Chapter 3
Organisational Flexibility through Human Capital Development

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ABSTRACT

The current knowledge economy has brought several challenges to contemporary organisations. There is need for flexibility on the part of key players, namely individual employees as well as organisations as a whole; this flexibility arises from the innovation in both products and services. The complexity of knowledge requires an education that enhances softer skills. The intellectual capacity, creativity, and adaptability of individuals gives rise to greater flexibility. This strengthens the fact that there is a change of paradigm in the way human capital is viewed. Through the human-oriented perspective, knowledge is seen as collective sense making and social practice. The objective of this chapter lies in this context of complexity, change, and adaptation within an economic and social reality based on knowledge. Therefore, the chapter aims to reflect upon Knowledge Management in companies such as universities where tacit knowledge is stored as intellectual capital in the minds of both lecturers and students and to highlight the need to instill the new paradigm which fosters knowledge creation and sharing in universities.

INTRODUCTION

With the Lisbon Agenda set out in 2000, the aim was to make Europe a more competitive and dynamic knowledge-based economy. The Lisbon Agenda is closely linked to globalisation and to the increasing demands placed on all European Union regions indicating the need to restructure, modernise, and generate innovation in knowledge. This means that companies face the need to improve value creation. For the purposes of this chapter, the notion of companies...
will be extended to Universities. Knowledge in the knowledge economy is the major source of sustainable competitive advantage (Grant, 1996; Nonaka, 1991; Doz & Prahalad, 1991; Bartlett & Goshal, 1989) when viewed as the only “sustainable untapped source of competitive advantage” (McElroy, 2000, p. 195). The Lisbon Agenda is focused both on the knowledge economy and is in harmony with the reforms in higher education undergoing in Europe. Various studies (Caballero, et al., 2008) have been published on this theme looking at the interaction between universities and industry. The main debate is on identifying practices being introduced both at the level of universities and industry in view of their ability to create knowledge and its spillovers in society. However, the debate also focuses upon the role of universities and whether these equip their students with competencies to better prepare them for the labour market. This approach is in line with the Lisbon Agenda as universities are considered to be institutions, per excellence, for both the production and dissemination of knowledge. If universities equip their students with competencies enabling them to face a competitive and sophisticated labour market, they will thus be spilling knowledge over to the entire society. In this way, they will be contributing towards structuring an economy, based on knowledge. The very act of preparing graduates for the market launches tacit knowledge embodied in these graduates, irrespective of any other scientific knowledge they may have. In this respect, Brunner (2009) raises the issue of employability competencies associated with the development of knowledge being essentially linked to developing a combination of tacit and scientific knowledge.

In this regard, higher education, in its ‘most noble’ mission, sets out to create, develop and transmit knowledge, science, culture and technique thereby preparing citizens to perform activities professionally. Consequently, higher education is considered as both an instrument for social and work integration as well as a variable for economic and social development. This view has been adopted by the International Labour Organisation (ILO), which has also been reflecting on issues, namely, lifelong learning of competencies and employability. For this reason, the concept of employability is prevalent in all discourses and is related to the role of education in the knowledge economy (Bergan, 2009). Furthermore, the ILO maintains that education facilitates technology diffusion, improves employability, and minimises the negative impact of globalisation.

It is in the context of complexity, change, and adaptation in an economic and social reality based on knowledge that the objective of this chapter is situated; therefore, the chapter aims to reflect upon Knowledge Management in companies such as universities where tacit knowledge is stored as intellectual capital in the minds of both lecturers and students.

**BACKGROUND**

Traditionally, educational economists based their analysis on primary education, which is in line with traditional economic and management theories. However, today with the advent of knowledge economy, these traditional theories are considered have become somewhat outdated. In 2003, therefore, the World Bank challenged this traditional economists’ view as a means to develop higher rates of returns by arguing the need for investment in universities and thereby making higher education play a fundamental role in the knowledge economy. Consequently, this means that higher education should undergo a mind shift in order to embrace a new paradigm, i.e. the need for higher education to be closer to industry, and to engage in knowledge production (Kok, 2007). Higher education should remain true to its raison d’être—knowledge creation and its quest for truth. This is further corroborated by Kok (2007, p. 184) who highlighted “the development of academic research capacities” is seen as the starting point.
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