Chapter 12
HRM Adaptation to Knowledge Management Initiatives:
Three Mexican Cases

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EXECUTIVE SUMMARY

Organizational knowledge and human capital are increasingly regarded as key levers of competitive advantage in today's global, dynamic and complex business environment. People are the ultimate knowledge creators and bearers; although organizations may have memory systems, they do not think by themselves. Human resource management (HRM) has a strategic role facilitating knowledge management (KM) initiatives, specifically in activities such as: recruitment, training and compensation. Although many studies raise the question of how HRM shapes KM, limited research in Latin America has explored this matter. This chapter aims to explore how HRM policies and practices have been designed in three organizations located in Mexico, in order to support KM initiatives. The findings suggest that the strategic role of HRM in supporting KM initiatives must be expanded. HRM policies, practices, and compensation systems, such as incentives and bonus packages to motivate employees to create and share knowledge, need to be redefined. Recruitment, selection and, training and development must be tailored to obtain a successful implementation of the KM program.

BACKGROUND

Nowadays, firms are facing a more dynamic environment, where uncertainty and technological changes dominate. As a result, organizations have to base their strategy and competitive advantage on intangible resources and capabilities. Managers should know how to administer the challenges and advantages that the environment presents, particularly in cases where the time factor is vital to develop, implement and transfer innovation systems for their survival. Furthermore, firms must develop flexible, administrative capacity to effectively coordinate their internal competence. The more dynamic the environment is, the more firms focus their strategy on resources and capabilities (Grant, 1996). In this context, one must take into account that while some organizational resources are easy to transfer, such as processes and equipment, others, such as knowledge, an intangible asset that is usually tacit and organization-specific, are less mobile. Knowledge is a valuable, generally essential, rare and inimitable resource (Barney, 1991:112.), and it constitutes a source of competitive advantage (Grant, 1996:376). The key resource is knowledge, which is intrinsic to human capital. People are the critical creators and bearers of knowledge. Organizations do not think by themselves; they need employees to leverage their knowledge. In this particular framework, it is relevant to explore how HRM policies and practices have been designed to manage this intangible resource.

Lado and Wilson (1994, p.699) in Minbaeva (2005:126) suggest that HRM practices "can contribute to sustained competitive advantage through facilitating the development of competencies that are firm specific, produce complex social relationships, … and generate organizational knowledge." Managing HR to achieve better knowledge-related outcomes means "retaining personnel, building their expertise into the organizational routines through learning processes, and establishing mechanisms for the distribution of benefits arising from the utilization of this expertise" (Minbaeva, 2005:126).

As emphasized by Huselid (1995), HRM practices influence employees' skills and competencies through the acquisition and development of a firm's human capital. The competitive advantage of a firm is dependent on the existence of HR with relevant competence profiles. An analysis of the competencies needed for different positions, along with an analysis of a firm's current pool of employee competencies, helps the organization hire people with the desired skills and knowledge (p. 590).

The emergence of new forms of working practices, such as flexible working practices, reflects that need. Most traditional KM systems rely on the assumption that knowledge can be conceptualized as an object that can be identified, separated from its initial context, and handled in information systems (e.g. Nabeth *et al*, 2002). Thus, managers need to understand the meaning of knowledge in order to plan knowledge handling processes and to enable them to judge how knowledge affects people, organizational culture, management activities and other processes within the organization. Managing knowledge is not the same as HRM. KM involves managing intellectual property; that is, managing the development and transfer of organizational know how. It is more multifaceted than simply managing people (Teece, 2000:147). Organizational structures and management practices are changing to facilitate the implementation of KM in organizations.

The Study and its Methodology

In KM literature, there is relatively little consideration of cultural and human issues, even when the key obstacles exposed as knowledge transfer inhibitors are those related to the "human" side of KM. The main purpose of the present study is to determine the HRM practices and policies that 1) enhance the generation of knowledge and 2) support knowledge transfer in an actual busi-

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