An effective public service depends on the capacity of its people. To build this capacity, the public service must change its approach to development. It must be less fragmented, less prescriptive and less supply driven. It must be more practice-oriented, more logically sequenced and more responsive to the changing structures, needs and requirements of the Public Service.

(Minister of Public Service and Administration Budget Vote Speech, 2007)
CENTRE FOR PUBLIC SERVICE INNOVATION
in collaboration with
THE SOUTH AFRICAN MANAGEMENT DEVELOPMENT INSTITUTE (SAMDI)
presents the third
FUTURE WATCH REPORT
Human Capital Development Report
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Foreword by the Minister for Public Service and Administration.

Scaling up on Public Sector Human Development

Sustainable development reflects a process that meets the needs of the present without compromising the ability of future generations to meet their own needs (Human Development Report: UNDP, 2003).

This third Future Watch Report, titled The Human Capital Development Report (HCD), advocates the need for continuous growth and lifelong learning for individuals and institutions to meet the challenges of service delivery. The report points out the many opportunities that exist for better coordination and alignment of development initiatives that are already taking place within the Public Service.

The HCD Report considers local and international good practice that can be rapidly applied to address the capacity challenges faced by government in ensuring effective service delivery by the Public Service. The use of job rotation and self-managed capacity development to improve human capital are just some of the recommendations made in the report.

One of the shortcomings of Human Capital Development is the limited systematic collection and the analysis of data on the quantity, quality and performance of Human Capital Development in the Public Sector in South Africa. This shortcoming is discussed in the Report as a serious oversight that needs to be addressed urgently.

Furthermore, it is clear that we need to reconsider how induction, internal training, mentoring, coaching, and monitoring are conducted in the Public Service. In addition, it is important to implement and understand exit interviews to improve staff retention. The Report will greatly assist those sections of government that need to address vacancy and retention challenges and therefore respond to capacity deficits.

A strong and achieving Public Service is necessary for a competitively successful nation. This publication aims to facilitate the sharing of experiences and good practices through a comprehensive but easily accessible text. The Future Watch - HCD recommendations should be used in conjunction with the initiatives government is currently embarking on that are providing effective human resources that are responsive to the needs of the citizens.

Let us therefore move forward to fast track service delivery and continue to build an effective and efficient Public Service that meets the citizens needs. For us to achieve a sustainable and forward-thinking Public Service the necessary resources, infrastructure, research, training and legal framework need to be established.

I congratulate both the Centre for Public Service Innovation (CPSI) and South Africa Management Development Institute (SAMDI) on this joint research publication.

Geraldine Fraser-Moleketi
Minister for Public Service and Administration
ACKNOWLEDGEMENTS
The CPSI would like to thank all those who shared their experiences and reflections, and who provided input and direction on Human Capital Development.

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ACRONYMS

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The Learning Government
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Introduction

The Centre for Public Service Innovation (CPSI) is an initiative of the Minister of Public Service and Administration, established to identify, support and nurture innovation in the public service with a view to improving service delivery. This CPSI initiated report is the third in a series of Future Watch reports and it explores innovative approaches to Human Capital Development for public service employees and the critical role of organisational learning. It aims to introduce innovative approaches and thinking to human capital development processes and initiatives currently underway within the broader public service.

This Future Watch report aims to engage decision makers and other interested parties on emerging trends in Human Capital Development (HCD) with a view of facilitating the successful introduction of these trends into the work of government departments and agencies and develop a future-oriented framework for HCD within the context of the South African public service.

The adoption of a HCD framework in the public service should enhance skills development and retention within the public service to enable the provision of first rate public services. An indication of the strategic importance the Minister of Public Service and Administration attaches to this was highlighted in her 2004/2005 budget vote speech when she noted:

My vision for the future involves building the million or so members of the public service into a professional corps motivated, skilled people who provide the kinds of public services that address poverty and facilitate prosperity.

She notes further that:

In the modern economy, service delivery techniques and practices are changing and improving at an astonishing rate. This means that the skills and knowledge base in the public service must be continuously upgraded and developed so that we are able to make use of new possibilities that constantly present themselves.

The public service is human capital intensive and human capital is the primary source for organisational innovation and renewal, hence HCD has the potential to address effectiveness and efficiency issues within the public sector and increase productivity. In addition, budgetary pressures make it imperative that the state learn how to make better use of the employees it currently has at its disposal.

The commitment by government to improve South Africa’s human development index, enhance social development and increase international competitiveness are well documented. The over-riding priorities for the government have been:

- To increase skills to improve productivity and efficiency of government and the private sector, competitiveness of industry, business commerce and service delivery so as to remain competitive within the global economy
- To address the challenges of social development and the eradication of poverty.

Some initiatives in the field that have been introduced since 1994 include:

- Human Resource Development Strategy for the Public Service builds on the foundations that have previously been put in place through the National Skills Development Strategy (NSDS) and the National Human Resource Development Strategy (NHRDS). The HRD Strategy aims at addressing the major human resource capacity constraints currently hampering the effective and equitable delivery of public services.
- Skills Development Act was passed in 1998, introducing a new approach to the promotion and development of work related skills in South Africa. The overall vision is of an integrated skills development system, which promotes growth in employment, social development and the economy, through focusing on integrated education, training and employment opportunities.
- Investors In People Standard (IIP) provides a simple framework to achieve success through people. It aims to change the workplace into an active lifelong learning environment and looks at all options of how the organisation can be improved through staff development which in turn will lead to job satisfaction and thus increasing the efficiency of staff.

The adoption of a comprehensive HCD framework would enhance all the above strategies as HCD represents a planned, strategic and integrated approach to managing and developing the entire value chain of human capital on whose skills and capabilities the success of the public service depends.
The Intangible Economy

The availability and use of knowledge represents a key challenge that has been identified by both private and public sector organisations globally. The industrial revolution of the 18th century was the catalyst that transformed agricultural economies into industrial ones. A similar but less definite shift started to occur in the 20th century when the movement of information became quicker than physical movement, ushering in the Information Age (Wikipedia). In this era, information was a scarce resource and competitive advantage was created through the generation, capture and distribution of information. When information was no longer considered a scarce resource the focus turned away from the mere generation of information and towards how it can be more effectively utilised for economic benefit. This environment is what is commonly considered to be the knowledge economy. Some of the literature indicates that this trend has developed further and that the current economic era is the Intangible Economy.

In the Intangible Economy there are four factors of production. They are knowledge assets (what people know and put into use), collaboration assets (who people interact with to create value), engagement assets (the level of energy and commitment of people), and time quality (how quickly value is created). These are the four key resources from which economic activity and competitive advantage are primarily derived and delivered (Wikipedia). From this, the emerging value of human capital becomes clear.

The relative importance of the previously mentioned intangibles will vary between sectors but in the future, the effectiveness of any organisation will primarily be determined by the manner in which the intangible assets are managed and developed. Thus the rules and practices that determined success in the industrial economy of the 20th century need to be rewritten for an interconnected world where resources such as know-how are more critical than other economic resources.

The public sector is an example of an organisation that is fundamentally dependent on the skills and capabilities of the people in its employ. At the fifth global forum on re-inventing government Geraldine Fraser-Moleketi, the Minister of Public Service and Administration emphasised this when she said:

The development of human capital within the public sector directly impacts on the ability of the state to create an enabling environment for growth, poverty alleviation and dealing with the challenges relating to global security. This is particularly evident in developing countries. The state needs to embrace the notion of human capital as a resource impacted on by the changing nature of the global environment, and be prepared to consider new staffing practices that challenge many of the assumptions upon which bureaucracies have historically been built. 

Towards the end of 2004, the President identified the urgency for Government to ensure that the state machinery had the required numbers of properly qualified, motivated and resourced people dedicated to ensuring the success of our social and economic development initiatives. This culminated in a report prepared by the Human Science Research Council (HSRC) for the Department of Public Service and Administration (DPSA), which highlighted the skills needs of the developmental state, particularly with regard to South Africa, and identified key short, medium and long term strategies to address these needs.
Human Capital and related concepts

The literature on the subject defines human capital as the know-how, education, work-related competencies and psychometric assessments of employees. Other academics define it as the sum of all individual competencies in organisations or a combination of genetic inheritance, education, experience and attitudes about life and business. Whichever definition is used, the bottom line is that human capital represents the capability of the organisation and is resident in the minds of the employees. It incorporates the capacity to act, both individually and collectively, in a wide range of situations to achieve organisational results.

In the profit driven private sector, it is widely believed that people are the last weapon of competitive advantage in the knowledge economy. Products can be easily duplicated and services cheaply emulated but innovation, execution and knowledge cannot. Removing the profit motive and examining the approach for the public sector does not dilute the value of a strategic approach to human capital management and development. The nature of the service provided by the public sector means that the capabilities of the employees, i.e. the human capital are fundamental to the effective functioning of the government. Therefore there is a continuing shift in focus towards maximising the competitive difference housed in an organisation’s employees.

Organisations the world over stand up and proudly proclaim that their employees are their greatest asset and indeed, the nature of the intangible economy supports the notion. However, if this truly is the case, then it needs to be mentioned that the organisation’s greatest asset has its own mind, makes its own decisions and walks out the door every evening. Therefore, focusing exclusively on developing individual HC without understanding the nature of knowledge in an organisation exposes one to the risk of losing valuable knowledge when people leave. Thus two additional concepts, structural and stakeholder capital are introduced.

This report introduces phrases such as human capital development and structural capital which may sound like nothing more than the new business buzz words that describe an older concept, Human Resource Development (HRD), dressed up in a shiny new suit. While the content of this report does have the potential to become just another business fad if it is not implemented correctly, the holistic view that is taken builds on the strengths of previous methodologies to create an approach to managing an organisation’s knowledge that is strongly founded in theory as well as in practice.

Structural / Organisational capital

Structural capital is the mechanisms and structures of the organisation that help support employees in their quest for optimum performance and therefore overall business performance.9 Structural capacity represents the ability of an organisation to learn and remember lessons learnt. Knowledge and experience are tacit when they are housed in the minds of the employees. Once the knowledge is written down in some form it is explicit. Structural capital is the ability to convert tacit knowledge into explicit knowledge so that the organisation is able retain knowledge. In other words it is what is left after the employees have gone home.

The value of structural capital is best described in the form of an example. Consider Themba, who is a director in the Department of Trade and Industry. Themba has substantial human capital in the form of knowledge as well as extensive experience relevant to the role that he plays in the Dti. Over the last three years Themba has had many successes and a few failures, all of which influence the manner in which he performs his function. Now, let’s assume that Themba is offered a Chief Director position in a different department and he accepts. The question is: was information regarding projects that were completed, the lessons learned, and the reasons behind certain decisions recorded? If not, not only does the Dti lose Themba and all his skills, but also all the knowledge that was gained within the Dti that is specific to the job that he was doing. In such a case, the directorate would be doomed to repeat mistakes with an obvious impact on service delivery.
Structural capital would be the ability of the Dti to remember what Themba had learnt during his three years in the post — in the absence of Themba. Examples of how this can be achieved are: operational manuals, debriefing reports, databases, learning histories as well as the sharing of the knowledge amongst his colleagues and subordinates.

Stakeholder Capital
It is not difficult to imagine that there is valuable knowledge regarding the running of an organisation and the delivery on its mandate in stores external to the organisation and its employees. This information can be housed in the organisation’s customers, suppliers as well as partners in the service delivery chain.

There are a number of relevant points that need to be made. Firstly, the government is primarily a service organisation and it is a characteristic of service organisations that the customer is involved in some element of the production of the service. For example pensioners collecting their social grant. Consequently there is knowledge regarding the effectiveness, efficiency of the service as well as possible ideas on how to overcome shortfalls. Secondly, the machinery of government is extensive and thus there are often a number of partners in the delivery of the service both within the government (national, provincial and local) as well as external to the government (NGOs, CBOs). All of these partners will have knowledge that is relevant to the delivery of one another’s service. The value of this stakeholder capital is dependent on the organisation’s ability to access, capture, store and analyse the knowledge that is embedded in these stakeholders. The ease with which this is done varies from stakeholder to stakeholder but it does represent an area of interest considering the government’s intention to move to a single public service.

The majority of the literature on this subject however, is very heavily slanted towards the private sector. The arguments focus on the marketing concept which states that companies should structure their product offering around the needs of the consumer and not create products and then push them to market. This clearly has little relevance for the non profit driven public sector. However, a small body of literature exists and will be examined in the next chapter.

Relationship between Human, Structural and Stakeholder Capital
The sum of Human, Structural and Stakeholder Capital is widely considered to make up an overarching concept called Intellectual Capital (IC). Intellectual capital can be defined as the total stock of capital or knowledge based equity that a company or organisation possesses. In other words, the skills, competencies and knowledge that are housed within an organisation’s employees, processes, databases and stakeholders that provides the organisation with the ability to fulfil its mandate whatever that be maximising profits for shareholders or optimising service delivery.

A significant amount of overlap exists in the three dimensions of IC that were discussed previously as they are largely interdependent. For example the effectiveness of an individual employee (human capital) is enhanced by efficient processes to maximise the use of the knowledge (structural capital) and the usefulness of a databases (structural capital) is dependent on the skills of the employees (human capital) in administering the process. Figure 1 below shows this inter-related nature.
Another concept which can be added into the mix at this stage is social capital. Again, there is much discrepancy in the literature regarding exactly what constitutes social capital but for the purposes of this assessment it will be defined as the connections in the human networks. In other words human capital is knowledge that resides in people and social capital is the knowledge that resides in their relationships and interactions in the workplace towards the achievement of organisational goals.

Structural capital can be developed by means of sharing information (social capital) or by capturing lessons learnt in some explicit form. For example, even though Themba was the individual who followed a particular process, learning what worked well and what didn’t work so well (human capital), he shared these lessons with his colleagues (social capital) and it was also recorded in the project documentation (structural capital). In this situation, the social network enhanced the retention of knowledge within the organisation. So when Themba leaves, a greater proportion of his knowledge remains within the Dti. Taking advantage of social capital and its influence on the individual’s as well as the organisation’s ability to learn is a strong driving force in the trends in human capital development. This is discussed in detail in the next chapter.

The focus of this report and the bulk of its content will be on Human Capital Development. However, while the development of the individual is fundamental to moving the organisation forward, the organisational context of that individual should not be ignored and to this end, discussions on Structural and Stakeholder Capital Development are also included.

Knowledge and Talent Management

Two concepts that go hand in hand with this discussion on HCD are those of knowledge management and talent management. While not the explicitly subject of this document, an elementary understanding of these topics is required and is thus discussed briefly below.

Knowledge Management

Unfortunately, there is no universal definition of knowledge management (KM), just as there’s no agreement as to what constitutes knowledge in the first place. For this reason, it is best to think of KM in the broadest context. Succinctly put, KM is the process through which organisations generate value from their intellectual and knowledge-based assets.

Consider the example of a golf club and assume that the caddies are knowledge workers. The role of the caddie is not just to carry the bag and look for errant tee shots (labour) but rather to provide valuable information to the golfer on layout, reading greens, club selection etcetera. Accurate advice would improve the golfer’s game and would result in a higher tip or the golfer playing more frequently at the course and thus increasing profits. An example of the knowledge management process would be for the course to maximise the abilities and knowledge of its caddies. This could be done by the caddie master rewarding caddies for sharing their tips by offering them credits for pro shop merchandise. Once the best advice is collected, the course manager would publish the information in notebooks and distribute them to all the caddies. The end result of a well-designed KM program is that everyone wins. In this case, caddies get bigger tips and deals on merchandise, golfers play better because they benefit from the collective experience of caddies, and the course owners win because better scores lead to more repeat business.

In this example it is clear that knowledge management is the capture, retention, and reuse of the information as well as the process for imparting an understanding of how all these pieces fit together to some other person or persons.

Knowledge Management

Increasingly organisations are using social network analysis (SNA) - a component of KM strategy - to find out how knowledge flows through their organisation. This is a process of mapping a group’s contacts (whether personal or professional) to identify who knows whom and who works with whom. For instance, the Canadian government’s central IT unit used SNA to establish which skills it needed to retain and develop and to determine who, among the 40 percent of the workforce that was due to retire within five years,
had the most important knowledge and experience to begin transferring to others. SNA can help organisations identify key leaders and then set up mechanism—such as communities of practice—so that those leaders can pass on their knowledge to colleagues.11

**Talent Management**

A similar concept is that of talent management. Whilst KM deals with maximising the available collective knowledge in an organisation, TM relates to ensuring that the relevant levels of talent exist in the organisation. Thus the focus is on acquiring talent, not in quantity but rather the correct quality of talent. This is achieved by means of attracting and selecting candidates wisely, retaining and developing leaders as well as placing employees in the positions of greatest impact given their capabilities.12 Talent management is a continuous, integrated process that helps employers to:
- Effectively plan talent needs
- Attract the very best talent
- Speed time to productivity
- Motivate the right behaviour
- Develop targeted capabilities and knowledge
- Retain the highest performers
- Enable talent mobility across the organisation

Furthermore, the needs of the employees are taken into account and thus the employees are not merely exploited for the needs of the organisation. This symbiotic approach fosters trust and the ability for the organisation to gain a competitive advantage.

---

**Relevance to the South African Public Service**

Since the advent of democracy in South Africa, the public service has undergone major administrative reforms and transformation. These have been informed not only by peculiar circumstances in South Africa and the imperatives for change, but also by lessons from other countries in Africa and other parts of the world. In evaluating the performance of their public services, developed and developing countries have been influenced by the previously mentioned global shifts in their economies from goods-based production to high-skill, high-technology service-based growth. A study by the HSRC (2003) Education, Employment and Skills in South Africa on the labour market reveals a similar trend in South Africa. The knowledge and intangible economies demand that government policies put more emphasis on upgrading human capital through providing access to general education and incentives to continuous work-related training and learning.

The emerging knowledge economy and globalisation are putting tremendous pressure on the Public Service for increased adaptability, innovation and process speed. The public service inherited in 1994 by the democratic government of South Africa was characterized by a plethora of rules, regulations and legislation, which left little room for innovation, creativity and responsiveness to the service delivery needs of society. In response, the 1998 white paper on public service transformation introduced the 8 principles that were to guide the new and improved public service called Batho Pele principles. Thus, on-going transformation has to be underpinned by a focused human capital development strategy, given the needs of society and the imperatives of a knowledge economy. A focused HCD strategy eases the transformation process as it improves implementation capacity within the Public Service and can be directed at areas that impinge on service delivery.

HCD processes, for instance Communities of Practice (CoPs), accelerate transformation by linking transformation leaders and implementers across geographical boundaries who can then share information on common challenges and thus provide a mechanism for coordination and adaptation to changing circumstances as well as sharing lessons learned.

The restructuring process of the Public Service aims to transform the State machinery to make it more responsive to the needs of citizens and to operate in a more efficient manner.
Restructuring has involved the identification of skills and job descriptions and the retraining of staff. A comprehensive HCD framework using innovative learning processes can accelerate the training of public servants given that some of the processes detailed in this report offer a higher calibre of knowledge transfer than classroom based training initiatives and also present the opportunity for the standardization of working practices within government departments.

In view of the critical role played by the South African developmental state in reducing the social deficit and bringing about needed economic development and growth, the importance of the capacity of the state cannot be overemphasized. As highlighted in the State of the Public Service (2006), the Public Service has to confront issues of its transformation while it is simultaneously required to rise up to the critical challenge of effective service delivery. Towards a Ten Year Review (2003) revealed that effective service delivery is being hampered by the general lack of technically skilled personnel, particularly at provincial and local government levels which is aggravated by instability caused by skilled and experienced personnel being lost to the private sector. HCD imperatives when applied in the Public Service will not only improve skills which are primary to government delivery but will also improve institutional memory and support retention strategies.

The South African Public Service has a weak implementation capacity — the skills and other resources needed to successfully implement policy and achieve their intended objectives — due to the problems the public sector faces in accessing skilled human resources. Implementation capacity can therefore be increased through better knowledge and improved skills. HCD processes facilitate lifelong learning as access to learning on an on-going lifelong basis is continuously proffered within organisations that implement a HCD framework. This is especially important in knowledge and intangible economies that demand that government policies put more emphasis on upgrading human capital through providing access to general education and incentives to continuous work-related training and learning. Knowledge is now recognised as the driver of productivity and economic growth, leading to a new focus on the role of information technology and learning, in economic performance.

As noted above, South Africa is facing skills shortages as well as skills gaps among holders of positions that are critical for service delivery. This has been confirmed by the HSRC (2003) study, Education, Employment and Skills in South Africa. Interventions to improve skills have been constrained by a number of factors. Professor Richard Levin, Director General, DPSA, in his speech during the 2005 Senior Management Service (SMS) Conference, stated:

Government’s efforts to build skills have been constrained by a range of factors including institutional weaknesses, a poor capacity for human resource management, planning and development, widespread gaps in quality and relevance of training and institutions, poor linkages and partnerships between government and training providers and an inadequate focus on norms, values, attitudes and orientation of public officials.

A broad and creative HCD framework can ease some of the constraints the government is facing especially in terms of quality and relevance of training. Techniques highlighted in the report, for instance, Self Managed Learning (SML) and E-Learning can drastically improve the quality of training and bring them in line with departmental training initiatives while concurrently standardizing norms and practices of public officials.

The HSRC (2003) report further noted that lack of properly skilled workers is just one part of the problem and does not exist in a vacuum. Hence, efforts to improve skills in the public sector should be complemented by efforts to improve the context in which these skills are utilised. This refers to the human resource management and planning functions which can impact on the skill shortages and gaps. Two components involved in developing an effective human resource planning strategy relate to (1) investing in human resource development and performance and (2) assessing and sustaining organisational competence and performance. The execution of these components contains mechanisms that generate the correct skill sets, invest in staff development and performance, and productively employ them in the organisation. The second component provides a means to assess and sustain the competence and performance of the organisation and the people in it with regard to outcomes that the organisation seeks.
To be effective and able adapt, the public sector leadership must recognize the value and contribution of its employees. People within the Public Service should be treated as an asset rather than an expense item. Thus money spent on people should be treated as an investment in an important asset, which is a far more appropriate mindset than treating such expenditure as an expense - to be kept to the minimum amount necessary. Furthermore, such expenditures, even if done as an investment, should not be done blindly but rather within a strategic framework that complements the wider goals of the government.

Every effort should be taken, whether formally or informally, to develop skills and abilities and to provide opportunities for people to maximise their contribution to the achievement of both personal and organisational goals. The improvement of skills bodes well for the fulfilment of Batho Pele principles which aim to enhance the quality and accessibility of government services by improving efficiency and accountability to the recipients of public goods and services. HCD will equip public servants with tools to deliver high quality outcomes, give best policy advice and programme implementation for government and the people in a fast moving and increasingly knowledge based economy. HCD also offers the opportunity to improve accountability to and the contact with, the electorate by different levels of government.
Critical review of trends in Human Capital Development (HCD) and related concepts

Having clarified the context and the theory surrounding Human Capital, understanding the different facets it represents as well as its importance to the South African public service, this section outlines the most innovative theories on how an organisation is to develop human, structural and stakeholder capital. The techniques raised in this section are by no means exhaustive; rather those issues that are most relevant to the public sector are explored here.

In order to achieve maximum leverage of its knowledgebase, an organisation needs to understand the interplay between human, structural and stakeholder capital. Effective development of human capital is not likely to be achieved if one was to select one or two techniques that sounds interesting. Rather, the approach should be used to stimulate debate and a strategic process that will identify a holistic approach to Intellectual Capital.

Human Capital Development (HCD)

Unlike storing physical inventory in traditional manufacturing organisation, stocks of skills and knowledge that reside in human capital become obsolete over time. This is not necessarily due to the knowledge becoming outdated but rather that human beings become unmotivated when they feel that they are not being utilised or challenged. This is confirmed by a study that found that 90% of University of London graduates expected their employer to aid them in their development and one third of a sample of high flyers said that they would leave their organisation if they could not broaden their skills.

The link between training and organisational performance has long been acknowledged. However, current thinking in the field of HCD is moving away from traditional classroom teaching techniques in favour of more interactive and dynamic methods of learning within organisations. In his book, Accelerating Performance, Sunny Rostron reported that people remember:

- 20% of what they read
- 30% of what they hear
- 40% of what they see
- 60% of what they say
- 90% of what they see, hear and do

By using more interactive, practical techniques learners are able to not only retain more information but also assimilate that information into their own work context. The following techniques take advantage of multiple modes of learning as discussed above.

Simulations

Simulations are an imitation of a real-world process or situation, with which the learner can interact. They are becoming a popular method for delivering training and are widely used in business, education, and even in the military. Some of the evidence indicates that there is beneficial transfer of skills after training using simulations. Simulations play an important part in IT training for example where they are used to give the learner the freedom to explore in a ‘safe environment’, with no risk to real data. Proponents of simulations make the argument that parents do not teach a child to ride a bike by showing them a detailed labelled diagram, teaching them all the terminology and how they interact to make the bike go forward. Similarly why should business acumen be taught in the same way? A parent teaches a child to ride by giving them a bike and if someone wanted to learn how to run a business, they should be provided with a business. Simulations provide an opportunity to experiment with new concepts and put into practice the theory that has been learnt but in a safe environment.

The effectiveness of simulation is dependent on a number of factors:

1. Is the simulation realistic? A simulation needs to be more than a game. For example, a simulation could be set up that is easy to understand, fun to play but is not an accurate reflection of how a company works. In such a case, any knowledge obtained would be
useless and after attempting to implement it may even prove detrimental. A suitable simulation needs to have business logic, structure and the drivers impacting on that business need to be convincingly represented.

2. Is the simulation an accurate reflection of the environment? Context is very important. A capital intensive company, a knowledge company, a retailer and the public sector have very different forces that influence what would constitute the effective running of the organisation. The simulation needs to consider the context so that learning is relevant.

3. Is the simulation comprehensible? Realism in a game or simulation is dependent on accommodating as many of the forces that would interact in the real world into the game. Thus, as the realism increases so does the complexity of the simulation. Very complex rules may hinder learning as the principles that are being taught may be lost in the incomprehensible game play.

As mentioned previously the prevailing business mindset is biased towards tangible assets and investment into projects where the return on investment can be measured. However, in the public sector, the primary asset in delivering quality services is arguably the intangible skills and capabilities of employees. Therefore if one is to make a paradigm shift to embrace the value of employees, a simulation is an ideal platform to do so.

The leading knowledge management centred simulation framework in the world is currently Tango”. Tango” was developed by Swedish knowledge management gurus Karl Erik Sveiby and Klas Mellenger and has been successfully run around the world. Utilizing an engaging business model, Tango” simulates a knowledge company which competes in two markets -- for customers and for key personnel. Tango” participants learn how various groups within the company can align the three factors critical to overall profitability:

- competence -- when knowledge is transformed into action
- cooperation -- when personal chemistry is used to develop effective long-term customer relationships
- continuity -- when an intangible (like knowledge) is converted into profit, and that result is pursued and sustained over the long term

As participants work with Tango’s highly experiential business model, they are able to immediately identify, test, and evaluate the consequences of their decisions.

The relevance to public sector organisations is questionable as they are not profit seeking and they do not compete for customers. However, the framework for managing the organisation’s intangible assets remain the same. This led to the development of a public sector version of Tango” in Australia. The box on the following page outlines the experience of the Australian Attorney-General’s Office.

Tango” also has its critics. Some believe that there are a number of flaws including: a lack of formal debriefing, limits of the facilitators, high cost and a few arguable assumptions. All these criticisms need to be investigated and evaluated by an organisation prior to embarking on a simulation in order to ensure the relevance and the value it will have on the effective running of the organisation.

Tango in the Australian Public Sector

As knowledge-intensive organisations become a more important part of the new economy, creating capturing and sharing knowledge become ever more vital to organisational performance and survival. But this elusive thing called knowledge is much less easily grasped than these approaches would have us believe. To start with, a knowledge management strategy needs to reflect the type of business the organisation is in. An organisation that deals with knowledge that is easily codified requires a strategy very different from an organisation whose information is more difficult to codify. Many public sector organisations fall into the latter category. Here knowledge processes are people processes and that is where the focus of knowledge management should appropriately be.

The focus on people, organisational relationships and communication, together with a focus on strategic thinking and learning how to value intangible assets such as knowledge, competence, image and reputation, is what makes the Tango” simulation so valuable. It reinforces the relevance of and provides practical tools for meeting many of the criteria set out in the recently released Senior Executive Leadership Capability Framework. There is plenty of fadism in much of the current hype about knowledge management, but properly conceived and executed knowledge management will be a critical element of future success.
"Many members of the Senior Executive Service will question whether or not they have the time to spare to participate in the Tango simulation. My own experience may be instructive. My organisation, the Office of Strategic Crime Assessments (OSCA) is an intelligence assessment and coordination body within the Attorney-General’s Department. OSCA is a knowledge organisation and its success depends almost entirely on the knowledge and skills of its people, the adequacy of its processes and the quality of its relationships. These are all intangible assets that require careful nurturing.

The Tango simulation proved a very efficient way to attune the OSCA team to a wide range of issues surrounding the effective management of knowledge and relationships, to be introduced to some useful tools and to initiate a process of further organisational development. OSCA has begun the development of its own Intangible Assets Monitor (using the model developed by Dr Karl-Erik Sveiby) as a way of measuring its intangible assets and monitoring performance. The sessions run by PSMPC so far have been attended mostly by middle managers, who have rated them highly. But the insights gained are especially relevant for senior managers. I would highly recommend attendance by SES teams if the full value of the learning experience is to be gained by organisations.

Tango is stimulating, challenging and fun. And the issues raised go to the very nature of the future of public sector organisations.

Dr Grant Wardlaw, Director, Office of Strategic Crime Assessments, Australia
Source: Knowhouse

At the Hill’s Pet Nutrition facility in Indiana USA, a group of line technicians meet weekly to talk about recent successes frustrations as well as challenges looming ahead. The group has a mayor who was selected by his peers to keep things on track and that people with the relevant expertise are present when required.

At one of the weekly gatherings 12 technicians were gathered around a table in the conference room overlooking the plant. One of the technicians, Roger, had made a special trip to this meeting to help John with his proposal to substitute pneumatic tubes for the current conveyor belt that carried the pet food kibbles to the packaging bin. Roger’s background in plumbing was particularly relevant to the discussion.

Senior management in the company had not warmed to the idea saying that it was unproven and incompatible with current technology. Nevertheless community members encouraged John to persist, knowing that there would be a positive improvement in efficiency. Before discussing John’s proposal the group spent time on their usual routine of small talk and sports commentary. Following this they picked up the proposal. Vince began by reviewing management’s concerns. John then explained that the latest version of his proposal included evidence that the technology was reliable and that it could be integrated with the current system. Roger confirmed this from his own experience and offered to go with John next time he presented to management.

The community’s support for John’s work ultimately paid off. The company installed the technology which resulted in a significant reduction in downtime as well as wastage in the packaging process.

Adapted from Wenger & Snyder (2000)
While in function communities of practice have been around in one form or another for literally thousands of years, the term Community of Practice and the associated methods of knowledge management have only been used in the last decade. Although they do not seem to be very widely practiced or even make sense, CoPs have had large scale successes in a wide array of businesses. Some of the possible benefits of operating CoPs are:

¥ They help drive strategy.
¥ They start new lines of business.
¥ They solve problems quickly.
¥ They transfer best practices.
¥ They develop members professional skills.
¥ They help companies to recruit and retain talent.

Communities of Practice seem to have the potential to add value to an organisation but it is important to remember a few things:

1. They lack a formal structure and are not standardised. It will be difficult therefore to establish how well they are working or even if they are working at all.
2. Difficult to locate and define.
3. Membership determined by the community.
4. They tend to break apart as easily as they are established.

The use of Communities of practice in the South African public service can be very effective, especially if these were formed across the three tiers of government (discussed further under stakeholder capital), facilitating the exchange of relevant information across policy makers and implementers. For example, a community of practice group could be made up of employees from the Department of Housing (national, provincial and local government) and could serve as a platform for tackling issues relating to housing delivery in the communities.

Virtual Communities of Practice

A community of practice (CoP) becomes a virtual community of practice (VCoP) when the members use ICT as their primary mode of interaction. This does not exclude the use of face to face meetings but the use of ICT has the following advantages:

¥ A group can contain people from vastly dispersed locations with marginal changes in the operating costs of the group.
¥ Depending on the methodology chosen by the VCoP, meetings become easier to fit into the employees’ schedules.

A VCoP may make use of traditional communications such as tele-conferencing and email or more sophisticated tools such as video conferencing, news groups and shared databases to support its members’ interaction.

While VCoPs have a few advantages, there are also a number of disadvantages:

¥ The relaxed attitude of an informal meeting is somewhat compromised through meeting electronically.
¥ Building trust and a sense of belonging that is important for an open exchange of ideas will be more difficult to nurture in a virtual environment.
¥ Technical training in ICT may be required for some members.
¥ The VCoP leader may need a different set of skills altogether in order to maximise the value of the group.

Self-Managed Learning

I once heard a physicist describe Quantum Theory as a major problem because it:

¥ Accounts for all known facts regarding sub-atomic behaviour; and
¥ Makes no sense.

His error was to attempt to live in a Newtonian world and not recognise the paradigm shift necessary to appreciate Quantum Theory. I experience the same issue when we talk to traditionalist trainers and human resource (HR) managers about the idea of using self-managed learning approach for development purposes. It is a problem to them because:

¥ The approach responds fully to all the existing knowledge about learning; and
¥ It makes no sense.

Ian Cunningham, Chairman of Strategic Developments International
Self-managed learning (SML) is a developmental process in which adults take on full responsibility for their own learning.26 Similar to Communities of Practice (CoPs), SML is based on learning in a group but there are a few key elements that differentiate SMLs from CoPs. Firstly, as mentioned above in the definition, the onus of learning lies with the individual and secondly the SML groups are more formal as it involves each group member writing up his or her own strategic learning contract.

SML groups usually consist of about six people and a learning group adviser who is there to support the group in its work. The role of the group is primarily to support learning. This support focuses on each individual at the start, as each person has to write up and agree on their strategic learning contract with the group and then later on how those learning goals are to be achieved. As the group progresses over time, people come to see the value in learning from their peers. Groups will usually meet one day every five weeks for a period of about nine months.27

The strategic learning contract (SLC) is a document which outlines the skills that an individual would like to gain in a specific period. While similar to the more widely used personal development plan (PDP), the strategic learning contract has a number of key differences.8

1. A SLC is a goal driven rather than process driven. People develop their learning programmes around a number of clearly stated goals that relate to the needs of themselves as well as their unit or organisation. In other words, the contract is outcomes based focusing on what will have the greatest impact rather than focusing on the activity or process of attending a training program.
2. A SLC is more likely to have a long term strategic focus as PDPs are usually attached to the annual performance appraisal system which may bias it towards a more short term view.
3. Finally, the SLC is drawn up with the employee’s peers as well as his or her manager. This is the critical piece that makes it social capital as well as human capital. The contract is drawn up by the individual, for the individual but they have to justify relevance to themselves and to the business through interaction with their peers. This collective agreement also initiates a process of mutual support to meet learning goals.

Some of the benefits identified in the PPP Healthcare Case28 were:

- The reference to me as an island shows that SML moves the process of development into the social domain.
- SML groups tend to create a trusting, non-threatening environment which facilitates learning.
- The PPP HR manager mentioned that the SML programme is not a soft option but does address organisational issues.
- The SML programme creates organisational knowledge (discussed further in the next section)

A reason why many organisations are hesitant to introduce SML groups is the perception that it would be very expensive to implement the actual training. However, the evidence offered by organisations providing self-managed learning programs suggests that they are cost-effective.29 One simple model is to give individuals or groups the budget for development. This means that the groups cannot overspend as everyone knows that if they want more money for their development they have to find it themselves. In organisations...
where this approach has been implemented, people tend to under spend as they become creative about ways of learning that cost little or nothing. For example instead of opting for a high-priced external course they may visit organisations or get coaching inside the organisation or read articles. In one hi tech company, a group of technical staff did need to learn a new approach that was only available in an expensive external course. However, they agreed that one person in the group would attend the one-week course and then come back and coach others. The coaching session took just a couple of hours. Not only did they learn all they needed about the new approach, but they also learned that they could do more to help each other to learn: a conclusion that they carried through into their working practices.

A more detailed discussion on the process, impact and value of running SML groups is included in case study 1.

E — Learning

E-learning is a method of learning that is facilitated and supported through the use of information and communications technology. The nature of the technology can vary from CD-ROM to streaming video or from interactive web sites to email; the key however, is that learning is taking place.

E-learning is a powerful, interactive way for employees to acquire critical personal and professional skills. It involves the use of interactive e-learning toolkits that enable users to develop basic skills using self-paced learning modules and thus develop capacity to improve service delivery. Launching an e-learning system requires that employees have access to the Internet or intranet and possess at least basic computer literacy and have access to the requisite hardware, software and network.

Since it is internet / intranet based, the e-learning products / toolkits are regularly available and are easy to access and are thus on hand just-in-time and just-in-case. The advantage of e-learning is that it is self-directed and therefore allows learners the flexibility and freedom to learn anytime, anywhere and at their own pace. E-learning toolkits are expected to develop departmental knowledge and capacity and so improve access to and quality in the delivery of public services.

E-learning offers unique benefits compared to conventional classroom learning. Learners can be taught with minimal loss of productivity as they do not have to be physically drawn away from their work stations. To study all they need is to dedicate short blocks of time when it is convenient to them and log onto the virtual classroom. Other benefits of e-learning include flexibility, reduced travel expenses, quicker access to information and enhanced knowledge sharing.

As in all cases of distance learning, it is crucial to find ways to help learners (employees) maintain the discipline to stay focused on the learning. Managers need to give employees the time and space to do the training. That means allowing the workspace to become a classroom during the workday to avoid distractions and interruptions. Putting School In Progress signs on office doors and adjusting staff coverage to allow people to set blocks of uninterrupted time can help e-learning succeed.

Management must demonstrate that it values the fact that its employees are engaged in learning. It could be a simple acknowledgement or formal recognition, for example, if a learner passes enough tests on a given subject then he/she would qualify for formal certification. Ongoing learning not only improves professional skills, but it also enhances the company’s skill set as well and since it’s an investment in product cost and time for integration within the workday, e-learning requires buy-in and support from the top tier to succeed.

Training Coordinators responsible for the implementation of the required training should identify employees who must complete required training and coordinate their registration. They should then track the successful completion of required training based on employees certificate of completion or progress reports (e.g. on a monthly basis) submitted to the coordinator by the registrar and forward results to respective supervisors. From time to time knowledge assessments should be conducted as a means of confirming that individuals possess the required knowledge. Employees who did not successfully complete their training should submit a plan to the coordinator on how they will successfully complete, within a reasonable period of time, the required training.

E-learning offers the opportunity to standardize practices within government departments, through the uniform training of employees at every location, in every region. It provides a practical and effective way to meet the goals of departmental learning initiatives. A significant advantage of e-learning is the higher calibre of knowledge transfer resultant from the allowing of subject matter experts to blend their presentations with audio input, notes, and interactive instruction that is available to the learners.
E-Learning in the Canadian Public Service

To support learners, the Canada School of Public Service has divided the public service population into individual communities to make it easier to determine the required or recommended training for each group. Each community is identified by a colour and shape:

- All Public Servants
- Senior Managers
- Senior Leaders
- Managers
- Functional Specialists
- Supervisors

Online announcements, news and discussions are colour coded to make it easier for users to identify what relates them:

Announcements

- Appointment to the Canada School of Public Service Board of Governors - 2006/12/21
- Leadership Development Opportunities 2006-2007 (PDF). This Reference Guide provides an overview of the current learning solutions and opportunities available to Senior Leaders to support the leadership development of managers and executives at all levels.

Learners are provided with learning roadmaps that begin by explaining how the government’s policy on Learning, Training and Development affects the learner and in addition outlines how the Canada School of Public Service can help the learner achieve their learning goals throughout their careers and in particular meet the requirements of the Learning Policy.

The modules are specific to each community, for example, modules relating to Senior Managers are divided into (1) Your Foundation (Required Training) - Foundational learning programs will help you understand your roles, responsibilities and delegated authorities in the public service. (2) Striving for Excellence (Recommended Learning) - Key learning programs to lead change in your organisation and deliver results for Canadians and (3) Beyond the Basics (Additional Learning Opportunities) - to round out your knowledge as a senior manager.

On successful completion of the course employees are issued with certificates of completion. Knowledge assessment instruments are also administered in prescribed intervals to the successful employees to validate the acquired knowledge.

Source: Canada School of Public Service

One drawback associated with e-learning is the sense of isolation felt by learners and critics suggest that being in a classroom environment provides a better experience. But e-learning advocates note that seclusion can help employees focus exclusively on their coursework. The sense of isolation is also lessened as a result of the ease with which learners can communicate with the instructor. Another drawback is the self-policing style of e-learning which allows for intrusions from the day-to-day business tasks—both students and instructors can be called away in mid-session to cope with emergencies. Additionally there is little attendance oversight—individuals are usually given the responsibility to complete training. Both issues are a concern, though attendance can be tracked by enabling the necessary software and what’s more, managers can receive reports at given intervals on which staffs have passed tests on any given e-learning course.
Human Capital Development in an organisational context

An important point that HCD staff need to take cognisance of is that each employee operates within an organisational / departmental context and that the organisation should strive to maximise their HCD investments. In most situations, knowledge gained by an individual whether it is through training or experience, often has value to others in the organisation. Therefore the overall effectiveness of the organisation can be improved if systems are created that allow, encourage and facilitate the sharing of knowledge.

Another related point is that the long term effectiveness of an organisation is enhanced by the ability of the organisation to remember the lessons that it has learnt. If individuals are developed in isolation, all knowledge gained by the organisation would be lost if that person was to leave. In a high churn environment like the South African public sector, inefficiencies are created when a new employee has to recreate the knowledge generated by his/her predecessor. Therefore, the propensity of an organisation to store knowledge independent of individuals has a great effect on its ability to deliver on its service delivery mandate.

This section addresses the two previously mentioned points by discussing techniques that will enable the public sector to develop the other two elements of Intellectual Capital, namely structural and stakeholder capital.

Structural Capital Development

As mentioned previously, the primary asset in a knowledge organisation is the knowledge imbedded in the minds of its staff members. However, if the minds of the employees are the only storehouse of knowledge, there is a risk of losing that asset as it walks out the door every evening and may be hit by the proverbial bus. Therefore an organisation needs to find ways of transferring the knowledge contained in its employees brains to:

- Other employees through enhancing social capital.
- Explicit knowledge sources that are independent of the employees

Social capital is the knowledge that is embedded in the relationships between people. One author states: Human capital represents ability, social capital the means to leverage it. That is why, even though the knowledge is still largely tacit, i.e. existing in the minds of people, the information is shared and increases the ability of the organisation to retain knowledge. That is why for the purposes of this report, social capital is referred to as the overlap between individual and structural capital.

Communities of Practice and Self-Managed Learning

Structural capital arises out of these techniques based on the sharing of knowledge between members of the groups. In both approaches, individuals are encouraged to learn together, both from external sources and from each other. That way, organisation specific knowledge in particular is no longer resident only in the individual that made a particular discovery.

An employee from PPP Healthcare said the following with respect to SML groups: One of the most wonderful things about this process is that through the learning groups and discussions, you’re creating corporate knowledge. And because you make things explicit, things happen — when it is shared and articulated through socialisation within the learning group. The more people are talking to each other, communicating, the sharper the organisation will be. If people keep all their brilliant ideas and thoughts to themselves, nothing will happen.

It is clear that both CoPs and SML groups have a very positive impact on both human and structural capital. This is reinforced by an empirical study that was conducted in Spain. The study found that knowledge creation as well as the transfer and integration of knowledge were very strongly related to work teams that possessed: self-management, individual autonomy, and a climate of trust. Leadership in the group whilst not related to the creation of knowledge was very strongly associated with the transfer and integration
of knowledge, whereas a common understanding and the heterogeneity of the groups were strongly associated with the former but not the latter.

In conclusion, the concept of learning teams as part of an organisation’s knowledge management strategy, whether they be CoP, VCoP or SML, has strong evidence to support the positive impact they have on an organisation’s intellectual capital.

Knowledge Sources

Knowledge sources in the context of intellectual capital are referred to as explicit (written down) knowledge that is independent of the person who acquired it. In other words, if Dave learns how to best implement a specific policy through a long process of stops and starts, structural capital will be built if that knowledge is identified, written down, stored and made accessible to other people so that they might effectively implement the same policy without themselves going through the same learning process. Recall the example given earlier about the caddie master who collected tips from his most experienced caddies and compiled them into a handbook. The handbook was then used by all caddies so that they could all know the nuances of the course normally only gained through years of experience. The handbook represents a knowledge source or structural capital as it is independent from the human beings in the club.

This section will detail some approaches that organisations can adopt in order to generate structural intellectual capital.

Knowledgebases

Knowledgebases are electronic databases that store as much explicit intellectual capital as possible for an organisation. When implemented correctly, they provide a rich source of research material to aid in problem solving and a shared forum for competitive intelligence.

Xerox launched a knowledgebase project called Eureka, which is essentially a database of tips and best practices established to assist especially the remotely located technicians. Instead of the managers managing the database, responsibility was handed to the technicians themselves. Similar to the academic peer review process, the tips and best practices are calibrated, tried and tested to reflect the true best practice. The result is that personal knowledge becomes a valuable corporate resource that enables fellow workers to deliver faster, more efficient service. Xerox estimate that the improved efficiency as a result of the Eureka project has saved the company around $100 million.

Source: van Deventer (2002)

Many organisations are now implementing knowledgebases as a strategy for making more of their employees’ tacit knowledge explicit. This knowledge is captured and documented and stored in formal systems such as databases, libraries and filing systems and made accessible to all in the organisation. They can be a good source of information, and prevent reinvention of the wheel, if processes are properly captured. When the potential "learner" confronts an unknown situation, there are three ways in which he can learn.

1. He can search the knowledgebase to see if the situation has been encountered before and the answer already is known.
2. He can find several "related" but not exact circumstances and derive an answer by combining pieces of knowledge from the knowledge base, creating new knowledge in the process.
3. He can access his relational network, asking other people for information.
4. He can generate new knowledge, often through a process of hit or miss.

In the absence of a knowledgebase, the employee would most likely adopt a hit or miss approach if the people in his social network were not able to assist him. Therefore the experience gained by an organisation may be lost and mistakes repeated if the knowledge is not captured in some way.

In theory, it is easy to motivate for a knowledgebase but the logistical issues surrounding the capturing of knowledge in a format that can be used again are complex. A knowledgebase
needs to be supported by personnel, process and finance. Some examples of the manner in which knowledge can be captured is included below.

**Learning History**

Ask individuals within a company about a major event and they will often report that they understand exactly what went wrong (or right). They might say that the new product fizzled because no one in marketing listened to the people in manufacturing, or vice versa. Or the new product soared largely because R&D or distribution “finally got their act together.” Each of these points of view represents a valid, but limited, piece of the answer to the puzzle of what happened and why. If all these perspectives could somehow be melded together coherently, the organisation as a whole might learn what happened, why it happened, and what to do next. In other words, in corporate life, even when experience is a good teacher, it’s only a private tutor. People in organisations may act collectively, but they only learn individually.

A group of social scientists and business managers from MIT got together to find out how the experiences of the organisation can be retained in the organisation rather than in the individuals. After four years of development and testing, the solution proposed was called a Learning History. To create a learning history, a page is divided into two columns. In the right hand column, the events are described by the people who were directly involved or affected. This could include managers, factory line workers, secretaries, and outsiders such as customers, advertising copy writers, or suppliers. Each would tell their part of the tale and it would be woven into a coherent story. Each person is quoted directly, and identified only by title. The left hand column is a commentary or analysis by the “learning historians”. The historians would be a small team comprised of trained outsiders, usually consultants and academics that specialise in organisational learning, along with concerned and knowledgeable insiders, usually drawn from the company’s human resources. This team has sorted through hours of interviews to “distil” the story in the right-hand column and in the process, they have come up with the text for the left-hand column, which identifies the themes, poses questions and implications of what happened.

A learning history is not completed just to be distributed wholesale through the organisation and read, or more often shelved, by individuals. Instead, it is used as the basis for group discussions for those involved in the event, and those who might learn from it. Where a future project follows similar lines, the project team can draw on the learning histories to guide their way forward. Histories should not be followed blindly but rather serve as a discussion point to ensure that lessons that were learnt in the past are taken cognisance of and thus the organisation and not just the individuals learn from experience.

Figure 2 gives an example of an annotated learning history from the MIT website.

**Best Practice**

Best practice and benchmarking are concepts that are largely understood and as a result will not be examined in too much detail here. A brief critical analysis is provided for each.

The notion of best practice is derived from the idea that if there is no effective method for capturing and making available information describing the best practice, it is possible for world-class and mediocre performance to co-exist in the same company. Thus, if the details of the world class performances are made available to all the relevant employees in the organisation, such successes can be repeated while avoiding the mediocre performance. However, the process of learning from best practices is not easy for the following reasons:

- There is a gap between what something looks like in a manual versus what it looks like in reality
- There is often a gap between what people think they do and what they really do
- Even when pays close attention, it is possible to miss the tacit knowledge produced by improvisation and innovation.
- Best practices are very specific to context and as a result a repository may be easier to fill than to reuse

**Benchmarking**

Benchmarking is defined as the art of finding out in a perfectly legal and above board way, how others do something better so that their techniques may be imitated in order to improve performance. Organisations can be benchmarked according to processes, products as well as organisational
One area that benchmarking may be useful for is in the area of performance benchmarking. In the section on measurement, the Accenture model makes use of benchmarking to illustrate relative performance in specified areas. This is discussed in more detail in that section.

However, opponents of the benchmarking approach say that benchmarking stifles creativity and innovation and that the process of benchmarking can only bring an organisation level with the target.
Stakeholder Capital

Traditional analysis of stakeholder capital has been most relevant to profit driven organisations that have adopted the marketing orientation. In other words, the organisation has placed the customer at the centre of the strategic decision making process and built the internal, production related processes around it. Stakeholder capital in this case would be in the form of brand equity, customer relationship management and marketing. However, in the absence of a profit motive, this line of research which represents the bulk of the literature is not applicable.

The other aspect of stakeholder capital refers to the information and knowledge relating to the delivery of the organisation’s products or services that is imbedded in the minds of people who are external to the organisation. This is not an area that has garnered much attention from the academic fraternity but most certainly is worthy of consideration for the South African Public Sector. Two examples of what can be done to draw on this repository of knowledge were gleaned from the meagre store of literature on the subject. They are: external communities of practice and knowledge fairs.

External Communities of Practice

Communities of practice were discussed in much detail in the previous section. External communities of practice (ECoP) are defined as groups formed by an organisation’s clients and employees based on common interests, commitment, mutual trust and collaboration whose members regularly share knowledge and learning. In other words, it is a CoP that has been expanded to include individuals from outside the organisation. This could be horizontal (cross departmental), vertical (local, provincial, national departments and NGOs) as well as including suppliers from the private sector.

The potential benefits of running CoPs have already been established and those benefits would also be evident in ECoPs. In addition, an increased potential for learning exists in an ECoP due to:

- The inclusion of individuals from different organisational cultures. The different perspectives offered may be beneficial in a learning environment.
- Sharing of information and skills where cross departmental communication and skills transfer with consultants is currently not optimal.

Knowledge Fairs

Knowledge fairs are organised events with the specific purpose to create space and the opportunity for staff to share knowledge across the lines of departments and business units. Although the purpose of the activity is well defined and the event is well organised, the actual interactions should be unstructured. The fair works in the same way as any traditional or trade fair except instead of each stall holder selling a product or solution, they are sharing their research and experience in a specific field. Power point and other static presentations for example are discouraged in favour of an open interpersonal dialogue.

Where trade shows and fairs offer learning opportunities for employees, the presentations are normally done within the bounds of a sales pitch. A knowledge fair on the other hand should not involve vendors or contractors presenting solutions, rather a horizontal sharing of information and experiences. The box below briefly outlines the experience of the US Navy’s knowledge fair.

In an effort to promote the collaboration of knowledge management initiatives across government organisations, the US Navy’s Human Performance Centre (HPC) sponsored its first Knowledge Fair on the 17th November 2004. Representatives from the U.S. Army, the Defense Acquisition University (DAU), the Department of the Navy’s Chief Information Officer (DONCIO), Carrier Team One and the U.S. Naval Reserve all participated in an effort to share knowledge management successes, lessons learned and processes. According to the event organiser, the one-day Knowledge Fair was designed to bring together the different agencies and offer a more personal learning environment than one would receive at a larger trade show or vendor fair. Many of the traditional types of shows or fairs, attendees are often shown presentations and then given a sales pitch to purchase a solution or software.

This buyer-free environment was appreciated by many Knowledge Fair participants, including DONCIO’s Cmdr. Barbara Franklin, who felt that the fair was a great opportunity to share information and collaborate between government organisations. This was different from other events, in that it was specifically designed to share and pass on information, not buy and sell information, said Franklin. Participants were there to pass on usable information that the government has already paid for and proliferate it across the organisation without an additional cost.
This approach is included under stakeholder capital as the benefit drawn from it would be maximised by including participants from different organisations and thus may warrant further investigation for the South African public sector. What often happens is that different departments have directorates that deal in the same broad area of operation. For example, skills development is the concern of the Department of Labour, Department of Trade and Industry, Department of Education and not to mention the SETAs. Therefore in the absence of some sort of knowledge sharing platform, knowledge acquisition is likely to be duplicated. A knowledge fair where public servants working in the same field have an opportunity to interact and share knowledge with their cross departmental counterparts has the potential to overcome this problem.
Measuring the return to Human Capital Development

There is an old business axiom that says: what is measured in companies is also what is managed. If an organisation is to become strategic in its HCD investments, it needs to understand what the returns on those investments are, that way human capital is developed in areas where it is most needed and most effective. Industrial age companies needed to have balance sheets to show their value to their investors. In the knowledge or intangible economy, the balance sheet is no longer adequate because the bulk of the true income generating assets are intangible. However, suitable methods of measurement for intellectual capital have been relatively slow to develop. The crux of the matter is that time needs to be spent on identifying items that will provide tangible proof that intangible development is taking place, thus providing assurance to investors or stakeholders.

A number of methodologies have been developed over the years but each one more or less fits into one of the following four broad groups:\(^{39}\)

- **Direct Intellectual Capital methods (DIC).** The financial value of the organisation's intangible assets is estimated by identifying its components and evaluating them directly or by means of an aggregated coefficient.
- **Market Capitalization Methods (MCM).** The difference between an organisation's market capitalisation and book value as the value of its intellectual capital or intangible assets.
- **Return on Assets methods (ROA).** The organisation's average pre-tax earnings for a period of time are divided by the average tangible assets of the company. The result is the ROA which is compared to the industry average. The difference is multiplied by the company's average tangible assets and then divided by the organisation's average cost of capital which will give an estimate value of its intangible assets or intellectual capital.
- **Scorecard Methods (SC).** The various components of intangible assets or intellectual capital are identified and indicators and indices are generated and reported in scorecards or as graphs. SC methods are similar to DIS methods, except that no estimate is made of the financial value of the Intangible assets. A composite index may or may not be produced.

Due to the first three techniques all requiring financial information that is not relevant to government and not for profit organisations, the methodologies described in this section all fall under the scorecard method. Each technique, while still created for a private sector context can be adapted for use in public organisations.

An exception is the more recently developed Human Capital Development Framework. It is a more holistic approach to measuring Human Capital Development and it, along with the other measurement models, is discussed in detail below.

**Human Capital Development Framework**

**What it is**

The Human Capital Development Framework, developed by Accenture, is an analytical measurement and planning tool that enables an organisation to identify and measure the human capital factors that directly or indirectly affect organisational performance. That way an organisation is enabled to adopt a more strategic approach, investing into areas of human capital that will have the greatest impact.

Ed Jensen, a partner in Accenture's human performance practice, says the framework is based upon the idea that linkage between a
human resources initiative and business performance may not necessarily be direct and instantaneous. Jensen said:

"It’s multi-tiered. We look at the impact, say, of human resources practices on employee engagement, leadership, things like that, and then, in turn, the impact of those factors on important business outcomes such as quality or innovation, which affect shareholder value."

The Human Capital Development Framework is based on data collected by Accenture over a period of four years. Interviews were conducted with senior HR executives, CFOs and financial analysts from nearly 50 companies. The analysis revealed two recurring themes regarding the measurement of human capital. First, measures need to be meaningful from an operational perspective. That is, managers want measures that reflect the way organisations create value. They also want a measurement framework sensitive to differences in business models, which is of particular relevance to the public sector. Second, measures need to be useful from an investment perspective. Senior management need to know both, what skills are required to deliver on their strategic objectives as well as the kinds of HR capabilities the organisation will need to ensure the relevant levels of talent as the most critical performance drivers are an organisation’s people, their knowledge and skill, and their ability and willingness to execute.

How it works

The above mentioned themes are handled by using four distinct levels of measurement to reach an assessment of an organisation’s human capital practices and investments, and determine the resulting benefits. These four levels are:

- **Tier 1**, business results, consists of measures of organisational performance (e.g., traditional financial analyses featuring revenue growth, market share and stock performance).
- **Tier 2**, key performance drivers, consists of measures of intermediate organisational outcomes (e.g., productivity, quality, innovation and customer satisfaction) often captured on a balanced scorecard.
- **Tier 3**, human capital capabilities, consists of the most immediate and visible.

Figure 3 - The HCD Framework

Data is collected at all four tiers of the framework. Business results and financial metrics (tiers 1 and 2) are collected through an electronic survey of finance and line executives, supplemented by publicly available reports. Data from tiers 3 and 4 are mostly collected through online questionnaires from HR and frontline employees. The result is a human capital development scorecard clearly depicting an organisation's ability to use human capital to generate value. The scorecard is represented by numeric values which can be used to benchmark against previous reports, other units or similar organisations.

With the scorecard, an organisation can diagnose its strengths and weaknesses in key human capital processes and then prioritise investments, track performance and evaluate the overall impact of those investments on the business.

Case study 3 gives a more detailed description on how the framework works in practice.

Relevance to the public sector
The use of the HCD framework in the public sector is an attractive option. As with the other models, the financial motive (tier 1) can be replaced by service delivery indicators. Once the HCD framework has been completed, the performance of a South African governmental organisation can be benchmarked against the performance in other government departments both locally and internationally. This will highlight the areas where interventions are required both in terms of human capital development and the management processes.

An Accenture team worked with Eskom for eight weeks to collect data within the four major areas of the Human Capital Development framework. Business results were represented as Eskom’s two-year average capital efficiency relative to industry peer groups. The comprehensive testing procedures included an examination of actual HR and other corporate data, employee and HR executive survey responses, and interviews with executives.

The results of the analysis seemed to indicate that HR had a large number of employees that are generally focused on basic administrative tasks. Eskom is currently increasing its use of technology to reduce some administrative tasks, allowing HR professionals to focus on more strategic issues.

Source: www.accenture.com

Intangible Assets Monitor

What it is
Devised by Karl Erik Sveiby, the Intangible Assets Monitor (IAM) attempts to measure intellectual capital by means of three sets of indicators reflecting the three dimensions of IC as discussed in this document. Each dimension is further broken down into growth, innovation, efficiency and stability. This enables the measurement to take into account stock and flows of intellectual capital.

Source: www.accenture.com
How it works

Indicators need to be developed for each cell in the above table that are relevant to the organisation’s context and strategic direction. Sveiby recommends that the monitor not exceed a page and in so doing limiting the indicators to those that are most valuable. The IAM examines how the intangible assets are developing by designing indicators that correlate with: the growth of the asset in question, its renewal pace (innovation), how efficiently it is being used and the risk that it may cease to exist.

Relevance to the public sector

The IAM is possible to implement in a public sector context as it has an open ended view of external stakeholders and is not fixated on customers in a business sense. Implementing the IAM does however require a redesign of certain processes towards knowledge management and while many view this as beneficial, it may be difficult to achieve in the public sector.

The IAM is used in the previously mentioned Tango simulation, which can be tailored to a particular department and aid in the redefinition of how the state views its employees. Below is an example of a public sector IAM from the Local Home Care Department in Australia.

<table>
<thead>
<tr>
<th>Indicator for:</th>
<th>Financial Value</th>
<th>Intangible Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>Revenue, $ growth</td>
<td>Growth in hours of care</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ Spent on: Quality Assurance, Software development</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ spent / Total revenues</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Average years of experience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Proportion of HACC accredited</td>
</tr>
<tr>
<td>Renewal</td>
<td>Revenue from new services</td>
<td>Growth in Private Work hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New service hours / total hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prof. development days per person</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Gross Margin</td>
<td>Market share - Local, Regional - Hours / total hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Admin hours / Total paid hours</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hours sold / Total hours paid</td>
</tr>
<tr>
<td>Stability</td>
<td>Debtor days in private work</td>
<td>Satisfaction Survey Index # of Complaints</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Support staff turnover Support staff attitudes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Prof. staff turnover Prof. staff attitude survey</td>
</tr>
</tbody>
</table>

Source: www.sveiby.com

Balanced Scorecard

What it is

Defining what constitutes a balanced scorecard (BSC) is not a simple task. Since its introduction in 1992, researchers and organisations have been adapting and building on it, tailoring it for specific contexts and overcoming shortfalls. In essence, the BSC is not very different from the IAM but focuses more on implementing the organisation-wide strategy. It was not designed specifically to measure and publish intangible assets, rather its intention was to take a more “balanced view” on internal performance measurement. As with the IAM, it includes a financial perspective representing the tangible assets and three dimensions representing the intangible: the customer perspective, the internal business perspective and the learning and growth perspective.
**How it works**

The BSC valuation methodology converts an organisation’s value drivers, such as customer service, innovation, operational efficiency and financial performance, to a series of defined metrics. Companies record and analyse these metrics to help determine if they’re achieving strategic goals. A fully implemented Scorecard cascades from the top levels of a company all the way down. Ultimately, each member of the organisation works off a personal Scorecard, striving to achieve personal objectives based on measurements directly linked to the corporate strategy.

**Relevance to public sector**

Originally introduced as a tool for commercial organisations (which typically focus on financial performance), the Balanced Scorecard has found considerable support and is widely used in the public sector. It is particularly popular as a public sector performance management tool in the United States, the United Kingdom, Australia and Scandinavia. For the public sector, the organisation’s mandate moves to the top of the balanced scorecard as opposed to the financial bottom line.

Government departments are accountable for the efficient allocation of funds but it is not their ultimate aspiration. They exist to serve a higher purpose, for example: reducing the incidence of HIV or increasing public safety. Strategy remains at the core of the Scorecard system, regardless of whether it is public or private.
Comparing IAM and BSC

There are some similarities between the IAM and the BSC. Both theories suggest that non-financial measures must complement the financial indicators. Both concepts categorise the non-financial, the "intangible" areas into three. Both also argue that the non-financial ratios and indicators must be lifted from the operational to the strategic level of the firm. Both also agree that this approach to measuring is not a new control instrument; it should be used for improving learning and dialogue.48

However, there are a few theoretical differences namely:
1. The IAM does not see people as a cost but as the only profit generators in an organisation and the source of wealth creation.
2. The IAM acknowledges that intangible structures are created as a result of human actions.
3. The IAM is based on the stock-flow theory which is the basis for traditional accounting theory.
4. The stakeholder section of the IAM is more relevant for the public sector than the equivalent section in the BSC.
5. The IAM requires a redesign process that focuses on knowledge management, thus the monitoring tool serves to improve strategy not just roll it out.17

Skandia Navigator“and IC Index“

What it is
Representing one of the greatest milestones in intellectual capital development, Skandia was the first organisation to report on their intellectual capital making use of the Navigator methodology.49 Similar to the other models already discussed, measurement of the intangible assets is done by means of examining metrics. The indicators are divided into five subsets of intellectual capital namely: financial, human, customer, innovation and process (innovation and process combine to create organisational capital).50

How it works
Initially Skandia identified 164 indicators to measure their five areas of focus. This was later reduced to 112 in order to remove redundancies. The indicators make use of direct counts, financial valuations, ratios and survey results. Monetary measures are combined using a pre-determined weighting to form an overall IC value for the organisation. Ratios can be used as a measure of incompleteness and normally combined to form a coefficient for the IC efficiency that captures the organisation’s velocity, position and direction. The table below gives a few examples of what the indicators in each section could be.

Table 2 - Sample of Navigator indicators

<table>
<thead>
<tr>
<th>Financial Focus</th>
<th>¥ Revenue / employee costs</th>
<th>¥ Revenue from new customers / total revenue</th>
<th>¥ Profits resulting from new business operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Focus</td>
<td>¥ no. of days visiting customers</td>
<td>¥ Ratio of sales contacts to sales closed</td>
<td>¥ Number of customers gained versus lost</td>
</tr>
<tr>
<td>Process Focus</td>
<td>¥ PCs / employees</td>
<td>¥ Processing time</td>
<td></td>
</tr>
<tr>
<td>Innovation Focus (Renewal and development)</td>
<td>¥ Satisfied employee index</td>
<td>¥ Training expense / administrative expense</td>
<td>¥ Average age of patents</td>
</tr>
<tr>
<td>Human Focus</td>
<td>¥ Management with advanced degrees</td>
<td>¥ Annual turnover of staff</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bontis (2000)
The IC Index is a second generation IC measurement that attempts to consolidate the different individual indicators into a single index. This synthesis allows managers to view the IC of the organisation holistically rather than only on the individual components.

Relevance to the public sector
As with the other models, it is possible to adapt it to make it relevant to the non profit centred government organisations. Dr Nick Bontis was even able to calculate the IC Index of whole nations, thus creating a way to compare the intellectual capital in a country with that of its peers.

Conclusion
In effect, Human Capital Development requires a holistic approach that includes robust HRM processes and a blended approach to the learning approaches that have been adopted. Thus the innovative concepts suggested in Chapter 3, can be reinforced with the more traditional forms of intervention including job aids, decentralized instruction, induction, coaching and mentoring.

It is important to note that HCD strategies can be undermined if other HR processes within the Public Service are not improved. Technology in this regard plays an important role as robust human resource management processes should be underpinned by employing suitable HR software technology to make them more effective.

Automation of HR business processes enables organisations to free up their HR teams to perform value-added services while reducing operational costs. HR software with comprehensive HR capabilities can offer workforce management to compensation and talent management solutions. They can also incorporate functionality to support the entire request-to-resolve process by giving HR specialists a view of every employee’s case history and HR data, enabling them to quickly manage and resolve all employee HR issues in real time.

The induction process is also especially important as not only does it help to portray a positive image of the Public Service but also reinforces the value placed on a new staff members. Consequently, there needs to be in place a structured, focused induction programme which introduces new recruits to the organisation, career possibilities within it and staff support systems. Proper induction enables new staff to quickly become assimilated into the organisation and to have the necessary understanding of the general environment of the organisation as well as an appreciation of the values and ethics, which reflect its unique ethos.

Coaching and mentoring become central in the context of the South African public service, as they offer an avenue through which succession planning can be dealt with. Instability caused by the frequent movement of staff within the Public Service and exacerbated skills shortages can be better managed through effective mentoring programmes. Mentoring allows for the transfer of tacit knowledge within the organisation, from the more experienced to less experienced staff members.
Implementing HCD strategies in organisations undergoing change

The South African public service invests a significant proportion of its personnel budget on training and skills development. A number of innovative approaches have been introduced by various departments, with a view to improving access to opportunities, mitigating the impact on productivity, and improving the effectiveness of the outcomes for the benefit of the particular department. However, inadequate human resources development systems have often led to fragmented implementation, and lack of follow-through. Those non-traditional methodologies that require sustained follow-up (that is, those that are not once-off training blocks) such as modular delivery, self-study, and mentoring and coaching often suffer the highest attrition rates.

The approaches to HCD presented here can clearly also be usefully applied in different contexts within the public service. As with any other new idea, an organisation’s experience of implementation may differ, sometimes significantly, from the theory, and from the experience of those that have tried it beforehand. Organisations that are already in a state of transition may experience some challenges in introducing new technologies and approaches, as their value may be difficult to assess, amidst all the other uncertainties.

With that in mind, some key principles should govern the introduction of any of the methodologies presented here.

Uncertainty and unknowns are to be expected

Even though many of the techniques that were mentioned in this report are not entirely new, they still represent a shift in the manner in which employees and training are treated in South Africa and especially within the public service. As a result, there are the unknowns and uncertainties that come standard with any new initiative. Despite evidence of successful implementation elsewhere, there will still be uncertainties as to whether or not the programmes will work in the South African context. However, the importance of the subject and the potential benefits to service delivery at least warrant further investigation into the area.

Stakeholder buy-in is integral to successful implementation

Implementing a new organisational system of any kind requires commitment at a number of levels. Principally, all stakeholders to the strategy need to have full buy-in. The nature of the approach is that it is cooperative and a lack of commitment from any of the parties involved would cause the initiative to fail. Consider a community of practice implemented in a department. If top management is not fully committed to the idea, support will not be forthcoming and the communities will fade away. Similarly, if top management is committed to something that the employees are not interested in, the effort will be wasted as no learning will take place. Once the strategy has been completed, the vision, motivation and objectives behind it need to be clearly communicated to everyone involved so that all stakeholders are pointing in the same direction having gained a full understanding of how it is to benefit them personally as well as the organisation.

Commitment and follow through

During the rolling out of an innovative knowledge management strategy, stumbling blocks will appear in the road where nothing but a clear path may have been expected. These setbacks should not be seen as insurmountable, but rather the organisation should stay committed to achieving its stated goals. Perseverance in this will not only see the organisation through the process but by sharing the information with other departments, help smooth the road for the state to move towards being a learning government.

Furthermore, the commitment needs to be whole-hearted. Implementing a single element such as SML groups but keeping everything else the same, is not likely to have a great impact. Commitment needs to come from all stakeholders. This implies a change in the organisational culture towards that of learning and knowledge management. Therefore implementing a half-hearted strategy in order to test the water is probably not going to yield promising results. Rather, implementing a comprehensive strategy in a smaller environment as a learning exercise would be much more beneficial.
Conclusion

The SA Public service has undergone significant changes over the last ten years. During that period, a variety of HRD, management and planning tools have been introduced that aimed to facilitate the transition into a more client oriented service, and to improve efficiency and service delivery performance. The success of those initiatives has been patchy, at best. The introduction of any new methodologies must take into cognisance previous experiences, the lessons that were learned from them, and the expected value that the new approach will contribute. Realistic expectations, coupled with adequate resources and buy-in should result in much greater value derived from the implementation of the methodologies presented here.
Recommendations

Recommendation 1  
Utilise E-learning for selected programmes

E-learning can create efficiencies in learning in areas where traditional learning techniques have not been optimal for whatever reason. An example of programmes that would benefit greatly from an e-learning orientation is the Presidential Strategic Leadership and Development Programme (PSLDP) and the Senior Executive Program (SEP). The PSLDP is a programme that is aligned to the SMS framework, its purpose being to improve service delivery by improving the capacity of public sector leadership and the SEP aims to strengthen strategic capability, enhance leadership skills of top managers while stimulating the regions plans for capacity building. In a study of the SMS53, over 75% of those that attended one or both of the programmes believed that the programme(s) positively affected their ability to do their jobs. However, 47% of the sample had not attended the course citing a lack of time as the primary reason. In such a case, e-learning will enable the managers to work through the course material without having to leave their respective offices. SAMDI as the providers of the course would need to investigate the most appropriate level and mix of technologies that would be required in order to maximise the programmes effectiveness.

Recommendation 2  
Create Self Managed Learning groups in the HRM function to facilitate strategic repositioning

The public service HRM function and its role in supporting the ideal of the developmental state is under review. This provides an opportunity to integrate constructive learning and innovation into the process of transition in an organic manner. It is recommended that participation and completion of SLC form part of employees performance assessments. The SML should be strongly supported by top management and a suitable budget provided. Case study 1 gives an example of SML implementation in a public sector environment.

SML groups are most effective when the members share a common function but cut across traditional organisational lines. This breeds innovation and the sharing of ideas as well as a common understanding of technical requirements and constraints. SML groups are recommended for the following reasons:

1. SML groups have many of the benefits of communities of practice in terms of the interactivity and mutual support between members. This group dynamic will more effectively identify technical skills that require attention.
2. Learning synergies are also created as a result of the above due to the identification of common skills needs.
3. People have an understanding of their own competency gaps and thus can effectively set their own learning objectives.
4. SML groups are more formal and thus can be better controlled and managed.
5. Employees can be held accountable to their learning objectives as set out in their Strategic Learning Contract (SLC).

The HRM function has been identified as the subject of the initiative for the following reasons:

1. The competency of HRM has an influence on the performance of the public sector as a whole due to the pivotal role of employees.
2. Traditionally the function HRM has been largely administrative. Under the new dispensation HRM is required to fulfil a more strategic role and in addition, the DPSA is driving a Repositioning of HR. The combination of these changes means that there is a growing need for skills development within the HRM function across the public sector.
3. HRM will drive the role out of any of the knowledge management strategies discussed in this document and thus need to be in a position to do so.

Recommendation 3  
Implement a comprehensive knowledge management strategy in a single department through the establishment of a PPP

As mentioned in the report, the effectiveness of any of the programmes discussed is enhanced when they form part of an overall
strategy rather than an initiative implemented in isolation. Thus it is recommended that a suitable department is identified and a comprehensive knowledge management approach is implemented. This should include a number of elements namely:

1. Measurement. An assessment should be done up front to establish the state of knowledge and KM processes in the department. This will also be used as a baseline to determine the effectiveness of the development initiatives with future measurements.

2. Human Capital Development. A strategy to develop the capacity of the staff should be developed and can include any number/combination of programmes as the department sees fit (based on the results of the initial measurement). This could be usefully focused as part of a scarce skills recruitment and retention strategy of a department.

3. Structural and Stakeholder Capital. A strategy should also be developed to enable the department to improve organisational memory. Developing human capital without also developing a means to retain (and make accessible) the resulting knowledge is not optimal.

One of the major difficulties of an initiative such as this is ownership of the process. Who is the custodian and do they have the relevant skills? For this reason a PPP is recommended. A service provider should be selected that will help the department to develop the appropriate strategies, walk them through the implementation phase and finally phase themselves out, transferring the required skills to the department.

Recommendation 4

Development of a Knowledge Management Hub

Part of supporting a learning community is ensuring that well structured, managed, and updated repositories exist for storing information in a manner that will enable others to use it and learn from it. A major problem in the public service is that the silo structure creates inefficiencies where functions and research are duplicated across different departments, and there is limited sharing of research and training products. If all such could be readily available to all departments, then much of the above-mentioned waste will be eliminated.

The recommendation is therefore that a central repository be created where all departments will be required to upload their research and training information. The structure and content of this repository should be guided by the areas of common interest across departments. Effectively, this would be an electronic library, wherein information would be indexed, and public servants would be able to search on key words that are relevant to them. The key words can be generic (e.g., as monitoring and evaluation) or sector and content specific. This cross-silo sharing of information will enable departments to:

- Know what work has already been undertaken in areas of common interest, and what needs to be taken further;
- Identify areas of cooperation with other departments;
- Identify lessons learned by others that can be usefully applied in own department;
- Identify opportunities for shared learning, or even cases of best practice.

The system should be developed incrementally, initially focusing on research products and other information that can be submitted easily. Ultimately, this system can be expanded to include technical guides on useful methodologies that are relevant to the HRD needs of the public service; case studies; learning histories etc, which departments can use as reference material for their own human capital development programmes.

The success of such an initiative will rest on two important pillars:

1. There must be a specific Owner of the Hub, whose responsibilities include managing and updating the Hub as a platform for information exchange, and dissemination of information to ensure that users and potential users are aware of its capabilities.

2. Departments must be required to lodge all appropriate information with the Hub. This necessarily requires that guidelines must be developed on what constitutes appropriate material that should be lodged on the Hub. Given that the purpose is to support learning, SamDI and DPSA are possibly the most suitable partners to guide and drive the process.
Case Studies

Purpose of the Case Studies
The purpose of the case studies is to demonstrate application of some of the concepts of intellectual capital development discussed in the report and take lessons from the cases for application in the South African perspective.

Seven case studies were selected, based on the following:

- Demonstration of one or all of the components of intellectual capital development stakeholder, organisational or individual capital development
- Broad relevance across the public, private and societal/community sectors.

Each case study explores key lessons that are applicable to the South African situation, focusing on the factors and practices that contributed to success, as well as highlighting enabling and limiting factors within the South African public service.

Case Study 1: West Sussex County Council

Type of Case:
Self-Managed Learning

Overview:
Taken from a county council setting, this case study illustrates an approach to self-managed learning, the conditions for success and the benefits deriving from this approach. It demonstrates how self-managed learning contributes to organisational and human capital development.

Source:

Description:
The West Sussex County Council, United Kingdom introduced the Advanced Management Development Programme (AMPD) in 1999. The programme runs in partnership with the University of Chichester, which offers a Post Graduate Diploma in Strategic Management on completion of the programme.

AMPD is a County Council initiative led by the Chief executive and provides a framework for individual participants to design and achieve their own individual learning plan and by doing so contribute to continuing organisational development. The programme operates over an 18-month period but unlike other Post Graduate Award Schemes delivered at a university, does not consist of taught modules and is not descriptive in its curriculum. The way the programme is structured ensures that each student forms a tailor made plan of learning that fits with his or her individual needs and matches the requirements of their role at work. It is designed to accommodate the different needs and learning styles of each student, working within a disciplined framework.

Phase one of the programme which covers a period of six months requires that the students form learning sets of approximately five students and a coach. These learning sets meet once a month and should aid in the early production of a full strategic learning contract (SLC). The SLC is a learning contract agreed by student, coach and learning set and emphasizes the responsibility of each student to deliver his or her learning goals. It also ratifies the content of the programme and ensures that common standards are being maintained. Each SLC is reviewed and critiqued at meetings of the learning set and at the end of the six month period, a panel including representation from Chichester University and the external examiner formally assess the SLCs.

On completion of phase one, students then progress to phase two which covers approximately twelve months where students work on and achieve their SLC. Learning sets continue to meet on a monthly basis and students are required to undertake a corporate project that matches the students individual learning aims. Final completion
of phase two involves a presentation to the learning set and an overview of their project work. All work is assessed at a final panel bringing together all the coaches, representation from Chichester University and the external examiner.

Lessons Learned:
SML is carried out in the context that organisational needs cannot be met without individuals feeling a personal sense of commitment to what is required by the organisation. Learning sets provide unique, cost-effective forums to push individuals to learn in depth and to solve real organisational problems at the same time.

The design and delivery of the programme is proven to bring about significant learning and encourages planning, reflection, review and action. The learning set approach provides a powerful stimulus, aids confidence building and improves willingness and the ability to conduct critical and realistic self-appraisal. It encourages students to determine and therefore own his or her own SLC and development.

The use of self-managed learning has proved an invaluable technique for getting individuals to think and learn about their own personal development as well as committing to the development of their organisation. It has heightened managers’ ability to think more strategically and use their learning in practical applications within the workplace.

Applicability:
The process begins through job profiling where the knowledge and skills to produce outputs/deliver services (i.e., competencies) are identified. Developmental gaps within employees are then identified. The required skills are assessed based on the impact it will have on learning and what level of competency will be achieved when the employee has completed specific learning activities. Employees use this information to develop a plan that will bridge the gaps in their set of skills and target their required development.

The programme ensures that delegates not only get a huge amount of relevant learning and development from but also succeed in achieving a recognised qualification which can lead to a formal or accredited qualification (in the above scenario a Masters in strategic management). Attending a learning set is not like going off on a course: meetings only work on practical issues that have a bearing on the organisation and the needs of individuals in the group. This not only enhances their performance but can reduce training costs.

Self managed learning can be applied to management development within the public service especially if undertaken in partnership with educational institutions, for instance, local universities, SAMDI and SETAs.

Case study 2: Enhancing knowledge exchange through Communities of Practice at the Inter-American Development Bank

Type of case:
Communities of Practice (CoP)

Overview:
This case study shows how Communities of Practice (CoPs) - informal groups of professional workers who share similar interests and goals - have emerged in the past few years at the Inter-American Development Bank (IDB). These CoPs are complementing the existing structures and enhancing knowledge exchange and organisational learning. These Bank Networks position the Institution in an optimal situation to explore to a greater extent the benefits of knowledge exchange and leveraging of institutional knowledge.
Source:
Alfredo Moreno, Enhancing knowledge exchange through Communities of Practice at the Inter-American Development Bank, Aslib Proceedings Vol 53, No. 8, September 2001

Description:
There is a growing acknowledgement that the operational success of any organisation or institution will increasingly rely on their ability to leverage institutional knowledge. When the Inter-American Development Bank’s (IDB) Management approved the establishment of an inter-departmental coordinating group, KENSTEER (Knowledge Exchange Network Steering Committee) in 1999, it recognised the importance of institutional knowledge and the intellectual assets of the Bank. Since its inception, KENSTEER has been exploring the potential of knowledge exchange and leveraging institutional knowledge principles.

KENSTEER observed and showed interest in the knowledge exchange activities that were taking place within informal groups at the Bank. It was apparent from the outset that informal Bank Communities of Practice, often referred to as Bank Networks, had been emerging spontaneously at the IDB. The IDB Networks, often referred to as thematic groups in other institutions or corporations, are mainly sector/thematic oriented and demand driven. They seem unconsciously to complement the existing structures, enhancing knowledge exchange, and enabling powerful new forms of social organisation and learning, which reflect the participation of members.

The aim of the IDB Networks could be summarised as follows:
...to serve as a [virtual] forum for professional Staff to promote knowledge generation and dissemination, and as a way to connect staff from various departments in the Bank that are working or interested in similar issues.

Network leaders, commonly referred to as co-coordinators or facilitators, seem to have emerged spontaneously. They provide intellectual leadership and have a talent to facilitate and draw people. Their main role is facilitating and coaching knowledge processes and activities.

While most of the Bank Networks could be regarded as continuous or semi-permanent, Networks are also somewhat fragile, often dependent on the presence of one or more exceptional individuals who have emerged spontaneously and who devote time to the Network. The size of the Networks, as determined by the number of participants or members, varies greatly. Membership, which is fairly representative of most departments and units, ranges from little more than a dozen to nearly 180 and is open to the entire Bank. Member’s participation is by and large unregulated and discretionary.

Most Networks have met on several occasions and sponsor activities at periodic intervals. Resources and basic needs seem to be a critical issue for the IDB Networks. Although some of the Bank’s Networks are largely self-sufficient and do not have a proper budget, they have stated explicitly that they would benefit from some funding and resources to carry out and cover the expenses of related activities. However, Networks do not want to be treated like another unit or working group in the requirement to establish output accountabilities, even though some indicators of their performance would be very valuable to illustrate their benefits to Management.

Apart from the face-to-face interactions, that are considered very important, other tools like e-mail, distribution lists, and the use of Electronic Public Folders are most commonly used to function as a virtual forum space for professional staff in the Bank and as aids to discussion and member’s communication.

Specific co-ordination and co-operation between some Networks is already taking place, but it seems to be limited. Many efforts and initiatives from different Networks are underway, but it seems that further collaboration among them could be higher for mutual synergy purposes and in order to take advantage of the benefits of sharing best practices and lessons learned between the more mature and newer Networks. A Knowledge Exchange Fair in May 2001 promoted greater interaction between the Networks and staff.

Lessons Learned:
The Networks that are established often unconsciously address the issue of professional isolation of technical staff and bridge the gap between technical families across the Operational Regional Departments Divisions and Country Offices within the same or a different Department. This is accomplished by exchanging information/knowledge within the members of a community with similar interests and needs.

The Bank’s Communities of Practice thus offer a space for dialogue among those working on similar issues. These groups are self-organised, setting their own basic objectives, often implicitly, and establishing their own leadership. Membership is largely voluntary and self-selected.
There is a general belief among Network participants and members alike, that fostering these Communities when necessary will result in more rapid organisational learning, more effective decision-making using lessons learned, and more rapid and effective problem solving. Circumstantial evidence shows that the Bank's Networks provide the opportunity to add value to the participants and the Institution alike.

Applicability:
The public service would benefit greatly especially in the area of project implementation, if communities were formed between national, provincial and local government and between the policy makers and those who implement policy. That way, civil servants at different levels will be able to learn together and move forward in service delivery. As was shown in the case, the logistical constraints of this can be overcome through a combination of face to face and electronic interactions. As a result interventions can be implemented efficiently; stakeholders can identify and respond to obstacles more quickly, and critical stakeholders can be kept clued-up throughout the transformation period.

Case study 3: Measuring the value of human capital investments: the SAP case

Type of case:
Measuring Intellectual Capital

Overview:
This case study illustrates how a new tool can help executives learn whether they are getting significant return on their investment on human capital and whether the expenditure is financially justifiable.

Source:

Description:
In 2002, SAP America, Inc., the North American division of the global software corporation, was in the doldrums. It had consistently missed financial targets for five years, sometimes by as much as 50 percent. It had lost market share and revenues were declining. To get the business back on track, executives envisioned a change in strategy. This shift would require a change in the division's culture, to one that brought more accountability and discipline into critical process execution, while preserving some of its entrepreneurialism.

To implement the new strategy, the company would also have to rethink and re-engineer some of its core human capital processes. In the software industry, up to 75 percent of a company's market value is related to intangible assets such as people and their knowledge, and people costs represent nearly 40 percent of total costs in the average software company.

Like many companies, however, SAP America had been making investment decisions in their people largely on the basis of faith rather than empirical, quantifiable data. But as the firm moved to instil a more disciplined culture, executives knew that facts supported by data would be more valuable than intuition in many instances. They found that metrics that track business performance, such as economic value-added (EVA) and return on invested capital didn't reflect the increasing importance of people assets. And the few people-oriented metrics that SAP tracked, such as training budget per employee, were not deemed as helpful for making investment decisions. Senior vice president of human resources Terry Laudal explained the problem:

These numbers tell us nothing about the effectiveness of our people programs. If you are spending a lot on human capital investments, for example, you may be wasting money on inefficient execution of transactional processes, or you may be using resources that are not aligned with critical business priorities.

In addition, survey data collected from employees was seen as helpful, but limited in utility. The company regularly held employee and management advisory council meetings and
surveyed its employees to obtain information on their satisfaction with people programs and to get a pulse on the level of engagement. First, executives were wary of equating employee satisfaction with business results; just because satisfaction with a particular people program had gone up, for example, didn’t necessarily mean it would yield better business results. Second, although executives had some idea of the engagement level of their employees — or how emotionally involved, aligned, and committed their employees were to their work and the organisation — they had no way of knowing how their engagement levels compared with those of other companies. Nor did the company know what specific actions would empirically lead to improved engagement, or how engagement was associated with operating and financial outcomes.

**A new framework for human capital**

SAP decided to adopt the Human Capital Development Framework and followed the procedures outlined in chapter 4. When they were presented with the results of the first implementation of the framework, SAP’s executives were pleased to see that one year into their turnaround efforts, many initiatives seemed to be paying off in relatively high process and capability scores. More than half of the organisation’s human capital processes were in the top quartile of benchmarking results (i.e. better than 75 percent of the other organisations in the study); nearly all the rest were in the second quartile of benchmarking results. In order to gain the greatest return from the HCD interventions, effort needs to be invested into the areas that are weak, indicated by a low benchmark ranking as well as being related to a key business driver.

Following this principle, SAP America focused on three things:

- **Learning management**
- **Human capital infrastructure** (that is, the firm’s transactional HR processes)
- **The succession planning process**

Suitable interventions were rolled out with the following impact on SAP performance:

- SAP America has reduced the cost of their HR service delivery by approximately 50%
- There has been a significant reduction in external hiring for management positions and overall internal promotion rates within the organisation have increased from 5% to more than 12% and
- The learning management process has improved by 11%

These improvements are significant as evidenced by the fact that two processes — human capital infrastructure and learning management — moved from the second to the first quartile of benchmarking results.

**Lessons Learnt:**
The framework was able to measure the improvement of leadership capability (or the ability of those who direct, plan and coordinate the work of the company, function or business unit to effectively guide the organisation in accomplishing its goals) within the organisation, specifically by 16%. Organisations with strong leadership capabilities also have more mature learning management processes.

Other human capital capabilities improved as well and have been quantified. Human capital efficiency (the ability of the organisation to efficiently and cost effectively manage its human resources) improved by 14% and workforce adaptability (the ability of the workforce to flexibly respond to changing business conditions) improved by 13%.

Overall, customer and employee satisfaction have improved and total turnover dropped by between 5 — 10%. Human capital processes were an important factor in the organisation’s ability to effectively execute the new strategy and ultimately improve performance including financial results.

**Applicability:**
The HCD framework adds value in that it identifies specific areas that need some form of development as well as acknowledging the indirect link between traditional HR processes and service delivery. Departments and SAMDI spend millions every year on training and these investments are by no means blind but the question of whether or not these investments are impacting service delivery remain largely unanswered. The SAP case showed how examining and measuring the linkages from people and HR processes to the bottom line (service delivery) enables the organisation to invest strategically in its people, having the desired impact on the overall performance of the organisation.
Case study 4: South Gippsland Shire Council (SGSC)

Overview:
TANGO is a unique business simulation that demonstrates how managing the organisation’s intangible assets are critical to the delivery of high quality outcomes and to organisational health. During the simulation participants learn valuable lessons about strategy setting, valuing and managing intangible assets such as knowledge, reputation and image, and the importance of trust and communication in effectively functioning organisations. Over two intensive days of simulated operations and facilitated discussion of lessons learned, participants gain valuable insights into the contribution that knowledge management can make to organisational outcomes.

Source:
Peter Dyson, Business through Knowledge, LGPro Article

Description:
South Gippsland Shire Council (SGSC) is the first local government group to implement an Intangible Assets Monitor (IAM) to manage their business. The IAM is a framework that helps organisations explicitly manage and develop their intangible assets. SGSC’s Community Services business unit used the framework to develop innovative, leading edge, business solutions that have supported their entry into competitive markets. While completing their business plan Community Services found that their intangible assets were their key resource in the knowledge era. Intangible assets are not always easy to understand and often even more difficult to manage. For example, SGSC’s intangible assets included the value of their people and the expertise they brought to work with them each day, their relationships with other organisations, customers and the community at large and the value of the processes and structures that they had developed.

Recognising the importance of these assets, SGSC business units participated in a Tango simulation that helped them build a common understanding of their business, its context and future directions. In particular they focussed upon the flows of intangible assets around the organisation. In the process of working through the seven years of operations, participants learned valuable lessons about strategy setting, valuing and managing intangible assets such as knowledge, reputation and image, and the importance of trust and communication in effectively functioning organisations.

The Tango experience gave the business units the opportunity to see the organisation through their customers’ eyes and to understand how their business might operate successfully in the long term.

Lessons Learned:
The Community Services team identified key factors for the successful leverage of their intangible assets in accordance with their business strategy. They developed indicators to measure their progress towards their goals and brought these together in the Intangible Assets Monitor (IAM).

Community Services have found the IAM to be a valuable business decision making and strategic planning tool. It is now a core element of their management strategy. It has supported the development of strategies for their renewal, growth, stability and efficiency.

Their focus on intangible assets has realised efficiency and effectiveness improvements. Financial performance has consistently exceeded the tender assumptions and annual budget expectations. They have demonstrated that financial and non-financial assets can be managed simultaneously to build business through knowledge.

The IAM has helped focus on the value, rather than the cost, of their intangible assets. Staff now see themselves as revenue creators rather than costs and that their contribution has business value. IAM has enabled them to articulately communicate the value and capability
of their organisation both publicly and privately. The approach to innovation and their IAM will help them create a distinct business advantage.

**Applicability**

Project teams within the public service would find the Tango simulations useful. As mentioned previously there are many uncertainties and unknowns in terms of how to implement a suitable knowledge management strategy. A shift to a greater focus on intangible assets such as HC requires the assimilation not only of new concepts but also new ways of thinking. A simulation provides a safe yet realistic environment to get more familiar with the concepts. As participants work with Tango’s highly experiential business model, they are able to immediately identify, test, and evaluate the consequences of their decisions.

**Case study 5: Enhancing Skills Development through e-Learning**

**Type of case:**
E – Learning

**Overview:**

This is a pioneering e-learning project called the Interactive Learning, Communication and Management (ICAM) project initiated by the Free State Department of Health and demonstrates how an e-learning initiative is being implemented in the Public Service.

**Source:**

**Description:**

Prior to 2001, the Free State Department of Health was faced with a challenge of providing medical training and educational information to all employees across the province such as doctors, nurses, clinical staff and other healthcare workers. A large proportion of employees of the department were unskilled or semi-skilled.

At the time, the department used a combination of face-to-face instruction methods, either through workshops, seminars or block sessions lasting several days or weeks, to close a skills gap that existed between urban based and rural based health workers in the province. However, this approach posed significant challenges for the department. Not only were block sessions very costly, they also attracted a small number of participants. The costs included loss of productivity due to time spent on training, and costs related to travel and accommodation.

In 2001, the Department of Health’s management team began researching options for increasing the number of people they could cycle through their training programmes, while at the same time reduce the costs associated with a face-to-face instruction method.

The department benchmarked against other companies such as BMW SA, Standard Bank SA and Telkom SA that develop their workers skills through distance learning programmes. It has been argued that this method offers high-level of interactivity, scalability and reliability. To drive this process further, the Department of Health formed the Interactive Learning, Communication and Management Unit to manage the new learning network.

ICAM is a technology driven system based on one-touch solution, which provides the department with 40 interactive video-based classrooms for learning and teaching. It allows for interactive two-way communication and thus encourages viewer participation and enhances comprehension, and information retention thus making distance learning more effective.

Subject matter experts can reach, train, communicate and collaborate with any number of employees of the department, based anywhere in the province. Using audio and data communication, the presenter server allows the presenter or subject matter experts to teach and communicate with each participant during learning sessions. Audio communication between
the presenter and students encourages participation from everyone. ICAM is enabled with software applications that make it easier for the presenter to track participation and activities taking place at all remote sites during the training programmes. This feature allows the presenter to effectively monitor and interact with classroom participants. Post class tabulation allows presenters to determine their effectiveness in reaching participants. Additionally, all participant results can be exported to the department’s enterprise learning or resource management system.

From the top management and Human Resource Development to HIV/AIDS and Communicable Diseases, ICAM serves 14 departmental directorates within the Free State Department of Health.

**Lessons Learned:**

ICAM has helped and continues to help the Department of Health in the Free State to achieve its objectives of providing training and education to its entire healthcare workers. It provides training to a variety of constituencies such as government employees, non-governmental organisations employees, members of the community-based organisations, and community volunteers such as peer educators, lay counselors and home-based caregivers.

The new training system is cost-effective. The ICAM model has helped the department to reduce its costs associated with a face-to-face training method such as traveling to and from, and accommodation for people attending training.

It has also helped to reduce or limit loss of productivity. A cost assessment performed by the suppliers of the ICAM system indicates that the system cost less than $1 per hour for each learner attending in 2001.

**Applicability:**

The ICAM project has been celebrated locally and internationally as an innovative and pioneering effort aimed at building human capital within the public service using the latest technology. It has successfully demonstrated and confirmed the possibilities and opportunities for e-learning within the Public Service and government departments should explore the potential options that e-learning approaches can generate.

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**Case study 6: Toyota South Africa Motors (Pty) Ltd.**

**Type of case:**

E — Learning

**Overview:**

Toyota South Africa Motors (Pty) Ltd. have been in South Africa since 1961 and boasts the largest network of vehicle dealers in Southern Africa, each committed to excellent sales and after-sales service. Toyota SA aims to increase its vehicle production volume to 220 000 units a year by 2008. Toyota counts on its team members being competent, motivated and committed to the objectives of the company — and makes every effort to provide opportunities for growth. To this end the company recently opened a state-of-the-art training facility, the Toyota Academy in Sandton to address the need for more skilled personnel. The Academy has successfully used E — Learning as a medium of instruction in training its sales force.

**Source:**

Rene Wilson, Toyota South Africa eLearning for Corporate Sales Training — A Success Story presented at the e — Learning in the Corporate Sector workshop hosted by Active Touch at the Innovation Hub, October 2005.

**Description:**

The Motor Industry Development Programme (MIDP) was implemented in South Africa in 1995 and its core objectives were to improve competitiveness, increase vehicle affordability and contribute to economic growth and job creation through increased local production and exports of vehicles and components.

Toyota Academy was faced with the challenge of ensuring that the Toyota SA sales force was able to able to confront the challenges of increased competition and increased opportunities for export sales as a result of the implementation of the MIDP. Within the Toyota Academy it is the responsibility of the Product Training Centre to ensure that sales force is skilled and equipped to perform and meet the industry demands.
The Product Training Centre was faced several challenges:

- Ensure the sales force is equipped with skills and knowledge to meet the increasing industry and customer demands and thus improve competitiveness and cater for the expected increase in market size projected to escalate to +/- 770 000 units by 2010.
- There has been huge growth in export demand and when Toyota SA exports to other African countries, the Product Training Centre is responsible for conducting train the trainer sessions, as well as supplying e-Learning material to the Africa distributors.
- A critical element of product knowledge is understanding the competitors products. As the number of competing brands increase so does the responsibility of the Product training centre in terms of competitor comparison training. Competing vehicle brands in South Africa have increased from 15 in 1995 to 36 in 2005.
- Sales force needed to understand the new types of customers that are emerging in the market.

These challenges revolve around both the product and the dealers. In terms of the product the challenges for the sales force were:

- Aggressive competition and market growth — manufacturers constantly introducing new models and products to compete in the various segments. The sales force needed to understand competitor products.
- Advancement of technology - today products are boasting technological key selling features thus sales staff need to understand and comprehend the technical aspects of their products.
- Due to tough competition and the need for confidentiality there are shorter periods from release of information, arrival of units and the respective launch of a new model. This does not leave much time for training development and delivery. In the past it was 3 months, now Toyota SA plans around 2 months.

For the Dealers, despite being aware of the importance of training it is vital for them to work the floor in order to meet critical sales targets. They also have to deal with customers who are increasingly well informed on products. Customers constantly conduct competitor comparisons in order to identify the best value for money package. In many instances customers are better informed on a specific product than the sales person. In addition the motor industry experiences a high staff turnover and dealers have to continually coach new staff.

The Product Training Centre employs minimal staff who perform a project management role and assist in training delivery. The Centre’s function is twofold (1) Ensure Toyota Sales force has knowledge and skills to sell Toyota’s product and meet sales targets and (2) Monitoring and assessment — to assess sales person’s ability to sell product and ensure the dealership has the capacity to sell the product. Toyota Academy has to ensure that Product training centre staff are knowledgeable regarding the industry challenges and assist staff in finding ways of doing their job smarter and quicker.

Given these challenges the Toyota Academy adopted e — Learning as a business solution. They adopted a Blended approach to the e — Learning process. Product training has 3 components — knowledge, skills and assessment and the blend varies from product to product. Hence e — Learning addresses knowledge and knowledge assessment and workshops focus primarily on skills development. The advantage of e — Learning and its embedded assessment tool is that it offers quick performance reporting, requires a minimal administrative component, is non labour intensive for trainers and it’s standardized.

The delivery platform employed for e — Learning was the CD — ROM. It was selected due to the technical limitation in South Africa of the Internet bandwidth which did not allow for rich media e.g. videos and animations. Also training has the lowest priority on the intranet which would have affected the efficiency and quality of the e-learning experience. The other consideration was that given that the audience needed to be working the floor the need was to provide portable learning that allowed the audience to do their learning at home and after hours.

Monitoring is achieved through software. On completion of learning, the software allows learners to print an electronic certificate as proof of competence which they can fax to the administrative co-ordinator. In future it is envisaged that additional tracking will be achieved through the Internet and intranet. By 2005, the Product Training Centre offered 10 e — Learning products.
Success story - Toyota Prius

Toyota Prius uses hybrid technology - Hybrid Synergy Drive (HSD) - which offers a seamless integration of its gasoline engine and an emissions-free electric motor. HSD combines the characteristics of an electric drive and a continuously variable transmission, using electricity and transistors in place of toothed gears. Before it was introduced into the South African market the sales force was not as informed or educated on environmental issues as the typical Prius customer would have been. The sales force had to be on the same standard of environmental awareness as the Prius customer.

To achieve this, a workshop was held that addressed the following: (1) Sales skills — how to sell a hybrid vehicle (2) Technical knowledge — selling technical features of Prius (3) Marketing Toyota's contribution to the environment and (4) How to drive a hybrid vehicle.

In addition the sales staff were provided with a CD that offered Product knowledge with a huge focus on Hybrid technology and environmental issues. It presented uncomplicated and simple training information on the new technology in respect to Hybrid Synergy Drive (HSD). It also provided holistic information about global eco issues e.g. global warming as well as health and natural habitat destruction issues. Each element of HSD was explained as well as their interconnectivity within the Hybrid System. Also covered was HSD operation during various driving conditions.

The CD — ROM assessed the learners on all aspects of hybrid technology and environmental challenges. The result was that this kick started a new culture of environmental awareness throughout Toyota and 83% of the target audience were declared competent (where the minimum result to achieve was 80%).

Lessons Learned:

The adoption of e-Learning has lead to the reduction of training days and workshop costs while delivering a rapid deployment of standardized learning content. The process includes assessment and certification of competence which means a well educated and able sales force for Toyota SA.

The dealer network has also benefited from the accessibility to product training by anyone in the dealership. The material in CD — ROM format can be used for both refresher training for current staff and as part of an induction tool for new staff. It offers a unique learning experience for each product and creates excitement with a high level of interactivity and fun during learning. It caters for various learning styles e.g. assessment questions, activities, use of diagrams and labeling etc. It has resulted in less days off the floor that could have resulted in loss of income.

Applicability:
E-Learning via CD — ROM can be a useful tool for human capital development within the Public Service. It can be used deliver course material for courses offered by, for instance SAMDI. In addition it could be used during the induction process for new public servants but if used for the induction process it would need to be closely monitored, with clear stipulations that there is a specific time frame within which the e-certificate has to be presented to SAMDI, the HR unit or HOD failure to which there will be a heavy penalty.

Case study 7: State of Virginia Department of Education

Type of case: Virtual / Online Communities of Practice

Overview:
An online community of practice is a group of people who come together to do a piece of work. Face-to-face meetings and conference calls are almost always components of the work process, but virtual work, or rather work that is done in a virtual environment, dominates. This case study demonstrates the use of Virtual Communities of Practice in the implementation of a challenging programmatic response — Doubling the number of annual General Educational Development (GED) recipients in the State of Virginia — within 18 months.
In 2003 the Governor of Virginia Mark Warner set an 18-month public goal to double the number of annual General Educational Development (GED) recipients in the State. The GED Test is designed for people who, for various reasons, did not graduate from high school but want a certificate equivalent to the traditional high school diploma. The examination tests knowledge in five subject areas: Language Arts, Writing; Language Arts, Reading; Mathematics; Science; Social Studies.

On average 10,000 Virginians passed the GED tests each year. The Governor challenged the State Department of Education to take this number to 20,000 per annum by 2005. Dr. Yvonne Thayer, Director, Adult Education and Literacy, saw the daunting mandate as an opportunity. She recognized that this crisis could serve to facilitate implementation of a radically new model of GED programming, one that incorporated active student recruitment, new teaching techniques, and critically, one that could drive a mindset or cultural shift away from the traditional adult education worldview of literacy as empowerment to a transformative self-image that of provider of practical skills for workplace advancement. Most importantly, Dr. Thayer saw that if she could both develop and implement this new GED model with some in the field and have it be successful, she would have a lever to bring both a changed programmatic approach and a changed mindset to the field as a whole.

November 2003 -

Dr. Thayer convenes a small team within the Department of Education to set out the key dimensions of the new program. They mandate a 6-week program and suggest eligibility criteria for prospective students.

January 2004 -

Dr. Thayer convenes 5 program managers from sites across the State. Selection is based on the diversity of their populations (urban/rural), their openness to change, and willingness to work collaboratively. The group begins to develop a Fast Track program built around the parameters set out by the State. At Dr. Thayer’s urging they move rapidly to launch pilot programs to learn by doing. The first Fast Track class enters programs in February.

March 2004 -

Dr. Thayer invites Knowledge in the Public Interest (KPI) to meet with the 5 pilot program managers. KPI is an organisation that offers expertise and technology on planning and building successful online communities of practice. Dr. Thayer asks them to form an online community of practice or Polilogue, to share their implementation experiences and accelerate the adoption of emerging better practices. A strategy meeting with KPI leads to the establishment of the Fast Track Online Community. Its focus reflects the interests and needs of the program managers: marketing and recruitment, curriculum and staff development, budgeting, funding and partnerships with State workforce organisations and the business sector, and reporting.

April to July 2004 -

Pilot program managers participate in several jams or asynchronous discussions in the Polilogue during which experiences and ideas are exchanged and materials are shared. These early jams are facilitated by KPI and Dr. Thayer follows the discussions closely, leading off each one with a posting on her ambitions for the work.

The pilot program managers had focused intensely at the start on marketing to support recruitment because they had to fill classes to get the new program off the ground. They had developed radio ads, bus posters and the like. An important first Jam on marketing addressed the principle of market segmentation. The experience in the field had allowed some initial thinking to emerge on the profiles of people most likely both to be interested in the idea of an accelerated GED program and capable of passing the tests after only 6 weeks of preparation. The community was able, through discussion, to link these findings to basic marketing concepts of message and medium. As a result they were each able to rapidly adapt their pitch and refine their expenditures to target more narrowly their best prospects.

Knowledge in the Public Interest organized, summarized, and analyzed the work of each Jam, as an easy reference for the participants, as a source of knowledge for the future, and as an
input for Dr. Thayer as she guided the pilots. Market segmentation became an important insight for the Dept of Education as it pre-pared for rollout beyond the pilots.

**August 2004 -**

The basic efficacy of the program model is established by the 5 pilot sites. At the annual statewide GED conference Dr. Thayer asks the pilot program managers to share their experiences with the full group. Each covers a different dimension of the pilot program, basically each of the Polilogue topic areas, rather than speaking only to her own program experience.

Dr. Thayer then invites 10 additional program managers to join Fast Track and insists that everyone use the community to get up to speed. The advantages of relying primarily on the online community of practice are several: the new program managers can learn together from all five of the pilot managers and their staffs, without leaving their sites and effectively on an as-needed basis. The result is rapid build-up to launch. And the peer-to-peer collaborative nature of the community helps the new program managers to see themselves as fellow program builders and adapters, rather than as recipients of a fixed model. This obviates resistance so common when a funder insists on a challenging goal.

One Jam held among the 15 participating program managers concerns funding and relationships with local Workforce Investment Boards (WIBs). Relationships are constructive and supportive in some regions and antagonistic and fruitless in others. Tactics, presentations, and data are shared. In analyzing the exchange, Knowledge in the Public Interest highlights the apparent confusion among program managers over the WIB’s funding obligation for adult education. Dr. Thayer acknowledges the confusion and enlists the State Department of Labor in clarifying its mandate in this regard. Wile there is no provision for WIB funding of adult education, Dr. Thayer secures an expression of support from the Department and paves the way for Adult Education cooperation in the field. She models the approach for the program managers who begin to emulate it on the ground.

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Dr. Thayer feels that the model has been sufficiently developed and vetted and is indeed producing strong GED pass rates in the 6-week time frame. She takes the program to scale, bringing in all 50 adult education GED sites across Virginia. The entire program rollout takes place via the Polilogue. Launch occurs over two days with a succession of Jams held on each major program element and moderated by the group of 15 experienced program managers. Once again the Polilogue provides a twofold benefit. The first is in cost and time savings, as program managers are introduced to the program elements from their work desks. The second could be characterized as psychological. The inculcation is peer-to-peer and the explicit messaging is that a new program manager is being offered the benefit of the experience of others, which s/he as a professional can consider and adapt to the environment in which s/he operates.

In the period June 2004 to July 2005, 20,000 people received their GED certification and 90% of those enrolled in a GED Fast Track preparation program received GED certification. All GED preparation courses in Virginia are adopting the basic elements of Fast Track. They are working to both accelerate the time involved in preparing for the test by adopting and adapting Fast Track pedagogical and motivational techniques, and by building substantive and wide ranging relationships with local employers to establish a tight link between training and work.

**Lessons Learned:**

The critical success factors for a high-performing online community of practice have absolutely nothing to do with technological aptitude. The basic skills required for community participation are: signing on and setting a password, sending and receiving email with attachments, and googling i.e. using search. The two key determinants of community success are (1) the strategic clarity and capacity for collaborative leadership in the organisation, and (2) the specificity and practicality of the community mission.

The online community of practice was only one element in the development and statewide rollout process, but it was a critical one for two reasons. Firstly, it facilitated and indeed encouraged the development of a robust and ultimately successful program model, by supporting rapid learning and adaptation allowing many to take on that which some had found to work and to abandon that which some found unproductive. And, through after-the-fact analysis of group work, examining the digital paper trail to uncover issues that were inhibitors to progress but not explicitly apparent and raise them for management action.
Secondly, it maximized the practicality of the program elements by having the field drive the details, and it minimized the inevitable resistance to change that is perceived to be imposed from outside (i.e. the Department of Education or headquarters in private sector parlance). The Governor’s mandate was the non-negotiable impetus for change and the hand of the Department of Education was an ever-present guide as well as a source of pressure. Nonetheless, the field determined the nature of the response and really became responsible for the program’s success.

However, there was an intangible benefit to engaging the field in an online community of practice that may actually prove to be its greatest advantage. The very act of working virtually, for a group of relatively techno-phobic people, served to open them up to new ideas and approaches. Given their age and professional experience, many went where they had never expected to venture. The experience built confidence and seemed to counter the resistance to change so well-embedded in human nature.

**Applicability:**

Virtual Communities of Practice would be useful in the South African context where service delivery needs to be accelerated, for instance the provision of housing. Communities can be formed vertically between the three tiers of government and horizontally between geographically dispersed areas. Lessons can be learnt and ideas exchanged between policy makers in national government and implementers in provincial and local government and also between implementers in diverse geographical regions.

The drawback of virtual communities is that it can be a double-edged sword in that it both amplifies able leadership and magnifies dysfunction. In other words, online communities of practice are a potent tool for the strong (enlightened) manager who is not only comfortable with setting a general course and allowing the team or the field to develop the road map, but who sees the advantage of achieving organisational and cultural change by engaging people rather than mandating or dictating. Needless to say a tool and process that fosters collaboration and inclusion an easy widening of the circle and makes precise outcomes inevitably unpredictable, is problematic in the hands of a traditional hierarchical manager, a micro-manager or narrow tactician.
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