

## **PREREQUISITES FOR RECONSIDERING THE IMPORTANCE OF HUMAN CAPITAL IN MANAGEMENT**

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**Abstract.** *We live in truly paradoxical times, where the present has increasingly fewer and weaker connections to the past, but is more and more determined by the future. Maybe the paradox is just apparent because, contrary to traditional beliefs, time does not in fact move from the past to the present and further into the future; on the contrary, the future first becomes present and then disappears into the past. Post-modern organizations will have to develop a strong potential to change, the adaptability to environment fluctuations being the main competitiveness factor. These organizations will be built around specific problems, very complex to solve. Solving these problems will only be possible with teams made of very well trained members, with various skills. The management of these organizations will no longer have the mission to supervise and direct, but to stimulate and perfect cooperation and communication within organizations. The content of planning of human capital, under complexity and turbulence conditions in the environment of organizations, will no longer accept solutions based on linear extrapolation of previous tendencies. An efficient planning will not be possible to make based on a set of isolated guidelines, but will request multi-referential patterns, capable of interrelating very different dimensions of the organizational reality – economic, technologic, social-politic, environmental and, last but not least, cultural.*

**Keywords:** adaptability, instrumental-rationality, proliferating diversity, flexibility.

### **1. Post-modern mutations in the management of economic organizations**

Postmodernism is a term as frequently used by philosophers and sociologists as ignored by economists and management specialists. Undeservedly, because postmodernism is not a caprice or an intellectual fashion. This term reflects the very intimate nature of structured processes of all macro- and micro-social fields. Postmodernism is the successor of modernism. This latter, modernism, is not the end of evolution of human civilization, and capitalism – one of the most important “facets” of modernism – is not the end of history either. At the same time, *post-modernism is not just the future, it is our very present, prefigured by the images we have about the future.* A present engraved in the future. We live in truly paradoxical times, where the

present has increasingly fewer and weaker connections to the past, but is more and more determined by the future. This is probably one of the essential features of postmodernism! But maybe the paradox is just apparent because, contrary to traditional beliefs, time does not in fact move from the past to the present and further into the future; on the contrary, the future first becomes present and then disappears into the past. *The idea of time is one of the central axes of any managerial philosophy.* The efficient management of time is not limited to merely obtaining useful results during a certain unit of time. Efficient time management means, first of all, ensuring the most adequate correlation between the short time and the long time, i.e. between present, immediate future and remote future. And this is possible only if we look from the future towards the present, not the other way round. Hence, distinguishing the future, the “present future”, is crucial. Using to that effect strictly rationalist and determinist patterns that are specific to modernity is no longer productive. Analyzing tendencies and requirements that are specific to postmodernism could open breaches in the blockade of economic and managerial knowledge that we currently witness. *Understanding postmodernism from an organizational-managerial perspective is absolutely necessary, seeing that the management has transformed into a key social function, responsible for attaining results as positive as possible.* It is remarkable that even this transformation of the management into a first-rank organizational function, by “substituting” property, is one of the key features of postmodernism.

Here are several of the reference ideas of postmodernism (Vlăsceanu, 1999):

1. There is no „unique” truth, but several truths associated to various social, cultural, geographic, temporal or situational contexts. Thus, any knowledge is just an alternative, as compared to other possible alternative, having a reflexive and self-referential character.
2. Any person, member of a culture, represents and understands surrounding events not only by interrelating them, as external events, but also by relating them to their own self, which is a cultural “product”. Knowledge and culture are coextensive. Any cultural phenomenon is overdetermined and multivocal.
3. Between power and knowledge there are multiple interdependency relationships. Each type of knowledge generates a certain power exercising mode. Cognitive alternatives cause alternative powers.
4. The multitude of evolution possibilities of the same phenomenon or event becomes a normal, usual fact.
5. The freedom of interpretation and alternative development perspectives, as a result of the fact that the social universe is, in fact, a construction, meaning that what the observer perceives and believes depends on the concrete social situation in which he is.
6. Weaker emphasis on instrumental rationality.

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Obviously, these ideas deeply affect even the familiar methods of construction and control of organizations, including of the economic ones. This change is characterized, first of all, by the integration of rationality into a more extensive interrelation and communication process, besides emotiveness and spontaneous human sociability, which appear as at least equal partners of rationality. *In the post-modern conception, organizations represent open, organic or natural systems, true human communities, strongly connected to their external environment and governed simultaneously not by one, but by several structured forces.* This change of perspective entails other deep changes in the ideology and practice of the management of organizations.

First of all, there is a *categorical passage from unique rationality to multiple rationalities*. Post-modernism induces ambiguity, vagueness, relativism and incertitude, together with and due to these proliferating all kinds of fragmentations, diversity, pluralism, de-hierarchism. In other words, organizational order of linear-determinist type is substituted by the order of aleatory and multiple contingencies and requirements. This way, we are heading towards elaborating alternative organization and management structures and practices, based on accepting and assimilating alternative rationalities.

Secondly, *the organizational networks extension processes are distinguished more and more intensely against the background of competition between multiple rationalities*. The idea of closed, „monolithic” organization, more or less isolated by the external environment, falls into desuetude, being replaced by “ad-hoc” and matrix organizational patterns, based on interim dynamic shapes and on many extensions in the environment.

Thirdly, *the active emergence of organizational culture as a force of construction and contextualization of organizations is noticed*. Organizations are seen as cultures defined by their own well-crystallized symbolic order, emerging from the interactions of organizational actors, which creates, in its turn, social meanings and relationships with certain stability. Organizational rationality is not imposed, but built by co-existing rational and non-rational forces. Formal rationality is complemented and concomitantly competed with by the informal dynamics of the organization.

Fourthly, as a logical effect of proliferating diversity and the organizational cultures emergence phenomenon, *the transition from organizations – understood as unitary coordination and control patterns of collective human actions – to organization practices naturally takes place*. These practices are centred on values and institutions, tolerating the plurality of competing and coexisting paths. Actually, the modern organization is „dissolved” into a kaleidoscopic mixture of aims, interests, relationships and interpretations. This is not about installing anarchy that, as a matter

of fact, is already prophesied by many false heralds, but about the transformation of organizations into vehicles of multiple rationalities.

Finally, *the installation of the feminist approach is another essential change, caused by postmodernism, in the organizational space.* As a result, emotional, intuitive or tacit experiences are believed to be as important as the rational forms of knowledge and organizational control. This change is, basically, a passage from quantity to quality in structuring organizational dynamics. The efficiency of organization is no longer assessed exclusively from the perspective of instrumental rationality, i.e. of the „purpose-method” relationship, but from a much richer perspective. Thus, not only are post-modern organizations open to environment, but they are also sensitive to the grievances and motivations of all actors within them. Ideas like community, trust and reciprocity are ethical fundamentals of post-modern organization. Probably, the ascension of organizational feminism is the quintessence of the managerial dimension of postmodernism.

All these changes act concertedly, creating an organizational universe that needs managerial answers that are very different from those provided by modernism. *Post-modern organizations will have to develop a strong potential to change, the adaptability to environment fluctuations being the main competitiveness factor.* These organizations will be built around specific problems, very complex to solve. Solving these problems will only be possible with teams made of very well trained members, with various skills. The management of these organizations will no longer have the mission to supervise and direct, but to stimulate and perfect cooperation and communication within organizations.

## **2. Organizational mechanisms and competitiveness of organizations**

Economically, *post-modernism manifests particularly by transforming knowledge and information into the main factors of production.* In terms of activity flows within an economic organization, this modification of essence has several major repercussions (Sainsaulieu, 1987). Thus, the weight of conception activities increases, while execution work, and particularly its repetitive and routine components, is reduced. The ratio between decisional processes and execution processes also changes: although decisional situations are reduced, the self-control, self-assessment and self-planning capacity increases at the level of the common members of the organization, due to the direct access to information. This also means that the number of simple and individual decisions is reduced and that the number of complex and collective decisions increases as a result of the increasingly tighter interdependence between all decisional levels and roles. Also, the weight of vertical, hierarchic communication is

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reduced in favour of cross-functional, horizontal cooperation. The plurality of these partial effects causes the most important managerial consequence of the development of the knowledge-based economy: *the management of knowledge and information, as well as of assets facilitating its refinement and exploitation (people, first of all!), is transformed into the most important managerial concern.* The efficiency of the physical and financial capital of companies will entirely depend on the efficiency of the management of intellectual and relational capital. Even the created economic value and, implicitly, the market value of companies will depend directly on the quality and level of productivity of the intellectual and relational capital. Only highly adaptable organizational systems, based on temporary shapes, containing highly skilled “knowledge workers”, who communicate efficiently, could cope with the complex duty of increasing this productivity. Adhocracy is the password of post-modern management!

Irrefutably, flexibility, so necessary for the competitiveness of organizations, cannot be developed based on permanent and rigid organizational mechanism. To increase their adaptability, managers will have to deconstruct their organizations. *The ingenuity in creating ad-hoc organizational gears will be a lot more precious than the management’s skills of bureaucratically rationalizing activity flows.* The problem is that there are no more patterns to imitate, and the new patterns must be invented. The “creational subtilization” will be less and less possible because “infallible” managerial solutions and practices, worthy of being imitated, will be increasingly rare.

The content of planning will considerably transform as well, as function of the management. *Planning, under complexity and turbulence conditions in the environment of organizations, will no longer accept solutions based on linear extrapolation of previous tendencies.* An efficient planning will not be possible to make based on a set of isolated guidelines, but will request multi-referential patterns, capable of interrelating very different dimensions of the organizational reality – economic, technologic, social-politic, environmental and, last but not least, cultural. The need to combine the immediate pressures with the monitoring of long lasting aims inevitably leads to extension of the planning horizon and, almost obviously, to the uselessness of linear methods. The effort of looking planning patterns capable of including the vague and ambiguous, of working with less precise data and problems, more intuitive, will permanently tip the quantitative-qualitative scales in favour of the qualitative benchmarks in planning. The demarche of improving the organizational planning practices will incorporate solutions such as the elaboration of integrated planning mechanisms, from the super-organizational level (organization-environment relationships) to the sub-organizational one (relationships between various components of the organization); taking into account the socio-cultural data and phenomena,

not only the economic-financial, commercial or technological ones; creation of sub-aggregate planning methods, allowing non-linear projections etc. (Toffler, 1998).

The increasingly emphasized differentiation of organization derives from and develops concurrently with the increasing segmentation not only of the markets and of the business environment, but of the entire society. To efficiently respond to this increasing pressure in view of differentiation, the management of economic organizations will be forced to maintain a *complex equilibrium between three important novelty proportions*: that of the offered product/services line, that of manufacture technologies and methods, and that of internal and external relational networks of organizations. That is because flexibility is not a purpose by itself, but a means of generating novelties, innovations. In fact, innovation is the great source of competitiveness!

Quality management will not cease to be another important element of the necessary feed-back system of an organization for its efficient planning and coordination. The reason is as simple as can be: seeing that internal organization will increasingly rely on decisional-functional autonomy of operational units, and that relationships with the environment will branch and become more flexible, maintaining the standards, ensuring the internal compatibility of subsystems and protection against risks will become more and more important managerial concerns.

All the aforementioned features of the management of post-modern organizations can only be developed within an adequate „ideological superstructure” which must include explicit assumptions regarding the future on the long term and, of course, strategic axes to use these assumptions, as well as a consistent vision of the future shapes and evolutions of organizations, etc.

Traditionally, companies – economic organizations – are considered to be contractual sets or structures. Nevertheless, only the holders of the invested financial capital are acknowledged as legal owners. Only these legally acknowledged owners are entitled to control and command, exercised either directly or by delegation. The aims of the company entirely identify with the financial aims of its owners. Anchorage to property is a fundamental characteristic of modern economic organizations. However, *in the post-modern era we witness an undividable and gradual property substitution process, as basis of command and control, with various relationships – marketing agreements, partnerships, joint-ventures, participations, strategic alliances, etc.* More and more frequently, these relationships form dense business networks where power is dispersed and interdependences are so strong that it is practically difficult to say who exactly is in command and control. Operation of these networks is based, to a rather small extent, on explicit regulation and supervision, being, in exchange, based on the common comprehension of aims, strategies and policies, a

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common language, etc. Unlike the old business structures that were based on property and claimed to have a long lasting existence, post-modern organization no longer claims stability, but favours ad-hoc, temporary relationships, where not the hierarchic command and control „rule”, but communication does.

One thing is certain: organizations and their management will have to be reconsidered from the conceptual perspective and rebuilt according to the new perspective. Questions like „What is an organization?”, „Why does it exist?”, „What for?”, „Whom for?” are awaiting answers. *Probably the organizations that are specific to post-modern era must be perceived more like reticular patterns of relationships, a continuously changing mixture of people and transactions.* In these organizations, people will less and less have roles in rigid hierarchies, established precisely in advance. Therefore, *the organization can no longer be seen as a simple „machine”, rationally conceived to serve its owners. That is why people – members of the organization – can no longer be treated as simple instruments.* In fact, people now become the main assets of the organization. They are the carriers of knowledge, of know-how, of skills, of competences, of creativity, of abilities. The new ideas and solutions to all problems are stored in their heads and souls. If they leave the organization, they will take these valuable assets with them. *The development and exploitation of human assets, including the social relationships they generate, is a fundamental responsibility of management.* Human assets or intellectual and relational capital, as called above, are a little more than simple instruments. They are an important source of competitive advantages and that is why they must be cherished, guarded and developed through adequate investments. Ensuring the highest possible economic yield of these assets will determine the success of organizations. Or, from the economic point of view, these assets behave differently from physical or financial assets. The great particularity of human assets is that they are capable of self-organization, self-government and self-improvement. It is obvious that the increase of productivity will not be possible by using methods that are meant for the increase of productivity in physical assets. The key consists, no doubt about it, in the human and organizational development, not in the well-known „intensive” and „extensive” efficiency increase processes. This will necessarily entail the radical review of the way of understanding and representing the economy of the organization. The image of the organization as a „patrimonial structure”, reflected in the balance sheet, becomes increasingly restrictive. Certainly, the financial and accounting instruments of analysis and management of the activity of the economic organization will not be abandoned. However, they will reflect a smaller and smaller part of the „top of the iceberg”.

### 3. Internal and external complexity of post-modern economic organizations

The internal and external complexity of post-modern economic organizations will be incommensurably greater than that of companies in the modern era. The new business organizations will definitely be less predictable, less measurable and a lot more variable than the traditional ones.

We could summarize the main mutations in the economy of post-modern organizations as follows:

1. The increasingly long distance between financial capital (property) and the control of its use (management);
2. The main source of competitive advantages – intellectual capital – cannot be dissociated from its carrier – the employee;
3. Work is becoming less repetitive and routine, and more difficult to divide into many simpler duties that are likely to be standardized bureaucratically;
4. The main duty of management consists in organizing and controlling intellectual capital in view of ensuring the highest possible yields.

These forces are carriers of an enormous changing energy. For the time being, the *theory and practice of management is adrift* (Dumitrașcu & Dumitrașcu, 2004), as we said somewhere else. But the very same forces that caused turbulences and confusions will see the management through. The management will be intensely transformed, as post-modernism is dissociating more and more firmly from modernism.

Complexity can be grasped only by making an effort to multiply attention. That is why the manager must be a master of observation and listening. He always watches. The manager's teaching role consists in helping those in his team to become „actors-authors”. By his trust in the capacities of the others, the manager arouses the wish of autonomy and initiative.

In an uncertain context, the manager must conjugate energies and facilitate the creation of relational networks. Not only is the principle of subsidiarity contemplated, but also the encouragement of developing organizational networks as a basis for the collective solution of problems. Cross-functioning and permanent looking for answers to questions like „Who is my customer?” and „Who is my supplier?” turns into a second nature not only of managers, but of the performing personnel, replacing the old interrogations such as „Who is my boss?” or “Who is my subordinate?” By assigning „his men” responsibilities that arouse the formation and expression of original opinions and conceptions, the manager contribute to creating the „transformational man” – specialist in his area of expertise, but capable of understanding the logic of



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other activities and of constructively intervening in solving problems that involve a group effort. The manager enriches his team by searching diversified talents and complementary competences. This requires a strong will, capable to repress the natural tendencies to encourage docile uniformity, to make „self-portraits” for a narcissistic pleasure or a so-called disciplining pleasure in view of dominating.

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