

# Chapter 37

## Human Capital in Knowledge Creation, Management and Utilization

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### INTRODUCTION

Growing competitiveness, joined with the frequently occurring technological changes in the global age, raise the importance of human capital in the organization, as well as the development and sharing of knowledge resources, which lead to obtaining a competitive advantage.

Perez (2003) presents the human capital as one of the most complex resources for gaining control over organizations. This belief has led managers in the past to base their competitive advantage in the markets and in recruiting resources, on product-related capitals, work processes, or technology.

The human capital of employees has a high financial value and is accumulated via learning processes, which take a central role in the sur-

vival and growth of the organization. Since the 1980s, strategic managers and industrialists have identified organizational learning as the basis for obtaining a competitive advantage in the local and international markets (DeGeus, 1988).

The identification and management of the knowledge resource owned by the human capital is quite difficult, since the knowledge is not perceptible and therefore influences the ability to plan activities relating to the use and sharing of knowledge (Davenport, 2001).

A new position has been created in organizations today—that of CKO (Chief Knowledge Officer). This function is required to coordinate processes of knowledge management found within the human capital. However, finance systems are not designed today to reflect the value of the human capital in the company balance sheet (Sveiby, 1997). Gibbert et al. (2000) suggest that organizations should focus on raising the awareness of the importance of the knowledge residing

with the human capital in the organization and motivate employees to share their knowledge with the organization and with their colleagues.

The majority of studies dealing with stages of knowledge management and knowledge sharing have focused on technical aspects of systems and communication networks. The present overview focuses on including human capital and its role in the various stages of knowledge management.

## BACKGROUND

Human capital in an organization is one of the organization's sources for obtaining a competitive advantage (Ulrich & Lake, 1991), and its importance and contribution for creating knowledge in the organization are great (Collis & Montgomery, 1995).

Perez (2003) identifies four knowledge types characteristic of human capital in the organization, divided according to strategic value and uniqueness to the organization:

1. **Idiosyncratic Human Capital:** A form of human capital unique to the specific organization and having a low strategic value, thus preventing the organization from investing in its development.
2. **Ancillary Human Capital:** A more common form of human capital, having a low strategic value to the organization. It is created during daily activities taking place in the organization.
3. **Core Human Capital:** A unique human capital, essential for the organization to obtain a strategic advantage. Organizations tend to develop the human capital in this category by implementing systems based on skill and on the creation of systems for long-term relationships
4. **Compulsory Human Capital:** A general and essential form of human capital, but one that is not specific to a certain organization;

therefore employees are allowed to distribute it between organizations according to alternatives existing in other workplaces.

Most of the recent studies in the field of Knowledge Sharing suggest that the application of a knowledge management program based on the assimilation of databases and technologies does not directly result in the creation and distribution of knowledge (O'Dell & Grayson, 1988, p. 3). Recently, organizations have begun to understand that technology in itself is not a foolproof solution to the problem of knowledge sharing and that more focus should be given to the human capital (Poole, 2000). This shift in perspective has occurred mainly due to the realization that the human capital is the central knowledge carrier in the organization (Quinn, 1992).

Studies in the field of management have shown a recent rise in the popularity of the concept of organizational learning, and its perceived importance for distributing and managing knowledge in an organization, aimed at obtaining a competitive advantage (Collis & Montgomery, 1995; Dierickx & Kool, 1989; Prahalad & Hamel, 1990; Schoemaker, 1992).

## A MODEL OF THE HUMAN CAPITAL IN KNOWLEDGE MANAGEMENT

The model suggested in this article (see Figure 1) describes the role of human capital in the knowledge creation processes (A), then moves on to processes of capturing and managing the created knowledge (B) and mobilizing knowledge-sharing processes between the organization and its individuals, among individuals, and between them and their environment (C). Finally, the model describes the process of incorporating the knowledge at the firm level so as to improve performance and profit, and at the environmental level so as to

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