

Employee Development and Knowledge-based Organization

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ABSTRACT – *In the conditions of constant market changes, fast development and spread of technology, multiply competition and „over night” product superannuation, successful companies became those who create new knowledge, spread it out through the entire company and implement it rapidly in the new technologies and products. These activities define company as knowledge – creating organization which only and principal task is ongoing innovation. Those are the companies that understood that the learning and new knowledge are the key to success, and that the development is crucial for future survival.*

The notion of education, development and knowledge creating company, or in other words an organization that develops and learns, in the most pragmatic way expresses the attitude of modern, successful companies versus the development and knowledge of employees. Another name for this kind of organization is knowledge – based organization.

The aim of this paper is to show that the employee development is a key procedure in implementing human resource politics. In order to create learning organization it is a necessity for the employees to have formal and informal education and to acquire it throughout entire professional career. Life-long learning politics is the basic premise of the company’s market competitiveness considering the fact that the knowledge is the only resource that grows with use and not disburse.

The main conclusion of the paper states that the most successful companies and national economies are those based on knowledge, or in other words highly educated and trained human resources. High level of inventiveness and innovations, without which a modern market cannot be imagined, can be achieved only in following the path of permanent employee development, which also represents one of the main motivators in accomplishing efficiency and effectiveness of the companies.

KEY WORDS: *employee development, learning organization, knowledge - based organization*

Introduction

The changes, quotidianly dictated by the new technologies and the occurrences on the global market, established new relations among the companies at all levels. The new economy, based on knowledge, recognizes human knowledge and its usage in its full capacity as the basic factor of the market competitiveness. This is also supported by the fact that the knowledge is the only resource that grows with use and that the subject of a main contest on the global market is precisely human knowledge and the unlimited possibilities of its growth. Alongside new era in global economy, new game rules and new trends regarding

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employee development in the companies came also. New flexible labor markets, more and more flexible employment models, accentuation of the human resource management in organizations are set to rights and represent the base for the creation of a flexible and competitive organization.

The dynamic growth of new technologies and science established completely new relations at the global market and raised standards of employees' growth and education in organizations.

New technologies and business automation definitely have large impact on the cut back of the administrative employees and they reduce the need for manual labor but in the same time they create the need for the new employees that implies human resources highly educated in the fields of creation of new products and services as well as creation of new consumer needs at the market.

As far as for the companies doing business in conditions created by the transition process, it is of the essential importance to harmonize their business with the every-day changes that happen on the market and that, in this sense, they position themselves as highest as possible in comparison to the competition coming from the countries whose economy started its dynamical growth ten years ago.

The employee development model in modern companies and its competitive advantages is presented in this paper. Also, the main accent is put on the education and its importance as the base of the growth, both in micro and macro level.

Employee development in a modern company

Employee development implies a set of measures and activities within a company directed towards adjustments of knowledge, capabilities and skills of the employees to the future business requirements. This process has for its goal to assure the qualifications of the employees needed to overcome the demands caused by the changes but also synchronizing them with the entrepreneurial and individual goals.

Employee development is a process in which the main agents are the company and the employees (individuals). These agents have each its own interests. The interest of a company is the augmentation of the working capabilities and motivation of the employees, to the end to reassure competitive advantages in the long run and future development of the company. The interest of employees could be summed up in increasing job security, better chances for promotion, recognitions and professional affirmation, as well as the better earnings. In the human resource development it is necessary to respect the interests of each of the suggested agents and to assure that the process goes in the way that it connects the foregoing interests and pleases the both sides.

The goals of the employee development in the company should be the following:

1. Permanent adjustments of the employee qualifications to the changes of the job requests;
2. Safeguard and increase the company's competitive advantages;
3. Marketing effects on the extern labor market;
4. Higher possibilities to fulfill the needs for new knowledge and skills using the internal sources;



5. Motivation of the employees;
6. Investments in future success with a low level of material investing;
7. Encouragement of the mobility and multifunctional work within the company;
8. Assure and use the high quality potentials coming from the internal sources.

The summary of the employee development arises from the comparison of the job requests and the existing capabilities of the employees. That is why it is necessary for the managers to have a clear vision about the goals, strategic and operational plans and requirements of the future business, as well as the assessment of the future directions regarding technology, market and environment that could influence concrete demands regarding the level and the caliber of the adequate knowledge, skills and behavior.

In the same time, it is also necessary to follow up personal aspirations, interests and particularly the results of the employees. This has strong motivational effects considering the natural human needs for consideration and self-actualization.

The employee development understood as the factor of company's success and strategic advantage in market conditions, cannot be taken for granted nor left to the personal assessments and interests of the employees than it should be well imagined and goal driven process by the direct superiors.

Education as the key aspect of employee development

Increased dynamic of the development of new technologies had extremely positively influenced the education growth process. More precisely, the new technologies and the demand for constant improvement determinatively influenced shaping the content and the forms of the educational system organization in each country. In the same time, increased creative power of the human labor, based on new technologies, has produced large material base for the educational system development and the accessibility of the education to the members of every social status.

The introduction of new, more productive machines has contributed largely to the democratization of education and by which to the democratization of the entire society. Exactly the growing dynamics of the technological development, which also signifies the necessity for constant improvement of professional and skilled knowledge of the employees, was the one who stipulated the two basic directions of the educational process development in all countries, or in other words built simultaneously two foundations of the education:

- Formal educational system – spreading from elementary school to university, including master and doctoral studies, which is legally recognized and implies certain procedures put in function of the systematical acquisition of general and professional knowledge;
- Informal educational system – which is essentially just the follow up of the education obtained in the schooling process within the formal educational system and which nowadays takes place throughout the entire working life, which is largely part or functionally attached to the working process and whose bearers are in large amount the companies themselves, most certainly in cooperation with the appropriate professional institutions involved in education, scientific and professional work.



This division is getting more and more conditional, especially these days, so the titles should be also tentatively interpreted. So-called “informal educational system” is also being developed within a certain methodological, pedagogical and andragogical norms as the formal educational system, and has more or less stabile, but flexible, adjustable organization, formal tasks and procedures. In other words, formal and informal educational systems are not separated, independent systems but the parts of one unique functional ensemble to which the most appropriate name could be “life long learning process”.

The fine line of separation between these two subsystems – formal and informal educational system, consists also of their different timelines. The formal educational system – or as often called “schooling”, normally takes place in early life – childhood or youth. This refers to the part of a life when, not only from the educational aspect but seen also from the aspect of a human life in its wholesome, the basic life experiences, moral and social values foundations, roots of all of that that represents perspective of the world are acquired, the time when the motivation to obtain knowledge, and this considers education, is the biggest. Informal education starts with the partial or full endings of the formal education and represents its logical sequence. In modern era this part of education, with different intensity, lasts for entire working life. The best attestations on this subject are the information from the research according to which employees in economically and technologically developed countries change their jobs, or even a career, five to seven times during their working life.

There is a difference between operating modes of the formal and the informal educational processes. The participants of the formal educational system are exclusively or mostly focused on the activity of schooling process. Informal education is, above all, part of working process and is being held in most of the cases as a part of technological and organizational processes, or in other words it represents continual activity in order to adjust labor structure by its professional characteristics to changes in technology and organization.

Also, the essence of formal and informal education differs. The formal education is focused on the basic knowledge, which is providing general information about the world and time, trough historical and contemporary dimensions, about the basic laws of natural and social environments, about the reaches of the modern-age civilization. The informal education, using formal education as a logical stronghold, offers above all practical knowledge related to a certain domain of production or services, to the ways of using existing or new technologies, to the improvement of the individual professional skills and knowledge in order to increase productivity and quality of work as well as the encouragement of each individual to take part in the process of organizational and technological innovation.

Finally, the protagonists of formal and informal educational systems are different. The protagonist of the formal educational system is a scholar system, from elementary school to university, whose business is mostly financed from the budget – with the money of the taxpayers, which enables the actualization of the principle of equal accessibility to all levels and kinds of formal education to the members of different social layers. However, for the sake of true, it must be said that the principle of equal accessibility to education, or in other words the permanent professional improvement and development is also established and respected within the companies. Thereby, while with the state this is influenced by political motives, within the companies this is one of the important components of a successful



participation in the global market game. The protagonists of the informal education are essentially companies that, through creation and realization of the educational programs put in function of increasing professional and expert knowledge of the employees, use logical and expert support of the scientific and educational institutions, or if they are larger, economically and technologically stronger enterprises, they create its own educational, scientific research and educational subsystems. However, real interdependence between formal and informal educational system also stipulates the establishment of the permanent functional connection between their agents – formal educational system, companies and other agents of informal education.

Constant fortification of the functional connections between formal and informal educational system implied that these two systems become the subject of attention of politics, owners, capital, entrepreneurs and employees. Each of foregoing agents has a need and interest to influence the definition and realization of the concepts of these two subsystems. There for, it could be said that the education, as the formal so as the informal, stopped being just a matter of an individual and became large strategic question, responsibility and interest of all social agents and one of the basic tests of the success in the fight against the discrimination. Of course, the education still rests in part a question of each individual, but above all in the context of actual fulfillment of the right to be educated and the possibility to choose a profession, educational profile that is most acceptable to an individual. This choice, the one of the most important ones in the life of each human, so called the “destiny choice”, represents the crossroad where the personal freedom and the employee’s dignity openly face.

The role of the employees in the creation of a learning organization

A simple definition of a learning organization is that it is an organization in which the employees constantly learn new things and apply what has been learned in improving the quality or the services. That is a place where the employees perpetually broaden their potentials in order to create results that they really want, where new and expansive models of thinking are developed, where the collective aspiration is set to free and where the employees learn how to learn together all the time. That is an organization that constantly broadens its capacity in order to create its future.

It is of the great importance for a learning organization that the innovation of new knowledge is not a special activity – it is a behavior mode, that is the way of existence in which each employee is an entrepreneurial. In simple words, a learning organization is an organization capable to create, absorb, develop and pass on the knowledge and modify its behavior in the way that it reflects its knowledge.

An important difference between traditional and learning organization is the problem solving. While the first one is shaped to achieve efficiency, and is directed toward it, the second one is shaped on the idea of problem solving. Learning organization is the one in which each employee is included in identifying and solving problems allowing organization continuous experiments, changes, improvements and enlargement of its capacities, to grow, learn and fulfill its purpose.

The basic characteristics of a learning organization are:



- It develops and learns constantly, increases the level of overall organizational development and knowledge;
- Constant learning and development became mandatory and part of a job description of each member of the organization;
- Transferring learned and produced knowledge also became obligatory for everybody. In a learning organization everyone is a teacher and a student in the same time;
- The dedication to the development and learning, to acquiring and transferring the knowledge became an important factor of the individual performance assessment;
- Learning and development are not separated, isolated and specialized activities but the important parts of the organizational culture, behavior mode and of the upraise of an organization;
- The essence of a continuous development is a creation of new ways of thinking, changes in behavior and application of what has been learned and acquired through practice – while creating and changing products and services and continuous problem solving;
- The development programs and knowledge are the basic assets as well as the biggest competitive advantages of a learning organization;
- The learning organization is not determined by neither its technology, structure nor any other “hardware” but by its culture oriented towards development and knowledge, which produces and recognizes knowledge and innovations; that is a culture of continuous learning, innovations and constant changes. Those organizations learn from its own experience, but also from the experience and the best practice of the others;
- A learning organization assesses its competitive potentials and strategic advantages through the quantity of knowledge, skills and capabilities in comparison to the competitors’;
- The activities and the attitude toward learning in this kind of organization are strongly determined by the information regarding whether the organization’s overall knowledge, and also its competitive advantage, increases or decreases on daily basis in comparison to the competition.

As it is often stressed, one of the important competitive advantages is a life-long learning and broadening of knowledge, as the principal assignment of the employees in order to reassure personal competitive strength in internal and external surroundings. A constant learning became the only path toward continuous changes, innovations and development, as for the organization so as for the employees. An important advantage of what is happening in an organization oriented towards learning is also the growth and application of a long-run development, learning and proficiency model.

The important dimensions of this approach are:

- The development and learning became parts of each assignment, which implies the defacement of the differences between the job execution and learning;
- The employees should acquire skills related to other jobs and executors from its organizational unit and should understand the relation between its own job and



the activities in their organizational unit as well as the goals of the entire organization. In fact, the “flexible employee” concept is being developed through cross training and continuous learning;

- An active, informal interaction between employees, teams, trainers and supervisors is strengthened and institutionally supported all the time;
- The employees should constantly transmit their knowledge to the other colleagues but also they should learn from the others;
- Learning became one continuous process of intensive interaction in which the knowledge circulates and spreads in all directions and everyone is simultaneously teachers and students. The supervisors, managers they become more and more trainers, or in other words teachers, substituting professional trainers and the development and learning are more and more executed within the company.

Conclusion

During the last five decades, the human resource development has grown into one of the most significant modern strategic components in all levels. Almost every organization approaches human resource development strategically which leads to the improvement in efficiency, productivity and profitability. Besides that, in most of the cases both the employees and the organizations reflect to the matter of human resources more as to a certain challenge, investment in need than as to a burden, unnecessary waste of time and money.

The education became the most important segment of the employee development. Successful organizations are dedicating more and more time, effort and resources to the education and proficiency of the employees. The knowledge economy is the new reality. It changes the concept of values and signifies the beginning of the end of the conventional economy. The influence of the new technologies on a society, philosophy, politics, religion, culture and all the other human activities directs to a system of knowledge management. Knowledge is the only category that grows with use. It is an intangible good, immaterial product which is manifesting in the forms of information, scientific, literary, amusing and artistic creations.

The knowledge is getting more and more imposed as a driving force of the new economy whose development is based on learning organization. Knowledge, as an abstract asset and the new most important basic business resource has to be carefully managed. The management understands that only education and deepening the knowledge of the employees can create a competitive advantage in comparison to the other organizations. The insufficient investments in human resources means for the company loss of the market share and decrease of the profits. It is assessed that the most successful companies invest annually around 5% of its profits in the employees' education. Also, they consider that five to ten percent of the working hours should be spent on the employees' education, depending on a job type and the education level. It is considered that the highly educated employees, engineers for instance, should spend at least 10% of their working hours on expanding their knowledge in order to rest in the same level as the freshly graduated, and 20 to 25% if they want to maintain the equal value for the employer and for the society. Regarding the managers, it is



assessed that they should spare 20% of the working hours annually to their own education in order to prevent “superannuation”. Certain organizations spend more money on education than the all higher-schooling institutions in a country. For example, in 1987 IBM spent 750 millions of dollars on the education which is more than the budget of Harvard University. The American organizations spent 4.1% of its profits averagely on training and development of the employees and averagely 62 hours of training for each employee in 2002. The money investment in human resource education increases on daily basis and it is quite logical that this trend will continue in the future. This can be supported with the statement of Alan Greenspan, the former president of the USA Federal Reserves’ board, dated from February 2004 where he said that “the key aspect of creation of the wealth in the USA, and no doubt in entire world, is the level of the knowledge and skills of the population. Nowadays, to manage one economy, which is fur more complex than it used to be, deeper and wider knowledge is required more than ever. Our education in the USA has to provide skills that are adequate for effective functioning of our economy”.

How much the employee development is important for quality and profitable business these days also illustrates the example of “Microsoft” and its owner Bill Gates who insists that the key of success does not lie in size but in the faith in company’s employees and their development. He is convinced that the key to a modern company’s success is to hire suited labor and than provide them with the possibility to work in small groups and give them large-scale proxies. Gates still finds time to meet his employees and chat about their ideas. In this way he motivates employees to invest bigger effort and to be more loyal to the company.

Bearing in mind the goals, adjusted to the development strategies, that the market oriented companies should fulfill in future, and regarding the necessity to achieve consensus about these goals, forms and ways to achieve them among all of the agents in a modern company, as well as regarding the experiences from the practice of the modern states with developed market economies, it is necessary to focus on achieving the following priorities:

- Motivation of every employee, unions and management in order to obtain the largest possible business and working results;
- Encouraging all agents – employees, employers, unions, to initiate and develop new inter-relations in accordance to the market economy, based on tolerance, mutual trust and awareness of common company’s interests;
- Contribution to easier and better observation of potential and actual conflict sources within the company and rebuilding efficient, peaceful mechanisms to solve them;
- Affirmation and encouragement of the development of a new concept and practice regarding corporate culture and management;
- Contribution to the livelong, stable growth and to the full usage of the available human resources;
- Permanent point out of the advantages of the participation, enrollment and influence of wider spread of people in the process of definition and realization of the company’s development strategies;
- Inducting livelong, systematical educational process and especially the common educational programs for all of the agents of industrial relations in the companies.



In order to increase their competitive capabilities, or in other words in order to be able to confront the demands coming from the environment and to become more productive and competitive, the companies invest large amounts of money. They are dedicating their attention more and more to the human resource development because, in this way, they increase their productivity, employees' motivation, bearing in mind in the same time that exactly the people, and not the expensive technology, are its most valuable resource. The expensive and modern technology is almost equally available to everybody, but the competitive advantage to one company over the others resides in human resources, in their knowledge and competences as well as in the ways of they are using it. If the capitalism so far mainly relied on the exploitation of natural resources and physical labor of human resources, the upcoming decades will show that in the future it will be exclusively founded on the grounds of the exploitation of the intellectual potentials of the employees which will be the core of the learning organization.

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