of creative people can be of great help to the organizations in pursuit of their KM activity. Creation of a suitable environment is much warranted in this respect. In the organizational framework scope should be to allowing both innovations and flexibility and their interaction to generate creativity. The organizations in a developing country should understand, and appreciate the need to design

and develop their KM culture for creative personnel to manage it as a factor of competitive advantage.

Modern Business is essentially a creative activity resting on constant innovation for the success. Creativity is the root of innovation in a dynamic world. Creativity in business implies the ability or power to create, to bring into existence, to invest with a new form, to produce through imaginative skill, to turn out something new, new conception, unknown things.

There exists a product-life cycle of the knowledge-based economy. For a successful business a firm has to be innovator and early adopter in the first phase of adoption cycle of the knowledge creation and application. In the second phase, competitors imitate in their reactive actions. At that time, the early adopter should be moving ahead for developing new ideas and innovative actions. A switch from traditional to modern method of completing a task has often proved to be more rewarding. To cite an example, a contractor, in Cleveland, when tried to be innovative in approach by using new hydraulic demolition tools to remove bridge decks, he could complete the job within 3 days which otherwise would have taken two weeks under traditional saw and crane method.

There is a marked linkage between creativity and innovation. Creativity refers to the process of generating novel ideas and knowledge. It is intangible. Innovation, on the other hand, is the process of transformation of these novel ideas to produce explicit knowledge for the uses and applications.

Creativity is an individualistic process. Under the fear of social disapproval traditional brainstorming has usually proved to be ineffective in creativity. Groups under high context culture are best for idea or knowledge selection but not for idea generation. Diversity is critical to creativity. There is a strong link between autonomy and creativity. A creative person's other attributes include personal flexibility and



tolerance, self-discipline and total commitment, besides he tends to be imaginative and original.

Creative process is a complex phenomenon. It entails fact – finding, problem finding, idea finding, and solution –finding, and acceptance-finding for the results. For the best results, creativity in solving a business problem needs horizontal-cum- vertical thinking. Vertical approach implies adaptation. i.e. existing ideas that people have never fully capitalized use them with modification in novel ways to cater to specific needs. A horizontal approach suggests thinking in totally new directions. This involves deep thinking storming for a break through idea to yield signification value. In the course of knowledge management, creativity experts suggest that you collect as much information as possible about your existing challenge or opportunity (vertical thinking) before you begin towards novel solution.

There are several building blocks of innovation such as challenge, motivation, relaxed mind, creativity, knowledge application and support (of the available business resources), trust and openness, lively debate and discussion, acceptance and appreciation, ultimately exploration of new ideas with freedom to decide and guts for risk-taking. The environment for innovation is crucial for the improvement in productivity. For instance, the USDA Forecast Service, Eastern Region had registered 18 percent rise in productivity attributed to the improved environment for innovation measured in terms investment in the soft stuff.

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Comfortable and conducive environment are important to creativity and innovation. Of course people are more important than Comfortable and conducive environment are important to creativity and innovation. places. But it is also

true that a place can be of great help to the people to be come more creative. A beautiful surrounding with free atmosphere can certainly inspire creativity among the people. Hucher, Divisional Vice President of Hallmark Cards, claimed the establishment of Hallmark Innovation Center in 1984 is a place designed to foster creativity by nurturing idea and creativity through a stimulating environment.

Organizations in developing countries can learn much to motivate their people from the simple but true to life Hewlett-Packard [HP]'s 'work culture' philosophy for fostering the environment for innovation and creativity:

- ☐ Believe you can change the world.
- ☐ Work quickly, keep the tools unlocked, work whenever.
- ☐ Know when to work alone and when to work together. Share – tools, ideas.
- ☐ Trust you colleagues.
- ☐ No politics.
- ☐ No bureaucracy.
- ☐ The customer defines a job well done.
- ☐ Radical ideas are not bad ideas.
- ☐ Invent different ways of working.
- ☐ Make a contribution every day.
- ☐ Believe that together we can do anything.
- ☐ Invent.

People in developing organizations should recognize that creativity is 99 percent perspiration and 1 percent inspiration. Motivation alone cannot suffice. People should be ready for the hard work and be smart in approach with creativity. Creativity is a process and a skill, which need to be developed and managed holistically in the operational framework of organizations in developing countries.

Most innovations we come across are not totally new, but certainly posed as exceptional in many ways - new

combinations, modified, adapted to new changes and creation of Excellency in work. Gerald Hannan suggests the "New 3 R's" strategy to achieve Excellency in work:

- ❑ Research, retrieve and record information.
- ❑ Review the information gathered.
- ❑ Reconcile ideas - make new associations between the pieces of information collected."

Human resource in a developing country needs to be trained to cultivate an insight outlook, i.e., to consider information, trends and data from multiple perspectives, inferences and applications

A common experience, however, indicate the efforts for quality improvement have rarely gone beyond the ISO certification bench marks in most companies operating in the developing countries (see, Chakraborty, 2004,p.3). Modern Management outlooks and approaches are often found to be binary and linear in their process, actions and applications. Binary linear logical thinking is though systematic and direct; it is largely involving an isolationist-approach. Under the one-dimensional and unidirectional view of the situation or problem, it is usually confined to a single area of concern, to the exclusion of many crucial issues and facets of significant bearing. Managerial segmented specialization and responsibilities in usual practice fail to permit or provide an integral view of any situation or problem of the complex business world. For example, marketing manager may have a consumer focus, disregarding the capacity, cost effectiveness and rationality of the production design, engineering and process implied. Often a warranted balancing of the hard and soft dimensions of TQM is never realized when economic indicators, such as profits and growth in the business are given priority over qualities and qualitative parameters in the firms in developing economies. This happens when there is a lack of an all-encompassing integral approach to TQM through progressive awakening of human values and consciousness towards holistic synthesis in the



knowledge-based society of the New Era. In HRD and HRM policies at micro and macro levels, an attentive shift is required to develop a knower-based society with values to facilitate the growth of knowledge based/information-rich economy and organizations. Very important aspects of knowledge-based economic society may be obscured without proper emphasis on the role of the knowing actors. According to an OCED estimate, eight out of every 10 new jobs created in OECD countries belong to the knowledge workers.

Creating attitude to accountability among the people in the organization is one of the great missing links of developing quality of human capital. Accountability cannot be ensured by bureaucratic system and dictatorial attitude of top bosses in the management. Usually, in most organization the monopoly of power is managed through control over people and information. It is not that the management does not know how to delegate, but the monopoly of power base is retained by a privileged few specifically from not delegating. Power- seeking people with personal ego have always disliking for sharing power. It is a big challenge, in a developing country, to change the attitude of this kind of people, as they are many in the society and mushrooming when they managed to get power through influence and favoritism.

Empowering people can make them more accountable. In developing countries, in most organizations, people even managers are powerless and the management usually conspires to keep it up. Management in the developing economies, by and large, needs to learn that empowering employees does not imply disempowering management. Remember empowerment also reduces the stress in the work. So performance automatically improves with delegations of power. In pragmatic human resource management (HRM) strategies, delegate of power with responsibility is never a zero- sum game. It is always a win-win situation for both the employees as well as the firm. Positive outcome of successful Knowledge Management inspires more confidence among the people with empowerment to develop their skill further and with acquired mastery under series of improvements lead to continuity of success and achievements.

For augmenting accountability and empowerment in the organization it is necessary to set the values of the enterprise, develop the required skills among the people and create awareness of the environment as well as goals and mission of the organization. To climb on the ladders of efficiency, high performance, standards, and good results everyone in an organization has to play a leadership role. Poor performance is enrooted in poor leadership and monopoly of power in the hand of self-centered and undeserving people with their inferiority complex.

Knowledge creators should be considered more important than mere knowledge management application and use of intellectual property for profit making and success of an enterprise. Developing nations need special focus on human resource development (HRD) and human knowledge management (HKM) in the direction of knowledge management (KM).

There is a need to dig out hidden capabilities and talents of the people, polish them and put into productive uses. A missionary zeal and zest is required in this direction. Under the HRD programme develop a metric describing the position, evolution, velocity and direction of hidden capabilities, ideas and other intangibles in the process of knowledge management (KM) and toward the growth of KBE. Capitalise on pragmatic leadership and creativity of the people. It is the mind - the source of human capital - that matters most than tools and technique. A blending of both physical and human capital development is essential for creating core competence of the nation as well as the organizations. Make people optimistic with aptitude for positive thinking, positive beliefs and profound action. Power develops able person, cunning person, resourceful person, successful person, but never a great person of human spirit in the absence of ethical values in practice. Power endeavourment is beneficial-as by the intellectual use and direction of the principle of power one can achieve excellence through inspirations for developing the mental faculties possessed.



The availability and the prevalence of a nation's human capital determine the rate of growth of its economy and integration in world market. In developing nations, human Capital is vital to the growth of KBE in the new age. In today's organizational set up and business strategies, with a growing focus on managerial skills and technological innovation, development of human capital characterised with high attributes of qualities and Excellency become inevitable. This imposes higher educational demands on the labour force in the emerging knowledge-based societies. Real progress into a knowledge economy cannot occur without a substantial development of the country's human potential. Human capital is a function of educational levels and workforce skills.

Knowledge is intimately linked with learning and education. Education and training are the two important ladders of human resource development in a country. Education can bring evolutionary and revolutionary changes. It is the building block of brainpower and manpower. Training can bring further improvements. A good educational system is a must for the nation. A well-conceived in house educational and training programme for the middle and lower management cadre can be more effective in bringing desired change to initiate KM and achieve pre-determined goals.

In the new era of growth, the global commitment is seem towards more resources being flown to R&D and higher education, ushering in the new wave of new products and new ideas (Business Week, 2004). Every ambitious, one strives to become 'world class' in the new economic order. Development of human capital with new skills is needed for professional success in the modern times. The new skills would include not only managerial, financial, marketing, and negotiating excellence, but also political savvy, diplomatic intelligence, language proficiency, cultural- understandings and several other dimensions of knowledge empowerment of the people. Industrial development is the core of economic development and growth of an expanding economy. Growth of secondary and tertiary sector is a significant indicator of structural economic change. This needs large number of



educated workers, scientists, technocrats, engineers, managers, middle- level executives and skilled and semi-skilled blue- collar workers. The 'Skills Gap' is a major problem of a developing economy. In developing economies in the interest- of building human capital resource of high order skills and efficiency, outlooks and approaches of their educational system virtually need to globalize, by becoming less ethnocentric and more broad- based.

In most developing countries including India, higher education structure has failed to cater adequately to growing industrial and service sectors skill needs. There are large and increasing gaps between demands and supply at all levels of skill oriented human capital in the developing economies. A fresh look at the Human Resource Development policy is needed for the country to resolve the problem of the 'skills gap'. The problem needs to be solved attentively by the HRD policy makers in these countries. The government's role and focus should be more towards technical and vocational training for the advancing technology and modernization with upgraded tertiary education to construe qualitative Human capital required for accelerating industrial and economic development. Stop tendency to over- emphasize liberal and formal education. Encourage the improvements through work experience and in- house training. The government should develop human resource training programme with private sector partnerships at all levels, in all sectors of the economy.

It is disheartening to note that in the process of skill creation at a rapid rate, worldwide the bandwagon effect has lead university to change from the 'temple' of learning to the 'factory' of mass-production of skill-less graduates. This should also be a cause of concern to the educationists, academics and policy-maker in developing countries. A well designed coordinated manpower planning 'Mix' of skill planning and development (SPUD) is the need of the hour at micro as well as macro level for all the sectors of a developing nation.

Policy makers in a developing countries need a fresh look with a better awareness and attentiveness on education and

training linked HRD with a focus not simply on 'Job Creation' issue of the policies but rather on infrastructure development for sustainable 'Knowledge enhancement' for facilitating knowledge-based business and achieving the competitive edge at the country and companies level in the global settings.

### [1V]

Since the emerging economic order of the New Age tends to be people- powered economy oriented, human capital development and effective human capital management become vital to the economic growth of a developing nation. Human Resource Development, especially, building human capital for development and growth in a developing economy, has always been a great challenge to the policy-makers while balancing between competing needs and limited resources of the nation.

The policy- makers both at micro and macro levels, in a developing country should be clear about the five dimensions of the issues involved in HRD, HRM growth programmes and projects:

- Mission: What to accomplish?
- Challenges: How to deal with challenges?
- Competition: How to acquire a competitive edge?
- Change: How to cop up with a change?
- Performance: How to exalt in end results?

Apparently, human capital development and management, knowledge management and everything else for that matter, is critical only to the extent that it enhances an organization's ability and capacity in doing its business with a higher rate of success for growth with sustainability

Most management gurus have commonly said that the human talent [Intellectual Capital] is critical to the success of an organization in modern times. Successful and meaningful knowledge management of an organization



fundamentally depends on its committed group of people, especially, knowledge workers and their relative efficiency as well as modes of actions.

In developing countries, evolution in technology of the New Age has not yet prompted most of the organizations to change. They still operate in the traditional mode of recruitments, wage policies, placements and performance appraisal systems in India for instance, very few corporate firms, such as Infosys, HLL, Reliance Tata and Wipro have been copying up with the modes of operations and global standards followed in the New Economy.

A developing nation cannot ensure the sustainable long-term growth without generating sufficient human capital with required skills and abilities. A better quality of life of the work-force need to be ensured in the programme of human capital management strategies of the organizations in a developing nation. It is a part of corporate social responsibility that the firms need to "invest more in hygiene factors and HRD for long-term employee satisfaction, performance and development." Says Pradip Khandwala

The importance of 'Soft Stuff' in an organization such as General Electrics is revealed by Jack Welch's letter to share owners in GE's Annual Report as follows: "Our true 'core competence' today is not manufacturing or service, but the global recruiting and nurturing of the world's best people and the cultivation in them of an insatiable desire to learn to stretch and to do things better every day... This is all about people: soft stuff."

Bill Jensen, a vanguard management-thinker, talked about *Work 2.0* world where people are the 'business units of one.' Similarly, Thomas Stewart, of *Fortune*, argued that the organizations should think employees not just as assets but as investors- as they invest time, energy and intelligence.

In the New Age, there is no monopoly on 'talent'. Every person has a mind-thus, possesses creative abilities. The great potential for creative output lies in more education and



training of diverse nature. Of course, creativity is an individual process of idea generation. Team is best for idea selection an organization should design human capital management strategy blended for giving respective scope to both individualism and group behavior.

In the new economy, there is a bull market for human talent, and we are all in it. Talent refers to "a sharpe strategic mind, leadership ability, communication skills, the ability to attract and inspire people, entrepreneurial instincts, functional skills, and the ability to deliver results". In business resource, of the 5 M's of management power: Men, Machines, Materials, Methods and Money; it is the manpower that is critical and crucial. We need to develop talent-intensive organizations to enhance the core competencies. A talent-intensive organization rely more an creativity and imaginations. "Surround yourself with the best people you can find, delegate authority and don't interfere" said Ronald Reagan.

How to identify, nurture and retain talent is the biggest issue of human capital management strategy of an organization in the contemporary era. For an effective HRM framework, succession planning and suitable performance management system need to be designed with a robust talent agenda.

The extent of loyalty from talented staff expected by an organisation depends on the extent to which they are provided with working environment favorable to creativity, self-expression, and the degree of autonomy. Highly creative people can rarely the be retained by the conformist organisations that are hierarchical and bureaucratic in nature. For nurturing talent there is a need to evolve an organizational or corporate culture characterised with:

- Cohesion in diversity of work teams.
- Right recruitments and right placement.
- Key people with key positions.
- Degree of empowerment with authority and autonomy based on expertise and competence rather than rank or status.

- Refined reformist and revered leadership.
- Confidence and trust.
- Scope to fulfill aspirations.
- Success celebration.

Firms that acquire, develop, and retain high performing employees under effective human capital management can hope to succeed well in the new economy. People are more important organization asset of a company as well as country. A developing economy's major problem in the contemporary era is that of marshalling, managing, and maintaining human capital needed to enhance core competencies. Major issues involve *pervasive challenges relating to human capital management strategies and planning*, such as:

- Leadership
- Strategic human capital planning – education and training
- Human Capital Investment.
- Creation of result – oriented Organizational Cultures.

A successful organization is characterized with a senior leadership team committed to developing more effective ways of managing and investing in human capital, innovating and doing business to achieve goals with accomplishing results. Organization in a developing economy needs the executive development programme containing planned development opportunities, learning experience and mechanism for fostering committed leadership towards strategic human capital management. Continuous learning efforts, creation of employees- friendly culture and human resource management (HRM) policies, competency – based performance appraisal system, and retention and reward programmes are the modes in which the firms can value and invest in their human capital.

An organization, whether public or private, in a developing economy should recognize two basic principles that are central to the growth of human capital:



- People are the most valuable assets. Their values can be enhanced through investment.
- Effective human capital management strategies should be designed, implemented, and evaluated by the standard of how well they are result-oriented and helpful in the fulfillment of goals and mission.

Approaches to human capital management in a developing country organization need radical changes. The management should stop viewing people as costs to put an axe on them under cost cutting strategies. Rather, people in the organizational should be considered as assets to be valued and appreciated toward accomplishment of the mission and goal. Usually, businesses decisions are made disregarding the human capital needs and constraints. Change is needed to think the human capital capacity and capabilities first and link it with the intended business programmers and activities. Leader should be held accountable for effectively managing people towards accomplishment of goals and mission.

Role of the human capital function should be highlighted towards achieving the firm's strategic and business goals. The HRM policies should be redesigned and reframed in making the human capital professionals to be more customer focused - effectively using technology and undertaking business approaches to meet the customer needs. There is a need to develop expertise required to becoming more effective in their new roles. New human capital initiatives should be designed to build a coherent, result-oriented human capital development programmed and strategies- so the workforce planning is aligned with the business mission and goals in view.

By and large, human capital expenditure both at micro and macro level should be regarded as investment in people across to human resource knowledge development planning and programmes. Investment on education and training of the workforce should be continuously monitored and its result and effectiveness have to be periodically assessed and evaluated.



In most of the organizations, the management is rigid and adhered to standard practices, procedures and traditional modes of thinking towards managers and staff relationships. A change is required in the system to develop result- oriented organizational culture maintaining 'zero tolerance' of discrimination and 'zero conflicts' environment. Under the new system of environment, managers, teams, and employees at all levels enjoy a fair degree of empowerment, authority and inclusiveness to accomplish programmatic goals. "Maximizing the value of human capital is a function not just of specific action but of cultural transformation".

The United States General Accounting Office spells out the role of human capital professionals as follows:

- Developing, implementing, and continually assessing human capital policies and practices that will help the organization to achieve its mission.
- Leading or assisting in the organization's workforce planning efforts.
- Participating as partners with line managers.
- Reach out to other organizational functions and components through facilitation, coordination, and counseling.
- Providing integrated mission support.

"Human capital professionals functioning in this role can serve as an important source of information for strategic workforce planning, continuous learning, and knowledge management initiatives".

## **[V]**

The inevitability of the KBE cannot be denied. In laying foundation for KBE growth new skills and dynamic K-entrepreneurship is warranted in a developing nation to survive in the globally integrated New Age. In the New age, the 'knowledge-based economy' (KBE) has emerged at a rapid rate with the vehement emphasis on knowledge and

information. In the New Economy, successful organizations are competitive, fast-paced, prime movers and global in approach. Developing competitiveness among the business firms in developing nations requires a complete transformation of their organization with zest and enhanced capacity to create knowledge for excellence and effective knowledge management for strategic success and growth. In today's knowledge-based economy, evolution and growth of knowledge-oriented organization is a pre-requisite of sustainable growth and development

In expanding global economy, business is developing much faster than ever; innovation and technology are pivotal in achieving and maintaining competitiveness. Every organization comes under pressure to revamp its operations and product development processes for sustainability in the competitive environment. Apparently, the need for emphasis on all aspects of knowledge management is widely recognized.

Lack of core competencies in organisation in a developing country may be attributed to factors such as: finite business resources, economic and technological gaps, capital shortages-both physical and human capital, leadership crisis, short-sightedness, lack of initiative and enthusiasm, negative thinking and pessimistic attitudes.

Financial capital is no longer the constraint of business resource. In the KBE, constraining resources- thus, strategic resources-are information, knowledge, and expertise contained in human capital. The organisation in the New Age, have to focus more on managing human capital rather than financial capital as a strategic resource. New strategic management framework should be towards 'intrinsic value' of the organisation residing in the human capital and its expertise and capacity to create value by generating ideas and innovation, and capturing and leveraging the scarce knowledge and best practices. An organization in developing country should develop 'SMART' goals: Specific, Measurable, Attainable, Realistic and Targeted in the global settings for giving a framework for thinking and action towards knowledge

management. In modern times, 'excellence' is determined by how fast and correctly an individual or firm tends to seize opportunities, ready to learn and improve, aspiring and endeavouring as to reach high levels of achievement in the chosen field. Indeed, growth of KBE demands right people, with the right mindsets, right knowledge, and right intellectual capital and right application-in-creating values and augmenting the welfare of the organization as well as the nation at large.

Any economic development policy and planning today needs an extra ordinary focus on the investment in human capital as an integral part of the programme. In developing economies, with the rising population, the demand for services, such as education and health is increasing. On the supply-side, thus, the gap is widening. The doctor-patient ratios and the teacher-students ratios are relatively much high when compared with the developed nations. Human Capital Development, thus, needs an attentive focus of the policy-makers on reprioritization of allocation on education and health. Creativity and innovations in alternative medicines (herbal, for instance) and traditional technique of health (care such as Yoga, Tai-Chi, etc) should be encouraged and efforts should be made to spread such 'knowledge' to the people at large.

In education and health matters, as well as, toward overall development and growth of human capital in a developing economy, prudent government intervention is necessary to check the relative performance, facilitate improvement, assure a degree of fairness and avoid lopsidedness of the private sector. The government has to play a positive role with pragmatism and missionary approach, undermining the bureaucracy, giving full empowerment to the concerned work force in the fulfillment of their tasks and achievement of the goals.

The real challenge before the developing country is to commercialise knowledge and technology with an enhanced competitiveness in the global economy. This needs human capital development. Many technically trained managers



believe in the absolute necessity of the "hard stuff" but usually neglect the equal need for the "Soft Stuff" in their organization. In a developing economy, although both are needed, much more attention is required on the development of the "Soft Stuff"- the human talent – once a minimal level of "hard" business resource is available.

Developing a knowledge-based infrastructure is a prerequisite for the growth of knowledge-based institution organization and the economy as a whole marching towards knowledge management for core competencies and competitive advantage in the emerging knowledge-based era. Policy makers in a developing countries need a fresh look with a better awareness and attentiveness on education and training linked HRD with a focus not simply on 'Job Creation' issue of the policies but rather on infrastructure development towards sustainable 'Knowledge enhancement' for facilitating knowledge-based business and achieving the competitive edge at the country and companies level in the global settings. In expanding global economy, business is developing much faster than ever; innovation and technology are pivotal in achieving and maintaining competitiveness. Every organization comes under pressure to revamp its operations and product development processes for sustainability in the competitive environment. Apparently, the need for emphasis on all aspects of knowledge management is widely recognized. Human capital growth is essential in the expanding high-skill of service sector of the growing every in the new age. Gradually knowledge-based work is expanding in a greater proportion with the camouflage of tertiary sector on the industrial and agricultural sectors. An integrated interdisciplinary approach is needed for achieving total quality of excellence in the knowledge management as well as management of knowledge workers (HRM + HRD) in modern organizations aspiring to attain a high degree of competitiveness domestically as well as internationally.

Economists have observed that although development of human capital requires at least eight years for maturity and needs constant investment support for the sustainability and

improvements, its returns are tremendous for the development and growth of KBE. Investment in human capital has shown remarkable success in many developing nations. The Organization for Economic Cooperation and Development (OECD)'s Report on Emerging Economies in 2003 categorically stated that investment in human capital in these economies over the past two decades have accounted to about 0.5 percentage point in their annual growth rates. A strong linkage is also found between education and economic growth.

In developing countries "Brain Drain" is usually a serious socio-economic problem. It has caused erosion of the competitiveness of developing nations by creating a shortage of skilled talented, creative work force. Actually, the loss of human capital is a symptom, not the 'cause of a depressed system' of a developing country. Time has come that the developing nations should make increasing effort and provide incentives to retain human capital. There should be a 'U'-turn of brain drain into 'brain circulation' through increased sharing of creative knowledge, second home experience and expertise.

Developing nations have to infuse knowledge as a factor input at all level of activities. This needs pervasive development and growth of human capital on a big scale and not just on small specific segments of a winning sector in isolation. India, for instance, has concentrated on the software industry, but grossly neglect other potentialities of its emerging big economy. In short, the investment in human capital with an integrated approach promote skills at all levels in all the sectors of the economy are needed in to developing futuristic direction and course of human resource development and corresponding human capital formation, accumulation and its growth in a developing nation.

Among the new paradigms of development, categorization and organization of knowledge is becoming a core competence. This suggests the need for strategic thinking about the true nature of knowledge management and knowledge-oriented human capital in a developing country.

Most developing nations, by and large, fall short on several key attributes of excellence and competitiveness.

Blind culture and linguistic nationalism has been a major constraint in the way of fast globalization in many developing countries. Whether one likes it or not, English has become the key language of the global business arena. People in developing countries have to strive to acquire proficiency in English in order to reap the benefits of globalization. On this count, today even Japanese are seeking to improve their fluency in English for global business communication.

Biotechnology and Microelectronics are two promising growth sector of the New Age. Developing nations should be more active on this front.

Knowledge creators should be considered more important than mere knowledge management application and use of intellectual property for profit making and success of an enterprise. Developing nations need special focus on human resource development (HRD) and human knowledge management (HKM) in the direction of knowledge management (KM).

There is a need to dig out hidden capabilities and talents of the people, polish them and put into productive uses. A missionary zeal and zest is required in this direction. Under the HRD programme develop a metric describing the position, evolution, velocity and direction of hidden capabilities, ideas and other intangibles in the process of knowledge management (KM) and toward the growth of KBE. Capitalise on pragmatic leadership and creativity of the people. It is the mind – the source of human capital – that matter most than tools and technique. A blending of both physical and human capital development is essential for creating core competence of the nation as well as the organizations. Make people optimistic with aptitude for positive thinking, positive beliefs and profound action. Power develops able person, cunning person, resourceful person, successful person, but never a great person of human spirit in the absence of ethical



values in practice. Power endeavourment is beneficial-as by the intellectual use and direction of the principle of power one can achieve excellence through inspirations for developing the mental faculties possessed. Information, knowledge creativity and wisdom are generated by human mind. The missing link of effective knowledge management is the quality of human capital under human resource development strategies and programmes. Organizations in a developing country need to be attentive towards the value of effective knowledge management with due appreciation of creativity in the human capital – people’s inventing and innovative skills – exalted in performance. An integrated interdisciplinary approach is needed for achieving total quality of excellence in the knowledge management as well as management of knowledge workers – developing warranted human capital in the growth of KBE – in organizations at micro levels, besides conducive national policies at macro levels in these directions.

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