

# KNOWLEDGE CREATION FOR PRACTICAL SOLUTIONS APPROPRIATE TO A CHANGING WORLD OF WORK<sup>1</sup>

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## ABSTRACT

Only one, long-term sustainable source of competitive advantage exist: the intellectual capital that resides in the minds of people. The ongoing development of people as strategic assets is essential because of three defining forces of our time: globalisation, the information revolution, and the speed of change. Each of these forces is examined in the article against the backdrop of some important changes in the psychological contract. The challenge is to create knowledge for practical solutions, appropriate to a changing world of work.

## OPSOMMING

Slegs een, lang termyn, standhoudende bron van mededingendheid bestaan: die intellektuele kapitaal wat in mense weggeleë is. Die deurlopende ontwikkeling van mense as strategiese bate is noodsaaklik as gevolg van drie deurslaggewende, teenswoordige kragte: globalisering, die inligtingsrevolusie, en die spoed van verandering. Elk van hierdie kragte word bespreek in die artikel teen die agtergrond van beduidende verskuiwings in die sielkundige kontrak. Die uitdaging is om kennis vir praktiese oplossings te skep wat op 'n veranderende wêreld van werk van toepassing sal wees.

South Africa is indeed blessed with abundant natural resources. Those resources are harvested to trade on world markets and to earn money to support the nation. This is essential, both in the short and long term. However, in the long term money per se has its shortcomings. After all money talks, but it doesn't think. Machines work efficiently, but they do not invent. Only people think and invent, and this is why people are the most valuable resource of all.

Whether one is talking about a company or a nation, there is really only one, long-term, sustainable source of competitive advantage: the intellectual capital that resides in the minds of people. And what is intellectual capital? It is the knowledge, skills, and abilities of employees to develop solutions to problems that customers think are important. Whether the customer is internal or external, if one's people can develop solutions to problems that those customers are facing, whether the problems involve production, sales, marketing, management, or technology, then you will create wealth.

Consider for a moment about what creates competitive advantage for a company or a nation. Is it technology, access to capital, access to information, machinery? While those factors may create temporary advantages, in the long term, every one of them can be imitated and duplicated by competitors. Virtually all developed countries share instant access to information, to sources of financial capital, to the same machines, and technology. Yet to create sustainable competitive advantage, any such source must pass two tests: (1) it must add value, and (2) it can not be duplicated easily by competitors. When it comes to factors of production, they are all fungible, all except for one, and that is people. People are the only truly sustainable source of competitive advantage for a firm or a nation over the long term.

This is why it is so essential to view one's people as assets to be developed, rather than as costs to be cut as soon as economic conditions turn down. The ongoing development of people as strategic assets is essential, because no matter what country a person lives in, he or she cannot escape three defining forces of our time: globalization, the information revolution, and the speed of change. Each of these forces will be examined, in turn, but let one begin by considering some important changes in the psychological contract, the unwritten rules that bind workers and employers.

<sup>1</sup> Edited version of the keynote address at the launch of the Centre for Work Performance, Department of Human Resource Management, Rand Afrikaans University on 30 March 2001. Printed with the kind approval of Wayne

## CHANGES IN THE PSYCHOLOGICAL CONTRACT

Downsizing and other forms of restructuring have altered this contract. To put the changes into perspective, consider some features of the old contract, and how they have changed to reflect the realities of today's workplaces.

<u>Old Psychological Contract</u>	<u>New Psychological Contract</u>
Stability, predictability	Change, uncertainty
Permanence	Temporariness
Standard work patterns	Flexible work
Valuing loyalty	Valuing performance and skills
Paternalism	Self-reliance
Job security	Employment security
Linear career growth	Multiple careers
One-time learning	Life-long learning

Stability and predictability characterized the old psychological contract. In the 1970s, for example, workers held an average of 3-4 jobs during their working lives. Change and uncertainty, however, are hallmarks of the new psychological contract. Soon workers will hold 7-10 jobs during their working lives. Job-hopping no longer holds the same stigma as it once did. Thus interviewers use to regard with skepticism a job candidate who held more than two jobs in three years. Today, workers in high-technology jobs often tout the fact that they have held two jobs in the past three years as a badge of honor, an indication that they are on the "cutting edge" of their fields! Beyond that, the massive downsizing of employees in countries everywhere has made job mobility the norm, rather than the exception. This has led workers operating under the new psychological contract to expect temporary employment relationships. Permanent employment relationships, with few exceptions, such as tenured college professors, no longer exist.

Another major change in the psychological contract has been the shift from standard work patterns to flexible work patterns. For all of the emphasis on the "New Economy," however, most jobs are still modeled on the clock-punching culture of the industrial past. Time is employees' most precious commodity. They want the flexibility to control their own time – where, when, and how they work. They want balance in their lives between work and leisure. Flexibility in schedules

is the key, as organizations strive to retain talented workers in a hot job market. Small business owners in particular are finding that flexibility on hours is a cheap benefit that allows them to compete with large companies whose schedules may be more rigid.

Despite the fact that only 53% of U. S. employers offer flextime to their employees, a recent poll found 56% of managers reporting that employees with flexible schedules are more productive per hour. That kind of positive buzz is what is driving work redesign processes to enhance flexibility at companies such as Ernst & Young, Hewlett-Packard, Bank of America, and Lucent Technologies.

In years past, employers strove mightily to instill loyalty to the company among their employees. Downsizing and restructuring have changed all of that, at least for the foreseeable future. According to a recent survey, employees are less loyal to their companies, and they tend to put their own needs and interests above those of their employers.

More often they are willing to trade off higher wages and benefits for flexibility and autonomy, job characteristics that allow them to balance their lives on and off the job. In the United States, almost 9 out of every 10 workers live with family members, and nearly half care for dependents, including children, elderly parents, or ailing spouses. Among employees who switched jobs in the last 5 years, pay and benefits rated in the bottom half of 20 possible reasons why they did so. Factors rated highest were "nature of work," "open communication," and "effect on personal/family life." When it comes to loyalty, each employee is behaving as if he or she is the CEO of "Me, Inc." In some cases, tightly knit groups of employees (co-workers, former colleagues, classmates, or friends) decide to stay or leave en masse, behaving as if they are the CEOs of "We, Inc." That phenomenon has been termed the "Pied Piper Effect," as top performers at the heart of these networks convince others to follow them. Paternalism on the part of the company has given way to self-reliance on the part of the employee or a group of employees.

Another change in the psychological contract is the shift from job security, the knowledge that one would always have a job with a given employer, to employment security, having skills that some employer in the labor market is willing to pay for. This is why the concepts of lifelong learning and multiple careers are so important to employees. Obsolescence is the enemy. As we shall see, opportunities for workplace training and continual professional development are prized commodities as employees strive to keep themselves marketable.

## GLOBALIZATION

The global village is getting smaller every day. Markets in every country have become fierce battlegrounds where both domestic and foreign competitors fight for market share, and foreign competitors can be formidable. For example, Coca-Cola, an American multinational firm, earns more than 80 percent of its revenues from outside the United States! The 500 largest firms in the world employ almost 44 million people, they gross almost \$13 trillion in revenues, \$554 billion in profits, and the total value of their assets exceeds \$44 billion.

These few examples suggest that cross-cultural exposure, if not actual interaction, has become the norm. In the world of business, globalization is a defining characteristic of our time. Globalization refers to commerce without borders, along with the interdependence of business operations in different locations:

- A single marketplace has been created by factors such as the following: Satellite dishes in the world's most remote areas beam live television feeds from CNN and MTV. Internet booksellers like Amazon.com provide 24-hour-a-day supermarkets for consumers everywhere.
- Global telecommunications enhanced by fiber optics, satellites, and computer technology
- Giant multinational corporations such as Gillette, Unilever, and Nestlé, which have begun to lose their national identities as they

integrate and coordinate product design, manufacturing, sales, and services on a worldwide basis

- Growing free trade among nations
- Financial markets' being open 24 hours a day around the world
- The emergence of global standards and regulations for trade, commerce, finance, products, and services.

## THE INFORMATION REVOLUTION

It is no exaggeration to state that modern technology is changing the ways we live and work. The information revolution will transform everything it touches – and it will touch everything. Information and ideas are key to the new creative economy, because every country, every company, and every individual depends increasingly on knowledge.

In the information economy, the most important intellectual property is not software or music. It is the intellectual capital that resides in people. And when the most vital assets are people, there can be no true ownership. The best that corporations can do is to impart knowledge and information that will be useful in developing solutions to problems that customers care about. As a broker of new knowledge, RAU's Centre for Work Performance will play a key role in that process.

What is the impact of the new technology on work, workers and organisations? Where we work, when we work, and how we communicate are being revolutionized, as a "seamless" web of electronic communications media – e-mail, voice mail, cellular telephones, laptops with modems, hand-held organizers, video conferencing, and interactive pagers – makes teamwork and mobility a reality.

Technology facilitates the rapid diffusion of information and knowledge. Indeed, any organisation can draw on resources and information from all over the world – for the benefit of the organizations it serves.

## SPEED OF CHANGE

If the rest of the industry had kept pace with developments in the speed of computers, and in the drop in the costs of computer chips as firms became more efficient, the typical car would cost about \$25, and it would travel about 4,000 miles on a thimble of gas!

Regardless of what field one is in, given the pace of change that is happening all around one, each one really has only two choices: either one manages change or surely change will manage one. This is why fast-changing environments require continuous learning and training to keep up.

In fact, the principle of obsolescence is neatly captured in what is known as the "Paul Principle": Over time, people become uneducated, and therefore incompetent to perform at a level that they once performed at adequately. Consider this for a moment. Organizations often lose people because they fail to provide training opportunities to retain them. Commenting on this, the General Manager of Marks & Spencer, London, had this to say: "Train people to the point where you may lose them, and then you won't lose them." Why? Because they can't go anywhere else to get the same kind of opportunities for continuous training and learning.

Institutions doing action research, like the Centre for Work Performance at Rand Afrikaans University, that offers the promise of making work less onerous and more rewarding for millions of people, and of improving management practice, not only in South Africa, but also in the region, and in the world. As the famous anthropologist, Margaret Mead once remarked, "Never doubt that a small group of thoughtful, committed people can change the world. Indeed, it is the only thing that ever has."

### IN CONCLUSION: THE POWER OF SHARING AND CARING

In closing a story that has touched the author, and which is hoped will touch the readers as well. A few years ago, at the Seattle Special Olympics, nine contestants, all with physical or mental disabilities, assembled at the starting line for the 100-meter dash.

At the gun, they all started out, not exactly in a dash, but with a relish to run the race and win. All that is, except for one little boy, who stumbled on the asphalt, tumbled over a couple of times, and began to cry. The other eight contestants heard the boy cry. They slowed down and looked back. Then they all turned around and went back...every one of them. One little girl with Down's Syndrome bent down and kissed the little boy and said, "This will make it better." Then all nine linked arms and walked together to the finish line. Everyone in the stadium stood, and the cheering went on for several minutes.

People who were there still tell the story. Why? Because deep down we know this one thing. What matters in this life is more than winning for ourselves. What matters in this life is helping others win, even if it means slowing down and changing our course. "A candle loses nothing by lighting another candle."

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