

Human Capital and Knowledge Management in the New Economy

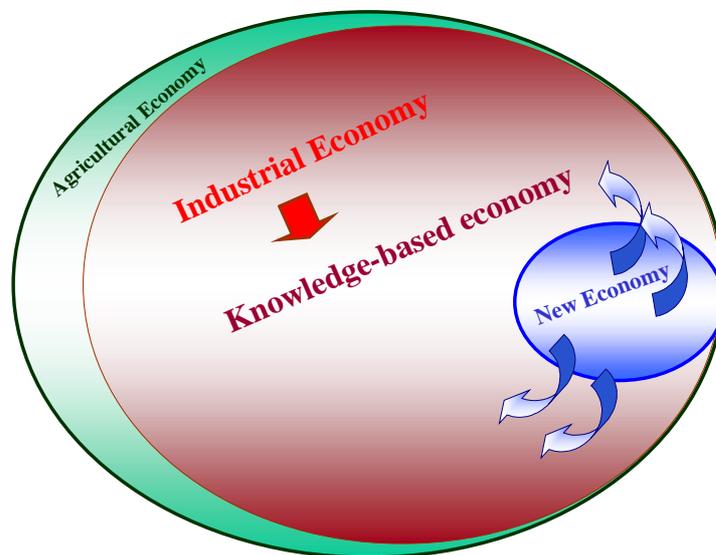
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What is the New Economy

The “New Economy” is the most virulent part of the Knowledge-Based Economy. It is an important stepping-stone towards it. For this reason, many people wrongly believe that the “New Economy” is already the next stage of the economy. The New Economy is very visible, but so far it is still only a small part of the total economy. Nevertheless, there is no part of the economy that will remain untouched by it.

The knowledge-based is the economy succeeding the industrial economy. “Knowledge” is the main raw material. Knowledge is also one of the main outputs of the knowledge-based economy. This indicates that this economy is very different from the previous economies! Obviously, each application of knowledge brings new knowledge or a higher quality of knowledge. Therefore, the knowledge-based economy can also be considered a gigantic factory of knowledge. This will inevitably lead to changes in the knowledge creation and knowledge distribution. The first organizations that feel this change are the business schools, but this change will not stop there.

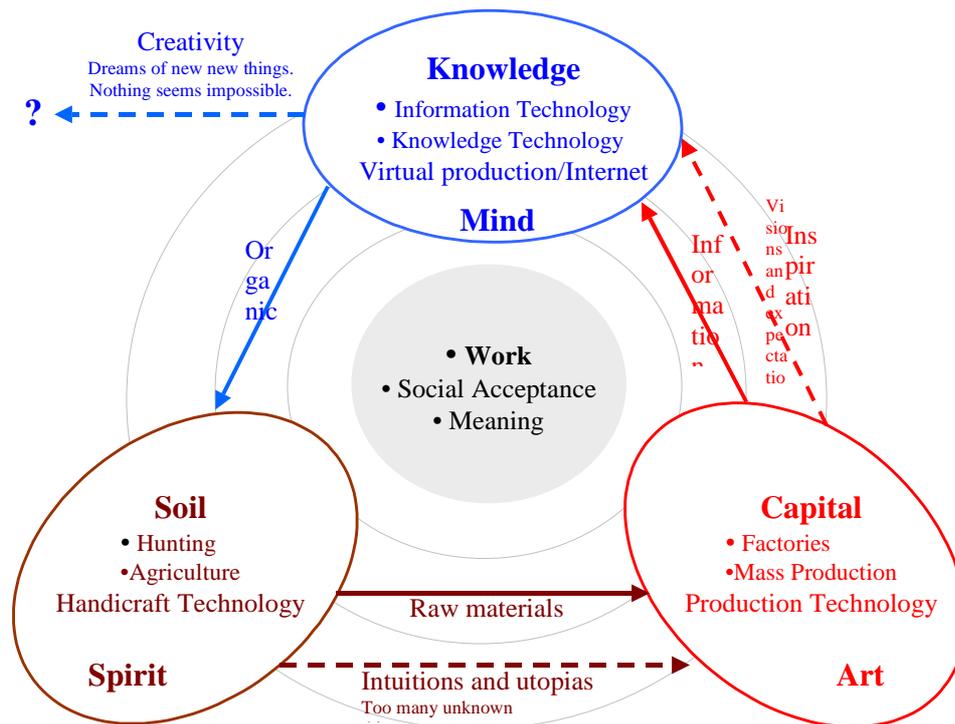
With the Knowledge-Based Economy, we are entering entirely new grounds. Actually, the knowledge-based economy is only a part of the knowledge society.



New Economy: The term “New Economy” describes the industry encompassing all Internet-based businesses, from telecommunications to content providers. Authors increasingly use the term for all new businesses based on speed to market, virtualization, and globalization. In that sense, one can include the bio-tech, the high-tech, and the software industry.

We need to take a brief look from a historical perspective to understand what is happening to the economy.

The first economy was built around the usage of soil: that was hunting and agriculture. The technology of this economy was handicrafts. The exploitation of the raw materials of the soil combined with capital led to the industrial economy, which used mechanical production technology and mechanic transportation. The increasing amount of information and knowledge combined with the information technology in the late 20th century have led to the development of the knowledge-based economy based on the information technology and the internet.



Paradigm Shifts

Every time a new economy appears the fundamental paradigms are changing. We can watch the paradigm shift in our environment.

The transformation from the industrial economy towards the knowledge-based economy also triggers paradigm shifts and leads to emerging new paradigms.

A few examples:

- **Economy and management**

From shareholder value to the healthy enterprise with new models for financing and new management approaches, e.g. integral management.

- **Education**

From teaching to learning, i.e. from the transfer of knowledge to knowledge creation.

- **Consulting**

From pay for presence and work (daily fees) to pay for value created and participation in risks and opportunities. From telling to doing.

- **Work**

From payment for presence and activities to reward for performance, value created and participation in the results. Work as experience, fun and achievement with shared responsibility and shared revenues.

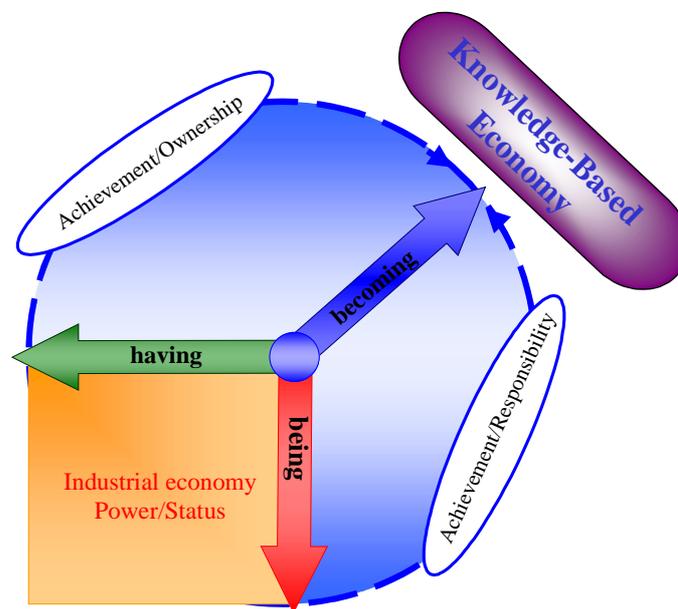
- **Value creation**

From the classic chain of supplier, production, customer to the ubiquity of the customer.

- **Culture**

From status and power to experiences and achievement. From structure and organization to corporate culture. Corporate culture becomes the key factor for sustainable success.

Very important is also the orientation of the new generation: from having and being to becoming:



Issues and problems

All these developments are leading to several issues and problems:

- ⇒ Access and availability of talent, i.e. capable and experienced people
- ⇒ Actuality and relevance of knowledge and know-how
- ⇒ Willingness and ability to share knowledge across the company and with all stakeholders
- ⇒ Adequate management practices for the New Economy
- ⇒ Organizational form and corporate culture adequate for the New Economy

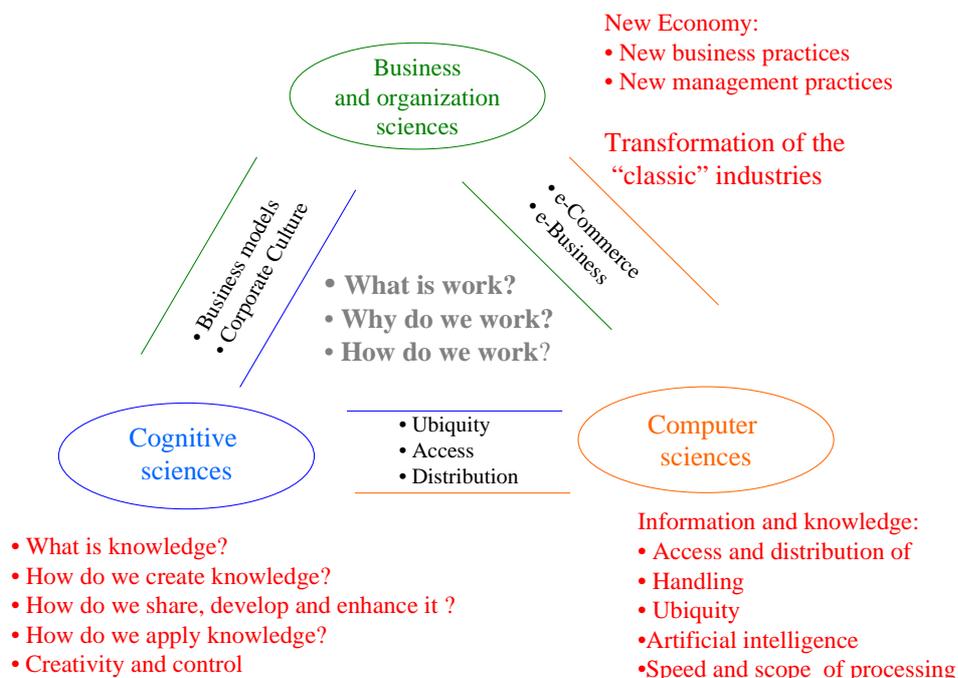
We can also watch fundamental changes in the marketplace:

From	Through	To
Something	Everything	Right thing
Somewhere	Everywhere	Right place
Sometime	Always	Right time
Somehow	Perfect	Right way
Somebody	Everybody	Customized

To deliver the right “thing” at the right place, at the right time, in the right way and customized – not to forget the right price – is quite a challenge. Without the means used by the New Economy, the Internet, the telecommunication possibilities and the new culture, the above mentioned customer requirements are quite impossible to fulfill. This means also that the benchmarks are very high up. It is impossible to match them with just “more of the same”. A lot of creativity, innovation and entrepreneurial spirit is required to cope with the new customers.

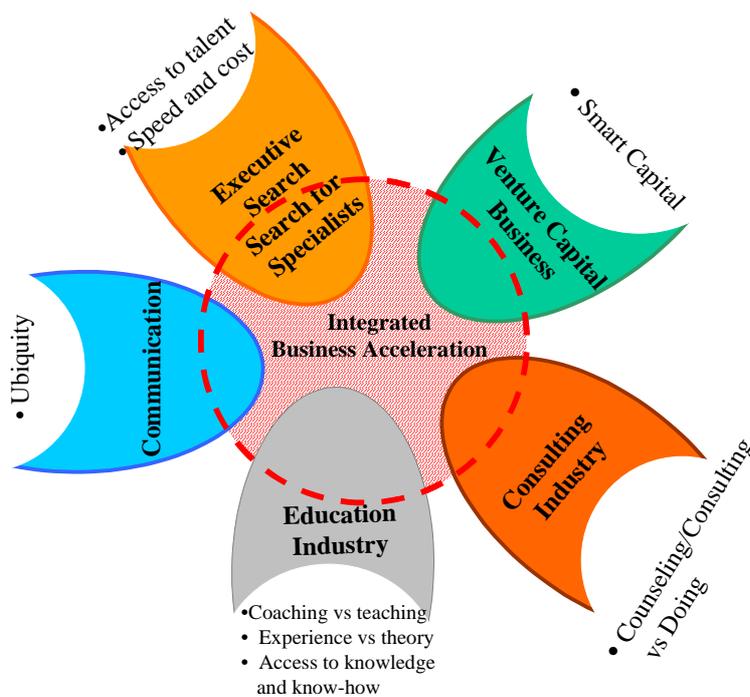
We will have to cope with many different issues centered around work and its meaning. “Work” is of such importance for us that the meaning of it is central for our own appreciation and self-esteem, it is central also for our acceptance and position in the society. The meaning of work is one of the fundamental drivers of the corporate culture.

If you put the triangle of business and organization science, computer science and cognitive science around work, many fundamental questions will pop up. The answer to this questions is the key for the understanding of the corporate culture and the economy in which we live in.



New Industries are emerging

The New Economy is also facilitating the creation of new industries. An important outcome is the creation of a new industry out of five established industries: consulting, education, executive search, investment and communication. The new industry is focused mainly on building and accelerating new business ventures. The size of this industry is estimated to be over 12 billion Euros in 2000, growing over 10% yearly.



Let's look at the New Economy

In order to be successful in the New Economy, the following ingredients are necessary:

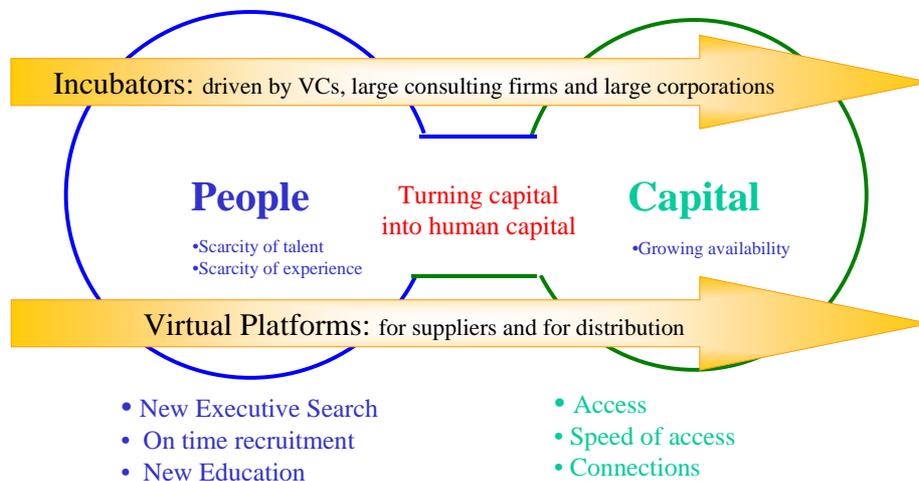
- A business idea and a business plan
- Experienced people and adequate culture
- Smart money
- An educated market
- Understanding of the technology development
- Finance and controlling
- Virtual dimension, e.g. virtual communication platform

These ingredients have to come together at an enormous speed and in midst of heavy competition. This is the reason why creativity is more important than market intelligence.

**If you have a good idea,
Many people are already working on it.
If you think it is impossible,
At least a dozen projects are already focused on it.**

The speed and the quality of the implementation becomes a critical factor.

We have two major mega trends in the New Economy:



We have to bear in mind some fundamental differences:

Classic Economy	New Economy
<ul style="list-style-type: none"> • Search and recruitment of executives and specialists is taking months • Cash is the basis for payment and remuneration • Big legacy issues: policies, systems, technology etc. • Structure and organization is dominating over corporate culture • Ownership principle: companies want to own as many resources as possible • Tenure and age over performance • Production technology driven • Value creation process • Work as duty 	<ul style="list-style-type: none"> • Need for experienced executives and specialists within weeks • Payment and remuneration: cash, options or stock • No legacies, but uncertainties due to rapid development • Corporate culture dominates structure and organization • What is not core to the business is outside the company • Performance and knowledge • Information technology • Value creation for the stakeholders • Work for fun and excitement

The working place is for many people a surrogate for the hunting grounds of the past. This is the reason why it is so dominated by the male population. We need to redefine work as a place for development experiences, where people can mature.

A few questions

- ⇒ Do you have a clear picture of the role of the Human Capital in your company?
- ⇒ Does the Human Capital represent a real business value, or are you just desperate for talent?
- ⇒ What are the proofs that you are serious about your Human Capital?
- ⇒ Have you anchored your ideas about the Human Capital in your strategy, or your strategic framework?
- ⇒ Do you know your business model?
- ⇒ Do you have a clear idea about your key stakeholders and their needs, expectations and wants?
- ⇒ Have you explored your value creation?
- ⇒ What do you do for the development of your core competencies?
- ⇒ What is the essential knowledge and know-how you need?
- ⇒ Do you know the key knowledge professionals in your organization?
- ⇒ What is the role of HR in respect to the Human Capital and Knowledge Management?
- ⇒ Is the culture of your company fit for the New Economy?
- ⇒ Is your corporate culture still tied to the industrial age strategies and behaviors?
- ⇒ Is your corporate culture supporting flexible strategies and a nimble organization?

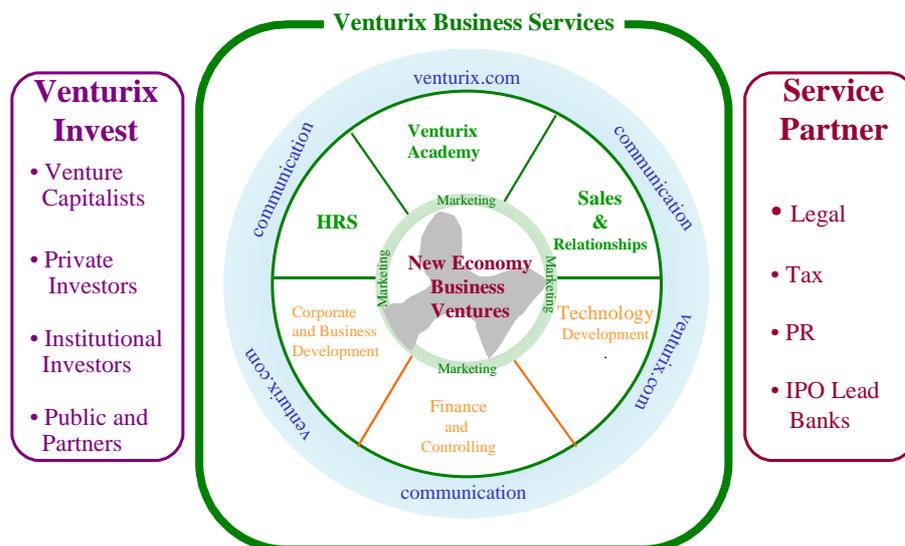
Example: Venturix

Many companies have already begun to focus on the emerging business accelerator market. First to focus on this market are companies that are directly affected by this transformation, e.g. business schools, consulting companies, executive search companies, venture capital companies etc. However, there are already several newcomers: business incubators and combinations or alliances of the different affected industries: e.g. business schools with venture capital companies, consulting companies with executive search companies etc. One that is covering the whole business accelerator market across Europe is the Venturix Group.

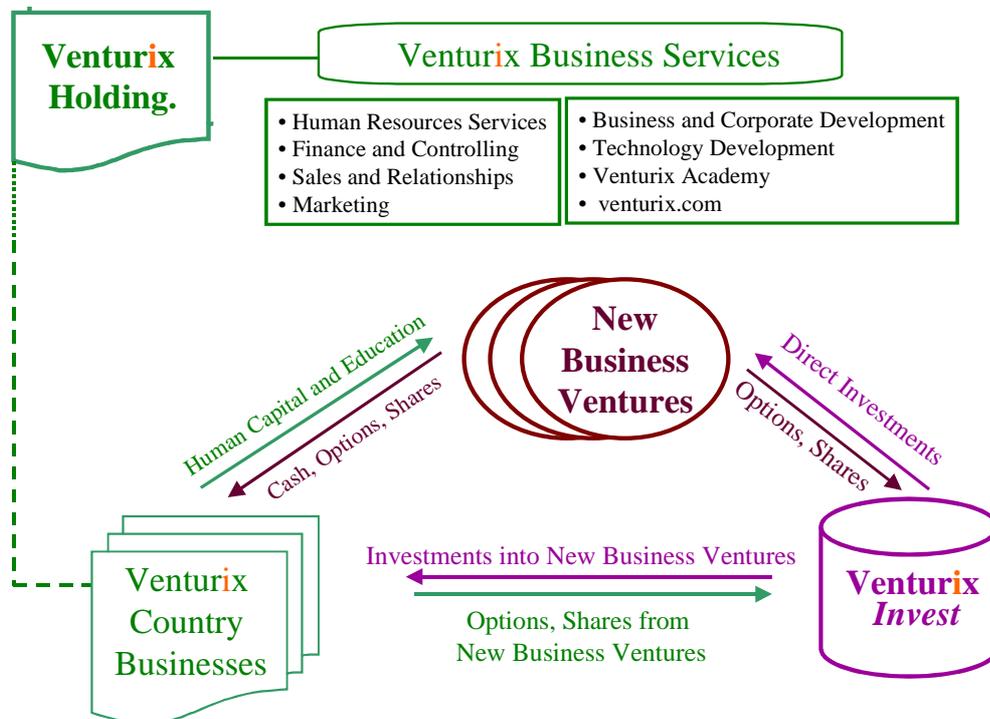
The Venturix Group has three legal entities: Venturix Ltd., Venturix Advisers, and Venturix Invest.

- | | |
|-------------------|--|
| Venturix Holding | <ul style="list-style-type: none"> • With the wholly owned subsidiary: Venturix Business Services • with Venturix country business units build as start-ups in all important European markets • provides experienced people, best practices and smart capital to the new business ventures in the New Economy in exchange for options, shares, or cash. |
| Venturix Advisers | <ul style="list-style-type: none"> • advises Venturix Ltd. and Venturix Invest about investment strategies. |
| Venturix Invest | <ul style="list-style-type: none"> • provides smart capital to the Venturix client companies. |

Venturix plans to quickly become the European hub for the New Economy talents and projects. After its full implementation Venturix will be present in all main European markets. Venturix Business Services has a basic structure of seven business service areas.



In two to three years Venturix will have over fifteen country business units with several Business Builders, Associated Partners and corporate Associated Partners across Europe. All this is happening in a rapidly changing, unstable and constantly emerging environment. We do not have to emphasize the growing scarcity of talent for the New Economy worldwide. Venturix has developed a business model that allows Venturix and its Associated Partners to tap into the New Economy. The customers of Venturix can pay in any form they prefer: cash, options, stock or a combination of them.



For Venturix the following are key questions:

- ⇒ Where to find, how to attract, to keep and to develop the necessary talent, i.e. people with experience in the New Economy?
- ⇒ How to secure the state of the art knowledge and know-how?
- ⇒ How to be able to select the promising new business ventures?
- ⇒ How to focus on the European market without losing sight of the global developments?
- ⇒ How to focus on the core business without limiting it too much, risking to miss new developments?
- ⇒ Where to find the necessary best practices applicable to the New Economy?

A part of the answers can be found in the management of the Human Capital and the Knowledge Management.

Venturix' Human Capital are its Management Team together with their staff, the Business Builders, the Associated Partners, the customers and the people in the networks and the communities of practice. Those people are also the main knowledge carriers. Giving them access to the best practices they need, encouraging them to share their experiences, capturing their best practices, developing the next generation of professionals, building and developing communities of practice; these are some of the important activities. Creating a culture that is attractive and supportive to those types of individuals is the other big challenge.

Today we can build corporate communication platforms that can serve many purposes:

- ⇒ Direct communication within the enterprise, with the key stakeholder and with the interested public
- ⇒ Information about the enterprise, the strategy and the progress in the achievement of the objectives; information about the key stakeholder; about visions and dreams
- ⇒ Presentation of best practices
- ⇒ Actualization of knowledge and know-how
- ⇒ Knowledge management
- ⇒ Building of communities of practice
- ⇒ Training and development; development of the core competencies
- ⇒ Education of the key stakeholder

The virtual platform can allow a continuous dialogue with all interested parties with a high degree of customization.

Venturix is building such a platform. It will be the virtual part of the business, linking all key stakeholders inside and outside the enterprise. It will become the main marketing tool of Venturix. However, the main purpose is the development of a corporate culture that will encompass all key stakeholders: customers, employees, managing and associated partners, investors, communities of practice and the Venturix Academy.

The **Venturix culture** is based on “**becoming**”, where life is a discovery journey, a discovery of new and unknown territories, with a lot of excitement and fun, but also uncertainty and risk. It is also a culture where “**participation**” is important: all key stakeholders are participating in this journey and its results. This means lots of creativity, innovation and entrepreneurship. It is much about exploring uncharted territories and creating new ways of working and doing business.

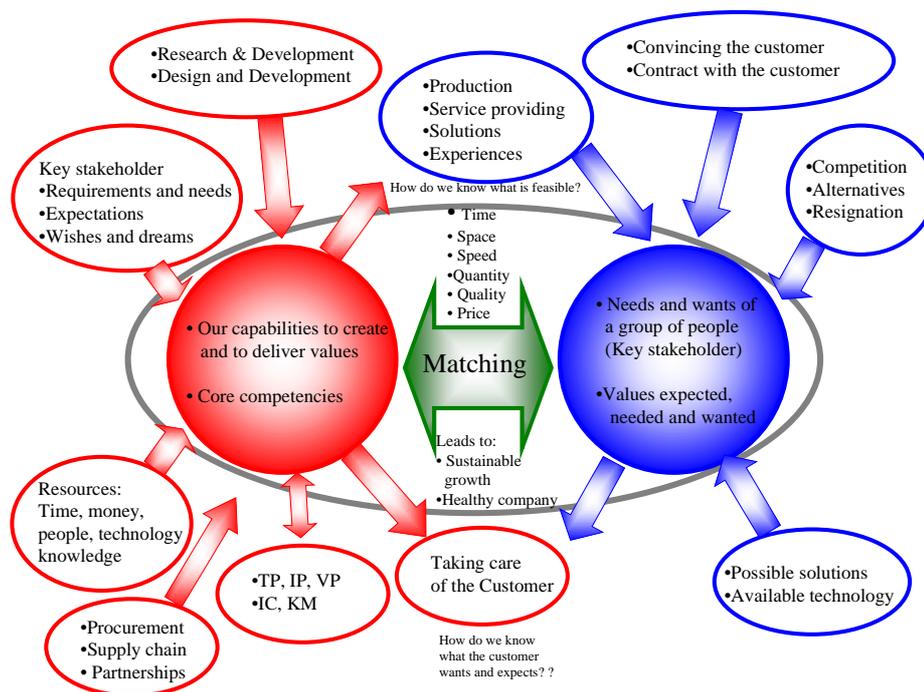
The main driver of the industrial economy, i.e. “hard work,” is not enough. “**Working smarter, not harder!**” is the new core belief. Not more of the same, but new, different, better ways: this is what Venturix stands for.

The main purpose of entrepreneurship becomes the creation of new “things” that have value for the society. It is not the pure possession of as much as possible. Possession leads to obsession with having and being, creation leads to a discovery adventure. The journey becomes as important as the goal. After all, our life is just a journey and only experience generates experience.

The strategic framework of Venturix is based on the principles of the New Economy. It begins with the definition of the business model. Each enterprise has a somewhat distinct model, and most companies still have to discover what their business model in the new reality will be.

The fundamental idea of a business model has a two-sided definition: on one side is the definition of the capabilities to create and to deliver values and which core competencies are needed for this purpose; and on the other side is the definition of the values expected, needed and wanted by the key stakeholder. The decisive point is the level of matching between these two sides.

Following is an example of a generic business model:



After the definition of the business model, the next important step is the clarification of the purpose of the enterprise and the understanding of the emerging context (external and internal).

After these two elements are established, the strategic direction can be described. A next step is the definition of the key stakeholders and the exploration of their needs and expectations, dreams and wishes. This leads to the definition of the corporate objectives.

The result can be a matrix such as the following:

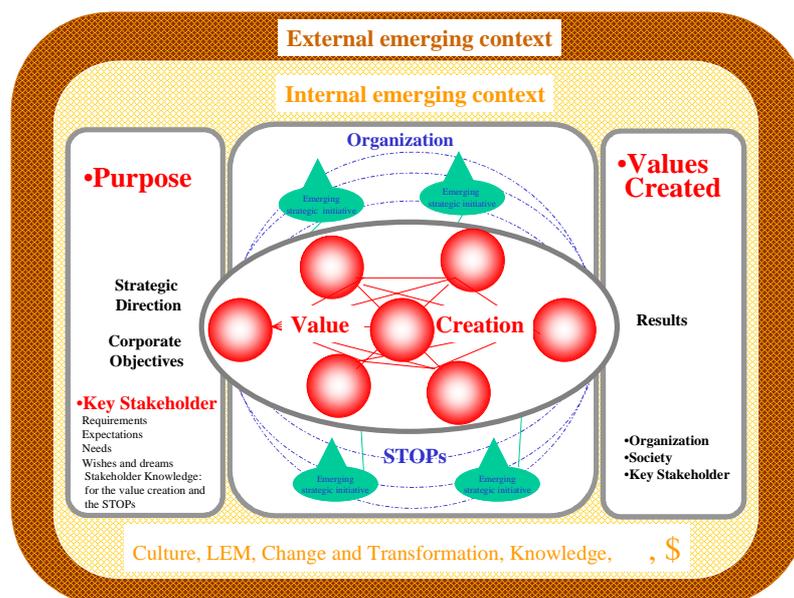
Key stakeholder	Needs and expectations of the key stakeholder	Values expected by the key stakeholder	Corporate objectives
• Owner/Shareholder			
• Management team			
• Employees			
• Strategic partners			
• Customers			
• Suppliers			
• other			

It is good practice to assign certain members of the management team the responsibility for a corporate objective, to make the whole process visible and transparent to all key stakeholders and to report on a monthly basis the progress against the corporate objectives. This report needs to be accessible to all key stakeholders.

The next step is the elaboration of the value creation, which is not a chain or a process anymore. The best way to do it is to define the core elements of the value creation and to group them around the way the customer or the consumer is using the output of the organization.

When all this is defined, it makes sense to work out the necessary structure and organization, i.e. the management processes supporting the value creation: general management, finance management, HRM, knowledge management, marketing, sales management, production, innovation, business development, quality management, etc.

Usually, this effort will yield ideas for strategic initiatives, i.e. all initiatives linked directly to the value creation. The strategic initiatives are then converted into projects or actions.



We also have to define and develop the core competencies of the company and the key individuals. Once this is done, it becomes quite obvious which knowledge has to be managed and how.

It is good practice to consolidate all this into a business plan focused on the purpose and the values that have to be created.

Different factors of integration for Venturix have been established in order to secure the integration of the complex set-up of Venturix:

- ⇒ The CEO is the “Chief Enterprise Officer,” he is the key facilitator and integrator.
- ⇒ The CCO, who is responsible for the coherence and is supporting the internal co-operation he is the “Chief Culture Officer”.
- ⇒ Common objectives of the management team with transparency of the objectives and the progress of achievement
- ⇒ The virtual platform venturix.com
- ⇒ The communities of practice
- ⇒ The shared values of becoming, fun and excitement, and participation

A very important element of Venturix is the Venturix Academy, which is responsible for the education and development of the key stakeholders. It is built on the handicraft model, where we first have the apprentice who learns the basics, then the journeyman who learns through practice, and finally the master who learns by helping others to learn.

The Venturix Academy is preparing a series of on-line modules on the New Economy, a series of on-site encounters with key people from the New Economy and specific assignments in New Business Ventures under the supervision of the Associated Partners. In this way Venturix Academy is creating New Economy Masters. The content and the process are driven by the needs and expectations of the New Economy Business Ventures and the participants’ needs and expectations.

Some fundamental shifts that are beginning to affect our life are:

Work	From doing to thinking
Education	From teaching to learning and development
Consulting	From telling to doing
Reward and recognition	From paying to participation
People	From performance to life balancing; From having and being to becoming; From career to portfolio of experiences

Summary

The Knowledge-Based Economy is the economy that is replacing the industrial economy. The “New Economy” is a stepping-stone towards it. We can watch paradigm shifts and emerging new paradigms right now. The ways of doing business and managing are changing fast. New industries are emerging. One that will have a huge impact on the further development is the business accelerator industry, coming out of the transformation of five existing industries: executive search, venture capital business, consulting, education and communication. Management of the Human Capital and Knowledge Management are important tools helping this transformation.

The newly created Venturix Group is aiming to become the hub for the New Economy talent in Europe covering the whole business accelerator market across Europe.

Recommended Literature

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You can find this article in word format on www.raich.net, Knowledge Economy, August 2000.