

## **PEOPLE AND KNOWLEDGE MANAGEMENT IN ORGANIZATIONS CHALLENGES OF THE NEXT DECADES**

**João Paulo Feijoo**

Independent consultant in the areas of Quality, Business Process, Human Capital and Change Management, and Country Manager for Portugal of Finalta. Guest lecturer in executive education and postgraduate programmes (UAL). He was senior manager of the Millennium bcp (1990-2005), where he headed the areas of quality, training and career development, recruitment, agency coordination, and internal communication. He founded and directed the Eureka Academy (1994-96). He was also member and president of Eureka Human Resources Activity Group (1997-2002). He studied Mechanical Engineering at IST, Lisbon. Professionally, he has attended a large number of courses and seminars in the field of Human Resources and general management in Portugal and abroad, especially the Seminar for Senior Management of BCP (INSEAD) and *Programa de Alta Direcção de Empresa / Company Senior Management Programme (AESE)*.

*This article was written under the new Spelling Agreement*

### **Abstract**

In the next fifteen years the characteristics of organizations and the way they manage human capital will be conditioned by the development of eight processes with global presence: pre-eminence of knowledge, globalization, population ageing, importance of the role of women, psychological contract, erosion of traditional authority, and the emergence of new organizational values. These eight factors are analyzed here, and their evolving tendencies are addressed.

These processes are combining to transform the organizations of the second and third decades of the XXI century into more complex and pluralistic structures, with more diffuse frontiers, open and disperse structures, and with work forces organized into different levels of involvement which communicate among themselves and with the outside world through global networks.

These organizations present new challenges to people management, including the consequences of rising retirement age, occupation and productivity of older workers, coexistence of three generations in the work force, intercultural intelligence, motivational development, merit significance, talent management in open organizations, and new leadership styles required in a more fluid, more spread out, and more egalitarian environment.

We approach the Portuguese situation in the light of similarities and differences with regard to the evolution of the conditioning factors analyzed here and in the light of measures recommended for this issue in general. We identify its specific characteristics and discuss the effect they may have on people management policies and practices to be adopted in the period under consideration.

### **Keywords**

People management; human capital; knowledge economy; global networks; open organizations

### **How to cite this article**

Feijoo, João Paulo (2011). "People and knowledge management in organizations. Challenges of the next decades". *JANUS.NET e-journal of International Relations*, Vol. 2, N.º 1, Spring 2011. Consulted [online] on date of last visit, [observare.ual.pt/janus.net/en\\_vol2\\_n1\\_art7](http://observare.ual.pt/janus.net/en_vol2_n1_art7).

**Article received in September 2010 and accepted for publication in March 2011**



## **PEOPLE AND KNOWLEDGE MANAGEMENT IN ORGANIZATIONS CHALLENGES OF THE NEXT DECADES**

**João Paulo Feijoo**

### **Understanding the change**

In the beginning of the second decade of the 21<sup>st</sup> century, the world faces a series of unprecedented challenges in the history of humanity: depletion of food and energy resources, climatic changes, devastation of habitats, overpopulation, urbanization and global ageing, and profound alterations in the world economic and political order.

These events combine to trigger deep changes in all aspects of our lives: in the way we relate to our family members, colleagues, and friends; in the way we travel and communicate; and in the way we shop, the way we eat, and the way we work and relax.

This change inevitably transforms organizations as economic agents and social institutions and significantly affects the factors - mission, products, participants, resources, and culture - which define and rule their activity. These changes also require innovative responses to the way organizations manage their human capital - their workers and the knowledge they possess and apply in the exercise of their activities.

In order to understand the meaning and reach of such responses, we need to identify the factors which have the most direct impact on the situation of organizations and their policies and practices of human capital management.

The selection of these factors is always subjective, rather than exhaustive, and dictated by the author's preferences. There was, however, a preoccupation in selecting processes sufficiently discreet and independent, which do not represent two facets of the same reality, and concurrent enough so that their effects may be felt in the same period of 10 to 20 years. The selection identified the following eight factors:

- Growing importance of knowledge as a factor in production
- Globalization
- Global ageing
- Technical evolution (in particular, but not exclusively, in the area of ICT - Information and Communication Technologies)
- Growing importance of the role of women in organizations
- Changes in the psychological contract between the worker and the organization
- Erosion of traditional forms of authority
- Emergence of values such as corporate social responsibility (CSR) and the balance between professional life and personal and family life (work-life balance).



As we can attest, despite being independent, these factors are, to great extent, interrelated: they are connected through a complex web of joint effects with multiple and varied instances of mutual reinforcement or weakening, like waves on the surface of a stretch of water with crests rising and troughs deepening as they intersect.

## **The factors**

### **a. The predominance of knowledge as a factor in production**

The second half of the 20<sup>th</sup> century witnessed the birth of knowledge workers: workers whose activity requires the application of specialized knowledge acquired through extensive formal education. There has always been an intellectual elite dedicated to intensive-knowledge activities - medical doctors, professors, scientists, jurists - but the mass expansion of a working class with such characteristics only started after World War II, and over the next two decades it will become, no doubt, the largest professional group.

Nowadays, knowledge is the most important, and the most wanting, production factor, and its properties determine the characteristics of the so-called "knowledge societies" and "knowledge economy".

Knowledge is specialized. Therefore, its incorporation into a final product implies the intermediation of some form of organization that assures the required interdisciplinary effort. Up until very recently, the most effective model was the functionally integrated, centralized and concentrated company. These days, the immaterial nature of knowledge, the existence of a global talent market, and the opportunities created by ICT are giving rise to the emergence of radically innovative alternatives: partnerships, open networked organizations, client and supplier participation (co-creation, crowdsourcing), etc.

Knowledge quickly becomes obsolete. Such "perishable nature" requires continuous and lifelong professional development, in addition to the initial training. Distinction between "study" and "work" as two successive and separate parts of life will tend to disappear over the next decades. In order to stay current, to remain in top form like a top competition athlete, knowledge must be constantly applied and requires a number of opportunities often out of reach of specialized departments. The solution may lie in the autonomy, and later merging, of those units in order to provide services to several organizations and to reach the level required to be sufficiently good in their area.

Knowledge is easily transmittable. Unlike facilities, stocks of raw-materials, and machinery, it is difficult to confine knowledge to one place: at the end of the work day, it walks out the company door along with the worker who possesses it. Attempts to convert tacit knowledge into explicit knowledge, in other words, to codify and describe it in order to make it independent from the individual who possesses it, invariably meet with insurmountable obstacles of context and interpretation. Besides, its immaterial nature allows its quick long-distance diffusion, nowadays greatly facilitated by the existence of global networks.

In fact, knowledge workers tend to identify ever more with their specialty area rather than with the organization they work for. Thanks to the ICT revolution, it is increasingly easier to establish relationships with other "professionals in the same trade" working



for other organizations. Their primary loyalty is shifting from the organization they work for to the "trade" they practice.

The fact that knowledge is held by workers and not by organizations represents, ironically, the fulfilment of the Marxist prophecy of collective appropriation of the means of production. Paradoxically, however, through pension funds and other savings and investment sources, organizations remain firmly in possession of the workers' capital, while the workers control much of the capital of many companies (Drucker, 2001).

## **b. Globalization**

Globalization is the process of integration of national economies into a transnational economy through the flow of goods (international commerce), capital, people (tourism and migration), and knowledge.

This process intensified at the end of the decade of the 1980s with the introduction of three thousand million new consumers, producers and people with savings in the global market economy as a consequence of the dynamic caused by the collapse of the Soviet Bloc, the end of "proxy wars" between that bloc and the Western Bloc, and the opening of China.

This expansion was supported by the liberalization of international trade, the flow of capital, and the development of new information and communication technologies. By drastically reducing transaction costs, it rendered dispensable organization models based on centralization, concentration, and vertical integration. It also allowed the externalization and relocation of large segments of value chains to countries or regions with less expensive labour, thus leading to a great increase in the global production capacity.

The result was a spectacular growth in the creation of wealth which led to a generalized improvement in the quality of life of the world population.

Globalization gave rise to a global labour market where talent competes at the planetary level. This market was boosted by the shortage that was beginning to be felt as a consequence of demographic ageing and the nonalignment between the output of educational systems and the demands of the economy. It proved especially dynamic in the two extremes of the qualification spectrum - the lesser qualified workers, on the one hand, and the highly specialized technical workers and top management, on the other hand - fostering the immigration of lesser skilled workers to more developed economies as well as the more recent phenomenon of "brain drain".

To this "long term" international mobility we must add international careers made-up of expatriation of greater or lesser duration, as well as all types of business trips and what may be described as "virtual mobility", regular contact with workers from other countries and cultures that does not require physical mobility, made possible by the predominance of "knowledge work" and supported by the new ICT.

All these mobility types are giving emergence to a work environment characterized by a large expansion of relationship networks and an unprecedented intercultural exposure - which, paradoxically, has been followed by the indiscriminate adoption of an Anglo-



Saxon organization culture and a management model whose characteristics often are not appropriate to the national cultures in question.

### c. Global ageing

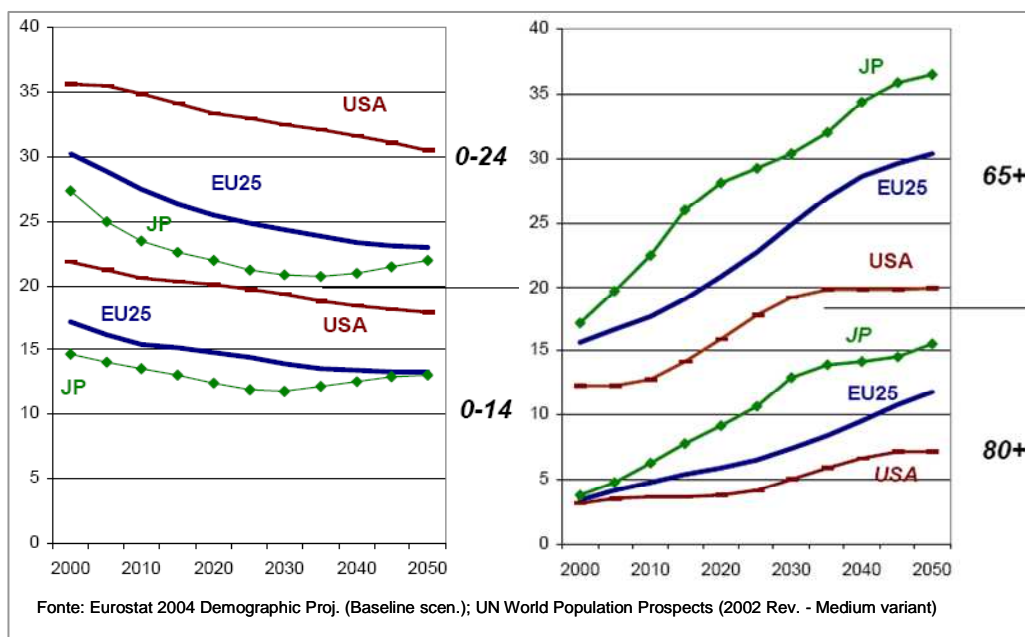
Out of the eight phenomena selected as factors in the future management of people, global ageing is the one that presents a greater degree of certainty, as all developments which determine the evolution of world population in the next two or three decades have already taken place and are known.

This problem is not exclusive to the so-called developed countries. It is a global process which, despite having started sooner in those countries, is already under way in the emergent economies where, by the way, it will happen much faster.

In China, the fertility index is down to 1.79 - substantially lower than the 2.1 replacement threshold; in fact, it only reaches this value in some of the interior provinces, and in the more developed coastal provinces it does not reach over 1.5. In India, the national fertility rate is still 2.81. However, in a group of states with a combined population of over two hundred million people, that rate has already fallen below the replacement threshold.

A quickly ageing population combined with an increasingly scarce work force lead to an increase in the ratio of dependence. It is estimated that the working population in Europe (15-64 years of age) will decrease by 20.8 million people between 2005 and 2030, and the proportion of older dependents will increase from 1 for each 4.2 to 1 for each 2.4<sup>1</sup> working individuals between 2000 and 2030.

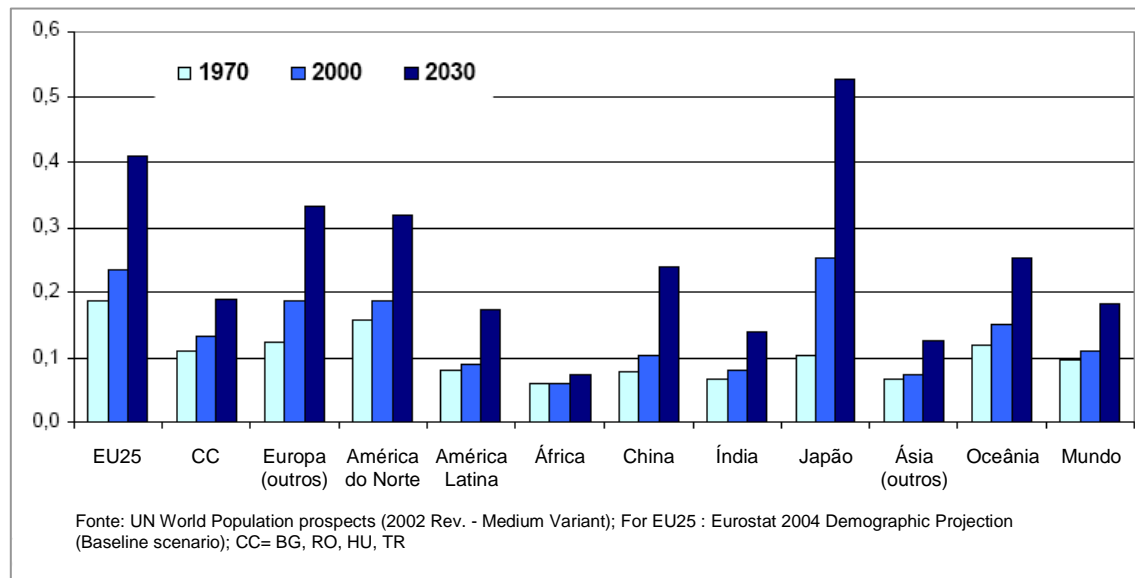
**Figure 1 – Comparison of the percentages of age groups 0-14, 0-24, 65+ e 85+ in the total population, EU-25, USA and Japan, 2000-2050**



<sup>1</sup> In Japan, where ageing is felt more intensively, the increase will be from 1/3.8 to 1/1.9 working individuals.



**Figure 2 – Dependent ratio (older population)**  
**total of individuals 65+ years of age / total of individuals 15-64 years of age**



Therefore, immigration from countries with strong demographics has intensified and the presence of high numbers of immigrant workers in the wealthier societies will be a constant in the next decades.

Such transnational flows, although necessary, will not be enough to keep the active population at the required levels to assure some economic growth. In some countries the problem has achieved such levels that the proportion of immigrants in relation to the native population would lead to an inevitable xenophobic reaction by the latter.<sup>2</sup> On the other hand, the demographic surplus of the countries of origin will tend to decrease as a consequence of their own economic development and population ageing.

Therefore, it appears inevitable that raising the retirement age, despite unpopular (mainly amidst older workers), is unavoidable and justified, since "healthy longevity" has been continuously increasing: the great majority of individuals reaches the current age of retirement in good health and in conditions to continue working, and that will remain so for some time.

Very likely with the extension of working years, the transition to retirement will become more gradual, with a progressive reduction in work time and alternating periods of remunerated professional activity and periods of inactivity. This phenomenon appears to already be under way, fuelled by necessity: in the United States, the unemployment rate in the age group between 65 and 74 was 18.5% in 2003, compared to only 5.6% in the European Union, where there is a higher level of social protection.

This transition will be followed by change and diversification of the bond between the organization and the worker. The individual will transition from the status of dependent worker permanently integrated in the work force core to the status of temporary

<sup>2</sup> It is estimated that by 2020 Germany, for example, will have to receive one million immigrants of active age (not including eventual relatives) each year just to maintain the active population at a constant level.



worker, *boomerang*,<sup>3</sup> provider of services, semi-independent consultant, worker for provider organizations and clients, etc. In this environment, it is possible that the more experienced and qualified workers, with greater leadership ability and less resistance to risk-taking, will decide (or be encouraged) to focus on their own entrepreneurial projects, eventually severing any relationship with their former organization.

On a different topic, for the first time, three generations will coexist in the labour force of most organizations. The relationship among them - the conflict of their respective values, the division of work, and the hierarchical relationship - will mark profoundly the life of the organization and alter radically the reality of people management.

#### **d. The technological evolution**

The distance communication forms which arose from the swift development of ICT and the global ubiquity of the internet - from electronic mail to instant messaging, from video conferencing to broadband services, from research sites to social networks - are at the base of one of the bigger revolutions in the way organizations operate and structure themselves.

The ICTs allow organizations to free themselves from physical barriers and gain access to talent pools which otherwise would be difficult to mobilize, such as specialists based in different locations and young mothers or older people who prefer to work from home. Even more important are the opportunities that open up from the overcoming of mental barriers and which allow organizations to explore human capital located far beyond the "conventional" work force: "open organizations", "open innovation", "x-teams", "co-creation", and "crowdsourcing" are some of the buzzwords presently fashionable and which designate this new capacity to involve clients, suppliers, stakeholders in general, and even simple sympathizers in the processes of innovation, development, and production.

The organizations of the future will be more open and diffused structures, made up of several concentric spheres where "producers" move around connected to the organization through a variety of associations: full time workers on an exclusivity basis, temporary workers, retired workers, service providers, workers from subcontracted organizations and suppliers, consultants, etc. These various types of "producers" may move around from one sphere to another as their level of involvement intensifies or decreases and, in the majority of cases, their contributions do not require their extended physical presence.

Decreasing returns of the "experience curve" typical of traditional organizations are being replaced by growing profits of the "collaboration curve" associated with open networks (Hagel and Brown, 2010): instead of leaning towards a limit as "internal" experience is accumulated, the added value tends to grow each time new members join the network and contribute their experience and ideas.

Despite the mechanisms of censorship and control that some countries seek to impose, access to information and content production is increasingly more democratic and is

---

<sup>3</sup> Retired workers are occasionally called by former employers to fill in positions during temporary absences of qualified workers. Companies like Boeing and Procter & Gamble regularly call engineers and middle management workers to replace younger colleagues during vacation periods or to participate in teams on a project basis.



becoming more widespread. Instead of passively relying on content provided by specialized collectors (such as television networks, printed or *online* newspapers...), the information consumer may use the functionality of networks directly (search engines, alerts, feeds, tweets, etc.) to select and gather what interests him; even better, anyone can publish content he/she creates (news, articles, opinions and commentaries, videos, etc.). Obviously, this huge flow of information varies greatly in quality, but it is constantly enriched, filtered, and purified by continuous contributors and critiques.

This use of "pull" logic, rather than "push" logic, will tend to be applied to all types of resources as new technologies offer individuals a broader selection. Above all, it will provide the opportunity to react with flexibility to unanticipated events and to explore in creative ways the opportunities they create, without being held hostage to plans or forecasts authored by third parties (Hagel and Brown, 2008).

In the new organizations of the 21<sup>st</sup> century, value resides in knowledge and the more knowledge is shared the more value it creates; the "protection" of such knowledge, in terms of accumulation and secrecy, invariably results in its decline. It is the flow of knowledge, not its stockpiling, which is found at the origin of the creation of value.<sup>4</sup>

This new way of thinking represents a total revolution in the culture of many organizations and the end of the myth that power derives from privileged access to information. A symptomatic characteristic of successful organizations is the fact that their hierarchies are relatively poorly informed as they may never entertain the ambition to control the whole flow of information that comes across the organization.

### **e. The socio-professional rise of women**

In the second half of the 20<sup>th</sup> century, the entrance of women into the formal labour market assumed massive dimensions as a result of economic tertiarisation and the decline of employment in the secondary sector.

In a general way, the increase of female participation in the economy translated into an improvement of the social and family status of women and is associated with the acquisition of political and civil rights, improvements in access to education, and an increase in their qualifications.

Approximately two-thirds of new jobs created around the world in the last decades are filled by women who, as a result, accumulated growing purchasing power - it is estimated that they are already responsible for 80% of all purchasing decisions - and enjoy greater academic success than men.

However, in vast areas of the globe, the participation of women in the economy, society, and politics in equal footing with men, continues to be an illusion. Even in the most developed countries women earn less than men, are the most affected by instability and unemployment, and continue to be conspicuously absent from top positions in politics and in the economy.

---

<sup>4</sup> The information that must be kept secret - that is, certain critical details about new products under development - represents a very small fraction of the information which circulates in an organization and in and out of its borders and does not call into question the general principle of openness mentioned.

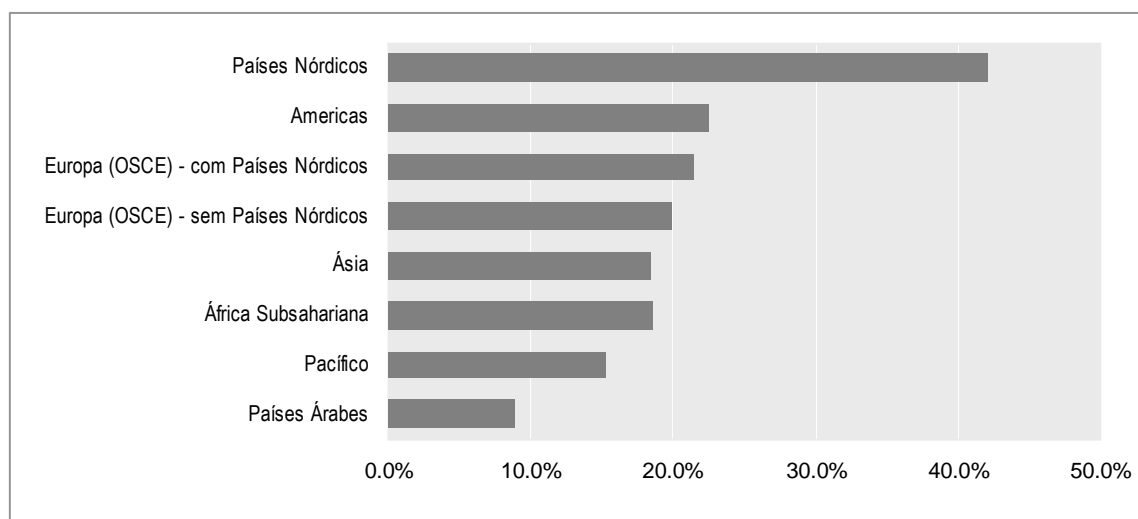




A 2009 study on the composition of top executive organs in 599 companies representative of the largest publicly traded companies in various countries showed that in the European Union (UE-27) only 3% of presidents and 11% of administration council or equivalent organ members are female.

There is a similar situation regarding the exercise of political activities, as shown in Figure 3: with the exception of Northern European countries, the percentage of women in national parliaments is around 20% and in the Arab countries that percentage even falls below 10%.

**Figure 3 – Percentage of women in national parliaments around the world (2010)**



Source: Inter-parliamentary Union

The challenges women encounter result primarily from two obstacles. The first is an objective problem and has to do with family responsibilities and the overload of domestic chores, which may vary with cultural nuances but is always present to some extent.

The second challenge lies with myths and preconceived ideas regarding the ability and motivation of women to carry out top level functions: they are less committed to their careers, they are not available to travel or work the amount of hours needed, female temperament does not have the right characteristics, women are not sufficiently assertive (or, on the contrary, are excessively aggressive), etc.

It is imperative to overcome such obstacles in order to realize the formidable potential inherent to the full participation of women in the economy and society in equal terms with men. Women represent one half of the world population and there is not a single shred of evidence that intelligence, energy and other qualities are unequally distributed among genders; women benefit from an increasingly better education - in many cases equal or superior to that of men. Undertaking the role they are entitled to will strengthen the diversity and plurality of the work force, and will bring change in many aspects of organization culture, including leadership models, internal and external



communication, the nature and resilience of the "psychological contract", social responsibility, and work-life balance.

### **f. The change in the psychological contract**

In the second half of the 20<sup>th</sup> century, the psychological contract - that is, the beliefs, perceptions, expectations, and reciprocal informal obligations between the worker and the organization he/she works for - evolved towards a series of mutual guarantees with the goal of assuring labour stability and order: in exchange for the promise of employment security and stability, of equal treatment and social protection, workers compromised by remaining relatively complacent, by remaining committed and faithful to the organization, by accepting the separation between professional life and private life, and by deferring the management of their careers to the employer.

This tacit agreement is currently subject to unbearable tensions and ceased to make any sense to the generations that recently entered professional life.

The responsibility lies, in first place, with the organizations, whose behaviour in the last two or three decades<sup>5</sup> - lay offs, downsizing, early retirement, reduction in social protection, <sup>6</sup>rising insecurity....- points to a unilateral denunciation of the terms of the agreement. It is true that many of those measures were inevitable in the framework of an increasingly competitive global economy and may have contributed to saving many jobs. Nevertheless, workers see them as a breach of contract without any grounds on reprehensible behaviour on their part.

On the other hand, in the last sixty or seventy years, the relationship between the "life expectancy" of technologies, organizations, and careers has suffered a complete reversal. In the first part of the 20<sup>th</sup> century, a certain technology (for example, transport of merchandise by sea) had a window of applicability equal or superior to the "life expectancy" of the majority of the organizations which used it and those organizations employed successive generations of workers whose activity changed little over time. Nowadays, in order to survive, companies created to explore a certain technology must continuously reconvert to other technologies that replace the original one. Along the course of a professional life of 40 years (soon to be longer!), workers must constantly update their skills and, even so, will witness the disappearance of the companies they worked for or their transformation to the extent that the companies no longer have a place for them.

All this dynamic of destruction and "Schumpeterian" reconversion, all these constant mergers and acquisitions, instil in the worker a sense of vulnerability of the organizations and a suspicion that, even if the organizations were so inclined, they will not be able to fulfil their promises of employment security and stability long enough.

As discussed further along in the section on emerging values, the increase in the participation of women signalled the end of the acceptance of the secondary role of

---

<sup>5</sup> Many authors place the genesis of this process in the early eighties, with the wave of liberalization and deregulation that started in the United States and the United Kingdom by the governments of Reagan and Thatcher, who had been recently elected.

<sup>6</sup> Notice, for instance, the conversion of retirement plans from "standard benefit" to "standard contribution" which has taken effect a little bit all over in the last two or three years.



personal and family life, and the pre-eminence of knowledge work replaced loyalty to the organization in favour of a stronger identity with the professional group.

In turn, the new generation born after 1980 - the Y Generation - which joined active life in the last decade seems to be guided by values which favour realization in professional, family, and personal areas over short term financial success, and submits its loyalty to any organization to high standards of ethics.

All these circumstances lead to the emergence of a new type of psychological contract where loyalty to the organization is no longer determined by the promise of security and stability but, instead, guided by expectations of growth, employability, and professional realization.

### **g. The erosion of traditional types of authority**

In its traditional form, authority is legitimized by status, not necessarily by competence. This type of authority still prevails today in countless organizations - in particular in small family organizations ruled by the patriarch and in large organizations strongly affected by the charisma of the founder - but it is increasingly questioned by the convergence of multiple developments observed in economy and society.

In knowledge-intensive organizations, the hierarchy is based on proven competence, since the knowledge worker has extreme difficulty in accepting any source of authority other than knowledge itself. This hierarchy is also extremely flexible: authority is transferred to the one, or ones, whose skills and capability offer better conditions for leadership.

The open structure of these organizations, their geographic dispersion and cultural diversity, as well as the informal nature of the relationship of many of the participants in knowledge production - service providers, members of practice communities, and even clients - makes the projection of authority through traditional means of coercion and punitive measures extremely difficult. Therefore, collaborative networks tend to be extremely egalitarian and usually function satisfactorily with a merely functional division of responsibility and minimal formally assigned coordination.

The younger generation, in turn, places great importance on the ethical dimension of authority whose legitimacy will depend not only on the characteristics of the person it is assigned to, - skills, relational ability, etc. - but mainly on the good will of his/her intentions. This requirement has been intensifying, naturally, in the sequence of the revelation of successive scandals, frauds, and other less dignifying episodes which, along the last decade, have destroyed the reputation of formerly highly regarded leaders.

All these processes have been fuelled by the increasing ubiquity of the Anglo-Saxon management model which encourages a more open and informal type of relationship between management and other employees. This model, however, derives from a cultural standard of equality and regard for individual responsibility and has met with implementation challenges in more "collectivist" cultures where there is greater "distance from power" (Hofstede, 1991).

In summary, there is a growing rejection toward externally imposed authority in favour of authority accepted in function of the leader's characteristics and *intentions*: his/her



capacity to guarantee access to the information and resources required for the success of a common mission, his/her charisma, ethic standing and acceptability of his/her objectives.

### **h. The emerging values**

The concern with ethics is not limited to the fundamentals of authority. In recent times there has been a growing support of themes such as corporate social responsibility (CSR), the importance of personal realization in work, and work-life balance. Beyond a certain opportunistic advantage, it seems there is a genuine concern with such issues.

The claim for greater balance between professional demands and family life results, to a large extent, from the increase in female participation in the work force. It is based on the quest for greater balance between the roles of men and women, both in the work place and in the family, and on the improvement in the quality of family life.

On the other hand, those values correspond closely to the ideas of the "Y Generation". The attitudes of this generation (see e.g. Pew Research Centre, 2007) reveal a somewhat paradoxical reality. On the one hand it is a rather narcissistic generation, raised in a strongly paternalistic and protective environment that made it believe it is truly special. Since it grew up during the boom years of the 1980s and 1990s, it benefited from far better consumer standards and education than their parents' generation did. It is also contemporary with the advent of competition based on the quality of service and the affirmation of client rights. It is used to demanding and has an acute brand sensibility - to the extent of excelling in personal branding.

On the other hand, many of these young adults witnessed their parents losing their jobs amidst the turbulence of the restructurings that took place in those decades. Furthermore, their entrance into active life coincided with the successive crises that shook up the early times of the 21<sup>st</sup> century and with the uncertainties related to the advent of a new world order marked by the symbolism of the September 11 attacks. Mainly in Europe, weak economic growth and unemployment are making difficult their access to sufficiently gratifying work and is delaying their moving out of their parents' homes.

The combination of these events lead them to rethink their life priorities and to place free time for personal life, the intrinsic nature of work, personal satisfaction, and professional growth at the top of their list. They desire to become part of organizations whose values are aligned with their own personal values and believe those organizations must be socially minded.

In the realm of politics and traditions - for instance, regarding issues like homosexuality, non-conventional families, immigration and intercultural relations - they exhibit a more cosmopolitan and tolerant attitude than any previous generation.

At work they are impatient and possess a high degree of self confidence, are strongly inclined towards innovation and technologies, and enjoy team work and interaction through informal networks. They display intense reluctance towards activities whose added value they cannot unveil. They do not understand or accept restrictions in access to information and contacts outside the organization.



It is this generation, with these values, who will coexist in the work force with not just one, but two, preceding generations - the so called "X Generation" and the "Baby Boomers" - whose values and priorities often differ substantially from their own.

**Figure 2 – Relative priorities of the 3 generations**

<b>Relative Priority placed on work or family</b>	<b>Baby-boomers</b>	<b>X Generation</b>	<b>Y Generation</b>
Work	22%	13%	13%
Both	37%	35%	37%
Family	41%	52%	50%

Source: *Generation and Gender in the Workplace*, 2002

## **The future of people management**

The complexity and intensity of the present factors portrays the scale of transformations that people management must undergo to respond effectively to the new reality.

### **i. Managing scarcity**

In the knowledge-intensive organizations which dominate the global economy, talent is the scarcest of all resources.

This scarcity has two origins: the ever quicker erosion of knowledge generated by the constant advancements of science and technology, and the retraction of the work force resulting from population decline and ageing. Each of these two causes calls for specific responses.

The constant erosion of the knowledge base requires the generalization of life-long learning. Professional development must not be seen as a scarce resource and, much to the contrary, needs to be vastly offered. However, the methods, formats, and distribution channels will be radically different from those that currently exist. The high risk of content becoming outdated will discourage long and broad-range professional development programs designed as heavy *ex-ante* investments with the goal of producing relatively long-term results. Such programs will be replaced by shorter modules of more assiduous undertaking, whose contents will be more likely to produce acceptable results while they remain up-to-date.

The fragmentation and modularization of content will also facilitate the personalization of learning and allow an almost unlimited variety of combinations able to meet the specific needs of each person to be trained. Professional development opportunities will also be omnipresent in the global network, in several formats and in accordance with different modalities: conventional text, hypertext, e-learning, animations, videos, podcasts, accomplishment programmes, online interaction with trainers, etc.



The modularization and ubiquity of contents will enable learning to become organized in a *pull* rationale where individuals locate, select, and combine resources that match their needs at each moment. It will allow leaning to abandon the *push* rationale where specialized information collectors decide what contents are needed for a whole group of individuals, as the result of centralized forecasts and ever more fallible and obsolete "average needs", as a consequence of growing uncertainty and diversity.

The central concerns of professional development will shift from centralized planning to the availability of access to content and to tools of self-diagnosis and needs-assessment by individuals. Content production will be increasingly more externalized and will enlist an ever larger contribution by the users themselves acting as training "prosumers".<sup>7</sup> Above all, successful organizations must be true "learning organizations", capable of generating, mobilizing, and diffusing knowledge in all their activities.

Measures to combat scarcity in the work force - immigration, extending working life -, as well as some of their possible consequences in the life of organizations and management of human capital, were previously identified in the section about global ageing.

Delaying the age of retirement brings up another very sensitive question - the issue of remuneration on the final stretch of one's career. Specifically, the rule that it increases (at least in unitary value) until the end of professional life will have to be re-examined. It is not that older workers are less productive; on the contrary, today we know that the decline of certain cognitive functions with age is compensated by experience. However, the combination between greater availability in this age group and the competition between this age group and the younger generation, generally better prepared, will inevitably apply some pressure on the compensation of the former. This tendency clashes with the current offer of financial incentives to postpone retirement.

## **j. Managing plurality**

The organizations of the future will operate in an environment of extraordinary plurality.

Here, the term is used to denote a broader and richer concept than that of simple "diversity". This plurality is displayed in several contexts and dimensions. It is possible to discuss:

- The plurality of the work force, characterized by multiple diversity dimensions: cultural diversity generated by global physical influxes (immigration, expatriation, travel) and by the remote interaction of workers from countries with different cultures; generational diversity caused by the new coexistence of three generations; the more balanced participation of men and women in all aspects of organizations; and finally, beyond work force in the conventional meaning, the diversity of input and involvement of a group of stakeholders who add their contribution to that of workers'.

---

<sup>7</sup> This ability of the consumers to produce knowledge, as well as the involvement of clients in the internal processes of organizations represents the fulfillment of the "prosumer" (simultaneously producer and consumer) prophecy proposed by Toffler (1980).



- A functional plurality, present in the diversification and increasing individualisation of workers' activities.
- A structural and geographic plurality, as a consequence of internationalization, specialization, or even externalization of certain operations and of the idiosyncrasies of business units that enter and exit the periphery of organizations at the mercy of successive mergers, acquisitions, and break-ups; and also the possibility of knowledge workers being able to carry out their functions effectively, independently of their physical location.
- And even a chronological plurality, detectable in the coexistence of parts of an organization which are in different phases of their journey toward new paradigms.

This plurality represents a formidable source of wealth, and the organizations that can better capitalize on it will be the winners.

The development of intercultural intelligence will, thus, become a priority in people management. It is imperative that workers know not only how to value difference, but also how to manage the tools which are necessary to deal with and benefit from it: foreign languages, interpersonal communication, communication platforms and applications, knowledge of the characteristics of different cultures, and many others. Despite constant praise for the value of intercultural sensibility and its development, there is still a long way to go: how many collaborators of western organizations (or even how many executives) with business in Islamic nations are aware that the weekend in those countries falls on Friday and Saturday? And how many are able to recite the five fundamental principles of Islam?

It is also necessary to transit from the prevailing antagonistic attitude toward an attitude of quest for reciprocal benefit: in open organizations, the creation of value depends heavily on trust on the different types of "producers" who exchange knowledge across their borders - the clients who participate in innovation, professionals in the same area who contribute technical solutions, and even competitors who collaborate in the definition of norms and standards that benefit all in the logic of "coopetition" coined by Toffler (1980).

In short, we may say that, in face of the challenges and the opportunities of plurality, the role of people management must not lie so much in the search for the necessary balance to assure cohesion but, rather, in the creation of controlled imbalance susceptible to foster and draw value from differences while making sure that it does not go so far as to undermine cohesion.

### **k. Managing motivation and merit**

In open and pluralistic organizations, the motivation factors certainly differ greatly among the diverse groups that make them up. The identification and the understanding of such motivation factors is essential in order to properly orchestrate the total potential present in this "extended work force". To manage people means to provide to *all of them* these essential keys to understand and collaborate with one another. In the organizations of the future, managing motivation cannot be a task reserved to the



leader. The open and lateral nature of collaborative work requires that most workers be able to understand what motivates all those people with whom they work with.

It is common-place to defend merit as a structural principle of power relationships and authority within organizations. The problem lies with defining "merit". With some irony, we might say that "merit" resides in the behaviours and attitudes prized by the managing elite and which derive directly from objective contribution to the creation of value and "dedication to the company" (to be read as "number of work hours"), loyalty to certain circles, and unquestionable obedience to their superiors. However, this is not true, as the fundamentals of merit are one of the most powerful factors of attractiveness of an organization: where merit lies in affinity with the elite, you will only find their friends; and where there is unquestionable obedience, only the "yes men" will be attracted to and retained.

The organization of the future will be more demanding regarding the fundamentals of merit. In first place is, obviously, the creation of value. However, right along with it, are the behaviours and attitudes required by its operation: tolerance and valuing differences, communication capacity in any context, autonomy and initiative, quest for mutual benefit, curiosity and continuing learning, ethics, etc. Without these, value cannot be created. (And for many, *it is not worth creating.*)

### **I. Aging the flow of talent, rather than stocks**

The conventional model of talent management follows the principle of accumulation. Once acquired, talent must be preserved and retained at all costs - including several somewhat displayed forms of enticement and blackmail - and the loss to the outside is perceived as a contentious separation between the organization and the worker. Under these circumstances, it is legitimate to keep the worker out of sight to avoid interest by outside parties: participation in meetings, conferences and like events, such as participation in professional associations and social networks, constitutes grounds for disapproval. Even professional development training is usually held within the organization to minimize the risk of contact with outside elements.

Obviously, this model does not support the needs of the knowledge economy.

Nowadays, it is not possible to conceive talent development in a closed environment. For reasons mentioned above, enhancing and keeping the skills of the knowledge worker updated requires his remaining in constant contact with a network that extends far beyond the frontiers of his organization.

On the other hand, the new terms of the psychological contract - which, by the way, derive partly from a reaction against the paternalistic view - take away all meaning from the strategies of talent accumulation and preservation.

The new models of people management must, therefore, start to incorporate talent management beyond the frontiers of the organization - a radical change of mentality, since the contentious separation must be replaced by a friendly departure and, in certain cases, even recommended by the organization. In the organization of the future, the existence of available, beneficent, and recognized talent for the organization is an active asset of great value and easily superior to that of its eventual retention. The preservation of a good relationship between the parties allows the worker to





participate in the organization's networks, to be a partner in the sharing of knowledge, the source of opportunities for business and innovative ideas, and to contribute with technical solutions within his/her specialty.

Therefore, to manage the flow of talent means the following, in this order:

1. To understand the times, rhythm, and career motivations of each knowledge worker and to detect the moment when a transition makes sense to him/her.<sup>8</sup>
2. If necessary, take the initiative to recommend that transition: a well-founded and coherent recommendation, adjusted to the worker's projects, will reinforce the worker's gratitude and future good will, even if it does not materialize; besides, it allows more effective control of a direct loss in favour of competitors, which may rise obstacles for future cooperation;
3. Maintain and foster the relationship beyond the frontiers of the organization.

### **m. A new leadership**

Just like now, leaders of 21<sup>st</sup> century organizations will be responsible for motivating and fostering the growth of knowledge workers, for directing their collaboration, and guiding their careers - but they must do it in a totally different way.

Knowledge workers have an essentially egalitarian vision of themselves. They believe the value of contributions is based on their objective quality, not on the status of the people who make them. The nature of their work is more autonomous and demands more initiative on their part. Supervisors cannot be aware of all the information that comes across the workers and, much less, to control and filter that information as a way to exercise power. Thus, these workers expect their supervisors to provide guidance, incentive, and the means required to get the job done, rather than exercise a heavily prescriptive intervention or tight control over their activity.

So, the influence of leaders must be based on their proved ability to act in accordance with those expectations. It will be closer to the *auctoritas* of the Romans - the authority of savants, who convince through the pertinence and fairness of their arguments based on the credibility of their testimony - than to the *potestas*, the right of elected magistrates to exercise coercion and apply punishment.

Leadership based on *auctoritas* will play a fundamental role in the relationship among generations. The extension of working life, the gradual transition to retirement, and the migration of older workers to consulting and support functions, will result in an objective loss of the power they previously exercised. Older supervisors will gradually be replaced in their supervising duties by younger ones, but as they continue to work for the organization, the latter will, eventually, be supervised in the exercise of duties previously carried out by the former. It is doubtful that this older workers will accept any authority from the younger group based on coercion and punitive measures. The younger group will have to earn and deserve that authority based on proven merit - and this merit, in the sense defined above, is synonymous of competence and results, but also of loyalty, humility, and strict ethics.

---

<sup>8</sup> This capacity is already reasonably understood by organizations that practice systematic internal rotation. The difference lies in the possibility of the "rotation" being external.



There is only one way to learn this form of management: by learning to be managed. Certainly, one can start by learning from the example set by good leaders, but one must also learn from everything that should not be done, from behaviours which rather than encouraging the worker's alliance cause him to be rebellious and defiant: arrogance, disloyalty with the people they manage, selfishness, inability to say "no" to their superiors, unethical behaviour - in summary, poor character. This "*followership*" training will provide candidates to future leadership positions with a very rich perspective of the human and ethical demands of leadership.

In short, this demand translates into respect for people, in general, and for each person individually; into respect for their values and interests, whether they are community service, protection of the environment, or simply enjoying more time with the family.

However, in order to respect, it is necessary to know, and knowing requires opening up, associating with others, and recognizing the individuality and particularities of others. The disperse and plural nature of 21<sup>st</sup> century organizations makes that discovery very difficult: how will we know someone we only meet through email or phone conversation, someone who lives and works thousands of kilometres away, who speaks a different language, and whose culture is so different from ours?

This is certainly one of the great challenges of people management in the upcoming decades: to help workers, despite all obstacles and difficulties, be recognized as flesh and blood human beings, with their ambitions and frustrations, their convictions and distresses, their happiness and sadness, their past and their future - not as mere abstract representations based on data, whose true essence no amount of information, however exhaustive, may capture

### **The situation in Portugal**

In general, in its essence, the issue of people management in Portugal does not differ much from the scenario presented here.

It is an economy with a strong tertiary component, with a service component that grew from 33% to 61% of the working population between 1974 and 2009 - a number that is characteristic of post-industrial economies. Portugal is, at the same time, a small open economy exposed to the tides of globalization and integrated in an area of free circulation of goods, people, and capital with participation of several multinationals.

Its population has one of the highest ageing rates, but data indicate that this rate is compatible with those of other Southern European countries; its fertility rate is below the average in the European Union.

Despite having received a considerable number of immigrants, it continues to be a source of emigration of workers with low qualifications for more developed economies and, in past years, "brain drain" has increased as a consequence of the difficulty for highly-qualified young people to find work that meets their expectations.

In the area of ICT, Portugal shows indicators compatible with those of many other developed nations (availability of internet and broadband services, participation in social networks...).



Portugal has one of the highest levels of female participation in the economy, one of the lowest gender salary differences in the European Union (9.2%), and a high percentage of female college graduates (64%). However, the access of women to economy and politics compares poorly to that of their male counterparts.

A history of economic instability, a tradition of dependence on power, a low level of individualism, and an extremely high index of resistance to risk-taking (Hofstede, 1991) lead to a situation where the stability of working for others is strongly valued in detriment of initiative and entrepreneurship, a fact further reinforced by the rigidity of labour laws.

Authority is marked by a great distance from power (Hofstede, 1991). It is based on the social acceptance of status inequality, on norms of reverence used, and on the existence of a much closed leading elite as the result of a small environment combined with relationships forged through participation in political and academic circles.

Generally speaking, the new values of organizations experience implementation difficulties. The concern with work-life balance is limited by the need to provide sufficient income for the family, a factor that keeps men and women away from home for long hours, made longer by commuting in large urban centres. The difficulty of young people in finding employment keeps them living with their parents for a rather long period, rendering that concept void of any sense. CSR appears not to generate great enthusiasm and is viewed with some scepticism, even in its environmental aspect (as can be attested by the relatively low degree of recycling); the level of voluntary work is low, despite sporadic efforts to join causes perceived as noble (like, for example, food bank campaigns or, in March of 2010, the "Clean-up Portugal" campaign).

In face of this scenario, it is not to be expected that people management tendencies in Portugal will differ all that much from what we enunciated in the previous chapter. There are, however, a few aspects that deserve special reference.

Regarding the management of plurality, Portuguese society appears to be rather open to accepting and benefiting from great exposure to diversity. Without much discomfort, it took in hundreds of thousands of immigrants in the past twenty years, despite noticeable discrimination against certain groups (poor Africans, gypsies) - and even this discrimination seems to disappear at the level of personal relations. However, we must not spare efforts toward a true intercultural education of the new generations through the learning of languages, opportunities for exchange, travel, periods of work and study abroad, participation in international social networks, etc.

Some of the cultural characteristics of Portuguese society - particularly the low index of individualism and the tradition of dependency (whether on the family, employer, or the government), blaming the occurrence of situations on external cause, strong resistance to risk-taking, envy, and the great distance from power - will certainly present great challenges to the implementation of some of the recommendations made.

The low degree of individualism and the resistance to risk-taking will tend to discourage professional mobility and to preserve the psychological contract in its paternalist version.

In addition, the development of a more open attitude regarding talent flow will clash head-on with the prevalence of the collective over the individual, with the tendency to



avoid uncertainty and ambiguity, and with the feeling of envy toward those who managed to achieve a better position in life. For these reasons, it will require a much greater effort. The same is true for the proactive search of mutual benefits.

The same way that resistance to risk-taking and urge for dependency will discourage older workers to start new enterprises in the last stretch of their careers, distance from power and status appreciation may pose obstacles to the coexistence and collaboration of different generations.

The advent of leadership based on *auctoritas* will experience difficulty overcoming the barrier of distance from power.

All these challenges are made more difficult by the nature of the Portuguese entrepreneurial fabric, where 95% of companies have less than 10 employees and, in their great majority, are based on family structure. Simply put, these micro-organizations do not have the size or resources necessary to carry out the measures mentioned in the previous chapter, even if many of them already operate in the sphere of a knowledge economy. The only exception might be with regard to leadership, as the small size facilitates a closer relationship between workers and their employer; however, the employers' lack of preparation (the majority only have the equivalent of a junior high education), their lack of sensibility to the meaning of leadership, and the typically paternalistic attitude of collectivist cultures pose great obstacles.

Nevertheless, the situation is far from being desperate. The challenges are only of quantitative nature and may be overcome with the right effort and investment. Several of the largest organizations currently present in Portugal, national companies or foreign multinationals, already adopted many of the standards and practices identified in this article.

In Portugal, good management of people in a knowledge economy is possible.

### **Bibliographical references**

\_\_\_\_ (2005). *Uma nova solidariedade entre gerações face às mudanças demográficas* (Livro verde). Bruxelas: Comissão das Comunidades Europeias. Available in <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2005:0094:FIN:PT:PDF>

\_\_\_\_ (2006). *Ageing and Employment Policies: Live Longer, Work Longer*. Paris: OECD.

\_\_\_\_ (2007). *How Young People View Their Lives, Futures and Politics: a Portrait of «Generation Next»*. Washington, DC: Pew Research Center

\_\_\_\_ (2010). "Not So Willkommen: Germany Falls Behind in Competition for Foreign Experts". In *Spiegel Online*, 11 August. Available in <http://www.spiegel.de/international/germany/0,1518,711046,00.html>

\_\_\_\_ (2010). *Homens e Mulheres em Portugal, 2010*. Lisboa: INE

\_\_\_\_ (2010). *Women in National Parliaments* (Situation as of June 2010). Inter-parliamentary Union. [consulted on July 2010]. Available in <http://www.ipu.org/wmn-e/arc/world300610.htm>

Almeida, S.J. (2010). "Igualdade entre mulheres e homens está longe: diferença salarial subiu para 9,2 por cento". In *Público*, April 4.



- Barreto, A. (2002). *Mu 1dança social em Portugal, 1960/2000, WP 6-02*. Lisboa: Universidade de Lisboa - Instituto de Ciências Sociais. Available in <http://www.ics.ul.pt/publicacoes/workingpapers/wp2002/WP6-2002.pdf>
- Drucker, P.F. (2001). "The new workforce: knowledge workers are the new capitalists." In *The Economist*, November.
- Drucker, P.F. (2001). "The next society". In *The Economist*, November 1.
- Drucker, P.F. (2001). "The way ahead". In *The Economist*, November 1.
- Drucker, P.F. (2001). "Will the corporation survive?". In *The Economist*, 1 November.
- Evans, P, Pucik, V., e Barsoux, J-L. (2002). *The Global Challenge - Frameworks for Human Resource Management*. New York: McGraw-Hill.
- Hagel III, J. e Brown, J.S. (2008). "From Push To Pull: Emerging Models For Mobilizing Resources". In *Journal of Service Science*, Volume 1, Number 1: 93-110
- Hagel III, J. e Brown, J.S. (2010). "Six Fundamental Shifts in the Way We Work". Harvard Business Review Blogs. Available in <http://blogs.hbr.org/bigshift/2010/08/six-fundamental-shifts-in-the.html>
- Hofstede, G. (1991). *Cultures and Organizations, Software of the Mind – Intercultural Cooperation and its Importance for Survival*. New York, NY: McGrawHill.
- Lesthaeghe, R. (2010). *The Unfolding Story of the Second Demographic Transition. Conference on Fertility in the History of the 20th Century – Trends, Theories, Public Discourses, and Policies*. Berlim: Akademia Leopoldina & Berlin-Brandenburgische Akademie, 21-23 January. Available in [http://sdt.psc.isr.umich.edu/pubs/presentations/Unfolding\\_2010.pdf](http://sdt.psc.isr.umich.edu/pubs/presentations/Unfolding_2010.pdf)
- Toffler, A. (1980). *A Terceira Vaga*. Lisboa: Livros do Brasil.