

## PEOPLE AS A KEY RESOURCE OF THE GLOBAL ECONOMY

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### Summary

In this paper the author discusses the issue of treating people as a resource in the conditions of global capitalism. The new era, marked by fast changes and technology development, has ranked people as the most important factor in achieving competitiveness. What differentiates people as a resource from other resources is primarily their knowledge and capability to initiate changes through innovation. Technology requires knowledge workers who are growing in numbers and represent a particular class. This new middle class, as knowledge owner and distributor, has become the driver of capitalism of the new era. In spite of the growing importance of knowledge and innovation, people as a resource remain subjected to market interests and, ultimately, profits. Networks as relations of cooperation and belonging are only one of the answers to this situation and an attempt to alter it.

**Keywords:** competitive advantage, human resource, knowledge, new middle class, network

### 1. Introduction

The modern world is characterized by capitalism and unified markets, and is yet varied from one society to the other depending on their cultural specifics. The power of the market, i.e. of economic interests, is nevertheless gradually unifying cultural patterns and values around the world. The capitalism of the last quarter of the 20th century is therefore most frequently described as global. Global capitalism is observable in the globalization process through which neo-liberal capitalism has been imposed on the world without alternative. Opinions on globalization differ, however, they agree on one point: this is a worldwide process at whose core are economic and political interests of the world's most powerful countries (Giddens, 1999:37-40).

Globalization is mostly followed in terms of political, technological and economic changes: a) As for political changes, the consequences of globalization are

diminishing importance of current frontiers between countries, decreasing sovereignty of nation-states and emergence of global supranational organizations; b) In technological terms, globalization is based on the development of information and communication technologies, leading to increased productivity, but also to dematerialized production; c) In economics, globalization is manifested through mutual links within global *networks*, supranational territorial structures and regulations, as well as through the importance of *non-material factors of production* (realized through education, science and research).

Non-material factors of production – most frequently referred to as *knowledge, information and communication* – are today more than ever laying emphasis on man's intelligible nature. Thoughtfulness, powers of abstraction, generalization, systematization etc., are human capabilities that rank higher than the physical ones in today's world. Innovation and creativity are more important than physical strength and stamina, change is preferred over steadiness, open-mindedness over preserving the traditions.

## 2. The new era and new tasks

Global capitalism of the late 20th century has enormously changed the world of the early 20th century. A clear picture of this change is provided by Charles W. L. Hill on the example of the USA at the beginning and the end of that century. As for the early 20th century, the world's most powerful nation is described by Hill as the most affluent country in the world; a country in which some people had access to water, electricity, telephone; cars were playthings for the rich; radio, penicillin, aeroplanes and the Internet were things of the future; the USA had 75 million inhabitants and the world 1.65 billion; average life expectancy was 47.3 years; income per capita was \$400; the USA had a continental economy, with a limited role played by the international trade; there were 55 sovereign states in the world; 12.4 % of world's population lived in democratic countries.

In late 20th century both the circumstances in the world and the USA's position are different: the world has changed dramatically; cars, planes, television, mobile phones, the Internet have become common good accessible to everyone; life expectancy in the USA is 77 years; income per capita in the USA is \$30,000; more than 270 million people live in the USA, and the world's population is over six billion; we have witnessed an enormous expansion of the international trade; there are 192 sovereign states in the world, and 55% of world population live in democratic countries. (Hill, 2003:13-14, postscript)

All this indicates that there has been progress, but the question is who is reaping advantages from it and where this is taking place. The modern world has become

a global community governed by interdependencies and dominance of great economic and political powers which have everything under their control, including the “freedom” of individuals. Nonetheless there are different orientations in this “new era”. The USA as the “master of the world” gets a clear response from the European Union that has a different vision of interstate relations in the time of cosmopolitanism, but also a different orientation regarding community and man as individual. Which orientation is then more acceptable today, under conditions of globalization: the one advocating community or the one supporting individualism? J. Rifkin discusses these orientations as differences between the “*American dream*” and the “*European dream*”.

The American dream	The European dream
- freedom as an expression of independence	- freedom as an expression of inclusion
- personal assets and independence	- quality of life and interdependence
- economic growth	- sustainable development
- connection with religious heritage and deep religiosity	- importance of leisure, being self-absorbed (“secular to the core”)
- belief in assimilation (“American melting pot”)	- preserving cultural identity, multi-culturalism
- value of patriotism	- values of cosmopolitanism
- supporting military force	- supporting the diplomacy and humanitarian aid
- individualistic orientation	- global orientation

(Rifkin, 2006:21-22)

Nowadays Europe is developing a *new science* (a second Enlightenment) characterized by *inclusion, renewability, integration and interdisciplinarity*, unlike America, which is still a proponent of old science (old Enlightenment) with the values of separateness, expropriation, analysis and reduction. (Rifkin, 2006:411) Europe is thus oriented towards global community and America towards individualism and domination. Whose side the future will be on is suggested by Leonard’s analysis of changes that have taken place in this new era. The logic of capitalist development that used to rely on constant economic growth and accumulation has seen a number of changes over the past 20 years:

- The first change is *the increased number of strong non-Western capitalist economies* (such as Japan, Taiwan, South Korea, Hong Kong) with which the West is developing connections in terms of investments, manufacturing and consumption.
- *A growing global market*, especially for high-tech products; a global communication system has emerged.

- Globalization has been encouraged also by the *collapse of socialist economies in Eastern Europe*, and these nations are now developing as different types of capitalist economies.
- Global expansion of capitalism has been supported by *advances in information technology* and its being controlled by corporations.
- In the global economy *knowledge* has become a crucial commodity in competing markets. The relationship *knowledge – power* is now established.
- Another significant change in the globalization process is the *reorganization of the world financial system*. It has taken place on two levels: on the one hand, there is a *centralisation* of global financial power, and on the other, *decentralization* of financial activities.
- National borders have become an *obstacle to capitalist accumulation*, which has given rise to conflict between national governments and multinational corporations. *The state is losing the monopoly* to international corporations. (Leonard, 1997:115-119)

The new age can also be perceived as the *risk society*, which is done by U. Beck who describes it as “... a development phase of modern society in which social, political, ecological and individual risks, caused by innovation dynamics, are increasingly resistant to the institutions of control and security in industrial society.” We are witnessing reflexive modernization as a self-confrontation of industrial society with its effects, as opening our eyes to the issues previously taken for granted (consensus on progress, disregard for environmental consequences and dangers, optimism regarding the control), which is today viewed as something that has always been questionable.

The risk society has brought to the surface not only the existing conflict regarding allocation of social goods (income, jobs, social security), but also a new conflict – *conflict about social evils* (consequences of nuclear and chemical technology, genetic engineering, environmental harm, military armament, as well as increasing impoverishment of population living outside the Western industrial society). Risk as a negation of security is thus an unwanted by-product of the need for security, it is a warning about what not to do, and as such it deadens the need for any kind of activity. In the risk society, the empire of uncertainty has replaced the mechanisms and institutions of complete control of the industrial society and welfare state.

Modernization has relied on innovation, and innovation has caused a revolution; the revolution of collateral effects which is destroying the existing notions or makes them “blunt, deaf and dumb”. If the old rules are no longer valid and the new ones have not yet been established, where is a person to seek support, what shall we take

our bearings from? Will this lead to the destruction of the Western world or to the revision and reform of industrial modernism objectives?

Today there is no danger of the class fight in the classic industrial society. Its fabric is destroyed by the same force that had shaped it, namely, modernization. Continued modernization is gradually erasing class stratification, replacing it by *individualization of social inequality* in different forms. It has become clear that social position and lifestyle can no longer be determined through belonging to a certain macro-group. Professionalization and networking in production has nowadays suppressed functional differentiation and replaced it by functional coordination. The old political and ideological divisions left – right, in – out have all but disappeared. Technologically, the world has become one, but ideologically this is not yet the case. (Beck, 2001:18-77)

### 3. The man in the new era

Peter Drucker has pointed out two important features of globalization: 1. decreasing number of younger population and 2. continuous fall of production in the developed countries accompanied by the increase in their political influence (Drucker, 2007:9-10). This, however, does not mean that they are losing control over economic trends in free markets. On the contrary, this brings, among other things, an altered perception of man. Whereas the time of industrialization required numerous work force, the time of informatization requires “smart technologies” which does not need an army of manual workers.

Technological development of today is most frequently referred to as an “information revolution“. It has brought routinization into production, i.e. previously existing production processes haven’t been abolished but routinized. Given that *knowledge* is at the core of information revolution, it is correctly understood as a *knowledge revolution*. This in itself gives people a more central role in managing companies. Direct financial results can therefore not be achieved without taking into account the “value of people” as well as their “social dimensions of life”: “... you cannot hire just a hand without getting the whole person with it. Moreover, you cannot hire just a person, because they are always accompanied by their life partner.”<sup>1</sup>

A particular issue is how to measure the *productivity* of a “knowledge worker”. Drucker begins with these three questions:

<sup>1</sup> Drucker points out the things entrepreneurs have to count with: “Over the past 40-50 years economics was dominant. Over the next 20-30 years, social issues will become dominant. The aging population, which increases rapidly, and the younger population, rapidly diminishing in numbers, can mean only one thing – unavoidable social problems.” (Drucker, 2007:59)

1. What are your advantages, and what should you be doing here in your opinion?
2. What can this company expect from you, and in which timeframe?
3. What information do you need in order to do your job, and what information are you obliged to share? (Drucker, 2007:30-31)

Companies are aware that today they can achieve their competitive advantage primarily through *development of new knowledge and innovation* (being the “change leader” through innovation and new knowledge). This is why technically educated and innovative people have become very expensive. *Knowledge workers* are by no means just “labour force”, but rather *company capital*, asserts Drucker. Today they have become the “new capitalists”.

Keeping abreast of innovation and all its effects is important for every manager as well: “Innovation requires us to systematically identify the changes that have already happened – in demographics, values, technology or science, and then to notice opportunities in them. It also requires ... the companies ... to abandon the past instead of defending it.” (Drucker, 2007:55-57, 95, 75)

Knowledge and innovation are not products of high technology, but of people. People as initiators of all processes thus receive an important role in determining a company’s competitiveness. Managers-experts are today representatives of the new middle class, determined by *knowledge ownership and distribution*. “The new class of those who own knowledge in Western societies is the main antagonist of capitalism.” (Berger, 1995:74-93) This thesis by Berger is confirmed through a new attitude toward knowledge workers, the only ones who can make a difference between particular companies. Owing to democratization of relations, in terms of accessibility of technology, finances and information, the human element in production has become that *differentia specifica* which is confirmed as high or low competitiveness.

These are the reasons why intellectual capital is so crucial to every company. L. Edvinsson claims that intellectual capital is the future of all business, as it is the only sensible means of measuring a company’s potential energy, but also the basis for all innovation. In defining intellectual capital, Edvinsson differentiates between *human capital* (minds, skills, insights and potentials of company’s employees) and *structural capital* (clients, processes, data bases, brands and information technology systems). (Edvinsson, 2003:34-35) Structural capital acquires value only through involvement of human capital. Knowledge and innovation, inherent only to man, have become the frame of reference for the new economy, i.e. knowledge economy, says Edvinsson, which is confirmed in the knowledge market<sup>2</sup>.

<sup>2</sup> Market for talent – i.e. for brain potential – has never been this big. “Demand for talent exceeds the supply”, asserts Edvinsson. (Edvinsson, 2003:84-5)

The crucial players in the new economy are no longer capitalists. The old capitalist class has been replaced by a new class, referred to as *netocracy* by A. Bard and J. Söderquist. The power of this class is founded on patents and intellectual property, but also on controlling the technology. Technology that stores and transfers information is called upon to resolve all the problems in society, thus those who control such technology have the real power. Such a power is generally described as the power of knowledge monopoly. Knowledge is no longer perceived as absolute; rather, it is constantly evolving. We now have to accept that there is no permanent truth but the *latest one*, say Bard and Söderquist. (Bard and Söderquist, 2003:59-96)

Education for new technology is the way for an individual to become a member of the new middle class (so called by Berger), the netocracy class (according to Bard and Söderquist). Moreover, it is the only way to remain in the competitiveness game, which is something entrepreneurs have to take into account. Their relationship toward human resources must be defined primarily through *education and development* of employees. Staff is no longer viewed as mere executors, but increasingly as collaborators. This is the first step out of the traditional notion of company success in competitive capitalism.

In a global economy, a special role is afforded to *networks*. In those networks new relations are developing between members, who increasingly become collaborators instead of competitors. J. Rifkin has pointed out that Europe is at the forefront of changes leading to a global economy. *The communication revolution* is at the basis of this change which has spurred the *emergence of a new economic system – the network model* is gradually replacing the traditional market model of economy. *A network* is comprised of several companies that have come together and have given up part of their sovereignty. In return they can take advantage of joint resources and share common risks.

*Trust and reciprocity* are key elements of successful networks. Networks represent cooperative entrepreneurship. In network relations every member ends up with a gain (i.e. leaves as a winner), unlike in market relations where somebody has to lose for the other one to win. What matters in network business operations is *belonging*, and *not possessing* (as in market business operations). In addition, belonging brings a new understanding of freedom. Individual freedom is guaranteed through belonging. When an individual has access through belonging, he is free to use everything guaranteed to him by mutual relations. (Rifkin, 2006:222-236) The new era has thus posed not only the question of development and responsibility for technology, but also the question of responsibility for human beings and their social life.



#### 4. Concluding theses

Man as a resource is defined by his mental capacities (learning, innovation, knowledge), as well as his physical capabilities (acquired skills and ability to use his own physical strength). In addition, man is a special resource in that he is consciously active in every operation he performs. Next to inherent mental and physical abilities, it is their conscious application that makes man significantly different from all other resources (natural and man-made materials). Technological development throughout the 20<sup>th</sup> century, particularly its last quarter, has promoted man into the key resource without which all this sophisticated (smart) technology remains inactive, and no more than part of structural capital lacking a *spiritus movens*.

Educated people as a *spiritus movens* have become a new class also in the social sense – *the new middle class*, which has the *know how* as an identity card. *Knowledge creation and distribution* is a specific feature of that part of active population that provides specific quality for their companies, making them more competitive than their counterparts. As such, knowledge creation and distribution is today an activity in high demand. People who are capable of performing it are the best paid part of today's working class. A usual strategic task of any company is to secure such work force that can potentially create this company's competitive advantage. This is why human resources management has become a key component in overall company management<sup>3</sup>.

The other side of the medal indicates that talent search, high salaries for "brains", numerous benefits for "knowledge workers", is just a euphemism for a new form of exploitation of man. "People management", i.e. managing their abilities, knowledge and talent is today less and less viewed as concern for their education and protection of each person's dignity. In that what G. Ritzer calls a "McDonaldized society" the key values are *efficiency, profitability, predictability* and *control*, which ultimately lead to the *irrationality of rationality*. (Ritzer, 1996:35-143) Neo-liberal values of man's freedom and dignity are lost here. Modern neo-liberal theoretician F. Fukuyama wonders whether this might not lead to a *posthuman world* in which man in today's sense will be lost, as in A. Huxley's "Brave New World" where people are healthy and happy, but have no concept of *hope, fear and struggle* (Fukuyama, 2003:271). It is exactly in this that man is recognized.

Global capitalism has given a wide field to the human need for competition whose purpose is not affirmation of human capabilities and talents, or improving hu-

<sup>3</sup> "Human resources management refers to policies, practices and systems that have an impact on employees' behaviour, their attitudes and performance."

"Strategic management of human potential can be described as a pattern of planned allocation of human potential and activities which should enable the organization to meet its objectives." (Noe et al., 2006:4, 43)



man dignity, but corporate profits, i.e. gains for an individual's employer. This is at the core of human resources management strategy in every company – *achieving the company's competitive advantage*. A proper response to that kind of strategy should be a *network* that establishes relations of trust and reciprocity, where everybody is a winner.

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