Human resource management models: aspects of knowledge management and corporate social responsibility

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Abstract

Over time, changes have affected not only the attitude towards people employed in organizations and the knowledge and intellectual capital, but also social values and responsibility. The aim of the paper is to analyse and assess the aspects of knowledge management and corporate social responsibility and their development in different human resource management (HRM) models. While researching the issue of HRM impact on the organizational performance, the authors have analysed several HRM models that show the relationship between HRM practices, the factors influencing their choice, and the organizational outcomes. The models differ with the unitary approach, which believes that employees and employers share the same interests, or with the pluralistic approach, which admits that different groups may have different interests.

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1. Introduction

The 20th century was defined as a century of the industrial society, the end of the 20th century as a century of the information society, and the early 21st century has become a century of the knowledge society, where knowledge is a significant resource of manufacturing and an essential factor of individual well-being. One of the components of the knowledge society is the knowledge economy (KE).

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The knowledge economy has become the nation’s main agenda and focus in the 21st century. The time is right for such a shift by injecting a catalyst such as knowledge and advances in technology into all sectors of the economy. The world has changed: Exploiting the K-economy within the globalized trade environment has become the current focus of attention for many countries, which aspire to remain competitive. Change in employment: Employment in the knowledge economy is characterized by increasing demand for more highly skilled workers who are also enjoying wage premiums (Ishak, Eze, & Ling, 2010).

The aim of the paper is to analyze and assess the aspects of knowledge management (KM) and corporate social responsibility (CSR), and their development in different human resource management (HRM) models.

Popularity of knowledge management has increased rapidly, especially after 1996, and it has become a central topic of management philosophy and a management tool. Scarborough and Swan (2001) argue that the rise and growth of KM is one of the managerial responses to the empirical trends associated with globalization and post-industrialism. These trends include the growth of knowledge worker occupations, and technological advances created by information and communication technology (ICT). In organizational terms, they argue, this new era is characterized by flatter structures, de-bureaucratization and “virtual” or networked organizational forms.

Little, Quintas and Ray (2002) go as far as to trace the origin of knowledge management to changes in HRM practices. One of the key factors in the growth of interest in knowledge management in the 1990s was the rediscovery that employees have skills and knowledge that are not available to the organization. It is perhaps no coincidence that this rediscovery of the central importance of people as possessors of knowledge vital to the organization followed an intense period of corporate downsizing, outsourcing and staff redundancies in the West in the 1980s.

Kluge, Wolfram and Licht (2001) argue that the value of knowledge tends to perish quickly over time and that companies need to speed up innovation and enhance creativity and learning. Finally, Daft (2001) stresses the shift in the environment and markets of organizations. Ever more organizations have been transformed recently due to the shift from stable to unstable environments.

Accordingly, the uncertainty of the business has escalated, with more external elements to consider and frequent, unpredictable changes. A growing number of organizations have adopted team working, organic structures and knowledge-centric cultures as a consequence. For many countries, the degree of knowledge application is becoming a key measure of human capital and industry. The New Economy is moving beyond bulk material manufacturing to designing new technologies, beyond processing physical resources to processing knowledge, beyond applying raw energy to applying ideas (Lang, 2001). In view of the above developments, it is now accepted that the productive economic core is being relocated from land, labor, capital and machinery to intellectual resources, which emphasize information, knowledge and technology. It is commonly observed that organization designs and managerial practices are becoming more differentiated, less bureaucratic, less reliant on hierarchical authority structures and more psychosocially integrative.

The organizational structure in the knowledge economy is more flexible and leaner as the business direction is now focusing more on the upstream activities, which demand knowledge workers who are skilled in the application of knowledge and the use of information and communication technology (Ishak, Eze, & Ling, 2010). The increasing knowledge-based nature of competition is driving changes in how value chains are managed across companies. It also signals a demographic shift in the workforce to knowledge work, whose mobile exponents demand a different type of work environment and executive leadership.

2. Knowledge management

In the new economy of the new millennium, knowledge has emerged as an asset to be valued, developed and managed. Several authors argue that knowledge has become a direct competitive advantage for companies, or that it is certainly the best resource and the only sustainable competitive advantage (Armstrong, 2006; Ishak, Eze, & Ling, 2010; Sumi, 2011; Ulrich, 1998).

Knowledge is defined as the ability to sustain the coordinated deployment of assets and capabilities in a way that helps the firm achieve its goals (Soliman, 2000). To the organization, knowledge is defined as what people know about customers, products, processes, mistakes and success (Bollinger & Smith, 2001; Ishak, Eze, & Ling, 2010).
There is no agreed definition of knowledge management, even among practitioners. One reason for this lack of agreement stems from the fact that people working in the KM field come from a wide range of disciplines, such as psychology, management science, organizational science, sociology, strategy, production engineering and so on. Most definitions are, however, similar on one point as they take a very practical approach to knowledge, i.e., how knowledge can contribute to organizational effectiveness (Hlupic, Poulodi, & Rzevski, 2002).

On the basis of the analysis of the publications of several authors, (Chivu & Popescu, 2008; Laurie, 1997; Sumi, 2011), the authors of this paper have created a schematic summary of the definitions of KM, see Fig. 1.

KM deals as much with people and how they acquire exchange and disseminate knowledge, as with information technology. That is why it has become an important area for HR practitioners, who are in a strong position to exert influence in this aspect of people management (Armstrong, 2006). KM is about getting knowledge from those who have it to those who need it in order to improve organizational effectiveness. In the information age, knowledge rather than physical assets or financial resources is the key to competitiveness.

Scarborough and Carter (2000) describe KM as ‘the attempt by management to actively create, communicate and exploit knowledge as a resource for the organization’. According to them the components of KM are as follows:

- In technical terms KM involves centralizing knowledge that is currently scattered across the organization and codifying tacit forms of knowledge
- In social and political terms, KM involves collectivizing knowledge so that it is no longer the exclusive property of individuals or groups
- In economic terms, KM is a response by organizations to the need to intensify their creation and exploitation of knowledge

According to Sumi (2011), “KM is a managerial philosophy, which is perceivable in the practices of different organizations. Utilizing KM, better performance can be achieved by interaction between individuals or groups. Moreover, to be efficient, KM requires storage for information and knowledge, which is open to organization member for searching critical information, knowledge or the best practices. Thus KM is the learned method for knowledge sharing and interaction and furthermore, KM clarifies which way to operate. KM should be considered an organizational process, which is used to achieve better performance due to effective knowledge sharing and organizational learning, recognizing and developing competencies, and gaining from individually different skills and knowledge.”

If HRM is about managing people effectively, and, if people’s most valuable resource is knowledge, then HRM and KM are closely interrelated (Svetic & Stavrou-Costea, 2007).
The authors suggest that KM plays a crucial role in HRM of the company and building of the HRM model for the company, which will be described in part 4.

3. Corporate Social Responsibility

Under purely competitive conditions, prevailing in the world in the 21st century, an essential condition for the development of the organization is the acquisition and retention of its competitive advantage. Over the past years, the company can gain some competitive advantage through corporate social responsibility strategy. The CSR has a long history, which evolved with the development of business and that has been meeting the emerging needs of the society. Over time, this concept has changed.

The modern era of CSR awareness started in the fifties of the 20th century. Initially, the corporate social responsibility was understood as considering the needs and interests of people who may be affected by business actions of an enterprise. Bowen (1953) set forth an initial definition of the social responsibilities of businessmen: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.” Davis and Blomstrom (1966) defined social responsibility in the following way: “Social responsibility, therefore, refers to a person's obligation to consider the effects of his decisions and actions on the whole social system. In so doing, they look beyond their firm’s narrow economic and technical interests.”

In the eighties of the 20th century, Carroll (1979) extended the concept of CSR, including four categories: economic, legal, ethical and discretionary responsibility. In the nineties, Carroll linked the stakeholder concept of Freeman (1984) with the CSR concept. The stakeholder concept personalizes social responsibilities by delineating the specific groups or persons, business should consider in its CSR orientation and activities (Carroll, 1999). Hopkins (1998) defines that CSR is concerned with treating the stakeholders (both within a firm and outside) of the firm ethically or in a socially responsible manner.

At the end of the 20th century, environmental responsibility was included into CSR. Elkington introduced his famous concept Triple Bottom Line focuses on three issues, namely, social responsibility (people), environmental responsibility (planet) and economic responsibility (profit). So, a socially responsible company can be considered as an institution for economic prosperity, social equity and environment protection. What is good for the environment and what is good for the society is also good for the financial performance of the business (Rahmann, 2011).

The definition presented by the European Commission (2001) puts forward a new understanding of CSR in the 21st century. CSR is a concept, whereby companies on a voluntary basis integrate social and environmental concerns in their business operations and in their interaction with their stakeholders. Being socially responsible means not only meeting the legal requirements, but also investing "more" in human capital, environmental issues and relations with stakeholders. Thus CSR of the 21st century is based on social, environmental and economic responsibility.

There is no one approach to CSR that fits all companies. Different companies may use different original approaches. For the development and implementation of social responsibility strategy to ensure successful and sustainable operation of the company, first of all, it is necessary to identify the key organizational stakeholders. The next step is to build quality relationships with the stakeholders, namely, to identify each stakeholder's interests and needs, as well as the associated challenges and choose the most suitable strategy of cooperation with each of the parties involved. Such a strategy and subsequent activities will ensure the loyalty of the parties and the effective operation of the company, which, in turn, will contribute to business sustainability and competitiveness.

The implementation of socially responsible business principles depends on management expectations. However, the CSR program implementers are the people employed by the company, namely, its staff and human resources. Therefore, HRM as one of the components of management should play a significant role in the implementation of the CSR policy.

From the outset, personnel management (the original version of HRM) was related to the concept of corporate responsibility. In the second half of the 19th century, when the organizations developed, and the employee dissatisfaction grew, there was a need for professionals who deal with conflicts and sort out the relationship between management and employees. Personnel Management dates back to England, where in 1879 a new position of welfare officer appeared. The staff took care of the lowest levels of well-being of workers and acted as a buffer
between the business and its employees, between management and workers. In America, social welfare secretaries or social secretaries were the employees who administered the workers' welfare programmes. (Price, 2007)

In order to assess the significance of various HR practices in the company’s socially responsible strategy implementation, the authors used Analytic Hierarchy Process (AHP) method developed by Thomas L. Saaty (1980). According to the AHP methodology, the authors offer three criteria for comparison: “Development of environment”, “Development of relationships with stakeholders” and “Business ethics”.

Data analysis shows that the most important is such a criteria as “Development of Environment”, the second important criteria is “Developing relationships with stakeholders” and the least important criteria in this case is “Business Ethics”. As a result it is clear that the first most important HRM practices are those from the “soft” HRM approach – managing the “Work environment, safety and health”, “Rewards” and “Compensating employees” (Lapiņa, Maurāne, & Stariņeca, 2013).

Nowadays, it is clear that aspects of CSR are increasingly affecting HRM and business operations strategy, as a whole, so it is significant to understand and estimate, what HRM model is suitable for modern business and how it fits into the knowledge management aspects.

4. Incorporation of KM and CSR in company human resource management models

Over time, both the attitude towards the people engaged in the organization and the concepts, which are used to describe these people, have changed. Originally, organizations considered the people employed a labor resource, with a focus on the human ability to perform certain functions and tasks. With regard to the implementation of the scientific advances and new technologies, the nature of labor has changed: workers needed a higher level of education, different skills and abilities. Willingness of employees to participate in decision-making increased. In the eighties of the 20th century, a new concept – Human Resources Management was introduced in USA by adopting the total quality management principles from Japan, recognizing that the organization's employees, namely, human resources, are a significant resource and by combining the scientific management approach, the human relations school and the principles of strategic management.

From an organizational perspective, HR encompasses the people in an organization – its employees and the human potential available to a business (Price, 2011).

In literature, various perceptions of HRM are found, leading to a wide variety of HRM definitions. Some authors support the unitary approach to HRM, when employers and employees are viewed as having common interests and the key function of HRM is how people can best be managed in the interests of the organization.

HRM is defined as a strategic and coherent approach to the management of an organization’s most valued assets – the people (or human talent) working there who individually and collectively contribute to the achievement of its objectives (Armstrong, 2006; Mathis & Jackson, 2008; Snell & Bohlander, 2011).

Other authors use the more realistic pluralist view, which says that all organizations contain a number of interest groups and the interests of employers and employees do not necessarily coincide. HRM is the attraction, selection, retention, development and use of human resources in order to achieve both individual and organizational objectives. The yardstick of human resource outcomes is not just economic rationality – a stakeholder perspective is required, i.e., develop and maintain sustainable relationships with all the relevant stakeholders, not just customers and shareholders (Paauwe, 2004; Price, 2007).

Investigating the issue of the impact of HRM on organizational performance, HRM has developed a number of models that show the relationship between HRM practices, the factors influencing the choice, and the organization outcomes.

We can identify two broad approaches of HRM: “hard” and “soft” approach. Under the “hard” approach, employees are considered one of the organization’s resources and thus be managed in the same way as any other resource in the organization. This approach measures the HRM effectiveness by monetary criteria: cost accounting, utility analysis, economic value added, and return on investment of HR activities (Kane, Crawford, & Grant, 1999).

Some companies develop sophisticated models, of how HR practices affect satisfaction of customers, or identify investors as the most important stakeholders, without whose capital it would be impossible to continue business and reach satisfaction (Schuler & Jackson, 2005).
The “soft” approach acknowledges the importance of taking into consideration multiple stakeholder interests. According to this approach, employees are an important group of stakeholders and a distinct resource that cannot be managed as any other resource and whose interests and needs have to be taken into account (Price, 2007). A more complete evaluation of the effectiveness of HRM involves the satisfaction of the concerns of multiple stakeholder groups. Therefore, soft indicators are also used, such as commitment, satisfaction, engagement, knowledge development, etc. (Schuler & Jackson 2005). “Soft” approach is in tune with the concept of CSR, which provides satisfaction of all stakeholders of the organization, not just the owner/investor interests.

Traditionally, HRM models are based on Dyer and Reeves (1995) categorization of outcomes, which provides:

- Proximal outcomes – HR outcomes
- More distal outcomes – organizational, financial and market based

CSR approach extends the range of HRM outcomes including the social outcomes – individual and social wellbeing.

Table 1. Comparison of HRM models

<table>
<thead>
<tr>
<th>Models</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harvard model</td>
<td>HR outcomes: commitment, competence, congruence, cost-effectiveness.</td>
</tr>
<tr>
<td>(Beer, M., Spector B., Lawrence, P. R., Mills, D. Q., &amp; Walton, R. E., 1984)</td>
<td>Long term consequences: individual wellbeing, organizational effectiveness, social wellbeing</td>
</tr>
<tr>
<td>Guest (1997) model</td>
<td>HRM outcomes: commitment, quality, flexibility</td>
</tr>
<tr>
<td></td>
<td>Behavior outcomes: effort/motivation, cooperation, involvement, organizational citizenship</td>
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<tr>
<td></td>
<td>Performance outcomes:</td>
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<tr>
<td></td>
<td>High: productivity, quality, innovation</td>
</tr>
<tr>
<td></td>
<td>Low: absence, labor turnover, conflict, customer complaints</td>
</tr>
<tr>
<td></td>
<td>Financial outcomes: profits, return on investments (ROI)</td>
</tr>
<tr>
<td>Becker and Huselid model</td>
<td>HR outcomes: employee skills, employee motivation, job design &amp; work structures</td>
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<tr>
<td></td>
<td>Financial outcomes: profits, growth, market value</td>
</tr>
<tr>
<td>Paul and Anantharam (2003) model</td>
<td>Operating performance: employee retention, employee productivity, product quality, speed of delivery, operating cost</td>
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<tr>
<td></td>
<td>Financial performance</td>
</tr>
<tr>
<td>Jackson and Schuler (2009) model</td>
<td>Stakeholder satisfaction</td>
</tr>
<tr>
<td></td>
<td>Owners and investors: financial returns, corporate reputation, long-term survival</td>
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<tr>
<td></td>
<td>Customers: quality, speed, responsiveness, low cost, innovation, convenience</td>
</tr>
<tr>
<td></td>
<td>Society: legal compliance, social responsibility, ethical practices</td>
</tr>
<tr>
<td></td>
<td>Other organizations: reliability, trustworthiness, collaborative problem-solving</td>
</tr>
<tr>
<td></td>
<td>Organization members: Fairness, quality of work life, long-term employability</td>
</tr>
<tr>
<td></td>
<td>Business outcomes: productivity, quality, customer satisfaction</td>
</tr>
<tr>
<td></td>
<td>Financial performance: profit, sales, market share, market value</td>
</tr>
</tbody>
</table>

Comparison of the HRM models made by authors (see Table 1), shows that some models represent the traditional approach, but Harvard, Jackson and Schuler models represent the CSR approach, i.e., the satisfaction of the interests of different stakeholders.
Recent studies highlight and show the linkage between HRM and KM. Traditional HRM functioned under narrow operational boundaries; in the knowledge economy the role of HRM needs to expand, looking both within and outside the organization. The traditional focus on managing people has been broadened to managing organizational capabilities, managing relationships and managing learning and knowledge (Lengnick-Hall & Lengnick-Hall, 2003). There are several roles that can be played by HR in developing knowledge management system. Lengnick-Hall and Lengnick-Hall (2003) take the view that in the knowledge economy organizations will need HRM that is characterized by a new set of roles that can assist in generating and sustaining organizational capabilities. These new HRM roles are those of human capital steward, knowledge facilitator, relationship builder and rapid deployment specialist.

The investigations conducted by the Center of Management Studies of Leon Kozminski Academy of Entrepreneurship and Management in Warsaw in 2003–2005 were directed at the identification of relations between knowledge management and human resources management at the enterprise (Staniewski, 2008). The most commonly emerging factors of human resources management supporting the development of knowledge management are as follows:

- Organizational culture
- Qualifications of the staff
- Qualification of the employees
- Motivation of the staff and employees

The results of the investigation demonstrate that the strongest factor supporting the activities related to the applications of the knowledge management initiatives are qualifications (both of management staff and employees) and the organizational culture. The motivation of management staff and employees were less effectively supporting. (Staniewski, 2008)

Sumi KM model shows (see Fig. 2) support for the implementation of HRM activities, such as, training and development, performance management system, compensation, selection and pay-roll administration, providing feedback, communication and flow of information. This support will contribute to the organization's objectives (Sumi, 2011).

Davoudi and Kaur (2012) show the research model which involved the mutual linkage between KM and HRM and also their relationship with organizational performance. The role of HRM in KM is as follows:

- Without effective HR effective knowledge system cannot be implemented;
- HRM contributes to better implementation of KM in the organizations.
HR plays a critical role in knowledge creation, retention, sharing and innovation inside the organizations. The influence of KM on HRM: owners of the organizations attempt to facilitate the implementation of HR practices by applying information technology and KM in their organizations. KM provides a medium in which human resource managers will perform HR programmes and HR practices in a better way and with higher quality (Davoudi & Kaur 2012). Previous studies have shown that appropriate HR practices influence organizational performance positively. Similarly, some studies argued about the positive influence of knowledge management on organizational outcomes. Davoudi and Kaur (2012) describe the integration of KM and HRM, which gives a synergistic effect. Integrating HRM with KM in the organization leads to organizational superior performance, efficiency, effectiveness, productivity and survival in today’s competitive advantages which can be named as the ultimate goals of all organizations.

Having analyzed the HRM models described above, the authors created a model (see Fig. 3) and came to the conclusion that the corporate social responsibility, HRM model should ensure achieving the organizational and employee’s individual goals, taking into account the organization’s impact on the external and internal environments.

Social responsibility and knowledge management should be the foundation for the sustainable company culture. Companies operating in a socially responsible manner may have a different understanding of human resources and apply different HRM models. To be most effective, the companies should be able to adapt to different circumstances and changes in the external and internal environments and should consider the change and the knowledge management, thereby creating the HRM model best suited to any situation and environment.

5. Conclusion

Changes in the present industrial scenario have contributed to changes in the structure and functioning of the organizations. Organizations have been focusing on changes in the structure resulting in flatter organizations. The results of various studies show that large organizations have changed their shapes dramatically, reducing layers of hierarchy, dispersing authority and decision making, and adopting a variety of practices associated with knowledge
sharing, quality improvement and information technology. Further, it is inferred that organizational change is the basis of competitive advantage for organizations.

In the modern global economy, the increasingly rapid flow of information, and the growing recognition of the significance of intellectual capital, knowledge is increasingly claimed to be a critical resource of competitive advantage for organizations. Thus, the idea of knowledge management (KM) has enjoyed widespread popularity in today’s studies. Moreover, the rise of the knowledge economy has seen the proliferation of information and communication technologies, coupled with greater organizational complexity, the growth of virtual and global organizations and rapid change. This, in turn, requires drastic change within human resource management (HRM) to respond to the changing demands of the knowledge economy (Chivu & Popescu, 2008).

When implementing a new culture, managers may face many challenges in the management processes. It requires changes and, first of all, changes in the old management systems. Companies should think about, how to manage the company based on the HRM. In socially responsible companies the role of human resources becomes significant, thus the companies should also extend the human resource management approach.

Modeling can be applied to help companies cover several specific aspects. Modeling is essentially a system image, which shows how, by whom and in what direction to take steps in order to achieve the desired result. In human resources management, modeling is particularly important. Companies can apply modeling to develop new more efficient and more effective ways of working. The company, which builds for itself a proper human resource management system, gains competitive advantage. Such company can be socially responsible and develop its activities to the value that would be helpful and mutually beneficial to both the company and its stakeholders.

In order to gain a competitive edge and maintain competitive advantage, organizations use new business management strategies and HRM models that create a new culture in the organization and include both knowledge management and social responsibility aspects. Knowledge management and culture of social responsibility changes the organization’s thinking, perception and allows the organization to operate on a new level.

References


