

Talent and Knowledge Management

COURSE CODE: B21BB24DE

**Bachelor of Business Administration
Discipline Specific Elective Course
Self Learning Material**



SREENARAYANAGURU
OPEN UNIVERSITY

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The State University for Education, Training and Research in Blended Format, Kerala

SREENARAYANAGURU OPEN UNIVERSITY

Vision

To increase access of potential learners of all categories to higher education, research and training, and ensure equity through delivery of high quality processes and outcomes fostering inclusive educational empowerment for social advancement.

Mission

To be benchmarked as a model for conservation and dissemination of knowledge and skill on blended and virtual mode in education, training and research for normal, continuing, and adult learners.

Pathway

Access and Quality define Equity.

Talent and Knowledge Management

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Semester- VI

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Self Learning Material
(with Model Question Paper Sets)



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Talent and Knowledge Management

Course Code: B21BB24DE

Semester- VI

Discipline Specific Elective Course
Bachelor of Business Administration

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MESSAGE FROM VICE CHANCELLOR

Dear learner,

I extend my heartfelt greetings and profound enthusiasm as I warmly welcome you to Sreenarayanaguru Open University. Established in September 2020 as a state-led endeavour to promote higher education through open and distance learning modes, our institution was shaped by the guiding principle that access and quality are the cornerstones of equity. We have

firmly resolved to uphold the highest standards of education, setting the benchmark and charting the course.

The courses offered by the Sreenarayanaguru Open University aim to strike a quality balance, ensuring students are equipped for both personal growth and professional excellence. The University embraces the widely acclaimed “blended format,” a practical framework that harmoniously integrates Self-Learning Materials, Classroom Counseling, and Virtual modes, fostering a dynamic and enriching experience for both learners and instructors.

The University aims to offer you an engaging and thought-provoking educational journey. The Bachelor of Business Administration programme is highly coveted due to the current demand for skilled professionals in the field. This factor was central to our approach while designing the curriculum for this course. It strikes a balanced combination, providing a profound understanding of theoretical concepts alongside a clear exposition of practical applications. We have been cautious in ensuring that the management modules are balanced, preserving the integrity and distinctiveness of the discipline. The Self-Learning Material has been meticulously crafted, incorporating relevant examples to facilitate better comprehension.

Rest assured, the university’s student support services will be at your disposal throughout your academic journey, readily available to address any concerns or grievances you may encounter. We encourage you to reach out to us freely regarding any matter about your academic programme. It is our sincere wish that you achieve the utmost success.

Best regards,



Dr. Jagathy Raj V. P.

01-08-2026

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Model Question Paper Sets

BLOCK - 01

Introduction to Talent and Knowledge Management



Unit - 1

Evolution of Talent Management and Knowledge Management



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ define the concept of Talent Management
- ◇ explain the evolution of Talent Management and Knowledge Management
- ◇ analyse the contemporary issues affecting Talent Management in organisations.
- ◇ describe the significance of Talent Management practices in organisational success.



Prerequisite

Imagine two companies operating in the same industry. Both have access to similar technology, financial resources and markets. Yet, one company grows rapidly while the other struggles to achieve the same level of success. What makes the difference? In many cases, the answer lies in people.

An organisation may invest in advanced machines, software and other resources, but these resources become valuable only when employees know how to use them effectively. Employees bring their skills, experience, creativity, ideas and abilities to the workplace. They also contribute to problem-solving, innovation, customer service and decision-making. Therefore, employees' quality and capabilities can directly affect organisational performance.

In today's competitive business environment, organisations cannot simply recruit employees and expect them to remain productive throughout their careers. Employees need opportunities to learn new skills, take on challenging responsibilities and grow along with the organisation. At the same time, organisations



need to identify employees with the ability and potential to take on important roles in the future.

This makes Talent Management an important area of Human Resource Management. Talent Management involves identifying, attracting, developing, engaging, and retaining employees who can contribute significantly to organisational success. It is not limited to hiring talented people; it also focuses on helping employees develop their abilities and ensuring that their talents are used effectively.

Talent Management is about having the right people, developing their potential and placing their abilities where they can create the greatest value for the organisation. In this block, we will examine the meaning and importance of Talent Management, its evolution and the contemporary issues that organisations face in managing talent.



Keywords

Talent Management, Talent Acquisition, Talent Development, Employee Retention, Leadership Development, Succession Planning, Workforce Planning, High-Potential Employees, Multigenerational Workforce



Discussion

1.1.1 Introduction

Before we discuss Talent Management, let's see what the term talent means. Talent refers to the skills, abilities, knowledge, experience, and potential that enable a person to perform effectively and contribute to organisational success. A talented employee may be someone who:

- ◇ performs consistently well;
- ◇ learns new things quickly;
- ◇ solves problems effectively;
- ◇ has specialised knowledge;
- ◇ demonstrates creativity;
- ◇ handles customers well;

- ◇ works effectively with others; or
- ◇ shows the potential to take greater responsibility in the future.

Talent is therefore not limited to academic qualifications. A person may have excellent technical knowledge but poor communication skills. Another employee may not have the highest qualification but may be an excellent problem - solver and team leader.

Therefore, organisations need to consider employees' overall abilities and potential.

Talent is people's capability and potential to create value and help an organisation achieve its objectives.

Talent is an important contributor to organisational success. In knowledge-intensive and increasingly technology-driven business environments, organisations compete for employees with specialised skills, capabilities and knowledge that are critical to their strategic objectives. A major Talent Management challenge in the contemporary workplace is not only attracting skilled employees but also creating conditions that enable them to develop their capabilities, remain engaged and contribute sustainably to organisational objectives. Companies today compete not only for customers but also for skilled and talented people. This competition has made Talent Management one of the most important responsibilities of Human Resource Management.

Think about companies such as Google, Microsoft, Infosys, and Tata Consultancy Services. These organisations succeed not only because they have advanced technology or strong financial resources, but also because they invest heavily in developing talented employees. They provide continuous learning opportunities, leadership development programmes, flexible work arrangements, and career growth opportunities. As a result, they are able to innovate, serve customers better, and maintain a competitive advantage.

Talent Management recognises that employees differ in their knowledge, skills, competencies, performance, and leadership potential, requiring differentiated development strategies

In today's competitive environment, innovation and organisational capabilities can provide important sources of competitive advantage, making employees with creativity, specialised skills and growth potential strategically valuable to organisations. Although Talent Management forms part of the broader Human Resource Management function, it differs in its strategic focus. Human Resource Management addresses the workforce as a whole, whereas Talent Management focuses on strategically identifying, attracting, developing, engaging, retaining, and deploying talent that is critical to organisational performance; depending on the organisational approach, this may include selected high-potential employees or talent across the broader workforce. Therefore, Talent Management should be integrated with business strategy while remaining aligned with HRM practices



1.1.2 Meaning of Talent Management

Talent Management is a strategic process through which organisations attract, identify, develop, engage, retain and deploy talent in alignment with present and future organisational requirements. Talent Management is the process of finding the right people, developing their abilities, giving them opportunities to grow, and retaining them in the organisation. It is not simply about hiring talented employees. It is about making sure that their abilities are used effectively and that they are prepared for future responsibilities.

Talent Management begins even before a person joins the organisation. It continues through recruitment, training, performance management, career development, leadership development and retention. For example, imagine that a bank identifies a young employee who consistently performs well. The employee handles customers effectively, learns quickly and shows leadership ability. The bank may provide additional training; assign challenging responsibilities; involve the employee in important projects; provide mentoring; prepare the employee for a supervisory position; and recognise and reward good performance. This is Talent Management in practice. Organisations aim to identify these strengths and provide opportunities for employees to perform at their best.

Did you know?

A talented employee may leave an organisation not because of salary alone, but because of limited career growth, poor management, or lack of recognition.

Definitions

Talent Management is defined as a strategic and systematic process of attracting, identifying, developing, engaging, retaining, and deploying individuals who are considered particularly valuable to an organisation. The concept extends beyond simple HR activities — it is a holistic approach that integrates multiple HR functions to ensure that the organization has the right talent at present and in the future

According to David Watkins (2000), “Talent management is the process of attracting, identifying, developing, retaining and deploying talented people.”

According to the Chartered Institute of Personnel and Development (CIPD), “Talent management is the systematic attraction, identification, development, engagement, retention and deployment of individuals who are of particular value to an organization.”

These definitions show that talent management is a continuous process not a one-time HR activity.

Infosys established one of the world’s largest corporate training centres in Mysuru. Every year, thousands of new employees receive extensive training before beginning their work. Continuous learning helps employees upgrade their skills and remain productive.

1.1.3 Talent Management and Human Resource Management

Talent Management and Human Resource Management are closely connected, but they are not the same. Human Resource Management (HRM) deals with the workforce as a whole. It includes activities such as recruitment, training, compensation, employee relations, performance management, and employee welfare. Talent Management overlaps with several HRM activities but places greater strategic emphasis on identifying, developing, engaging, retaining, and deploying talent that is important for current and future organisational needs.

For example, suppose a company has 500 employees. HRM manages all 500 employees. Talent Management may also identify employees with critical skills, strong performance, or leadership potential and prepare them for important future roles. However, Talent Management should not be understood as meaning that some employees are valuable while others are not.

Every employee can contribute value to an organisation, although the nature and strategic importance of individual contributions may differ by role capabilities, performance and organisational requirements. Management's responsibility is to understand individual strengths and provide opportunities for people to use and develop them.

1.1.4 Characteristics of Talent Management

Talent Management has several important characteristics.

1. **Continuous Process** - Talent management begins with recruitment and continues throughout an employee's career. It starts with attracting and selecting employees and continues through learning, performance, career development, and retention. Example: A company may recruit a graduate today, train the employee for two years, and later prepare the employee for a managerial position.
2. **Employee Development** - Organisations continuously improve employees' knowledge, skills, and abilities through training and learning opportunities. Employees need to keep learning because business conditions are constantly changing. Organisations therefore provide: training, mentoring, coaching, job rotation, challenging assignments, and opportunities for greater responsibility to help employees become more capable over time.
3. **Strategic Focus** - Talent Management should support the long-term goals of the organisation. Suppose a company plans to expand into international markets. It will need employees who understand international customers, languages, cultures, and global business practices. Therefore, the organisation must begin developing such capabilities before the expansion takes place.
4. **Performance Orientation** - Talent Management is closely connected with employee performance. Employees need regular feedback to understand what they are doing well, where they need improvement, and what they should do differently. Recognition and rewards can also encourage employees to perform better.



5. **Employee Retention** - Hiring talented employees is not enough. Organisations must also make efforts to retain them. Employees may leave because of limited career opportunities, poor leadership, lack of recognition, an unhealthy work environment, excessive workload, or better opportunities elsewhere. Therefore, Talent Management includes creating conditions in which employees want to stay and grow.
6. **Future-Oriented** - Talent management prepares future leaders through succession planning and leadership development. Organisations identify and prepare employees who may take up important positions in the future

1.1.5 Importance of Talent Management

In today's rapidly changing business environment, organisations are increasingly recognising that people are one of their most valuable resources. Technology, money, buildings, machines and other physical resources are important, but they create value only when capable people know how to use them effectively.

Competitors can often acquire or replicate technology, physical assets, and financial resources, although doing so may involve substantial cost and time. In contrast, employee knowledge, experience, relationships, creativity and organisationally embedded capabilities can be particularly difficult to replicate.

This is why talent management has become an important part of Human Resource Management. It focuses on identifying talented employees, attracting suitable people, developing their abilities, retaining valuable employees, and preparing them for future responsibilities.

Pause and Think

Imagine that a company suddenly loses a senior employee who has worked there for 15 years. This employee knows: the company's customers and their expectations; important suppliers and business relationships; internal systems and procedures; how to handle difficult situations; the informal ways work gets done; and many lessons learned through years of experience.

The organisation may be able to recruit another person with the same educational qualification. However, can that person immediately replace 15 years of experience and organisational knowledge?

Probably not. This simple situation shows why organisations cannot depend only on recruitment. They must continuously identify, develop, engage and retain talent.

Why is Talent Management Important?

Talent management matters because organisations cannot achieve long-term success by investing only in technology or physical resources. They need capable people who can innovate, solve problems, adapt to change and work towards common goals. The major importance of talent management is discussed below.

1. **Attracts skilled talent-** Talented employees usually look for organisations where they can learn, grow and build meaningful careers. They are attracted

not only by salary but also by opportunities for learning, recognition, career advancement and challenging work.

For example, organisations such as Google and Microsoft are frequently cited for their emphasis on learning, innovation, employee development and employer branding. Such practices help them compete for talented employees.

2. **Improves Employee Performance** - Talent management improves employee performance through training, coaching, mentoring, feedback and skill development, helping employees become more capable and confident. It enables organisations to convert employee potential into better performance, productivity and results.
3. **Supports Organizational Growth** - When employees perform better, organisations can improve productivity, customer satisfaction and profitability, supporting long-term growth.

For example, Amazon develops employees in logistics, technology and customer service, helping the company strengthen its performance and maintain its position in e-commerce.

4. **Reduces Employee Turnover** – Employees are generally more likely to stay when organisations value their growth, recognise their contributions and provide development opportunities. By retaining talented employees, organisations can reduce turnover and save the time and cost of recruitment and training.
5. **Develops Future Leaders** - Organisations can use succession planning to identify potential leaders in advance and provide them with development opportunities so that they are prepared to assume critical responsibilities when leadership vacancies arise. This process helps organisations develop future leaders in advance.
6. **Encourages Innovation** - Employees who are given opportunities to learn, experiment, and share ideas are more likely to come up with creative solutions. This innovation helps organisations adapt to change, improve their products and services, and remain competitive.
7. **Creates Competitive Advantage** - Organisations can copy products and technology, but they cannot easily copy the skills, experience, and organisational culture built by talented employees. Therefore, effective talent management helps organisations create a long-term competitive advantage and achieve sustained success.
8. **Enhances Employee Satisfaction** - Employees feel more satisfied when their efforts are recognised, and they receive opportunities to learn, develop their skills, and grow in their careers. This sense of value and support increases job satisfaction, motivation, and commitment towards the organisation.



1.1.6 Objectives of Talent Management

Talent management aims to ensure that organisations have the right people with the right skills at the right time. Its major objectives are explained below.

1. **Ensure the Supply of Talent** - Talent management helps organisations plan and make sure they have enough employees with the right skills to meet future needs. This is done through workforce planning. Example: A growing IT company may plan to hire more software developers to support its expanding business.
2. **Develop Leadership Capability** - Talent management helps organisations identify employees with leadership potential and prepare them for future leadership roles. This ensures that capable employees are ready to take higher responsibilities when senior positions become vacant. Example: A company may provide leadership training and mentoring to a talented manager to prepare them for the future department head role.
3. **Enhance Employee Engagement and Retention** - Talent management aims to keep talented employees in the organisation by providing recognition, career growth, learning opportunities and meaningful work. This helps reduce employee turnover and retain valuable organisational knowledge. Example: An employee may stay with a company because it offers opportunities for promotion and professional development.
4. **Attract High-Quality Candidates** - Organisations use talent management to attract capable candidates by building a positive employer brand and reaching the right people through suitable recruitment channels. Example: Companies such as Google and Microsoft attract talented candidates by highlighting their learning opportunities, work culture and career growth.
5. **Bridge Skill Gaps** - Talent management helps organisations identify the skills employees currently lack and provide suitable learning and development programmes to close these gaps. Example: If employees lack digital marketing skills, the organisation may provide training in social media marketing and analytics.
6. **Improve Productivity and Innovation** - When employees have the right skills and knowledge, they can complete their work more effectively and contribute new ideas. This improves both productivity and innovation. Example: Training employees to use new software can help them complete tasks faster and develop better ways of working.
7. **Build Sustainable Competitive Advantage** - Talented employees bring valuable skills, experience and ideas that competitors cannot easily copy. Talent management therefore helps organisations build a strong and lasting competitive position. Example: A company with highly skilled employees and a strong learning culture may perform better than competitors using the same technology.

- 8. Reduce hiring and turnover costs** - Effective talent management helps organisations build a pool of suitable employees for future vacancies. This reduces the need for urgent recruitment and lowers the costs associated with frequent employee turnover. Example: If a company already has trained employees ready to take higher positions, it may not need to spend heavily on external recruitment when a manager leaves.

Outcomes of Talent Management

- ◇ The outcomes of effective Talent Management include improved employee capability and performance, stronger succession pipelines, higher engagement and retention, better utilisation of critical skills, greater organisational agility and improved readiness for future workforce requirements.

1.1.7 Evolution of Talent Management and Knowledge Management

Talent Management and Knowledge Management have evolved as organisations have changed how they view people, skills, experience, and knowledge. Earlier, organisations mainly focused on maintaining employee records and completing routine work. Gradually, they began to recognise the importance of developing employees, retaining valuable knowledge and preparing for future organisational needs.

Although Talent Management and Knowledge Management are distinct disciplines, they are complementary: Talent Management focuses on attracting, developing, engaging, retaining and deploying people, whereas Knowledge Management focuses on creating, capturing, sharing, storing and applying organisational knowledge. Talent Management focuses mainly on people and their abilities, while Knowledge Management focuses on creating, sharing, storing and using knowledge. The development of Talent Management and Knowledge Management can be understood through broad historical phases; however, these phases overlap, vary across organisations and countries, and should not be viewed as a strictly linear progression.

The evolution of Talent Management provides the main framework below, while the development of Knowledge Management is explained alongside it to show how the two areas gradually became connected. The major stages in the evolution of Talent Management and Knowledge Management are discussed below.

1. Personnel Administration – The Early Stage

In the early stage, organisations mainly concentrated on routine employee-related activities such as maintaining records, preparing payroll, recording attendance, and following labour rules. Employees were largely viewed in terms of the work they performed, with limited attention to developing their future potential.

Much of the knowledge remained with experienced employees and was passed to others mainly through observation, discussion, and experience. Few formal methods



existed to record or share this knowledge. The organisation placed little emphasis on employee career development, talent identification, or preparing future leaders. Thus, this phase can be understood as a period of managing employee-related records, rules, and routine administrative work.

2. Emergence of Human Resource Management (HRM) - 1980s

During the late twentieth century, organisations increasingly moved beyond the traditional personnel administration approach. They began to view employees as strategic resources, contributing to the development of modern Human Resource Management. The term Human Resource Management (HRM) gradually became more widely used instead of “Personnel.” The role of HR also expanded beyond routine administrative work to include recruitment, training, performance appraisal, employee development and motivation. Organisations started investing more in employee skills and identifying employees who could take on greater responsibilities in the future. At the same time, they began to recognise that experienced employees possessed valuable knowledge that could benefit others. Training, mentoring and interaction between experienced and new employees became important ways to share this knowledge.

3. Strategic HRM and the Knowledge Economy - 1990s

During the 1990s, competition among organisations increased, and organisations began to realise that skilled employees and knowledge could make a significant difference to their success. Human Resource Management became more closely connected with organisational goals, and greater attention was given to attracting, developing and retaining capable employees.

Employees were no longer seen only as people who completed assigned tasks. They also possessed valuable knowledge about customers, products, work processes and markets. Organisations therefore began to understand the importance of developing employees and making better use of the knowledge and experience they gained through their work.

The term ‘War for Talent’, popularised through McKinsey research in the late 1990s, highlighted the increasing competition among organisations for employees with critical skills and capabilities and contributed significantly to the subsequent development of Talent Management as a strategic field. Organisations also began identifying employees with leadership potential and preparing them for future responsibilities through leadership development and succession planning.

Example: Consider a manufacturing company where an employee has worked for 20 years. The employee knows how to handle common production problems and has gained valuable practical experience over the years. If the employee retires without sharing this knowledge with others, the organisation may struggle to replace that experience immediately.

This made organisations realise that valuable knowledge should be shared and preserved rather than remaining with only one employee. The focus therefore shifted

towards attracting talented employees, developing future leaders and sharing important organisational knowledge.

4. 2000s: Formalisation of Talent Management and Knowledge Management

During the 2000s, Talent Management became increasingly formalised as a strategic organisational practice, with greater emphasis on talent identification, development, succession planning, employee engagement and retention, while Knowledge Management focused on capturing, sharing and applying organisational knowledge. Talent Management was no longer limited to finding skilled employees. Organisations began paying more attention to attracting suitable employees, identifying their strengths, developing future leaders, planning careers, improving employee engagement, and retaining valuable employees.

At the same time, organisations began to manage knowledge more carefully. They started collecting and storing useful information through documents, databases, training programmes and internal communication systems. Organisations also placed greater importance on capturing, sharing, and preserving valuable organisational knowledge and employees' experience.

5. Digitalization and Employee Experience -2010s

During the 2010s, technology changed the way organisations managed both employees and knowledge. Organisations increasingly used digital systems to support activities such as recruitment, employee learning, performance management, career development, communication and knowledge sharing.

Employees could access learning materials, organisational information and work-related knowledge through digital platforms. This made learning and knowledge sharing easier and allowed employees to access important information when they needed it.

Talent Management also began to give greater importance to the employee experience. Organisations paid more attention to career growth, learning opportunities, work-life balance, employee engagement and workplace well-being. The focus shifted from what employees could do for the organisation to creating a workplace where employees could learn, grow, and feel valued.

Knowledge sharing also became easier because employees could communicate and work together even when they were located in different places. For example, an experienced employee could share a training video, procedure document or recorded demonstration with employees working in different branches.

6. Flexible and Technology-Enabled Talent and Knowledge Management -2020s–Present

The 2020s have brought major changes to Talent Management because of digital transformation, artificial intelligence, the expansion of remote and hybrid work, changing employee expectations, skills shortages, workforce diversity and the growing importance of employee experience. Organisations now need to manage employees



who may work from different locations while ensuring that they remain connected and productive.

Talent Management has therefore focused more on continuous learning, upskilling and reskilling, employee well-being, flexible working, employee retention, digital skills and preparation for future jobs. Employees need to keep learning because technology and job requirements are changing rapidly.

Knowledge Management has also become more important. When employees work from different locations, organisations need to ensure that important information and knowledge can be easily accessed and shared. Digital platforms, online learning systems and collaborative tools help employees communicate and share knowledge even when they are not physically together.

Artificial Intelligence and other digital technologies are also increasingly being used to support activities such as recruitment, employee learning, information access and knowledge sharing. However, although technology and AI can automate or augment some tasks, many organisational activities still require human judgement, contextual understanding, creativity, interpersonal skills, and ethical decision-making.

1.1.7.1 Link Between Talent Management and Knowledge Management

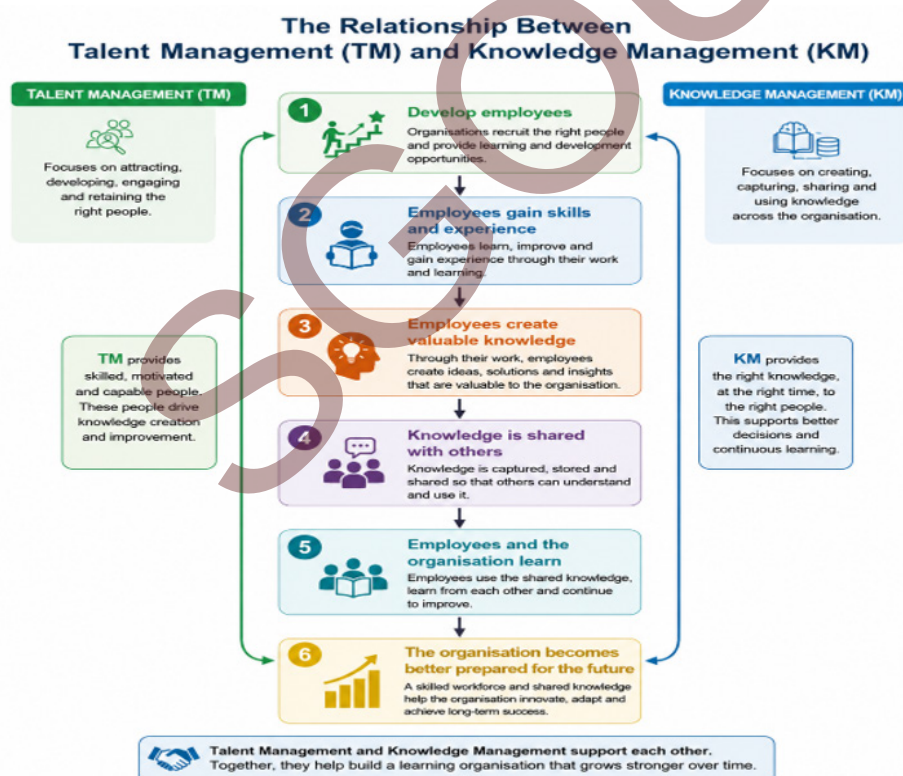


Figure 1.1.1 Relationship between Talent and Knowledge Management

The evolution of Talent Management and Knowledge Management shows that the two areas have become increasingly connected. Talent Management helps organisations attract, develop and retain people with valuable skills and experience. Knowledge

Management helps to ensure that the knowledge these employees create and gain is shared and used by others. When employees develop and share what they know, the organisation becomes better prepared to learn, adapt and respond to future challenges.

1.1.8 Contemporary issues in Talent Management

1. Technological advancement: AI and Automation in HR

Technology is changing the way organisations work and the skills employees need. Artificial Intelligence, automation and digital tools are increasingly used in recruitment, workforce planning, employee development and performance management. Some routine tasks may be automated, while new jobs requiring digital and analytical skills are emerging. This creates a challenge for organisations because today's skills may not be enough for future jobs. Employees may therefore need to learn new skills, while organisations need to help them adapt to changing roles. Organisations must continuously support employee learning and development to remain prepared for technological change.

2. Multigenerational workforce

Today, employees from different generations may work together in the same organisation. Employees of different ages may contribute diverse experiences, knowledge, skills and perspectives, although these characteristics should not be assumed solely based on age or generation. However, employees from different generations may have different expectations about communication, learning and working styles. Organisations therefore need to create opportunities for employees of different age groups to learn from and support one another. This can help organisations make better use of the knowledge and skills available across generations.

3. Global Talent Management

Global Talent Management refers to attracting, developing and retaining capable employees across different countries and locations. Global organisations may have employees from different countries and cultures, with different languages, work practices and expectations. Managing a global workforce requires organisations to balance global consistency with local responsiveness while addressing cultural differences, labour-market conditions, international mobility, employment regulations and the development of globally capable leaders. Therefore, organisations need to understand cultural differences, support employee mobility and provide suitable opportunities for employees working in different locations.

4. Increasing Skill Gaps

Rapid technological and business changes are creating new skill requirements in organisations. A skill gap occurs when the capabilities available within an employee, team or organisation do not adequately match the knowledge, skills and competencies required to perform current or future work effectively. Organisations can address this



gap by providing training, encouraging employees to learn new skills, offering practical learning opportunities, recruiting people with the required abilities, and supporting continuous learning. For example, a traditional marketing employee may need to learn social media marketing and digital advertising as the organisation increasingly moves towards online markets.

5. Changing Employee Expectations

Employees today look for more than just a good salary. They also value career growth, learning opportunities, recognition, flexible working arrangements, meaningful work, supportive managers and a healthy work environment. When organisations understand and respond to these expectations, they are more likely to attract and retain talented employees. Therefore, Talent Management is not only about understanding what the organisation expects from its employees, but also recognising what employees expect from the organisation. This mutual understanding can help create a more positive and committed workforce.

6. Retaining Valuable Talent

Attracting talented employees is important, but retaining them has become an increasing challenge for organisations. Employees may leave when they do not see opportunities for career growth, receive little recognition, face poor management, experience excessive workload or have limited opportunities to learn and develop. Better opportunities elsewhere can also encourage employees to leave. Organisations therefore need to understand why employees leave and create a workplace where people feel valued, supported and able to grow.

Emerging Trends in Talent Management

- ◇ **Use of Artificial Intelligence in HR** - Organisations are increasingly using Artificial Intelligence to support recruitment, employee development, performance management and workforce planning. AI can help save time and handle large amounts of employee information. However, organisations must also ensure that AI is used fairly and responsibly.
- ◇ **Continuous Learning and Reskilling** - Employees need to keep learning because jobs and technologies are changing rapidly. Organisations are therefore giving greater importance to upskilling and reskilling. Employees are encouraged to develop new abilities so that they can handle changing job requirements.
- ◇ **Flexible and Hybrid Work** - Remote and hybrid working have become important features of modern workplaces. Employees may work partly from home and partly from the office. Talent Management therefore needs to consider how to maintain communication, teamwork, performance and employee engagement when people work from different locations.
- ◇ **Focus on Employee Well-being** - Organisations are paying greater attention to employees' physical and mental well-being. Employee well-being can contribute to engagement, sustainable performance and retention when

organisations provide appropriate working conditions, support systems and opportunities to maintain a healthy balance between work and personal responsibilities. Organisations are therefore introducing measures such as flexible working, wellness programmes, supportive management and initiatives that help employees manage work and personal responsibilities.

- ◇ **Diversity and Inclusion** - Organisations are giving greater importance to creating workplaces where people from different backgrounds, ages, genders and cultures can work together and receive fair opportunities. A diverse workforce can also bring different ideas and perspectives to the organisation.
- ◇ **Focus on Employee Retention** - Instead of constantly replacing employees who leave, organisations are paying more attention to understanding why talented employees leave and what can encourage them to stay. Career growth, recognition, learning opportunities, supportive leadership and a positive work environment are becoming increasingly important.
- ◇ **Skills-Based Approach**: Organisations are increasingly focusing on the actual skills employees possess and the skills required for particular jobs. This helps organisations identify skill gaps, provide targeted learning and place employees in roles where their abilities can be used effectively.

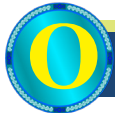


Recap

- ◇ Talent is the capability and potential of people to create value and help an organization achieve its objectives
- ◇ Talent Management involves identifying, attracting, developing, engaging and retaining employees who contribute to organisational success.
- ◇ Talent Management is a continuous process, not a one-time HR activity.
- ◇ It helps organisations attract capable employees, improve performance, retain talent and prepare future leaders.
- ◇ Talent Management literature includes both exclusive approaches, which focus on strategically critical or high-potential employees, and inclusive approaches, which emphasise developing the capabilities and potential of employees across the wider workforce
- ◇ Technological advancement has changed the skills organisations require.
- ◇ Employee Retention means efforts made by an organisation to encourage valuable employees to remain with the organisation.
- ◇ Talent Development refers to helping employees improve their knowledge, skills and capabilities.



- ◇ Talent Acquisition refers to the process of attracting and selecting suitable employees.
- ◇ Upskilling refers to developing additional skills for an existing or related job.
- ◇ Reskilling refers to learning new skills to perform a different type of job.



Objective Questions

1. Which term refers to the skills, abilities, knowledge, and potential of people?
2. Who popularised the term “War for Talent”?
3. What is the term for the overall experience an employee has with the organisation, from joining the organisation to learning, working, receiving support and developing a career?
4. Which term denotes learning additional skills for an existing or related job?
5. Name a contemporary Talent Management issue?



Answers

1. Talent
2. McKinsey
3. Employee experience
4. Upskilling
5. Technological change



Self-Assessment Questions

1. What is Talent Management?
2. Why is talent important to an organisation?
3. How has Talent Management evolved?
4. What are the major talent challenges created by today's changing workplace?
5. Explain how AI is changing Talent Management.
6. Distinguish between upskilling and reskilling.



Assignments

1. A software company has excellent employees, but many experienced employees are leaving. The company is also finding it difficult to replace their knowledge. What Talent Management problems can you identify? Suggest suitable measures.
2. A retail company wants to expand rapidly but does not have enough employees ready to take managerial positions. What should the organisation do, and how can Talent Management help?
3. A manufacturing company depends heavily on a few experienced workers who are close to retirement. What risks does the company face?
4. Explain the evolution of Talent Management and Knowledge Management
5. Write a short note on the contemporary issues in talent management.





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BLOCK - 02



Talent Management Systems

Unit - 1

Foundations and Strategic Systems of Talent Management



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concepts, importance and benefits of a Talent Management System
- ◇ describe Total Performance Development Systems
- ◇ analyse the Talent Marketplace, Talent Strategy and Workforce Planning



Prerequisite

A large retail company is expanding its business by opening new branches across the country. As the company grows, it must ensure that employees continue to perform well, identify future leaders, provide opportunities for career growth, and recruit skilled professionals to meet future business needs. Instead of waiting for performance problems or vacancies to arise, the Human Resources (HR) department continuously monitors employee performance, identifies hidden talent, offers internal job opportunities, plans future workforce requirements, and builds a strong employer reputation to attract capable candidates. These activities help the organisation develop a talented workforce ready to meet present and future challenges.

This unit introduces modern approaches to talent management that enable organisations to build and sustain a high-performing workforce. It explains the concepts of Total Performance Development Systems, Talent Marketplace, Talent Mobility, Diagnostic Tools, TREADs, Talent Strategy, Workforce Planning, Talent Acquisition, and Employer Branding. The unit highlights how organisations can continuously develop employee capabilities, align talent with business objectives, create opportunities for career growth, and prepare a future-ready workforce. Understanding these concepts will help learners appreciate how effective talent management contributes to organisational competitiveness, employee satisfaction, and long-term organisational success.



Keywords

Consumer, Customer, Buyer, User, Consumer Behaviour



Discussion

2.1.1 Introduction

In the current business world, organisations do not compete solely through money, machinery, buildings, technology, or products. They compete primarily through people. A company may possess modern technology, strong finances, and a good brand name, but without capable, committed, creative, and responsible employees, it cannot achieve long-term success. This is why organisations place great importance on talent management. Talent management involves identifying, attracting, developing, motivating, retaining, and effectively utilising individuals who can contribute to organisational success. It is not only about hiring talented employees but also about creating a system where people can perform well, learn continuously, grow in their careers, and contribute to the organisation's future.

For example, companies such as Google, Tata Group, Unilever, Infosys, Wipro, Hindustan Unilever, and many leading banks and IT companies invest heavily in talent management. They understand that skilled employees are not merely a cost; they are a valuable resource and a source of competitive advantage.

In simple terms, talent management addresses the following questions:

1. What type of people does the organisation need?
2. Where can the organisation find such people?
3. How can they be selected and placed in the right jobs?
4. How can their skills and performance be improved?
5. How can high-performing employees be retained?
6. Who will fill future leadership positions?
7. How can human talent be aligned with business goals?

2.1.2 Meaning of Talent

The word "talent" refers to an individual's natural ability, knowledge, skills, attitude, creativity, experience, and potential to perform a task effectively. Within organisations, talent specifically refers to employees who can significantly contribute to current performance and future growth. This may encompass technical knowledge, managerial



ability, communication skills, leadership qualities, creativity and innovation, problem-solving ability, teamwork, emotional maturity, learning ability, adaptability, and commitment to organisational goals. Talent is not limited to highly qualified individuals; a person with ordinary academic qualifications can also be talented if they possess strong practical ability, dedication, discipline, and a willingness to learn.

For example, a sales executive who understands customers well, builds strong relationships, achieves sales targets, and represents the company positively is a valuable talent. Similarly, a software engineer who solves complex technical problems, a branch manager who motivates employees, or a production supervisor who reduces wastage can also be considered organisational talent.

2.1.3 Talent Management

Talent management is the systematic process of attracting, identifying, developing, engaging, retaining, and deploying individuals crucial for an organisation's success. It encompasses all major HR activities related to people development and performance, including: human resource planning, recruitment and selection, employer branding, induction and onboarding, training and development, performance management, career planning, leadership development, succession planning, employee engagement, retention management, and talent analytics. Talent management is a continuous process that begins before an employee joins the organisation and extends throughout their entire lifecycle.

According to Armstrong, talent management is the process of ensuring that an organisation has the talented individuals it needs to achieve its business goals.

Dessler defines talent management as the goal-oriented and integrated process of planning, recruiting, developing, managing, and compensating employees.

In essence, talent management refers to the systematic process of attracting, developing, deploying, and retaining employees to achieve long-term organisational success.

2.1.4 Meaning of Talent Management System

A Talent Management System is a structured set of policies, practices, processes, and tools used by an organisation to effectively manage employee talent. It provides a formal method for handling different stages of the employee lifecycle, such as hiring, training, performance appraisal, career development, promotion, and succession planning.

A talent management system may be manual, digital, or a combination of both. In modern organisations, these systems are often supported by HR software, data analytics, artificial intelligence tools, learning management systems, and performance management platforms.

2.1.4.1 Components of a Talent Management System

An effective talent management system comprises the following interrelated components:

1. Workforce Planning

Workforce planning is the process of determining the number of employees an organisation needs, the skills they should possess, and when they will be required. It helps organisations avoid employee shortages or surpluses. For instance, if a retail company plans to open 20 new branches next year, it must proactively plan for store managers, sales staff, cashiers, warehouse workers, and customer service executives. Similarly, an IT company aiming to undertake artificial intelligence projects must identify the need for data scientists, AI engineers, and project managers. Effective workforce planning aligns business goals with human resource requirements.

2. Talent Acquisition

Talent acquisition involves finding, attracting, and selecting the right individuals for an organisation. It extends beyond mere recruitment by focusing on the organisation's long-term talent needs. Organisations utilise various channels to attract candidates, including job portals, campus recruitment, employee referrals, social media, recruitment agencies, and company websites. For example, companies such as Infosys, TCS, Wipro, and Deloitte visit colleges to recruit young graduates and train them for future roles. A robust talent acquisition system selects candidates not only based on qualifications but also on their skills, attitude, communication ability, cultural fit, and learning potential. Selecting the right person reduces training costs and enhances performance.

3. Onboarding

Onboarding is the process of introducing new employees to the organisation and helping them adapt to their new roles. It commences after selection and continues throughout the initial period of employment. A comprehensive onboarding programme explains the company's history, vision, values, policies, job responsibilities, reporting relationships, performance expectations, and workplace culture. For example, when a new management trainee joins a bank, the bank may provide orientation sessions, branch visits, system training, customer service guidelines, and opportunities for interaction with senior officers. Effective onboarding reduces confusion, boosts confidence, fosters a sense of belonging, and helps new employees become productive more quickly.

4. Learning and Development

Learning and development refers to activities designed to enhance employees' knowledge, skills, abilities, and behaviour. It encompasses training programmes, workshops, online courses, coaching, mentoring, job rotation, and practical assignments. For example, a sales executive might receive training in communication, negotiation, product knowledge, and customer handling. A bank employee could be trained in



digital banking, loan processing, compliance, and customer relationship management. Learning and development helps employees perform their current jobs more effectively and prepares them for future responsibilities. In a dynamic business environment, continuous learning is crucial as technology, customer expectations, and work methods evolve rapidly.

5. Performance Management

Performance management is the systematic process of setting goals, monitoring work, providing feedback, evaluating results, and improving employee performance. It is not limited to annual appraisals. Modern organisations employ regular feedback, coaching, key performance indicators, self-assessment, and performance review meetings. For example, a sales employee might be assessed based on sales target achievement, customer satisfaction, teamwork, reporting accuracy, and market development. If performance is weak, the manager may offer guidance or training. Effective performance management helps employees understand expectations, correct mistakes, improve productivity, and receive fair rewards. It also assists organisations in identifying high performers and development needs.

6. Career Management

Career management helps employees understand their career opportunities and prepare for future roles within the organisation. It includes career counselling, internal promotions, skill development plans, job rotation, mentoring, and career path planning. For example, a customer service executive in a bank might progress to senior executive, assistant manager, branch manager, and regional manager through experience, training, and performance. When employees envision a clear future within the organisation, they become more motivated and loyal. Career management benefits both employees and employers: employees achieve personal growth, while organisations develop skilled individuals for higher responsibilities.

7. Leadership Development

Leadership development is the process of identifying employees with leadership potential and preparing them to handle greater responsibilities. It encompasses management training, mentoring by senior leaders, team-handling assignments, project leadership, decision-making exercises, and exposure to various departments. For instance, Tata Administrative Services develops young managers for leadership roles across Tata Group companies through training and challenging assignments. Similarly, many companies conduct management development programmes for future branch managers, project leaders, and department heads. Leadership development is crucial because organisations require capable leaders who can guide teams, solve problems, manage change, make decisions, and achieve long-term goals.

8. Succession Planning

Succession planning is the process of preparing suitable employees to assume important positions when current leaders retire, resign, are promoted, or transition

to other roles. It ensures continuity in leadership and mitigates risk. For example, if a company's finance manager is expected to retire in two years, the organisation might identify a deputy finance manager and train that person in budgeting, reporting, taxation, compliance, and leadership. Succession planning is particularly vital for senior management, technical experts, branch heads, and critical operational roles. It helps the organisation avoid sudden leadership gaps and maintain smooth functioning.

9. Employee Engagement

Employee engagement involves fostering a strong emotional connection between employees and the organisation. Engaged employees are interested in their work, committed to organisational goals, and willing to contribute extra effort. Engagement can be enhanced through recognition, open communication, fair treatment, supportive managers, career opportunities, employee welfare, teamwork, and meaningful work. For example, a company might conduct employee feedback surveys, celebrate achievements, organise team activities, provide wellness programmes, and involve employees in decision-making. Engaged employees typically demonstrate improved productivity, lower absenteeism, better customer service, and stronger loyalty. Employee engagement is, therefore, a significant component of talent management.

10. Retention Management

Retention management focuses on keeping valuable employees within the organisation and reducing unwanted resignations. Talented employees may leave if they do not receive fair remuneration, recognition, career growth, work-life balance, effective leadership, or a positive work environment. Organisations employ retention strategies such as competitive compensation, promotion opportunities, training, flexible work arrangements, rewards, employee welfare, and grievance handling. For instance, an IT company might retain skilled software developers by offering career growth, challenging projects, remote work options, learning opportunities, and performance bonuses. Retention is important because replacing employees is costly and can impact productivity, customer relationships, and organisational knowledge.

11. Talent Analytics

Talent analytics involves using employee data to enhance human resource decisions. Organisations gather and analyse data pertaining to recruitment, performance, training, attendance, turnover, engagement, compensation, and promotion. For instance, HR may analyse which recruitment source yields the best employees, which department experiences high attrition, which training programme improves performance, or which employees are likely to leave. Google's people analytics practices, including Project Oxygen, demonstrated how data can help understand managerial effectiveness. Talent analytics reduces guesswork and supports evidence-based HR decisions. It assists organisations in identifying skill gaps, improving employee experience, predicting future needs, and designing more effective talent strategies.



2.1.5 Importance of Talent Management Systems

Talent management systems are crucial because people form the bedrock of organisational success. In a highly competitive business environment, organisations must attract, properly develop, and retain good employees for extended periods. The importance of talent management systems can be explained as follows:

1. Helps to Attract the Right People

An effective talent management system assists an organisation in attracting individuals with the appropriate skills and attitudes. Through effective employer branding, recruitment planning, and selection methods, organisations can identify candidates who align with both job requirements and organisational culture. For example, reputable companies attract candidates not only through salary but also through career progression, learning opportunities, workplace culture, brand reputation, and social responsibility.

2. Improves Employee Performance

Talent management systems help employees understand what is expected of them. Through goal setting, performance reviews, feedback, coaching, and training, employees can enhance their performance. Performance management becomes more effective when integrated with talent development. Employees should not solely be evaluated for judgment; they should also be guided towards improvement.

3. Supports Employee Development

Employees require continuous learning as technology, markets, customer expectations, and business models are evolving rapidly. A talent management system provides training programmes, mentoring, job rotation, leadership development, and career development opportunities. This helps employees update their knowledge and prepare for future responsibilities.

4. Helps to Retain Talented Employees

Talented employees typically have numerous employment opportunities. If they do not receive recognition, growth, fair rewards, or a positive work environment, they may leave the organisation. Talent management systems help retain employees by providing career growth opportunities, fair compensation, recognition, learning opportunities, work-life balance, supportive leadership, and employee engagement initiatives.

5. Builds Future Leaders

Every organisation needs future leaders. Talent management systems identify high-potential employees and prepare them for higher responsibilities. This is achieved through succession planning, leadership training, mentoring, challenging assignments, and cross-functional exposure.

6. Reduces the Cost of Employee Turnover

Employee turnover is costly. When employees leave, the organisation expends money and time on the recruitment, selection, training, and adjustment of new employees. A robust talent management system reduces unnecessary turnover by improving employee satisfaction and engagement.

7. Aligns People with Business Strategy

Talent management ensures that HR activities are integrated with business goals. For instance, if a company plans to expand into digital business, it must recruit and train employees with the necessary digital skills. Similarly, if a bank aims to enhance customer service, it must train its employees in customer relationship management. Thus, talent management links human resource practices directly to organisational strategy.

8. Improves Organisational Competitiveness

Organisations with superior talent are more innovative, productive, customer-focused, and adaptable. Such organisations can respond swiftly to market changes and technological advancements. Talent becomes a source of competitive advantage because skilled and committed individuals are difficult for competitors to replicate.

9. Encourages Employee Engagement

Employees feel motivated when they perceive that the organisation values their growth. Talent management fosters a positive psychological relationship between employees and the organisation. Engaged employees are more committed, productive, and loyal.

10. Supports Organisational Continuity

If key employees depart suddenly, an organisation may face significant challenges. Succession planning and leadership development ensure that suitable individuals are prepared to assume important roles, thereby helping the organisation maintain smooth operations.

Case Study 1: Google's Project Oxygen

Background

Google, a world-leading technology company, is renowned for its innovation, data-driven decision-making, and people-centric practices. In its early years, Google cultivated a strong engineering culture, leading some to believe that managers were not crucial and that talented engineers could operate independently. To examine this belief, Google initiated a research project known as Project Oxygen.



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What Google Did

Google employed people analytics to investigate the impact of managers. It analysed employee surveys, performance reviews, interviews, and other pertinent data. The study concluded that managers are indeed vital; effective managers enhance team performance, employee satisfaction, and retention. Google identified key behaviours of successful managers, including coaching team members, empowering individuals, demonstrating concern for employees, communicating clearly, supporting career development, and articulating a clear vision.

Talent Management Lessons

Google's Project Oxygen demonstrates that talent management should be grounded in evidence, not assumptions. It also highlights that leadership and managerial skills can be developed through targeted training and feedback.

This case provides the following lessons:

1. People-related decisions should be supported by data.
2. Managers play a significant role in employee performance.
3. Technical skill alone is insufficient for leadership.
4. Coaching and communication are crucial managerial competencies.
5. Talent systems should integrate performance, feedback, training, and leadership development.

This case illustrates that talent management extends beyond merely hiring intelligent individuals; it also involves creating the right environment and leadership support to enable employees to succeed.

2.1.6 Talent Management System: A Simple Model

A straightforward model of talent management can be presented as follows:

Business Strategy → Workforce Planning → Talent Acquisition → Onboarding → Learning and Development → Performance Management → Career Development → Succession Planning → Retention → Organisational Performance

This model demonstrates that talent management commences with business strategy and culminates in organisational performance, with each stage being interconnected.

Weaknesses at any stage of the talent management process can reduce the overall effectiveness of an integrated system. For instance, if recruitment is effective but training is poor, employees may not perform well. Similarly, if training is good but opportunities for career growth are absent, employees may leave. Therefore, integration is crucial.

2.1.7 Difference between Traditional HRM and Talent Management

Basis	Traditional HRM	Talent Management
Focus	Administrative HR activities	Strategic management of people
Time orientation	Short-term and operational	Long-term and future-oriented
Main concern	Filling vacancies and maintaining records	Attracting, developing, and retaining talent
Approach	Often separate HR functions	Integrated HR system
Role of HR	Support function	Strategic partner
Employee view	Employees as workforce	Employees as valuable talent
Development	Training when required	Continuous learning and career growth
Performance	Appraisal-based	Performance improvement and development
Succession	Limited planning	Systematic leadership pipeline
Decision-making	Experience-based	Increasingly data-based

2.1.8 Benefits of Talent Management Systems

Talent management systems offer benefits to both organisations and employees.

Benefits to Organisations

1. **Better quality of recruitment:** Talent management aids organisations in attracting and selecting candidates with the appropriate knowledge, skills, attitude, and cultural fit. This enhances the overall quality of new employees joining the organisation.
2. **Higher employee productivity:** When employees are adequately trained, motivated, and placed in suitable roles, they perform their work more efficiently. This leads to improved output, better quality, and increased productivity.

3. Improved employee retention: Talent management fosters growth opportunities, recognition, and a positive work environment. Consequently, valuable employees are more likely to remain with the organisation for an extended period.
4. Stronger leadership pipeline: Through leadership development and succession planning, organisations can prepare employees for future managerial roles. This ensures that capable leaders are available when critical positions become vacant.
5. Better customer service: Skilled, motivated, and engaged employees are more likely to understand and satisfy customer needs. Enhanced employee performance directly improves customer experience and loyalty.
6. Reduced hiring and training costs: When employees remain longer and perform better, organisations do not need to spend frequently on recruitment and basic training. This reduces the cost of replacing employees.
7. Improved organisational culture: Talent management promotes fairness, learning, recognition, teamwork, and performance orientation. These practices cultivate a positive and healthy organisational culture.
8. Greater innovation: Talented employees introduce new ideas, creative solutions, and more effective ways of working. Organisations that develop and encourage talent are more likely to innovate.
9. Better use of employee potential: Talent management helps identify the strengths, abilities, and interests of employees. This enables the organisation to place individuals in roles where they can contribute their best.
10. Improved business performance: When recruitment, development, performance, engagement, and retention are managed effectively, the organisation performs better. Talent management, therefore, contributes to growth, profitability, competitiveness, and long-term success.

Benefits to Employees

1. Better career opportunities: Talent management provides employees with clear career paths and growth possibilities within the organisation. Employees can plan their future with greater confidence.
2. Skill development: Employees receive training, mentoring, coaching, and learning opportunities to enhance their abilities. This helps them perform better in their current roles and prepare for future positions.
3. Fair Performance Feedback: A robust talent management system provides employees with regular, constructive feedback. This helps them understand their strengths, address weaknesses, and enhance their performance.
4. Recognition and Rewards: High-performing employees are acknowledged through rewards, promotions, incentives, or public recognition. This boosts motivation and encourages sustained excellent performance.

5. **Greater Job Satisfaction:** When employees feel valued, supported, and presented with opportunities for growth, their job satisfaction increases. This, in turn, improves commitment and loyalty.
6. **Improved Confidence:** Training, feedback, and successful work experiences enhance employee confidence. Confident employees are more inclined to assume responsibility and tackle challenges.
7. **Better Relationship with Managers:** Talent management fosters regular communication, coaching, and feedback between employees and managers. This cultivates trust, cooperation, and a positive working relationship.
8. **Opportunities for Promotion:** By identifying and nurturing employee potential, organisations can promote deserving individuals to higher positions. This motivates employees to strive for excellence and develop their capabilities.
9. **Increased Employability:** Skill development and work experience enhance an employee's value in the job market. Such employees become more employable, even outside their current organisation.
10. **Sense of Belonging:** When employees are engaged, recognised, and involved in organisational activities, they develop a strong connection to the organisation. This sense of belonging improves loyalty, commitment, and morale.

2.1.9 Challenges in Talent Management Systems

Despite the significant benefits of talent management, organisations frequently encounter several challenges.

1. **Shortage of Skilled Talent:** Many organisations struggle to recruit employees with the requisite skills, particularly in sectors such as technology, analytics, finance, healthcare, and digital marketing.
2. **High Employee Turnover:** Talented employees often have access to superior job opportunities, making their retention a significant challenge.
3. **Changing Employee Expectations:** Modern employees seek meaningful work, learning opportunities, work-life balance, flexibility, diversity, inclusion, and ethical leadership.
4. **Poor Integration of HR Practices:** If recruitment, training, appraisal, and reward systems are not cohesively integrated, talent management becomes ineffective.
5. **Bias in Talent Decisions:** Managers may occasionally show favouritism towards certain employees. Bias in promotion, performance ratings, or development opportunities can erode trust.
6. **Lack of Leadership Support:** Talent management cannot succeed without the active support of top management and line managers.
7. **Measuring Talent Effectively:** Accurately measuring potential, leadership ability, creativity, or cultural fit is not always straightforward.



8. **Technology Adaptation:** While many organisations utilise HR technology, employees and managers may require training to use these systems effectively.

2.1.10 Talent Management in the Indian Context

In India, talent management has gained considerable importance due to rapid growth across IT, banking, retail, education, healthcare, manufacturing, logistics, start-ups, and service sectors. Indian organisations face both opportunities and challenges. While India boasts a large young population and a robust education system, there are also prevalent skill gaps, employability issues, intense competition, and evolving employee expectations.

Many Indian companies now prioritise:

- ◇ Campus recruitment
- ◇ Skill development
- ◇ Leadership development
- ◇ Diversity and inclusion
- ◇ Digital learning
- ◇ Employee engagement
- ◇ Performance-linked rewards
- ◇ Succession planning
- ◇ HR analytics
- ◇ Employer branding

Companies such as Tata, Infosys, Wipro, HDFC Bank, ICICI Bank, Reliance, Mahindra, and Hindustan Unilever have implemented various talent development practices to cultivate future-ready employees.

Talent Management in a Small Business

Talent management is not exclusively for large corporations; it is equally vital for small businesses.

Consider a small logistics company with 50 employees. While it may lack sophisticated HR software, it can still effectively implement talent management through the following practices:

- i. Hiring reliable drivers and office staff
- ii. Giving basic training in customer service and safety
- iii. Maintaining attendance and performance records

- iv. Recognising punctual and sincere employees
- v. Promoting experienced employees as supervisors
- vi. Providing incentives for good performance
- vii. Listening to employee problems
- viii. Planning replacements for key roles
- ix. Building a positive work culture

This example illustrates that effective talent management is not determined by organisational size, but rather by the systematic alignment of people management practices with organisational objectives.

2.1.11 Total Performance Development Systems

A Total Performance Development System is an integrated framework employed by organisations to enhance employee performance and cultivate their future potential. It moves beyond a singular annual evaluation, instead offering continuous guidance, support, training, motivation, and development to enable employees to excel in their current roles and prepare for greater responsibilities. Traditionally, performance appraisal was often a yearly event where managers would assess an employee's work, assign a rating, and determine salary increments or promotions. However, modern organisations recognise that performance improvement requires more than just ratings. Employees need clear goals, regular feedback, coaching, training, recognition, and career support. Consequently, a Total Performance Development System integrates: Goal setting, Performance monitoring, Continuous feedback, Training and development, Coaching and mentoring, Performance review, Rewards and recognition, Career planning, and Succession planning. In essence, it is a system that poses the question: "How can we help employees perform better today and grow for tomorrow?"

Example: Imagine a bank sales executive whose responsibilities include selling savings accounts, insurance products, and loan services. Under an outdated appraisal system, the bank might simply verify at the end of the year whether sales targets were met. In contrast, a performance development system would involve the manager setting monthly targets, regularly reviewing progress, providing feedback, offering training in customer handling, supporting the employee in challenging situations, acknowledging achievements, and preparing the employee for future promotion to sales manager.

Thus, the focus shifts from mere evaluation to improvement and development.

2.1.11.1 Objectives of Total Performance Development Systems

1. To improve employee performance

The primary objective is to empower employees to perform their jobs more effectively. This is achieved by setting clear goals, articulating expectations, providing



constructive feedback, and removing obstacles. For instance, if a customer service employee is receiving numerous complaints, the manager might observe the issue, provide communication training, and guide the employee on improved customer handling techniques.

2. To align individual goals with organisational goals

Employees should understand how their work contributes to the organisation's overall success. For example, if a company's objective is to enhance customer satisfaction, employees in sales, service, delivery, and support departments should have performance goals directly linked to the customer experience.

3. To identify strengths and weaknesses

A performance development system helps identify employees' strengths and areas for improvement. For instance, an employee might possess strong technical knowledge but lack effective communication skills. Once identified, appropriate training can be provided.

4. To Support Employee Development

The system assists employees in enhancing their skills, knowledge, and competencies. Development can occur through various methods such as training, mentoring, coaching, job rotation, e-learning, or special assignments.

5. To Create a Culture of Continuous Feedback

Employees should not have to wait until the end of the year to understand their performance. Regular feedback enables employees to correct mistakes promptly and continuously improve.

6. To Recognise and Reward Good Performance

High-performing employees should receive fair recognition and rewards. These may include salary increments, bonuses, promotions, appreciation letters, certificates, awards, or career advancement opportunities.

7. To Support Career Growth

Performance development prepares employees for more senior roles. For example, a high-performing team leader might be trained for a managerial position.

8. To Improve Motivation and Engagement

When employees receive guidance, support, appreciation, and opportunities for growth, they feel valued. This fosters improved motivation, job satisfaction, and commitment.

9. To Identify Training Needs

The system helps HR and managers ascertain the specific training requirements of employees. For example, if numerous employees demonstrate weakness in digital tools, the organisation can arrange digital skills training.

10. To Build Future Leadership

By observing performance and potential, organisations can identify employees capable of becoming future leaders. These individuals can then be included in leadership development and succession planning programmes.

2.1.12 Difference between Performance Appraisal and Performance Development

Basis	Performance Appraisal	Performance Development
Main focus	Evaluation of past performance	Improvement of present and future performance
Nature	Judgment-oriented	Growth-oriented
Frequency	Usually annual or half-yearly	Continuous and regular
Purpose	Rating, reward, promotion, or correction	Learning, improvement, career growth
Role of manager	Evaluator or judge	Coach, mentor, and guide
Employee role	Receives rating or feedback	Actively participates in improvement
Method	Forms, ratings, ranking, appraisal meetings	Feedback, coaching, training, development plans
Time orientation	Past-oriented	Future-oriented
Result	Performance score or rating	Better performance and capability development
Emotional impact	May create fear or pressure	Usually creates support and motivation

2.1.13 Benefits of Total Performance Development Systems

- a. **Benefits to the Organisation:** A Total Performance Development System assists organisations in enhancing productivity, identifying high performers, mitigating performance issues, cultivating future leaders, and retaining talented employees. It also aligns individual employee goals with organisational objectives.
- b. **Benefits to Employees:** Employees gain clear expectations, regular feedback, training support, recognition, fair rewards, and career opportunities. This boosts confidence, motivation, job satisfaction, and employability.
- c. **Benefits to Managers:** Managers can provide better guidance to employees, identify problems early, improve team performance, and build stronger relationships with team members.

2.1.14 Challenges in Total Performance Development Systems

Although the system is beneficial, organisations may encounter certain challenges.

1. **Lack of Manager Training:** Managers may lack the necessary skills to provide constructive feedback or effectively coach employees.
2. **Bias in Evaluation:** Personal preferences, recent events, or favouritism can influence performance decisions.
3. **Poor Goal Setting:** If goals are unclear or unrealistic, employees may become confused or demotivated.
4. **Employee Resistance:** Some employees may fear feedback or distrust the system.
5. **Weak Link with Rewards:** If good performance is not rewarded, employees may lose motivation.
6. **Overemphasis on Metrics:** Some jobs cannot be measured solely by numbers. Quality, teamwork, creativity, and behaviour should also be considered.

2.1.15 Talent Marketplace

An internal talent marketplace is a system or platform within an organisation that connects employees with internal opportunities such as projects, temporary assignments, job openings, mentoring, learning programmes, leadership roles, and cross-functional work. It functions as an internal opportunity platform where employees can find suitable work and development options within the organisation.

In traditional organisations, employees often await promotions or transfers decided by managers. Many employees may not even be aware of opportunities available in other departments. An internal talent marketplace changes this situation by making opportunities more visible and accessible to employees. In modern organisations,

internal talent marketplaces are often supported by digital platforms and artificial intelligence. These platforms collect information about employee skills, experience, qualifications, interests, career goals, and learning needs, then match employees with suitable opportunities.

Example : Suppose an employee working in the marketing department possesses strong data analysis skills. A business analytics team may require someone for a three-month customer research project. Through an internal talent marketplace, the marketing employee can apply for that project and contribute part-time or full-time. This helps the employee acquire new skills and enables the organisation to utilise available talent effectively.

Case Illustration: Unilever FLEX Experiences

Unilever introduced an internal talent marketplace called FLEX Experiences. The platform uses technology to connect employees with internal projects, gigs, and development opportunities. Employees can build new skills by working on diverse assignments across departments and locations. This helps Unilever utilise its existing talent more flexibly and enables employees to advance their careers without leaving the company.

This case demonstrates that talent marketplaces are not only recruitment tools but also development, engagement, and retention tools.

2.1.15.1 Talent Mobility within Organisations

Talent mobility refers to the movement of employees within an organisation from one role, department, location, project, or function to another. It can be vertical, horizontal, geographical, or project-based. Vertical mobility occurs when an employee is promoted to a higher position. Horizontal mobility occurs when an employee moves to a different department or role at the same level. Geographical mobility occurs when an employee is transferred to another branch, region, or country. Project-based mobility occurs when employees temporarily join special projects or cross-functional teams.

Talent mobility is important because employees do not wish to remain in the same role indefinitely. They seek growth, learning, exposure, and meaningful work. Organisations also benefit as they can fill vacancies internally, reduce hiring costs, and retain valuable employees.

Example : A bank employee working in branch operations may transition to credit processing, digital banking, customer relationship management, or branch management. Such movement enhances the employee's understanding of banking operations and prepares them for higher responsibilities.

Large organisations, such as Tata Group, Infosys, Wipro, Hindustan Unilever, and various multinational companies, often encourage internal job postings, transfers, leadership programmes, and cross-functional assignments. These practices help employees gain broader experience and enable organisations to build a strong internal talent pool.



Talent mobility helps to reduce employee stagnation. When employees remain in the same job for many years without growth, they may become dissatisfied. Internal mobility offers them fresh challenges and learning opportunities. It also helps the organisation retain employees who might otherwise seek better opportunities externally.

2.1.15.2 Benefits of a Talent Marketplace for Employees and Employers

An internal talent marketplace benefits both employees and employers by creating a more flexible, transparent, and development-oriented work environment.

Benefits for Employees

1. **Better career opportunities:** Employees can view available roles, projects, and assignments within the organisation, enabling them to plan their career growth without leaving the company.
2. **Skill development:** Employees can participate in new projects and acquire new skills. For example, a finance employee might join a digital transformation project and learn data analytics.
3. **Greater visibility:** A talent marketplace allows employees to showcase their skills and interests, helping managers from other departments identify hidden talent.
4. **Increased motivation:** When employees receive opportunities for growth, they feel motivated and engaged.
5. **Career ownership:** Employees become active participants in their own career development, reducing their sole reliance on their immediate manager.

Benefits for Employers

1. **Better utilisation of internal talent:** Organisations can identify and leverage existing skills within the company.
2. **Reduced recruitment costs:** Internal hiring and project mobility lessen the need for external recruitment.
3. **Improved retention:** Employees are less likely to leave when they perceive growth opportunities within the organisation.
4. **Faster response to business needs:** When urgent projects arise, organisations can quickly identify suitable employees internally.
5. **Stronger learning culture:** Talent marketplaces foster continuous learning, collaboration, and knowledge sharing.
6. **Better succession planning:** Organisations can identify employees with potential for future leadership roles.

2.1.16 Diagnostic Tools in Talent Management

Talent diagnosis involves systematically assessing employees' skills, competencies, performance, potential, strengths, weaknesses, and development needs. Just as a doctor diagnoses a patient before providing treatment, HR must diagnose talent before making decisions about training, promotion, leadership development, or succession planning.

Talent diagnosis helps organisations answer important questions:

- a. What skills do employees currently possess?
- b. What skills are required for future business needs?
- c. Who are the high performers?
- d. Who has leadership potential?
- e. What training is necessary?
- f. Which employees are ready for promotion?
- g. Which roles are at risk due to a lack of successors?
- h. Where are the skill gaps?

Without proper diagnosis, talent decisions may become subjective or biased. Managers may promote employees based on personal preference rather than actual ability. Training programmes may be arranged without understanding real needs, and recruitment may occur even when suitable internal talent is available.

Example : A retail company experienced an increase in customer complaints. Instead of blaming employees, the HR department conducted a talent diagnosis. It discovered that employees lacked training in customer communication and product knowledge. The company subsequently provided the necessary training, leading to an improvement in customer satisfaction.

Need for Talent Diagnosis

Talent diagnosis is essential for:

- a. Identifying training needs
- b. Improving performance
- c. Selecting employees for promotion
- d. Planning leadership development
- e. Preparing succession plans
- f. Reducing skill gaps

- g. Improving employee placement
- h. Supporting career development
- i. Making fair HR decisions

2.1.17 TREADs

TREADs can be understood as a practical framework for identifying and managing key talent-related issues within an organisation. In talent management, TREADs can be explained through five interconnected areas:

T – Talent Risks

R – Readiness of Talent

E – Engagement of Talent

A – Alignment with Strategy

D – Development of Future Skills

TREADs assists HR managers in assessing whether the organisation possesses the right people, with the right skills, the right motivation, and a robust leadership pipeline.

T – Talent Risks

Talent risks are potential people-related problems that may adversely affect organisational performance. Examples include a shortage of skilled employees, high employee turnover, a lack of successors, an ageing workforce, a poor leadership pipeline, low engagement, and skill gaps.

R – Readiness of Talent

Readiness refers to whether employees are prepared to handle their current and future roles. An employee may possess potential but may not yet be ready for higher responsibility. Readiness can be enhanced through training, coaching, mentoring, and job rotation.

E – Engagement of Talent

Engagement refers to the emotional commitment and involvement of employees. Engaged employees are typically more productive, loyal, and willing to exert extra effort.

A – Alignment with Strategy

Talent strategy must support the overall business strategy. If the organisation aims for digital growth, it must cultivate digital talent. If it seeks international expansion, it must develop global leadership and cross-cultural skills.

D – Development of Future Skills

Organisations must prepare employees for future requirements such as digital skills, analytics, innovation, sustainability, leadership, customer orientation, and adaptability.

TREADs is particularly relevant today as organisations face uncertainty, rapid technological change, intense competition, and evolving employee expectations. A well-planned talent strategy helps organisations avoid talent shortages and build a future-ready workforce.

2.1.18 Talent Strategy

A talent strategy is a long-term plan for attracting, developing, engaging, retaining, and deploying people in a manner that supports organisational goals. It ensures that the organisation has the right people with the right skills, attitude, values, and leadership potential at the appropriate time. Talent strategy is not limited to recruitment; it encompasses the entire employee journey, including learning, performance, career development, succession planning, retention, and workforce readiness.

A well-designed talent strategy helps an organisation prepare for both present and future challenges. It enables management to understand the types of employees and competencies required for business growth, innovation, service quality, customer satisfaction, and competitiveness.

2.1.18.1 Identifying Talent Risks and Talent Opportunities

Talent strategy begins with identifying both talent risks and talent opportunities. Talent risks are people-related weaknesses or threats that may affect organisational success. These may include a shortage of skilled employees, high attrition, a poor leadership pipeline, a lack of successors for key roles, low employee engagement, an ageing workforce, a weak performance culture, a poor employer brand, and the loss of critical knowledge when experienced employees leave.

For example, if a hospital has many experienced nurses nearing retirement but no younger nurses trained to replace them, it faces a serious talent risk. Similarly, if an IT company frequently loses software engineers to competitors, it faces a retention risk.

Talent opportunities are possibilities for improving organisational capability through its people. These include developing internal employees for future roles, utilising technology for learning, recruiting from campuses, creating leadership development programmes, building an internal talent marketplace, improving employer branding, encouraging diversity and inclusion, reskilling employees, and using HR analytics for better decision-making.

For example, a bank introducing digital banking can train existing employees in digital customer service, cybersecurity awareness, and data analytics instead of relying solely on external hiring. Thus, identifying risks helps prevent future problems, while identifying opportunities helps build organisational strength.



2.1.18.2 Aligning Talent Strategy with Organisational Strategy

Talent strategy must be closely connected with organisational strategy. Organisational strategy outlines where the organisation wants to go, while talent strategy defines the kind of people, skills, leadership, and culture needed to get there. Without this alignment, even a sound business plan may fail due to a lack of suitable talent.

For example, if a retail company wants to move into online sales, it needs employees skilled in e-commerce, digital marketing, logistics technology, customer analytics, and online customer service. If a manufacturing company follows a cost leadership strategy, it needs employees trained in lean management, quality control, waste reduction, automation, and process improvement. Similarly, if a hotel chain wants to become known for excellent customer experience, it must hire and develop employees with strong communication skills, emotional intelligence, cultural sensitivity, and a service-oriented approach.

To align talent strategy, the organisation should understand its business goals, identify critical roles, assess its present talent strength, forecast future skill requirements, identify skill gaps, and prepare recruitment, training, engagement, and retention plans. Regular review is also necessary to monitor progress. When talent strategy is aligned with organisational strategy, HR becomes a strategic partner in organisational growth.

2.1.18.3 Building a Future-Ready Talent Pipeline

A talent pipeline is a pool of employees or candidates who are prepared for future roles. A future-ready talent pipeline means that the organisation has people with the skills, mindset, adaptability, and leadership capability required for future business challenges. This is important because organisations cannot wait until a vacancy occurs to find or develop suitable talent. Leadership qualities and critical skills take time to build.

Building a future-ready talent pipeline involves several steps. Firstly, an organisation must identify future business needs by studying technological changes, market trends, customer expectations, and expansion plans. Secondly, it must identify critical roles that significantly impact organisational success, such as branch manager, project manager, data analyst, production head, sales head, or technology leader. Thirdly, high-potential employees should be identified based on ability, ambition, learning capacity, performance, and readiness for greater responsibilities.

Subsequently, employees should be offered development opportunities such as training, mentoring, coaching, job rotation, stretch assignments, leadership exposure, and cross-functional projects. HR and managers should regularly monitor employee readiness and link the talent pipeline with succession planning.

For example, a logistics company planning national expansion might train young operations executives in warehouse management, transport planning, customer handling, cost control, technology systems, and team leadership. In the future, these employees could become branch heads or regional managers. A robust talent pipeline

reduces reliance on external hiring, enhances leadership continuity, supports business growth, and increases employee loyalty.

2.1.19 Workforce Planning and Talent Acquisition

Workforce planning is the process of estimating the number and type of employees an organisation requires currently and in the future. It ensures that the organisation has the right number of people, with the right skills, in the right jobs, at the right time. Workforce planning connects business planning with human resource planning. If an organisation plans to expand, introduce new technology, open new branches, or launch new products, it must also plan for the necessary human resources.

Example: If a supermarket chain plans to open 30 new stores, it must plan for store managers, sales assistants, cashiers, warehouse staff, purchase officers, delivery staff, and customer service employees. Without workforce planning, stores may open without sufficient trained employees.

2.1.19.1 Importance

Workforce planning is important because it helps organisations to:

- a) Avoid shortage of employees
- b) Avoid excess staffing
- c) Reduce recruitment delays
- d) Control labour cost
- e) Prepare for retirements and resignations
- f) Identify skill gaps
- g) Support expansion plans
- h) Improve productivity
- i) Prepare training plans
- j) Build leadership pipeline

If an organisation needs 100 software engineers next year but currently has only 60, it must decide whether to recruit, train, outsource, or automate some work. This is an example of workforce planning.

2.1.19.2 Talent Acquisition Strategies

Talent acquisition involves attracting, identifying, selecting, and hiring suitable people for the organisation. It is broader than recruitment because it focuses on long-term talent needs and employer branding. Talent acquisition strategies are the methods organisations use to attract and select the right candidates.



Important Talent Acquisition Strategies include:

1. **Employer Branding:** A strong employer brand attracts better candidates. Companies known for a good work culture, career growth, fair rewards, and learning opportunities receive more applications.
2. **Campus Recruitment:** Organisations visit colleges and universities to recruit fresh graduates. This is useful for building entry-level talent.
3. **Employee Referrals:** Existing employees recommend suitable candidates. Referrals often bring candidates who have a better understanding of the organisation.
4. **Social Media Recruitment:** Platforms such as LinkedIn are used to identify and attract professionals.

Here's the proofread text with improved clarity and flow:

5. **Internal Recruitment:** Employees are promoted or transferred to fill vacancies. This improves motivation and reduces hiring costs.
6. **Talent Pools:** Organisations maintain databases of potential candidates for future vacancies.
7. **Diversity Hiring:** Organisations intentionally attract candidates from various backgrounds to build an inclusive workforce.
8. **Use of Technology:** Applicant tracking systems, online tests, video interviews, and AI-supported screening are used to enhance recruitment efficiency.

Example: An IT company, for instance, might use campus recruitment for recent graduates, LinkedIn for experienced professionals, employee referrals for specialised roles, and internal job postings for managerial positions.

2.1.20 Employer Branding in Talent Management

Employer branding involves creating and maintaining an organisation's image as a desirable place to work. It represents the organisation's reputation as an employer. Just as product branding attracts customers, employer branding attracts employees. A strong employer brand communicates to potential and existing employees why they should join, remain with, and grow within the organisation.

Employer branding is built through factors such as salary, career opportunities, work culture, leadership style, learning facilities, employee welfare, fairness, diversity, social responsibility, and overall employee experience.

Example: Companies like Google, Tata, Infosys, Hindustan Unilever, and Microsoft are often attractive to job seekers not only due to salary but also because of their brand reputation, learning opportunities, work environment, career growth prospects, and prestige.

Employer branding helps organisations to:

- a) Attract better candidates
- b) Reduce recruitment cost
- c) Improve employee retention
- d) Build pride among employees
- e) Improve company reputation
- f) Support talent acquisition
- g) Strengthen employee engagement



Recap

- ◇ The Total Performance Development System focuses on continuous employee improvement through goal setting, feedback, coaching, and career development.
- ◇ A Talent Marketplace enables employees to explore internal job opportunities, projects, and learning experiences within the organisation.
- ◇ Talent Mobility promotes employee growth by facilitating movement across roles, departments, and projects.
- ◇ Diagnostic tools help organisations assess employee competencies, identify skill gaps, and plan development initiatives.
- ◇ The TREADs framework assists organisations in managing talent risks, readiness, engagement, strategic alignment, and future skill development.
- ◇ Talent strategy aligns workforce capabilities with organisational objectives to ensure long-term competitiveness.
- ◇ Workforce planning ensures that the organisation has the right number of employees with the required skills at the right time.
- ◇ Talent acquisition strategies help organisations attract, select, and retain competent employees through effective recruitment practices.
- ◇ Employer branding enhances the organisation's reputation as an attractive workplace and supports talent attraction and retention.



Objective Questions

1. What is the main focus of a Total Performance Development System?
2. What is an internal platform connecting employees with organisational opportunities called?
3. What is the movement of employees within an organisation known as?
4. Which framework consists of Talent Risks, Readiness, Engagement, Alignment and Development?
5. What process estimates future employee requirements?
6. Which recruitment strategy involves recommending candidates by existing employees?
7. What is the reputation of an organisation as a workplace called?
8. Which planning process ensures leadership continuity by preparing future leaders?



Answers

1. Employee development
2. Talent Marketplace
3. Talent Mobility
4. TREADs
5. Workforce Planning
6. Employee Referrals
7. Employer Branding
8. Succession Planning



Self-Assessment Questions

1. Explain the objectives, components, and benefits of a Total Performance Development System.
2. Discuss the concept, benefits and organisational importance of Talent Marketplace and Talent Mobility.
3. Explain the TREADs framework and discuss how it supports effective talent management.
4. Describe the importance of Workforce Planning, Talent Acquisition Strategies and Employer Branding in modern organisations.



Assignments

1. Select a reputed company such as Google, Infosys, Tata Consultancy Services or Microsoft. Study its employer branding and talent acquisition practices and prepare a report on how these practices help attract and retain talented employees.
2. Visit a business organisation or interview an HR manager to understand how workforce planning, employee performance development and internal mobility are practised. Prepare a report highlighting your findings.
3. Choose any organisation and identify its future business objectives. Suggest a suitable talent strategy covering recruitment, employee development, succession planning and employer branding to support those objectives.
4. Prepare a competency assessment checklist for the position of Sales Executive, HR Executive or Customer Service Executive. Identify the essential knowledge, skills and behavioural competencies required for the job and explain how the checklist can assist HR managers in talent diagnosis.





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Suggested Reading

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SGOU



Unit - 2

Decision-Making, Analytics and Continuity in Talent Management



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concepts of ethical decision-making
- ◇ describe Resource Allocation and its importance
- ◇ elaborate on Human Relations, HR Metrics, and Talent Analytics
- ◇ explain succession planning in talent management



Prerequisite

ABC Technologies, a rapidly growing software company, has just secured a major international project. To ensure its successful completion, the company must recruit skilled employees, upskill its existing workforce in new technologies, allocate sufficient resources to different teams, foster positive relationships among employees, identify future leaders, and ensure continued organisational performance even if key managers depart. Concurrently, the Human Resources (HR) department utilises employee data to predict resignations, measure performance, and inform decision-making. By meticulously managing these activities, the company cultivates a talented workforce capable of achieving both current and future organisational objectives. This comprehensive process underscores the importance of an effective talent management system.

In today's highly competitive business environment, organisations cannot solely rely on recruiting talented individuals. They must also manage talent ethically, allocate resources judiciously, maintain positive human relationships, leverage employee data for decision-making, and prepare future leaders to ensure long-term organisational success. A well-designed talent management system enables organisations to attract, develop, motivate, and retain competent employees while effectively adapting to evolving business needs.



Keywords

Ethical Decision-Making, Resource Allocation, Human Relations, Talent Analytics, Succession Planning



Discussion

2.2.1 Ethical Decision-Making

Consider two employees, Anjali and Rahul, who apply for the same promotion. Anjali has been with the company for five years and has consistently demonstrated strong performance. Rahul, a close relative of a senior manager, has only two years of experience and average performance. The promotion committee meticulously reviews the performance records, skills, experience, and leadership qualities of both candidates. Instead of favouring Rahul due to his familial connection, the committee selects Anjali, recognising her as the most deserving candidate. This decision cultivates trust among employees, as it reinforces the perception that promotions are based on merit rather than personal relationships. This exemplifies ethical decision-making.

Ethical decision-making in talent management refers to the systematic application of ethical principles, organisational values, legal requirements, and stakeholder interests to HR decisions concerning recruitment, performance management, promotion, compensation, and employee development. In talent management, ethical decisions ensure employees are treated equitably, without discrimination based on gender, religion, caste, age, race, or personal relationships.

Ethical decision-making helps organisations build employee trust, enhance workplace morale, and maintain a positive organisational culture. Human Resources managers must ensure fairness in recruitment, selection, promotion, performance appraisal, compensation, and disciplinary actions.

2.2.1.1 Principles of Ethical Decision-Making

Important principles of ethical decision-making include:

1. Fairness and Equality

Fairness and equality entail treating all employees impartially and providing everyone with equal opportunities in the workplace. HR decisions related to recruitment, promotions, training, performance appraisal, and compensation should be based on merit, qualifications, and performance, rather than personal relationships, gender, religion, caste, age, or other irrelevant factors. For example, if two employees apply for a promotion, the employee with superior performance and the requisite competencies should be selected, irrespective of personal connections or background.



2. Honesty and Transparency

Honesty and transparency involve making decisions openly and communicating them truthfully to employees. HR managers should clearly explain organisational policies, selection criteria, performance evaluation methods, and the rationale behind important decisions so that employees understand how decisions are made. For example, when a promotion is awarded, the organisation may explain that the employee was selected based on performance ratings, leadership abilities, and work experience, thereby reducing misunderstandings and increasing employee trust.

3. Respect for Employee Rights

Respect for employee rights means recognising and protecting the legal and personal rights of every employee within the organisation. Employees have the right to work in a safe environment, receive fair wages, express their opinions without fear, and be free from discrimination, harassment, and unfair treatment. For example, if an employee reports workplace harassment, the HR department should investigate the complaint fairly and take appropriate action while ensuring that the employee is protected from retaliation.

4. Confidentiality of Employee Information

Confidentiality of employee information means protecting employees' personal and professional information from unauthorised access or disclosure. HR departments maintain sensitive records such as salary details, medical information, performance evaluations, disciplinary records, and personal identification documents, which should only be accessed by authorised personnel. For example, an HR manager should never disclose an employee's medical condition or salary details to other employees without the employee's consent, unless required by law.

5. Compliance with Laws and Organisational Policies

Compliance with laws and organisational policies means ensuring that all HR activities adhere to applicable labour laws, government regulations, and the organisation's internal rules. HR managers must understand and implement legal requirements related to recruitment, wages, working hours, employee safety, social security, equal employment opportunities, and workplace conduct. For example, when recruiting new employees, an organisation must follow anti-discrimination laws and its own recruitment policy to ensure that every applicant is treated fairly and the selection process remains legally compliant.

When employees believe that decisions are ethical, they become more committed and motivated to contribute to organisational success.

Example : Google follows structured recruitment and performance evaluation processes designed to reduce bias. Hiring and promotion decisions are based on qualifications, performance, and competencies rather than personal influence. The company also encourages employees to report unethical behaviour through formal reporting mechanisms, helping to maintain transparency and fairness.

2.2.2 Resource Allocation

A growing software company has a limited training budget. Three departments request advanced training for their employees. Instead of giving equal funds to every department, the HR manager studies business priorities and identifies that the Artificial Intelligence (AI) team is handling a major international project. Therefore, more training resources are allocated to the AI team while the remaining departments receive basic training. Although every department would like additional resources, this allocation supports the organisation's strategic objectives.

Resource allocation in talent management refers to the systematic distribution of organisational resources, such as finances, time, technology, facilities, and human expertise, to various Human Resource (HR) activities. As organisational resources are finite, HR managers must decide how to utilise them effectively to attract, develop, motivate, and retain talented employees. Proper resource allocation ensures employees receive the necessary support to perform efficiently and contribute to achieving organisational goals.

The major areas in which HR managers allocate resources are discussed below.

1. Recruitment

Recruitment is the process of attracting qualified candidates to fill job vacancies. HR managers allocate resources such as recruitment budgets, advertising expenses, online job portals, recruitment software, interview panels, and time to identify suitable candidates. For example, a company might invest in campus recruitment programmes and online recruitment platforms to attract highly skilled graduates for technical positions.

2. Employee Training and Development

Training and development help employees acquire new knowledge, improve existing skills, and prepare for future responsibilities. HR managers allocate funds for training programmes, workshops, online learning platforms, seminars, coaching, and certification courses to enhance employee competencies. For instance, a bank might organise regular training programmes on digital banking and cybersecurity to ensure employees remain updated with technological advancements.

3. Leadership Development

Leadership development focuses on preparing employees to assume future managerial and leadership positions. HR managers allocate resources for mentoring programmes, executive coaching, leadership workshops, job rotation, and management development programmes to build leadership capabilities. For example, a manufacturing company might identify high-potential employees and enrol them in leadership development programmes to prepare them for senior management positions when vacancies arise.



4. Performance Management

Performance management is a continuous process of planning, monitoring, evaluating, and improving employee performance. HR managers invest in performance appraisal systems, performance management software, goal-setting programmes, feedback sessions, and performance review meetings to measure employee achievements and identify areas for improvement. For instance, an IT company might use a digital performance management system that enables managers to provide continuous feedback and evaluate employees based on predetermined performance indicators.

5. Employee Welfare Programmes

Employee welfare programmes are initiatives designed to improve employees' physical, mental, social, and financial well-being. HR managers allocate resources for health insurance, medical facilities, counselling services, recreational activities, employee assistance programmes, transportation, and workplace safety measures to enhance employee satisfaction and productivity. For example, many organisations provide health check-up camps, wellness programmes, and flexible working arrangements to support employees' overall well-being.

6. Reward and Recognition Systems

Reward and recognition systems are designed to acknowledge employees for their performance, contributions, and achievements. HR managers allocate budgets for bonuses, incentives, salary increments, employee awards, appreciation certificates, and non-monetary recognition programmes to motivate employees and encourage high performance. For example, a sales organisation might offer annual performance bonuses and recognise the "Best Sales Performer of the Year" during the company's annual awards ceremony to encourage employees to achieve organisational goals.

2.2.2.1 Importance of Resource Allocation in Talent Management

Effective resource allocation is vital to the success of any talent management system. By appropriately distributing organisational resources, HR managers can ensure employees receive the necessary support to perform efficiently and contribute to organisational objectives. The following points explain the importance of resource allocation in talent management.

1. Ensures Optimal Utilisation of Resources

Every organisation has limited resources, such as money, time, manpower, and technology. Proper resource allocation helps utilise these resources efficiently by directing them towards activities that provide the greatest benefit to the organisation. This reduces wastage and improves operational efficiency.

2. Attracts and Retains Talented Employees

Organisations that invest sufficient resources in recruitment, employee development, and welfare are more likely to attract skilled professionals and retain high-performing

employees. Employees are more willing to remain with organisations that invest in their growth and well-being, which decreases employee turnover and improves organisational stability.

3. Improves Employee Performance

Providing adequate resources for training, performance management, and skill development enables employees to enhance their knowledge and competencies. Employees who receive proper support perform their duties more effectively and confidently, leading to higher individual and organisational performance.

4. Supports Employee Development

Resource allocation allows organisations to invest in continuous learning, career development, and leadership programmes. These initiatives help employees acquire new skills and prepare for greater responsibilities. Consequently, employees become more capable of handling future challenges.

5. Enhances Employee Motivation and Job Satisfaction

Allocating resources for employee welfare programmes, rewards, and recognition demonstrates that the organisation values its employees. Recognition for good performance and access to welfare benefits improve employee morale and motivation. Motivated employees are generally more committed to achieving organisational goals.

6. Facilitates Succession Planning

Resource allocation supports succession planning by providing opportunities for leadership training, mentoring, and career advancement. Organisations can identify and develop employees with high potential for future leadership roles. This ensures leadership continuity and minimises disruptions when key positions become vacant.

7. Supports Strategic Organisational Goals

Talent management should align with the overall objectives of the organisation. Proper allocation of resources ensures that HR activities such as recruitment, training, and performance management contribute directly to achieving strategic business goals. This strengthens the organisation's competitive advantage and long-term success.

8. Increases Organisational Productivity

When employees receive the right resources at the right time, they perform their tasks more efficiently. Better skills, improved motivation, and effective performance management lead to increased productivity and a higher quality of work. Higher productivity ultimately contributes to improved organisational performance.

9. Promotes Fairness and Transparency

Resource allocation based on objective criteria ensures that employees receive equal



opportunities for training, promotion, rewards, and development. Fair distribution of organisational resources builds trust among employees and reduces perceptions of favouritism or bias. This creates a positive and ethical work environment.

10. Strengthens Organisational Competitiveness

Organisations that allocate resources effectively are better prepared to respond to changing business environments and technological advancements. Continuous investment in employee skills and leadership development enables organisations to innovate and remain competitive. Therefore, effective resource allocation is a strategic tool for sustaining long-term organisational success.

Resource allocation is an essential function of talent management because it ensures that organisational resources are used efficiently to attract, develop, motivate and retain talented employees. Effective allocation improves employee performance, supports organisational growth, enhances competitiveness and helps organisations achieve both short-term and long-term objectives.

2.2.2.2 Factors Affecting Resource Allocation

Resource allocation in talent management is influenced by several organisational and environmental factors. Since resources such as money, time and manpower are limited, Human Resource (HR) managers must carefully decide how these resources should be distributed to achieve maximum organisational benefits. The following factors play an important role in determining resource allocation decisions.

1. Organisational Objectives

Organisational objectives are the goals and targets that an organisation aims to achieve over a specific period. Resource allocation should always support these objectives by ensuring that employees, finances and other resources are directed towards activities that contribute to organisational success. For example, if a company's objective is to expand into international markets, HR may allocate more resources to recruiting employees with global business experience and providing cross-cultural training.

2. Budget Availability

The amount of financial resources available significantly influences how resources are allocated within the organisation. HR managers must plan recruitment, training, employee welfare and development programmes according to the approved budget, while ensuring that essential activities receive adequate funding. For example, during periods of financial constraints, an organisation may choose cost-effective online training programmes instead of expensive classroom-based workshops.

3. Employee Competencies

Employee competencies refer to the knowledge, skills, abilities and behaviours required to perform job responsibilities effectively. Resource allocation depends on

identifying competency gaps and investing in areas where employees require further development to improve their performance. For example, if employees lack digital skills, the organisation may allocate additional resources for technology training and certification programmes.

4. Future Workforce Requirements

Organisations must anticipate future human resource needs based on business growth, technological advancements, employee retirements and changing market conditions. Resource allocation should support workforce planning by investing in recruitment, succession planning and employee development to ensure that qualified employees are available when needed. For example, a manufacturing company planning to automate its operations may allocate resources to train existing employees in robotics and automation technologies before implementing new systems.

5. Business Priorities

Business priorities are the immediate and long-term activities that require the organisation's greatest attention and investment. HR managers allocate resources according to the urgency and strategic importance of different projects, departments or business functions to ensure that critical organisational goals are achieved. For example, if a software company is preparing to launch a new product, it may allocate additional recruitment, training and incentive resources to the product development and marketing teams to ensure the project's success.

Effective resource allocation requires HR managers to consider multiple factors rather than distributing resources equally across all activities. Organisational objectives, budget availability, employee competencies, future workforce requirements and business priorities together determine where resources should be invested. Considering these factors helps organisations utilise their resources efficiently, improve employee performance and achieve sustainable organisational growth.

Example: Amazon invests heavily in employee training, automation and leadership development. Through programmes such as career development initiatives, the company allocates significant resources to help employees acquire new skills while supporting future organisational growth.

2.2.3 Human Relations

A manufacturing company notices that employees from different departments rarely communicate with one another. As misunderstandings increase, productivity declines. The HR department introduces team-building activities, regular meetings and employee engagement programmes. Employees begin working together, sharing ideas and solving problems collectively. Gradually, workplace relationships improve and organisational performance increases.

Human relations refers to the process of developing healthy interpersonal relationships among employees, managers and within the organisation.



It focuses on creating cooperation, trust, communication and mutual respect within the workplace. Talent management is not limited to hiring talented employees; it also involves maintaining positive relationships so that employees remain motivated and committed.

2.2.3.1 Importance of Good Human Relations in Organisations

Good human relations are essential for creating a productive, harmonious and supportive work environment. When employees maintain positive relationships with their colleagues and managers, they are more likely to work efficiently, communicate openly and contribute to organisational success. The following points explain the importance of good human relations in organisations.

1. Improves Teamwork

Good human relations encourage employees to work together towards common organisational goals. When employees trust and respect one another, they willingly share ideas, support their teammates and solve problems collaboratively. For example, in a project team, members with good interpersonal relationships coordinate their tasks effectively, resulting in the timely completion of the project.

2. Reduces Workplace Conflicts

Healthy relationships among employees help minimise misunderstandings, disagreements and interpersonal conflicts. Open communication and mutual respect enable employees to resolve issues constructively before they become major problems. For example, when two employees have different opinions about a project, they discuss their ideas professionally and reach a solution instead of engaging in personal arguments.

3. Increases Employee Satisfaction

Employees who experience respect, cooperation and appreciation at the workplace are generally more satisfied with their jobs. Positive relationships with colleagues and supervisors create a pleasant work environment where employees feel valued and motivated. For example, an organisation that encourages teamwork and recognises employee contributions often enjoys higher levels of employee satisfaction.

4. Enhances Communication

Effective human relations promote open, honest and timely communication throughout the organisation. Employees feel comfortable expressing their opinions, sharing ideas and seeking guidance from managers without hesitation. For example, during team meetings, employees who have good relationships with their supervisors actively participate in discussions and contribute innovative suggestions.

5. Improves Employee Retention

Employees are more likely to remain with an organisation where they experience supportive relationships, respect and cooperation. A positive work environment reduces

stress, increases job commitment and decreases employee turnover. For example, many employees choose to stay with an organisation not only because of attractive salaries, but also because they enjoy working with supportive colleagues and managers.

6. Creates a Positive Organisational Culture

Good human relations contribute to the development of a workplace culture based on trust, respect, cooperation and shared values. Such a culture encourages employee engagement, innovation and continuous improvement, while strengthening the organisation's reputation. For example, companies known for their positive organisational culture often attract talented professionals because employees enjoy working in an environment that values collaboration and mutual respect.

Good human relations form the foundation of a successful organisation. They strengthen teamwork, reduce conflicts, improve communication, increase employee satisfaction and support long-term employee retention. By fostering positive relationships among employees and managers, organisations create a healthy work culture that enhances productivity, organisational effectiveness and sustainable growth.

HR managers play an important role in strengthening human relations by encouraging open communication, employee participation, conflict resolution and recognition programmes.

Example: Southwest Airlines is well known for its employee-friendly culture. The company encourages teamwork, open communication and mutual respect among employees. Its strong focus on human relations has contributed to high employee satisfaction and quality customer service.

2.2.4 HR Metrics and Talent Analytics

A company experiences frequent employee resignations. Instead of making assumptions, the HR department analyses employee data, finding that most employees leave within the first year due to limited career development opportunities. Based on this analysis, the company introduces mentoring programmes, career planning and additional training. Within one year, employee retention improves significantly, demonstrating how data helps HR managers make better decisions.

HR metrics are measurable indicators used to evaluate the effectiveness of human resource activities. Talent analytics refers to the systematic collection, analysis and interpretation of employee data to improve talent-related decisions. Rather than relying solely on intuition, organisations increasingly use data to make informed HR decisions.

2.2.4.1 Common HR Metrics

The following are some of the most commonly used HR metrics in organisations.



1. Employee Turnover Rate

Employee turnover rate measures the percentage of employees who leave an organisation during a specific period due to resignation, retirement or termination. A high turnover rate may indicate problems such as low job satisfaction, poor working conditions, inadequate compensation or limited career growth opportunities. For example, if a company has 200 employees and 20 employees leave during the year, the employee turnover rate is 10%.

2. Absenteeism Rate

The absenteeism rate refers to the percentage of scheduled workdays employees are absent from work without prior approval, or due to illness, personal reasons, or other causes. A high absenteeism rate can reduce productivity, increase the workload for other employees, and affect organisational performance. For example, if an employee is absent for 5 days out of 250 working days in a year, this information is used by the organisation to monitor attendance patterns and identify possible workplace issues.

3. Training Effectiveness

Training effectiveness measures how successfully training programmes improve employees' knowledge, skills, and job performance. HR managers assess training effectiveness through tests, performance improvements, employee feedback, and the achievement of training objectives. For example, after conducting a customer service training programme, an organisation may compare customer satisfaction scores before and after the training to determine whether employees have improved their service quality.

4. Time Taken to Recruit Employees (Time to Hire)

Time taken to recruit employees refers to the number of days required to fill a vacant position, starting from the job advertisement until the selected candidate accepts the offer. A shorter recruitment period helps organisations fill vacancies quickly and reduces disruptions to business operations. For example, if a company advertises a job on 1st June and the selected candidate joins on 1st July, the recruitment process takes approximately 30 days.

5. Cost per Hire

Cost per hire measures the total amount an organisation spends to recruit one employee. It includes expenses such as job advertisements, recruitment agency fees, interview costs, assessment tests, background verification, and onboarding activities. For example, if an organisation spends ₹5,00,000 to recruit 25 employees, the average cost per hire is ₹20,000 per employee.

6. Employee Productivity

Employee productivity measures the amount of work or output produced by an employee within a given period. Higher productivity indicates that employees are

effectively utilising their time, skills, and organisational resources to achieve business objectives. For example, in a manufacturing company, productivity may be measured by the number of units produced per employee, while in a sales organisation, it may be measured by the revenue generated by each salesperson.

7. Employee Engagement Score

The employee engagement score measures the level of employees' emotional commitment, enthusiasm, and involvement in their work and the organisation. Highly engaged employees are generally more motivated, productive, and willing to contribute beyond their assigned responsibilities. For example, organisations conduct employee engagement surveys to assess factors such as job satisfaction, trust in management, career development opportunities, and workplace culture, and then calculate an overall engagement score.

8. Performance Ratings

Performance ratings evaluate how well employees perform their assigned duties during a performance appraisal period. Managers assess employees based on predetermined performance criteria such as quality of work, productivity, teamwork, communication, problem-solving abilities, and the achievement of organisational goals. For example, an employee who consistently exceeds performance targets and demonstrates strong leadership skills may receive an "Outstanding" or "Excellent" performance rating during the annual appraisal.

HR metrics provide valuable information, enabling organisations to evaluate the effectiveness of their human resource practices and make evidence-based decisions. By monitoring metrics such as employee turnover, absenteeism, training effectiveness, recruitment efficiency, employee productivity, engagement and performance, organisations can improve workforce management and achieve better organisational outcomes. These metrics are essential tools in modern talent analytics, helping HR managers develop effective strategies for attracting, developing and retaining talented employees.

2.2.4.2 Importance of Talent Analytics

Talent analytics has become an essential component of modern talent management, enabling organisations to make informed decisions using employee data. Instead of relying solely on intuition or past experiences, HR managers use data and analytical tools to understand workforce trends, improve employee performance and support organisational goals. The following points explain the importance of talent analytics in organisations.

1. Predicts Employee Turnover

Talent analytics helps organisations identify employees who are likely to leave by analysing factors such as job satisfaction, absenteeism, performance, workload and employee engagement. By recognising these warning signs early, HR managers can take



corrective measures, such as providing career development opportunities, improving working conditions or offering retention incentives. For example, if data show that employees with limited promotion opportunities tend to resign within two years, the organisation can introduce career advancement programmes to reduce turnover.

2. Identifies High-Performing Employees

Talent analytics enables organisations to identify employees who consistently perform well and contribute significantly to organisational success. HR managers analyse performance data, productivity levels, customer feedback and achievement of targets to recognise top performers. For example, a sales company may use sales performance data to identify employees who consistently exceed their sales targets and consider them for promotions or leadership development programmes.

3. Improves Recruitment Quality

Talent analytics helps organisations evaluate the effectiveness of their recruitment process by analysing the performance and retention of newly hired employees. It enables HR managers to determine which recruitment sources, selection methods and interview techniques produce the best candidates. For example, if employees recruited through campus placements consistently perform better than those hired through recruitment agencies, the organisation may allocate more resources to campus recruitment.

4. Measures Training Outcomes

Talent analytics helps assess whether training programmes have successfully improved employees' knowledge, skills and job performance. HR managers compare employee performance before and after training using performance ratings, productivity measures, assessments and employee feedback. For example, after providing digital marketing training, an organisation may analyse whether employees generate more online sales and improve customer engagement compared to their performance before the training.

5. Plans Future Workforce Requirements

Talent analytics assists organisations in forecasting future workforce needs by analysing business growth, employee retirements, skill shortages and changing market demands. This information helps HR managers prepare recruitment, succession planning and employee development strategies well in advance. For example, a manufacturing company planning to introduce automation may analyse future skill requirements and begin training employees in robotics and artificial intelligence before implementing new technologies.

6. Supports Strategic Decision Making

Talent analytics provides reliable data that supports strategic human resource and business decisions. HR managers use workforce data to develop policies related to recruitment, compensation, employee development, succession planning, and workforce

planning, ensuring that HR strategies align with organisational objectives. For example, if talent analytics reveal that employees with advanced technical certifications contribute significantly to organisational productivity, management may decide to invest more resources in technical training and professional certification programmes.

Talent analytics enables organisations to make accurate, objective, and data-driven human resource decisions. It helps predict employee turnover, identify high-performing employees, improve recruitment quality, evaluate training effectiveness, plan future workforce requirements, and support strategic decision-making. By effectively using talent analytics, organisations can improve employee performance, enhance workforce planning, and gain a competitive advantage in today's dynamic business environment.

Example: IBM uses advanced talent analytics to understand employee performance, predict resignations, and identify future leaders. By analysing workforce data, the company designs targeted development programmes and improves employee retention.

2.2.5 Succession Planning

The Managing Director of a company announces retirement after thirty years of service. Fortunately, the organisation has already identified and trained several senior managers for leadership roles over the previous five years. One of these managers smoothly takes over the position without affecting business operations. The organisation continues its activities without interruption because it had prepared future leaders in advance.

Succession planning is the systematic process of identifying, developing, and preparing employees to occupy important positions when current leaders retire, resign, or are promoted. Succession planning ensures leadership continuity and reduces disruptions in organisational operations. Instead of searching for external candidates whenever a vacancy arises, organisations develop internal employees with leadership potential.

2.2.5.1 Process of Succession Planning

Succession planning is a systematic process of identifying and developing employees who have the potential to occupy key positions in the organisation in the future. It ensures that the organisation has qualified employees ready to take over important roles when current leaders retire, resign, are promoted, or leave unexpectedly. A well-planned succession process minimises disruptions, preserves organisational knowledge, and ensures leadership continuity.





Fig: 2.1.1 Process of succession planning

The succession planning process generally involves the following steps.

1. Identifying Key Positions

The first step in succession planning is to identify the positions that are critical to the organisation's success. These positions usually include senior management roles, specialised technical positions, and other jobs that are difficult to fill because they require extensive experience or unique skills. For example, a company may identify the positions of Chief Executive Officer (CEO), Finance Manager, and Head of Human Resources as key positions that require succession planning.

2. Recognising Employees with High Potential

After identifying key positions, the organisation identifies employees with the potential to assume these roles in the future. HR managers evaluate employees based on factors such as job performance, leadership ability, learning capacity, commitment, adaptability, and willingness to take on greater responsibilities. For example, an employee who consistently performs well, demonstrates leadership qualities, and effectively manages team projects may be selected as a high-potential employee for future leadership roles.

3. Assessing Their Competencies

The next step is to assess whether the identified employees possess the knowledge, skills, abilities, and behavioural competencies required for future positions. HR managers use performance appraisals, competency assessments, interviews, psychological tests, and feedback from supervisors to evaluate employees' strengths and identify areas for

improvement. For example, an employee may possess excellent technical knowledge but require further development in communication and decision-making skills before assuming a managerial position.

4. Providing Leadership Training and Mentoring

Once competency gaps have been identified, organisations provide appropriate development opportunities to prepare employees for future leadership roles. These may include leadership training programmes, mentoring by senior executives, job rotation, coaching, special assignments, and management development programmes. For example, a senior manager may mentor a high-potential employee by involving them in strategic decision-making meetings and guiding them in handling complex organisational challenges.

5. Evaluating Their Readiness for Future Roles

The final step is to evaluate whether employees are fully prepared to take up leadership responsibilities when opportunities arise. HR managers regularly monitor employees' progress through performance evaluations, leadership assessments, project outcomes, and feedback from mentors. For example, before promoting an employee to the position of Department Manager, the organisation may evaluate the employee's ability to lead teams, solve organisational problems, and achieve business objectives through temporary leadership assignments.

Succession planning is a continuous and proactive process that prepares organisations for future leadership needs. By identifying key positions, recognising high-potential employees, assessing competencies, providing leadership development opportunities, and evaluating employees' readiness, organisations can ensure smooth leadership transitions and maintain business continuity. Effective succession planning also enhances employee motivation, supports career development, and contributes to the long-term success of the organisation.

2.2.5.2 Benefits of Succession Planning

Succession planning is an important element of talent management that helps organisations prepare for future leadership and workforce requirements. By identifying and developing employees for key positions in advance, organisations can ensure business continuity and minimise disruptions caused by employee turnover. The following are the major benefits of succession planning.

1. Leadership Continuity

Succession planning ensures that capable employees are ready to take over leadership positions whenever a vacancy arises due to retirement, resignation, promotion, or unforeseen circumstances. This helps the organisation continue its operations smoothly without interruptions in decision-making or management. For example, when the Chief Executive Officer (CEO) retires, a trained successor can immediately assume the role and continue leading the organisation effectively.



2. Reduced Recruitment Costs

Recruiting senior executives or specialised professionals from outside an organisation is often expensive and time-consuming. Succession planning reduces these costs by preparing existing employees to fill important positions, thereby lessening the need for external recruitment. For example, instead of hiring a new Finance Manager from another company, an organisation may promote a well-trained Assistant Finance Manager who is already familiar with the organisation's systems and culture.

3. Faster Replacement of Key Employees

When organisations have a succession plan in place, they can quickly fill critical positions whenever vacancies occur. This reduces delays in decision-making and ensures that business activities continue without major disruptions. For example, if the Head of Human Resources unexpectedly resigns, a previously identified and trained successor can immediately take over the responsibilities.

4. Higher Employee Motivation

Succession planning motivates employees by providing clear opportunities for career advancement and professional growth. Employees become more committed to their work when they know that good performance and continuous learning can lead to greater responsibilities and leadership positions. For example, a marketing executive who is included in a leadership development programme is likely to remain motivated because they see a clear path towards becoming a Marketing Manager.

5. Better Knowledge Transfer

Experienced employees possess valuable knowledge, technical expertise and practical experience that are essential for organisational success. Succession planning encourages the systematic transfer of this knowledge to future leaders through mentoring, coaching, job shadowing and training programmes. For example, before retiring, an experienced Production Manager may train and mentor their successor on production planning, quality control and problem-solving techniques.

6. Improved Organisational Stability

Succession planning helps organisations remain stable during periods of leadership change by ensuring that qualified employees are always available to fill important positions. It reduces uncertainty among employees, customers and other stakeholders, whilst maintaining organisational performance and confidence. For example, a family-owned business that has prepared the next generation of leaders can continue its operations successfully even after the founder retires.

Succession planning provides long-term benefits by ensuring leadership continuity, reducing recruitment costs, enabling faster replacement of key employees, increasing employee motivation, promoting effective knowledge transfer and improving organisational stability. By developing future leaders from within the organisation,

succession planning strengthens talent management, supports sustainable organisational growth and enhances the organisation's ability to adapt to future challenges.

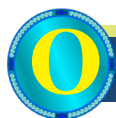
Succession planning is considered one of the most important components of strategic talent management.

Example: The Tata Group has long emphasised leadership development and succession planning. Potential leaders are identified early and provided with challenging assignments, mentoring and executive development programmes. This systematic approach has enabled the group to ensure smooth leadership transitions across its diverse businesses, whilst maintaining organisational stability.



Recap

- ◇ Ethical decision-making ensures fairness, transparency and integrity in all talent management decisions.
- ◇ Resource allocation involves distributing organisational resources efficiently to support recruitment, employee development and organisational performance.
- ◇ Good human relations improve teamwork, communication, employee satisfaction and organisational culture.
- ◇ HR metrics provide measurable indicators to evaluate the effectiveness of human resource activities.
- ◇ Talent analytics uses employee data to enhance recruitment, retention, workforce planning, and strategic decision-making.
- ◇ Succession planning prepares employees for future leadership roles, ensuring continuity in organisational operations.
- ◇ Leadership development and mentoring help organisations build a strong pipeline of future leaders.
- ◇ Data-driven HR practices enable organisations to make objective decisions and gain a competitive advantage.



Objective Questions

1. What is ethical decision-making?
2. Which HR metric measures employees leaving an organisation?



3. What is the process of distributing organisational resources called?
4. Which concept focuses on maintaining healthy relationships among employees?
5. What does HR stand for?
6. Which process prepares employees for future leadership positions?
7. Which HR tool uses employee data to support decision-making?
8. What is the first step in the succession planning process?



Answers

1. Fair decision-making
2. Employee turnover rate
3. Resource allocation
4. Human relations
5. Human Resources
6. Succession planning
7. Talent analytics
8. Identifying key positions



Self-Assessment Questions

1. Explain the principles of ethical decision-making with suitable examples.
2. Discuss the importance of resource allocation in talent management. What factors influence resource allocation decisions?
3. Explain the role of HR metrics and talent analytics in improving organisational performance.
4. Describe the process and benefits of succession planning in talent management.



Assignments

1. Visit the official website of a well-known organisation such as Google, Tata Group, or IBM. Identify one talent management practice related to ethical decision-making, talent analytics, or succession planning, and prepare a report explaining how it contributes to organisational success.
2. Interview an HR manager or a business owner to understand how employees are recruited, trained, and prepared for future leadership positions. Prepare a summary report highlighting the importance of the talent management practices followed by the organisation.
3. Collect information from ten employees or classmates regarding factors that motivate them to remain in an organisation. Analyse the responses and identify the most important factors influencing employee retention.
4. Select any organisation known to you and identify examples of resource allocation, employee welfare programmes, reward systems, and succession planning. Present your findings in a tabular format with suitable observations and conclusions.



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Suggested Reading

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BLOCK - 03



Competency

Unit - 1

Fundamentals of Competency



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the meaning, characteristics, components, and importance of competency and competency management
- ◇ analyse the role of leaders in competency management, including employee development, coaching, and succession planning
- ◇ apply the principles of employee engagement, diversity, and competency management to practical organisational situations



Prerequisite

Consider two organisations operating in the same industry with similar technology, financial resources, and market opportunities. While one organisation enjoys high employee commitment, a diverse and inclusive workforce, clear accountability, and competent leaders, the other struggles with low employee morale, frequent conflicts, and ineffective leadership. The difference lies not only in the quality of employees but also in how the organisation engages, develops, and manages its talent. Organisations that foster employee engagement, encourage accountability, value diversity, and develop employee competencies are better equipped to achieve long-term success.

This unit introduces the concepts of employee engagement, accountability, diversity, competency frameworks, and the role of leaders in competency management. It explains how these elements contribute to building a motivated, responsible, and competent workforce. The unit also discusses practical approaches adopted by organisations to develop employee competencies, promote an inclusive work environment, and prepare future leaders for organisational success.



Keywords

Employee Engagement, Accountability, Diversity, Competency Framework, Succession Planning



Discussion

3.1.1 Meaning of Competency

ABC Electronics sought to recruit a Sales Executive. Three candidates attended the interview. The first candidate had a postgraduate degree but lacked confidence when interacting with customers. The second candidate had excellent communication skills but did not understand the company's products. The third candidate possessed adequate educational qualifications, good product knowledge, effective communication skills, confidence, a positive attitude, and the ability to solve customer problems. The company selected the third candidate because he possessed the complete set of qualities required for the job.

This example demonstrates that job success depends not only on knowledge or technical skills but also on behaviour, attitude, communication, and the ability to apply knowledge effectively. These qualities, when combined, are known as competencies.

Competency refers to the integrated set of knowledge, skills, abilities, attitudes, values, and personal attributes that enables an individual to perform a job effectively in various workplace situations.

Competencies influence an employee's behaviour and determine how efficiently tasks are performed. They help employees solve problems, communicate effectively, make decisions, collaborate with others, and achieve organisational goals. Since different jobs require different competencies, organisations identify the necessary competencies for each position during recruitment, training, and performance evaluation.

In talent management, competency serves as the foundation for attracting, developing, and retaining talented employees.

Example : Microsoft identifies specific competencies for different roles, such as collaboration, customer focus, innovation, adaptability, and continuous learning. These competencies are utilised during recruitment, employee development, and leadership programmes to ensure that employees contribute effectively to organisational success.

Use Case

Infosys has developed a comprehensive competency framework that identifies the knowledge, technical expertise, and behavioural competencies required for various positions within the organisation. Employees undergo competency assessments, after



which personalised learning programmes are provided through the company's digital learning platform, Lex. This competency-based approach helps Infosys continuously upgrade employee capabilities, prepare future leaders, and maintain high service quality across its global operations.

3.1.1.1 Definitions of Competency

Consider two cricket players who have received identical coaching and possess similar technical knowledge. During an important match, one player remains calm under pressure, communicates effectively with teammates, and makes sound decisions, while the other loses confidence and performs poorly. Although both have similar technical skills, their overall competency differs. This demonstrates that competency encompasses much more than just technical knowledge.

Different management scholars have defined competency from various perspectives.

Richard Boyatzis (1982) defined competency as *"an underlying characteristic of an individual that leads to effective or superior performance in a job."*

Lyle M. Spencer and Signe M. Spencer (1993) defined competency as *"an underlying characteristic of an individual that is causally related to effective or superior performance in a job or situation."*

According to Parry (1996), competency is *"a cluster of related knowledge, skills and attitudes that affects a major part of one's job, can be measured against accepted standards and can be improved through training and development."*

These definitions indicate that competency represents an employee's overall capability to perform successfully in a particular role.

Example : IBM develops competency frameworks for every major job category. Employees are evaluated not only on technical expertise but also on leadership, innovation, collaboration, and customer orientation.

Use Case

Unilever redesigned its competency framework to prepare employees for future business challenges. Alongside technical knowledge, competencies such as adaptability, digital literacy, collaboration, and problem-solving became central to employee development and leadership programmes. This initiative helped Unilever create a workforce capable of responding quickly to changing market conditions.

3.1.1.2 Characteristics of Competency

Imagine a hospital that appoints two nurses with similar educational qualifications. One nurse communicates compassionately with patients, responds quickly during emergencies, works effectively with doctors, and remains calm under pressure. The other nurse possesses similar medical knowledge but struggles with communication and teamwork. Although both are qualified, only the first nurse demonstrates higher competency.

Competencies possess several important characteristics that distinguish them from simple knowledge or technical skills.

1. **Job-Oriented** : Competencies are developed according to the requirements of a particular job. Different jobs necessitate different competencies.
2. **Measurable**: Competencies can be assessed through interviews, performance evaluations, behavioural observations, and competency assessments.
3. **Observable** : Competencies are reflected through employee behaviour and workplace performance.
4. **Developable** : Competencies can be improved through education, training, coaching, and practical experience.
5. **Performance-Oriented** : Competencies directly influence employee productivity and organisational performance.
6. **Behaviour-Based** : Competencies include attitudes, values, personality traits, and behaviours in addition to knowledge and technical skills.

Example : Google evaluates competencies such as problem-solving, collaboration, adaptability, and learning ability in addition to technical expertise when selecting employees.

Use Case

Southwest Airlines is internationally recognised for recruiting employees based not only on technical ability but also on competencies such as teamwork, customer service orientation and a positive attitude. This competency-based recruitment strategy has contributed significantly to the company's strong organisational culture and customer satisfaction.

3.1.1.3 Components of Competency

A newly appointed bank officer may possess excellent knowledge of banking regulations but struggle to communicate with customers and work effectively under pressure. Another officer, with similar knowledge, might communicate confidently, remain calm during difficult situations and demonstrate a positive attitude towards customers.

The second employee performs better because competency consists of several interconnected components. These major components are:





Fig. 3.1.1 Components of Competency

1. **Knowledge** : Knowledge refers to the theoretical understanding of concepts, procedures and information required for a particular job.
2. **Skills** : Skills represent the practical ability to perform specific tasks effectively.
3. **Abilities** : Abilities refer to the natural or developed capacity to perform work successfully.
4. **Attitudes** : Attitude reflects an employee's positive or negative approach towards work, colleagues and the organisation.
5. **Values** : Values guide ethical behaviour, honesty, integrity and responsibility.
6. **Personal Attributes** : Personal attributes include confidence, adaptability, emotional intelligence, leadership and communication abilities.

These components collectively determine an employee's overall competency.

Example :TCS evaluates employees based on technical knowledge, communication skills, teamwork, customer orientation and leadership competencies when planning career development.

Use Case

Singapore Airlines is globally recognised for its competency-based employee development. Cabin crew members receive extensive training in communication, customer service, emotional intelligence, cultural sensitivity and problem-solving. These competencies contribute significantly to the airline's reputation for exceptional customer service.

3.1.1.4 Competency Iceberg

The Competency Iceberg Concept illustrates that a person's competency is like an iceberg. The small portion visible above the water represents knowledge and skills, which can be easily observed, measured and improved through education and training. These visible competencies help individuals perform specific tasks effectively.

However, the larger, hidden portion of the iceberg consists of self-concept, attitudes, values, personality traits and motives. These deeper characteristics are not easily seen, but they strongly influence an individual's behaviour, decision-making, work attitude and overall job performance. Since these underlying qualities are difficult to change, organisations consider them important when selecting, developing and evaluating employees.

The hidden characteristics in the Competency Iceberg Model-such as motives, values, personality traits, attitudes and self-concept ; cannot be observed directly. However, they can be identified and developed through systematic assessment and continuous learning.

Identifying Hidden Characteristics in the Competency Iceberg Model

1. **Behavioural Interviews:** Asking candidates to describe how they handled real-life situations helps reveal their motives, attitudes and values.
2. **Psychometric Tests:** Personality, aptitude, emotional intelligence and values assessments provide insights into an individual's underlying characteristics.
3. **360-Degree Feedback:** Feedback from supervisors, colleagues, subordinates and customers helps identify behavioural patterns and interpersonal traits.
4. **Observation:** Managers can observe how employees respond to challenges, work in teams, handle conflicts and make decisions.
5. **Self-Assessment and Reflection:** Employees can evaluate their own strengths, weaknesses, values and career aspirations through reflection and assessment tools.

Improving Hidden Characteristics in the Competency Iceberg Model

1. **Coaching and Mentoring:** Experienced mentors guide employees in developing positive attitudes, confidence, leadership qualities, and ethical values.
2. **Training and Workshops:** Programmes on emotional intelligence, communication, teamwork, stress management, and leadership can improve behavioural competencies.
3. **Regular Feedback:** Constructive feedback helps employees recognise areas for improvement and adopt better workplace behaviours.
4. **Job Rotation and Challenging Assignments:** Exposure to different roles and responsibilities develops adaptability, confidence, and problem-solving ability.



- 5. Self-Development :** Reading, reflection, mindfulness, goal setting, and continuous learning help individuals strengthen their values, motivation, and self-awareness.

Example : A customer service executive may possess excellent product knowledge and communication skills (visible competencies). However, qualities such as patience, empathy, integrity, and a genuine desire to help customers are hidden competencies. These can be identified through customer feedback and observation, and they can be strengthened through coaching, counselling, practical experience, and regular feedback.

While visible competencies like knowledge and skills can be developed relatively quickly through training, hidden competencies usually require sustained effort, experience, self-reflection, coaching, and supportive organisational practices because they are deeply rooted in an individual's personality and values.

3.1.1.5 Competency versus Skill

Riya is an expert in using accounting software and prepares financial reports accurately. However, she struggles to communicate with clients and cannot work effectively in teams. Meera has similar accounting skills but also communicates well, manages stress, solves problems, and demonstrates leadership qualities.

Although both possess accounting skills, Meera has higher competency because she combines technical expertise with behavioural qualities.

A skill refers to the ability to perform a specific task, whereas competency represents the broader capability to apply knowledge, skills, attitudes, and behaviours effectively to achieve successful job performance.

Table 3.1.1 Difference between Skill and Competency

Basis	Skill	Competency
Meaning	Ability to perform a task	Overall capability to perform a job effectively
Scope	Narrow	Broad
Includes	Practical ability	Knowledge, skills, attitude, values and behaviour
Development	Mainly through practice	Through education, training and experience
Focus	Task performance	Overall job performance

Thus, every competency includes skills, but every skill alone does not constitute competency.

Example : Deloitte's competency model evaluates employees on technical skills, as well as leadership, teamwork, communication, and client relationship management, before considering promotions.

Use Case

Amazon evaluates employees using its famous Leadership Principles, including customer obsession, ownership, innovation, and bias for action. Employees require both technical skills and behavioural competencies to succeed and progress within the organisation.

3.1.1.6 Competency Management

Imagine that Sunrise Hospitals plans to improve the quality of patient care. Instead of recruiting employees based only on educational qualifications, the hospital identifies the competencies required for each position. Doctors must possess clinical expertise, decision-making ability, and empathy. Nurses need medical knowledge, communication skills, and teamwork. Reception staff require customer service skills, patience, and problem-solving ability.

The Human Resources (HR) department prepares a competency framework for every job. Employees are regularly assessed to identify competency gaps, and training programmes are organised to enhance their capabilities. As a result, patient satisfaction increases, employee performance improves, and the hospital becomes one of the most trusted healthcare providers in the region.

This illustrates how organisations systematically identify, assess, develop, and utilise employee competencies. This process is known as competency management.

Competency management is the systematic process of identifying, assessing, developing, and applying the knowledge, skills, abilities, attitudes, and behaviours required for employees to perform their jobs effectively. It ensures that employees possess the necessary competencies to achieve organisational objectives and adapt to changing business environments.

Competency management is an important part of talent management because it helps organisations place the right person in the right job. It provides a structured approach for recruitment, training, performance appraisal, career development, succession planning, and employee promotion. By clearly defining the competencies required for different positions, organisations can make fair and objective human resource decisions.

The competency management process generally includes the following steps:

1. Identifying competencies required for each job.
2. Developing competency frameworks for various positions.
3. Assessing employee competencies through performance appraisals, tests, and observations.
4. Identifying competency gaps between existing and required competencies.
5. Providing training and development programmes to bridge competency gaps.
6. Monitoring and evaluating competency improvement on a regular basis.



Thus, competency management ensures continuous employee development while supporting organisational growth and competitiveness.

3.1.1.7 Importance of Competency Management

Competency management plays a significant role in improving employee performance and achieving organisational goals. It enables organisations to identify the competencies required for success and systematically develop them among employees. The following points explain its importance.

1. Improves Recruitment and Selection

Competency management helps organisations identify the competencies required for each job before recruiting employees. This enables HR managers to select candidates who possess the appropriate knowledge, skills, and behavioural qualities for the position. For example, an airline recruiting cabin crew evaluates communication skills, customer service orientation, and emotional intelligence in addition to educational qualifications.

2. Supports Employee Training and Development

Competency assessments help identify gaps between the competencies employees possess and those required for their jobs. Organisations can then design targeted training programmes to bridge these gaps and improve employee performance. This ensures that training resources are utilised effectively.

3. Enhances Employee Performance

Employees who possess the required competencies perform their duties more efficiently and confidently. Competency management provides employees with clear performance expectations and continuous development opportunities, leading to higher productivity and improved work quality.

4. Facilitates Fair Performance Appraisal

Competency management establishes objective standards for evaluating employee performance. Employees are assessed based on predefined competencies rather than personal opinions or bias, making the appraisal process more transparent and fair.

5. Supports Career Development

Competency management helps employees understand the competencies required for career advancement. Employees can prepare themselves through learning and development activities, enabling them to progress to higher positions within the organisation.

6. Assists Succession Planning

Organisations use competency management to identify employees with leadership potential and prepare them for future managerial roles. By developing competencies

such as leadership, decision-making, and strategic thinking, organisations ensure smooth leadership transitions.

7. Increases Employee Motivation

Employees become more motivated when they clearly understand expected competencies and receive opportunities to improve their capabilities. Continuous learning and recognition for competency development increase employee confidence and job satisfaction.

8. Improves Organisational Competitiveness

Organisations with highly competent employees can adapt more effectively to technological changes, market competition, and customer expectations. Competency management enables organisations to build a skilled and future-ready workforce capable of sustaining long-term competitive advantage.

9. Aligns Employee Competencies with Organisational Goals

Competency management ensures that employees develop the capabilities needed to support the organisation's strategic objectives. This alignment improves organisational effectiveness and helps achieve business goals more efficiently.

10. Promotes Continuous Learning

Competency management encourages employees to update their knowledge and acquire new skills throughout their careers. A culture of continuous learning helps organisations remain innovative, adaptable, and prepared for future challenges.

Example : Google follows a competency-based approach to talent management by identifying competencies such as innovation, collaboration, problem-solving, and adaptability for different roles. These competencies guide recruitment, employee development, leadership programmes, and performance evaluations, helping the company maintain its innovative culture.

Use Case

Unilever introduced its Future-Fit Competency Framework to prepare employees for changing business environments. The company identified competencies such as digital literacy, adaptability, collaboration, customer orientation, and continuous learning as essential for future success. Employees were assessed against these competencies, and customised development programmes were introduced to strengthen them. This initiative improved workforce readiness, enhanced leadership development, and supported the company's long-term business strategy.

3.1.2 Competency Assessment

XYZ Manufacturing Company planned to promote one of its supervisors to the position of Production Manager. Three supervisors had similar educational qualifications



and years of experience. Instead of promoting the most senior employee, the Human Resources (HR) department conducted a competency assessment. The assessment included technical tests, leadership exercises, communication activities, interviews, and problem-solving tasks. The results showed that one supervisor possessed strong leadership, decision-making, communication, and team management competencies, making him the most suitable candidate for the managerial position.

This example demonstrates that organisations should evaluate not only an employee's qualifications but also the competencies required for successful job performance. This systematic evaluation is known as competency assessment.

Competency assessment is the systematic process of evaluating an employee's knowledge, skills, abilities, attitudes, and behavioural characteristics to determine whether they possess the competencies required to perform a particular job effectively. It helps organisations identify employees' strengths, weaknesses, and development needs.

Unlike traditional performance appraisal, which mainly focuses on past performance, competency assessment evaluates an employee's present capabilities as well as future potential. The results are used for recruitment, training, promotion, succession planning, and career development. Competency assessment provides objective information that enables organisations to make fair and informed Human Resources decisions.

Example: TCS conducts competency assessments to evaluate employees' technical expertise, communication skills, leadership ability, and customer orientation. The assessment results are used to identify training needs, inform promotions, and gauge future leadership potential.

Accenture utilises competency assessments through digital platforms that evaluate employees' technical capabilities, problem-solving ability, leadership competencies, and adaptability. Based on assessment results, employees receive personalised learning recommendations and career development opportunities, ensuring continuous skill enhancement.

3.1.2.1 Objectives of Competency Assessment

Competency assessment is conducted to systematically evaluate employees and support organisational development. Its major objectives are discussed below.

1. To Identify Employee Competencies : The primary objective is to determine whether employees possess the competencies required for their current roles.
2. To Identify Competency Gaps : Competency assessment compares the competencies employees possess with those required for the job, helping organisations identify areas needing improvement.
3. To Plan Training and Development : Assessment results help HR managers design appropriate training programmes to enhance employee competencies.

4. To Support Recruitment and Selection : Competency assessment enables organisations to select candidates whose competencies best match job requirements.
5. To Facilitate Performance Management : Competency assessment provides objective standards for evaluating employee performance and development.
6. To Support Career Development : The assessment identifies employees capable of assuming higher responsibilities and helps plan their career progression.
7. To Assist Succession Planning : Competency assessment helps identify future leaders and prepare them for key organisational positions.
8. To Improve Organisational Performance : Developing employee competencies ultimately enhances productivity, quality, innovation, and organisational effectiveness.

3.1.2.2 Importance of Competency Assessment

Competency assessment is essential because it enables organisations to understand employee capabilities and make informed HR decisions.

1. Improves Employee Performance : Employees receive constructive feedback and development opportunities that improve their performance.
2. Supports Fair HR Decisions : Recruitment, promotion, and appraisal decisions become more objective and transparent.
3. Identifies High-Potential Employees : Organisations can recognise employees capable of handling future leadership roles.
4. Enhances Training Effectiveness : Training programmes are designed according to actual competency gaps rather than assumptions.
5. Promotes Continuous Learning : Employees become aware of their strengths and weaknesses and actively improve their competencies.
6. Increases Organisational Competitiveness : Competent employees improve innovation, productivity, and customer satisfaction.

3.1.2.3 Competency Assessment Process

Competency assessment follows a systematic process that helps organisations evaluate whether employees possess the competencies required to perform their jobs effectively. The process also helps identify competency gaps and plan appropriate development programmes.

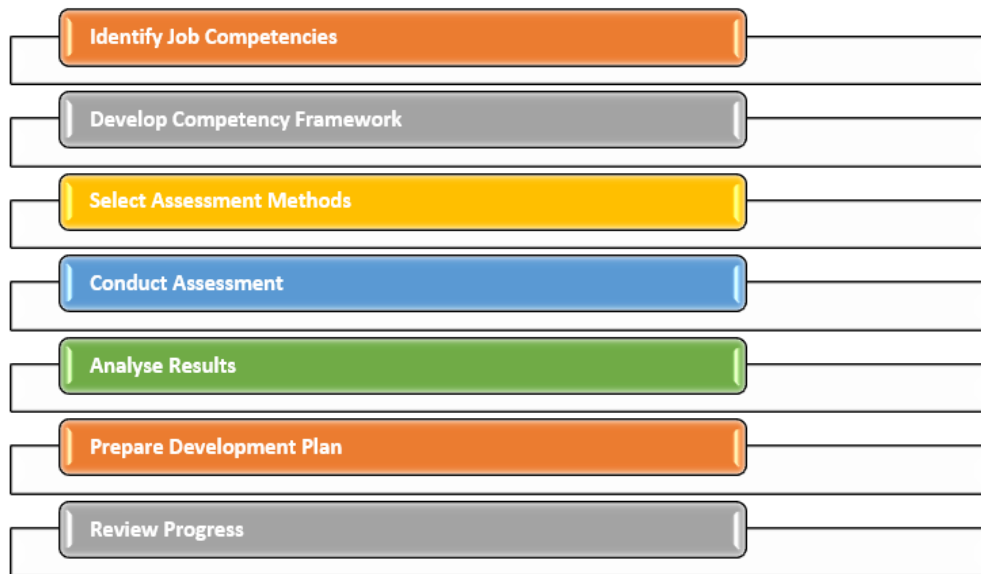


Fig.3.1.2 Competency Assessment Process

Step 1: Identify Job Competencies

The first step is to identify the competencies required for each job position. HR managers analyse the job roles and determine the knowledge, skills, abilities, and behavioural competencies that are essential for successful performance. This serves as the foundation for the entire competency assessment process.

Step 2: Develop Competency Framework

After identifying the required competencies, the organisation develops a competency framework for each job. The framework clearly lists the technical, behavioural, and managerial competencies expected from employees and provides standard criteria for evaluating performance.

Step 3: Select Assessment Methods

The organisation then selects suitable methods to assess employee competencies based on the nature of the job. Common methods include interviews, written tests, observation, assessment centres, psychometric tests and 360-degree feedback. Choosing appropriate methods ensures that the assessment is reliable and objective.

Step 4: Conduct Assessment

At this stage, employees are evaluated using the selected assessment methods. Assessors observe employee behaviour, evaluate performance and collect relevant information to measure the competencies required for the job. The assessment should be conducted fairly and consistently for all employees.

Step 5: Analyse Results

Once the assessment is completed, the collected data are analysed to identify employees' strengths and areas requiring improvement. HR managers compare the assessed competencies with the expected competency standards to determine competency gaps. The results provide valuable information for making HR decisions.

Step 6: Prepare Development Plan

Based on the assessment results, a development plan is prepared for each employee. The organisation may recommend training programmes, mentoring, coaching, job rotation or other learning opportunities to help employees improve their competencies and prepare for future responsibilities.

Step 7: Review Progress

Competency assessment is a continuous process rather than a one-off activity. HR managers periodically review employees' progress through follow-up assessments and performance evaluations to determine whether competency levels have improved. Continuous monitoring helps ensure that employees remain competent and capable of meeting changing organisational requirements.

3.1.2.4 Methods of Competency Assessment

Organisations use different methods to assess employee competencies depending on the nature of the job, organisational objectives and the competencies being evaluated. Each method provides valuable information about an employee's knowledge, skills, abilities and behavioural characteristics.

1. Interviews

Interviews are one of the most commonly used methods of competency assessment. During a structured interview, candidates are asked a series of predetermined questions to assess competencies such as communication skills, problem-solving ability, decision-making, leadership and interpersonal skills. Interviewers evaluate not only the answers but also the candidate's confidence, clarity of expression and professional attitude. For example, when recruiting a Human Resource Executive, the interviewer may ask the candidate how they would resolve a conflict between two employees to assess their conflict management and communication competencies.

2. Behavioural Event Interviews (BEI)

Behavioural Event Interviews (BEI) assess competencies by asking employees to describe actual situations they have experienced in the past. The principle behind this method is that past behaviour is one of the best indicators of future performance. Employees explain what happened, the actions they took and the outcomes they achieved, allowing assessors to evaluate competencies such as leadership, teamwork, initiative and problem-solving. For example, a sales manager may be asked to describe a



situation where they successfully handled a difficult customer, enabling the interviewer to assess customer service orientation and negotiation skills.

3. Assessment Centres

Assessment centres are comprehensive evaluation programmes where employees participate in activities such as group discussions, role-plays, business simulations, presentations, case analyses, and in-basket exercises. These activities closely resemble real workplace situations, allowing trained assessors to observe employee behaviour and competencies directly. Assessment centres are particularly useful for evaluating managerial and leadership competencies. For example, candidates applying for a Branch Manager position in a bank might participate in a simulated business problem where they must lead a team, make decisions, and present solutions to assess their leadership and decision-making abilities.

4. Psychometric Tests

Psychometric tests are scientifically designed assessments that measure an individual's personality traits, intelligence, aptitude, emotional intelligence, and behavioural characteristics. These tests help organisations determine whether an employee's personal characteristics match the requirements of a particular job. Psychometric assessments provide objective information that complements interviews and other assessment methods. For example, a company recruiting customer service executives might administer personality tests to identify candidates who are patient, emotionally stable, and capable of handling customer complaints effectively.

5. Performance Appraisal

Performance appraisal is a method of assessing employee competencies by evaluating their work performance over a specific period. Managers compare employees' achievements, work quality, productivity, and behavioural competencies with predetermined performance standards. This method provides continuous feedback and helps identify both strengths and areas requiring improvement. For example, an employee who consistently achieves sales targets, communicates effectively with customers, and demonstrates leadership during team projects might receive a high competency rating during their annual performance appraisal.

6. 360-Degree Feedback

The 360-degree feedback method collects information about an employee's competencies from multiple sources, including supervisors, peers, subordinates, and, in some cases, customers. Since feedback comes from different individuals who regularly interact with the employee, it provides a comprehensive and balanced evaluation of workplace behaviour and performance. This method is especially useful for assessing leadership, teamwork, communication, and interpersonal competencies. For example, a department manager might receive feedback from team members, fellow managers, and senior executives to evaluate their leadership style, communication skills, and ability to motivate employees.

7. Observation

Observation involves directly watching employees while they perform their daily work activities. Managers or trained assessors observe how employees interact with colleagues, solve problems, handle customers, and perform assigned tasks in real workplace situations. This method provides valuable insights into behavioural competencies that may not be revealed through interviews or written tests. For example, a supervisor in a manufacturing company might observe machine operators to assess their safety practices, teamwork, technical competence, and adherence to quality standards.

8. Self-Assessment

Self-assessment allows employees to evaluate their own competencies by reflecting on their strengths, weaknesses, and areas requiring improvement. Employees typically complete questionnaires or competency rating forms, comparing their self-evaluation with organisational competency standards. This method encourages self-awareness, personal responsibility, and continuous learning, although it is often used in conjunction with other assessment methods for greater accuracy. For example, before attending a leadership development programme, employees may complete a self-assessment questionnaire to evaluate competencies such as communication, leadership, decision-making, and time management, helping them identify areas for further development.

3.1.2.5 Advantages of Competency Assessment

1. Improves recruitment quality.
2. Supports objective promotion decisions.
3. Identifies competency gaps accurately.
4. Enhances employee performance.
5. Improves training effectiveness.
6. Supports succession planning.
7. Encourages continuous learning.
8. Increases employee motivation.
9. Improves organisational productivity.
10. Supports strategic talent management.

3.1.2.6 Limitations of Competency Assessment

Although competency assessment offers many benefits, it also has certain limitations.

1. **Time-Consuming:** Conducting comprehensive competency assessments requires considerable time.
2. **Expensive:** Assessment centres, psychometric tests, and external consultants involve significant costs.
3. **Possibility of Bias:** Improper assessment methods or evaluator bias may affect fairness.
4. **Requires Skilled Assessors:** Effective assessment requires trained HR professionals and managers.
5. **Employee Resistance:** Some employees may fear assessment or perceive it as threatening.
6. **Difficulty in Measuring Behaviour:** Certain competencies, such as creativity, integrity, and emotional intelligence, are difficult to measure accurately.
7. **Frequent Updating Required:** Competency frameworks must be revised regularly because business requirements and technologies continuously evolve.

3.1.3 Core Competency and Attributes

3.1.3.1 Meaning of Core Competency

Imagine two smartphone companies launching new models simultaneously. Both have similar prices and attractive designs. However, one company's phone attracts more customers due to its superior camera quality, advanced software, reliable operating system, and continuous innovation. Customers prefer this brand because it offers something unique that competitors find difficult to imitate. This unique strength becomes the company's competitive advantage. Similarly, every successful organisation possesses certain unique strengths that distinguish it from its competitors. These unique strengths are known as core competencies.

Core competency refers to the unique combination of knowledge, skills, technologies, resources, and organisational capabilities that enables an organisation to perform exceptionally well and gain a competitive advantage. It represents what an organisation does better than its competitors and forms the foundation of its long-term success.

The concept of core competency was introduced by C. K. Prahalad and Gary Hamel (1990). According to them, organisations should identify, develop, and strengthen their core competencies because these competencies enable them to create superior products and services that competitors cannot easily imitate.

Core competencies are developed over time through continuous learning, innovation, employee expertise, and organisational experience. Unlike physical resources such as

buildings or machinery, core competencies are intangible assets that become stronger through continuous improvement.

Examples : Apple's core competency lies in product innovation, user-friendly design, software integration, and customer experience. The company's ability to combine advanced technology with simple design has enabled it to build a strong global brand and maintain customer loyalty.

Toyota developed its globally recognised Toyota Production System (TPS), which became one of its strongest core competencies. The company's expertise in lean manufacturing, continuous improvement (Kaizen), quality management, and efficient production processes enables Toyota to produce high-quality vehicles at lower costs. This competency has helped Toyota become one of the world's largest automobile manufacturers.

3.1.3.2 Definitions of Core Competency

Prahalad and Hamel (1990) define core competency as:

"The collective learning in the organisation, especially how to coordinate diverse production skills and integrate multiple streams of technologies."

According to Business Dictionary, core competency refers to:

"A unique capability or competitive advantage that distinguishes an organisation from its competitors."

According to Thompson, Strickland and Gamble, core competency is:

"An activity that a company performs especially well compared with its competitors."

These definitions indicate that core competency is not a single skill or technology. Instead, it is a combination of organisational knowledge, employee expertise, innovation, efficient processes, and technological capabilities that collectively create value for customers and help organisations outperform competitors.

3.1.3.3 Characteristics of Core Competency

Core competencies possess several important characteristics that distinguish them from ordinary organisational capabilities.

1. Unique

Core competencies are unique organisational strengths that competitors find difficult to imitate. They distinguish an organisation from others in the industry.

Example: Apple's integrated hardware and software ecosystem is difficult for competitors to replicate.



2. Creates Customer Value

A core competency should provide significant value to customers by improving product quality, service, or customer experience.

Example: Amazon's efficient delivery system enables customers to receive products quickly and reliably.

3. Difficult to Imitate

Core competencies are developed through years of experience, organisational learning, and innovation. Competitors cannot easily copy them.

Example: Toyota's lean manufacturing system has evolved over decades and remains difficult to duplicate successfully.

4. Applicable Across Multiple Products

Core competencies can be applied to different products, services, and business units.

Example: Google's expertise in artificial intelligence is applied in Google Search, Google Maps, Gmail, and Google Assistant.

5. Supports Long-term Competitive Advantage

Core competencies help organisations maintain market leadership over a long period.

Example: Disney's storytelling capability has enabled it to succeed in films, television, theme parks, and digital entertainment.

6. Continuously Developed

Core competencies require continuous improvement through innovation, research, employee learning, and technological advancement.

Example : Samsung continuously invests in research and development to strengthen its competencies in electronics and semiconductor technology.

Examples:

Google continuously strengthens its core competencies in artificial intelligence, machine learning, and digital innovation through heavy investment in research and employee development.

Netflix transformed itself from a DVD rental company into a global streaming platform by developing core competencies in digital technology, recommendation algorithms, and content production. Continuous innovation has enabled Netflix to remain highly competitive in the entertainment industry.

3.1.3.4 Core Competency versus Distinctive Competency

Although the terms "core competency" and "distinctive competency" are often used interchangeably, they have different meanings.

Table 3.1.2 Core Competency versus Distinctive Competency

Basis	Core Competency	Distinctive Competency
Meaning	Internal capability that creates organisational strength	Capability recognised by customers as unique
Focus	Internal organisational capability	External competitive advantage
Visibility	Mainly internal	Easily recognised in the marketplace
Purpose	Improves organisational efficiency	Differentiates the organisation from competitors
Example	Toyota's lean manufacturing	Rolex's luxury brand image

Core competency refers to the internal capabilities that enable an organisation to perform effectively, whereas distinctive competency refers to those capabilities that customers recognise as unique and superior. In other words, a core competency becomes a distinctive competency when it creates a visible competitive advantage in the marketplace.

3.1.3.5 Attributes of Competency

Competency consists of several attributes that together determine an employee's ability to perform successfully.

1. Knowledge

Knowledge refers to theoretical understanding and information required to perform a job effectively.

Example: An accountant should possess knowledge of accounting standards and taxation laws.

2. Skills

Skills refer to the practical ability to perform specific tasks accurately and efficiently.

Example: A graphic designer requires proficiency in design software.



3. Abilities

Abilities represent the capacity to apply knowledge and skills in different workplace situations.

Example: A project manager should possess decision-making and planning abilities.

4. Attitude

Attitude reflects an employee's willingness, commitment and approach towards work.

Example: A positive attitude enables employees to work cooperatively and accept challenges.

5. Values

Values guide ethical behaviour, integrity, honesty and responsibility.

Example: Employees handling customer financial information must demonstrate honesty and confidentiality.

6. Behaviour

Behaviour refers to the way employees interact with colleagues, customers and stakeholders.

Example: Good communication and teamwork demonstrate positive workplace behaviour.

7. Motivation

Motivation influences employees' willingness to achieve organisational goals and continuously improve performance.

Example: Highly motivated sales executives often exceed their sales targets.

3.1.3.6 Importance of Core Competency

Core competencies are the foundation of organisational success because they help organisations create value, improve performance, and achieve sustainable competitive advantage.

1. **Provides Competitive Advantage:** Core competencies enable organisations to perform better than competitors and maintain market leadership.
2. **Enhances Customer Satisfaction:** Unique organisational capabilities enable companies to provide superior products and services.
3. **Encourages Innovation:** Core competencies promote continuous research, creativity and technological advancement.

4. **Improves Organisational Performance:** Employees utilise organisational strengths to improve productivity and efficiency.
5. **Supports Strategic Decision Making:** Management uses core competencies while developing long-term business strategies.
6. **Strengthens Employer Brand:** Highly competent organisations attract talented employees because they provide better learning and career opportunities.
7. **Promotes Sustainable Growth:** Core competencies enable organisations to adapt to changing market conditions and technological developments.
8. **Facilitates Global Expansion :** Strong organisational competencies help companies successfully enter new markets and compete internationally.

Example : Microsoft's competencies in cloud computing, artificial intelligence, and software development have enabled it to expand globally and remain one of the world's most valuable technology companies.

IKEA has developed core competencies in cost-efficient furniture design, global sourcing, and customer-centric retailing. By combining innovative product design with efficient logistics and self-service retailing, IKEA has successfully expanded into numerous countries while maintaining affordable prices. These core competencies have enabled the company to sustain a strong competitive position in the global furniture market.

3.1.4 Leadership Overview

Leadership is one of the most important aspects of talent management. An organisation may possess modern technology, sufficient financial resources, and highly skilled employees, but without effective leadership, it may fail to achieve its goals. Leaders inspire employees, guide teams, make strategic decisions, and create a positive work environment that encourages innovation and continuous improvement. Therefore, understanding leadership and its associated competencies is essential for developing future managers and organisational leaders.

3.1.4.1 Meaning of Leadership

Consider a company that has formed a project team to develop a new mobile application. The team consists of software developers, designers, marketing executives, and quality analysts. Although every member is highly qualified, the project is delayed because no one coordinates the work or resolves disagreements among team members. The company then appoints an experienced project manager who assigns responsibilities, motivates the team, solves problems, and ensures that everyone works towards a common goal. Within a few months, the project is successfully completed. This example demonstrates that the success of a team depends not only on the abilities of individual employees but also on the guidance and direction provided by an effective leader. This ability to influence and guide people towards achieving organisational goals is known as leadership.



Leadership is not merely about holding a managerial position or exercising authority. A true leader inspires employees through vision, communication, trust, and ethical behaviour. Effective leadership creates an environment in which employees feel valued, motivated, and committed to organisational success.

In talent management, leadership plays a vital role in identifying talented employees, developing future leaders, and fostering a culture of continuous learning and innovation.

Example: Under the leadership of Satya Nadella, Microsoft transformed its organisational culture by promoting innovation, collaboration, and continuous learning. His leadership encouraged employees to adopt a "growth mindset," resulting in significant business growth and technological advancement.

When Satya Nadella became CEO in 2014, Microsoft was facing intense competition and declining innovation. He shifted the company's focus towards cloud computing, artificial intelligence, and employee collaboration, while encouraging openness and learning. Under his leadership, Microsoft's market value increased dramatically, making it one of the world's most valuable companies. His leadership style demonstrates how effective leadership can transform organisational performance.

3.1.4.2 Definitions of Leadership

According to George R. Terry (1960), "Leadership is the activity of influencing people to strive willingly for group objectives."

According to Koontz and O'Donnell (1972), "Leadership is the process of influencing people so that they will strive willingly towards the achievement of group goals."

According to Stephen P. Robbins and Timothy A. Judge (2019), "Leadership is the ability to influence a group toward the achievement of a vision or set of goals."

These definitions emphasise that leadership is fundamentally about influencing people rather than controlling them. Effective leaders inspire employees, build commitment, and encourage teamwork, thereby enabling the efficient achievement of organisational goals.

3.1.4.3 Characteristics of Leadership

Effective leadership possesses several important characteristics that contribute to organisational success.

1. Vision

A leader has a clear vision of the future and communicates it effectively to employees. This helps employees understand organisational goals and work towards achieving them.

Example: Elon Musk's vision of sustainable transportation has driven Tesla's growth.

2. Ability to Influence Others

Leadership involves influencing employees through inspiration, guidance and trust, rather than force. Employees willingly follow leaders whom they respect.

Example: A sales manager motivates the team to achieve higher sales targets by encouraging and supporting them.

3. Effective Communication

Leaders communicate organisational goals, expectations and feedback clearly. Good communication reduces misunderstandings and strengthens teamwork.

Example: During organisational change, managers regularly update employees about new policies and procedures.

4. Decision-Making Ability

Leaders analyse situations carefully and make timely decisions that benefit the organisation. Sound decision-making helps solve problems and reduce uncertainty.

Example: A factory manager quickly reallocates resources when machinery breaks down to avoid production delays.

5. Integrity

Integrity means acting honestly, ethically and consistently. Employees are more likely to trust leaders who demonstrate fairness and transparency.

Example: A manager who applies company policies equally to all employees builds trust and credibility.

6. Adaptability

Leaders must adapt to technological changes, market conditions and organisational challenges. Flexibility enables organisations to respond effectively to changing environments.

Example: During the COVID-19 pandemic, many leaders successfully implemented remote working arrangements.

7. Emotional Intelligence

Effective leaders understand and manage their own emotions while recognising the emotions of others. Emotional intelligence helps leaders build strong interpersonal relationships and resolve workplace conflicts.

Example: A team leader supports an employee experiencing work-related stress by offering guidance and flexible work arrangements.



3.1.4.4 Functions of Leaders

Leaders perform several important functions that help an organisation achieve its goals efficiently. They guide employees, coordinate activities and create a positive work environment that encourages productivity and growth.

1. Setting Organisational Goals

Leaders establish clear and achievable organisational objectives that provide direction to employees. They communicate these goals effectively so that every employee understands their role in achieving the organisation's vision.

2. Planning and Decision-Making

Leaders analyse available information, identify alternatives and make appropriate decisions to achieve organisational objectives. Effective planning helps organisations utilise resources efficiently and respond to changing business conditions.

3. Motivating Employees

Leaders motivate employees by recognising their achievements, providing encouragement and creating opportunities for growth. Motivated employees are more committed to their work and contribute positively to organisational success.

4. Building Effective Teams

Leaders encourage teamwork by promoting cooperation, trust and mutual respect among employees. They ensure that team members work together effectively to accomplish common organisational goals.

5. Providing Guidance

Leaders guide employees by offering advice, coaching and constructive feedback to improve their performance. They also help employees overcome challenges and develop the skills required for their jobs.

6. Managing Change

Leaders help employees understand and adapt to organisational, technological and environmental changes. They reduce employee resistance by communicating the benefits of change and providing the necessary support during the transition.

7. Resolving Conflicts

Leaders address conflicts among employees in a fair and impartial manner before they affect organisational performance. They encourage open communication and cooperation to maintain healthy workplace relationships.

8. Developing Future Leaders

Leaders identify employees with leadership potential and provide them with training, mentoring and development opportunities. This ensures that the organisation has competent leaders ready to assume key responsibilities in the future.

3.1.4.5 Leadership Competencies

Leadership competencies are the knowledge, skills, behaviours and personal qualities that enable leaders to perform their responsibilities effectively. These competencies help leaders guide employees, achieve organisational goals and respond successfully to changing business environments.

1. Strategic Thinking

Strategic thinking is the ability to analyse an organisation's current situation and develop long-term plans to achieve its objectives. Leaders with strategic thinking anticipate future opportunities and challenges, making decisions that support sustainable organisational growth.

2. Decision-Making

Decision-making is the ability to evaluate different alternatives and choose the most appropriate course of action. Effective leaders make timely and informed decisions that minimise risks and contribute to organisational success.

3. Communication Skills

Communication skills refer to the ability to convey ideas, instructions and information clearly to employees and other stakeholders. Good communication promotes understanding, strengthens teamwork and reduces misunderstandings within the organisation.

4. Emotional Intelligence

Emotional intelligence is the ability to understand, manage and regulate one's own emotions while recognising and responding appropriately to the emotions of others. Leaders with high emotional intelligence build positive relationships, resolve conflicts effectively and create a supportive work environment.

5. Problem-Solving Ability

Problem-solving ability refers to the capacity to identify workplace problems, analyse their causes and develop practical solutions. Effective leaders make logical decisions that improve organisational performance and prevent similar problems from occurring in the future.



6. Team Building

Team building is the ability to create a cooperative and supportive work environment where employees work together towards common goals. Leaders encourage trust, collaboration and mutual respect, resulting in improved team performance and productivity.

7. Adaptability

Adaptability is the ability to respond positively and effectively to changes in technology, market conditions and organisational requirements. Adaptable leaders encourage innovation and help employees adjust smoothly to new situations and challenges.

8. Ethical Behaviour

Ethical behaviour is the ability to act with honesty, integrity, fairness and responsibility while making organisational decisions. Ethical leaders build trust among employees and stakeholders by ensuring that their actions are consistent with organisational values and ethical standards.

3.1.4.6 Leadership and Competency Management

Suppose an organisation wants to appoint a new Operations Manager. Instead of promoting the employee with the longest service, the HR department evaluates candidates based on competencies such as leadership, communication, problem-solving, teamwork and decision-making. Employees who demonstrate these competencies receive additional coaching and mentoring before assuming managerial responsibilities.

This illustrates how leadership development is integrated with competency management.

Leadership and competency management are closely interconnected, as effective leadership relies on the competencies possessed by leaders. Competency management identifies the leadership competencies required for various managerial positions, assesses employees against these competencies, and provides training to bridge any gaps.

Leadership competency management supports recruitment, performance appraisal, succession planning, and leadership development. It ensures that future leaders possess not only technical expertise but also behavioural competencies such as emotional intelligence, communication, strategic thinking, and ethical decision-making.

By integrating leadership with competency management, organisations can create a robust leadership pipeline, enhance employee performance, and ensure long-term organisational sustainability.

Examples : Unilever's Leadership Growth Profile identifies leadership competencies such as purpose, agility, business acumen, and talent development. These competencies are integrated into recruitment, performance management, and leadership development programmes.

IBM utilises competency-based leadership development to prepare future leaders for rapidly changing business environments. Employees with leadership potential are identified through competency assessments and receive mentoring, executive coaching, international assignments, and digital learning opportunities. This systematic integration of leadership and competency management has enabled IBM to maintain a strong global leadership pipeline while adapting to technological change.

3.1.5 Role of Leaders in Competency Management

Leaders play a crucial role in competency management because they work closely with employees and understand the competencies required for effective job performance. They assist in identifying, developing, evaluating, and strengthening employee competencies in line with organisational objectives. Through guidance, feedback, and support, leaders contribute significantly to building a competent and future-ready workforce.

3.1.5.1 Identifying Required Competencies

Leaders identify the knowledge, skills, abilities, and behaviours that employees need to perform their jobs successfully. They analyse job responsibilities, organisational goals, and future business requirements to determine the most important competencies for each role. By clearly identifying these competencies, leaders help ensure that recruitment, training, and performance management activities are aligned with organisational needs.

3.1.5.2 Developing Employee Competencies

Leaders support employee development by providing training opportunities, challenging assignments, and regular feedback. They encourage employees to improve their technical, behavioural, and leadership competencies through learning and practical experience. By investing in employee development, leaders help enhance individual performance and overall organisational effectiveness.

3.1.5.3 Coaching and Mentoring Employees

Leaders coach employees by guiding them in solving work-related problems and improving their performance. They also act as mentors by sharing their experience, offering career advice, and helping employees prepare for future responsibilities. Effective coaching and mentoring increase employee confidence, motivation, and professional growth.



3.1.5.4 Monitoring and Evaluating Competencies

Leaders regularly observe employee performance to assess whether the required competencies are being demonstrated in the workplace. They use performance reviews, feedback discussions, and workplace observations to identify strengths and areas needing improvement. Continuous monitoring enables leaders to take timely action to address competency gaps and support employee development.

3.1.5.5 Supporting Continuous Learning

Leaders foster a work environment that encourages employees to acquire new skills and update their knowledge regularly. They promote participation in training programmes, workshops, online courses, and knowledge-sharing activities. By supporting continuous learning, leaders help employees remain adaptable and prepared for changing organisational requirements.

3.1.5.6 Facilitating Succession Planning

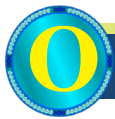
Leaders identify employees with the potential to assume higher responsibilities. They provide these employees with leadership opportunities, mentoring, and developmental assignments to prepare them for key positions. Through effective succession planning, leaders help ensure leadership continuity and long-term organisational stability.



Recap

- ◇ Employee engagement refers to employees' emotional and intellectual commitment towards their organisation and its goals.
- ◇ Accountability encourages employees to take responsibility for their actions, decisions, and work outcomes.
- ◇ Workplace diversity recognises and values differences among employees, creating an inclusive and innovative work environment.
- ◇ Different forms of diversity, such as gender, age, cultural, educational, and disability diversity, contribute unique perspectives to organisational success.
- ◇ Managing diversity involves promoting equal opportunities, inclusion, respect, and collaboration among employees.
- ◇ A competency framework defines the knowledge, skills, behaviours, and leadership qualities required for effective job performance.
- ◇ The components of a competency framework include core, functional, behavioural, and leadership competencies.

- ◇ Designing a competency framework involves identifying organisational goals, analysing jobs, defining competencies, and validating and implementing the framework.
- ◇ Leaders play a vital role in identifying, developing, and evaluating employee competencies to improve organisational performance.
- ◇ Continuous learning and succession planning ensure that organisations develop competent employees and future leaders for sustained growth.



Objective Questions

1. What is the emotional commitment of employees towards their organisation called?
2. Which concept refers to taking responsibility for one's actions and decisions?
3. Name the framework that specifies the competencies required for different job roles.
4. Which type of competency is expected from all employees, irrespective of their job position?
5. Which type of diversity refers to employees belonging to different age groups?
6. What is the first step in designing a competency framework?
7. Which leadership activity helps employees improve their performance through guidance and support?
8. Which process prepares employees for future leadership positions?
9. Which competency framework component focuses on technical knowledge and job-specific expertise?
10. Which strategy encourages employees to continuously acquire new knowledge and skills?
11. Which workplace practice ensures equal opportunities for employees from different backgrounds?
12. Which management process regularly evaluates employee competencies and identifies competency gaps?





Answers

1. Employee engagement
2. Accountability
3. Competency framework
4. Core competency
5. Age diversity
6. Organisational objectives
7. Coaching
8. Succession planning
9. Functional competency
10. Continuous learning
11. Diversity management
12. Competency assessment



Self-Assessment Questions

1. Explain the concept, characteristics, and importance of employee engagement in talent management.
2. Discuss the meaning, characteristics, and importance of accountability in organisations.
3. Describe the various types of workplace diversity and explain how organisations can effectively manage diversity.
4. Explain the meaning, components, steps, and importance of designing a competency framework.
5. Discuss the role of leaders in competency management with suitable examples.



Assignments

1. Visit a nearby organisation or interact with an HR professional and identify any three employee engagement practices adopted by the organisation. Prepare a brief report on how these practices improve employee motivation and performance.
2. Select a well-known company and study its diversity and inclusion initiatives. Prepare a report explaining how workplace diversity contributes to organisational success.
3. Choose a job role, such as Marketing Executive, HR Executive or Accountant, and prepare a simple competency framework by identifying the core, functional, behavioural and leadership competencies required for the position.
4. Conduct a group discussion on the role of leaders in developing employee competencies. Summarise the key responsibilities of leaders in coaching, mentoring and succession planning.
5. Prepare a case analysis of a company known for strong employee engagement or competency management (e.g., Google, Infosys, Microsoft or Tata Consultancy Services). Explain the practices adopted by the company and their impact on organisational performance.



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Suggested Reading

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Unit - 2

Employee Engagement and Competency Management



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concepts, characteristics and significance of employee engagement, accountability and workplace diversity.
- ◇ describe the objectives, components and process of designing a competency framework.
- ◇ explain the concept, objectives, components and process of designing a competency framework and its application in talent management.



Prerequisite

A growing organisation recruits talented employees from diverse educational backgrounds, age groups and cultures. Although these employees possess excellent qualifications, the organisation observes that some are highly motivated and committed, while others lack responsibility, teamwork and leadership qualities. The management soon realises that organisational success depends not only on attracting talented employees but also on engaging them, fostering an inclusive workplace, clearly defining the competencies required for each job, and developing future leaders capable of guiding employees towards organisational goals.

This unit explains the concepts of employee engagement, accountability, workplace diversity, competency frameworks, and the role of leaders in competency management. It discusses how organisations can build a committed, responsible, and competent workforce through effective talent management practices. By understanding these concepts, learners will appreciate how organisations improve employee performance, promote inclusion, strengthen leadership, and achieve long-term organisational success.





Keywords

Employee Engagement, Accountability, Diversity, Competency Framework, Leadership



Discussion

3.2.1 Employee Engagement

In today's competitive business environment, organisations recognise that their greatest asset is their employees. While recruiting talented individuals is important, retaining them and ensuring their commitment to organisational goals is even more critical. Organisations with highly engaged employees experience better productivity, improved customer satisfaction, lower employee turnover, and stronger financial performance. Consequently, employee engagement has become a strategic priority in talent management.

Employee engagement refers to the emotional and psychological connection employees develop with their organisation and their work. Engaged employees willingly contribute their knowledge, skills, and efforts towards achieving organisational objectives. They are enthusiastic about their work, committed to organisational success, and continuously strive to improve their performance.

3.2.1.1 Meaning of Employee Engagement

Consider two customer service executives working in the same bank. Both have similar qualifications, experience, and salaries. The first employee completes assigned tasks only because they are required, avoids taking on additional responsibilities, and shows little interest in solving customers' problems. The second employee welcomes customers warmly, voluntarily helps colleagues, suggests improvements in banking services, and always looks for ways to enhance customer satisfaction.

Although both employees perform similar jobs, the second employee demonstrates a much stronger emotional commitment towards the organisation and its customers. This level of enthusiasm, commitment, and dedication reflects employee engagement.

Employee engagement is the degree to which employees are emotionally committed, mentally involved, and actively connected to their work and organisation. It reflects an employee's willingness to contribute beyond the minimum job requirements for the success of the organisation.

Engaged employees do not work merely for financial rewards. They identify with the organisation's mission and values, and willingly invest their energy, creativity, and skills in achieving organisational goals. Such employees demonstrate higher levels

of responsibility, innovation, and collaboration, making them valuable assets to the organisation.

Employee engagement differs from employee satisfaction. Employee engagement should also be distinguished from employee commitment and job involvement. Commitment reflects loyalty to the organisation, while job involvement refers to psychological identification with one's job. Employee engagement integrates emotional commitment, active involvement, and discretionary effort. An employee may be satisfied with their salary and working conditions but may not necessarily be committed to improving organisational performance. Employee engagement goes beyond satisfaction by encouraging employees to actively contribute to organisational success.

Example : Google is recognised worldwide for maintaining high levels of employee engagement. The company provides employees with a collaborative work environment, opportunities for innovation, flexible working arrangements, career development programmes, and recognition for outstanding performance. These practices encourage employees to remain motivated, creative, and committed to organisational goals.

When Satya Nadella became Chief Executive Officer of Microsoft in 2014, one of his priorities was to improve employee engagement. He introduced a culture based on collaboration, continuous learning, and empathy, rather than internal competition. Employees were encouraged to adopt a "growth mindset," share ideas freely, and participate in innovation. As a result, employee engagement improved significantly, contributing to increased innovation, customer satisfaction, and Microsoft's remarkable business growth.

3.2.1.2 Definitions of Employee Engagement

According to William A. Kahn (1990), "Employee engagement is the harnessing of organisation members' selves to their work roles; in engagement, people employ and express themselves physically, cognitively, and emotionally during role performances."

Schaufeli, Salanova, González-Romá, and Bakker (2002) define employee engagement as "a positive, fulfilling, work-related state of mind characterised by vigour, dedication, and absorption."

The Chartered Institute of Personnel and Development (CIPD) states that "Employee engagement is being positively present during the performance of work by willingly contributing intellectual effort, experiencing positive emotions and meaningful connections with others."

These definitions indicate that employee engagement is more than simply attending work or performing assigned duties. It involves emotional attachment, mental involvement, and active participation in organisational activities. Engaged employees demonstrate enthusiasm, commitment, and a willingness to contribute beyond formal job requirements.

Employee engagement consists of three dimensions: vigour (high energy and resilience), dedication (enthusiasm and pride in work), and absorption (full concentration and immersion in work).



Employee engagement also fosters a positive organisational culture where employees willingly collaborate, solve problems, and support continuous organisational improvement.

3.2.1.3 Characteristics of Employee Engagement

Employee engagement possesses several characteristics that distinguish engaged employees from those who are merely performing routine duties.

1. Emotional Commitment

Engaged employees develop a strong emotional attachment to their organisation and genuinely care about its success. They willingly contribute additional effort because they identify with organisational values and goals.

2. High Motivation

Engaged employees remain enthusiastic and energetic while performing their work. They willingly accept challenges and continuously strive to improve their performance.

3. Sense of Ownership

Engaged employees treat organisational resources and responsibilities as their own. They take responsibility for their work and actively participate in solving organisational problems.

4. Positive Attitude

Employee engagement encourages optimism, cooperation, and constructive workplace behaviour. Engaged employees maintain positive relationships with colleagues, customers, and supervisors.

5. Continuous Learning

Engaged employees actively seek opportunities to improve their knowledge and skills. They willingly participate in training programmes and embrace new technologies and work practices.

6. Teamwork and Collaboration

Highly engaged employees work effectively with colleagues and willingly support team members in achieving common goals. They value cooperation rather than individual success alone.

7. Customer Orientation

Engaged employees understand that customer satisfaction contributes directly to organisational success. They consistently provide high-quality service and seek ways to improve customer experiences.

3.2.1.4 Importance of Employee Engagement

Employee engagement plays a vital role in improving both individual and organisational performance. The following points explain its importance.

1. **Improves Employee Performance :** Engaged employees approach their duties with greater enthusiasm and commitment. This increased effort leads to higher productivity and improved quality of work.
2. **Increases Employee Retention :** Employees who feel valued and connected to their organisation are less likely to leave. High engagement reduces employee turnover, helping organisations retain talented individuals.
3. **Enhances Customer Satisfaction :** Engaged employees provide superior customer service because they genuinely care about customer needs. This fosters customer loyalty and strengthens the organisation's reputation.
4. **Encourages Innovation :** Employees who are emotionally committed to the organisation readily share ideas, solve problems, and contribute innovative solutions, helping organisations remain competitive.
5. **Improves Teamwork :** Employee engagement promotes cooperation, trust, and effective communication among employees. Strong teamwork enhances organisational efficiency and workplace relationships.
6. **Reduces Absenteeism :** Engaged employees are more committed to their responsibilities, resulting in lower absenteeism rates. This ensures continuity in operations and minimises disruption to business activities.
7. **Strengthens Organisational Culture :** A highly engaged workforce cultivates a positive organisational culture founded on trust, respect, and collaboration. Such a culture attracts talented employees and supports long-term organisational success.

3.2.1.5 Employee Engagement Strategies

Organisations employ various strategies to enhance employee engagement and cultivate a motivated workforce. Effective engagement strategies encourage employees to remain committed, productive, and satisfied with their work.

1. Effective Communication

Open and transparent communication helps employees understand organisational goals, expectations, and changes. Regular meetings, feedback sessions, and communication platforms strengthen trust between employees and management.

2. Employee Recognition and Rewards

Recognising employees for their achievements boosts motivation and reinforces positive behaviour. Rewards may include financial incentives, appreciation certificates, promotions, or public acknowledgement.



3. Learning and Career Development

Providing opportunities for training, skill development, and career advancement encourages employees to remain committed to the organisation. Employees are more engaged when they perceive opportunities for personal and professional growth.

4. Employee Participation in Decision-Making

Employees feel valued when they are involved in decisions that affect their work. Soliciting employee suggestions and encouraging participation enhance commitment and innovation.

5. Supportive Leadership

Leaders who listen to employees, provide guidance, and recognise individual contributions foster a positive work environment. Supportive leadership strengthens trust and employee engagement.

6. Work-Life Balance

Flexible working hours, remote working options, and employee wellness programmes help employees balance their professional and personal responsibilities. A healthy work-life balance reduces stress and increases job satisfaction.

7. Creating a Positive Work Culture

A workplace founded on respect, diversity, inclusion, and collaboration encourages employees to perform at their best. A positive organisational culture strengthens employee commitment and loyalty.

8. Continuous Feedback

Regular performance discussions help employees understand their strengths and identify areas for improvement. Continuous feedback fosters learning and enhances employee confidence and performance.

3.2.2 Accountability

Accountability is an essential element of effective talent management and organisational success. Every employee, regardless of position, is expected to perform assigned responsibilities honestly, efficiently, and ethically. When employees are accountable for their actions and decisions, organisations experience higher productivity, stronger teamwork, and greater trust among stakeholders. Accountability also encourages employees to take ownership of their work and continuously strive for better performance.

3.2.2.1 Meaning of Accountability

A manufacturing company assigns two supervisors to manage different production units. Both supervisors receive the same resources, workforce, and production targets. At the end of the month, one supervisor carefully monitors production, resolves problems immediately, accepts responsibility for mistakes, and ensures the target is achieved. The other supervisor blames employees for delays, ignores quality issues, and avoids responsibility when production targets are not met.

The first supervisor demonstrates accountability by accepting responsibility for his actions, fulfilling assigned duties, and remaining answerable for the outcomes. This example shows that accountability is an important quality that enables employees to perform their responsibilities effectively and contribute to organisational success.

Accountability refers to the obligation of individuals to take responsibility for their actions, decisions, and performance, while being answerable for the outcomes. It requires employees to complete assigned tasks honestly, ethically, and efficiently, accepting responsibility for both successes and failures.

In organisations, accountability creates a culture of trust and responsibility where employees understand their roles, perform their duties diligently, and willingly accept the consequences of their actions. Accountability also encourages employees to learn from mistakes, improve performance, and maintain high professional standards.

Example: Toyota promotes accountability through its Toyota Production System (TPS). Employees are encouraged to take ownership of their work and immediately report quality issues. Every employee has the authority to stop the production line if a defect is identified, ensuring accountability for product quality.

In 1982, several consumers in the United States died after consuming Tylenol capsules that had been tampered with by unknown individuals. Although the contamination occurred outside the company's manufacturing process, Johnson & Johnson immediately accepted responsibility for protecting consumers. The company voluntarily recalled approximately 31 million bottles of Tylenol from the market, despite incurring losses exceeding US\$100 million. It also introduced tamper-evident packaging, which later became an industry standard. This incident remains one of the world's best examples of organisational accountability and ethical responsibility.

3.2.2.2 Definitions of Accountability

According to Bovens (2007), "Accountability is a relationship in which an individual or organisation is obliged to explain and justify its conduct to others."

According to the Organisation for Economic Co-operation and Development (OECD), "Accountability is the obligation to demonstrate that work has been conducted in accordance with agreed rules and standards and to report fairly and accurately on performance."



These definitions indicate that accountability involves both responsibility and answerability. Employees are expected to perform assigned tasks and explain their decisions and actions whenever necessary.

Accountability also promotes transparency, ethical behaviour, and trust within organisations by ensuring that employees and managers are responsible for achieving organisational objectives.

Accountability is explained only from an employee perspective; organisational and managerial accountability are omitted. Accountability operates at multiple levels, including individual, managerial and organisational accountability. Organisations are accountable to employees, customers, shareholders, regulators and society for their actions and decisions

3.2.2.3 Characteristics of Accountability

Accountability possesses several characteristics that promote responsible behaviour and improve organisational performance. Accountability operates at multiple levels, including individual, managerial, and organisational. Organisations are accountable to employees, customers, shareholders, regulators, and society for their actions and decisions.

1. Responsibility

Accountability begins with accepting responsibility for assigned duties and completing them efficiently. Employees clearly understand their roles and perform their work with commitment and dedication.

2. Answerability

Employees are expected to explain and justify their decisions, actions, and performance whenever required. This encourages transparency and ensures that organisational decisions can be evaluated objectively.

3. Ownership

Accountable employees take ownership of their work rather than blaming others for failures. They willingly accept both success and failure and focus on finding solutions to workplace problems.

4. Integrity

Accountability requires employees to perform their duties honestly, ethically, and in accordance with organisational values. Integrity builds trust among employees, customers, and other stakeholders.

5. Transparency

Accountable organisations openly communicate information regarding decisions, performance, and organisational activities. Transparency reduces misunderstandings and strengthens stakeholder confidence.

6. Commitment

Employees who demonstrate accountability remain committed to achieving organisational goals. They consistently perform their duties with sincerity and strive to improve their performance.

7. Continuous Improvement

Accountability encourages employees to learn from mistakes and continuously improve their knowledge, skills, and work practices. This contributes to higher organisational efficiency and long-term success.

3.2.2.4 Importance of Accountability

Accountability is essential for maintaining organisational discipline, improving performance, and achieving long-term business success.

1. Improves Employee Performance

Employees perform more effectively when they understand that they are responsible for achieving assigned objectives. Accountability encourages greater commitment and higher productivity.

2. Builds Trust

Accountability strengthens trust between employees, managers, and stakeholders by promoting honesty and responsible behaviour. Trust improves workplace relationships and organisational cooperation.

3. Enhances Decision-Making

When employees are accountable for their decisions, they carefully analyse situations before taking action. This results in more informed and responsible decision-making.

4. Promotes Ethical Behaviour

Accountability encourages employees to follow organisational values, policies, and ethical standards while performing their duties. Ethical behaviour protects the organisation's reputation and builds public confidence.

5. Increases Organisational Efficiency

Clearly defined responsibilities reduce duplication of work, improve coordination, and ensure that tasks are completed on time. This leads to better utilisation of organisational resources.



6. Supports Performance Management

Accountability enables organisations to evaluate employee performance objectively because responsibilities and expected outcomes are clearly defined. This improves the fairness of performance appraisal systems.

7. Strengthens Organisational Reputation

Organisations that demonstrate accountability earn the confidence of customers, investors, employees, and society. A strong reputation contributes to long-term business sustainability.

3.2.2.5 Ways to Promote Accountability

Organisations can strengthen accountability by implementing appropriate management practices and creating a culture of responsibility.

1. Clearly Define Roles and Responsibilities

Employees should clearly understand their duties, responsibilities, and performance expectations. Clearly defined roles reduce confusion and ensure that everyone knows what is expected of them.

2. Set Measurable Goals

Organisations should establish clear and measurable performance goals for employees. Measurable objectives make it easier to evaluate performance and identify areas requiring improvement.

3. Encourage Open Communication

Managers should maintain open communication with employees regarding expectations, performance and workplace challenges. Transparent communication builds trust and enables employees to seek guidance whenever necessary.

4. Provide Regular Feedback

Constructive feedback helps employees understand their strengths and identify areas for improvement. Regular feedback encourages continuous learning and strengthens accountability.

5. Recognise and Reward Responsible Behaviour

Employees who demonstrate accountability should be recognised and rewarded for their performance. Recognition motivates others to accept responsibility and maintain high standards of work.

6. Lead by Example

Leaders should demonstrate accountability through their own actions and decisions.

Employees are more likely to adopt accountable behaviour when they observe managers acting responsibly and ethically.

7. Encourage Learning from Mistakes

Organisations should treat mistakes as learning opportunities rather than reasons for punishment, provided they are not the result of negligence or unethical behaviour. This approach encourages employees to admit errors, learn from them and improve future performance.

8. Establish Fair Performance Evaluation Systems

Performance appraisal systems should be objective, transparent and based on clearly defined standards. Fair evaluation encourages employees to take responsibility for their work and continuously improve their performance.

Company Example – Google

Google promotes accountability by using Objectives and Key Results (OKRs), a goal-setting framework that clearly defines individual and team objectives. Employees regularly review their progress, enabling them to remain accountable for achieving measurable outcomes.

Real Case Study – Netflix's Culture of Accountability

Netflix is widely recognised for its culture of "Freedom and Responsibility." Employees are given significant autonomy in decision-making, but they are also expected to take full responsibility for their actions and results. The company emphasises high performance, transparent feedback and ownership of work rather than excessive supervision. This culture of accountability has contributed to Netflix's ability to innovate rapidly and remain one of the world's leading entertainment companies.

3.2.3 Diversity

3.2.3.1 Meaning of Diversity

A software company is developing a mobile application for customers across different countries. The project team includes a young software engineer from India, an experienced project manager from Germany, a marketing specialist from Brazil, a finance expert from Japan and an employee with a physical disability who contributes innovative ideas on accessibility features. Each team member has different experiences, knowledge and viewpoints, which help the company develop a product suitable for a global market.

This example shows that employees differ in many ways, and these differences can become valuable organisational strengths when managed effectively. This is known as workplace diversity.



Diversity refers to the presence of differences among employees in an organisation. These differences may relate to gender, age, culture, education, physical abilities, religion, language, ethnicity, work experience, and other personal characteristics. Workplace diversity recognises that every employee is unique and contributes different ideas, knowledge, skills, and perspectives. Instead of treating these differences as obstacles, organisations value them as opportunities to enhance creativity, innovation, problem-solving, and decision-making.

In talent management, diversity helps organisations build an inclusive workforce where every employee receives equal opportunities for learning, development, and career advancement.

Examples: Microsoft promotes diversity by recruiting employees from various countries, cultures, educational backgrounds, and abilities. The company believes that diverse teams encourage innovation and help develop products that meet the needs of customers worldwide.

Accenture has established diversity and inclusion as one of its strategic priorities. The company employs people from more than 120 countries and actively promotes gender equality, disability inclusion, and equal opportunities. Through inclusive hiring practices and leadership development programmes, Accenture has created a diverse workforce that contributes to innovation, improved customer service, and sustainable business growth.

3.2.3.2 Definitions of Diversity

According to Thomas (1991), "Diversity refers to any mixture of items characterised by differences and similarities."

According to Cox (1993), "Workforce diversity refers to the representation of people with distinctly different group affiliations within the same social system."

According to the Society for Human Resource Management (SHRM), "Diversity includes the similarities and differences among individuals, including age, gender, ethnicity, race, religion, disability, education, and experiences."

These definitions indicate that diversity is not limited to visible differences such as gender or age. It also includes invisible differences such as values, experiences, educational backgrounds, thinking styles, and cultural beliefs. A diverse workforce enables organisations to understand different customer needs, improve decision-making, and create an inclusive work environment where every employee feels respected and valued.

3.2.3.3 Types of Diversity

Workplace diversity exists in various forms. Understanding these forms helps organisations create policies and practices that promote inclusion and equal opportunities.

1. Gender Diversity

Gender diversity refers to the representation of individuals of different genders in the workplace. It ensures that all employees receive equal opportunities for recruitment, promotion, training, and leadership positions, irrespective of gender. Organisations that promote gender diversity benefit from a wider range of perspectives and improved decision-making. Equal participation also contributes to innovation, employee satisfaction, and organisational performance.

Example: Infosys has introduced several initiatives to increase the representation of women in leadership positions and provide flexible work arrangements to support work-life balance.

2. Age Diversity

Age diversity refers to the presence of employees belonging to different age groups within an organisation. A workforce may include young graduates, middle-aged professionals, and experienced senior employees working together. Different age groups contribute different strengths. Younger employees often bring technological knowledge and fresh ideas, while senior employees contribute experience, industry knowledge, and mentoring support.

Example: Tata Consultancy Services (TCS) encourages collaboration among employees from different generations through mentoring and knowledge-sharing programmes.

3. Cultural Diversity

Cultural diversity refers to the inclusion of employees from different nationalities, languages, religions, traditions and cultural backgrounds. It enables organisations to better understand global markets and serve customers from various regions. Cultural diversity promotes creativity, as employees contribute diverse perspectives and problem-solving approaches. However, organisations must also encourage mutual respect and effective communication to avoid misunderstandings.

Example: Google employs people from numerous countries and fosters an inclusive culture that respects different languages, traditions and cultural values.

4. Educational Diversity

Educational diversity refers to differences in employees' educational qualifications, academic disciplines and professional expertise. Employees with varied educational backgrounds contribute specialised knowledge and different approaches to solving organisational problems. Diverse educational backgrounds encourage interdisciplinary learning and innovation, enabling organisations to address complex business challenges using multiple perspectives.

Example: A manufacturing company may employ engineers, accountants, lawyers, management graduates and data analysts, who collectively contribute to organisational success.



5. Disability Diversity

Disability diversity refers to the inclusion of individuals with physical, sensory, intellectual or other disabilities in the workforce. Organisations provide equal employment opportunities and reasonable workplace accommodations to enable employees with disabilities to perform effectively. An inclusive workplace benefits from the unique talents and perspectives of employees with disabilities while promoting equality and social responsibility.

Example: Microsoft and SAP have introduced specialised hiring programmes for individuals with autism and other disabilities, recognising their valuable skills in areas such as software testing and data analysis.

SAP launched the Autism at Work programme to recruit individuals on the autism spectrum for technology-related roles. The programme provides specialised recruitment, training and workplace support. Employees have made valuable contributions in software testing, programming and quality assurance, demonstrating that disability inclusion can enhance innovation and organisational performance.

6. Cognitive Diversity

Cognitive diversity refers to differences in thinking styles, perspectives, problem-solving approaches and decision-making patterns. Organisations increasingly value cognitive diversity because it enhances creativity and innovation.

3.2.3.4 Importance of Diversity

Diversity has become an important source of organisational strength in today's global business environment. The following points explain its significance:

1. Encourages Innovation

Employees from different backgrounds contribute diverse ideas and perspectives, leading to greater creativity and innovation.

2. Improves Decision-Making

Different viewpoints enable organisations to analyse problems from multiple perspectives and make better business decisions.

3. Enhances Problem-Solving

Diverse teams combine varied experiences and expertise to develop more effective and innovative solutions.

4. Improves Employee Engagement

Employees who feel respected and included are more motivated, committed and satisfied with their work.

5. Strengthens Organisational Reputation

Organisations known for diversity and inclusion attract talented employees, customers and investors.

6. Better Understanding of Customers

A diverse workforce helps organisations understand the needs of customers from different regions, cultures and demographic groups.

7. Supports Global Business Operations

Organisations operating internationally benefit from employees who understand different languages, cultures and business practices.

3.2.3.5 Managing Workplace Diversity

Managing workplace diversity involves creating an organisational environment where employees from different backgrounds are respected, valued, and provided with equal opportunities. Effective diversity management helps organisations utilise the strengths of a diverse workforce while minimising discrimination and workplace conflicts.

1. Promote Equal Employment Opportunities

Organisations should ensure fair recruitment, promotion, training, and compensation practices without discrimination based on gender, age, culture, or disability. Equal opportunities improve employee trust and create an inclusive work environment.

2. Develop Inclusive Policies

Human resource policies should promote diversity, prohibit discrimination, and provide equal access to career development opportunities. Inclusive policies help create a fair and respectful workplace.

3. Provide Diversity Training

Organisations should conduct diversity and inclusion training programmes to increase employee awareness of different cultures, beliefs, and perspectives. Such programmes reduce prejudice and encourage mutual respect.

4. Encourage Open Communication

Employees should be encouraged to communicate openly and respectfully with colleagues from different backgrounds. Open communication improves understanding and reduces workplace misunderstandings.



5. Support Inclusive Leadership

Leaders should treat all employees fairly, encourage participation, and value different viewpoints when making organisational decisions. Inclusive leadership strengthens employee engagement and teamwork.

6. Prevent Discrimination and Harassment

Organisations should establish clear policies against discrimination, harassment, and bias. Prompt action against inappropriate behaviour helps maintain a safe and respectful workplace.

7. Monitor Diversity Initiatives

Organisations should regularly evaluate diversity policies and measure their effectiveness through employee feedback, workforce data, and organisational performance indicators. Continuous monitoring helps identify areas for improvement.

3.2.4 Designing a Competency Framework

A competency framework is a structured system that identifies the knowledge, skills, abilities, and behaviours required for employees to perform their jobs successfully. It serves as a guide for recruitment, training, performance management, career development, and succession planning. By establishing clear competency standards, organisations can ensure that employees possess the capabilities needed to achieve organisational goals.

3.2.4.1 Meaning of Competency Framework

Consider a hospital recruiting doctors, nurses, pharmacists, and administrative staff. Each role requires different competencies. A doctor should possess clinical expertise, decision-making ability, and empathy towards patients. A nurse should demonstrate patient care, teamwork, and communication skills, while an administrative officer should have organisational and record management skills. If the hospital prepares a document specifying the competencies required for each position, recruitment and performance evaluation become more systematic and objective. This document is known as a competency framework.

A competency framework is a structured model that defines the competencies required for employees to perform different jobs effectively within an organisation. It identifies the knowledge, skills, abilities, and behavioural attributes expected from employees at different levels. The framework provides clear standards for recruitment, training, performance appraisal, promotions, and leadership development. It also helps employees understand the competencies they need to acquire for career growth and organisational success.

A well-designed competency framework aligns employee capabilities with organisational objectives, thereby improving workforce performance and ensuring consistency in human resource management practices.

Example: Infosys uses competency frameworks to identify the technical, behavioural, and leadership competencies required for different job roles. Employees are assessed against these competencies and provided with appropriate training to enhance their professional capabilities.

Unilever has developed the Leadership Growth Profile, a global competency framework that outlines the competencies required for employees at different managerial levels. The framework emphasises purpose, business acumen, agility, consumer focus, and talent development. It is integrated into recruitment, performance management, and leadership development, enabling the company to build a strong leadership pipeline worldwide.

3.2.4.2 Objectives of a Competency Framework

A competency framework is designed to achieve several organisational objectives.

1. Standardise Human Resource Practices

A competency framework establishes uniform standards for recruitment, performance appraisal, training, and promotions across the organisation. This ensures fairness, consistency, and objectivity in human resource decisions.

2. Improve Employee Performance

Clearly defined competencies help employees understand the expectations associated with their jobs. Employees can focus on developing the competencies required to improve their performance.

3. Support Recruitment and Selection

The framework enables organisations to recruit candidates who possess the competencies required for specific job roles. This improves the quality of hiring decisions and reduces recruitment errors.

4. Identify Training Needs

Competency assessment helps identify gaps between existing and required competencies. Organisations can design targeted training and development programmes to bridge these gaps.

5. Facilitate Career Development

Employees can use the competency framework to understand the competencies required for higher-level positions. This encourages continuous learning and career planning.

6. Strengthen Succession Planning

The framework helps identify employees with leadership potential and prepares them



for future managerial responsibilities. This ensures continuity of leadership within the organisation.

7. Align Employee Competencies with Organisational Goals

The competency framework ensures that employee capabilities support the strategic objectives of the organisation. This alignment contributes to higher productivity and organisational effectiveness.

3.2.4.3 Components of a Competency Framework

A competency framework consists of different categories of competencies that collectively describe the capabilities required for successful job performance.

1. Core Competencies

Core competencies are the fundamental competencies expected from every employee, regardless of their job position. They reflect the organisation's values and support its mission and vision. Examples include integrity, communication, teamwork, customer orientation, adaptability, and problem-solving. Every employee is expected to demonstrate these competencies while performing their duties.

Example : At Tata Consultancy Services (TCS), employees are expected to demonstrate integrity, customer focus, and continuous learning as core organisational competencies.

2. Functional Competencies

Functional competencies refer to the technical knowledge, skills, and expertise required to perform specific job functions effectively. These competencies differ from one job to another depending on organisational requirements. For example, accountants require financial reporting and taxation skills, while software engineers require programming and software development competencies. Functional competencies ensure that employees possess the technical capabilities necessary for their specific roles.

Example: A Human Resource Manager should possess competencies in recruitment, performance appraisal, training, and labour law, whereas a Marketing Manager should have competencies in market research, branding, and digital marketing.

3. Behavioural Competencies

Behavioural competencies refer to the personal attributes, attitudes, and behaviours that influence how employees perform their work and interact with others. These competencies contribute significantly to teamwork, communication, and organisational culture. Common behavioural competencies include communication skills, emotional intelligence, adaptability, conflict management, customer orientation, and time management. They enable employees to work effectively with colleagues and stakeholders.

Example: During performance appraisal, an employee may possess excellent technical skills but receive additional training in communication and teamwork if behavioural competency gaps are identified.

4. Leadership Competencies

Leadership competencies are the capabilities required by managers and leaders to guide teams and achieve organisational objectives. They focus on strategic thinking, decision-making, people management, and organisational development. Common leadership competencies include vision, strategic planning, coaching, mentoring, change management, decision-making, and ethical leadership. These competencies help organisations develop future leaders and ensure leadership continuity.

Example : Organisations such as Microsoft and General Electric assess leadership competencies before promoting employees to managerial positions.

3.2.4.4 Steps in Designing a Competency Framework

Designing a competency framework requires a systematic approach to ensure that it accurately reflects organisational requirements.

Step 1: Identify Organisational Objectives

The organisation first identifies its vision, mission, strategic goals, and future workforce requirements. The competency framework should support these organisational objectives and long-term business strategies.

Step 2: Conduct Job Analysis

A detailed job analysis is carried out to understand the duties, responsibilities, and skills required for each position. Information is collected through interviews, observations, questionnaires, and job descriptions.

Step 3: Identify Competencies

Based on the job analysis, the organisation identifies the knowledge, skills, abilities, and behaviours required for successful job performance. Competencies are categorised into core, functional, behavioural, and leadership competencies.

Step 4: Define Competency Levels

Each competency is described at different levels of proficiency, such as beginner, intermediate, advanced, and expert. This enables organisations to assess employee competency levels objectively.

Step 5: Validate the Framework

The proposed competency framework is reviewed by managers, HR professionals, and subject experts to ensure its accuracy, relevance, and practicality. Necessary modifications are made based on their feedback.



Step 6: Implement the Framework

After validation, the competency framework is introduced throughout the organisation. It is integrated into recruitment, training, performance appraisal, career development, and succession planning systems.

Step 7: Review and Update the Framework

Organisations regularly review the competency framework to ensure that it remains relevant to changing technologies, business environments, and organisational strategies. Continuous updating keeps the framework effective and aligned with future organisational needs.

3.2.4.5 Importance of a Competency Framework

A competency framework provides a strong foundation for effective talent management and organisational development. Its importance can be understood through the following points.

1. Improves Recruitment Quality

The framework helps organisations recruit candidates whose competencies match job requirements, resulting in better hiring decisions.

2. Supports Employee Development

Competency frameworks identify learning needs and enable organisations to design targeted training and development programmes.

3. Enhances Performance Management

Clearly defined competency standards provide objective criteria for evaluating employee performance and identifying areas for improvement.

4. Facilitates Career Planning

Employees understand the competencies required for career advancement and can prepare themselves for greater responsibilities.

5. Strengthens Succession Planning

The framework helps identify high-potential employees and prepares them for future leadership positions, ensuring leadership continuity.

6. Promotes Organisational Consistency

Uniform competency standards improve fairness and consistency in recruitment, promotion, appraisal, and employee development.

7. Supports Strategic Goals

A competency framework aligns employee capabilities with organisational objectives, enabling the organisation to respond effectively to changing business environments.

8. Encourages Continuous Learning

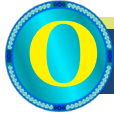
The framework motivates employees to continuously develop new competencies and remain competitive in a rapidly changing workplace.



Recap

- ◇ Employee engagement refers to the emotional and intellectual commitment of employees towards their work and organisational goals.
- ◇ Accountability encourages employees to take responsibility for their actions, decisions, and performance outcomes.
- ◇ Workplace diversity values differences among employees and promotes an inclusive organisational environment.
- ◇ Different forms of diversity, including gender, age, cultural, educational, and disability diversity, contribute to organisational creativity and innovation.
- ◇ Managing diversity requires organisations to ensure equal opportunities, respect, inclusion, and fair treatment for all employees.
- ◇ A competency framework identifies the knowledge, skills, behaviours, and leadership qualities required for effective job performance.
- ◇ The components of a competency framework include core, functional, behavioural, and leadership competencies.
- ◇ Designing a competency framework involves identifying organisational objectives, analysing jobs, defining competencies, and regularly reviewing the framework.
- ◇ Leaders play a significant role in competency management by identifying, developing, and evaluating employee competencies.
- ◇ Coaching, mentoring, and continuous learning help employees improve their competencies and prepare for future organisational responsibilities.





Objective Questions

1. What is the emotional commitment of employees towards their organisation called?
2. Which concept refers to taking responsibility for one's actions and decisions?
3. What term describes the presence of employees from different backgrounds in an organisation?
4. Which document specifies the competencies required for different job roles?
5. Which competency is expected from every employee, irrespective of job position?
6. Which type of competency refers to technical knowledge and job-specific expertise?
7. Which is the first step in designing a competency framework?
8. Which process identifies the duties and responsibilities of a job before identifying competencies?
9. Which leadership activity helps employees improve through guidance and advice?
10. Which process prepares employees for future leadership positions?
11. Which type of diversity relates to employees belonging to different generations?
12. Which competency framework component focuses on strategic thinking and people management?



Answers

1. Employee engagement
2. Accountability
3. Diversity
4. Competency framework

5. Core competency
6. Functional competency
7. Organisational objectives
8. Job analysis
9. Coaching
10. Succession planning
11. Age diversity
12. Leadership competency



Self-Assessment Questions

1. Explain the concept, characteristics, and importance of employee engagement with suitable examples.
2. Discuss the meaning, characteristics, and importance of accountability in organisations.
3. Describe the different types of workplace diversity and explain how organisations can effectively manage diversity.
4. Explain the meaning, components, steps, and importance of designing a competency framework.
5. Discuss the role of leaders in competency management with suitable organisational examples.



Assignments

1. Visit a business organisation and identify the employee engagement practices adopted by the organisation. Prepare a report explaining how these practices improve employee motivation and organisational performance.
2. Select a company, such as Microsoft, Google, Infosys, or Tata Consultancy Services, and analyse its diversity and inclusion initiatives. Present your findings as a case analysis.



3. Choose a job role (e.g., HR Executive, Marketing Executive, or Accountant) and develop a competency framework, identifying its core, functional, behavioural, and leadership competencies.
4. Conduct a group discussion on the role of leaders in competency management. Prepare a report detailing how leaders contribute to employee development, coaching, mentoring, and succession planning.
5. Prepare a presentation that explains how accountability and competency management collectively enhance organisational effectiveness, using relevant examples from well-known organisations.



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BLOCK - 04



Knowledge Management

Unit - 1

Foundations of Knowledge Management



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concept, meaning, nature and importance of Knowledge Management
- ◇ examine the factors influencing Knowledge Management and the characteristics of knowledge-centric organisations
- ◇ differentiate knowledge-centric organisations, knowledge-based organisations, learning organisations and the role of knowledge workers
- ◇ analyse the contribution of Knowledge Management to organisational learning, knowledge sharing and competitive advantage



Prerequisite

Imagine that you have recently joined a well-established organisation as a graduate management trainee. During your induction programme, you are assigned to different departments to understand how the organisation functions. As you interact with employees, you notice that some individuals consistently solve problems faster, make sound decisions, handle customers confidently, and complete complex tasks with remarkable ease. Their effectiveness doesn't come merely from following manuals or standard operating procedures; it largely comes from the knowledge and experience they have accumulated over the years.

As your training progresses, you discover that experienced employees possess numerous practical insights, innovative ideas, and proven work practices that are rarely documented. They know how to respond to unexpected situations, avoid common mistakes, and identify the most efficient ways of performing tasks. Much of this valuable knowledge exists only in their minds and is shared informally through discussions, observation, and collaboration with colleagues.



One day, a highly experienced employee retires after many years of service. Soon afterwards, the organisation struggles to handle certain tasks because many of the practical solutions and valuable experiences the employee acquired over the years were never recorded or shared. New employees spend extra time rediscovering solutions to problems already solved, resulting in delays, duplicated effort, and reduced organisational efficiency.

Observing these situations, you begin to realise that while recruiting talented people and developing their competencies are essential, organisations must also preserve, share, and effectively utilise the knowledge created through employees' experience and expertise. This understanding raises an important managerial question: How can organisations ensure valuable knowledge remains available even when employees leave or change roles?

The answer lies in Knowledge Management - a systematic approach that enables organisations to create, organise, preserve, share, and apply knowledge to improve learning, innovation, decision-making, and overall organisational performance. This unit introduces Knowledge Management and explains why it has become an indispensable function in modern organisations.



Keywords

Knowledge Management, Organisational Knowledge, Tacit Knowledge, Explicit Knowledge, Knowledge Sharing, Knowledge-Centric Organisation, Knowledge Workers, Learning Organisation, Organisational Learning, Competitive Advantage



Discussion

4.1.1 Introduction to Knowledge Management

Organisations generate valuable knowledge through employee experience, customer interactions, research, innovation and everyday business operations. While some knowledge is documented in manuals, reports, and databases, a substantial portion remains embedded in employees' expertise and experience. Unless organisations systematically preserve and share it, valuable knowledge may be lost or remain underutilised.

The emergence of the knowledge-based economy, rapid technological advancement and increasing global competition have made knowledge a strategic organisational resource. Consequently, organisations need systematic approaches to identify, organise,

retain, share, and apply knowledge to improve decision-making, innovation, and organisational performance.

Knowledge Management (KM) has therefore become an essential management discipline that enables organisations to transform individual and organisational knowledge into a sustainable source of learning and competitive advantage. The following section explains the meaning and definitions of Knowledge Management.

4.1.2 Meaning and Definitions of Knowledge Management

The previous section introduced knowledge as a strategic organisational resource. As organisations increasingly recognised that knowledge contributes significantly to innovation, decision-making, and competitive advantage, attention shifted to developing systematic approaches to managing this valuable asset. This led to the emergence of Knowledge Management (KM) as an important field of management.

Knowledge Management is a multidisciplinary concept that draws upon strategic management, organisational learning, information systems and human resource management. Although scholars define KM from different perspectives, they generally agree that it involves the systematic creation, organisation, sharing, retention and application of knowledge to improve organisational performance.

Authoritative Definitions of Knowledge Management

Scholar	Definition
Davenport & Prusak (1998)	Knowledge Management is the process of capturing, distributing and effectively using knowledge within an organisation.
Nonaka & Takeuchi (1995)	Knowledge Management is a continuous process through which organisations create new knowledge by converting tacit and explicit knowledge.
Alavi & Leidner (2001)	Knowledge Management consists of organisational processes for creating, storing, transferring and applying knowledge to achieve organisational objectives.
Dalkir (2017)	Knowledge Management is the deliberate coordination of people, technology and organisational processes to maximise the value of organisational knowledge.
Awad & Ghaziri (2004)	Knowledge Management is the process of capturing or creating knowledge, sharing it with the right people at the right time, and applying it effectively to improve organisational performance.

Across these perspectives, Knowledge Management can be understood as an organisational approach that enables the creation, sharing, retention, and application of knowledge to support organisational goals.

From an organisational perspective, KM extends beyond information technology. It requires a supportive organisational culture, collaborative leadership, knowledge-sharing behaviour and technological systems that make valuable knowledge accessible whenever it is needed. Consequently, KM transforms individual expertise into collective organisational capability.

4.1.3 Nature of Knowledge Management

Understanding the nature of KM helps explain how it functions within modern organisations and why it has become integral to organisational management.

1. Continuous Organisational Process

One fundamental characteristic of Knowledge Management is that it is a continuous organisational process. Knowledge is constantly created through organisational activities, employee experiences, customer interactions and innovation. Consequently, Knowledge Management is not a one-time exercise but an ongoing process of creating, organising, sharing, and applying knowledge to meet changing organisational needs.

2. Deals with both tacit and explicit knowledge

Knowledge Management deals with both tacit and explicit knowledge. Explicit knowledge exists in documents, manuals, reports, databases and other recorded forms, whereas tacit knowledge resides in the experiences, skills, insights and expertise of individuals. Effective Knowledge Management recognises the importance of both forms of knowledge and seeks to make them available for organisational use whenever required.

3. People-oriented as well as technology-enabled

Another important characteristic is that Knowledge Management is both people-oriented and technology-enabled. Although information and communication technologies facilitate the storage, retrieval and dissemination of knowledge, Knowledge Management is not merely a technological activity. It also depends upon employees' willingness to share knowledge, organisational culture, collaboration and effective communication among organisational members.

4. Organisation-wide in nature

Knowledge Management is also organisation-wide in nature. Knowledge is generated through various organisational functions such as research, design, manufacturing, marketing, customer service and administration. Therefore, Knowledge Management extends across departments and organisational levels, enabling individuals and teams to access and use knowledge to improve organisational performance.

5. Strategic Orientation

A further characteristic of Knowledge Management is its strategic orientation. Modern organisations increasingly recognise knowledge as a valuable organisational resource that can generate innovation, improve decision-making, and strengthen competitive advantage. Consequently, Knowledge Management supports not only operational efficiency but also the long-term growth and sustainability of organisations.

6. Dynamic and Adaptive

Knowledge Management is also dynamic and adaptive. As organisational environments, technologies and customer expectations continue to evolve, organisational knowledge must be continuously updated, refined and shared. Effective Knowledge Management therefore encourages continuous learning, knowledge creation and organisational adaptation in response to changing internal and external environments.

Thus, Knowledge Management reflects its role as a continuous, organisation-wide, strategic process that integrates people, knowledge resources, and technological support to facilitate knowledge creation, sharing, and utilisation. Rather than focusing solely on information storage, Knowledge Management seeks to ensure that organisational knowledge contributes effectively to learning, innovation and improved organisational performance.

4.1.4 Importance of Knowledge Management

The previous section explained the meaning and definitions of Knowledge Management. Understanding its meaning naturally leads to another important question: Why has Knowledge Management become an essential organisational function? The answer lies in the growing recognition that knowledge has become one of the most valuable organisational resources.

1. Preservation of Organisational Knowledge

One of the primary reasons Knowledge Management matters is preserving organisational knowledge. Every organisation accumulates valuable knowledge through employee experience, organisational practices, customer interactions, research activities and problem-solving. If organisations do not manage this knowledge systematically, it may be lost when experienced employees retire, resign, or move to different positions. Knowledge Management enables organisations to capture and preserve valuable knowledge so that it remains available for future use and organisational learning.

2. Improving Decision-Making

Knowledge Management also plays a significant role in improving decision-making. Organisational decisions become more effective when managers have access to accurate, relevant knowledge accumulated from past experiences and organisational practices. By organising knowledge in an accessible form, Knowledge Management supports strategic and operational decision-making, reduces uncertainty, and helps avoid repeating earlier mistakes.



3. Facilitating Knowledge Sharing and Collaboration

Another important contribution of Knowledge Management is facilitating knowledge sharing and collaboration. Valuable knowledge often exists within individuals or specific departments. Knowledge Management encourages employees to exchange ideas, experiences and best practices across the organisation. Such sharing reduces duplication of effort, improves coordination, promotes teamwork and enables organisations to make better use of their collective knowledge resources.

4. Innovation and Continuous Organisational Improvement

Knowledge Management contributes significantly to innovation and continuous organisational improvement. Organisations that effectively utilise knowledge can develop new ideas, improve products and services, solve problems more efficiently, and respond quickly to changing customer needs. The effective use of both tacit and explicit knowledge creates opportunities for innovation and strengthens organisational competitiveness in an increasingly knowledge-driven economy.

5. Improvement of Organisational Efficiency and Productivity

Another key benefit of Knowledge Management is improved organisational efficiency and productivity. Easy access to relevant knowledge enables employees to perform their tasks more effectively, reduces unnecessary duplication of work, saves time and resources, and improves the quality of organisational processes. Knowledge Management also enhances communication among employees and supports faster problem-solving, resulting in greater operational efficiency.

6. Competitive Advantage

In today's highly competitive business environment, Knowledge Management has become a source of competitive advantage. Traditional resources such as land, labour and capital remain important, but organisations increasingly require knowledge and intellectual capabilities to complement these resources and sustain competitiveness. Organisations increasingly depend on their ability to develop, utilise and continuously improve their knowledge resources. Consequently, Knowledge Management enables organisations to strengthen customer relationships, improve service quality, respond effectively to environmental changes and maintain long-term competitiveness.

Knowledge Management matters because it enables organisations to systematically preserve, organise, and use knowledge as a strategic organisational resource. Rather than letting valuable expertise to remain isolated within individuals or departments, KM converts dispersed knowledge into organisational capability that supports better decisions, coordinated action and continuous organisational development.

4.1.5 Factors Influencing Knowledge Management

The previous sections explained the concept, importance and nature of Knowledge Management. However, organisations have not adopted Knowledge Management by

chance. Several economic, technological, and organisational developments have led organisations to recognise knowledge as a strategic resource and to establish systematic mechanisms for managing it. Understanding these factors helps explain why Knowledge Management has become integral to modern organisations.

1. Transition from an industrial economy to a knowledge-based economy

One major factor influencing Knowledge Management is the transition from an industrial economy to a knowledge-based economy. In the industrial era, organisational success largely depended on physical resources such as land, labour and capital. In contrast, modern organisations increasingly rely on knowledge, innovation and intellectual capabilities to remain competitive. This shift has encouraged organisations to manage knowledge systematically as a valuable organisational asset.

2. Rapid growth of information and knowledge-intensive products and services

Another important factor is the rapid growth of information and knowledge-intensive products and services. Organisations now operate in environments where knowledge plays a significant role in product development, service delivery, and organisational decision-making. As knowledge-intensive activities increase, organisations need effective mechanisms to create, organise, and use knowledge resources.

3. Advancement of Information and Communication Technologies (ICT)

The advancement of Information and Communication Technologies (ICT) has also greatly influenced Knowledge Management. Developments in computer networks, databases, enterprise portals, intranets and other digital technologies have made it easier to collect, organise, store and disseminate organisational knowledge. These technological developments have expanded the scope and effectiveness of Knowledge Management in modern organisations.

4. Emergence of knowledge workers

The emergence of knowledge workers has further strengthened the need for Knowledge Management. Modern organisations increasingly depend on employees whose expertise, experience and specialised knowledge contribute significantly to organisational performance. As organisations become more dependent on human knowledge and intellectual capabilities, preserving and sharing employee knowledge becomes an important managerial responsibility.

5. Global competition and a rapidly changing business environment

Global competition and a rapidly changing business environment also influence the adoption of Knowledge Management. Organisations must continuously respond to technological developments, changing customer expectations and competitive pressures. Effective management of organisational knowledge enables organisations to make informed decisions, respond quickly to change and maintain their competitive position.



6. Need for continuous organisational learning and innovation

Another factor influencing Knowledge Management is the need for continuous organisational learning and innovation. Organisations constantly generate new knowledge through research, employee experience, customer interactions and organisational activities. Unless organisations effectively capture and share this knowledge, they may lose valuable learning opportunities. Knowledge Management therefore supports continuous learning, knowledge creation and organisational improvement.

Thus, the development of the knowledge economy, technological advancements, the growing importance of knowledge workers, increasing competition and the need for continuous organisational learning have collectively influenced organisations to adopt Knowledge Management. These factors have transformed knowledge from a personal resource into a strategic organisational asset that contributes to sustained organisational success.

4.1.6 Major Models of Knowledge Management

Understanding Knowledge Management becomes easier when examined through its major theoretical frameworks. Three influential models explain how organisations create, manage and utilise knowledge: Nonaka's SECI Model, the Knowledge Management Cycle, and Alavi and Leidner's KM Processes.

A. Nonaka's SECI Model of Knowledge Creation

The SECI Model, developed by Nonaka and Takeuchi (1995), explains how organisations create knowledge through continuous interaction between tacit and explicit knowledge. Rather than viewing knowledge as static, the model proposes that knowledge evolves through four interconnected stages that form a continuous knowledge spiral.

Tacit Knowledge : Knowledge gained through a person's experience, skills, insights and expertise.

Explicit Knowledge : Knowledge that is documented and formally recorded

Table 4.1.1 SECI Model of Knowledge Creation

Stage	Knowledge Conversion	Example
Socialisation	Tacit → Tacit	Mentoring, observation and apprenticeship
Externalisation	Tacit → Explicit	Documenting best practices and writing manuals

Combination	Explicit → Explicit	Integrating reports, databases and organisational documents
Internalisation	Explicit → Tacit	Learning by doing and applying documented knowledge

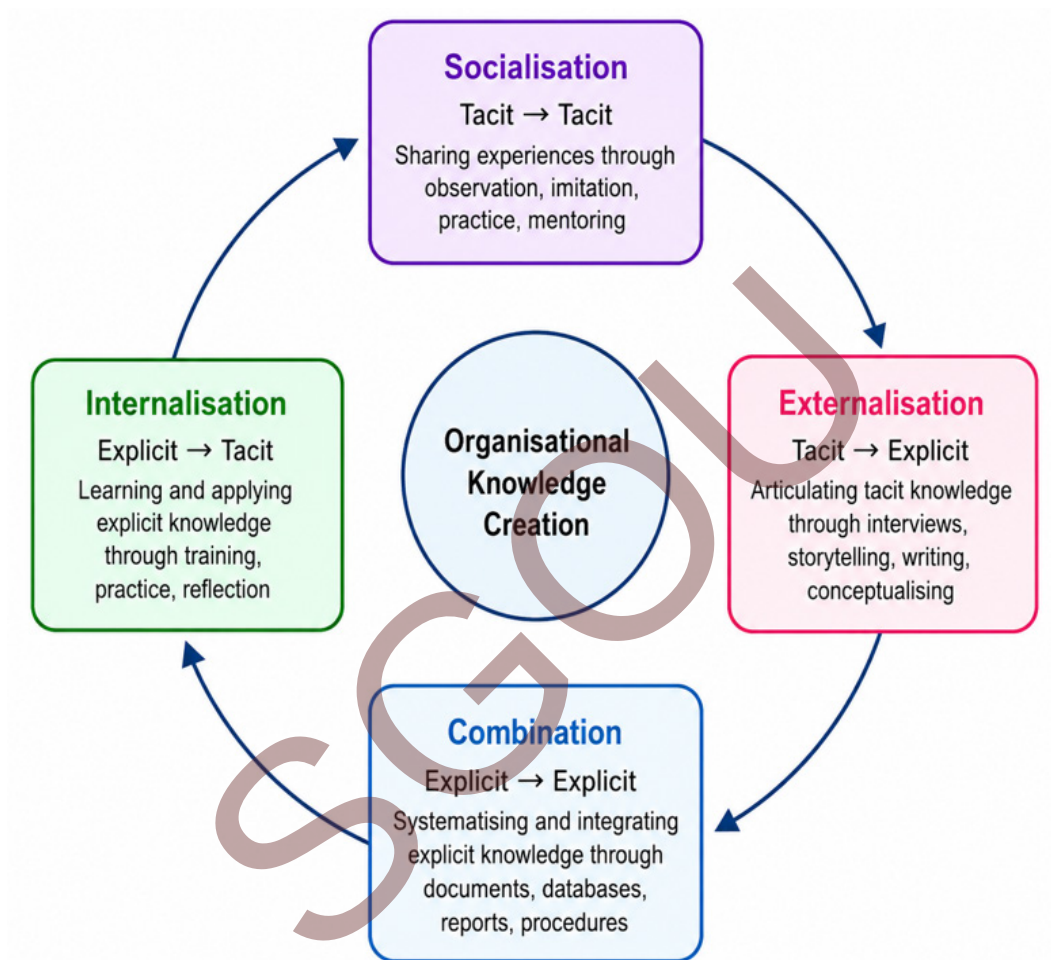


Fig.4.1.1 SECI Cycle of Knowledge Creation

The SECI model demonstrates that organisations continuously transform individual experience into collective organisational knowledge through mentoring, documentation, integration and practical learning.

B. Alavi and Leidner's Knowledge Management Processes

Alavi and Leidner (2001) conceptualised Knowledge Management as four interrelated organisational processes that support effective knowledge utilisation.

Table 4.1.2 Alavi and Leidner's Knowledge Management Processes

KM Process	Purpose
Knowledge Creation	Developing new organisational knowledge through learning, innovation and experience
Knowledge Storage and Retrieval	Preserving organisational memory in documents, databases and repositories
Knowledge Transfer	Sharing knowledge among individuals, teams and departments
Knowledge Application	Using knowledge to improve decisions, solve problems and enhance performance

Unlike technology-centred approaches, this framework emphasises that organisational performance depends upon the effective integration of people, organisational processes and information systems.

Stages of Knowledge Management Cycle

The Knowledge Management Cycle explains KM as a continuous organisational process rather than a single activity. It emphasises that organisations must systematically manage knowledge throughout its lifecycle.

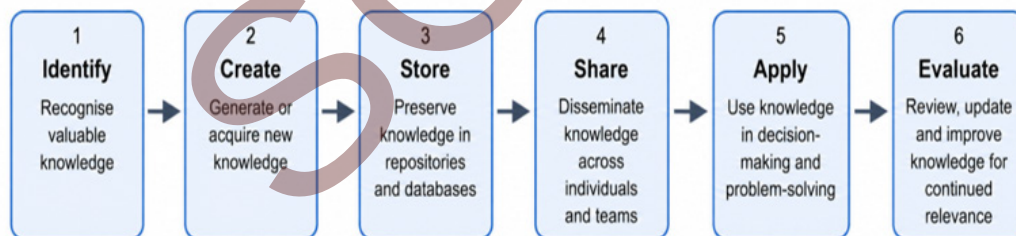


Fig. 4.1.2 Knowledge Management Cycle

The six stages of the Knowledge Management Cycle are:

1. Knowledge Identification – recognising valuable organisational knowledge.
2. Knowledge Creation or Acquisition – generating or obtaining new knowledge.
3. Knowledge Storage – preserving knowledge in repositories and databases.
4. Knowledge Sharing – disseminating knowledge across employees and departments.
5. Knowledge Application – using knowledge in decision-making and problem-solving.

6. Knowledge Evaluation and Renewal – updating knowledge to maintain organisational relevance.

This cycle ensures that organisational knowledge remains accurate, accessible and continuously improved.

Measuring the Effectiveness of Knowledge Management

Organisations evaluate Knowledge Management using two complementary categories of performance measures: KM activity measures and outcome measures. KM activity measures assess whether knowledge processes are functioning effectively, whereas outcome measures assess whether these processes contribute to organisational results. Both are essential because effective knowledge-sharing activities should ultimately lead to measurable organisational improvements.

Table 4.1.3 Measuring the Effectiveness of Knowledge Management

KM Activity Measures	Outcome Measures
Repository usage	Productivity improvement
Knowledge-sharing participation	Cost savings
Number of documents contributed	Innovation rate
Communities of Practice participation	Customer satisfaction
Knowledge reuse frequency	Decision-making quality
Employee training completion	Competitive advantage

Activity measures indicate the efficiency of Knowledge Management processes, while outcome measures evaluate their contribution to organisational performance.

4.1.7 Knowledge-Centric Organisation

The previous section explained the factors that contributed to the emergence of Knowledge Management. As organisations increasingly recognised knowledge as a strategic resource, many evolved into knowledge-centric organisations, where knowledge becomes the foundation for decision-making, innovation and organisational competitiveness.

A Knowledge-Centric Organisation (KCO) is an organisation that systematically creates, acquires, organises, shares and applies knowledge as a strategic asset to achieve its objectives (Dalkir, 2017; Davenport & Prusak, 1998). Unlike traditional



organisations, which derive value primarily from physical resources, knowledge-centric organisations create value through the knowledge, skills, creativity and expertise of their employees.

Knowledge-centric organisations use information and communication technologies to support knowledge creation, storage, sharing and retrieval. However, technology alone does not define such organisations. Organisational culture, collaboration, continuous learning, and knowledge-sharing behaviour are equally important, ensuring relevant knowledge is accessible whenever needed for effective organisational performance.

Table 4.1.4 Comparison of Knowledge-Centric Organisation, Knowledge-Based Organisation and Knowledge-Intensive Firm

Aspect	Knowledge-Centric Organisation (KCO)	Knowledge-Based Organisation (KBO)	Knowledge-Intensive Firm (KIF)
Primary focus	Managing knowledge as a strategic organisational asset	Organisational success based on knowledge and intellectual capital	Delivering products or services that depend on specialised expertise
Source of value	Knowledge creation, sharing and application	Intellectual resources and organisational capabilities	Professional knowledge and highly skilled employees
Knowledge emphasis	Tacit and explicit knowledge throughout the organisation	Knowledge embedded in organisational systems and strategy	Advanced professional and technical knowledge
Typical examples	Toyota, Infosys	Learning organisations, research universities	Consulting firms, law firms, biotechnology companies

A Knowledge-Centric Organisation emphasises how knowledge is managed across the entire organisation, whereas a Knowledge-Based Organisation highlights knowledge as the foundation of organisational strategy and competitive advantage. In contrast, a Knowledge-Intensive Firm refers to organisations whose products or services depend primarily on specialised professional expertise, such as consultancy, legal services, software development and research organisations.

Knowledge-centric organisations also extend knowledge beyond organisational boundaries by collaborating with customers, suppliers, research institutions and business

partners. Such knowledge flows encourage innovation, strengthen organisational learning and improve responsiveness to changing business environments.

4.1.7.1 Characteristics of a Knowledge-Centric Organisation

A knowledge-centric organisation differs from a traditional organisation because it embeds knowledge in every organisational activity rather than treating it as a separate resource. Its major characteristics include:

1. **Knowledge-Driven Organisational Processes:** Knowledge creation, capture, sharing and application are integrated into everyday organisational activities. Employees continuously exchange ideas, document best practices and learn from organisational experience.
2. **Collaborative Knowledge Sharing:** The organisation promotes trust, teamwork and open communication, enabling knowledge to flow freely across departments and functional boundaries.
3. **Strategic Integration of Knowledge:** Knowledge is closely aligned with organisational strategy. Managers identify critical knowledge requirements, recognise knowledge gaps and develop capabilities that support long-term organisational objectives.
4. **Continuous Learning and Innovation:** Employees are encouraged to acquire new competencies, participate in organisational learning and apply their knowledge to improve products, services and business processes. Consequently, innovation becomes a continuous organisational capability rather than an occasional activity.

These characteristics demonstrate that knowledge-centric organisations create competitive advantage by combining organisational learning, collaboration and strategic knowledge management.

4.1.7.2 Communities of Practice (CoP)

The discussion on knowledge-centric organisations demonstrates that organisational knowledge is created not only through formal systems and technologies but also through continuous interaction among employees. One of the most effective mechanisms for facilitating such interaction is the Community of Practice (CoP), where individuals with shared professional interests learn from one another while solving real organisational problems. Communities of Practice therefore play a vital role in knowledge creation, knowledge sharing and organisational learning.

A Community of Practice (CoP) is a group of people who share a common concern, profession, or area of expertise and deepen their knowledge by interacting regularly, exchanging experiences and developing shared practices. Unlike formal work teams created to accomplish specific organisational tasks, Communities of Practice emerge around learning, professional development and the continuous improvement of practice. They enable organisations to transfer tacit knowledge that is often difficult to capture through manuals or databases alone.



Elements of a Community of Practice

According to Wenger, every Community of Practice is built upon three interrelated elements: Domain, Community and Practice. Together, these elements distinguish a genuine learning community from an ordinary work group or informal social network.

Table 4.1.5 Core Elements of a Community of Practice

Element	Description
Domain	A shared area of knowledge or professional interest that gives members a common identity and purpose.
Community	A group of individuals who interact regularly, build relationships, exchange ideas and learn collaboratively.
Practice	The shared knowledge, experiences, tools, methods, stories and best practices developed through continuous participation.

Characteristics of Communities of Practice

Communities of Practice possess several distinctive characteristics that make them valuable mechanisms for organisational knowledge management:

1. Voluntary participation: Members join because of their professional interest and willingness to learn rather than formal organisational authority.
2. Mutual engagement: Continuous interaction enables members to exchange experiences, discuss challenges and develop practical solutions.
3. Knowledge sharing: Both tacit and explicit knowledge are transferred through discussions, mentoring, storytelling and collaborative problem-solving.
4. Collective learning: Members improve their individual expertise while simultaneously contributing to the organisation's collective knowledge base.
5. Continuous development: Communities evolve as members create new practices, refine existing knowledge and respond to changing organisational needs.

Benefits of Communities of Practice in Knowledge Management

Communities of Practice strengthen Knowledge Management by creating an environment where learning occurs naturally through professional interaction. Their major organisational benefits include:

- ◇ preserving tacit knowledge through mentoring and peer learning;

- ◇ reducing duplication of effort by sharing proven work practices;
- ◇ accelerating problem-solving through collaborative expertise;
- ◇ supporting innovation by encouraging the exchange of diverse ideas;
- ◇ strengthening employee development and organisational learning; and
- ◇ improving cross-functional collaboration across departments.

Corporate Example

Infosys Knowledge Communities (India): Infosys has developed internal knowledge communities that connect software engineers, project managers and domain specialists across different business units. Employees regularly participate in technical forums, discussion groups and knowledge-sharing platforms to exchange best practices, solve project-related problems and develop specialised expertise. These communities help the organisation retain valuable knowledge, reduce repeated errors, and promote continuous organisational learning, illustrating the practical application of Communities of Practice in a knowledge-intensive organisation.

Significance in Knowledge-Centric Organisations

In knowledge-centric organisations, Communities of Practice complement formal Knowledge Management systems by enabling employees to exchange experiences that are hard to document. Through regular interaction, mentoring and collaborative problem-solving, these communities convert individual expertise into collective organisational knowledge. Consequently, Communities of Practice strengthen organisational learning, improve innovation and support the long-term retention of valuable intellectual capital.

4.1.8 Knowledge Workers

The discussion of knowledge-centric organisations highlights that organisational success increasingly depends on employees' knowledge, skills, and expertise rather than on physical resources alone. Such organisations therefore place greater emphasis on knowledge workers, who create, apply, and share knowledge to achieve organisational objectives. As knowledge becomes a strategic organisational resource, the role of knowledge workers grows increasingly significant in modern organisations.

Knowledge workers primarily apply specialised knowledge, judgement and problem-solving capabilities to their work. Their roles may involve creating, analysing, applying and communicating knowledge, although knowledge-intensive and routine activities can coexist within the same job. These employees apply their education, experience, specialised skills and professional judgement to solve organisational problems, make decisions, develop innovative ideas and improve organisational performance. In knowledge-centric organisations, knowledge workers are regarded as valuable

intellectual assets because their expertise contributes directly to organisational growth and competitiveness.

Compared with highly routine roles, knowledge-intensive roles generally involve greater autonomy, judgement, problem-solving, and discretion; knowledge workers frequently perform tasks that require autonomy, creativity, and analytical thinking. They continually acquire new knowledge, learn from experience and apply their expertise to improve products, services and organisational processes. Consequently, organisations invest significantly in developing and retaining knowledge workers through appropriate training, career development and learning opportunities.

Continuous learning and training constitute another important characteristic of knowledge workers. Rapid technological developments and changing business environments require them to update their knowledge and skills regularly. Organisations therefore view training and development not merely as an operational expense but as an investment in human capital that enhances organisational capability, improves performance and supports long-term organisational success.

Significance of Knowledge Workers

The increasing importance of knowledge workers has also changed employment practices. Organisations today compete not only for customers but also for talented and knowledgeable employees. Skilled knowledge workers are often in high demand and may work as full-time employees, consultants, contractors or strategic partners. Consequently, organisations devote considerable attention to identifying, attracting, developing, and retaining knowledge workers to sustain their intellectual capital and competitive advantage.

Knowledge workers constitute an important source of intellectual capability in knowledge-centric organisations. Their ability to create, share and apply knowledge enables organisations to improve decision-making, promote innovation, strengthen organisational learning and maintain sustainable competitive advantage. As knowledge continues to emerge as a key organisational resource, knowledge workers' contributions become increasingly vital to organisational effectiveness.

Table 4.1.6 Comparison of Traditional and Knowledge Workers

Dimension	Traditional Worker	Knowledge Worker
Nature of work	Routine, repetitive and operational tasks	Analytical, creative and problem-solving tasks
Degree of autonomy	Works under close supervision and established procedures	Exercises greater independence and professional judgement
Knowledge intensity	Relies mainly on explicit and procedural knowledge	Depends on specialised expertise, tacit knowledge and experience

Decision-making	Decisions are largely rule-based and procedural	Makes complex decisions requiring analysis and critical thinking
Skills required	Manual, technical and operational skills	Intellectual, analytical and interdisciplinary skills
Use of technology	Uses technology primarily for operational efficiency	Uses technology to create, analyse and share knowledge
Learning requirements	Periodic training to perform assigned tasks	Continuous learning and regular upskilling are essential
Contribution to intellectual capital	Supports organisational operations and productivity	Creates organisational knowledge, innovation and strategic capability

The distinction between traditional and knowledge workers is analytical rather than absolute. Most modern organisations employ both routine and knowledge-intensive roles, and many jobs combine operational responsibilities with knowledge-based activities.

4.1.9 Learning Organisations

The rise of knowledge workers has transformed how organisations create and use knowledge. However, individual knowledge alone is insufficient unless it is continuously shared, expanded and applied throughout the organisation. This has led to the concept of the learning organisation, where learning becomes integral to organisational functioning and supports continuous improvement, innovation, and adaptation to change.

A learning organisation is an organisation that deliberately develops structures, processes and cultures that support continuous individual and collective learning. The concept was popularised by Peter Senge (1990), who defined a learning organisation as one “where people continually expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are nurtured, where collective aspiration is set free and where people are continually learning how to learn together.” This definition emphasises that continuous learning occurs through both individual and collective processes and forms the foundation of a learning organisation.

Distinction between Organisational Learning and Learning Organisation

Although the terms organisational learning and learning organisation are closely related, they have different meanings in Knowledge Management literature.



Table 4.1.7 Distinction between Organisational Learning and Learning Organisation

Organisational Learning	Learning Organisation
Refers to the processes through which organisations acquire, interpret, share and use knowledge.	Refers to an organisation deliberately designed to facilitate continuous learning and knowledge sharing.
Focuses on learning activities and knowledge processes.	Focuses on organisational culture, structure and systems that support learning.
Can occur in any organisation.	Represents a managerial model that promotes continuous learning as a strategic capability.

The distinction above provides the conceptual foundation for understanding Peter Senge's model, which explains the essential disciplines required to build a learning organisation.

4.1.9.1 Senge's Five Disciplines of a Learning Organisation

Peter Senge (1990) proposed that successful learning organisations are built upon five interrelated disciplines. These disciplines enable organisations to develop continuous learning, collaborative thinking and long-term organisational capability.

Table 4.1.8 Senge's Five Disciplines of a Learning Organisation

Discipline	Explanation
Personal Mastery	Continuous development of individual knowledge, skills and professional competence.
Mental Models	Challenging existing assumptions and encouraging reflective thinking to improve decision-making.
Shared Vision	Developing a common organisational purpose that motivates employees to work towards collective goals.
Team Learning	Promoting collaboration, dialogue and collective problem-solving to enhance organisational learning.
Systems Thinking	Understanding the organisation as an interconnected system in which decisions and actions influence one another.

Senge's framework emphasises that organisational learning extends beyond employee training. It requires a culture that encourages continuous learning, open communication, shared responsibility and systems-based thinking. Organisations that cultivate these disciplines are better able to innovate, adapt to environmental change and sustain long-term competitive advantage.

Building upon these disciplines, learning organisations encourage employees to question existing methods, acquire new knowledge and learn from experience. They recognise that continuous learning enables organisations to respond effectively to technological developments, changing customer expectations and increasing competition. Consequently, learning becomes an essential organisational capability rather than an occasional training activity.

A learning organisation also promotes knowledge sharing and collective learning. Employees are encouraged to exchange ideas, discuss experiences and solve organisational problems collaboratively. As knowledge is shared across individuals, teams and departments, organisational learning expands beyond individual expertise and becomes part of the organisation's collective knowledge. This process strengthens innovation, improves decision-making and reduces the repetition of previous mistakes.

Another important feature of learning organisations is their commitment to continuous employee development. Organisations invest in education, training, mentoring and practical learning opportunities so that employees can regularly update their knowledge and skills. Such learning not only enhances individual competence but also contributes to organisational adaptability and long-term effectiveness. Because knowledge and technology continue to evolve rapidly, continuous learning helps organisations remain competitive in a dynamic business environment.

Learning organisations also support a culture that values experimentation, creativity and innovation. Employees are encouraged to analyse organisational problems, explore new approaches and learn from both successes and failures. Such an environment strengthens organisational resilience and enables the organisation to continuously improve its products, services and business processes. As a result, learning becomes embedded in everyday organisational activities rather than remaining confined to formal training programmes.

Thus, a learning organisation represents an organisational environment where continuous learning, knowledge sharing and innovation become part of organisational culture. By enabling employees to learn individually and collectively, learning organisations strengthen organisational knowledge, improve performance and enhance the organisation's ability to adapt successfully to changing business conditions.

Table 4.1.9 Traditional Organisation v/s Learning Organisation

Traditional Organisation	Learning Organisation
Learning is occasional	Learning is continuous
Employees follow instructions	Employees generate ideas
Errors are primarily controlled and corrected	Errors are analysed for learning while appropriate controls are maintained
Information is departmental	Knowledge is shared
Change is predominantly episodic or reactive	Change is increasingly anticipated and continuously managed



Recap

- ◇ Knowledge has emerged as a strategic organisational resource in the knowledge economy.
- ◇ Knowledge Management is a systematic process of creating, organising, preserving, sharing and applying knowledge.
- ◇ Effective Knowledge Management improves organisational learning, decision-making, innovation and productivity.
- ◇ Knowledge Management preserves valuable organisational knowledge and prevents knowledge loss resulting from employee turnover.
- ◇ Both tacit knowledge and explicit knowledge are essential components of organisational knowledge.
- ◇ Knowledge Management is a continuous, organisation-wide and strategic managerial process supported by people and technology.
- ◇ The growth of information technology, global competition and knowledge-based economies has accelerated the adoption of Knowledge Management.
- ◇ Knowledge-centric organisations consider knowledge as their most valuable organisational asset and integrate it into organisational strategy.
- ◇ Knowledge workers contribute intellectual capital through creativity, expertise, analytical ability and continuous learning.
- ◇ Learning organisations promote continuous learning, collaboration, innovation and organisational adaptability to achieve sustainable competitive advantage.



Objective Questions

1. What is the abbreviated form of Knowledge Management?
2. Which type of knowledge exists in documents and manuals?
3. Which type of knowledge resides in employees' experience?

4. Who popularised the concept of the learning organisation?
5. What is the most valuable asset in a knowledge-centric organisation?
6. Which technology supports the storage and sharing of organisational knowledge?
7. Which organisational process promotes the exchange of ideas and experiences?
8. What type of workers primarily create and apply organisational knowledge?
9. Which economy has increased the importance of Knowledge Management?
10. What organisational capability enables continuous adaptation and improvement?



Answers

1. KM
2. Explicit knowledge
3. Tacit knowledge
4. Peter Senge
5. Knowledge
6. Information and Communication Technology (ICT)
7. Knowledge sharing
8. Knowledge workers
9. Knowledge economy
10. Learning





Self-Assessment Questions

1. What is Knowledge Management (KM)?
2. Why is knowledge considered a strategic organisational resource?
3. State any four important benefits of Knowledge Management.
4. Why is Knowledge Management considered a continuous and organisation-wide process?
5. What are the major factors influencing Knowledge Management?
6. What is a Knowledge-Centric Organisation?
7. What are the main characteristics of a Knowledge-Centric Organisation?
8. Who are knowledge workers, and what role do they play in an organisation?
9. What is a learning organisation?
10. What is a learning organisation? Name the five disciplines proposed by Peter Senge.



Assignments

1. Define Knowledge Management. Explain its meaning and importance in modern organisations.
2. Discuss the nature of Knowledge Management and explain the major factors influencing its development.
3. Explain the concept and characteristics of a knowledge-centric organisation.
4. Describe the role and importance of knowledge workers in knowledge-based organisations.
5. Discuss the concept of a learning organisation and explain how it contributes to organisational effectiveness and competitive advantage.



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Unit - 2

Knowledge Management in Organisational Transformation



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concepts of intrapreneurship, innovation and perpetual organisational change
- ◇ examine the features, characteristics and key processes of knowledge-intensive firms
- ◇ analyse the role of Knowledge Management in organisational transformation, innovation and continuous improvement
- ◇ evaluate the challenges, governance practices and measurement of Knowledge Management in knowledge-intensive firms



Prerequisite

Imagine that you have now completed your induction period and have been working in the organisation for several months. During this time, you observe that the organisation regularly encourages employees to suggest improvements to existing work processes, customer services and operational procedures. Employees participate in team discussions, share their experiences, and propose innovative ideas that management carefully evaluates. Some of these suggestions are successfully implemented, resulting in improved efficiency, reduced costs and better customer satisfaction.

You also notice that the organisation frequently updates its technologies, restructures work processes and introduces new methods of performing tasks to respond to changing market conditions. Employees are encouraged to learn new skills, adapt to changing responsibilities and continuously improve their knowledge. Rather than viewing change as a disruption, the organisation sees it as essential to growth and long-term success.

These observations help you realise that knowledge alone does not guarantee organisational success. Organisations must also encourage innovation, support employees in developing new ideas, adapt continuously to changing environments and effectively utilise their intellectual resources. This understanding leads to another important managerial question: How do organisations transform knowledge into innovation and sustained organisational competitiveness?

This unit answers that question by explaining intrapreneurship, innovation, perpetual organisational change, and knowledge-intensive firms, and by examining how these concepts contribute to organisational transformation through effective knowledge management.



Keywords

Intrapreneurship, Innovation, Perpetual Organisational Change, Knowledge-Intensive Firm, Organisational Transformation, Knowledge Workers, Organisational Learning, Intellectual Capital, Knowledge Sharing, Competitive Advantage



Discussion

The previous unit introduced the foundations of Knowledge Management and explained how organisations create, preserve, share and utilise knowledge to improve organisational performance. It also highlighted the importance of knowledge workers, learning organisations and knowledge-centric organisations in developing organisational capability.

However, acquiring and managing knowledge alone is not sufficient for long-term organisational success. Organisations must continuously transform knowledge into innovative products, improved services, efficient work practices and strategic decisions. This requires employees to think creatively, embrace organisational change and utilise knowledge as a driver of innovation and competitiveness. Modern organisations must therefore encourage intrapreneurship, foster innovation, adapt continuously to changing business environments and develop knowledge-intensive organisational structures.

Accordingly, this unit examines the role of intrapreneurship and innovation, perpetual organisational change and knowledge-intensive firms in organisational transformation, highlighting how effective knowledge management enables organisations to sustain innovation and competitive advantage.



4.2.1 Intrapreneurship and Innovation

Knowledge Management enables organisations not only to preserve and share knowledge but also to transform it into innovation, organisational improvement, and sustained competitive advantage. As business environments become increasingly dynamic, organisations require employees who can think creatively, identify opportunities for improvement and develop innovative solutions to organisational problems. This has increased the importance of intrapreneurship and innovation, which enable organisations to convert knowledge into new products, services, processes and business opportunities. Consequently, intrapreneurship and innovation have become essential components of organisational transformation in knowledge-based organisations.

Let us now discuss the key terms :

4.2.1.1 Intrapreneurship

Intrapreneurship refers to encouraging employees within an existing organisation to behave like entrepreneurs by developing new ideas, improving products or processes, and identifying business opportunities that contribute to organisational success. Unlike entrepreneurs who establish and manage independent businesses, intrapreneurs operate within the organisational framework, utilising the organisation's resources while pursuing innovation and value creation. Although they enjoy considerable freedom to generate and implement ideas, major strategic decisions remain with the organisation's management.

An intrapreneurial environment encourages employees to take initiative, experiment with new approaches and contribute beyond their routine job responsibilities. Organisations that promote intrapreneurship provide opportunities for creativity, collaborative problem-solving and continuous learning. Such organisations recognise that innovative ideas can emerge at different organisational levels and therefore create mechanisms to support idea generation, evaluation, and implementation. In this way, employee-generated knowledge becomes an important organisational asset that enhances productivity and long-term competitiveness.

4.2.1.2 Innovation

Innovation involves implementing new or significantly improved products, services, processes, methods, or organisational practices that create or realise value. It involves transforming knowledge into practical solutions that create value for customers and enhance organisational performance. Innovation may result from scientific research, technological advancement, employee creativity or organisational learning. Rather than being a single event, innovation is a continuous process of identifying opportunities, generating ideas, evaluating alternatives and implementing improvements that enable organisations to adapt to changing business environments.

Knowledge management plays a vital role in promoting innovation by facilitating the creation, acquisition, sharing and application of knowledge across the organisation.

When employees exchange experiences and collaborate across functional boundaries, they develop new insights that contribute to innovative products, improved services and more efficient business processes. Thus, innovation emerges from the effective utilisation of organisational knowledge rather than from isolated individual efforts.

4.2.1.3 Relationship between Intrapreneurship and Innovation

Intrapreneurship and innovation are closely interconnected. Intrapreneurship provides a context in which employees pursue entrepreneurial opportunities within an existing organisation, while innovation may be one important outcome of such efforts. Employees acting as intrapreneurs identify opportunities, develop new ideas, and experiment with improved methods, while innovation turns those ideas into practical organisational improvements. Together, these processes strengthen organisational learning, encourage knowledge sharing and improve the organisation's ability to respond effectively to changing customer needs, technological developments and competitive pressures.

Organisations that successfully integrate intrapreneurship with innovation create a culture in which employees are motivated to contribute new knowledge, challenge conventional practices and participate actively in organisational development. Such organisations become more adaptable, continuously improve their products and services, and develop sustainable competitive advantages by effectively managing intellectual capital. Consequently, intrapreneurship and innovation are recognised as important drivers of organisational growth and long-term success in knowledge-based organisations.

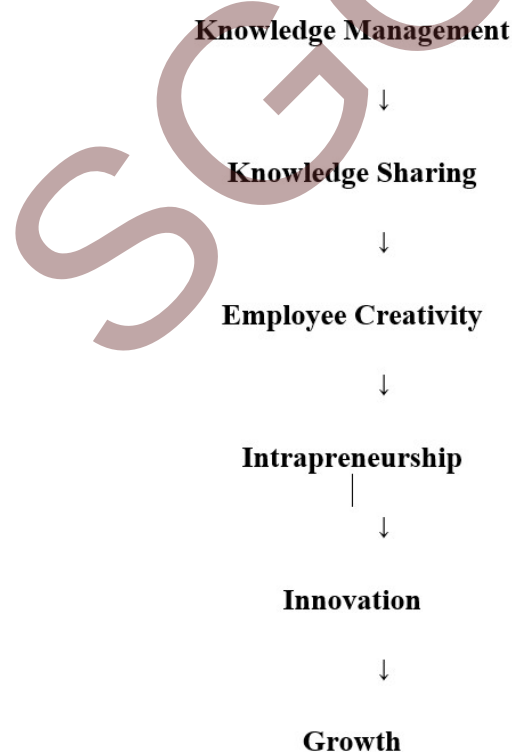


Fig. 4.2.1 Intrapreneurship and Innovation

4.2.2 Perpetual Organisational Change

The previous section explained how intrapreneurship and innovation enable organisations to generate new ideas and improve organisational performance. However, innovation alone does not ensure sustained competitiveness. Organisations must also develop the capability to adapt their structures, processes, technologies and employee competencies in response to changing business environments. In contemporary management literature, this ongoing capacity for adaptation is described as continuous or perpetual organisational change, where change is viewed as an integral organisational capability rather than an isolated event (Weick & Quinn, 1999; Burnes, 2020).

4.2.2.1 Meaning of Perpetual Organisational Change

Perpetual organisational change refers to the continuous process through which organisations adapt their structures, processes, technologies and work practices in response to evolving internal and external conditions. Unlike episodic change, which occurs at specific points in time, perpetual organisational change emphasises ongoing learning, flexibility and organisational renewal. It is closely supported by Knowledge Management because continuous adaptation depends upon the creation, sharing and application of organisational knowledge.

Table 4.2.1 Distinction between Organisational Change, Perpetual Organisational Change and Continuous Improvement

Concept	Primary Focus	Nature
Organisational Change	Planned modification of structures, processes or behaviour	May be episodic or continuous
Perpetual Organisational Change	Ongoing organisational adaptation through learning and knowledge utilisation	Continuous and strategic
Continuous Improvement	Incremental enhancement of products, services and work processes	Continuous and operational

Perpetual organisational change therefore extends beyond routine process improvement. It emphasises the organisation's long-term capability to continuously learn, adapt and respond to changing business environments.

Historical Perspective

Historically, many organisations approached change as an episodic activity, implementing major changes only when responding to crises, restructuring or significant environmental pressures. Contemporary organisations, however, increasingly recognise that rapid technological advancement, global competition, digital transformation and

changing customer expectations require continuous adaptation rather than infrequent organisational change. Knowledge Management supports this transition by enabling organisations to acquire, share and apply knowledge throughout the change process.

Implementing knowledge management often brings significant organisational changes. These may include changes to organisational structure, redesigned employee roles, adoption of new technologies, the introduction of collaborative work practices, and changes to decision-making processes. Such changes enable organisations to utilise knowledge more effectively, improve communication and enhance organisational learning. However, employees may initially resist these changes because they alter familiar work routines and responsibilities. Effective change management is therefore essential to ensure successful implementation of knowledge management initiatives.

Several external factors increase the need for organisations to adapt continuously.. Globalisation has intensified competition by allowing organisations to operate across national boundaries and compete in international markets. At the same time, technological advancements have transformed business operations, requiring organisations to update their systems, processes, and employee competencies regularly. Furthermore, changing employee expectations regarding participation, fairness and work-life balance have encouraged organisations to adopt more flexible management practices that support both organisational performance and employee well-being.

To manage perpetual organisational change successfully, organisations must establish an environment that encourages knowledge sharing, employee participation and continuous learning. Sharing organisational information helps employees understand the purpose of change and reduces resistance by involving them in decision-making processes. Similarly, continuous knowledge development enables employees to acquire new skills and adapt more effectively to changing organisational requirements. These practices strengthen employee commitment while enhancing the organisation's capacity to respond to future challenges.

Perpetual organisational change also reinforces the relationship between knowledge management and organisational learning. As employees continuously acquire, create, and share knowledge, organisations become better able to identify opportunities, solve problems, and implement innovative solutions. This ongoing learning process improves organisational flexibility and enables firms to maintain competitiveness despite rapid environmental changes. Consequently, Organisations that develop the capacity to assess when and how change is required are better positioned to adapt effectively to changing conditions.

Thus, perpetual organisational change represents an important organisational capability in contemporary organisations. By continuously adapting their strategies, technologies and organisational practices while promoting learning and knowledge sharing, organisations can respond effectively to changing business environments and sustain their competitive advantage in the knowledge economy.

4.2.3 Knowledge Intensive Firm

The discussion of perpetual organisational change shows that organisations must continuously adapt to technological developments, market dynamics, and evolving customer expectations. Such adaptation depends upon the effective creation, management and utilisation of knowledge as a strategic organisational resource. Organisations whose products and services rely predominantly on specialised professional knowledge are commonly referred to as Knowledge-Intensive Firms (KIFs).

A Knowledge-Intensive Firm (KIF) is an organisation characterised by a high proportion of knowledge-intensive inputs and outputs, where specialised expertise, intellectual capital and professional competence constitute the primary source of value creation. Unlike organisations that depend mainly on physical resources, KIFs derive competitive advantage from the knowledge, creativity and analytical capabilities of highly skilled employees (Alvesson, 2004; Starbuck, 1992).

4.2.4 Features of a Knowledge Intensive Firm

Knowledge-intensive firms differ from conventional organisations because knowledge rather than physical resources forms the basis of their operations and competitive advantage. Their structures, organisational culture and management practices are designed to facilitate the creation, sharing and application of knowledge. Consequently, these firms exhibit several distinctive features that enable them to respond effectively to changing business environments while promoting innovation and organisational learning.

1. Knowledge as a Strategic Organisational Asset

One of the most significant features of a knowledge-intensive firm is its emphasis on knowledge as a strategic organisational asset. Such organisations recognise that intellectual capital, employee expertise and organisational knowledge can create significant long-term value when effectively integrated with other organisational resources. Knowledge is therefore systematically created, acquired, stored, shared and applied to support organisational objectives and enhance competitiveness.

2. Highly Skilled Knowledge Workers

Knowledge-intensive firms also depend heavily on highly skilled knowledge workers. Employees are selected not only for technical competence but also for analytical ability, creativity, problem-solving skills, and a willingness to learn continuously. Organisations invest in employee development through training, knowledge sharing and professional learning because the quality of organisational knowledge largely depends upon the competence of its workforce.

3. Information and Communication Technology

Another important feature is the extensive use of information and communication technology. Modern technologies facilitate the collection, storage, retrieval and

dissemination of organisational knowledge, enabling employees to collaborate effectively regardless of geographical location. Technology also supports faster communication, better decision-making and improved organisational coordination by making relevant knowledge readily accessible throughout the organisation

4. Continuous learning and Knowledge Sharing.

Knowledge-intensive firms encourage a culture of continuous learning and knowledge sharing. Employees are encouraged to exchange ideas, learn from experience and contribute to organisational knowledge through collaboration and teamwork. Rather than treating knowledge as an individual possession, organisations encourage employees to share appropriate knowledge so that individual expertise can contribute to collective organisational capability. Such a culture strengthens innovation, reduces duplication of effort and improves organisational effectiveness.

5. Innovation and Adaptability

These firms also emphasise innovation and adaptability. Rapid technological developments and changing customer expectations require organisations to continuously improve their products, services and business processes. Knowledge-intensive firms therefore encourage experimentation, creative thinking and the practical application of new ideas. Their ability to adapt quickly helps them remain competitive in dynamic business environments.

6. Integration of Knowledge with Organisational Strategy

Another distinguishing feature is integrating knowledge with organisational strategy. Organisational decisions are guided by the knowledge available within the firm as well as knowledge acquired from customers, suppliers, competitors and other external stakeholders. By aligning knowledge management with strategic planning, organisations ensure that intellectual resources contribute directly to achieving long-term organisational goals and sustaining competitive advantage.

7. Strong Collaborative Relationships

Knowledge-intensive firms also maintain strong collaborative relationships both within and outside the organisation. Cross-functional teamwork, partnerships, customer interactions and external knowledge networks enable organisations to access diverse sources of knowledge and respond effectively to emerging opportunities. Such collaboration expands organisational learning and improves decision-making across functional areas.

Thus, the features of a knowledge-intensive firm collectively show that organisational success increasingly depends on the effective use of knowledge, skilled employees, supportive technologies, continuous learning, and strategic collaboration. These characteristics enable organisations to innovate, adapt to changing environments and achieve sustainable competitive advantage in the knowledge economy.



4.2.5 Key Processes in a Knowledge Intensive Firm

Knowledge-intensive firms derive their strength from their ability to manage knowledge systematically throughout the organisation. Unlike conventional organisations that focus primarily on managing physical resources, knowledge-intensive firms establish structured processes for generating, organising, sharing, and applying knowledge. These interconnected processes ensure organisational knowledge is continuously developed, preserved, and used to support innovation, decision-making, and organisational performance.

1. Knowledge Creation

The first key process is knowledge creation, through which organisations generate new knowledge by encouraging learning, research, observation, creativity and innovation. Employees continuously analyse organisational activities, identify opportunities for improvement and develop new ideas that contribute to organisational effectiveness. Knowledge creation provides the foundation for organisational learning and continuous improvement.

In knowledge-intensive firms, knowledge is created through interdisciplinary collaboration where professionals integrate expertise from multiple domains rather than working in isolated functional units.

2. Knowledge Acquisition and Storage

The second process involves acquiring and storing knowledge. Organisations obtain knowledge from both internal and external sources, including employee experience, customers, research, suppliers and business partners. Once acquired, organisations preserve knowledge through both codification and knowledge-retention practices. While explicit knowledge can be documented in manuals, databases and repositories, tacit knowledge often resides in employees' experience and cannot be fully codified. Knowledge-intensive firms therefore use mentoring, job shadowing, storytelling, Communities of Practice, expert interviews, after-action reviews and succession planning alongside documentation to retain valuable organisational expertise. This integrated approach preserves organisational memory and facilitates future knowledge reuse.

3. Organisation and Dissemination of Knowledge

Another important process is organising and disseminating knowledge. Knowledge is organised in a form that employees across different functional areas can easily understand and access. Information and communication technologies, knowledge repositories, and collaborative platforms facilitate knowledge sharing throughout the organisation. Effective dissemination ensures that valuable knowledge is available to employees whenever required for problem-solving and decision-making.

Knowledge sharing frequently occurs through expert networks, Communities of Practice and collaborative professional communities that enable specialists to exchange tacit knowledge across organisational boundaries.

4. Application of Knowledge

The next process is applying knowledge. Knowledge-intensive firms transform organisational knowledge into practical actions by applying it to improve products, services, business processes and managerial decisions. Employees use their expertise to solve organisational problems, improve operational efficiency, and develop innovative solutions that create value for customers. Applying knowledge in practice enables organisations to convert intellectual resources into organisational performance.

5. Continuous Evaluation and Renewal

The final process involves continuously evaluating and renewing organisational knowledge. Knowledge-intensive firms regularly review existing knowledge, identify emerging knowledge requirements and encourage continuous learning to maintain organisational relevance. Feedback from organisational experiences, technological developments, and environmental changes contributes to refining existing knowledge and creating new knowledge. This continuous cycle enables organisations to adapt successfully to changing business conditions while sustaining long-term competitiveness.

This capability reflects the organisation's absorptive capacity - its ability to recognise, acquire, assimilate and apply valuable external knowledge for organisational innovation and adaptation.

Thus, the key processes of a knowledge-intensive firm form an integrated cycle through which knowledge is created, acquired, organised, shared, applied and continuously improved. These processes enable organisations to preserve their intellectual capital, strengthen organisational learning and achieve sustained competitive advantage in an increasingly knowledge-driven economy.

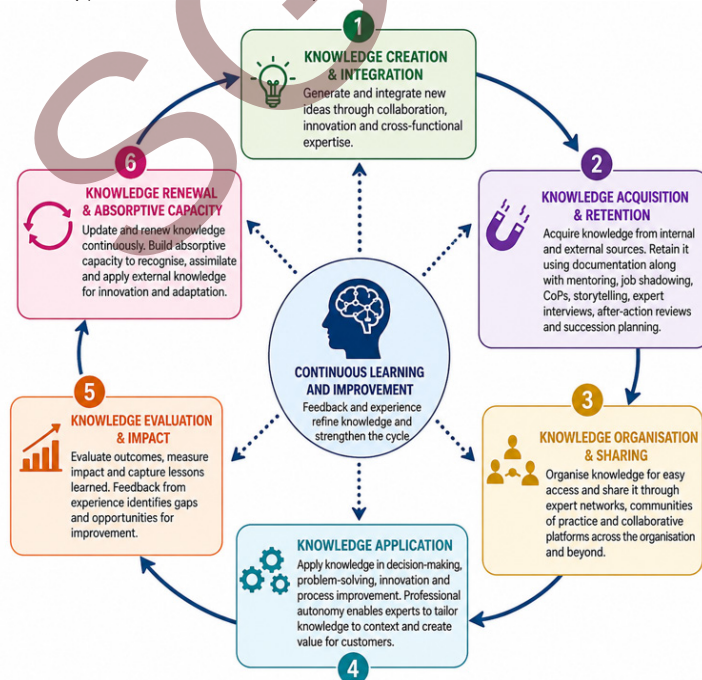


Fig. 4.2.2 Key processes of a Knowledge-intensive firm

4.2.6 Challenges of Knowledge Intensive Firms

Knowledge-intensive firms derive their competitive advantage from effectively managing organisational knowledge, skilled employees, and continuous innovation. However, managing knowledge as a strategic organisational resource presents several challenges. These organisations operate in rapidly changing environments where knowledge must be continuously created, updated, shared and applied. Consequently, knowledge-intensive firms must address organisational, technological, and human resource challenges to sustain performance and competitiveness.

1. Managing Organisational Change

One major challenge is managing organisational change. Implementing new technologies, knowledge management systems, and innovative work practices often requires significant changes to organisational structures and employee roles. Employees may resist these changes because they are accustomed to existing methods of working or may fear increased responsibilities and uncertainty. Organisations must therefore clearly communicate the purpose of change and encourage employee participation to minimise resistance and support successful implementation.

2. Knowledge Sharing

Another significant challenge is encouraging knowledge sharing. Employees may hesitate to share their expertise because they fear losing personal value, competitive advantage, or recognition within the organisation. Without a collaborative organisational culture, valuable knowledge may remain confined to individuals or specific departments. Knowledge-intensive firms must therefore create an environment that promotes trust, teamwork and mutual learning so that knowledge becomes a shared organisational resource rather than an individual possession.

3. Rapid Pace of Technological Change

The rapid pace of technological change also presents considerable challenges. Knowledge-intensive firms depend extensively on information and communication technologies to create, store and disseminate knowledge. Continuous technological advancements require organisations to upgrade their systems regularly and provide employees with opportunities to develop new digital competencies. Failure to keep pace with technological developments may reduce organisational efficiency and weaken competitive advantage.

4. Retaining Organisational Knowledge

Another challenge is retaining organisational knowledge. A substantial portion of organisational knowledge exists as tacit knowledge in employees' experience and expertise. When experienced employees retire or leave the organisation, valuable knowledge may be lost unless it has been properly documented and transferred. Knowledge-intensive firms must therefore establish effective mechanisms for capturing, storing and transferring knowledge to preserve organisational memory and ensure continuity.

5. Maintaining continuous learning and innovation

Knowledge-intensive firms also face the challenge of maintaining continuous learning and innovation. Dynamic business environments require organisations to update their knowledge constantly and encourage employees to acquire new competencies. Sustaining a culture of continuous learning requires ongoing investment in employee development, knowledge management infrastructure and organisational learning initiatives. Organisations that fail to learn and innovate continuously may struggle to respond effectively to changing market conditions and customer expectations.

6. Aligning Knowledge Management with Organisational Strategy

Finally, aligning knowledge management with organisational strategy remains a critical challenge. Knowledge management initiatives produce meaningful results only when they support organisational goals and decision-making processes. Organisations must therefore integrate knowledge management practices with strategic planning, leadership commitment and organisational culture. Such integration enables knowledge resources to contribute effectively to innovation, operational efficiency and long-term organisational success.

Thus, although knowledge-intensive firms gain significant advantages through effective use of knowledge and intellectual capital, they must continuously address challenges related to organisational change, knowledge sharing, technology, knowledge retention, continuous learning, and strategic integration. Overcoming these challenges enables organisations to strengthen their knowledge management capabilities, improve organisational performance, and sustain competitive advantage in the knowledge economy.

4.2.6.1 Barriers to Knowledge Sharing

Knowledge-sharing barriers are organisational, interpersonal and psychological factors that discourage employees from creating, transferring or applying knowledge for collective organisational benefit. These barriers may arise from individual attitudes, organisational politics, leadership practices or the absence of a supportive learning culture. When such obstacles remain unresolved, valuable tacit knowledge often remains confined to individuals, reducing organisational learning and innovation.

Major Barriers to Knowledge Sharing

Table 4.2.2 Major Barriers to Knowledge Sharing

Barrier	Organisational implication
Knowledge hoarding	Employees deliberately retain expertise to preserve personal value or job security.



Lack of trust	Individuals hesitate to share ideas because they fear criticism or misuse of their knowledge.
Organisational politics	Competition for power, recognition or promotion discourages collaborative behaviour.
Fear of losing expertise	Employees believe that sharing specialised knowledge may reduce their importance within the organisation.
Weak incentives	Limited recognition or rewards reduce employees' motivation to contribute knowledge.
Poor leadership support	Managers who do not encourage collaboration create isolated knowledge silos.

Psychological Safety and Knowledge Sharing

An important concept in modern Knowledge Management is psychological safety, which refers to an organisational climate in which employees feel comfortable expressing ideas, asking questions, admitting mistakes and sharing knowledge without fear of embarrassment or punishment. In psychologically safe workplaces, employees are more willing to participate in discussions, report problems and contribute innovative suggestions. As a result, organisations develop stronger learning cultures and improve both decision-making and innovation.

Strategies for Overcoming Knowledge-Sharing Barriers

Knowledge-intensive organisations can reduce these barriers by creating an environment that promotes collaboration and mutual trust. Effective strategies include:

- ◇ developing a culture of openness and knowledge sharing;
- ◇ recognising and rewarding collaborative behaviour;
- ◇ encouraging mentoring and Communities of Practice;
- ◇ providing supportive leadership and constructive feedback;
- ◇ establishing transparent communication across departments; and
- ◇ creating psychologically safe environments where employees can contribute ideas confidently.

Ethical Issues in Knowledge Management

Ethical knowledge management requires organisations to balance openness with responsibility. Employees must use organisational knowledge honestly, respect confidentiality and acknowledge intellectual contributions. Common ethical concerns include:

- ◇ protecting confidential organisational information;
- ◇ respecting intellectual property and copyright;
- ◇ maintaining employee and customer privacy;
- ◇ ensuring responsible use of digital knowledge resources; and
- ◇ preventing the misuse or unauthorised disclosure of knowledge.

4.2.7 Distinction between Knowledge-Based Organisation and Knowledge-Intensive Firm

Although the terms are closely related, Knowledge-Based Organisation (KBO) and Knowledge-Intensive Firm (KIF) represent different organisational concepts.

Table 4.2.3 Knowledge-Based Organisation vs Knowledge-Intensive Firm

Dimension	Knowledge-Based Organisation (KBO)	Knowledge-Intensive Firm (KIF)
Primary focus	Knowledge as the foundation of organisational strategy and capability	Delivery of products and services based on specialised professional expertise
Source of value	Organisational knowledge, learning and intellectual capital	Expert knowledge, analytical skills and professional competence
Knowledge emphasis	Knowledge embedded across organisational processes	High proportion of knowledge-intensive inputs and outputs
Typical sectors	Manufacturing, education, healthcare, public organisations	Consulting, law, R&D, biotechnology and professional services
Examples	Infosys, Toyota, research universities	McKinsey, law firms, pharmaceutical R&D, biotechnology companies

A Knowledge-Based Organisation may operate in any sector by integrating knowledge into its strategy and operations, whereas a Knowledge-Intensive Firm specifically depends upon specialised professional knowledge as its principal economic resource.

In a knowledge-intensive firm, employees are regarded as intellectual capital because their expertise, creativity and problem-solving abilities contribute directly to organisational success. Knowledge workers play a central role in analysing information, generating innovative ideas, improving organisational processes and developing



products and services that create value for customers. Consequently, organisations invest substantially in developing employee competencies through continuous learning, knowledge sharing and professional development programmes.

Technology also occupies a significant position in knowledge-intensive firms. Information and communication technologies facilitate the creation, storage, retrieval and dissemination of organisational knowledge across departments and geographical locations. These technologies support collaboration among employees, improve organisational learning, and enable quicker decision-making by ensuring relevant knowledge is available when needed. As a result, Effective use of knowledge and digital technologies can enhance an organisation's ability to respond to changing business conditions.

Another distinguishing feature of knowledge-intensive firms is their emphasis on organisational learning and continuous innovation. Employees are encouraged to share experiences, exchange ideas and participate actively in solving organisational problems. Learning is viewed as an ongoing organisational process rather than an occasional training activity. This continuous development of knowledge strengthens organisational capability, enhances adaptability and enables firms to sustain their competitive advantage in dynamic business environments.

Knowledge-intensive firms also recognise that organisational success depends upon integrating knowledge with business strategy. Organisational policies, processes and decisions are designed to support the creation, acquisition, sharing and application of knowledge across all functional areas. This strategic integration enables organisations to use their intellectual resources more effectively while promoting innovation, improving customer satisfaction, and achieving sustainable organisational growth.

Thus, a knowledge-intensive firm is characterised by its ability to transform knowledge into organisational value through the combined efforts of knowledgeable employees, supportive technologies and effective knowledge management practices. By treating knowledge as a strategic organisational resource, these firms continuously improve their performance, strengthen innovation and maintain long-term competitiveness in the knowledge economy.

4.2.8 Data, Information and Knowledge: Conceptual Distinctions

Knowledge-intensive firms create value by transforming raw facts into meaningful organisational knowledge. Although the terms data, information and knowledge are often used interchangeably, they represent different levels of understanding and should be clearly distinguished.

Table 4.2.4 Distinction between Data, Information and Knowledge

Concept	Meaning	Example
Data	Raw facts or observations without interpretation	Daily sales figures, customer ratings
Information	Data that have been processed, organised and interpreted	Monthly sales report showing a 15% increase
Knowledge	Contextualised understanding that supports judgement and action	Deciding to expand a successful product line based on sales trends

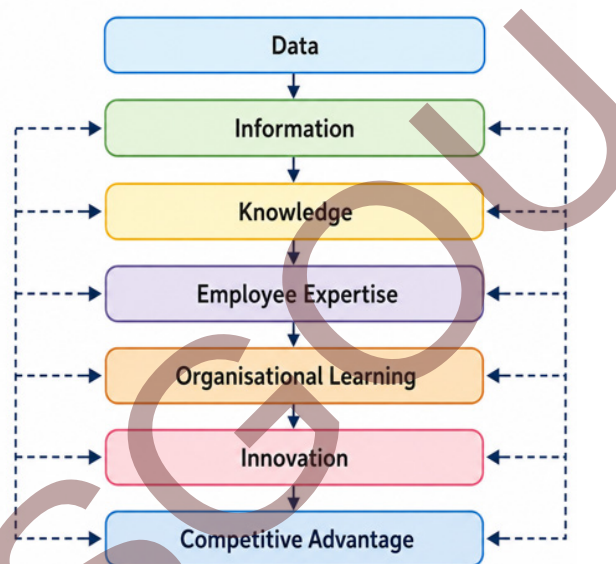


Fig. 4.2.3 Knowledge as the Core Organisational Resource

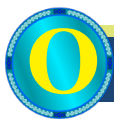


Recap

- ◇ Knowledge Management transforms organisational knowledge into innovation and competitive advantage.
- ◇ Intrapreneurship encourages employees to act entrepreneurially by generating and implementing innovative ideas within existing organisations.
- ◇ Innovation is the successful application of knowledge to improve products, services, processes and organisational practices.



- ◇ Intrapreneurship and innovation together strengthen organisational learning, creativity and long-term growth.
- ◇ Perpetual organisational change enables organisations to adapt continuously to technological, economic and competitive changes.
- ◇ Knowledge sharing, employee participation and continuous learning reduce resistance to organisational change.
- ◇ Knowledge-intensive firms derive their competitive advantage primarily from intellectual capital and specialised knowledge.
- ◇ Knowledge-intensive firms emphasise highly skilled employees, information technology, continuous learning, innovation and strategic knowledge management.
- ◇ The key processes of knowledge-intensive firms include knowledge creation, acquisition, storage, sharing, application and renewal.
- ◇ Knowledge-intensive firms face challenges such as managing organisational change, encouraging knowledge sharing, retaining organisational knowledge, coping with technological change and aligning knowledge management with organisational strategy.



Objective Questions

1. Who develops new ideas within an existing organisation?
2. What is the successful application of new ideas called?
3. What type of organisational change is continuous?
4. What does KIF stand for?
5. Which type of capital is the primary resource of a knowledge-intensive firm?
6. Which process follows knowledge acquisition in a knowledge-intensive firm?
7. Which organisational process reduces resistance to change through employee participation?
8. Which organisational resource primarily drives competitive advantage in a knowledge-intensive firm?
9. Which process converts organisational knowledge into practical organisational action?
10. Which organisational practice encourages employees to generate innovative ideas?



Answers

1. Intrapreneur
2. Innovation
3. Perpetual organisational change
4. Knowledge-Intensive Firm
5. Intellectual capital
6. Knowledge storage
7. Knowledge sharing
8. Knowledge
9. Knowledge application
10. Intrapreneurship



Self-Assessment Questions

1. What is intrapreneurship?
2. What is innovation?
3. How does Knowledge Management support innovation?
4. What is meant by perpetual organisational change?
5. What is a Knowledge-Intensive Firm (KIF)?
6. What are the major features of a Knowledge-Intensive Firm?
7. What is the difference between a Knowledge-Based Organisation and a Knowledge-Intensive Firm?
8. What is the difference between data, information and knowledge?
9. What are the major barriers to knowledge sharing in organisations?





Assignments

1. Explain the concepts of intrapreneurship and innovation. Discuss their role in organisational transformation.
2. Discuss the concept of perpetual organisational change and explain why it has become essential for modern organisations.
3. Define a knowledge-intensive firm and explain its major features.
4. Explain the key processes of a knowledge-intensive firm and discuss how they contribute to organisational effectiveness.
5. Discuss the major challenges faced by knowledge-intensive firms in managing knowledge and sustaining competitive advantage.



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Suggested Reading

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BLOCK - 05



Knowledge Management Process

Unit - 1

Knowledge Management Processes



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concept and importance of knowledge discovery, knowledge capture and knowledge sharing in Knowledge Management
- ◇ distinguish between the processes of discovering, capturing and sharing organisational knowledge
- ◇ identify the sources, methods and techniques used for knowledge discovery, capture and sharing within organisations
- ◇ examine the contribution of effective knowledge management processes to organisational performance and competitive advantage



Prerequisite

Imagine you have been working in an organisation for several months and have become familiar with its daily operations. While collaborating with different departments, you notice that valuable knowledge exists in employee experience, reports, manuals, customer feedback, and digital databases. However, this knowledge is often dispersed across individuals and organisational systems, making it difficult for employees to locate and reuse existing expertise.

You realise that organisational knowledge creates value only when it is systematically identified, preserved, and shared. This raises an important managerial question: How can organisations discover valuable knowledge, capture it effectively, and ensure that it reaches the employees who need it?

This unit answers that question by introducing the fundamental Knowledge Management processes of knowledge discovery, knowledge capture, and knowledge sharing, which enable organisations to transform knowledge into a strategic organisational resource.





Keywords

Knowledge Discovery, Knowledge Capture, Knowledge Sharing, Knowledge Sources, Knowledge Repository, Tacit Knowledge, Explicit Knowledge, Knowledge Transfer, Organisational Learning, Communities of Practice, Knowledge Audit



Discussion

The previous block explained how organisations transform knowledge into a strategic resource by fostering learning, innovation, and knowledge-intensive organisational practices. It highlighted the importance of knowledge workers, learning organisations, and organisational adaptability in achieving sustainable competitive advantage. However, the value of organisational knowledge can be realised only when it is systematically discovered, captured, shared, and applied to organisational activities.

Effective Knowledge Management, therefore, depends not merely on possessing knowledge but on managing the entire knowledge process. Organisations must establish appropriate mechanisms for identifying valuable knowledge, preserving it for future use, facilitating its exchange among employees, and applying it to improve decision-making, innovation, and organisational performance. These activities require supportive organisational structures, appropriate technologies, a collaborative culture, and effective leadership.

Knowledge Management involves a set of interconnected processes through which organisations identify or create, capture, organise, share, apply, and continuously develop knowledge. These processes are interrelated rather than strictly linear and may occur simultaneously or iteratively. This unit further examines knowledge application, the infrastructure required to support Knowledge Management, the organisational impact of effective Knowledge Management practices, and the influence of task characteristics on Knowledge Management processes.

5.1.1 Knowledge Discovery

As we have discussed, effective Knowledge Management relies on a systematic process to identify, preserve, share and utilise organisational knowledge. The initial stage of this process is knowledge discovery, which enables organisations to recognise valuable knowledge already present within or outside their structures. Without identifying relevant knowledge, it cannot be effectively captured, shared or applied. Knowledge discovery is a crucial KM activity as it helps organisations pinpoint pertinent knowledge for subsequent capture, sharing and application.

5.1.1.1 Meaning and Definition

Knowledge discovery refers to the systematic identification and recognition of relevant knowledge from both internal and external sources. This may involve searching existing organisational knowledge, identifying expertise and acknowledging emerging knowledge needs. Knowledge discovery differs from knowledge creation; discovery focuses on locating or recognising relevant knowledge, whereas creation involves developing new knowledge. It encompasses finding both existing knowledge and newly emerging knowledge that can enhance decision-making, innovation and organisational learning. The identified knowledge may reside in employees' experience, organisational documents, databases, customer interactions, research findings, business processes or external professional networks.

Data are raw facts or observations. Information is processed and organised data that provides meaning or context. Knowledge involves the understanding, experience, interpretation and judgement used to make decisions or perform activities. Knowledge Management primarily focuses on enabling organisations to create, retain, share and apply such knowledge. Unlike data collection, which primarily gathers raw facts, knowledge discovery aims to identify meaningful insights, expertise and experiences that hold practical value for the organisation. Knowledge discovery assists organisations in locating, recognising and evaluating relevant information, expertise and experience for subsequent interpretation, integration and conversion into organisational knowledge.

5.1.1.2 Importance of Knowledge Discovery

Knowledge discovery represents the starting point of effective Knowledge Management, as organisations cannot manage knowledge without first recognising its existence and its contribution to organisational objectives. Valuable organisational knowledge is often dispersed across departments, embedded in employees' experience or stored in various information systems. Knowledge discovery enables organisations to identify these valuable knowledge assets and make them available for organisational use.

Effective knowledge discovery supports informed decision-making by providing managers with relevant knowledge when addressing organisational problems. It also fosters innovation by identifying new ideas, best practices and opportunities for improvement that might otherwise go unnoticed. Furthermore, it reduces duplication of effort by helping employees locate existing knowledge before recreating information already present within the organisation.

Knowledge discovery also strengthens organisational learning by enabling organisations to recognise lessons learned from previous experiences, successful projects and operational challenges. By continuously identifying valuable knowledge, organisations build a stronger foundation for continuous improvement and long-term competitiveness.



5.1.1.3 Sources of Knowledge Discovery

Organisations discover knowledge from both internal and external sources. Internal sources include employees' knowledge and experience, organisational records, reports, manuals, project documentation, organisational databases, meetings and previous organisational practices. Employees often possess tacit knowledge developed through years of practical experience, making them one of the most valuable sources of organisational knowledge.

External knowledge may be discovered through customers, suppliers, competitors, consultants, research institutions, professional associations, government publications, technological developments, and industry reports. Feedback received from customers and business partners frequently provides valuable knowledge regarding market trends, customer expectations, and opportunities for organisational improvement.

By integrating knowledge obtained from both internal and external sources, organisations develop a comprehensive knowledge base that supports innovation, strategic decision-making, and sustainable organisational growth.

5.1.1.4 Techniques of Knowledge Discovery

Organisations employ several techniques to discover valuable knowledge. Knowledge audits help identify existing organisational knowledge, determine its location, and evaluate how effectively it is being utilised. Interviews, discussions, and brainstorming sessions enable employees to share their experiences and reveal tacit knowledge that may not be formally documented. Observation of work practices also assists organisations in identifying practical knowledge developed through day-to-day operations.

Organisations further discover knowledge by analysing organisational reports, customer feedback, performance records, research findings, and industry publications. Advances in information and communication technologies also facilitate knowledge discovery by enabling organisations to search digital repositories, analyse organisational information, and identify emerging knowledge more efficiently.

The selection of appropriate techniques depends upon the nature of organisational activities, the type of knowledge required, and the organisational objectives that Knowledge Management seeks to achieve.

5.1.1.5 Role of Knowledge Discovery in Knowledge Management

Knowledge discovery provides the foundation for every subsequent stage of the Knowledge Management process. Once valuable knowledge has been identified, it can be systematically captured, organised, stored, shared, and applied throughout the organisation. Without effective knowledge discovery, organisations risk overlooking valuable expertise, repeating past mistakes, and failing to utilise their intellectual resources effectively.

Knowledge discovery also helps organisations recognise emerging technologies, customer requirements, and opportunities for improvement. Consequently, knowledge discovery serves as the starting point for transforming organisational knowledge into sustainable competitive advantage.

Thus, knowledge discovery represents one of the most important stages of the Knowledge Management process. By systematically identifying valuable knowledge from internal and external sources, organisations establish a strong knowledge base that supports learning, innovation, informed decision-making, and long-term organisational success.

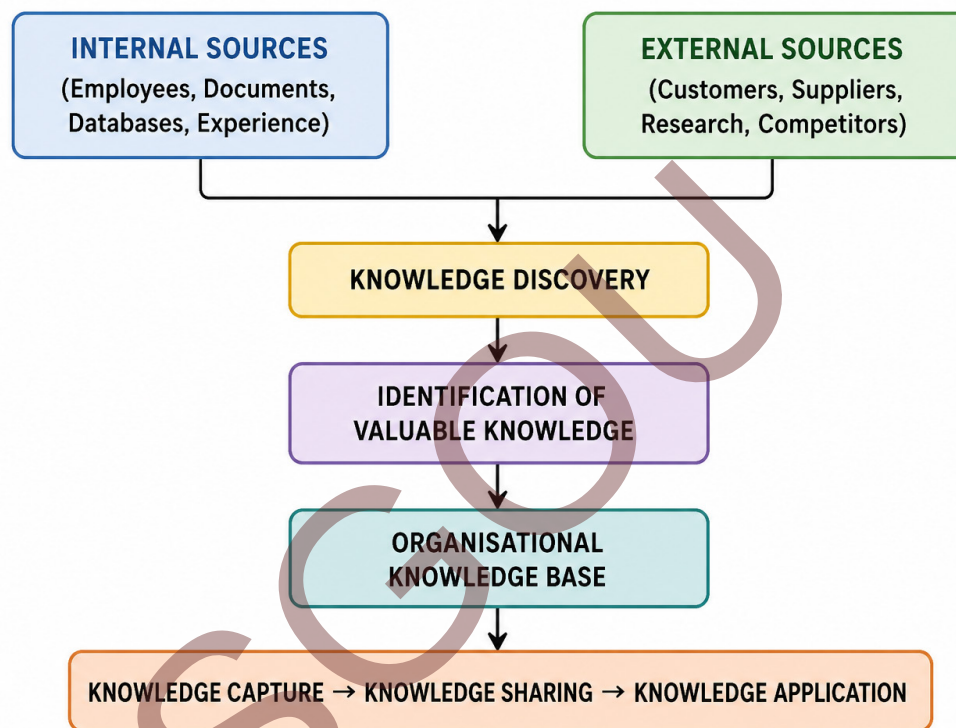


Fig.5.1.1 Knowledge Discovery Process

5.1.2 Knowledge Capture

The previous section explained that organisations must first discover valuable knowledge before it can be utilised effectively. However, identifying knowledge alone does not ensure that it remains available for future organisational use. Valuable knowledge often resides in the experience of employees, organisational practices, and business processes. Unless this knowledge is systematically recorded and preserved, it may be lost due to employee turnover, organisational restructuring, or changing business environments. Consequently, organisations must capture knowledge so that it can be organised, shared, and applied to support continuous learning and organisational performance.

5.1.2.1 Meaning and Definition

Knowledge capture refers to the systematic process of collecting, documenting, and preserving valuable knowledge from individuals, groups, and organisational activities so that it becomes available for future use. It involves converting knowledge that exists in people's experience, organisational practices, documents, and information systems into forms that can be stored, retrieved, and shared across the organisation.

Knowledge capture encompasses both newly discovered knowledge and existing organisational knowledge that has not been formally documented. The objective is not merely to collect information, but to preserve knowledge that contributes to organisational learning, improved decision-making, innovation, and long-term organisational effectiveness.

5.1.2.2 Importance of Knowledge Capture

Knowledge capture plays a significant role in ensuring that valuable organisational knowledge is retained and remains accessible to employees whenever required. Organisations face knowledge-retention risks when experienced employees retire, resign, or move to different roles. Knowledge retention involves identifying critical knowledge and using mechanisms such as documentation, mentoring, job shadowing, succession planning, and Communities of Practice to preserve it within the organisation.

Knowledge capture also improves organisational efficiency by reducing the need to repeatedly solve similar problems. Documented experiences, successful practices, and lessons learned provide valuable guidance for employees facing comparable situations. Furthermore, captured knowledge supports employee training, accelerates organisational learning, and enables quicker adaptation to changing business environments.

By preserving organisational knowledge in a systematic manner, organisations strengthen their intellectual capital and create a reliable foundation for continuous improvement and sustainable competitive advantage.

5.1.2.3 Types of Knowledge Captured

Organisations capture both tacit knowledge and explicit knowledge.

Tacit knowledge is deeply embedded in employees' experience, skills, judgement, intuition, and contextual understanding, and is often difficult to articulate completely. Organisations can facilitate its transfer and partial codification through mentoring, observation, storytelling, interviews, job shadowing, and collaborative interaction. Explicit knowledge, on the other hand, already exists in documented form. It includes manuals, reports, policies, databases, standard operating procedures, project documents, and organisational records. Capturing explicit knowledge primarily involves organising, classifying, and storing these resources so that they can be easily accessed and utilised throughout the organisation.

The effective capture of both tacit and explicit knowledge enables organisations to develop a comprehensive organisational knowledge base that supports future learning and innovation.

SECI Model of Knowledge Creation

The discussion on tacit and explicit knowledge shows that organisations capture knowledge in different forms. However, effective Knowledge Management requires more than simply storing knowledge; it also involves creating new organisational knowledge by converting tacit and explicit knowledge into one another. This process is explained by the SECI Model of Knowledge Creation, developed by Nonaka and Takeuchi (1995), one of the most influential theoretical frameworks in Knowledge Management.

The SECI model proposes that organisational knowledge is created through four continuous modes of knowledge conversion: Socialisation, Externalisation, Combination, and Internalisation. Rather than occurring as a one-time activity, these stages form a continuous cycle that enables organisations to transform individual experience into collective organisational knowledge.

Table 5.1.1 Four Modes of the SECI Model

Stage	Knowledge Conversion	Organisational Example
Socialisation	Tacit → Tacit	Mentoring, apprenticeship, observation of experienced employees
Externalisation	Tacit → Explicit	Documenting best practices, interviews, storytelling and writing manuals
Combination	Explicit → Explicit	Integrating reports, databases and standard operating procedures
Internalisation	Explicit → Tacit	Learning by doing, training programmes and practical application

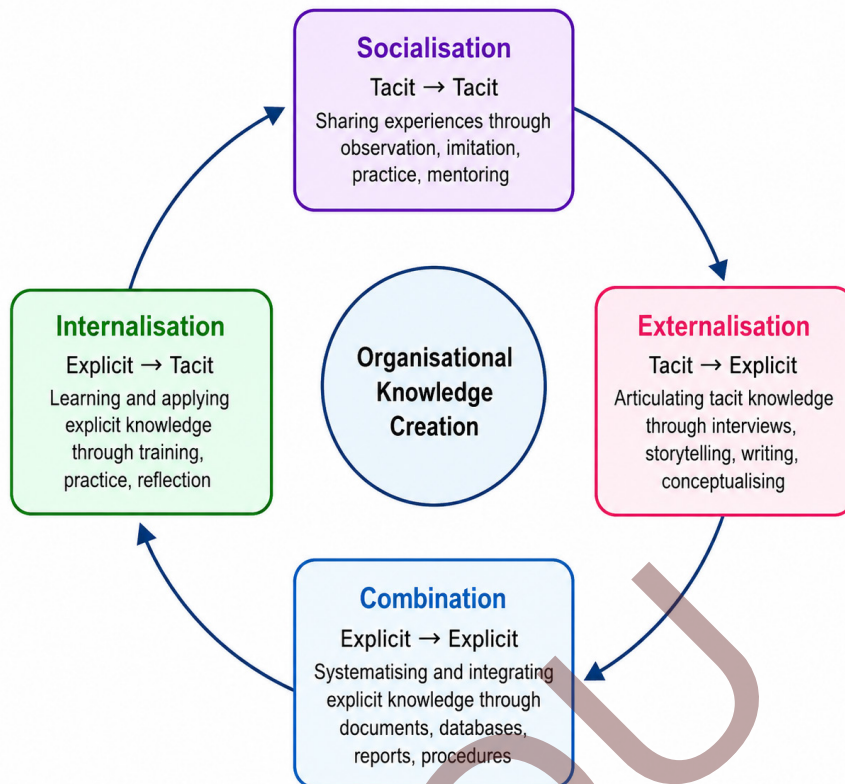


Fig.5.1.2 SECI Cycle of Knowledge Creation

Relevance of the SECI Model to Knowledge Capture

Knowledge capture is closely associated with the Externalisation stage of the SECI model, where employees articulate their experience, insights and practical know-how in the form of documents, manuals, interviews and best-practice reports. Similarly, Socialisation facilitates the transfer of tacit knowledge through mentoring and observation, while Combination organises captured explicit knowledge into repositories and databases. Finally, Internalisation enables employees to learn from documented knowledge and convert it into personal expertise through practice and experience.

Thus, the SECI model demonstrates that knowledge capture is not merely the preservation of information but a continuous organisational process that transforms individual knowledge into shared organisational capability, thereby supporting learning, innovation and sustained competitive advantage.

5.1.2.4 Techniques of Knowledge Capture

Organisations employ various techniques to effectively capture knowledge. Interviews with experienced employees help document valuable expertise that may not exist in written form. Observation of work practices enables organisations to record practical methods and problem-solving approaches developed through experience. Mentoring

and coaching facilitate the transfer of knowledge from experienced employees to less experienced colleagues while simultaneously preserving organisational expertise.

Lessons learned from completed projects, best practice documentation and after-action reviews provide valuable knowledge that can be applied to future organisational activities. Organisations also utilise information and communication technologies to capture and organise knowledge through document management systems, digital repositories, intranets and knowledge databases. These technological tools ensure that captured knowledge remains accessible, searchable and continuously updated.

The selection of appropriate capture techniques depends upon the nature of organisational knowledge, the complexity of organisational activities and the objectives of the Knowledge Management programme.

5.1.2.5 Challenges in Knowledge Capture

Despite its importance, knowledge capture presents several challenges. Employees may be reluctant to share their expertise because they perceive knowledge as a source of personal value or competitive advantage. Tacit knowledge is particularly difficult to capture because it is deeply rooted in individual experience, judgement and intuition. Organisations may also encounter difficulties in identifying which knowledge is valuable enough to preserve.

In addition, inadequate technological infrastructure, lack of time, insufficient managerial support and ineffective documentation practices may reduce the effectiveness of knowledge capture initiatives. Overcoming these challenges requires organisations to establish a culture that encourages collaboration, trust, continuous learning and knowledge sharing.

5.1.2.6 Role of Knowledge Capture in Knowledge Management

Knowledge capture represents the second stage of the Knowledge Management process and transforms discovered knowledge into an organised organisational resource. Once knowledge has been systematically captured, it can be classified, stored and made available to employees throughout the organisation. This ensures that valuable organisational knowledge is retained despite employee turnover or organisational change.

Captured knowledge becomes more useful when it is appropriately organised, retrievable and connected to future organisational activities. However, captured knowledge generates organisational value only when it is effectively communicated to those who require it. Consequently, the next stage of the Knowledge Management process focuses on knowledge sharing, which enables captured knowledge to be disseminated and utilised throughout the organisation.

Thus, knowledge capture serves as a vital link between knowledge discovery and knowledge sharing. By systematically preserving valuable organisational knowledge, it ensures that knowledge remains available for continuous learning, innovation, and sustained organisational success.



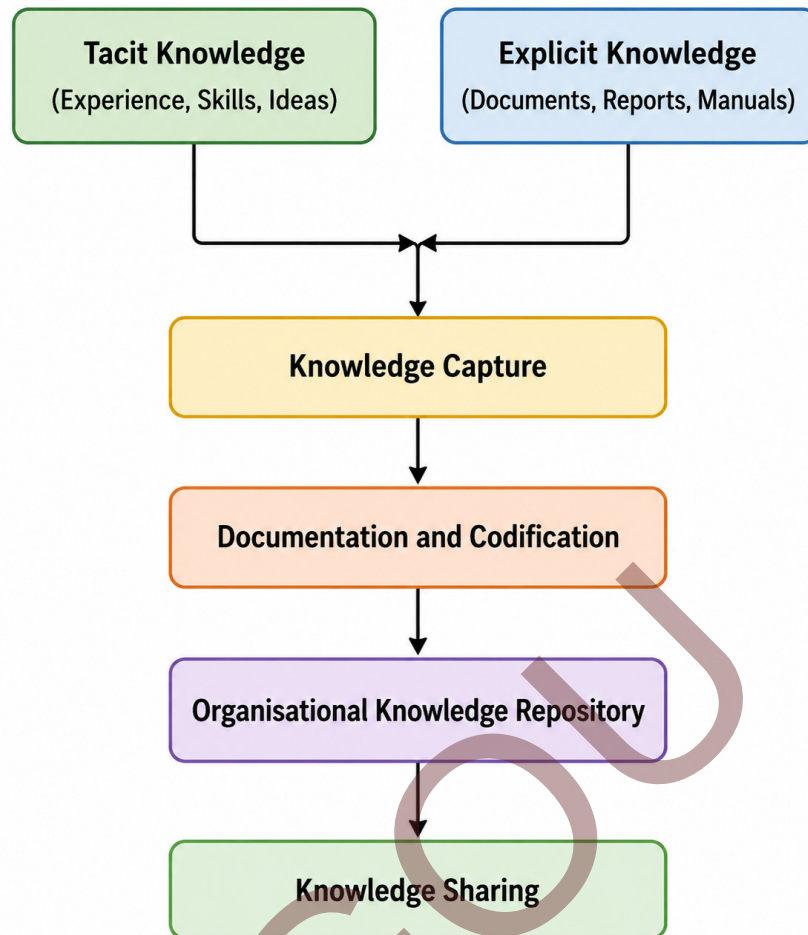


Fig. 5.1.3 Knowledge Capture Process

5.1.3 Knowledge Sharing

The previous section explained that organisations must systematically capture valuable knowledge so that it can be preserved for future use. However, the organisational value of captured knowledge increases when it can be accessed, shared, and appropriately applied by employees and organisational units that require it. The true value of knowledge is realised only when it is exchanged among employees and utilised to improve organisational activities. Consequently, knowledge sharing represents the next essential stage of the Knowledge Management process, enabling organisations to distribute knowledge effectively and transform individual expertise into collective organisational capability.

5.1.3.1 Meaning

Knowledge sharing refers to the exchange of knowledge, skills, and experiences among individuals, groups, or departments, whereas knowledge transfer emphasises the

movement, communication, and effective adoption of knowledge from one individual, group, or organisational unit to another. It enables employees to communicate what they know with others so that valuable knowledge becomes available throughout the organisation rather than remaining with a single individual or work group.

Knowledge sharing involves both formal and informal communication. Formal sharing occurs through training programmes, meetings, reports, manuals, knowledge repositories, and organisational databases, whereas informal sharing takes place through discussions, mentoring, teamwork, communities of practice, and day-to-day interactions among employees. Together, these activities facilitate the continuous flow of knowledge across the organisation and strengthen organisational learning.

5.1.3.2 Importance of Knowledge Sharing

Knowledge sharing enables organisations to utilise the collective expertise of their employees more effectively. When employees exchange knowledge and experiences, organisations avoid duplication of effort, solve problems more efficiently, and improve the quality of decision-making. Employees gain access to proven practices and practical experiences that assist them in performing their responsibilities more effectively.

Knowledge sharing also promotes innovation by encouraging employees to combine diverse ideas, perspectives, and experiences. Collaborative learning enables organisations to develop new products, improve existing services, and identify better methods of performing organisational activities. Furthermore, knowledge sharing supports employee development by providing opportunities for continuous learning and professional growth.

In addition, effective knowledge sharing strengthens organisational memory by ensuring that valuable knowledge remains available even when experienced employees retire, resign, or move to different positions.

5.1.3.3 Methods of Knowledge Sharing

Organisations employ various methods to facilitate knowledge sharing. Formal methods include training programmes, workshops, seminars, conferences, standard operating procedures, policy manuals, and digital knowledge repositories. These mechanisms enable knowledge to be communicated consistently across different organisational levels.

Informal methods include mentoring, coaching, brainstorming sessions, team discussions, Communities of Practice, and collaborative problem-solving activities. A Community of Practice is a group of individuals who share a common area of work or interest and interact regularly to develop, exchange, and apply knowledge related to their practice. Employees frequently acquire valuable knowledge through observation, interpersonal communication, and shared work experiences. Advances in information and communication technologies have further enhanced knowledge sharing through intranets, enterprise portals, collaborative platforms, video conferencing, and online knowledge management systems.



The selection of appropriate sharing methods depends upon the nature of organisational knowledge, employee requirements, and organisational objectives.

5.1.3.4 Factors Influencing Knowledge Sharing

The effectiveness of knowledge sharing depends upon several organisational and individual factors. A supportive organisational culture that encourages collaboration, trust, and mutual respect motivates employees to exchange knowledge openly. Leadership commitment also plays an important role by promoting learning, recognising employee contributions, and creating opportunities for collaborative work.

Appropriate technological infrastructure facilitates the storage, retrieval, and dissemination of knowledge across departments and geographical locations. Employee willingness, organisational incentives, communication channels, and management support further influence the success of knowledge-sharing initiatives. Organisations that encourage teamwork and continuous learning generally experience higher levels of knowledge sharing than those characterised by rigid hierarchical structures.

5.1.3.5 Barriers to Knowledge Sharing

Despite its importance, organisations often encounter barriers that restrict the effective sharing of knowledge. Employees may hesitate to share knowledge because they consider it a source of personal power or job security. Lack of trust among employees, ineffective communication, inadequate technological support, and limited managerial encouragement may also reduce knowledge sharing.

Time constraints, heavy workloads, and organisational silos frequently prevent employees from exchanging knowledge across departments. Furthermore, differences in language, experience, and organisational culture may create additional obstacles to effective communication. Organisations must therefore establish an environment that encourages openness, collaboration, and mutual learning to overcome these barriers.

5.1.3.6 Role of Knowledge Sharing in Knowledge Management

Knowledge sharing serves as the connecting link between knowledge capture and knowledge application. Once knowledge has been captured and organised, it must be disseminated to employees who require it for performing organisational activities. Through effective knowledge sharing, organisations ensure that valuable knowledge is accessible to the right people at the right time, enabling better decision-making, innovation, and continuous organisational learning.

Knowledge sharing also transforms individual knowledge into organisational knowledge by making expertise available beyond the person who originally possessed it. This collective utilisation of knowledge strengthens organisational capability, enhances adaptability, and improves overall organisational performance. However, the Knowledge Management process is completed only when shared knowledge is effectively utilised in organisational activities. Accordingly, the next stage focuses on

knowledge application, through which shared knowledge is converted into practical organisational action and improved performance.

Effective knowledge sharing enables organisations to make expertise available beyond its original source and supports learning, collaboration, and the reuse of organisational knowledge.

Do you know ?

Toyota encourages employees to identify successful production practices and document them as standard operating procedures. When one manufacturing plant develops an effective method for reducing machine downtime or improving quality, the practice is evaluated and shared with other Toyota plants through training programmes, knowledge databases and continuous improvement (Kaizen) initiatives. As a result, similar improvements are implemented across multiple locations, leading to higher productivity, better quality and reduced operational costs.

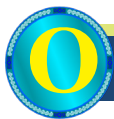


Recap

- ◇ Knowledge discovery is the process of identifying valuable knowledge from both internal and external organisational sources.
- ◇ Organisations discover knowledge through employees' experiences, organisational records, customer interactions, research and environmental scanning.
- ◇ Knowledge capture involves preserving both tacit and explicit knowledge to prevent the loss of valuable organisational expertise.
- ◇ Tacit knowledge is captured through mentoring, interviews, observation and storytelling, whereas explicit knowledge is documented in manuals, reports and databases.
- ◇ Knowledge repositories facilitate the systematic storage and retrieval of organisational knowledge.
- ◇ Knowledge sharing enables employees to exchange knowledge, experiences and best practices across the organisation.
- ◇ Formal and informal knowledge-sharing mechanisms contribute to organisational learning and innovation.



- ◇ Effective knowledge sharing strengthens collaboration, improves decision-making and reduces duplication of effort.
- ◇ Organisational culture, leadership and technological support play a significant role in encouraging knowledge-sharing practices.
- ◇ Knowledge discovery, capture and sharing together form the foundation of effective Knowledge Management.



Objective Questions

1. What is the first process in the Knowledge Management cycle?
2. Which type of knowledge exists primarily in the minds of individuals?
3. What type of knowledge is usually documented in manuals and reports?
4. What is the systematic process of identifying valuable organisational knowledge called?
5. Which Knowledge Management process preserves valuable organisational knowledge for future use?
6. What term refers to the organised storage of organisational knowledge?
7. What process enables employees to exchange knowledge and expertise?
8. Which organisational practice helps transfer tacit knowledge from experienced employees to new employees?
9. What type of knowledge is generally easier to codify and store?
10. What organisational outcome is strengthened through effective knowledge discovery, capture and sharing?



Answers

1. Knowledge discovery
2. Tacit knowledge

3. Explicit knowledge
4. Knowledge discovery
5. Knowledge capture
6. Knowledge repository
7. Knowledge sharing
8. Mentoring
9. Explicit knowledge
10. Organisational learning



Self-Assessment Questions

1. What is Knowledge Discovery?
2. Why is Knowledge Discovery important for organisations?
3. What are the internal and external sources of organisational knowledge?
4. What is Knowledge Capture?
5. Why is Knowledge Capture important for preserving organisational knowledge?
6. Name any four techniques of Knowledge Capture.
7. What is Knowledge Sharing?
8. What are the formal and informal methods of Knowledge Sharing?
9. What factors influence effective Knowledge Sharing in an organisation?



Assignments

1. Explain the processes of knowledge discovery, knowledge capture and knowledge sharing. Discuss how these processes collectively contribute to effective Knowledge Management.



2. Distinguish between tacit knowledge and explicit knowledge. Explain the methods organisations use to capture and preserve both forms of knowledge.
3. Examine the importance of knowledge sharing in organisations. Discuss the factors that promote effective knowledge sharing and the challenges organisations face in encouraging employees to share knowledge.
4. Analyse how knowledge discovery, knowledge capture and knowledge sharing contribute to organisational learning, innovation and improved organisational performance.



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Suggested Reading

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SGOU

Unit - 2

Knowledge Application, Infrastructure and Organisational Impact



Learning Outcomes

After completing this unit, learners will be able to:

- ◇ explain the concept and significance of knowledge application in organisational decision-making and performance improvement
- ◇ describe the components of Knowledge Management infrastructure and their role in supporting effective Knowledge Management practices
- ◇ analyse the organisational impact of Knowledge Management on innovation, productivity, decision-making and competitive advantage
- ◇ examine the influence of task characteristics on Knowledge Management processes and organisational effectiveness



Prerequisite

Imagine you are a member of a cross-functional project team responsible for improving a key organisational process. Your team has access to project reports, best-practice documents, customer feedback, standard operating procedures, and lessons learned from previous projects. Experienced employees also share their practical insights during team discussions.

As the project progresses, you notice that some teams use this knowledge effectively to solve problems and innovate, while others continue to repeat mistakes despite having access to the same information. You realise that organisational knowledge creates value only when it is applied effectively and supported by appropriate leadership, technology, and a collaborative work environment. This raises an important managerial question: How can organisations create an environment in which knowledge is effectively applied to improve performance, innovation, and long-term competitiveness?

This unit answers that question by examining knowledge application, Knowledge Management infrastructure, the organisational impact of Knowledge Management, and the influence of task characteristics on effective Knowledge Management practices.



Keywords

Knowledge Application, Knowledge Management Infrastructure, Organisational Culture, Leadership, Information Technology, Human Resource Practices, Organisational Performance, Innovation, Competitive Advantage, Knowledge-Based Decision Making, Task Characteristics, Task Complexity



Discussion

Knowledge discovery, capture, and sharing make organisational knowledge available for use. The next section focuses on how organisations apply this knowledge to decisions, problem-solving, and performance improvement. However, knowledge creates value only when it is effectively applied to organisational activities and supported by an environment that encourages continuous learning, collaboration, and innovation.

Organisations, therefore, require more than knowledge repositories and information systems. They need supportive leadership, an enabling organisational culture, appropriate technological infrastructure, and effective work practices that encourage employees to utilise knowledge in solving problems, improving processes, and making informed decisions. Effective knowledge application enhances organisational learning, strengthens innovation, improves performance, and contributes to sustainable competitive advantage.

This unit examines how organisations apply knowledge in practice, establish an effective Knowledge Management infrastructure, assess the organisational impact of Knowledge Management, and understand how different task characteristics influence the effectiveness of Knowledge Management processes.

5.2.1 Knowledge Application

The previous unit explained how organisations discover, capture, and share valuable knowledge through systematic Knowledge Management processes. However, knowledge contributes to organisational success only when it is effectively utilised in organisational activities. The ultimate purpose of Knowledge Management is, therefore,



not merely to preserve or distribute knowledge but to apply it in solving organisational problems, improving business processes, supporting decision-making, and creating organisational value. Consequently, knowledge application represents the stage at which knowledge is transformed into practical action and organisational performance.

5.2.1.1 Meaning

Knowledge application refers to the process of effectively utilising organisational knowledge, experience, and expertise to perform tasks, solve problems, make decisions, and improve organisational performance. It involves converting the knowledge that has been discovered, captured, and shared into practical actions that contribute to organisational objectives.

Knowledge application extends beyond simply possessing information. It requires employees to interpret available knowledge, adapt it to specific situations, and use it appropriately to address organisational challenges. Thus, knowledge becomes valuable only when it is translated into effective organisational practices and meaningful business outcomes.

5.2.1.2 Importance of Knowledge Application

Knowledge application is a critical component of Knowledge Management because it enables organisations to convert available knowledge into decisions, actions, and organisational outcomes. Organisations invest considerable effort in discovering, capturing, and sharing knowledge; however, these activities achieve their intended purpose only when knowledge is successfully applied to organisational operations.

The effective application of knowledge improves the quality of decision-making by enabling managers and employees to utilise previous experiences, organisational expertise, and available information while addressing organisational issues. It also enhances problem-solving by allowing employees to apply proven practices and lessons learned instead of relying solely on trial-and-error approaches.

Furthermore, knowledge application encourages innovation by enabling organisations to utilise existing knowledge in developing new products, improving services, and redesigning organisational processes. It also promotes continuous organisational learning because employees gain additional knowledge through the practical application of existing knowledge.

5.2.1.3 Areas of Knowledge Application

Knowledge is applied across various organisational activities. Managers utilise organisational knowledge while formulating strategies, making decisions, and allocating organisational resources. Employees apply knowledge to improve work processes, enhance service quality, and solve operational problems. Knowledge is also utilised in product development, customer relationship management, employee training, quality improvement, and organisational innovation.

In addition, organisations apply knowledge to identify market opportunities, manage organisational risks, improve customer satisfaction, and respond effectively to technological and environmental changes. The widespread application of knowledge enables organisations to improve both operational efficiency and strategic effectiveness.

5.2.1.4 Factors Supporting Effective Knowledge Application

Successful knowledge application depends on several organisational factors. Employees must have access to relevant and reliable knowledge at the appropriate time. Organisations should, therefore, establish efficient knowledge repositories, information systems, and communication channels that facilitate easy retrieval of knowledge.

A supportive organisational culture that encourages collaboration, trust, and continuous learning also promotes effective knowledge application. Leadership plays an equally important role by encouraging employees to utilise organisational knowledge when making decisions and solving problems. Continuous employee training and professional development further strengthen employees' ability to apply knowledge effectively in different organisational situations.

The effectiveness of knowledge application also depends on the relevance, accuracy, and timeliness of the available knowledge. Outdated or inaccurate knowledge may lead to ineffective decisions and reduced organisational performance.

5.2.1.5 Organisational Significance of Knowledge Application

Knowledge application enables organisations to convert intellectual capital into tangible organisational outcomes. It strengthens organisational capability by improving productivity, innovation, service quality, and operational efficiency. Organisations that consistently apply organisational knowledge become more adaptable to environmental changes and better prepared to respond to emerging opportunities and challenges.

Knowledge application can strengthen organisational competitiveness when firms are able to integrate and use valuable knowledge more effectively than competitors. Its contribution may be reflected in improved customer satisfaction, reduced operational costs, innovation, and the development of distinctive organisational capabilities.

5.2.1.6 Role of Knowledge Application in Knowledge Management

Knowledge application represents the culmination of the Knowledge Management process by transforming organisational knowledge into meaningful organisational action. Through effective application, knowledge contributes directly to organisational learning, innovation, improved decision-making, and enhanced organisational performance. However, the successful application of knowledge depends on the availability of an organisational environment that supports knowledge creation, storage, retrieval, and utilisation.



Consequently, organisations must establish appropriate technological systems, organisational structures, leadership support, and collaborative cultures that facilitate effective Knowledge Management. These supporting elements collectively constitute the Knowledge Management infrastructure, which is discussed in the following section.

Thus, knowledge application completes the Knowledge Management cycle by ensuring that organisational knowledge is utilised to achieve organisational objectives and create sustainable value. By consistently applying knowledge to organisational activities, organisations strengthen their learning capability, improve performance, and maintain long-term competitiveness.

Knowledge Application in Practice

A customer service organisation maintains a repository of frequently encountered customer complaints and the solutions adopted by experienced employees. When similar issues arise, customer service representatives access the repository, apply the documented knowledge to resolve customer concerns quickly, and update the repository with any new solutions identified. This continuous application of organisational knowledge improves service quality, reduces response time, and enhances customer satisfaction.

5.2.2 Knowledge Management Infrastructure

The previous section explained that knowledge contributes to organisational success only when it is effectively applied to organisational activities. However, knowledge application does not occur in isolation. Organisations require an environment that supports the creation, storage, sharing, and utilisation of knowledge. Such an environment is provided through Knowledge Management Infrastructure, which establishes the organisational, technological, and human foundation necessary for successful Knowledge Management implementation. Without appropriate infrastructure, organisations may possess valuable knowledge but fail to utilise it effectively for organisational growth and innovation.

5.2.2.1 Meaning

Knowledge Management Infrastructure refers to the organisational environment, resources, and support systems that facilitate the effective creation, acquisition, storage, sharing, and application of knowledge. It comprises the organisational culture, leadership, information technology, organisational structure, and human resource practices that collectively enable Knowledge Management processes to function efficiently.

Knowledge Management Infrastructure extends beyond technological facilities. Although information technology plays an important role in storing and disseminating knowledge, successful Knowledge Management also depends upon supportive leadership, a collaborative organisational culture, effective communication, and employees who are willing to create and share knowledge. Thus, Knowledge Management Infrastructure

provides the foundation upon which Knowledge Management activities are developed and sustained.

5.2.2.2 Need for Knowledge Management Infrastructure

Effective Knowledge Management requires more than knowledge repositories or digital technologies. Organisations must establish an environment that encourages employees to generate, exchange, and utilise knowledge in their daily activities. The need for Knowledge Management Infrastructure can be understood through the following aspects:

- ◇ **Supports knowledge creation and acquisition** by providing employees with opportunities, resources, and collaborative environments to generate new knowledge.
- ◇ **Facilitates knowledge storage and retrieval** through organised databases, document management systems, and knowledge repositories that preserve valuable organisational knowledge.
- ◇ **Promotes knowledge sharing** by encouraging communication, teamwork, and collaboration across individuals, departments, and organisational levels.
- ◇ **Enables effective knowledge application** by ensuring that relevant knowledge is accessible to employees whenever organisational decisions or problem-solving activities require it.
- ◇ **Strengthens organisational learning** by enabling organisations to preserve experiences, learn from past practices, and continuously improve organisational performance.
- ◇ **Encourages innovation and informed decision-making** by making organisational knowledge readily available for developing new ideas, products, services, and business processes.

Collectively, these functions demonstrate that Knowledge Management Infrastructure serves as the enabling mechanism through which organisational knowledge is transformed into a valuable strategic resource.

5.2.2.3 Components of Knowledge Management Infrastructure

Knowledge Management Infrastructure comprises several interrelated organisational, technological, and human elements that support the implementation of Knowledge Management. Although specific frameworks differ, major components commonly include organisational culture, leadership, information technology, organisational structure, and human resource practices.

1. Organisational Culture

Organisational culture is one of the most significant components of Knowledge Management Infrastructure. A culture characterised by trust, openness, collaboration,



and continuous learning encourages employees to share their knowledge voluntarily. Organisations that recognise employee contributions and promote teamwork create an environment in which knowledge flows freely across departments. Conversely, cultures that discourage collaboration or reward individual competition may limit knowledge sharing and reduce the effectiveness of Knowledge Management initiatives.

2. Leadership and Management Support

Leadership plays a crucial role in establishing and sustaining Knowledge Management (KM) practices. Senior management provides strategic direction, formulates KM policies, and allocates the necessary financial, technological, and human resources for implementation. Leaders also influence employee attitudes by promoting continuous learning, recognising knowledge-sharing behaviour, and encouraging innovation. Visible commitment from top management enhances employee confidence and strengthens the organisational culture required for successful KM.

3. Information Technology Infrastructure

Information technology provides the technological platform that supports KM activities. Digital repositories, document management systems, intranets, enterprise collaboration platforms, and communication technologies enable organisations to collect, organise, store, and disseminate knowledge efficiently. Modern technologies, including cloud computing, artificial intelligence (AI), and collaborative digital platforms, can support KM through intelligent search, knowledge extraction, automated classification, recommendation systems, and knowledge-sharing tools. However, AI-supported KM requires appropriate data governance, human validation, and attention to accuracy, privacy, and security.

4. Organisational Structure

An organisational structure that promotes communication and collaboration facilitates the effective movement of knowledge throughout the organisation. Flexible structures, cross-functional teams, and decentralised decision-making encourage employees from different departments to exchange ideas and experiences. Reducing organisational barriers and improving communication channels enable knowledge to flow more efficiently, thereby supporting organisational learning and innovation.

5. Human Resource Practices

Human resource practices play an essential role in developing the competencies required for Knowledge Management. Recruitment processes help organisations attract employees possessing valuable knowledge and expertise, while training and development programmes continuously enhance employee capabilities. Performance appraisal and reward systems that recognise knowledge sharing, innovation, and collaborative behaviour further motivate employees to participate actively in Knowledge Management initiatives. Consequently, effective human resource management strengthens both individual competence and organisational knowledge capability.

5.2.2.4 Role of Knowledge Management Infrastructure

Knowledge Management Infrastructure serves as the organisational foundation upon which all Knowledge Management activities are built. It integrates organisational resources, technology, and human capabilities into a cohesive system that supports knowledge-related activities throughout the organisation. Its major contributions include the following:

- ◇ Provides the foundation for Knowledge Management processes by supporting knowledge creation, storage, sharing, and application.
- ◇ Facilitates collaboration and communication among employees, departments, and organisational units.
- ◇ Improves organisational learning by preserving organisational experiences and encouraging continuous knowledge exchange.
- ◇ Enhances innovation through the effective integration of employee knowledge, organisational expertise, and technological resources.
- ◇ Supports informed decision-making by providing timely access to reliable organisational knowledge.
- ◇ Strengthens organisational competitiveness by enabling organisations to respond more effectively to changing business environments and customer requirements.

These contributions demonstrate that Knowledge Management Infrastructure is not merely a support mechanism but a strategic organisational capability that enables effective Knowledge Management implementation.

5.2.2.5 Challenges in Developing Knowledge Management Infrastructure

Despite its importance, organisations often encounter several challenges when establishing Knowledge Management Infrastructure. Resistance to organisational change, inadequate technological resources and insufficient financial investment frequently hinder implementation efforts. Employees may also hesitate to share knowledge due to concerns regarding job security or a lack of organisational trust.

In addition, ineffective leadership, a weak organisational culture, limited employee participation and poor integration between technology and organisational processes may reduce the effectiveness of Knowledge Management initiatives. Organisations must therefore adopt a comprehensive approach that combines technological investment with cultural development, leadership commitment and continuous employee engagement.

Knowledge Management Infrastructure provides the essential organisational foundation required for effective Knowledge Management. By integrating organisational culture, leadership, technology, organisational structure and human resource practices, it creates an environment in which knowledge can be created, shared and applied

effectively. Organisations that invest in developing strong Knowledge Management Infrastructure are better positioned to improve organisational learning, encourage innovation and enhance overall performance. However, the success of such infrastructure is ultimately reflected in its contribution to organisational outcomes. Accordingly, the next section examines the Organisational Impact of Knowledge Management and explains how effective Knowledge Management practices contribute to organisational performance, innovation and sustainable competitive advantage.

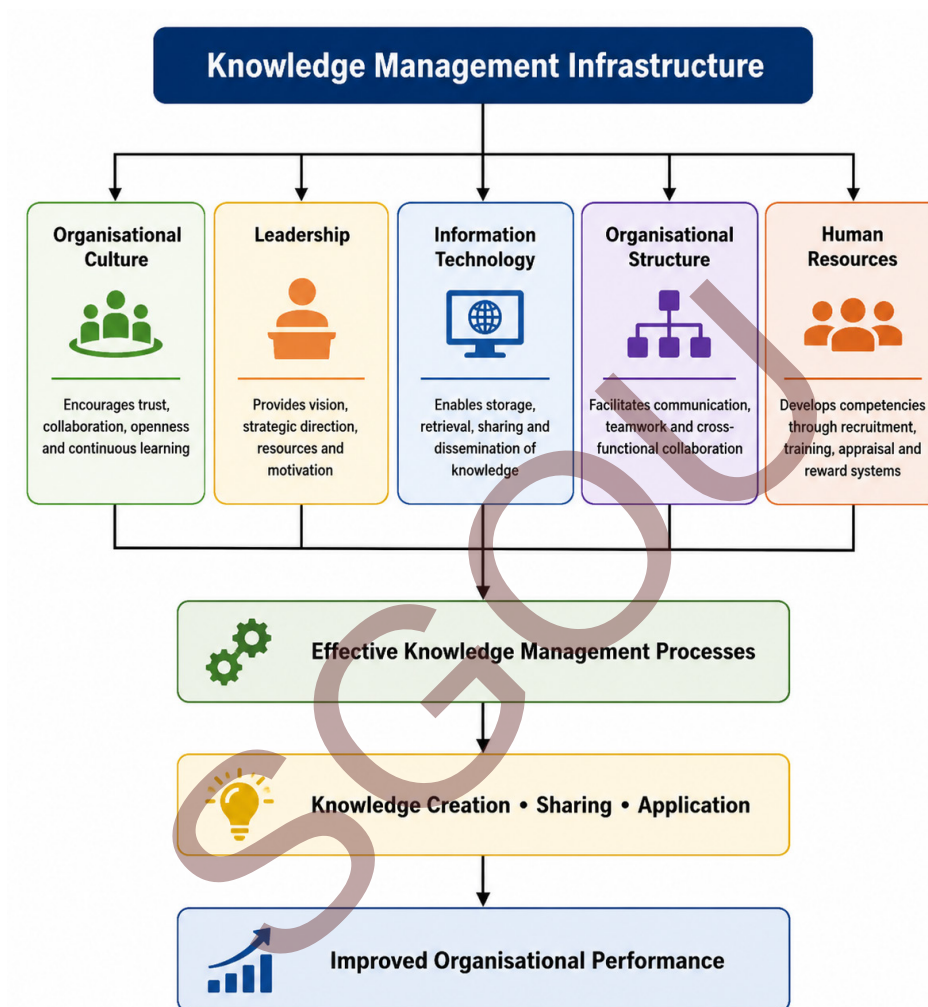


Fig. 5.2.1 Components of Knowledge Management Infrastructure

5.2.3 Organisational Impact of Knowledge Management

The previous section explained that effective Knowledge Management Infrastructure provides the organisational, technological and human foundation necessary for successful Knowledge Management implementation. However, the true value of Knowledge Management cannot be measured merely by the existence of knowledge repositories or supportive organisational systems. Its effectiveness is reflected in the positive changes it brings to organisational performance, employee capabilities and overall business success. Consequently, understanding the organisational impact of

Knowledge Management enables organisations to evaluate how knowledge contributes to long-term growth, innovation and competitive advantage.

The organisational impact of Knowledge Management refers to the positive changes that occur in an organisation as a result of effectively creating, capturing, sharing and applying knowledge. These changes may be reflected in improved organisational performance, enhanced innovation, better decision-making, increased employee competence and stronger competitive advantage.

Knowledge Management enables organisations to transform individual knowledge into organisational capability. When knowledge is systematically managed and effectively utilised, organisations become more responsive to changing business environments, improve operational efficiency and develop sustainable organisational strengths.

5.2.3.1 Areas of Organisational Impact

Knowledge Management influences almost every aspect of organisational functioning. Its impact extends beyond knowledge handling and contributes to both operational and strategic performance. The major areas of organisational impact are discussed below.

1.Improved Decision-Making

Knowledge Management provides managers and employees with timely access to reliable organisational knowledge, enabling informed decisions based on prior experiences, organisational expertise, and available information. Better access to knowledge reduces uncertainty and improves the quality and speed of managerial decision-making.

2. Enhanced Innovation

Knowledge sharing and collaboration encourage employees to combine ideas, experiences, and expertise to develop innovative products, services, and organisational processes. Organisations that effectively manage knowledge create an environment that supports creativity and continuous improvement.

3. Increased Organisational Learning

Knowledge Management preserves organisational experiences and lessons learned, enabling employees to learn continuously from both successes and failures. This strengthens organisational memory and supports the development of a learning organisation capable of adapting to changing business conditions.

4. Improved Productivity and Operational Efficiency

The availability of organisational knowledge reduces duplication of effort, minimises errors, and enables employees to complete tasks more efficiently. Employees spend less time searching for information and more time applying knowledge to productive activities, resulting in improved organisational performance.



5. Better Customer Satisfaction

Knowledge Management enables organisations to understand customer needs more effectively and respond quickly to customer enquiries and problems. Access to customer knowledge, market information, and prior experiences allows organisations to provide high-quality products and services, thereby strengthening customer relationships.

6. Sustainable Competitive Advantage

Knowledge can contribute to competitive advantage when it is valuable, difficult to imitate, embedded in organisational processes, and effectively integrated with other organisational resources. Organisations that continuously create, share, and apply such knowledge can strengthen their capabilities and competitive position.

5.2.3.2 Factors Influencing Organisational Impact

The extent to which Knowledge Management contributes to organisational performance depends on several organisational factors, including:

- ◇ **Leadership commitment:** This provides strategic direction and allocates adequate resources for Knowledge Management initiatives.
- ◇ **Supportive organisational culture:** This encourages collaboration, trust, and continuous learning.
- ◇ **Effective Knowledge Management Infrastructure:** This includes suitable technologies, organisational structures, and human resource practices.
- ◇ **Employee participation:** This ensures that employees actively create, share, and utilise organisational knowledge.
- ◇ **Continuous learning and innovation:** This enables organisations to adapt knowledge to changing organisational requirements and external environments.

When these factors work together, organisations are more likely to realise the full benefits of Knowledge Management.

5.2.3.3 Measuring the Organisational Impact of Knowledge Management

Organisations evaluate the effectiveness of Knowledge Management by assessing improvements in organisational performance and employee capabilities. Common indicators of KM impact include productivity, operational cost reduction, service quality, decision-making time, innovation outcomes, employee satisfaction, customer satisfaction, and knowledge-reuse rates. Organisations should combine KM activity measures, such as repository usage and knowledge-sharing participation, with business outcome measures, such as productivity, cost savings, and customer satisfaction.

Although some benefits, such as cost reduction and productivity improvement, can be measured quantitatively, other outcomes—including organisational learning,

knowledge sharing, and innovation—are qualitative in nature and require broader evaluation methods.

The discussion demonstrates that effective Knowledge Management contributes significantly to organisational performance by improving decision-making, innovation, learning and competitive advantage. Nevertheless, these benefits are not experienced uniformly across all organisational activities. The effectiveness of Knowledge Management also depends upon the characteristics of the tasks being performed. Certain tasks require extensive knowledge sharing and collaboration, whereas others depend upon specialised expertise or routine procedures. The following section, therefore, examines the effect of task characteristics on Knowledge Management processes and explains how different types of organisational tasks influence the success of Knowledge Management initiatives.

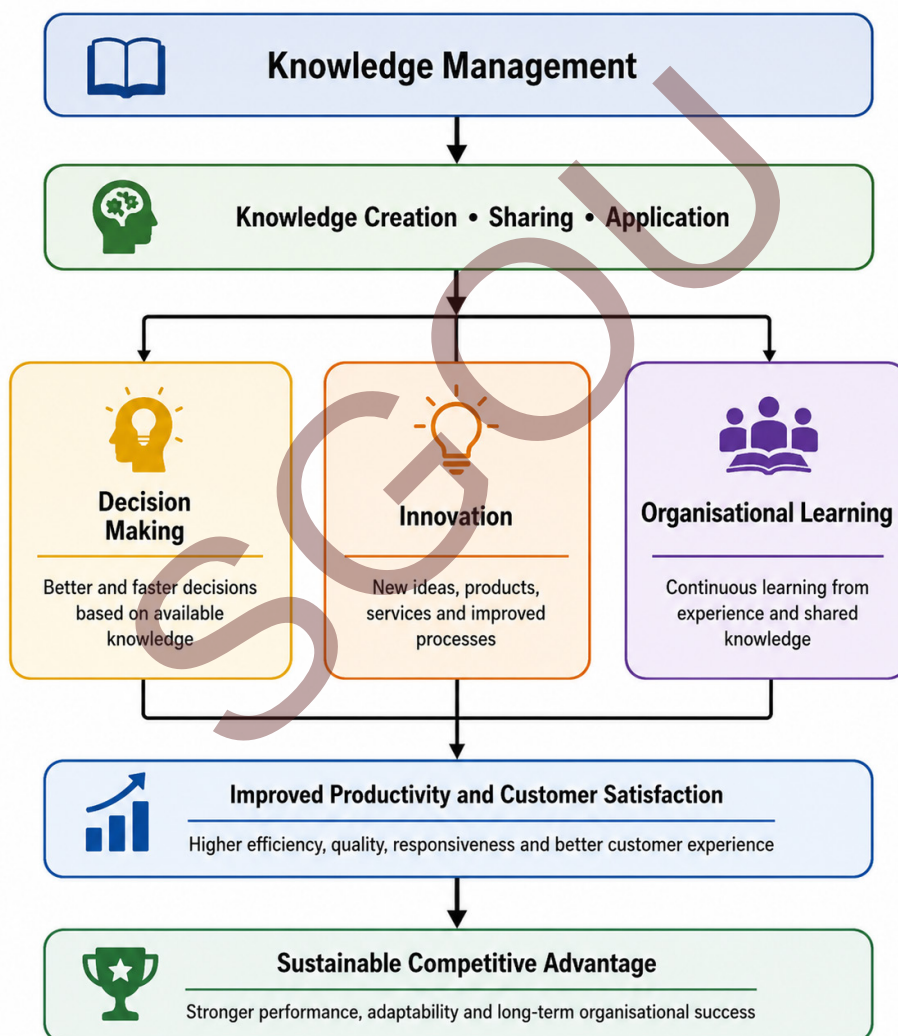


Fig. 5.2.2 Organisational Impact of Knowledge Management

5.2.4 Effect of Task Characteristics on Knowledge Management Processes

The previous section explained that effective Knowledge Management contributes significantly to organisational performance by improving decision-making, innovation, organisational learning and competitive advantage. However, organisations perform a wide variety of activities that differ in complexity, uncertainty, interdependence and knowledge requirements. Consequently, Knowledge Management practices cannot be applied uniformly across all organisational tasks. The effectiveness of Knowledge Management depends largely upon the nature of the task being performed. Understanding task characteristics, therefore, enables organisations to design appropriate Knowledge Management practices that improve both employee performance and organisational effectiveness.

5.2.4.1 Task Characteristics

Task characteristics refer to the distinctive features of organisational tasks that influence how work is performed and how knowledge is created, shared and applied. These characteristics determine the type, quantity and quality of knowledge required to complete a task successfully.

Task characteristics influence the amount, type and location of knowledge required for successful task performance. Routine and standardised tasks generally rely more on explicit knowledge and documented procedures, whereas complex, uncertain and innovative tasks often require greater access to expertise, collaboration and tacit knowledge. Therefore, understanding task characteristics helps organisations select appropriate Knowledge Management strategies for different work situations.

5.2.4.2 Major Task Characteristics Influencing Knowledge Management

Different organisational tasks place different demands on employees and Knowledge Management systems. The major task characteristics that influence Knowledge Management processes are discussed below.

1. Task Complexity

Task complexity refers to the degree of difficulty involved in performing a task. Simple and repetitive tasks generally rely on explicit knowledge, documented procedures and standard operating practices. In contrast, complex tasks require greater expertise, analytical thinking, experience and collaborative problem-solving. Organisations performing highly complex tasks, therefore, require stronger knowledge-sharing mechanisms and greater interaction among employees.

2. Task Uncertainty

Task uncertainty arises when employees encounter unfamiliar situations or when the information required to complete a task is incomplete or constantly changing. Under

conditions of uncertainty, employees depend more heavily on organisational knowledge, expert guidance and collaborative learning. Effective Knowledge Management enables employees to access relevant experiences and organisational expertise, thereby reducing uncertainty and improving decision-making.

3. Task Interdependence

Task interdependence refers to the extent to which employees depend on one another to complete organisational work. Highly interdependent tasks require frequent communication, coordination and knowledge sharing among individuals and departments. Knowledge Management systems facilitate collaboration by enabling employees to exchange information, share expertise and coordinate organisational activities more effectively.

4. Task Routine and Standardisation

Routine tasks are performed repeatedly according to established procedures and organisational guidelines, relying primarily on explicit knowledge stored in manuals, databases, and standard operating procedures. Non-routine tasks, however, require creativity, innovation, and the flexible application of knowledge. Organisations must, therefore, adopt different Knowledge Management (KM) approaches depending on whether tasks are routine or non-routine.

5. Knowledge Intensity

Knowledge intensity refers to the extent to which successful task performance depends on specialised knowledge, professional expertise, and intellectual capabilities. Knowledge-intensive tasks, such as research, product development, and strategic planning, require continuous knowledge creation, collaboration, and learning. In contrast, less knowledge-intensive tasks rely more heavily on established procedures and operational efficiency.

Table 5.2.1 Comparison of Task Characteristics and Knowledge Management Approaches

Task Characteristic	Routine / Low Requirement	Complex / High Requirement	Appropriate KM Approach
Task Complexity	Simple, repetitive activities	Analytical and problem-solving activities	Expert collaboration, knowledge sharing and mentoring
Task Uncertainty	Stable procedures and predictable outcomes	Changing situations with incomplete information	Access to organisational expertise, lessons learned and knowledge repositories

Task Interdependence	Work performed independently	Work requiring coordination across teams	Collaborative platforms, cross-functional communication and Communities of Practice
Routine & Standardisation	Standard operating procedures and documented workflows	Flexible and innovative work practices	Explicit knowledge for routine tasks; tacit knowledge for non-routine tasks
Knowledge Intensity	Limited reliance on specialised expertise	High dependence on professional knowledge and creativity	Continuous learning, employee development and knowledge creation

The table demonstrates that Knowledge Management should be aligned with the nature of organisational tasks. Routine tasks rely primarily on documented explicit knowledge, whereas complex, uncertain, and knowledge-intensive tasks require greater collaboration, tacit knowledge, and continuous organisational learning.

5.2.4.3 Influence of Task Characteristics on Knowledge Management Processes

Task characteristics directly affect every stage of the Knowledge Management process. Organisations performing routine operational activities may focus primarily on documenting and storing explicit knowledge for consistent performance. Conversely, organisations engaged in innovation, research, or consultancy depend heavily on capturing tacit knowledge, encouraging collaboration, and facilitating continuous knowledge sharing.

Similarly, organisations characterised by high task interdependence require communication systems and collaborative work environments that enable employees to exchange knowledge effectively. Knowledge-intensive organisations must also invest in employee development, technological support, and organisational learning to ensure that specialised knowledge is continuously created and applied. Consequently, effective Knowledge Management requires organisations to align their knowledge strategies with the characteristics of organisational tasks.

Managerial Implication

Managers should recognise that a single Knowledge Management approach cannot satisfy the requirements of every organisational task. They must analyse the characteristics of organisational work before selecting suitable Knowledge Management practices. Tasks involving innovation, problem-solving, and strategic decision-making require collaborative learning, flexible organisational structures, and active knowledge sharing, whereas routine operational activities benefit from standardised documentation, structured knowledge repositories, and clearly defined procedures.

Managers should also encourage continuous employee learning, develop supportive organisational cultures, and invest in appropriate technological infrastructure to ensure that Knowledge Management practices remain aligned with changing organisational needs and task requirements.

The discussion in this unit demonstrates that the effectiveness of Knowledge Management depends not only on organisational infrastructure and leadership support but also on the characteristics of the work being performed. By aligning Knowledge Management practices with different task requirements, organisations can improve employee performance, organisational learning, and innovation. Together, the topics discussed in this block illustrate how organisations create, manage, and utilise knowledge as a strategic resource for achieving sustained organisational success.

Task Characteristics and Knowledge Management in Practice

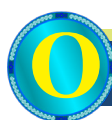
A bank performs both routine and non-routine tasks. Routine activities, such as processing deposits and withdrawals, rely on documented procedures and standard operating guidelines. In contrast, developing a new digital banking service requires collaboration among IT specialists, marketing professionals, financial analysts, and customer service teams. This project depends upon extensive knowledge sharing, creativity, and continuous learning.

This example illustrates that different organisational tasks require different Knowledge Management approaches to achieve effective outcomes.



Recap

- ◇ Knowledge application transforms organisational knowledge into meaningful action for improving decision-making, problem-solving, and organisational performance.
- ◇ Effective knowledge application enables organisations to improve innovation, productivity, and service quality.
- ◇ Knowledge Management infrastructure comprises organisational culture, leadership, information technology, organisational structure, and human resource practices that support Knowledge Management.
- ◇ A supportive organisational culture encourages employees to create, share, and apply knowledge collaboratively.
- ◇ Leadership plays a vital role in promoting a knowledge-sharing culture and facilitating organisational learning.
- ◇ Information technology provides the tools and systems required for storing, retrieving, and disseminating organisational knowledge.
- ◇ Effective Knowledge Management positively influences organisational innovation, employee competence, productivity, and competitive advantage.
- ◇ Organisations can assess the impact of Knowledge Management through improvements in organisational performance and knowledge-based decision-making.
- ◇ Task characteristics such as complexity, interdependence, uncertainty, and knowledge intensity influence the effectiveness of Knowledge Management processes.
- ◇ Successful Knowledge Management requires both appropriate infrastructure and the effective application of knowledge in organisational activities.



Objective Questions

1. What is the process of using organisational knowledge to solve problems and improve performance called?
2. Which component of Knowledge Management Infrastructure promotes shared values and collaboration among employees?

3. Which organisational function provides technological support for storing and retrieving knowledge?
4. Who plays a key role in promoting a knowledge-sharing culture within an organisation?
5. What term refers to the overall organisational framework that supports Knowledge Management activities?
6. Which organisational outcome reflects the ability to develop new ideas, products, or processes?
7. What type of advantage enables an organisation to outperform its competitors over the long term?
8. Which task characteristic involves the degree of difficulty associated with performing a task?
9. What type of task generally requires greater collaboration and knowledge sharing—routine or non-routine?
10. What organisational capability is enhanced through effective knowledge application and continuous learning?



Answers

1. Knowledge application
2. Organisational culture
3. Information technology
4. Leadership
5. Knowledge Management Infrastructure
6. Innovation
7. Competitive advantage
8. Task complexity
9. Non-routine
10. Organisational performance





Self-Assessment Questions

1. What is Knowledge Application?
2. Why is Knowledge Application important for an organisation?
3. In which organisational activities can knowledge be applied?
4. What is Knowledge Management Infrastructure?
5. What are the major components of Knowledge Management Infrastructure?
6. What is the role of Knowledge Management Infrastructure?
7. What are the major areas of organisational impact of Knowledge Management?
8. What are the major task characteristics that influence Knowledge Management processes?



Assignments

1. Explain the concept of knowledge application and discuss its significance in improving organisational decision-making, innovation, and performance.
2. Describe the components of Knowledge Management Infrastructure. Explain how each component contributes to the successful implementation of Knowledge Management.
3. Analyse the organisational impact of Knowledge Management, discussing how effective Knowledge Management contributes to organisational learning, innovation, productivity, and sustainable competitive advantage.
4. Examine the influence of task characteristics on Knowledge Management processes, illustrating how routine and non-routine tasks require different approaches to knowledge management and application.



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Suggested Reading

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MODEL QUESTION PAPER SETS



SREENARAYANAGURU OPEN UNIVERSITY

QP CODE:

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FOURTH SEMESTER BBA EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE – HR

B21BB24DE - TALENT AND KNOWLEDGE MANAGEMENT(CBCS - UG)

MODEL QUESTION PAPER- SET- A

2023-24 - Admission Onwards

Time: 3 Hours

Max Marks: 70

SECTION A

Answer any ten questions in a word or sentence. Each question carries one mark
(10×1 = 10 Marks)

1. Define Talent Management.
2. What is a Talent Marketplace?
3. What is TREADs?
4. What is Employer Branding?
5. What is Talent Analytics?
6. Define Competency.
7. What is Core Competency?
8. What is Employee Engagement?
9. What is Accountability?
10. What is Knowledge Management?
11. Name the type of knowledge that resides mainly in employees' experience.
12. Who popularised the concept of the learning organisation?
13. What is a Knowledge-Intensive Firm?
14. What is Knowledge Discovery?
15. What is Knowledge Management Infrastructure?



SECTION B

Answer any five questions in two or three sentences each.

Each question carries two marks.

(5×2 =10 Marks)

16. Explain any two characteristics of Talent Management.
17. Explain any two components of a Talent Management System.
18. Explain the TREADs framework.
19. Explain the role of HR Metrics and Talent Analytics in talent management.
20. Differentiate between Core Competency and Functional Competency.
21. Explain any two strategies for improving Employee Engagement.
22. Explain any two characteristics of a Knowledge-Centric Organisation.
23. Distinguish between a Knowledge-Based Organisation and a Knowledge-Intensive Firm.
24. Differentiate between Knowledge Discovery and Knowledge Capture.
25. Explain any two components of Knowledge Management Infrastructure.

SECTION C

Answer any four questions. Each question carries five marks.

(4×5 = 20 Marks)

26. Explain the importance and objectives of Talent Management.
27. Explain the concept of Talent Marketplace and Talent Mobility and state their benefits to employees and organisations.
28. Examine the importance of Ethical Decision-Making and Resource Allocation in Talent Management.
29. Explain the Competency Assessment process and discuss the major methods of competency assessment.
30. Discuss the importance of Employee Engagement and Accountability in Talent Management.
31. Explain the nature and importance of Knowledge Management and discuss the major factors influencing it.

32. Discuss the relationship between Intrapreneurship, Innovation and Perpetual Organisational Change in knowledge-based organisations.
33. Elaborate the processes of Knowledge Discovery, Knowledge Capture and Knowledge Sharing in Knowledge Management.

SECTION D

Answer any two questions. Each question carries fifteen marks.

(2×15 =30 Marks)

34. Critically examine the evolution of Talent Management and Knowledge Management and analyse how the two disciplines have become complementary in modern organisations.
35. Evaluate the role of Total Performance Development Systems, Talent Strategy, Workforce Planning, Talent Acquisition and Employer Branding in building a future-ready talent system.
36. Analyse the role of competency management in organisational success, with particular reference to competency assessment, leadership, employee engagement, accountability and diversity.
37. Critically evaluate Knowledge Management Infrastructure and Knowledge Application, and explain how together they influence organisational learning, innovation, productivity and sustainable competitive advantage.



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FOURTH SEMESTER BBA EXAMINATION

DISCIPLINE SPECIFIC ELECTIVE – HR

B21BB24DE - TALENT AND KNOWLEDGE MANAGEMENT(CBCS - UG)

MODEL QUESTION PAPER- SET- B

2023-24 - Admission Onwards

Time: 3 Hours

Max Marks: 70

SECTION A

Answer any ten questions in a word or sentence. Each question carries one mark

(10×1 = 10 Marks)

1. What is Talent?
2. What is Employee Experience?
3. Define Upskilling.
4. Define Reskilling.
5. What is Succession Planning?
6. What is Workforce Planning?
7. What is Onboarding?
8. What is Talent Acquisition?
9. What is Ethical Decision-Making?
10. What is Human Relations?
11. What is Competency Assessment?
12. What is Leadership Competency?
13. What is Diversity Management?
14. What is Explicit Knowledge?
15. What is a Knowledge Repository?



SECTION B

Answer any five questions in two or three sentences each.

Each question carries two marks.

(5×2 =10 Marks)

16. Explain the major stages in the evolution of Talent Management and Knowledge Management.
17. State any two benefits of a Talent Management System.
18. Explain the importance of aligning Talent Strategy with Organisational Strategy.
19. Describe the first two stages in the Succession Planning process.
20. Explain the Competency Iceberg and its significance in understanding competency.
21. Explain the role of leaders in developing employee competencies.
22. Explain any two ways of promoting Accountability in organisations.
23. Name the five disciplines of a Learning Organisation proposed by Peter Senge and explain any one.
24. Explain any two barriers to Knowledge Sharing.
25. Explain Task Complexity and Task Interdependence as characteristics influencing Knowledge Management..

SECTION C

Answer any four questions. Each question carries five marks.

(4×5 = 20 Marks)

26. Explain the major contemporary issues in Talent Management.
27. Elaborate the benefits of Talent Management Systems in supporting organisational performance.
28. Explain how AI is changing Talent Management.
29. Explain the Competency Iceberg, the major components of competency and the distinction between competency and skill.
30. Discuss how Employee Engagement and Accountability contribute to effective Talent Management.
31. Explain the five disciplines of a Learning Organisation and distinguish a traditional organisation from a learning organisation.



32. Evaluate the major barriers to Knowledge Sharing in Knowledge-Intensive Firms and suggest appropriate organisational responses.
33. Discuss the role of leaders in competency management with suitable examples.

SECTION D

Answer any two questions. Each question carries fifteen marks.

(2×15 =30 Marks)

34. Elaborate in detail the emerging trends in Talent Management and explain how organisations can respond through continuous learning, employee experience, flexible work, diversity and retention practices.
35. Evaluate the strategic importance of Talent Analytics, Succession Planning, Ethical Decision-Making and Resource Allocation in developing a sustainable talent pipeline.
36. Critically examine the role of competency assessment, competency frameworks, leadership, employee engagement, accountability and diversity in developing a competent and future-ready workforce.
37. Analyse the complete Knowledge Management process from Knowledge Discovery, Knowledge Capture and Knowledge Sharing to Knowledge Application, and evaluate the role of Knowledge Management Infrastructure in achieving organisational impact..

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