Core Employee’s Profile as a mean of Human Resource Development in Knowledge-Intensive Firms

Vera Minina, Professor
GSOM, Head of the Department of OB/HRM
Minina@gsom.pu.ru

Anastasia Krupskaya, PhD-student
GSOM, Department of OB/HRM
Krupskaya@gsom.pu.ru

Paper for 11th International Conference on Human Resource Development
Research and Practice across Europe
Pecs, Hungary
June, 2-4, 2010
Core Employee’s Profile as a mean of Human Resource Development in Knowledge-Intensive Firms

Abstract
This paper proves the idea that in knowledge-intensive firms human resource development becomes crucial point for management. Human resource development is based on investments in human assets therefore HRM system assumes management of these investments including evaluation of return of investments. Thus, the focus moves from human resources to human capital. Investigating human capital, scholars mark out three layers of employees such as core employees and two peripheral ones. Core employees are considered as most important for business maintaining and growth. The paper gives the analysis of core employees’ identification criteria. Based on results of empirical research conducted by the authors in 2008-2010 the Core Employee Profile is expanded. The Profile includes five groups of people abilities which can be transformed in organizational capabilities through human capital management practices. These are: learning, professional competence, integration, reflection and knowledge creation. The authors conclude that Core Employee Profile can be the effective tool of human resource development. It can help company to improve quality of human resources by means of changing recruitment practices and personnel training and career development practices as well. But there are some risks dealt with implementation of HRM based on core employees approach.

Key words
Knowledge-intensive firm, Human capital, Human Resource Development, Human Capital Management, Core Employee Profile, Abilities
Introduction

The modern economy is often defined as economy of knowledge or knowledge-based economy by researchers and experts. They testify knowledge becomes the major resource of economic development. It is not only resource, but also the engine of economic growth and the basic source of wealth. It is hard to find an organization which is not information-intensive and does not depend on knowledge. At the same time there are some organizations which viability is defined by their intellectual capital amount. “What is intellectual capital? Simply put, knowledge assets are talent, skills, know-how, know-what, and relationships— and machines and networks that embody them— that can be used to create wealth” (Stewart 2003: 11). Dr Margaret Blair carried out the longitudinal study of American companies since 1978 on 1998. The results showed that 80% of the company value was tangible assets and only 20% - intangible in 1978. By in 1998 this proportion has considerably changed: only 20% of corporate value was charged to assets and 80% was intangible assets. (Sullivan, Sullivan 2000). These changes cause new management technologies including human resources management as well (Sullivan, Sullivan 2000). According to Stewart, people, who own parts of intellectual capital, like knowledge, skills and abilities, are magician’s black boxes. And from these people there are ones who are closed to and interested in core businesses of the company, by whom company’s value is added. These people identification and development makes contribution in company’s growth. And these people are helpful in developing others employees. At the end “by enhancing the value of the people you enhance the company’s value” (Aldisert 2002: 9).

But the problem is how to identify people who can be core for the company business? The other one is how to manage core employees? And are there some differences between standard HRM practices and practices of HRM based on core employee approach?

Knowledge-intensive firms should answer these questions in their everyday management practices as for them abilities, talents and motivation of employees play a huge role in providing well-being and gaining competitive advantage.

The purpose of the paper is to argue that core employees are the main human capital of an organization. Thus it is important to identify them, therefore the authors focus on core employee profile.

Research motivation

It is important to describe preconditions which have motivated the authors for the research. Regardless of the growing importance of intangibles, including knowledge and skills of potential employees, there is a lack of well-qualified workforce on labor market (Garmize 2005). Because of the limited resources, companies have actually two choices: either invest a lot in development of employee’s potential or fight for the experts.

Often experts are considered as free agents (Aldisert 2002), and in fact they are freelancers in many cases. They “don’t want to be inline with corporate rules” (Aldisert 2002: 9). This is a new social stratum for which the professional competence and belonging to professional community is the main value. They can make great contribution in the company business, but the problem is that they are not interested in corporate matters directly as whole.

It is no secret that any company wants to recruit and retain well-qualified, high potential, talent people regarded as experts but the management needs to be sure these people are interested not only in self supporting and development, but they are anxious about core company’s businesses. So the concept ‘human resources’ are more and more often replaced by the concept ‘human capital’.

Core Employees as Organization’s Human Capital

Core Employees (CEs) identification is based on the principle of the human capital value for the company. This principle is the basis for internal labor market (ILM) concept.
In the literature it is marked that the concept of ILM is applied only for big corporations (Rudakov 2004). But we consider ILM not only as amount of employees but also, and more important, as principals of relationship between employer and employees. So the concept of ILM can be implemented in middle and small companies. One of the basic principal of ILM is personnel differentiation according their value for the company and their role and status in an organization.

There are three main segments of ILM, such as the core and two peripheral layers. It is very close to Handy’s three leaves model of organization. Handy says that when the changes in external environment prevent bureaucratic control, the switching to dynamic net of the employees will be put into practice (Handy 1993). From this step a company needs to outsource peripheral organizational activities and divide the core activities among three categories of employees.

The first category - core personnel – is characterized by stable orientation on company’s objective function (Kalabina 2009: 164). They are usually high-paid managers or technical experts who are carriers of core organizational knowledge and competences (Handy 1993). They are the main human capital of a company. Thus this category of personnel is considered as the main valuable.

The second category of personnel is first peripheral layer (Kalabina 2009: 164). They are usually temporary employees or starters, could be trainees. Handy describes them as employees who support core staff.

The third category of staff is characterized also by temporary job. They are the most flexible layer and they are usually picked in peak of operation activity, for instance in hot season (Handy 1993).

We are interested in core personnel as we consider them as core of firm’s human capital. Different definitions are spread in literature to characterize the most valuable employees: hi-pos, talents, CEs (Brooklyn, Jones&Toomley 1988; Lopez-Cabrales, Valle&Herrero 2006; Calo 2008; Rao&Varghese 2009). These definitions are close by meaning because they stress the importance of employees’ differentiation according their value for a company. Employee’s input, potential, uniqueness can be valuable for management. But most of the time valuable employees are measured by their contribution in company’s outcome. Besides they are characterized by high level of competence, which may exceed the requirements. Nevertheless there is a doubt about identity of all definitions. Each of them has its own focus.

Hi-potential employees are identified by their potential that provides the opportunity to work very professionally. And in certain circumstances they are able to make a big input in company’s outcome, but often it does not happen in current period. The common question is what to do to generate potential in capital and how to get return of investments.

In spite of almost two decades of using definition “talents” it has not become more precise and operational. The concept “talent” is usually connected with inherent qualities and personal abilities. That is why the common opinion among HR managers that every employee is talented in someway. The task and challenge for management is to provide conditions to let fulfill themselves. Another approach to define talents is through potential to development managerial abilities. Researches on talent management focus on promotion inside a company and career management. A lot attention is given to original solutions. They say talents create original companies’ advantages. But there are no exact and precise criteria for talents identification. More over there are different understanding of talent in different spheres.

CEs are those who bring the major contribution to the company’s value. They provide high value added (Stewart 2007). They differ from HI-POs. On the other hand CEs don’t need to be surely talents. Their knowledge and experience make it possible to be core staff. CEs are considered as those who make a lot of contribution in business development in long-term perspective. They provide company’s maintenance and development.

Thus we consider CEs definition is the best for identification personnel which are the most valuable.
Basing on literature analysis two main approaches to CE identification are revealed. The first one, lets call it static approach, is oriented on assessment results of employees which hold specific posts. The employee is considered as a CE if his results are higher than average. Apparently, the criterion for CE identification is labor productivity level in this case. Certainly it is an important criterion, but it poorly reflects employee contribution in the company development. Besides, the given approach considers the post status: the higher status is the more valuable employee is. So supporters of this approach consider top-managers as the core and most valuable employees in the company (Powell, 2002). Certainly, top management plays extremely important role in business development, however, obviously, that not every top manager can be a CE. Enough examples are known when top-managers’ activity led to crash of the companies. Therefore direct correlation of the post status with a role of a CE will be hardly defensible.

The second approach, dynamic one, is focused measurement of employee potential and contribution to company development. We consider this approach as long-term and more perspective. According to it those employees who possess specific competence, necessary for core business development are CEs. These people influence mutual relations with clients, their loss may strongly influence in company results (Teitelbaum 2004: 52). Lepak and Snell (Lepak and Snell 1999, 2002), basing on resource theory and human capital theory, indicate two criteria for employee analysis: value and uniqueness. In their opinion, those employees who possess both valuable unique knowledge and skills, become core for the company.

In our opinion, there is very important approach to CE identification, developed by the Spanish scientists Alvaro Lopez-Cabrales, Ramon Valle and Innes Herrero (Lopez-Cabrales, Valle & Herrero 2006). According to authors, a CE is the one who possesses valuable and unique knowledge, skills and abilities so he/she has the unique human capital. Besides, the activity of CE is connected with the core business of the company (Atchison 1991). CEs do not possess valuable and unique abilities only, they also transform them into organizational abilities. The Spanish researchers allocate three groups of organizational abilities which correlate with CEs’ knowledge and abilities. These are managerial abilities, technical competence and client orientation (Lopez-Cabrales, Valle & Herrero, 2006). According to research result CEs are connected with such organizational capabilities as strong culture, strategic vision, realization of employees’ potential, innovativeness and positive organizational image. The research proves the connection between CE’s knowledge, skills and abilities and organizational capabilities, but it purely reflects the precise abilities of CE. We suppose organizational capabilities are inherent to CE, still there is few information about social skills (Fligstein 2001) and learning abilities. But as others researches show (Aldisert 2002; Gurkov., Zelenova., Saidov, 2010) social skills are very important for successful goal achievement.

Taking into consideration the research of Lopez-Cabrales, Valle and Herrero we identify CE through recognizing there abilities. So as a result of the research the CE profile was developed.

**Description of empirical research**

Our study consists of three steps. The first step is devoted to CE profile creation. It was a part of Russian-Finish STROI Network research project conducted in 2008-2009. Representatives from Hämeenlinna University of Applied Sciences (Finland), University of Technology of Tampere (Finland), Technical Research Centre of Finland (VTT), State University - Higher School of Economic (Russia), Graduate School of Management and Faculty of Sociology, St. Petersburg State University (Russia) took part in research project.

The key idea of the whole project was to find out management and leadership models suitable for Russian business context. The main research field for this project was a constructive market both in Finland and Russia. Finish construction oriented firms, operated in Russian market were studied. Companies connected with construction industry included consultant firms, construction companies, design firm, training firms, etc. For the HR part of the project 12 companies have been investigated. The size of private firms ranged from small (under 20
employees) to large (over 3,000). Some of the companies have operated on the market for more than 30 years, others were just new comers. Qualitative data have been collected by conducting 19 semi-structured interviews with the senior managers (6), heads of the departments (7) and HR managers (6). There were face-to-face interviews 1 hour duration.

And the aim of the second step of the research was to discuss the model with experts, thus to test it and make improvements. There were four in depth face-to-face interviews with experts 1 hour duration. The first expert was the head of HR department of middle-size local engineering company. The second expert was the head of the R&D Department of a big international software company. The third one was HRD manager from local division of a big international software company. And the fourth one was CEO of small local training company. All firms were knowledge-intensive and considered their employees as the main asset which provided the main value of a company. All four experts were well educated, had from 5 to 20 years experience in their fields.

The third step of the research was devoted to detailing each group of abilities. It was questionnaire survey among several experts. The questionnaire was sent to 16 experts and was received back from 9 experts. The questionnaire included five detailed groups of abilities. Each group of abilities was detailed by authors basing on the literature analysis and analysis of first and second steps interviews. For each group from 12 to 14 abilities and indicators were marked out. The task for experts was to rank all the abilities inside one group. They also could give comments and supplement the list with new details. So after questionnaire survey each group of abilities was described by several main abilities, which were ranked by highest marks by 5 experts and more.

**Empirical research results (step 1)**

Result of the first step of the research showed that managers identify CE differently. The difference could be explained by external factors, stage of life cycle and etc.

One group of respondents stresses personal features of CE:

“Core employee adapts fast. These people work fast and have a positive attitude” (CEO of small architect’s bureau, a subsidiary of big international construction company).

“They are loyal and hard-working. They want to be deeply in the process, know all the details. They are result-oriented” (HR director of big building materials retailer).

For others a set of skills and competences are most important. And interestingly social competencies appear very often in these sets.

“All competences could be divided into three groups: technical skills, open mind and diplomatic skills or the ability to be a leader” (CEO of small architect’s bureau, a subsidiary of big international construction company).

“These employees have excellent communicative skills and social competencies, they are very professional” (HR director of a big production company).

“A core employee knows how to explain very specific moments to people who are not experts in this field. He/she knows how to work even with a bad manager” (Project manager of small architect’s bureau, a subsidiary of big international construction company).

The third group of respondents outlines that CE’s abilities should fit his/her job.

“Core employee is the right person on a right place. He/she knows what’s right” (CEO of small architect’s bureau, a subsidiary of big international construction company).

“Core employees support the core processes in the company” (CEO of big production company).

The data show that representatives of the companies apply different kind of criteria for CE identification. For one company CEs are hi-potential employees. For another one they are best-performers. For the third one they have the best grade according Hay-group system. Managers from the fourth group of the companies describe CEs through their personal features. That again illustrates uncertainty in CE identification.
Nevertheless, the data from interviews allow formulating the hypothesis about five criteria of CE identification. Every criterion is connected with a set of abilities which provide competitive advantages. The set and degree of abilities development form CE profile (Figure 1):

- **Learning**: the ability to learn on the bases of experience and to adopt best practices.
  
  Respondents marked that CE have the following qualities:
  
  “They can agree upon difficult situation, are not afraid of responsibility and decision-making, can use support when it is necessary” (HR director of a big production company).
  
  “They are not afraid to admit the mistake and to change behavior next time” (CEO of a small construction materials supplier).

- **Technical competence**: ability to develop professional aspects connected with goods or service producing.
  
  Respondents say, for instance.

  “Core employees are department managers. They have working experience usually more than 10 years, good interactive skills and ability to get along with their teams” (HR director of a big production company).

  “Key persons are the ones having strategic knowledge and multiple skills. These persons carry out their work on excellent level” (CEO of big metal components supplier).

- **Integration**: abilities to impel people to cooperate, integrate the stakeholders’ efforts.
  
  Communication skills are very important; ability to communicate with different interested parties gives them an opportunity to be a hub in a social net.

  “CE have very high level of social or communicative skills, they create partnerships and networks” (HR director of big production company).

  “CE is leader in professional issues <...> because the company is small, it is all easily seen to whom people usually come with questions, i.e. who makes decisions” (CEO of small construction materials supplier).

- **Reflection**: abilities to realize and reflect on experience; think about and make decisions basing on this analysis. This is important indicator of learning organization.
  
  Respondents noticed that “Key persons support key clients in our company. They constantly monitor client’s situation...that help us to predict the activity of competitors, they can make interesting suggest to our client” (CEO of small architect’s bureau, a subsidiary of big international construction company).

  “They analyze their mistake and accept it” (Project manager of small architect’s bureau, a subsidiary of big international construction company).

- **Trust**: abilities to build and maintain trust in relationships with interested groups.
  
  It should be mentioned that most of the respondents stress that “Core employees transmit the feeling of the company” (HR director of big construction company).

  “They form the image of the company” (CEO of big production company).

  “Core employees are those whom you can really trust.” (CEO of small supplier of construction materials).

  Besides, all 19 respondents noticed that CEs “make money for a company”.

  It is clear that the listed abilities cannot be equally developed, in any case there are dominant abilities for example; people with critical style of thinking hardly would be good integrators or trust conductors. Therefore, a certain sort a combination of the specified abilities is important. It is necessary to notice that the configuration of abilities (their parity) depends on branch, a stage of life cycle of the organization, strategy of the company and of some other factors.

  One of the key aspects of CE identification is the social one. For social component of the intellectual capital inter- and intra organizational trust is very important. CEs co-operate with people from different social and professional groups. As the CE is considered as social knot not only degree of value and uniqueness of his/her knowledge or skills and abilities should be measured but also mutual relations.
We have seen that the most important features of CE are not exhausted by social and communicative skills, and self-determination; they also include high level of mobility. It means that the employees need to be ready to move not only vertically but also horizontally (different subsidiary in other region). CE also is not afraid of taking more responsibilities. Most probably it is because they are oriented on organizational purposes.

**Empirical research results (step 2)**

The conducted research has some limitations. First of all it is connected with companies’ specifics. So we tried to check the model through extra experts’ evaluation. Indeed several improvements have been made after experts’ interviews.

All four experts mentioned the link between two groups of dimensions. Integration and trust are regarded as dependent variables. Experts stressed that “without trust integration was impossible”. In experts opinion trust is the basic category and it determines the ability to integrate.

Besides, three of four experts noticed extra group of abilities. It was knowledge creation or ability to synthesis. So the modified CE profile consists of five groups of abilities, where stands: Learning, Competence, Synthesis, Reflection, and Trust. (Figure 3).
Undoubtedly, the second step of the research proves the necessity of testifying the profile in a company.

**Empirical research results (step 3)**

Basing on rank analysis each group of abilities is detailed in several abilities. All abilities in groups are arranged in rank order from most important to less important. The abilities which got the lowest ranks are excluded from lists.

**A person has a learning abilities group when he/she:**
- defines the needs in training for better performance independently
- is always interested in new knowledge acquisition
- is capable to transfer new knowledge into practice
- is able to use of another's experience for own development
- gets satisfaction from training process
- constantly improves his/her own skills
- applies the newest methods and technologies in the work

**A person has a high professional competence when he/she:**
- is able to make decisions in uncertain context
- is able to face challenges
- manages tasks quickly
- gives advises, trains and provides assistance to less competent colleagues and beginners
- constantly trains his/her own skills
- is able to manage work time
- is able to consider a problem from different points of view
- is able to develop internal quality standard of result

**A person has integration abilities group when he/she:**
• is able to build trust relations
• is able to co-ordinate interests of different people
• has well developed communicative skills
• is able to predict the most probable reactions of a person
• respects and considers opinions of other party
• quickly finds and involves the necessary people for any problem solving

A person has reflection abilities group when he/she:
• critically analyzes his/her own condition and behavior
• makes use of the previous experience for the decision of new problems
• recognizes his/her own mistakes
• finds out essence and the reasons of the phenomena and processes
• realizes purposes and goals
• requests a feedback from colleagues and a management

A person has knowledge creation abilities group when he/she:
• is able to offer non-standard ways of problem solving
• is able to work with non structured data
• perceives new, does not afraid of changes
• is able to apply interdisciplinary knowledge for problem solving
• is able to systematize information
• is able to actualize knowledge
• is able to synthesize

HR development through CE profile
There could be two ways for development HR through CE profile. First we identify the opportunities for growth of CE. Basing on expert’s view managers can provide the ideal profile of CE for exact firm and period of time. Then the real existed profile can be measured. Thus managers understand the difference between ideal profile and real one. So areas for abilities development can be investigated. Developing CE managers invest in business because as it was argued CE gives the most input in business. Managing CE supposes creating conditions that are favorable for realization and abilities development, for increasing their contribution in organizational performance.

Another way of HR development through CE profile is to develop other employees through CE. Development of others employees could be implemented through CEs’ activity, because they are those people who associate themselves with the company. They are able to provide not only professional skills to new comers, but also to transfer main idea of the company. So from top to down CE may transfer goals, strategy, organizational culture and new business ideas, and from down to top CE may transfer climate, attitude, business ideas and feedback. This may help in organizational knowledge transfer and thus in HR development. Undoubtedly CE could be a good coach, who can help others in their professional and personal growth.

Risks concerning CE model
Basing on interviews we reveal major aspects of CE management:
• Mistakes can be made on the step of CE identification. This results in wrong people choosing. Here we may talk about risks to transfer authority not in those hands and lost of investments.
• Some CE can expect the special attitude of management to. Groundless requirements can appear.
“A core employee can consider him/herself as a star” (HR director of a big production company).

“They often feel like experts and don’t want to here any comments” (HR director of a big building materials retailer).

- To manage CEs is to find tools which can help them to realize their potential; but in the same time these tools should fit key principles of HR policy in the company.

“It is very hard to control their work, because it is very specific” (Project manager of a small architect’s bureau).

“They need freedom and self-control” (HR director of a big production company).

- CE could own exclusive knowledge, carry out special functions, be involved in social networks valuable to the company. So they can take part in strategic decision-making. That is why if someone decides to leave a company it can lead to money and connections lost.

Thus, for knowledge-intensive firms the HCMS based on dividing employees on core and peripheral is adequate. Both groups of employees are important for the organization however CEs create non-copied competitive advantages of the company.

One of the challenges which a company can face following this approach is identifying of CE profile. CE profile consists of proper features which fulfill each of the group of abilities marked above. CE profile designed will promote increasing of efficiency of recruitment, assessment and development discussion technologies and also constructing of more productive reward systems.

So to fit HRM into new are conditions managers need to focus on HC. And HC is deeply connected with development process. So the accent from HRM moves to HCM. And it is very important to stress attention on the most important HC such as CE. Developing CE organizations not only develop their engine but also got an opportunity to develop other employees through CE.

References
Kalabina E.G. Managing interaction between regional and internal labor markets: theoretical analysis and empirical evaluation (case of the companies from Ural region)/ In contemporary management: problems, hypothesizes, studies, ed by Mausheresheva, Moscow, HSE, 2009, pp.323-340.


