



# WorldLINK

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## HR Anticipates a Tough 2009

A significant majority of multinational companies are trying to be selective in planning 2009 workforce, compensation and benefits cuts, even as they anticipate a decline in their company's business performance this year, according to a December 2008 Mercer survey, *Leading Through Unprecedented Times*.

The survey, conducted in early November, yielded responses from 1,028 human resource and finance professionals representing organizations with operations in more than 100 countries. The findings paint a vivid picture of the talent, compensation, benefits and related investment strategy challenges that organizations are facing as a result of the current economic turmoil.

"Many multinational companies have been facing rising cost pressure throughout 2008 and in recent months have been managing compensation costs and workforce levels aggressively while working to keep employees engaged and productive," said Patricia A. Milligan, chief markets officer at Mercer. "But our survey shows that—at least as a group—most of these companies have refrained from taking severe and broad-based steps. Such drastic actions may include very deep workforce cuts, across-the-board salary freezes, reductions in defined contribution plan contributions or elimination of certain health benefit programs."

According to Milligan, Mercer believes that many fundamental HR-related decisions are likely to be revisited in response to year-end results and updated economic forecasts for 2009. "This is a balancing act. Discussions with our clients indicate that more dramatic actions are being considered by boards and senior management should the downturn become deeper or prolonged," she added. "It is also likely that companies learned important lessons in previous economic downturns about the importance of talent in creating competitive advantage, and so are reluctant to take actions that could hamper their recovery once the economy improves."

### 2009: A Tough Year Ahead

Globally, 81 percent of respondents in the Mercer survey expect their company's business performance to decline in 2009. The most pessimistic are respondents with operations in Japan and Hong Kong

(90 percent expect such a decline). The most optimistic are respondents with operations in Canada and the United States, where 72 percent and 82 percent, respectively, expect their company's performance to decline in 2009.

Merger and acquisition (M&A) activity has also felt the impact of the economic slowdown. Two-thirds of respondents view an increase in M&A activity as unlikely. However, 47 percent of respondents in both France and Australia expect that M&A activity will likely increase in 2009. Certainly, a tough economy can force mergers or create acquisition opportunities that might not arise in a more prosperous economic environment.

### Workforce Reductions vs. Selective Hiring

One-third of respondents to the Mercer survey (35 percent) expect to make significant reductions in their workforces—a significant number but, given the possible depth of the downturn, a relatively conservative response. The figure does rise to considerably higher levels for certain industries. At the high end, respondents representing 48 percent of manufacturing firms and 48 percent of technology firms will likely reduce their workforces by significant levels. This compares with 24 percent of those representing professional services firms and 28 percent from retail and wholesale firms. "While there may not be significant reductions across the workforce in some industries, our experience indicates that many companies are trimming staff selectively and strategically, by reviewing staffing in specific workforce segments, business units or geographies," said Milligan.

On the other side of the coin, despite the weak economy, talent shortages still exist for key skill sets and selective hiring remains a top priority for employers. While more than two-thirds of respondents (69 percent) will likely curtail overall hiring to below replacement levels, 69 percent will likely hire top talent at originally planned levels.

Seventy percent of respondents do not expect to reduce the number of staff on international assignments, as these employees are often sent to high-growth markets. However, 42 percent expect to review international assignment programs and policies as part of expense control.



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## Compensation: Cold but No Freeze

The majority of respondents (73 percent) are now likely to reduce salary increases in 2009 from those originally budgeted. Only 12 percent of respondents said freezing wages at 2008 levels is a highly likely course of action, but it is a stronger possibility in some industries, notably banking and technology.

Sixty percent of respondents to the Mercer survey expect to reduce 2009 bonus payouts based on 2008 performance—a figure that is likely to increase after year-end results and 2009 business forecasts are finalized. A substantial 75 percent of respondents in the financial sector are likely to reduce 2009 bonus payouts; the sector also tops the list of industries likely to make changes to variable pay programs. Twenty-eight percent of respondents representing financial companies said their company plans to change or develop new variable pay programs, which is almost twice as high as the response among survey participants overall (15 percent).

## Holding Off on Defined Contribution Cuts

Regarding defined contribution retirement plans, 83 percent of respondents do not expect their company to reduce the level of employer contributions. It is worth noting, however, that 17 percent are considering this drastic action. Many respondents (77 percent) expect to review investment and administrative fees, possibly as a result of pressure from regulators as well as the decline in investment values. Eighty-five percent will likely enhance employee education and communication regarding investment choices, objectives and options. Three-quarters of respondents will likely review their fund lineups.

For defined benefit plans, the focus is primarily on understanding and reducing risk. Changing investment strategy (46 percent) is the most likely method companies will take to reduce risk, rather than changing funding policies (31 percent). Twenty-four percent of respondents are considering cutting back or stopping accruals, but only 4 percent say they are very likely to do so.

## Employee Health Contributions Up

Recessions typically lead to an increase in health benefit utilization by employees and thus an increase in the cost of such programs to employers. However, 84 percent of the respondents to the Mercer survey said their company is unlikely to eliminate any current health or group benefit programs to cut expenses. Instead, companies are more likely to intensify efforts to understand the root causes of increasing costs (77 percent) and add wellness programs to improve health-related behaviors and increase employee engagement (76 percent). Fifty-three percent of respondents indicated that their company will likely increase employee contributions, particularly those representing companies with operations in the US (67 percent). Some 59 percent of respondents representing companies with operations in the US, compared to a survey average of 47 percent, may shift more health costs to employees through such mechanisms as higher deductibles.

## HR Copes with Fewer Resources

At a time when their company's performance is under pressure, HR leadership often feels a particular responsibility to improve operational effectiveness and to drive broader organizational change and transformation. In an environment in which they are asked to operate with reduced resources, 62 percent of respondents to the Mercer survey said they are likely to reduce planned investments in HR services. However, nearly twice as many respondents (38 percent) said they plan to maintain the level of HR investments as those who said they are "highly likely" to make such cuts (21 percent). Additionally, 75 percent of survey respondents said their company is not likely to invest more to outsource HR functions in 2009.

## Employee Attitudes

Given the nature of their jobs, HR professionals have a special perspective on changes in employee sentiment, so the survey asked respondents to gauge employee concerns related to the economic turmoil. Some 54 percent of respondents said employees expressed a significant level of concern about the impact of economic turmoil on their retirement investments, compared to 37 percent who said employees expressed significant concern about the health of the company and 34 percent who said employees had a high level of anxiety regarding their job security. "Employee concerns can lead to a decline in engagement and productivity, and so need to be closely monitored and addressed," noted Milligan. "Employee communication efforts should specifically and consistently address economy-related matters to help companies and their workforces through these unprecedented economic times."

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## Survey Results at a Glance

- Eighty-one percent of survey respondents expect a decline in their own company's business performance in 2009, and 35 percent are likely to make significant workforce reductions.
  - Most respondents are likely to curtail overall hiring, reduce 2009 salary increases and cut bonus payouts, while continuing to hire talent to fill positions that require key skill sets.
  - Worry about retirement investments tops the list of employee concerns, respondents report, outweighing employee anxiety about job security.
  - A deep or prolonged economic downturn could force more drastic action.
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“Companies learned important lessons in previous economic downturns about the importance of talent in creating competitive advantage, and so are reluctant to take actions that could hamper their recovery once the economy improves.”

# Mumbai Terrorist Attacks—HR Implications



On November 26, 2008, a group of Pakistan-based terrorists launched an attack on Mumbai, India's financial capital and its largest city. The 10 coordinated attacks lasted three days and nights in populated areas frequented by travelers. By the end, at least 173 people were killed and 308 injured.

*WorldLink* spoke with G. Ravindran, managing director of SHRM India, to find out how HR has reacted to the terrorist attacks.

## ***WorldLink:* How have the Mumbai attacks affected business in a country that (like most countries) is hurting from a global economic downturn?**

**G. Ravindran:** The first thing that happened, to be expected, was heightened security in most establishments, especially in metro stations like Mumbai. Except for those few “forgettable” days when everyone’s eyes were off the ball, it has otherwise been business as usual. Significantly, across society, including in business establishments, there has been much more understanding, appreciation and tolerance for rigorous security procedures and consequent delays, inconvenience. I spoke with HR directors in many sectors who actually remarked on a different “spirit” amongst people—that of increased determination, resolve and strong feelings for society, country and the world at large.

The impact of the global downturn has been felt much less in these parts, with projected growths of 7 percent to 8 percent. However, the sentiment has been leveraged as an opportunity to become leaner, meaner, shed waste and focus on process improvements. There are those who are actually already gearing up for the anticipated future when there will be a spurt in demand for skills, services, talent, etc.

## ***WorldLink:* How have the attacks affected employee security?**

**G. Ravindran:** The uniform feeling is that while all of us need to be careful, we should not tie ourselves in knots/chains of inactivity. There is no perceptible change in the feelings of physical security amongst employees. However, most employees’ parents were anxious for their wards, and taking steps to see that they did not take unnecessary risks.

Organizations seemed to have understood one more “dimension” of employee worth, value and commitment. There is a feeling of awe and of the tremendous and unconditional sacrifice made by employees in the affected hotels and areas of the attacks.

Contrary to possible inferences, there is hardly any feeling of being scared for themselves on this account; there is utter despise for terrorist activity and a seething anger against perpetrators of such heinous events.

## ***WorldLink:* How have the attacks affected expatriate assignments and those willing to be relocated to Mumbai?**

**G. Ravindran:** The few organizations contacted said that after initial apprehensions, most employees have resumed interest and are going ahead with planned assignments. Family movements, if any, have been postponed.

## ***WorldLink:* Has it affected foreign travel to the city?**

**G. Ravindran:** Businessmen and professionals have stuck to their schedules; this was the case in SHRM also, where the new president and CEO, Laurence O’Neil, along with Chief Professional Development Officer Bob Carr, continued with their two-week visit into India in the first half of December.

## ***WorldLink:* What is HR doing in light of the attacks to ensure employee safety in the future?**

**G. Ravindran:** HR is leading employee communication initiatives. In many companies, administration and HR are part of the same structural function. Here, the role is much more direct in terms of driving security awareness and emergency-action procedures. HR is also driving employee engagement and participation in these areas, so that the prevention, detection and action steps are moved inside of the organization and have a positive impact on the culture itself. In a few places, HR is broadening the message beyond the confines of the company and into the larger community. Here again, there is conscious attempt to not allow this to get us all bogged down, but instead make it a good-living practice.

# Growing Optimism that Obama Will Improve US-World Relations

The world watched on January 20 as Barack Obama was sworn in as the 44th president of the United States, amid widespread and growing optimism that his presidency will lead to improved relations between the United States and the rest of the world.

A poll by BBC World Service released that same day shows people around the world are looking to President Obama to put the highest priority on dealing with the current global financial crisis.

In 15 of the 17 countries polled, majorities think that the Obama Administration will bring about improved relations with the rest of the world. On average, 67 percent express this upbeat view, while 19 percent think relations will stay the same and just 5 percent believe relations will worsen.

Asked to rate six possible priorities for the Obama Administration, the top priority in all countries polled was the global financial crisis. On average, 72 percent said that it should be a top priority.

This was followed by withdrawing US troops from Iraq—with 50 percent saying this should be a top priority—followed by addressing climate change (46 percent), improving the United States’s relationship with the respondent’s country (46 percent), brokering peace between Israel and the Palestinians (43 percent), and supporting the government of Afghanistan against the Taliban (29 percent).

Polling was completed prior to the current Gaza conflict in all countries except Egypt and India. In Egypt, 75 percent said brokering peace between Israel and the Palestinians should be a top priority.

The results are drawn from a survey of 17,356 adult citizens across 17 countries conducted for the BBC World Service by the international polling firm GlobeScan together with the Program on International Policy Attitudes (PIPA) at the University of Maryland.

“Familiarity with Obama seems to be breeding hope,” commented Steven Kull, director of PIPA. “But then again,” he added, “he is starting from a low base line, following eight years of an unpopular US president. Maintaining this enthusiasm will be a challenge given the complexities he now faces.”

# Japan's Pension System at a Crossroad

By Kenji Dobashi

The DC Pension Law of 2001 and the Defined Benefit Corporate Pension (DBCP) Law of 2002 brought about comprehensive reform of corporate pensions in Japan. Specifically, the DBCP stipulated that any existing tax-qualified pension plan (TQPP) must be transferred to other systems by March 2012 or be terminated. Therefore, during the next three years, the Japanese pension funds industry will preside over the shift away from TQPPs to various alternative pension schemes. By 2012, more than 32,000 Japanese companies with TQPPs (which, in the aggregate, hold assets of ¥16 trillion (US \$148 billion), representing about 17 percent of total corporate pension assets), will likely have chosen one of these alternatives. This article outlines these alternatives.

## Alternatives to a TQPP

Between 2001 and March 2008, the number of both active TQPPs and plan participants had declined. The number of plans declined to 32,825 from 73,913, a 56 percent drop, while the number of plan participants declined 52 percent to 4.42 million from 9.15 million. Companies shifted the participants of most of those discontinued TQPPs into one of three alternatives.

There are two reasons why the TQPP termination alternative noted above is neither practical nor financially desirable for sponsoring companies. First, the companies must make significant advance payments of retirement income to their active employees. Second, and more serious, termination imposes a high tax rate on the distributed income to employees as a result of the loss of favorable tax treatment for their retirement income.

There are three other options available for plan sponsors who do not terminate their TQPP. The TQPP can be:

- Reorganized as a defined benefit (DB) plan, made up of contract-type DB (CTDB) and fund-type DB (FTDB) plans.
- Reorganized as a defined contribution (DC) plan.
- Switched to the Mutual Aid Scheme for Retirement Allowance of Medium/Small Enterprises (known as *Chutaikyo*).

## CTDBs Become More Popular While Regulatory Constraints Limit DC Plan Growth

Because a DB plan has many features similar to a TQPP, plan sponsors regard it as a TQPP's most likely replacement. Although the growth of DB plans had been slow from 2001 until 2007, the number of newly approved DB plans surged from 1,953 in April 2007 to 3,448 in April 2008, and most of them replaced TQPPs. As 2012 draws closer, we foresee an increasing number of plan sponsors switching from TQPPs to DB plans, especially to the CTDB type of DB plans, whereby a company signs a contract with a trust bank/insurance company to manage the pension funds and pay the company's retirees annuity amounts based on the pension rules agreed to by both employees and management.

The biggest difference between a DB plan and a TQPP lies in the more stringent protection the former provides to beneficiaries. For example, under a TQPP, a funding shortfall does not necessarily force the sponsoring company to take corrective measures, whereas a shortfall can trigger changes in an actuarial revaluation under a DB plan, which may lead to changes in an assumed interest rate or lump-sum contribution. An actuarial revaluation is carried out every three to five years in Japan. However, the basic funding status of a DB plan must be reviewed annually. This review may result in changes in assumed interest rates used for the latest actuarial revaluation or lump-sum contribution by the sponsoring company. Plan sponsors are also

giving cash balance plans within a DB scheme more attention.

When DC plans with many features similar to the US 401(k) plan were first introduced in Japan in 1999, plan sponsors welcomed them as a solution to problems caused by the demise of Japan's lifetime employment system and the retirement of its baby boomers. In fact, DC plans have steadily gained popularity among sponsoring companies since they were launched a decade ago. Meanwhile, analysts estimate that nearly half of the increase in DC plans from 2002 to 2006 is attributable to companies switching from TQPPs.

However, more recently plan sponsors have encountered some problems with DC plans. For one thing, an underfunded TQPP is allowed to switch to a DC plan only after resolving its underfunded status. And once plan sponsors make the switch, they must also contend with limitations on:

- **The amounts plan sponsors can contribute.** Under the current rule, if a DC plan is combined with a DB plan, the DC plan's upper ceiling of monthly contribution is restricted to only ¥23,000 (US \$213).

If a DC plan is combined with a retirement lump-sum plan, that combination will enable the sponsor to increase monthly contribution amounts to the DC plan to a maximum ¥46,000 (US \$426). This combination also allows retirees to receive benefits before the age of 60, something they can't do if a DC plan is not combined. On the other hand, the company must carry the lump-sum portion of the plan on its balance sheet and manage the funds internally.

- **Employees' ability to manage their own money.** Given their limited investment knowledge, most employees tend to allocate more of their assets toward less risky fixed-income assets, leading to a lower return on their investment.

“The number of newly approved DB plans surged from 1,953 in April 2007 to 3,448 in April 2008, and most of them replaced TQPPs.”

## Chutaikyo: An Alternative for Smaller Firms

For small to medium-sized companies, there is an important alternative, called *Chutaikyo*. It is a mutual aid retirement system sponsored by the Japanese government for companies with fewer than 300 employees (for general industry) or with equity capital of less than ¥300 million (US \$2.8 million). Managing ¥3.5 trillion (US \$32 billion) in assets, it is one of the largest mutual aid schemes for retirement income in Japan.

From the sponsoring company's perspective, this system seems to subsume characteristics of both the DC and DB plan. The sponsor contributes for each employee a certain amount monthly, which earns an interest rate (currently one percent per annum). Benefits are secured and paid out directly to retirees from the mutual aid scheme. The company assumes no fund management risks, and the retirement benefits liabilities need not be accounted for on its balance sheet

## Conclusion

Before deciding which alternative to a TQPP is the best choice based on their circumstances, plan sponsors should closely examine each alternative from several perspectives. For instance, plan sponsors should consider the administrative burdens each would impose on employees and sponsoring firms, the fund management risk, and associated costs. Because each alternative has its positives and negatives, there is no single best solution. It all depends on how each pension plan defines its objectives and which alternative's advantages and disadvantages help plan sponsors to best meet those objectives.

Kenji Dobashi is a managing director at IIC Partners in Tokyo. This article is provided with permission from *Global View*, a publication of Buck Consultants LLC.

# Knowledge Management Development— Today's Challenges and Opportunities

By Chris Rowley and Irene Hon-fun Poon

Knowledge—and its transfer and retention—is becoming a valuable asset in business. Yet, effective knowledge management (KM) requires a supportive, collaborative milieu—a KM culture (KMC)—that facilitates knowledge creation, storage, transfer and application. Developing such an integrated approach to KM system (KMS) establishment has a number of implications for organizational structure and human resource management (HRM).

With some factors of production and competition becoming less relevant, and global competition occurring at greater speed, what is useful today may become obsolete tomorrow. In such rapidly changing environments, knowledge-based business is seen as needed to help organizational success. There is greater realization that sustainable organizational competency depends on its capacity for knowledge creation, storage, transfer and application through an ongoing and continuous process of learning.

## Developing KMC

Knowledge-based economies require organizations to be good at learning and managing knowledge. This also provides powerful momentum in facilitating learning for employees as well as for businesses to become learning organizations. Organizational learning consists of the way people learn and work together to overcome changes and improve performance. It involves experimentation, observation, analysis, acceptance of successes and failures, and knowledge dissemination, according to Karen Watkins, professor of human resource and organizational development at the University of Georgia at Athens, and Victoria Marsick, professor of adult and organizational learning at Columbia University in New York. The development of a learning culture across organizations, the sharing of information and an emphasis on innovation management are all critical factors in a KM process.

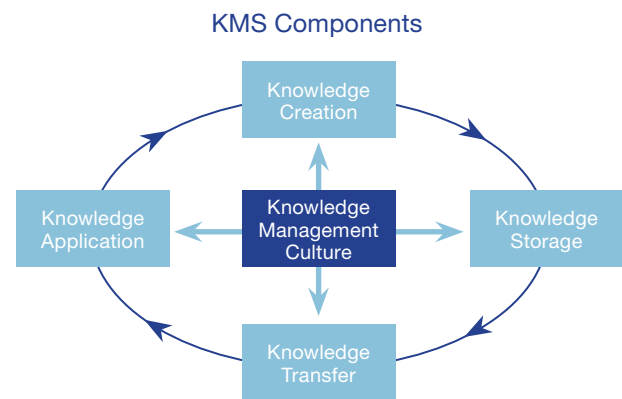
Organizational culture can be a major catalyst or hindrance to KM, according to Ramaraj Palanisamy, associate professor of the department of information systems at St. Francis Xavier University in Nova Scotia, Canada. A KMS requires an organizational culture that values the creation of knowledge and supports its transfer. The challenges are how to foster a suitable climate for creating knowledge, when to reward individuals for sharing knowledge and how to determine who supports knowledge application throughout organizations. Thus, supportive KMC development includes five key elements:

1. **Encouragement of ideas.** Develop systems of clearly elucidated and equitable rewards (intrinsic and extrinsic) to motivate participation in generating ideas. Open and supportive environments that welcome ideas and hence create new knowledge are useful, according to Palanisamy.
2. **Willingness to learn from others.** Propensity to perceive organizational ownership of information can lead to greater use of collaborative tools to share information. Freedom to express suggestions and constructive feedback can be significant underpinnings to KM transfers.
3. **Commitment of senior management.** Senior management commitment and seriousness are paramount in developing a KMC. Supporting a KMC should be a regular agenda item for business strategy. The existence, communication and demonstration of commitment are required.
4. **Development of a favorable social environment.** Establishing social ties, building social connections, and providing opportunities to

develop human and social capital all serve the purpose of storing and accumulating intellectual capital.

5. **Customization to national cultures.** Attitudes toward KM sharing and transfer depend on conditions that vary across institutional and cultural environments. In some countries, knowledge sharing may be less prevalent with greater focus on personal advancement seen as a zero-sum game. Hence, KM application tools need to be tailored to particular national cultures.

If organizations cannot create knowledge by examining data and gathering information, there will be nothing to manage. Once created, the next steps are to transfer, store and retrieve knowledge. Often, organizations are good at one activity but not others. For example, one retail bank in China built a sophisticated database to store information but then did not allow individuals to easily access it. Consequently, its KM program remained incomplete and flawed. Furthermore, for firms that operate in a dynamic and competitive sector, knowledge has a high depreciation rate. Past knowledge soon becomes obsolete with a limited shelf life and value for future use.



## System Components and Implications

The KMS has four integral critical elements:

1. **Knowledge Creation.** To help encourage knowledge creation behavior, organizations should provide the necessary structural support to employees, such as encouraging experimentation with new ideas, supplying necessary resources and providing idea generation opportunities. One aspect is the use of communication technology, such as e-mail, the Internet or chat rooms, to promote more interaction and enable knowledge to be created through socialization.

Project teams whose members are from various areas and diverse backgrounds can potentially enhance knowledge creation: Through working closely with others, team members have greater interaction and encouragement to provide information. Knowledge creation is associated with solving problems, devising strategies, discovering a pattern and conducting evaluation activities.

HRM can play a role in the knowledge creation process. One way to create or acquire new knowledge is through hiring new staff. Potential employees may be targeted according to their skill and knowledge. Another way is through providing training and development programs. A key component of the knowledge creation process consists of learning from past experiences. Training programs can include reviewing examples of success and failure

and evaluating the lessons learned. In our study, a company's commitment to knowledge creation always required an approach that integrated training programs and other HRM activities. For example, as the head of HR at a global investment bank explained: "Our company has committed to training and development of our employees. The content and structure of programs are reviewed every year. Post-training evaluation is critical to ensure our training delivers value to our employees. Even in cost-cutting periods, our training budget was not cut back. ... Employee development cannot be considered in isolation from the knowledge management context in which it takes place."

**2. Knowledge Storage.** Knowledge also can be forgotten, such as when individuals or organizations do not remember the created knowledge or lose track of acquired knowledge. Therefore, a storage area is needed to retain, codify, organize and retrieve organizational knowledge.

Knowledge storage is important for organizational development. This is especially so when highly valued employees or those in key positions leave organizations, taking with them knowledge and expertise accumulated over the years.

On the hardware structural side, advanced IT tools, database management systems, multimedia databases and query languages, etc., are some of the means for retaining information. These tools also allow users to connect and communicate over great distances and hence enable the efficient retrieval of information.

Nonetheless, having the structural capacity to store and retrieve knowledge is not sufficient. Many organizations end up creating huge electronic libraries that are little more than "document dumps" with limited direct relevance to the business; many also lack ways to retrieve and transfer knowledge.

Typically, barriers to establishing a KM culture include attitudes such as unwillingness to seek input and learn from others, inability to seek and find expertise, or unwillingness to help. Organizations can place value on practices contrary to those attitudes, such as individual or group contributions to storing information, creating documents, updating databases and posting information online to facilitate the process of knowledge storage.

**3. Knowledge Transfer.** Knowledge transfer is the process of how previous knowledge acquired is transferred to, and shared by, others. In this process, the source shares knowledge that is used by a recipient. Knowledge transfer takes place when recipients understand the ins and outs of knowledge and its implications so that transferred knowledge can be applied. Knowledge transfer can occur between individuals, from individuals to groups, across groups or from groups to organizations.

Regarding organizational structures, an ideal environment for knowledge transfer and sharing includes the following three elements:

- Learning loops, or any learning process that tries to improve another process, maintained in all organizational processes.
- Mechanisms to systematically disseminate knowledge throughout an organization.
- Tools to apply knowledge wherever it can be used in an organization.

For international business, knowledge transfer generally involves the downloading of technical information from the head office to local partners in international joint ventures, or international managers sending knowledge to or sharing knowledge with local managers receiving and learning knowledge. This situation can be problematic when language is an issue in the international environment.

Knowledge transfer and sharing can be promoted through HRM initiatives, such as providing training programs to wider

organizational audiences. The widespread availability of the Internet has revolutionized the way organizations train staff and transfer knowledge and hence can promote a KMC.

**4. Knowledge Application.** Knowledge application involves deploying the stored knowledge of individuals and organization memory and turning it into effective action.

The application of technology to facilitate KM needs to be supported by not only organizational structure but also HRM practices such as communication. Many employees may see knowledge as a personal, rather than a collective, possession. The absence of interpersonal or interdepartment communication can discourage knowledge application. Ongoing support and training is another factor. Knowledge workers need training prior to job performance, knowledge support during job execution, and opportunities to apply knowledge learned to improve individual learning and to contribute to organizational learning.

### Organizational Structure and HRM Implications During KMC Development

KMS	Development of KMC	
	Organizational Structure	HRM
Knowledge Creation	<ul style="list-style-type: none"> <li>■ Use communication technology</li> <li>■ Create office environment for combination and externalization</li> <li>■ Facilitate interaction through project teams</li> </ul>	<ul style="list-style-type: none"> <li>■ Hire employees with needed skills</li> <li>■ Provide training and development programs to review previous examples</li> </ul>
Knowledge Storage	<ul style="list-style-type: none"> <li>■ Retain information through database systems and query languages</li> </ul>	<ul style="list-style-type: none"> <li>■ Overcome cultural issues of unwillingness to seek input and find expertise</li> <li>■ Value practices of updating and posting information</li> </ul>
Knowledge Transfer	<ul style="list-style-type: none"> <li>■ Maintain learning loops</li> <li>■ Disseminate knowledge throughout organization</li> <li>■ Apply knowledge wherever needed</li> </ul>	<ul style="list-style-type: none"> <li>■ Provide training opportunities to wider audience</li> <li>■ Use e-learning for employee development</li> </ul>
Knowledge Application	<ul style="list-style-type: none"> <li>■ Set structural directives to repack knowledge into new context</li> <li>■ Use organizational routines</li> <li>■ Build dedicated KM team and appoint "knowledge sponsors"</li> </ul>	<ul style="list-style-type: none"> <li>■ Encourage interpersonal and interdepartment communication</li> <li>■ Provide ongoing support and training</li> </ul>

### Conclusion

Developing a more knowledge-based business has become a major strategy for many organizations. Even in other organizations, knowledge and its use and management is critical. Successful KM initiatives require the development of organizational cultures that facilitate learning for individuals and organizations themselves. Both organizational structure and HRM play important roles in the creation of knowledge to encourage innovation, the storage of expertise and information, the transfer of knowledge across the organization, as well as the integration and application of knowledge into effective action. These are critical ingredients for successful business and organizations.

Chris Rowley is a professor at the Centre for Research in Asian Management at City University in London. Irene Hon-fun Poon, CCP, CIPD, has been a management consultant and HR practitioner for many years in various countries. Her recent publications are in the *Asia Pacific Business Review* and *21st Century Management*.

# HR News Around the World

## Australia

### Employment program in the works



The administration is assembling a job-market support package that is

expected to include worker retraining, higher unemployment benefits and reforms for the troubled jobs-placement sector. In the interim, Acting Prime Minister Julia Gillard has exhorted both labor and management to make job preservation the top priority in collective bargaining.

## China

### Social security contribution deferral; subsidies for college graduates



Soon after encouraging the cities and provinces to set lower social insurance contributions,

the federal government announced that financially strapped enterprises will be allowed to defer social security contributions for up to six months during 2009 or to reduce payments by “an appropriate margin” for the full year.

In other news, the State Council in January pledged to give top priority to the employment of university graduates, reflecting the spread of the global financial crisis and the “austere” job situation.

Premier Wen Jiabao presided over a cabinet meeting on the issue of employment of university graduates. The meeting called these graduates China’s “valuable human resources.”

The council decided to adopt more measures to promote the employment of university graduates. China had nearly 5.6 million university graduates in 2008, and this year the figure is expected to top 6 million.

Subsidies and social insurance will be offered to graduates who work in villages and communities, and the government will help those who work in remote areas or join the Army repay student loans, it was decided at the meeting.

## Japan

### Further coverage of 2009 tax plan



More detailed summaries of the ruling coalition’s tax reform plans for 2009 have arrived that include

a detailed description of a plan to increase the appeal of private medical insurance by offering tax deductions for premiums paid to qualified providers—up to ¥40,000 per year under national income tax, ¥28,000 per year for local income tax. The legislation will be introduced this year but would not take effect until 2012.

## Maldives

### Advance toward universal health care



2009 budget measures that were passed in time to take effect on January 1 cut back an ambitious

proposal for major expansion of the state health insurance scheme to just coverage for the 13,000 citizens over age 65. The President has not abandoned the goal of universal health coverage, but there is no longer a 2010 deadline for extending the program to the whole population. The subsistence pension provisions in the budget also went into effect in January. The Rf 2000 per month allowance is an income-tested minimum benefit.

## Philippines

### Shorter, compressed workweek arrangements debated



Social partners have initiated a debate on using a shorter workweek to preserve jobs.

They appear to have reached an impasse over whether it would be legal to include a commensurate reduction in benefits and prerequisites. Tripartite negotiations over a compressed workweek are faring slightly better, but unions have not been convinced to cede ground on overtime premiums. A 2004 Department of Labor and Employment advisory has already established that

compressing a six-day, 48-hour workweek into four or five days is a legal way to aggregate hours for avoiding overtime premiums, provided the workday is not longer than 12 hours and the workweek does not exceed 48 hours.

## Singapore

### Re-employment rights; revised Employment Act



Prime Minister Lee Hsien Loong recently delivered a speech outlining his plan to entitle

workers to keep their jobs until age 65. The official retirement age would remain 62, but employers would be obliged to offer re-employment, though not necessarily at the same position or salary.

In other news, Singapore recently revised the Employment Act, a major piece of legislation that sets provisions for holidays, annual leave, sick leave, working time and retrenchment (termination when an employee’s position is no longer necessary). As of January 1, 2009, the act will now cover more employees and reduce the minimum service requirement for paid sick leave to three months (from six months).

The act will cover more employees by increasing the maximum earnings amount to SGD 2,000 (up from SGD 1,600) and extending coverage to confidential staff such as human resources clerks, account assistants and secretaries. Also, the act will now cover junior managers and executives (both subject to an earnings cap of SGD 2,500 a month or less) in certain cases, including protection against non-payment of salary and access to the Labor Courts for salary disputes. The act will continue to cover manual laborers. Previously, the act only covered manual laborers and those who earn a maximum of SGD 1,600.

## Zimbabwe

### Local currency unusable



With inflation at 231,000,000% and the freshly printed Z \$50 billion notes fetching £0.84 (and falling), the local currency no longer has any practical value, and officials are privately conceding that the economy has essentially converted to the US dollar. The Zimbabwe administration has conducted back-channel negotiations with South Africa's Finance Minister over becoming the fifth nation in the "common monetary area" that uses the Rand. The price would reportedly be a verifiable power-sharing arrangement in the Zimbabwe government.

## Czech Republic

### Parental leave bill passed



Parliament approved a package of parental leave measures that took effect on January 1, 2009. The maximum maternity leave has more than doubled to 28,890 koruny (€ 1,102.53) per month. The bill also grants new fathers one week of paid leave.

## Macedonia

### Economic relief package



The Prime Minister has unveiled a set of measures to help companies through the financial crisis. There will be a tax amnesty on unpaid pension contributions, and up to four years of delinquent health insurance payment will be forgiven for companies that resume payment for an equal period.

## Netherlands

### Exec comp tax bill passed



The Finance Minister's bill on tax penalties for excess executive remuneration cleared Parliament in late December. The measure on taxation of golden parachutes went into effect on January 1, 2009. The 15 percent tax surcharge on contributions to final salary schemes for salaries above € 500,000 will take effect on January 1, 2010.

## Portugal

### Subsidy for older workers



The Prime Minister's economic stimulus plan includes a measure to temporarily reduce employer social contributions for employees over age 45.

## United Kingdom

### Equality Bill pay disclosure provisions disavowed



The government confirmed that it plans to outlaw pay secrecy clauses and that it is studying the viability of pay audits in the private sector. The bill is expected to reach Parliament soon.

## Ireland

### Budget limits pension contributions made by employees



The 2009 budget of the Irish government, delivered on October 14, 2008, proposed a number of changes that would impact pensions:

- The earnings limit for tax-deductible contributions made by an employee or self-employed person to a Personal Retirement Savings Account or other type of pension scheme is to be reduced from EUR 275,239 to EUR 150,000, effective for contributions in 2009.
- Under current law, the cap on the allowable pension fund is set at the higher of EUR 5 million or the value of the fund as of December 7, 2005. Amounts in excess of these thresholds are taxed at 41 percent. The thresholds were to have been adjusted each tax year in line with the earnings index. There will not be an adjustment in 2009.

## Canada

### Private pensions discussion paper



The Finance Ministry has issued the consultation paper *Strengthening the Legislative and Regulatory Framework for Private Pension Plans Subject to the Pension Benefits Standards Act, 1985*. It solicits feedback on funding, termination and investment issues for federally regulated defined benefit and defined contribution plans. Submissions are welcome through March 16, 2009.

## Cuba

### Social security law approved



Parliament has passed a pension reform bill that gradually raises the retirement age from 60 to 65 for men and from 55 to 60 for women between 2009-15. Another measure bases the benefit formula on the best five years' salary of the last 15 years before retirement. There is also a curious variation on income-testing relief to encourage retirement deferral. A worker may collect a full pension at retirement and continue employment provided it is at a different job. A proposal for a new wage system to introduce productivity-based pay differentials is due shortly.

## United States

### Congress's agenda; IRS and FMLA



The new Congress is now seated, and the administration's first orders of business have emerged:

- The President has signed HR 11, Ledbetter Fair Pay Act, and HR 12, Paycheck Fairness Act, which toughen existing legislation on pay discrimination.

- Confirmation hearings for the prospective Secretary of Health and Human Services turned a spotlight on the next administration's health reform plan. Recent debate has centered on its proposal to spur competition in the private health insurance sector with the creation of a public health insurance plan.

- The President has noted that February's budget will feature significant Social Security and Medicare reforms.

In other news:

- The Internal Revenue Service has published IRS Notice 2009-8, which offers interim 457A guidance on the treatment of nonqualified deferred compensation plans of nonqualified entities, including offshore hedge funds and some foreign corporations.
- The latest entry in the IRS International Tax Gap Series, *Foreign Housing Exclusion or Deduction*, explores the tax treatment of housing benefits for US expatriates and can be found at [www.irs.gov](http://www.irs.gov).
- New Family and Medical Leave Act (FMLA) regulations took effect on January 16, 2009, and the Department of Labor has updated its FMLA web site at [www.dol.gov](http://www.dol.gov).

## Bolivia

### Spousal benefit under pension reform bill



The pension reform bill now before the Senate includes provisions that would require workers to make supplemental contributions on behalf of spouses who do not have an alternative source of retirement income. The bill does not say how much the additional levy would be, but the spouse's retirement account would have to be adequate to meet a set retirement income target.

## Venezuela

### Firing freeze extension



The 2001 decree temporarily banning private-sector dismissals has had so many six-month extensions that it ceased to be newsworthy. This year, though, to demonstrate Venezuela's resilience during "a final crisis of capitalism," the Labor Minister doubled the reprieve to cover all of 2009. This protection applies for all workers whose basic monthly salary is no higher than triple the minimum wage, currently VEB 2,397.69.

Sources: Briefs compiled from news items provided by Buck Consultants and Mercer

# THE WORLDLINK HR CALENDAR

March 2009 | France  
ANDRH Annual Conference  
Tel: +33 1 56 88 18 20  
E-mail: andrh@andrh.fr  
Web site: www.andrh.fr

March 30–April 1, 2009 | Toronto, Ontario, Canada  
SHRM Global Conference & Exposition  
Tel: +1 703 548 3440  
E-mail: shrm@shrm.org  
Web site: www.shrm.org/conferences/global

April 21-23, 2009 | London, England  
CIPD HRD 2009 Conference and Exposition  
Tel: +44 0 20 8612 6202  
Web site: www.cipd.co.uk

June 11-13, 2009 | The Hague, Netherlands  
XXIV EAPM Congress  
Tel: +31 343 578140  
E-mail: talent-event@nvp-plaza.nl  
Web site: www.nvp-plaza.nl

June 28-July 1, 2009 | New Orleans, Louisiana, US  
SHRM 61st Annual Conference & Exposition  
Tel: +1 703 548 3440  
E-mail: shrm@shrm.org  
Web site: www.shrm.org/conferences/annual/

June 15-16, 2009 | Sydney, Australia  
The AHRI National Convention 2009  
Tel: +61 3 9918 9200  
E-mail: reception@ahri.com.au  
Web site: www.convention.ahri.com.au/index.htm

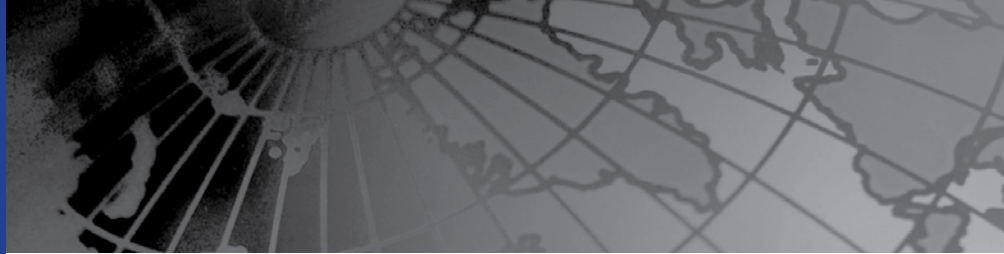
August 2009 | Montevideo, Uruguay  
XIV Congreso Nacional  
E-mail: adpu@adpu.org  
Web site: www.adpu.org

August 18-21, 2009 | Sao Paulo, Brazil  
35th Congresso Nacional sobre Gestao de Pessoas  
Tel: +55 11 3133-3420  
E-mail: conar@conarh.com.br  
Web site: www.conarh.com.br

September 23-24, 2009 | Buenos Aires, Argentina  
FIDAGH - Interamerican Congress on People  
Management - CIGEH 2009  
Tel: +54 11 4342-6163  
E-mail: congreso@adrha.org.ar  
Web site: www.adrha.org.ar

September 26-29, 2010 | Montreal, Canada  
WFPMA World Congress  
Tel: +1 613 567 2477  
E-mail: info@cchra-ccarh.ca  
Web site: www.hr2010.com

Editor's note: Please submit events for the calendar  
to Adrienne Fox at afox@pointcs.com.



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