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Managing Human Resources in a 21st Century Knowledge-Based, Global Economy

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Managing Human Resources in a 21st Century Knowledge-Based, Global Economy

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Abstract: Globalization created many challenges for human resource managers in the 21st century. In today's competitive, knowledge-based economy, organizations must develop, utilize, and leverage resources, people, and technology across cultures and countries. Success is greatly influenced by human talent and capacity for organizational learning and responsiveness. By taking a pro-active, strategic role, human resource managers can develop organizational capabilities that can help improve performance and build a sustainable competitive advantage. The paper examines strategy and structure and the role of human resources in developing organizational culture, capabilities, and composition of people. Recommendations are made for workforce alignment, knowledge management, and developing 21st century competencies.

Keywords: *knowledge-based economy, human resource management, 21st century skills and competencies, workforce alignment, global workforce practices*

INTRODUCTION

The global economy requires firms to transform themselves into companies that are able to compete with anybody, anywhere, anytime. This imperative means that companies must excel in a number of dimensions that create a new level of competitive advantages. Countries are competing with each other for a scarce and valuable human resource in much the same way they have previously competed for gold or oil. The decreasing number of people in developed countries between the ages of thirty-five and forty-five will not only create greater competition for viable workers, but will also increase the difficulty of succession planning (Global Talent Report 2011). These changes present several challenges for managers and HR professionals.

For most companies, their international success is largely determined by how well their human resource issues are handled. Human resource management must, therefore, redefine its role to become a more strategic of a factor in the organization.

In an economy that is changing fast and constantly, organizations are required to reduce costs, improve quality, and increase productivity. Identifying, recruiting, developing, and retaining talent in a knowledge-based economy is crucial for success. To accomplish these objectives, organizations need human resource management practices that are pro-active, challenging, rewarding, and engaging for employees in order to motivate them to contribute and assure a high level of performance.

LITERATURE

In our 21st century knowledge-based economy, it is critical to develop competitive capabilities to succeed in a global economy. This requires leaders to be able to make decisions from multiple points of views, utilizing collaboration, cross-cultural teamwork, and inputs from diverse stakeholders (Konyu-Fogel, 2014). Studies show that to be successful in a knowledge-based, global economy, human resource management should not be reactive but must be pro-active in developing the firm's competitive strategy and organizational structure (Hansen, 2009). In managing human resources effectively, it is critical to develop management controls and coordination systems to assure a corporate culture that unites employees in the company's goals, values, and priorities. Human resource management must be proactive to help the organization achieve an optimal competitive strategy with an appropriate organizational

structure. The ability to collaborate with cross-cultural teams can help leaders accomplish tasks and energize the organization for high performance (Osland & Bird, 2006). By collaborating, leaders can develop mutually beneficial relationships, form strategic alliances/partnerships, and facilitate networks with business and government organizations (Goldsmith, et al. 2003).

The strategic role of human resource management on organizational performance can impact a firm's competitive position and human resource management practices. A well-defined company strategy must assure that the organization has the resources and capabilities (physical and material inputs, talented, motivated people, up-to-date job skills, equipment, technology, knowledge sharing networks, communications, and finances) that equip the company to compete successfully in the global marketplace (Vance & Paik, 2015).

There is a strong relationship between organizational strategy and structure. Company strategy determines how the organization plans to achieve its strategic objectives. To determine the strategy, it is necessary to first identify the organization's core values and align these with the company policies. A firm may have a well-articulated strategy but may fail if its human resource policies do not help the organization implement the strategy effectively.

Organizational structures may vary based on the type of the organization, the priorities of management, industry characteristics, and the required tasks to be performed. The organizational structure of small firms usually is less formal and more decentralized than that of large firms. In large organizations, on the other hand, there is generally a more formal structure requiring employees to participate in meetings and following specific procedures to report work related problems. A centralized structure enforces certain controls from the main office headquarters which limits autonomy and decision-making at the foreign locations. A decentralized structure allows local managers to make local decisions, which generally helps the company become more effective in meeting local needs, managing the local workforce effectively, and adjusting to the differences in employment practices of the foreign country (Chen, 2007).

Strategic control is critical in all types of organizations as this ensures that the firm's operations, employment practices, and management processes help accomplish the mission, goals and HR policy objectives. Management must develop a systematic and consistent strategic control system that is aligned to the firm's overall strategy. In the 21st century global economy, it becomes necessary for leaders to help organizations maintain effective strategic controls over their operations. Human resource policies must be aligned to both the firm's profit-maximizing strategy and the employment practices. Global companies need to adjust their human resource policies to meet differences in socio-economic, political, legal, and cultural environments of the various work units and locations in the foreign countries where firms have operations (Lepak & Gowan, 2016).

STRUCTURING FOR OPTIMAL PERFORMANCE

Organizational structure is an important strategic capability that is necessary for the firm to accomplish its goals and mission. Structure provides a system that regulates decision-making, authority, communication flows, and information processing within the organization (Garwin, 2000). The organizational structure outlines the relationship between senior and middle-managers, functional divisions, cross-functional areas, operational and administrative units, and employees and supervisors, indicating reporting requirements and lines of communication and decision-making. For achieving success in the 21st century, firms can choose among various types of organizational structures. One of the main considerations for an appropriate organizational structure should be how the structure may influence organizational performance. It is critical to choose the right type of organizational structure that fits the company objectives to develop a competitive strategy.

Recent trends indicate an emergence of networks with horizontal decision making such as the global transnational structure where local subsidiaries report to both area and product managers. However, in a transnational structure manager may face some challenges including conflicts or confusion that may result from reporting to two or more supervisors which could undermine the authority of one unit over the other unit. In the transnational structure, it is important to maintain frequent communication and coordination between product and area divisions to ensure close alignment to organizational objectives because if the goals of the two divisions are not aligned sufficiently, the organization can fall short of its optimal performance (Mierau, 2007).

THREE CS OF ORGANIZATIONAL COMPETITIVENESS

Barney (2002) noted that in order to gain and sustain competitive advantage in today's global markets, it is necessary to develop core competencies that are difficult to replicate by competitors and can provide a sustainable advantage through product and process differentiation in the industry. Firms must take an inventory of their organizational *culture, capabilities, and composition* (3 Cs):

Culture: Organizational Values, Norms, Behaviors

Organizational culture is the pattern of shared values, behavioral norms, systems, policies, and procedures that employees learn and adopt. Culture influences workplace behavior greatly. New employees are often asked to participate in a company orientation program to assure that they learn the organization's standards for acceptable behavior and employment practice. Organizational culture reflects the managerial thinking and priorities that are manifested in company strategy, management style, employee policy and practice. Effective organizations share open communication, sharing knowledge and information, develop problem solving capabilities through organizational learning, encouraging innovation, risk taking, and creativity, promote collaboration, cross-functional teamwork, and strategic alignment of performance standards, employee policies, and procedures with transparent leadership and management practices. Vance & Paik (2015) hold that cultures where employees share similar values and exhibit the same styles and preferences for behavior are strong, "tight" or homogeneous cultures whereas organizations with decentralized structure have "loose" cultures or several subcultures.

Research shows that firms that regularly make adjustments in their internal environments to match environmental changes are likely to outperform those whose culture is rigid and unresponsive to external factors (Cavusgil, Knight, & Risenberger, 2012).

Organizational culture is embedded in the collective mindset of its employees and it may be difficult to change. To change an organizational culture, organizational strategy and human resource management must be closely aligned through the redesign of an appropriate company reward system. Local and national cultures often influence company culture. Corporate culture greatly influences organizational behavior and workforce performance. As a strategic business partner, human resource managers need to measure the effectiveness of human resource policies and practices. As human capital is a necessary and critical component of the success of all organizations, assessing the value of human resources should demonstrate implementing effective human resource practices to maintain a high-quality, engaged workforce.

Capabilities: People as a Strategic Resource

The success of organizations increasingly depends on people-embodied know-how—the knowledge, skills, and abilities (KSAs) of an organization's members. The KSAs are the foundation of an organization's *core competencies* that can distinguish the firm from its competitors and deliver value to

customers. As a result, many firms are seeing the value of tailoring the training for their employees and helping them to develop personalized career paths.

Composition: The Human Capital Asset

The composition of the firm's workforce is the result of the firm's decisions about whom to employ externally and internally and how to manage different types of employees. Employees may occupy different segments in the firm's organizational structure and employment matrix.

Strategic knowledge workers, such as R&D scientists and engineers, are employees linked directly to the firm's strategy. Firms should make a long-term commitment to these people. Core employees constitute people with valuable skills but skills that are not particularly unique (salespeople). Usually, managers invest less training in these people and tend to focus more on short-term commitments with them. Supporting labor include employees who have skills that are less strategic in value to firms and are generally available to all firms (clerical workers). These workers are often hired from employment agencies. The scope of their duties is generally limited, and most firms invest less in these workers in training and development. Finally, alliance partners (attorneys or consultants) have skills that are unique but not necessarily related to a company's core strategy. Companies tend to form long-term alliances with these partners.

RESEARCH METHODS

The purpose of this study was to identify human resource management practices that are critical for building competitive advantage in the 21st century. A mixed-research method was used to collect data through an online survey developed by the researcher. A random sample of business executives and human resource managers were invited for voluntary participation. The population consisted of professional network lists of Fortune 500 and Forbes' Global 2000 firms. Respondents were able to withdraw from the study or refuse to respond to any questions of the survey without any penalty. Confidentiality of the participants was assured by direct, anonymous access to the host site via a limited access hyperlink. The hyperlink was sent to participants in an initial email, with follow-up email reminders sent after the first two weeks, and every three weeks for two months to maximize the number of responses. A total of 102 responses were received and analyzed.

ANALYSIS AND RESULTS

Analysis of quantitative data consisted of descriptive statistics of demographics and frequency distributions of the responses rated on a 1-5 Likert scale calculating means, mode, percentages, and standard deviation. The responses to open-ended questions, qualitative data, were transcribed and coded in NVivo 10 software program. First, the respondents' statements were evaluated to identify patterns and similarities in content to develop main themes based on the frequencies of the responses (open coding). Second, the main themes were compared to the quantitative measures of leadership behavior (axial coding). Third, the results of the qualitative inquiry were evaluated against the quantitative findings for cross-validation.

RESULTS

Results of the mixed-research study are presented in three Tables. Table 1 shows a comparison of the quantitative and qualitative findings. According to the quantitative findings, HRM practices ranked the highest on the 1-5 Likert scale, where 1 = Never and 5 = Always, included: Planning, Coordinating, Leading, Motivating, Communicating, and Collaborating.

TABLE 1
HRM BEST PRACTICES FOR BUILDING COMPETITIVE
ADVANTAGE IN THE 21ST CENTURY

Quantitative Findings	Qualitative Findings
<p style="text-align: center;">Planning</p> <p>Assess opportunities, challenges, risks and competition in your business. Analyze economic, political, social, and cultural factors that impact your business. Solicit information from business units outside your home country.</p>	<p>Develop long-term strategy by aligning organizational objectives with core competencies. Understand political, economic, and cultural differences. Attention to detail & organization. Willingness to understand varied points of views.</p>
<p style="text-align: center;">Coordinating</p> <p>Evaluate multiple points of view to resolve business issues. Use production, marketing, or distribution systems outside your home country. Integrate supplier networks across different countries. Share information and decision-making with executives in different parts of the world.</p>	<p>Listen to multiple points of views. Develop products that fit the needs of different countries. Understand the political, economic, cultural practices of the countries in which business is intended to be conducted. Assess marketing programs by cultural differences.</p>
<p style="text-align: center;">Leading</p> <p>Develop organizational values that represent diverse perspectives among cultures and countries. Delegate authority & assign tasks across cultures and countries. Select and promote people from a global talent pool. Engage in cross-cultural training and international staff development.</p>	<p>Human resource management must assure that the management and staff meet once a year face to face at different locations. Adapt to changing situations. Think outside your geographic location and remember that you are just one small part of a bigger picture. Forward thinking.</p>
<p style="text-align: center;">Motivating</p> <p>Respect, appreciate, and praise the accomplishments of employees of different cultures and countries. Use rewards and incentives that reflect the values, goals, and aspirations of employees from different countries and cultures. Encourage, coach, and mentor people from different countries and cultures to work together to achieve goals and objectives.</p>	<p>Build trust. Understand that everyone has something to contribute. Recognize that persons from different cultures need to be motivated, mentored, and rewarded very differently. Recognize that being different does not make something “right” or “wrong.” Use flexibility. Respect others’ views.</p>
<p style="text-align: center;">Communicating</p> <p>Seek the views of stakeholders from different countries and cultures. Respond to differences in business practices, cultures or country environments. Participate in cross-cultural meetings, brainstorming, and other global information sharing activities.</p>	<p>Communication across cultures needs to be developed and executed with the highest priority. Openness. Respect for individuals, cultures, religions, and business practices. Appreciate diversity, inclusion, listen intently to understand meanings.</p>
<p style="text-align: center;">Collaborating</p> <p>Work with representatives of political, social, cultural or civic institutions in other countries. Use networks across countries and cultures to achieve business objectives. Develop partnership, alliances or ventures with companies in other countries.</p>	<p>Know your flock, understand your customers, employees, and factors that influence their choices. Understand that our infrastructure in the US is totally different than every place else so we must seek to understand. Listen first, speak later.</p>

Responses to the open-ended questions indicated similar findings to the quantitative measures. Comments made by participants included *developing long-term strategy by aligning organizational objectives with core competencies*. Other comments on human resource practices included: embrace diversity, respect traditions, understand differences in business environments, and show respect for traditions, cultural differences. These related to the subscales of Motivating, Leading, and Communicating of the Leadership Behavior instrument. *Developing learning communities and recognizing complimentary skills* relate to Collaboration and Coordination, and *understanding what motivates people across cultures, being flexible, exercising patience and sensitivity* are important aspects of Motivating. Behaviors of *deep listening, willingness to learn about differences, listen intently to understand meanings, exercise clarity and good communication among cultures/languages* are also components of the Communicating subscale.

Table 2 presents the main themes on the most important HRM practices for building competitive advantage in the 21st century. Results of the qualitative inquiry seem to complement the quantitative findings indicating that, to function effectively in the 21st century, organizations need to develop strategies that incorporate planning, coordination, and collaboration among many constituents. The findings indicate that human resource professionals need to be able to manage diversity through understanding and adjusting to differences; use flexibility and sensitivity in the workplace; motivate and respect people; encourage frequent and open communication; and develop cross-functional teams and processes that are aligned to the strategic goals of the organization. Human resource professionals should be able to meet the needs of diverse stakeholders and be able to respond to multiple points of views effectively.

TABLE 2
MOST IMPORTANT HRM PRACTICES FOR BUILDING COMPETITIVE ADVANTAGE
IN THE 21ST CENTURY

Most Important HRM Practices Noted by Participants	N	%
Develop long-term strategy	15	14.7
Align objectives with organizational core competencies		
Understand differences in business environments	14	13.7
Be sensitive and flexible/show respect for traditions	14	13.7
Embrace diversity and appreciate differences	13	12.7
Open-minded, curiosity, willingness to learn	11	10.8
Recognize complimentary skills/build a global	10	9.7
Learning community		
Good communication across cultures/languages	8	7.8
Patience/deep listening/clarify goals and expectations		
Understand what motivates people in different countries/cultures	7	6.9
Understand the disadvantages of ethnocentrism		
Be inclusive, participate in social and cultural events	5	5.0
Build a customer-centric organization		
Listen intently to understand meanings	3	3.0
Show integrity and don't be arrogant	2	2.0
Total	102	100.0

Table 3 presents examples of additional comments on best practices of leadership for 21st century management. This indicates a need for diversity and building learning communities.

TABLE 3
ADDITIONAL COMMENTS ON BEST HRM PRACTICES IN THE 21ST CENTURY

I believe that all managers should attend training programs and seminars. In order to conduct business in the world today, employees need have continuous learning.
The next generation of executives must think strategically, understand differences and be able to integrate multiple points of views.
21 st century HRM should focus on building a learning community.
HRM practices need to include motivating people, developing trust and respect for others.
Organizational development must be executed top-down. This should be a significant focus in the 21 st century economy.
Human resource managers need to provide open communication at all levels, must show respect to people despite of differences and stay professional always.
From my experience, the key is and appreciating and accepting people and employees.
Open yourself to learning and understanding.
Do not be afraid to admit that you need to learn more, and if a mistake is made, admit it rather than covering it.
Positive attitude requires to stay open; Observe and listen to what others have to say.
Be patient when necessary, do not use quarterly thoughts.

In summary, the study found that human resource professionals need to develop open communication and organizational culture that accepts differences and shows a willingness to learn. The results suggest that training is important in developing core competencies. Also, having a positive, open-minded attitude is critical for success. In the 21st century, employees often work in complex environments. Organizations need HRM practices that can build core competencies in planning, coordinating, communicating, motivating, leading, and collaborating to build competitive advantage in today's fast changing, complex environment.

IMPLICATIONS TO HUMAN RESOURCE MANAGEMENT

The recent downsizing in manufacturing employment have caused concerns for employee turn-over and retention, labor productivity, and company profitability (Kaufman & Miller, 2011). Employee morale may change drastically due to downsizing employees or withholding pay increases, freezing employee hiring, or the lack of promotion (David, 2011). Human resource professionals should consider the possible effects of changes on employee rights, work and family responsibilities, employee attitudes, and privacy issues.

When organizational structure and decision-making mechanisms are centralized, the ability to respond to change can be less effective solving problems or managing knowledge capabilities (Robbins & Coulter, 2007). Transferring knowledge is a critical factor in developing competitive capabilities. Human resource managers should facilitate the transfer of management and technical knowledge and expertise across the organization. This can allow firms to be responsive to changing needs and market conditions. Explicit knowledge is often shared among employees through company memos, documents, manuals, data, procedures, or company core values and principles. At the same time, tacit knowledge, could be difficult to express by words or specific statements, thus it may not be as easy to communicate. The "know-how" that derives from personal experience, "learning-by-doing," usually encompasses specific experiences and skills of individuals that may not be explained specifically in written forms. However, it is critically important that organizations develop a capacity to transfer tacit knowledge by sharing experiences and encourage knowledge sharing at all levels.

Furthermore, to determine capabilities for building a competitive advantage, four specific criteria should be used: valuable, rare, difficult to imitate, and organized. People can be a source of competitive

advantage when they improve efficiency or effectiveness of the company. Value is increased when employees find ways to decrease costs, provide something unique to customers, or achieve some combination of these. To build a competitive advantage, human resource managers need to develop skills, knowledge, and abilities that are not available to competitors and cannot be copied by others. Organization of skills and knowledge requires integrated data platforms and HR practices that help identify talent deployment and utilization.

DEVELOPING KNOWLEDGE-BASED, GLOBAL COMPETENCIES

In the 21st century, employees must be able to understand the global complexities of business operations. It is necessary to be able to identify and analyze complex situations, solve problems, provide solutions to unforeseen situations, think creatively, and understand differences in work environments. Managers need to leverage people and resources, meet quality product standards, and respond quickly and effectively to changes in industry, customer needs, and often conflicting interests of multiple stakeholders. The 21st century work environment requires employees to learn skills in relationship management, communication, cross-functional team work, risk taking, and innovation. Human resource managers need to adhere to fair and ethical human resource management practices. To achieve effective relationship management, managers should provide appropriate incentives and rewards that are motivating and meet employee needs.

CONCLUSIONS

Human resource professionals should assist organizations develop people, resources, and capabilities to build competitive advantage in the global marketplace. Through strategic leadership, organizations should create organizational cultures and structures that develop human resources with 21st century competencies, fostering creativity, teamwork, and communication.

Furthermore, knowledge sharing in the 21st century must be facilitated by open communication, learning and transferring core competencies within the organization, and reward systems that acknowledge and promote employee contributions. Managers must encourage employees to share best practices by giving incentives, rewards, and direct compensations for employee contributions. Cross-functional teamwork and information sharing should be an important part of performance evaluations. When employees are not rewarded for disseminating knowledge at the organization, they do not have an incentive to contribute their expertise and skills to assist others at the workplace. To encourage knowledge transfer and best practices, management must develop an effective organizational structure and strong company culture that promote employee contributions, active engagement, and the sharing of best practices.

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