Strategic Capabilities

Shaping Human Resource Management

within the Knowledge-Driven Enterprise

by

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With the emergence of the *knowledge era*, it has become widely recognized that the *intangible* assets of an enterprise will be key to both its ability to create competitive advantage, and to grow at an accelerated pace. As a result, more and more organizations are showing increased attention to the creation of value through leveraging knowledge.

One would expect that the new set of questions surrounding these efforts would place the *Human Resources (HR)* function at the forefront of the discussion. Yet, to the contrary, *Human Resources* seems to be losing ground in a majority of organizations. In most cases, *Human Resources* appears to be playing a secondary role at a time when this function should be more in demand and more valued. The *HR* function continues to be criticized for not moving with the times. The forces of the market have radically altered the '*employment contract*', yet our *people management* practices do not seem to have followed suit. In the face of all this, the *Human Resource* function is often perceived as slow to adapt to the new realities of the market place.

What is at the root of this problem? The point of view put forward in this paper is that the classic definition of the *HR* mandate renders it impossible to meet the expectations now demanded of this function. Very simply, the traditional structures we inherited from the *industrial era* are not appropriate for the business challenges we currently face. In this context, *HR* must evolve to successfully take on a key role in formulating and implementing the organization's strategy for generating *capability*.

As organizations try to meet the new challenges they encounter in the marketplace, a great variety of initiatives have been undertaken. These initiatives include the formation of '*Leadership and Innovation Development*' centres*, 'Balanced Performance Measurement'* projects, as well as the creation of new roles including *Chief Learning Officers* and *Chief Knowledge Officers*. However, it is a constant matter of debate as to whether these mandates should be placed within or outside the *Human Resources* mandate. More often than not, the very initiatives that would contribute to its renewal are structured *outside* of *HR* to try and eliminate the fear of reducing the credibility or legitimacy of the initiative.

Many of those who've had the opportunity to lead such initiatives, either within or outside of *HR*, have experienced first hand the difficulties involved in realizing their objectives. These initiatives are often superimposed on an organizational blueprint that has its origin in the *industrial era* and is now obsolete. The resulting clash of 'assumptions' on how organizations should function often leads to the premature dismantling of these initiatives. This emphasizes the need to clearly articulate the assumptions upon which a new foundational blueprint must be developed. *Human Resource* management has a key role to play in leveraging the knowledge of the organization. In order for this to happen, the mandate and configuration of *Human Resources* must be significantly altered.

The key strategic issues that now face organizations revolve around escaping their limits, applying their knowledge in different ways, and building an environment where learning is the norm. In this context,

knowledge is a *critical commodity,* and the **Knowledge Strategy** of the organization must be at the heart of the new mandate for *Human Resource* management.

The changes that must take place are rather significant and will need careful experimentation before organizations can move forward with confidence. The intent of this paper is to describe how *HR* was transformed to become **'Strategic Capabilities'** at Clarica. Based on the principle that *capabilities* are most effectively developed through the learning that results from the exchange of knowledge, *Human Resource* management was redefined to include a comprehensive **Knowledge Strategy**. In addition to enhancing the organization's agility, *capability* and coherence, this new approach was designed as the vehicle for changing how work gets done, and how value is created.

The Business Rationale for Accelerating *Capability* Generation

The *knowledge era* is transforming the rules of business. Most organizational patterns currently in place come from the *industrial era,* when financial capital was scarce. In the *industrial era*, it was generally assumed that the key to the strategic development of the firm was the allocation of scarce financial capital to the business activities with the highest yield. In the business context of the knowledge era, the globalization of capital and its greater availability through a variety of channels, has meant that the lack of funds is no longer a bottleneck to growth. There is now, in most businesses, a surfeit of financial capital. There are, however, too few opportunities available to apply the capital available, at the yield levels expected by investors. The new bottleneck is the *capabilities* required to create new opportunities to which this financial capital can be applied.

As a result, c*apabilities* must now move to the centre of the organization's strategic planning framework. The objectives, responses, and business models of the enterprise can best be calibrated on the basis of the *capabilities* of the organization. Market demands and expectations keep changing at a relentless pace. The pace at which an organization can grow is, in large part, determined by the speed at which it can generate and reconfigure its *capabilities* in response to challenges encountered in that changing marketplace.

The organization that fails to respond by putting in place sufficient *capabilities* to respond effectively will find itself gradually losing ground. This inability to generate the required *capabilities* will contribute to building a "*competitive advantage deficit*" and ultimately put its very existence into jeopardy.

> The rapid shift of customer preferences and market trends imposes a need for the acquisition of *capabilities* at an equally accelerated pace. Each competitor aims to shape the market to its strengths in order to achieve a pre-eminent position. With the increasingly intense rivalry found in the market place, these rapid changes are now a major factor in continued success. For example, the late introduction of a new offering by a company may mean the product or service enters the marketplace when much of the profitability margin has been lost. Therefore, the accelerated development of *capability* is a pre-condition to lead and shape the market place in line with organizational strengths.

> In all markets, customers are developing a greater understanding of how

they want their needs and aspirations met. In response, solutions and services available in the marketplace are becoming increasingly complex. One of the key limitations that organizations encounter in this process, is the ability to generate new solutions and introduce them to the market at a pace that both meets the quickly evolving needs of customers *and* outdistances the offerings of competitors. This places unprecedented demands on the exchange of knowledge inside the organization, with partners involved in the value chain, and with customers. The *'pace of learning'* becomes the determining factor in the introduction of new solutions to customers.

With the increasing complexity of the solutions offered to them, it is not entirely surprising that customers in focus groups express a high level of frustration in understanding what is available. There is mounting evidence that more and more customers are demanding that solution providers interact with them in a manner that gives them clear information, to enable the customer to be self-reliant. Therefore, successfully dealing with customers means we must, more than ever before, have the necessary knowledge at our fingertips at all times. The *capabilities* of those interacting with the customer must constantly be renewed and enhanced to meet ever-increasing customer requirements. Traditional training cannot begin to cope with the resulting 'learning needs' of people relating directly to the customer.

The key to the performance and growth of today's enterprises resides in the *capabilities* of the organization, which in turn depend on the *capabilities* of its people. The industrial era was a time when people were easily recruited and retained to fill an established, unvarying set of roles. The *knowledge era* brings with it a much more competitive marketplace for talent. As they experience unprecedented employment volatility around them, people are placing a great deal of value on working in an environment where they can actively develop their *capabilities*.

In a way, customers are also putting a high value on learning and acquiring *capability,* with regards to solutions that are important to the realization of their aspirations. Accordingly, superior 'customer perceived' value will be achieved if the *capability* of people at the customer interface enables them to effectively enhance the *capabilities* of their customers.

The Knowledge Capital Model

In current and emerging business contexts, our understanding of what creates value for organizations has changed radically. *Intangible assets* now represent the most important source of value creation. This is a radical change from the *industrial era* when *tangible assets* played a much more prominent role. However, the overall blueprint of today's organization has, in large part, been inherited from the *industrial era*. As a result, our enterprises are ill equipped to manage their *intangible assets*. This is why rethinking on how to best approach *Human Resources* management in the *knowledge era* must be based on an understanding of *intangible assets*. To that effect, the ***Knowledge Capital*** model provides a new perspective with which we give can give definition to the blueprint we need to create the 'knowledge-intensive' enterprise.

Managing the ***Knowledge Capital*** of the organization consists of systematically developing, maintaining, leveraging, and renewing its *intangible assets*. *The intangible assets* are made of three elements: ***Human***

Capital; *Customer Capital*; and *Structural Capital*.

Human Capital is defined as *"...the capabilities of the individuals in an organization what are required to provide solutions to customers".* Individual *capabilities* are composed of attributes, competencies and mindsets.

Structural Capital is defined as *"...the organizational capabilities of the organization necessary to meet market requirements"*. Organization *capabilities* are composed of the strategies, structures, processes and culture of the organization and how these in turn translate into the specific core competencies of the organization.

Customer Capital is defined as the "…*sum of all customer relationships"*. These relationships are defined as *"...the depth (penetration), width (coverage), length (durability) and profitability of the organization's relationships with all its customers"*.

As seen from a systems viewpoint, the clusters of *intangible assets* are the stocks, and the exchange of value between them are the flows. These flows either build (+) or deplete (-) the stocks. As shown in this graph, there is only one way to enhance the *Financial Capital* of the firm, and it is by enhancing the *Customer Capital*. In other words, if the stock of *Customer Capital* goes down, it is only a matter of time before it has a negative impact on the *Financial Capital* of the firm. The flows stemming from both the *Human* and *Structural Capital* stocks either deplete or build *Customer Capital*. The firm creates value with customers when individual members, *Human Capital*, interact with customers. The quality of these relationships will determine the impact on the *Customer Capital* of the firm. The *Structural Capital* interacts directly with *Customer Capital* but also serves as the platform from which the *Human Capital* can multiply the value created for customers. In other words, *Structural Capital* provides individual members of the organization – the *Human Capital* - with the organizational support they need to offer added value to their customers.

What are the implications of this model for recasting the assumptions for *Human Resources* management in the 'knowledge intensive' enterprise? **The first key assumption** one can derive from the model is that the *intangible assets* of the organization are made of *capabilities* and relationships that are built through the exchange of knowledge. Value creation takes place as knowledge is exchanged between the three stocks of *intangible assets*. The flow of knowledge serves as the basis for the acceleration of learning and the systematic development of both individual and organizational *capabilities*. This makes it essential to promote and facilitate the free flow of knowledge across the enterprise. The overall level of trust in the relationships involved will determine the bandwidth of this exchange and the extent of their potential for creating value.

The second key assumption is that the *intangible assets* of the firm form a system that must be managed from an integrated perspective. Once we adopt this model, it seems pointless to attempt to manage customer relationships in isolation from the development of individual and organization *capabilities*. This would mean that the development of individual and organization *capability* must be guided by the approach the firm chooses to take in building customer relationships. The same integrated perspective leads us to question the wisdom of attempting to develop individual *capabilities* in isolation from their constant interaction with organizational *capabilities*.

The application of these two assumptions to the design of human resource management leads us to a significantly different approach from what is generally in place today.

III. The Knowledge Capital Initiative at Clarica

The business imperatives we face at Clarica are not unlike those being experienced at many other firms. We aim to increase earnings and accelerate our growth to meet the expectations of shareholders. As we continue to reduce our unit costs, we strive to create new business opportunities for growth. All this is with the goal of providing superior value to customers through integrated solutions that respond to their rapidly changing needs.

It is in the context of these goals that the ***Knowledge Capital Initiative (KCI)*** was launched at Clarica. Its purpose has been to generate the individual and organizational *capabilities* that will allow the organization to meet current and evolving market challenges. This initiative was structured into four core components:

>   Harnessing the power of its technology infrastructure
>
>   Building a systematic and readily accessible *knowledge architecture*
>
>   Accelerating the generation of individual and organizational *capabilities*
>
>   Developing a culture of self-initiative, shared ownership, and collaboration
>
>   Renew people management processes in support of building capability and a culture
>   based on self-initiative .

KCI was designed to accelerate the acquisition of new *capabilities* that are required, not only to serve changing market needs, but also to launch new income streams to support business growth. It is hoped that these new *capabilities* will engender the creation of solutions that reach beyond the current paradigm. From the perspective of enhancing the availability of individual *capability* in the organization, the initiative aims to strengthen our on-going ability to acquire and retain critical resources/*capabilities* in a highly competitive market place. As well, the climate of the organization must not only be conducive to productivity, but must also foster a high level of adaptability and resilience in the face of rapid and complex change.

All this can be possible *only* if the organization has the leadership talent to instill a collective sense of urgency and purpose. Members of the organization need to understand the overall direction of the firm in order for them to perform to the best of their abilities with a sense of confidence.

Finally, the initiative is to create faster access to information to reduce rework, eliminate duplication of effort, and enhance the ability to '*sense and respond*' to changing markets or service issues.

This last objective is, in large part, related to the ***Knowledge Strategy*** that is at the heart of the ***Knowledge Capital Initiative***. In fact, we believe this is the component of the initiative that provides the organizational fuel for enhanced value creation. The key objective of this strategy is to leverage our substantial investment in technology to make the most of the knowledge contained within the firm. We have a superior technology infrastructure, and the creation of a '*knowledge and learning'* platform will allow us to leverage it to a greater extent.

The ***Knowledge Strategy*** brings forward a systematic approach to create and harvest the knowledge of the

firm. The intent is to place our best collective knowledge at the 'finger tips' of every one of our members. We have chosen to base the strategy on a comprehensive framework that reflects the need to involve every member and every organizational unit of the firm. It is based on three pillars: the technology infrastructure, the *knowledge architecture* and our leadership culture.

1.Technology Infrastructure

The successful implementation of the **Knowledge Strategy** depends on the technology infrastructure of the firm. The best way to describe this relationship might be to describe information technology as a 'necessary but insufficient' condition for the success of the knowledge effort in any organization. Technology is the *'railroad'* upon which the knowledge network is built, and its mode of travel throughout the organization. The **Knowledge Strategy** is only effective in creating value for the organization by leveraging the very significant investment made in technology.

The key role of technology is to convey information in a manner that allows individuals and teams to translate it into knowledge. They do this by interacting with one another, internalizing the meaning, and gearing their courses of action accordingly. To convey the information in a manner conducive to this process, we need to *a)* coordinate the requirements of the **Knowledge Strategy** with *b)* the development of the *IT* architecture and *c)* the on-going development of new applications.

The *IT* infrastructure, the Internet development, as well as group-ware tools and templates, represent the '*seamless railroad'* on which knowledge travels across the enterprise. Work to date in this area includes:

> Shaping a knowledge-based Intranet
>
> Templates for the effective exchange of knowledge in *communities of practice*
>
> Linking these facilities to create an integrated platform - geared to harvest and access knowledge at the lowest possible transaction cost in terms of the time and effort required on the part of users.

2. The Knowledge Architecture

The *Knowledge Strategy* defines how we intend to facilitate the harvesting and disseminating of knowledge across the firm. This strategy serves as the foundation for all aspects of our 'knowledge' work, such as the construction of our Intranet, '*Clarica Connects*'. Its purpose is to place the collective knowledge of the organization at the disposal of every individual - in real-time - as an integral part of their work. There are two approaches by which our members obtain ready and simple access to the entire knowledge base of the organization: '*knowledge as stock'* and '*knowledge as practice'*.

... the different sources of knowledge in the organization

knowledge ... as a stock
- codified and stored
- tends to be more static
- driven by accessibility and retrieval
- centrally available to all individuals

knowledge ... as practice
- built in communities of practice
- interactive and dynamic
- driven by productive inquiry

Best Practices — Learning — Communities of Practice

The '*knowledge as stock*' approach provides a platform for storing *explicit* information. In what is essentially a socio-technical approach, we create practices and processes that bring technology and people together to codify, store, retrieve and access knowledge. As many as 30 people at Clarica are now qualified to act as 'knowledge managers' to ensure that knowledge databases evolve in a way that is most favorable to supporting the work of those who need the information. In addition, considerable attention is given to how the different knowledge databases are linked into a 'navigable' network to ensure that *explicit* knowledge can be easily transferred from one situation to another. The *knowledge depot* component of our Intranet provides access to our library of reference documents, our 'Best Practice' file, and our directory for learning and mentoring.

The '*knowledge as practice*' approach allows access to the *tacit* knowledge of colleagues and application lessons learned from experience. Frequently, people on specific projects encounter an issue that they have not seen in the past. They need someone to advise them on how resolve it. At this point, they need more than stored *explicit* knowledge. They need advice from someone who has had a similar experience on how to assess the situation and proceed. In other words, they need the combined strength of both *explicit* and *tacit* knowledge. This combination of knowledge enables them to attain the level of understanding required to have the confidence to take action.

This process is driven by 'productive inquiries' whereby anyone who encounters an unfamiliar issue or problem can raise it in a "*community of practice*". Members of the *community* respond by calling upon both the knowledge at their disposal, and the experience they have at applying it in similar situations. To give advice and interpretations, people need to understand the context in which the information will be used. This will more effectively enable them to think through the situation and draw on their own *tacit* know-how. This requires person-to-person contact, either face-to-face, by telephone, using electronic media, or by written communication.

Knowledge Architecture, the network through which learning and *capability* building will be achieved, is composed of these '*communities of practice*'. In an open, collaborative culture, this network will continue to renew the central core repository of knowledge. This is why *communities of practice* represent such an integral element of the *Knowledge Strategy*. They are the most effective means to share *tacit* knowledge.

Culture

The definition and deployment of values represents the foundation on which our **Knowledge Strategy** rests. The success of our **Knowledge Strategy** depends on the development of culture and leadership principles based on '*self-initiative*'. An '*entitlement and dependency*' mentality will represent a serious barrier to the creation of an open, collaborative environment. Such a strategy can only work where individuals function on the basis of '*partnership*' and '*interdependence*' where they are convinced that their own success is tied to the success of the enterprise as a whole. The alignment of individual goals and values with those of the organization is essential to ensure that individual learning contributes to building organizational *capability*.

In this context, the **Knowledge Capital Initiative** benefits from extensive work done to articulate the corporate values – corporate values that are based on an extensive analysis of the values held by individual members of the organization. Our approach to the articulation of organizational values has been specifically designed to align individual and organizational goals. The work we are doing on values with both individuals and teams, also provides a framework for developing the type of leadership and organizational culture most conducive to nurturing the trust level and quality of relationships necessary to create and share knowledge across boundaries.

The **Knowledge Capital Initiative** will contribute to transforming the organization in many ways. The business and organizational outcomes of this work include:

> *Agility.* One of the key benefits of the **Knowledge Strategy** is that every member, as part of their everyday duties, will be able to readily contribute to the early detection of both internal and external trends. In fully developed *knowledge architecture*, members will also be able to take part in the resolution of issues as they emerge. This collective awareness of what is happening will allow the organization to detect new trends early and respond to them with unparalleled speed. The resulting agility is no doubt one of the key outcomes of a well-deployed **Knowledge Strategy**.

> *Collaboration.* Members of a given team, project or *community* learn to leverage what they can achieve by working together. The knowledge tools at their disposal reduce the inherent coordination costs related to collaboration, and optimize their collective impact. The sharing that will result within teams will allow them to work at a higher level of collaboration without having to spend an inordinate amount of time in '*less than productive*' meetings. In fact, meetings will be more purposefully utilized to accomplishing tasks ineffectively addressed through electronic exchange.

> *Quality and Speed of Decision-Making.* The complexity of the business environment often leads to various levels of decision-making '*bottle necks*' that tend to paralyze the organization. With an up-to-date view of relevant issues, the information brought in real time from many perspectives will lead to decisions that are timely, of higher quality, and more likely to be implemented because they are more widely owned.

> *Accelerated Learning and Capability Building.* The **Knowledge Strategy** gives every member ready access to the full knowledge base of

the organization, and makes available multi-media interactive learning modules at all workstations. It also offers Internet accessible business programs *(such as the Athabasca University MBA)*. Individuals and learning groups can put forward productive inquiries to learn about specific issues they encounter in the course of their work. Together, these elements create a highly effective learning environment. In this context, learning is *de facto* integrated with work - relevant and purposeful. It is through this systematic approach to learning that *capabilities* are constantly regenerated to meet emerging market and business needs.

Coherence. The connectivity resulting from the ***Knowledge Strategy*** allows members of the organization to collectively make sense of what is happening. It provides a context within which members can take concerted action. This rich, knowledge-based context allows them to understand and interpret the principles that will guide them through the choices they have to make. As they work to resolve a situation, the *communities of practice* to which they belong will give them a platform to test out different options with their colleagues

Innovation. The development of new ways to create value for the customer is driven by the ability of members of the organization to build on one another's ideas and *capabilities*. The ***Knowledge Strategy*** provides people in the organization with the tools, processes, and *communities* to help them find new ways of doing things. The forums created through the *knowledge architecture* will engender a higher level of collaboration. This facilitates bringing different perspectives to bear on issues and provides an ideal context for innovation.

In summary, the ***Knowledge Capital Initiative*** brings together people, values, knowledge and technology, enabling systematic individual learning and the generation of organizational *capability*.

IV. Strategic Capabilities: Defining a New Mandate and Structure

The traditional mandate and structure given to the *Human Resources* function could not support the ***Knowledge Capital Initiative***. The scope needed for the new *HR* function necessitates a wider view to take into account the principles underlying the ***Knowledge Capital*** model. It is also important be able to deliver on the much more integrated approach implied in the ***Knowledge Capital Initiative***. The strategic importance of accelerating the generation of both individual and organizational *capabilities* was also a key consideration. These *capabilities* make it possible to build the customer relationships that will enhance the value created by the organization and, in turn, will uplift the financial performance of the organization.

The ***Knowledge Capital*** model brought us to the belief that superior *capabilities* would provide the basis for

formulating and implementing strategies to shape markets to our strengths. This was the key opportunity for us. It was right at the core of the vision we had for the new approach we were adopting. This is why we labeled the new function '*Strategic Capabilities'*.

As an approach, *Strategic Capabilities* provides a focus on *capability* generation and integrates individual, team and organizational learning in the service of the customer and shareholder. Knowledge creating and sharing becomes the fuel that accelerates learning. When we brought all this together to design the structure of the *Strategic Capabilities Unit*, it was clear to us that we needed to organize our resources into three teams: *Individual Capability, Organizational Capability*, and *Knowledge Architecture*. We also decided that each team would be led by a *Practice Leader*. In addition to the coordination exercised by the *Strategic Capabilities Management Team,* the *Strategic Capabilities Community* brings together everyone from across the organization who is in any way involved in this work.

	Individual Capability	Organizational Capability	Knowledge Architecture	Strategic Capabilities Unit
Domain	Shape and *support people management* processes	Ensure that the organization as a whole and its business teams have the *capability* for superior strategies	Build processes and tools for the creation and sharing of knowledge across the firm	Link individual and organizational *capabilities* to the customer and overall strategies of the firm
Purpose	Ensure that *people management* practices are aligned to the core values and are conducive to high levels of performance	Accelerate learning and change to optimize performance	Ensure that the knowledge of the entire firm is readily accessible to support real time learning	Put in place strategies that will optimize the impact of firm's *capabilities* on its performance
Roles	• Individual *capability* architects • Membership services Representatives (tier 1) and Consultants (Tier2) • Individual *Capability* Consultants (Tier 3)	• Organizational *capability* architect • Organizational *capability* consultants	• Knowledge architects • Intranet Gatekeeper • Programmers	• Head of Strategic *Capabilities* Unit and three Practice Leaders • Head, Membership Services • Technology and Business Manager

1. Individual *Capability*

The domain of this team is to shape and support the *people management* processes, practices, and tools required to meet the business needs of the firm. Its purpose is to ensure that *people management* practices are conducive to high levels of performance both for individuals and the organization as a whole.

A key element of the mandate of this team is to ensure that our *people management* policies and practices are

favorable to self-initiation and collective ownership. One of the key precepts underlying this assertion is that our people can carry out their responsibilities with a strong sense of commitment and ownership *only* if they have full ownership for their performance, their learning, and their careers. To achieve this we need to pursue the transition from the old *'employment contract'* to a *'membership contract'*.

In the past, *people management* policies and practices have been based on an *'entitlement mentality'* that is characterized by a relationship based on dependency. The old employment contract is based on exchanging loyalty for a guaranteed future. As a result, those who see their relationship to the company in these terms will expect to be served and will wait for what they feel they deserve as a condition for getting engaged with commitment.

The *'membership contract'* on the other hand, stems from to an entirely different set of beliefs where individuals see their relationship with the firm as one where their commitment creates value, in exchange for an opportunity to develop their *capabilities*. It is based on the assumption that, "*I am my own person. My well-being depends on the capabilities I acquire through self initiative.*" This new understanding has to be prevalent for a **Knowledge Strategy** to be effective. Self-initiative is a *sine-qua-non* condition, when we ask people to avail themselves of what they need to know and learn in order to meet performance expectations.

The words *'employee'* and *'human resources'* are no longer apt in describing the sense of ownership and level of commitment we expect of our people. Rather than just being an anonymous cog in the wheel, we want our people to share a strong sense of membership in the organization. Members include anyone who, independent of the type of relationship, is involved within the firm in creating value for customers.

It is in this context, that **Membership Services** was formed as part of the **Individual Capability** *Team* - to bring support in the application of *people management* processes. These services are provided to managers and individual contributors on a self-serve basis in three tiers. All *people management* policies and processes are fully outlined on the Intranet and available to all members. In *Tier 1* both managers and members can carry out most *people management* transactions, either through the Intranet or by e-mail. In *Tier 2*, they can use the channels, as well as the telephone, to contact a **Membership Services** representative with an inquiry that cannot be dealt with at *Tier 1*. The answer will be found and quickly provided. At *Tier 3*, the **Individual Capability** *Consultants* provide personal interventions to resolve more complex situations.

There are five architects responsible for developing the policies and processes required in different areas. These areas include: career development, *capability* mapping, recruitment, staffing, achievement management (as well as compensation, incentives and benefits). A sixth architect, responsible for learning, has become part of the **Knowledge Architecture** *Team* where knowledge and learning have become fully integrated.

2. Organizational *Capability*

The Practice Leader of **Organizational Capability** provides functional leadership to 12 **Organizational Capability** *Consultants (OCC)* who are members of the key business teams across the firm. **OCC**s report to the leader of their business team. They also form a *community* with the mandate to ensure the alignment of leadership, culture, processes, structure, and strategy. The main goal of the Practice Leader is to shape a *community* of **OCC**s, which oversees the application of a coherent approach to both change and leadership development, right across the firm. While the organization-wide aspect of the **OCC** role has been more difficult to exercise, their membership on business teams has enabled business leaders to see the great value the **OCC** contributes. As a result, it is now accepted practice throughout the organization to appoint **OCC**s to *all* senior business teams.

One of the **OCC**s key contributions is to facilitate and accelerate the changes these business teams aim to achieve. With this mandate at the business team level, the **OCC**s have a key role in ensuring that *'change*

management' processes fit within a coherent framework across the firm.

While their role focuses in large part on the business team to which they belong, they also have a responsibility as a *community*, to enhance the '*change readiness'* of the organization as whole. As they oversee and facilitate the adoption of effective '*change management*' processes, the *OCC*s play a key role in support of organizational transformation and renewal. Their work serves to ensure that all members are engaged in realizing the brand and the value proposition of the firm to its customers. They support the leadership of their business teams in placing the strategic initiatives of the business team and the corporation as a whole into a cohesive framework that can be readily understood. This in turn gives members across the firm the confidence they need to invest their efforts, without the discounting impact of reservations or doubt about the changes taking place.

An important part of the **Organizational Capability** mandate is to contribute to the evolution of a culture which gives full expression to the core values of the organization. *OCC*s contribute to this goal by mentoring individual leaders towards a better understanding of the development they need to undertake, to align their leadership practices to the core values of the organization. At the team level, they engender the exercise of these values by supporting the team in maintaining a clear vision of how it will achieve its goals through the application of the core values.

In support of this work at the corporate level, a survey is conducted on a quarterly basis to monitor the evolution of the values of our members, and of our performance as an organization in the practice of our core values. This helps us gauge our efforts to move our culture towards self-initiation and partnering. In this regard, the responsibility of individual *OCC*s includes supporting business teams to ensure they develop the leadership depth they require. As part of their role in building the leadership *capability* of their teams, *OCC*s also have the responsibility of facilitating 'succession planning' processes that flow in a consistent, well-orchestrated manner up and down organization levels.

As a *community*, *OCC*s must ensure that the leaders they deal with are able to leverage the full potential of the human capital of the firm. It is important, for the success of this role, that *OCC*s focus on *organizational capability* issues, and channel *individual capability* issues to **Membership Services** for resolution. The *OCC*s' intimate knowledge of what is happening within the business has been very helpful in ensuring that **Membership Services** and other parts of the **Strategic Capabilities** *community* are aware of emerging issues and requirements. Another aspect of their interdependence with the larger **Strategic Capabilities** *community* is the role *OCC*s play in facilitating the adoption of **Knowledge Management** processes and tools.

3. Knowledge Architecture

The **Knowledge Team** embodies the socio-technical approach that is at the heart of the **Knowledge Strategy**. Its role is to provide the technology, the tools and the processes required to provide all members with the knowledge they need to learn in real-time, to best support colleagues, and to serve the customer most effectively. The **Knowledge Team** is responsible for both the '*knowledge as stock*' and '*knowledge as practice*' aspects of the strategy, through the design of the *knowledge depot* and the formation of *communities of practice*. It shapes the *technology platform* and the collaboration processes that define the architecture linking all members of the firm with repositories of knowledge and the *communities of practice*. The resulting networks are geared to enhance the creation and sharing of knowledge. The **Team** is also the means through which we can accelerate the development of individual *capability* by supporting self-directed learning.

The **Knowledge Team** is responsible for the on-going development of our Intranet '*Clarica Connects'* in line with the requirements of the **Knowledge Strategy**. As part of this role, the **Knowledge Team** facilitates the

involvement of different parts of the firm involved in using the Intranet to make knowledge widely accessible. As one of the components of the Intranet, the *knowledge depot,* contains reference and learning materials that constantly need to be updated in collaboration with the various business areas involved.

In addition to the development of an integrated architecture at the corporate level, the ***Knowledge Team*** supports the launching of specific knowledge initiatives by business teams. These projects aim to demonstrate the potential business impact of knowledge tools and processes.

Measurement is one of the key challenges facing this team. It is important to show that this investment in the firm has the impact we have planned on.

4. The Strategic *Capabilities* Unit

The value proposition that underlies the design of the ***Strategic Capabilities*** mandate is the unique combination of technology infrastructure, knowledge management principles, learning and development processes, as well as team, leadership and cultural norms. This new mandate integrates all *Human Resource* management policies, processes and practices, placing them into a single, clear element of focus: *capability* generation.

The organizational structure that supports this mandate vertically integrates the levers of *capability* generation from the 'operational' to the 'strategic'. It is specifically designed to link individual and organization *capability* development into a mutually reinforcing set of processes. The more traditional *Human Resources* structure tends to balkanize areas based on the 'tools of the trade' rather than bring focus to key outcomes. This explains why it is often caught in an 'activity trap' that often leads to disconnected and *less than purposeful* efforts.

More than a mandate and a structure, the ***Strategic Capabilities*** approach is at the centre of our efforts to transform the organization. The successful implementation of this approach will enhance customer relationships, improve our agility and coherence in responding to new market trends, and accelerate learning, along with the acquisition of *capability*. We will also reinforce the development of our culture in line with the core values we have adopted. These outcomes will contribute to creating a customer-centered, high performing organization that brings superior value to its shareholders. In the end, it is geared to help us shift from a '*make and sell*' to a '*sense and respond*' organization with the ability to react faster than any competitor to changes in market trends and customer preferences.

IV. Conclusion: The Precursors to Success and Outcomes

Shaping this promising new mandate is not without its challenges. It definitely represents a radical departure from more traditional *Human Resource* management approaches. It is, in large part, guided by assumptions that are quite different regarding people and organization development. Its very strength, the more integrative nature of the design, not only refutes some of the existing assumptions but makes it appear more complex and potentially difficult to communicate. However, our experience to date has shown that the efforts required will be successful if the following conditions for success are in place:

> ***Cross-Functional Collaboration.*** This approach requires the close collaboration of *IT*, Marketing, and ***Strategic Planning*** functions. If any one of these decides not to collaborate, it can either delay or completely derail the effort. Functional *silos* represent important barriers to implementing a ***Knowledge Strategy***. The development of an enterprise-wide architecture that crosses organizational boundaries requires a commitment that is shared across the organization. This is why the endorsement of senior management is key to the success of this strategy. The failure to signal the importance of this strategy to the organization would, over time, represent an insurmountable barrier.

> ***The Support of Senior Management.*** The senior leadership of the organization must be supportive of the change and of the investment required by this approach. This support has to be based on the conviction that *capabilities* are the precursors to performance. Senior management must also have the belief that the acceleration of learning and *capability* generation can best be achieved through a systematic enterprise-wide approach.

> ***The Evolution of a Receptive Culture.*** The culture has to continue evolving in a way that engenders self-initiative and a collective sense of ownership on the part of individuals. The integration of everything from knowledge and learning, to the way work gets done in the organization, will require significant behavioral changes in the manner in which work is performed.

> ***Justifying the Use of Scarce Resources.*** Expectations for a short-term business impact are unlikely to be met. This is a long-term approach with benefits that will grow over time. In the meantime, we justify the use of scarce resources for *capability generation* initiatives on the basis of the business rationale, and the conviction that this is an investment that will contribute in a significant manner to the long-term performance of the organization,

> ***Measuring the Use and Performance of Knowledge Assets.*** In a similar vein, it is unlikely that we will be able to immediately measure the impact in financial terms. In the short-term, the only evidence that can be accumulated is likely to be in the form of stories and anecdotes instead of more systematic measurement. Concrete measurements will be uncovered as the ***Knowledge Strategy*** is allowed to progress.

> ***Setting the Appropriate Scope of Activities.*** The absorptive capacity of the organization for this work has to be taken into account while pressing forward with a well-balanced multi-dimensional approach.

This new 'knowledge intensive' context makes it essential that we adopt new ways to accelerate learning and systematically generate *capabilities*, however challenging it appears. Understanding and courage will be essential to the implementation of such an approach. Without courage, it will not be possible to advance ideas that do not correspond to prevailing organizational assumptions. Without the insight and resolve to clearly articulate a new vision for *Human Resource* management, people will be dissatisfied with the current state of affairs but will not see the choice available to them. Without empathy for the sense of betrayal we all experience when new assumptions displace the ones that have guided us, it will not be possible bring people to commit to a new mandate. For, in all of this, we must remember that people, with their varied experiences, assumptions, emotions and feelings, are at the centre of the organization in the knowledge era. . In the end, the success of this approach depends our ability to enlist their commitment. The change process must be one that is perceived as positive because it contributes in a significant manner to achieving the aspirations of our people.

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