CROSSING BORDERS:

EXPLORING THE FRONTIERS OF INTERNATIONAL MANAGEMENT FOR KNOWLEDGE INTENSIVE ENTREPRENEURSHIP AND INNOVATION

- Be passionate about what you are doing
- You map your own career
- Integrate and innovate to stay ahead
- Create change by first knowing the rules
- See gaps, create the gap, fill the gap
- Create networks, share, dare to trust

CM Current work

- Research
  - Sviazi – 2016   - cultural/ informal institution affecting behaviour and business
- Guest editing peer reviewed journals
  - IJHRM – 2015/17 – "Global human capital management in knowledge intensive firms"
  - JKM – 2015/16   – "Knowledge intensive organisations: frontiers of KM"
  - TFSC – 2016/17   - "Disruptive Technology and Innovation in Society"
  - CMR – 2017/18   - "Management innovation in an uncertain world"
- Member of Assessment Boards of research grant institutions, Research Centres, Bus Schools, AMBA
- Guest seminars

MILLENNIALS

- Independent
- Little job continuity

- What type of leadership?

- What type of working environment?
  - Mostly knowledge intensive
  - Multi generational
  - Global

- How can understanding International Management help?

"WE ARE BECOMING AWARE THAT THE MAJOR QUESTIONS RE TECHNOLOGY ARE NOT TECHNICAL,

BUT HUMAN"

Marten Mickos:

How do we lead millennials, who grew up in this digital world?

- - We need to focus on values, organisational culture
- - We need to embrace the power of global talent
- - The answer is inclusion, network, focus, trust
- - We need to trust that the digital kids will get it too !

- Silicon Valley Former CEO of Eucalyptus [➡HP]

CROSSING BORDERS MASTER CLASS

- IM is about managing people doing business in an international environment ➔ crossing geographical borders:
  - Understanding info / technological developments, climate change
  - Understanding the pulls and pushes of globalisation
  - Understanding how business works abroad
  - Understanding informal institutions, cultural differences
- IM in NIKOS = KI entrepreneurships and innovation management in an international context ➔ crossing knowledge borders:
- Being successful in international management implies the ability to
  - Internationally manage knowledge: What is knowledge?
  - Internationally manage people: What are knowledge intensive firms?
- International Management in Knowledge Intensive Organisations KIOs): dealing with knowledge, dealing with people and be successful, stimulate KI entrepreneurship and innovation in an international context

Worldwide developments affecting IM

1. Globalisation

2. Technology

3. Climate change

4. Ageing

- *The pull and push effects of globalisation affect the war for talent*

- *Technological development is not just about whether the technology will work but also whether the market will buy it*

- *and whether the organisation can deliver and take advantage of the niche ➔ IT needs to be <u>integrated</u> knowledge*

- *Climate change is the great unknown*

- *Ageing: intergenerational and multi-peak careers*

IRRELEVANCE OF TIME AND SPACE

- INNOVATION TAKES MULTIPLE FORMS AND SOURCES:
  - Product (3M, APPLE)
  - Process (AMAZON, GOOGLE)
  - Political – Social Innovation (BREXIT)
  - Global (IKEA)
  - Any combination of the above

GLOBALISATION

- The need for high up-front investment in people and innovation, product, branding and promotion create global network effects

  ➔ a strong <u>globalisation pull on the demand side</u>, while

- Global sourcing and production

  ➔a strong <u>globalisation push on the supply side</u>   (Millar et al. 2005)

- <u>Global turmoil of the 70s</u> demanded business strategies to cope with disruptive changes and needed innovative responses

  ➔ management research on innovation and knowledge based competition   (Grant 1996; Spender & Grant 1996)

NOW ➔ focus on people, strategic HRM research, how to develop scarce talent

(Cascio & Boudreau 2016)

THE SHRINKING WORLD: DEVELOPMENTS IN INFORMATION AND COMMUNICATION TECHNOLOGIES

- The focus of business strategy shifted from physical assets to data and intellectual assets.
- Digitalisation of work enabled connectivity and multi site outsourcing
- How to compete globally while operating effectively in local cultures?
- Information networks enabled largely virtual organisations operating globally also for globally dispersed client organisations
- Management demands for skills development & virtual teams management
- FROM DATA SCARCITY TO KNOWLEDGE ABUNDANCE
- Web 2.0 technologies enabled sharing of user generated content/social media
- Increased access to knowledge globally ➔ org innovation accessing external sources in contrast to traditional vertical integration and internal R&D

The IPCC has been wrong in its forecasts for the last several years: they underestimated the pace of change:

Areas impacted by climate change and demanding innovation:

ECONOMIES

AGRICULTURAL PRODUCTS

COASTAL INDUSTRIES AND COMMUNITIES

Climate change around the Bean Belt

Distribution of coffee production across the world. Highlighting worldwide and regional/country based impacts.

World

US**$19 billion** in global coffee exports (p/a)

25 million coffee farmers, mostly smallholders

2.25 billion cups of coffee consumed daily

125 million livelihoods reliant on coffee

70 countries growing coffee

Mexico & Central America

8.5 million livelihoods reliant on coffee

17% of Nicaragua's national exports

Since 1960s: temperature has risen 1.0°C and rainfall has declined 15%

2050: substantial losses in growing area

2012/13 Coffee Leaf Rust outbreak caused:
- Drop in production of 2.7 million bags
- Crop damage equivalent to US$500 million
- 350,000+ jobs affected

Colombia

Wetter, warmer weather is seeing coffee leaf rust climb higher in the landscape

Predicted rise of 2.5°C by 2050: 60% of agricultural land damaged

Brazil

1960–2011, Minas Gerais: hot spells and cold snaps

2014: drought destroys ⅓ crop

2050: substantial losses predicted

Tanzania

2.4 million livelihoods reliant on coffee

Climate becoming warmer & wetter

Since 1960s: yields have declined by 50%

Since 2001: Coffee berry borer spread above 300m

2060s: yields reach critically low levels

Ethiopa

33% of total national exports

Temperature has risen by 1.3°C

Predicted rise of 3.1°C by 2060 and 5.0°C by 2090

Major shifts in coffee growing expected

Vietnam

Climate now warmer and drier

Seasons becoming more extreme

2050: substantial losses predicted

www.climateinstitute.org.au/a-brewing-storm.html

SUSTAINABILITY: A SOURCE OF INNOVATION

SALT WATER FARMING

- Salinization is reducing the world's irrigated lands by 1 to 2 percent annually, according to the U.N.'s Food and Agriculture Organization.

- With the world population expected to reach 9 billion before 2050, agricultural production has to increase 70%. At the same time, less fresh water will become available for agriculture

- Marc Van Rijsselberghe, a Dutch farmer working with the Free University of Amsterdam has developed a process to grow potatoes, carrots, onions and cabbage using a mixture of both fresh and salt water (Pakistan)

- Vegetables contain both more salt and sugar—which improves the taste

CROSSING GEOGRAPHICAL BORDERS

We distinguish 'business systems' and 'culture clusters'

There are not two, but three business systems

- The Anglo-Saxon, Anglo-American system: shareholder driven
- The Communitarian system, stakeholder driven
- The Emerging Market system, state / family / community driven

Cultural Iceberg

Formal (Overt) Aspects

The way we say we get things done

Goals
Technology
Structure
Policies and procedures
Services/Products
Financial resources

The way we really get things done

Beliefs and Assumptions, Perceptions Attitudes } about the formal and informal systems

Feelings (anger, fear, liking, despair, etc.)

Informal (Covert) Aspects

Values
Informal interactions
Group norms

Created by Stanley N. Herman. TRW Systems Group, 1970

EMERGING MARKETS ARE DIFFERENT

- Direct government involvement

- Very large conglomerates

- Family ownership

- Informal institutions on how to do business, how to be expected to behave

- There is a mixture of familiar and different formal and informal institutions, governance mechanisms, which continues to exist

- Technological leaps in products and services

- The Emerging Market system is not a defective form of the Anglo-Saxon or Communitarian system

The Inglehart–Welzel Cultural Map — WVS6, 2015

Axes: Traditional vs. Secular-Rational Values (vertical) and Survival vs. Self-Expression Values (horizontal). Muslim-majority countries are in italics.
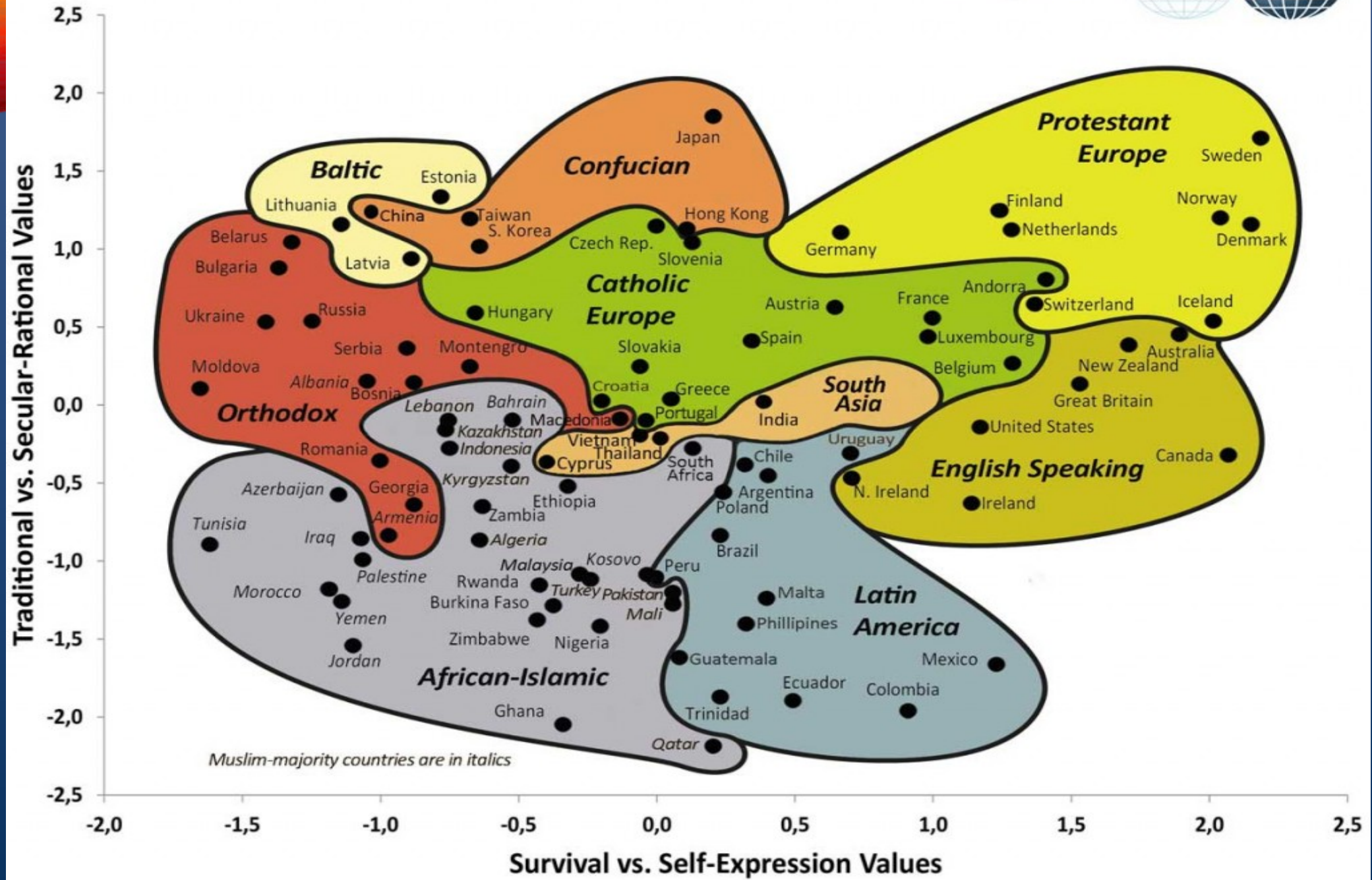
Cross-cultural Communication
An Example of Different Meanings of the Same Gesture

UK & USA = O.K.

JAPAN = MONEY

RUSSIA = ZERO

BRAZIL = INSULT

1000ventures.com

CROSSING GEOGRAPHICAL BORDERS

- Managing Cross Cultural differences. Some CM research:

- PhD, Decision taking on Globalisation, UK vs NL, 1987
- EVE, Evolving Values in CEE, 1992
- The Question of Marketing in CEE, AcadMktgScience,1993
- Trans Manche Link, BJM 1997; JMS 2000
- Perspectives on Public Affairs in CEE, JPA 2014
- The Role of Sviazi, Personal Connections and Networks, 2016

SVIAZI (PERSONAL CONNECTIONS & NETWORKS): MAIN RESEARCH QUESTIONS

- How are Sviazi formed, which factors influence them and why?
- What do Sviazi mean to people and why?
- Are Sviazi perceived and used in the same way by everyone in Russia?

  ➔ 3 groups of interviewees N=15

- Can Sviazi be regarded as part of intellectual capital ?
- *Jeito* in Brazil, *jaan-pehchaan* in India, and *guanxi* in China….……
- Sviazi and *Blat* – both ethically wrong?
- *Blat*, *blad* (Peter the Great) and *Blatt* (Catherine the Great):

  from 'laissez passer' to clientelism & bribery

- How do Sviazi influence the way of doing business in Russia?

- Group 3 (56+)
- Put much emotion into Sviazi, Sviazi are dear to one
- Sviazi are close to deep friendship
- Sviazi are needed for safety, belonging and one's risk management
- Most sophisticated view of Sviazi

- Group 2 (31-55)
- Very pragmatic vision of Sviazi
- Sviazi as a way of doing business faster, better, cheaper
- Friendship ends where Sviazi begin

- Group 1 (<30)
- Equate Sviazi to friendship – but a friendship, much shallower than group 3
- Sviazi definitely facilitate finding a job and getting ahead

- Sviazi guarantee success
- Sviazi are tacit knowledge, intangible latent capabilities
- The concept of Sviazi is deeply rooted in the national mentality
- Sviazi are more sophisticated and subtle in nature than *Blat*
- Sviazi are not about corruption or '*sistema*'
- Sviazi are more an instrument to help one get ahead or achieve something
- Sviazi are usually not shared, they are concealed; they are 'private property'; they are shared only with people who belong to the inner circle
- There is ethics in Sviazi, normally they are honest and ethical
- Sviazi give their owner a good feeling even if they are not used; it is enough that they exist
- Sviazi encourage connections and knowledge exchange
- Hence Sviazi are a good business tool

- Sviazi are like an old boys network that can be used or abused

CROSS CULTURAL DIFFERENCES

- *Ultimately, this is about values, understanding, communication and inclusion*
- *Different does not mean: less*
- *Respect for all stakeholders/markets*
- *Understanding values and institutions*
- *Establishing trust*
- *Internationally-networked businesses*

CROSSING KNOWLEDGE BORDERS

- What is knowledge
- Characteristics of KIOs
- Key (international) management issues in KIOs
  - Creating, sharing, hiding, corrupting knowledge
  - Motivating, developing, retaining people

WHY DISCUSS KNOWLEDGE AND KNOWLEDGE BORDERS?

- The ability to share valuable knowledge in business in efficient and effective ways is a crucial means of innovation, problem solving, and continual improvement

- Sharing knowledge is a fundamental strategic resource for global competitive advantage

- Knowledge is a crucial organisational asset

- Challenges:
  - How is knowledge obtained?
  - How is it stored and organised?
  - How is it accessed and shared when needed?

Millar, Lockett & Mahon, *JKM September 2016*.

What is knowledge?

- Choi CJ and CCJM Millar, 2005

  'Knowledge Entanglements: A Multidisciplinary Approach

  Palgrave Macmillan

KNOWING: A BEGINNING

I do not know what I do not know

1

I know what I do not know

2

I know what I know

Knowledge Progression
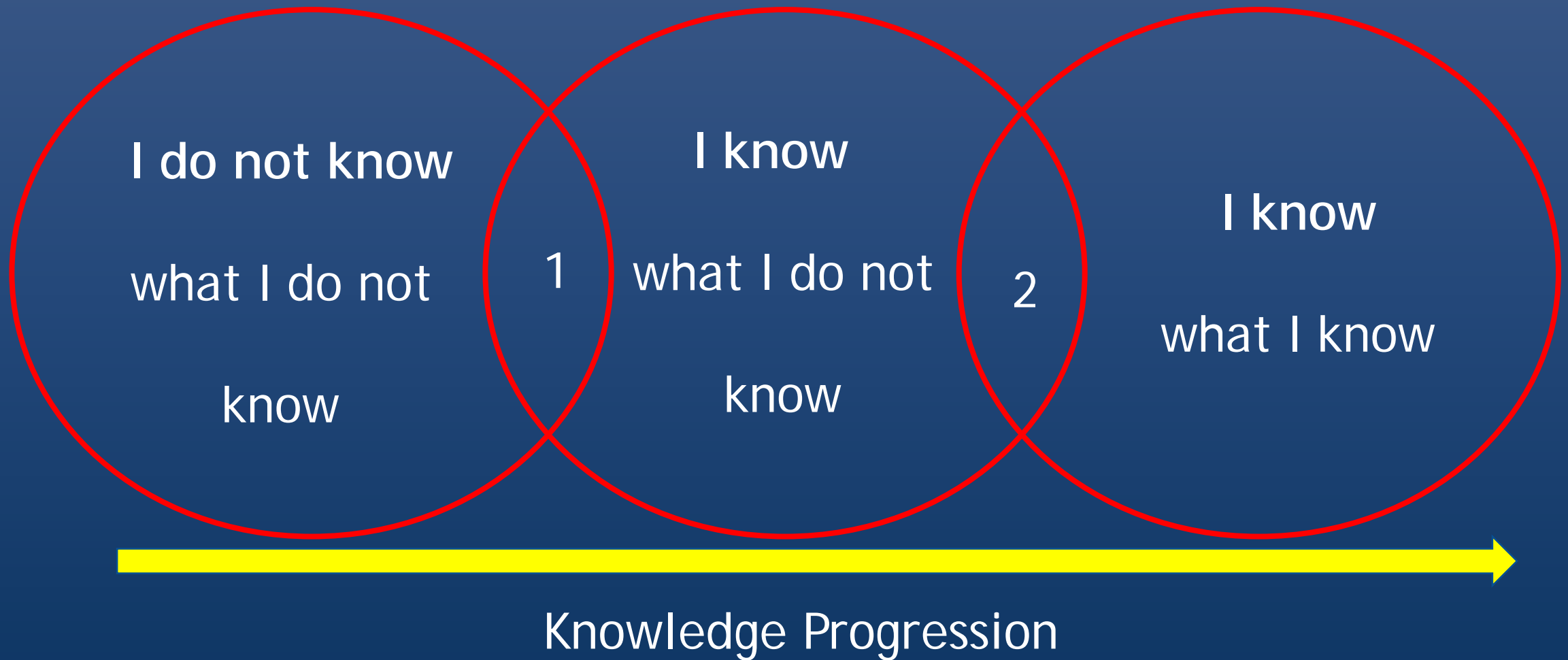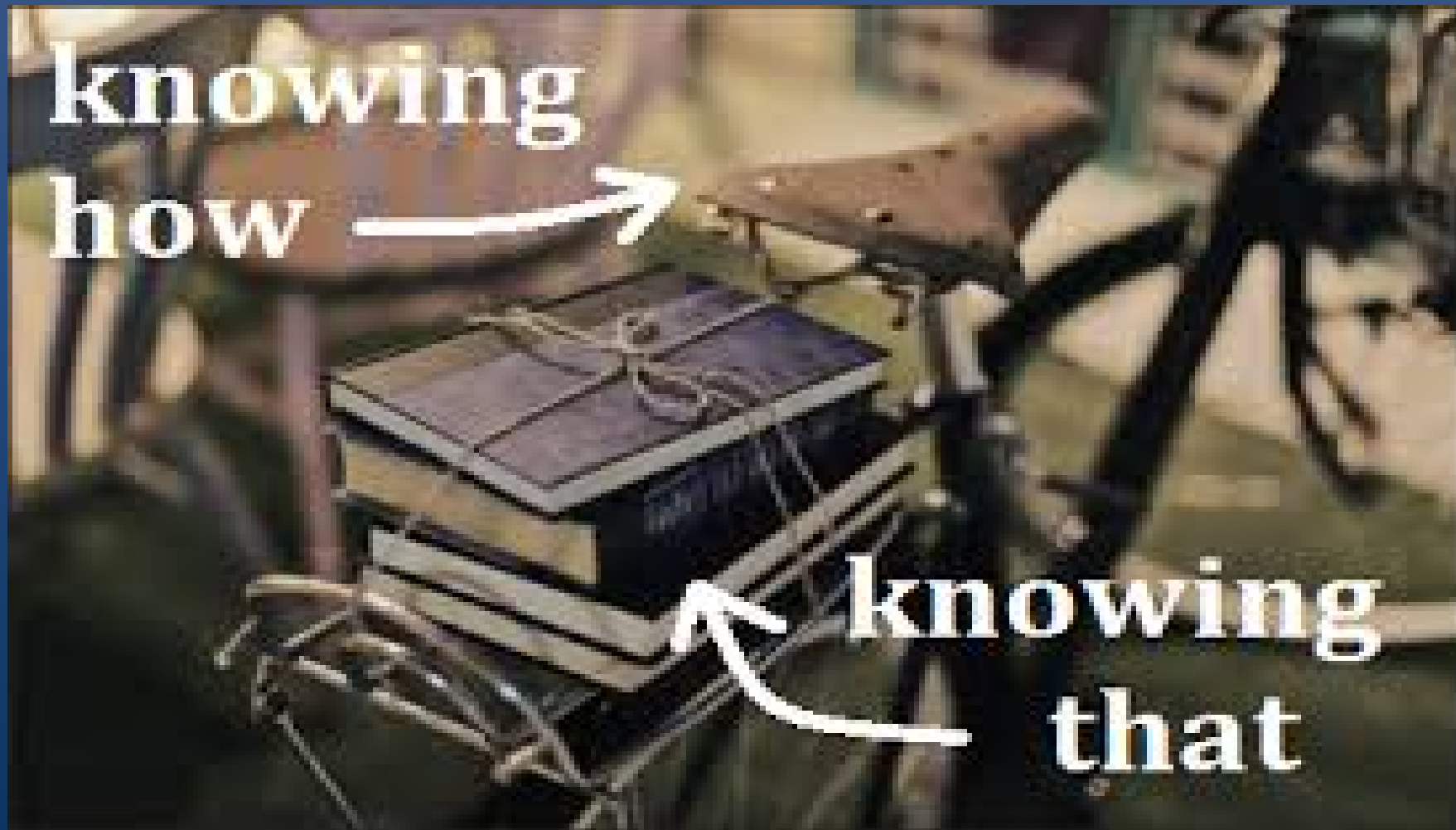
- **Explicit knowledge / codification / information** (Ryle 1948, Polanyi)
  - is searchable, identifiable, accessible, transferable, reproducible, storable

- **Tacit knowledge** (Ryle, Polanyi)
  - Experience + Gestalt = the Art of Knowing (Polanyi)

TACIT KNOWLEDGE AND PERFORMANCE

HIGH

P
E
R
F
O
R
M
A
N
C
E

LOW

INTELLECTUAL

e.g. analyse a Financial Statement, diagnose an illness

PHYSICAL AND INTELLECTUAL

e.g. write in a foreign language, engage in conversation

PHYSICAL

e.g. ride a bike

DISCOVERY
e.g. a new idea, innovation

HIGH

DEVELOPMENT
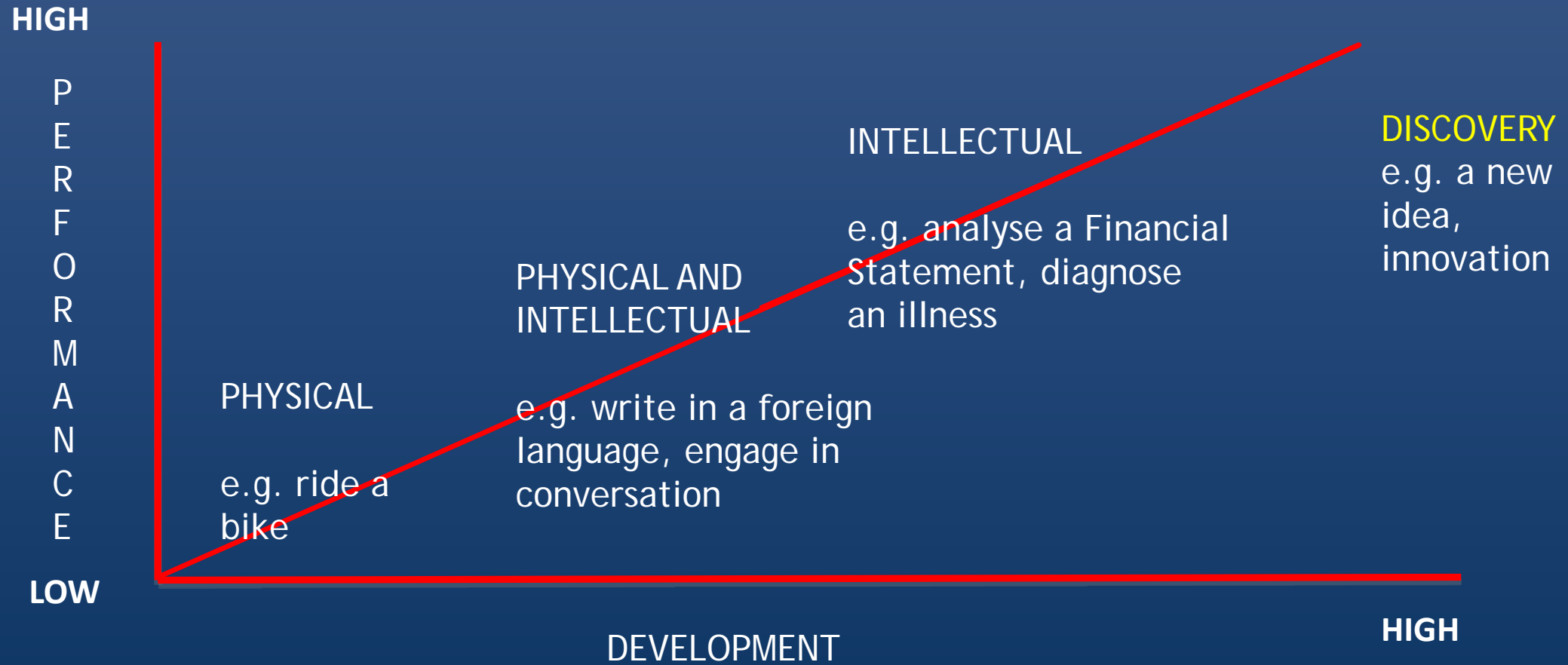
Source: Kikoski and Kikoski, 2004: 78.

Knowing how to look is a way of inventing.

— Salvador Dali —

AZ QUOTES

- Within Explicit and Tacit knowledge
  - Flexible boundaries (Spender; Nonaka)
  - Knowing with: A context within which a particular situation is perceived, interpreted, and judged (Broudy)

- Knowing for (Millar)
  - the art of knowing + 'knowing with' = 'knowing for' : *forward looking*
  - 'clinical eye'' = 'innovating competence': experience, insight, see a more complete 'picture', judgement what to do next ➔ creativity

Shapiro, J., Rucker, L., & Beck, J. (2006). Training the clinical eye and mind:
Using the arts to develop medical students' observational and pattern recognition skills. *Medical education*, *40*(3), 263-268.
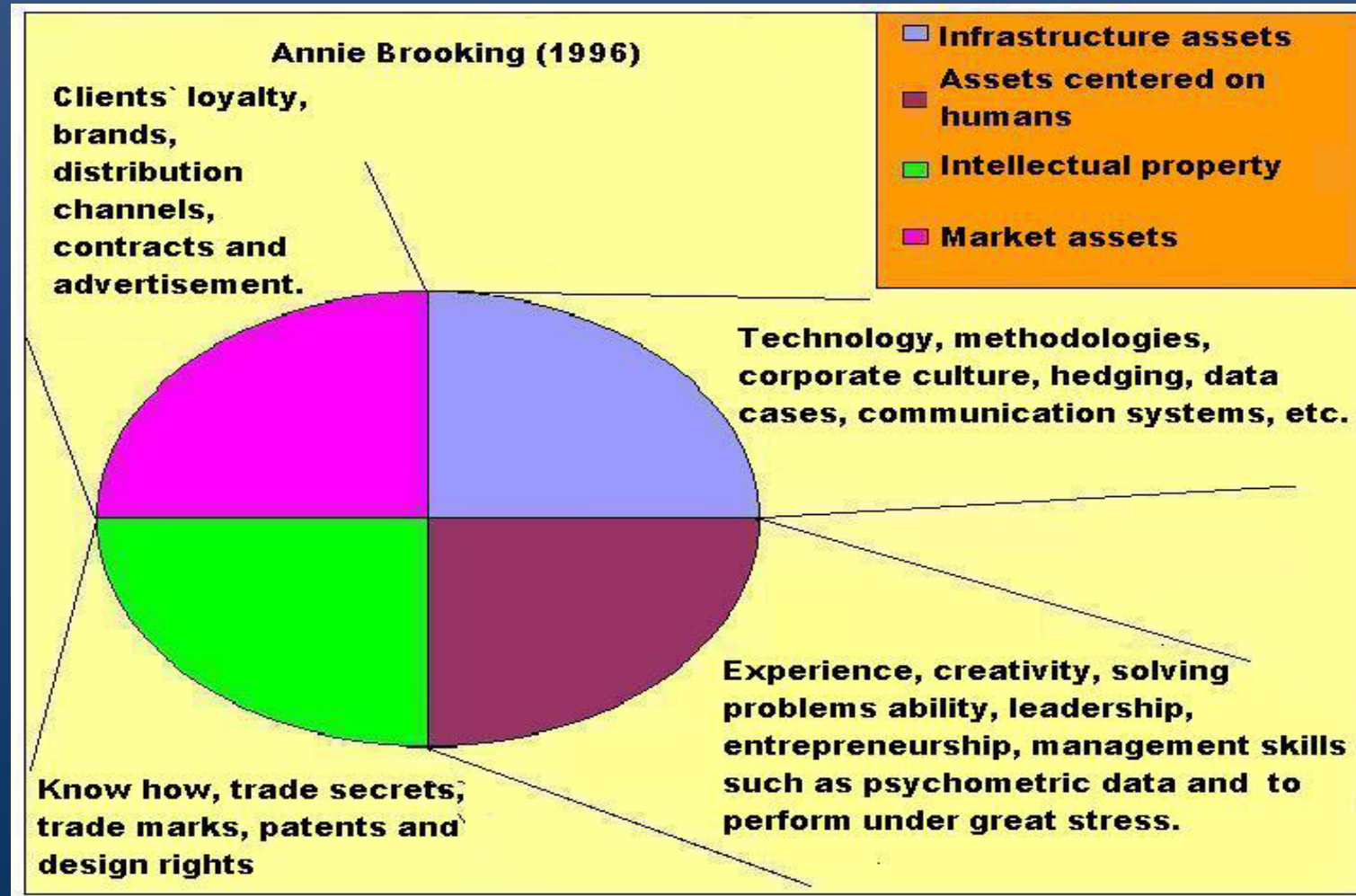
'Intangibles' pillar (by company alienability)

company inalienable

intangible latent capabilities
talent, creativity, education, innovation,
tacit knowledge, values, 'knowing-for' as sources
of future competitive advantage, PEOPLE

intangible competences
codified knowledge, proprietary non-financial
sources of current comp. advantage, BRANDS

(in)tangible value carriers
value carriers that can be bought, sold,
traded and normally, protected, TRADEMARKS

tangible goods / assets
property is clear, legally enforceable, PATENTS

company alienable

BREAK

❑Crossing <u>geographical</u> borders: obstacles and opportunities
  ▪ Worldwide developments, globalisation, technology, climate change
  ▪ Three business systems
  ▪ Managing cross cultural differences

❑Crossing <u>knowledge</u> borders: obstacles and opportunities
  ▪ What is knowledge
  ▪ Characteristics of KIOs and people
  ▪ Key (international) management issues in KIOs
    ▪ IM of knowledge: creating, sharing, hiding, corrupting knowledge
    ▪ IM of people: Motivating, developing and retaining human capital

❑Key factors for IM success in KI entrepreneurship / innovation

- International management operates in the global world:
  - formal and informal institutions
  - a VUCA environment, technological developments, climate change, ageing
- Knowledge is a major asset for competitive advantage
- Globalisation and technological developments make KIOs operate globally

NEXT

- Characteristics of KIOs?
- Knowledge intensive entrepreneurship and innovation come to the fore in KIOs
- Key factors for success of IM driving KI creativity and innovation?

Characteristics: Knowledge intensive organisations (KIOs)

- People are the most important asset
- Knowledge intensive means tacitness (Polanyi 1967)
- Value is derived from people and the organisation (Alvesson 2000)
- and from organisational routines (Starbuck 1992)
- Challenges are in - 'Herding cats' preferring autonomy
  - Employee bargaining power makes authority problematic
  - Asymmetric relationship
  - Talent is scarce (Anand 2007)
- Guiding, nudging and persuading, rather than commanding (Malhotra 2006)

ALTERNATIVE TERMS IN THE LITERATURE

- KIBS
  - Knowledge intensive business services
- KISA
  - knowledge intensive service activities: term used by OECD
- PSF
  - professional service firms:
  - Keen to maintain control over the application of their knowledge base / training / quality

KIOS / KIBS / KISA / PSF AREAS

- research and development (R&D),
- management consulting,
- information and communications services,
- human resource management; employment services
- legal services (including those related to IPR),
- accounting,
- finance [banks, insurance companies],
- architecture,
- hospitals,
- universities,
- marketing-related service activities

1. High knowledge intensity
2. Low capital intensity
3. Regulated / self managed professionalisation of the workforce
   - Ethical codes
   - Control over membership

We will now look at the most important of these 3

3 FORMS OF KIO, DEPENDING ON THE DEGREE OF EACH OF THE CHARACTERISTICS: VON NORDENFLYCHT, 2009/2010]

- Classic service firms:
  - ++ KI, -- CI, ++ professionalisation, e.g. law firms

- "Neo" service firms:
  - ++ KI, -- CI, 	e.g. advertising agencies, management consultants

- Knowledge / Technology developing institutions:
  - ++ KI, less emphasis on other 2,
    e.g. universities, engineering firms, incubators, [parts of] hospitals

1. ALL THREE TYPES HAVE A HIGH KNOWLEDGE INTENSITY:

- A major component of tacitness [Polanyi 1957]
- High KI in people and the organisation
  - In individuals [Alvesson, 2000]
  - In intangible competences and capabilities [Millar, 2004]
  - In organisational routines [Starbuck, 1992]
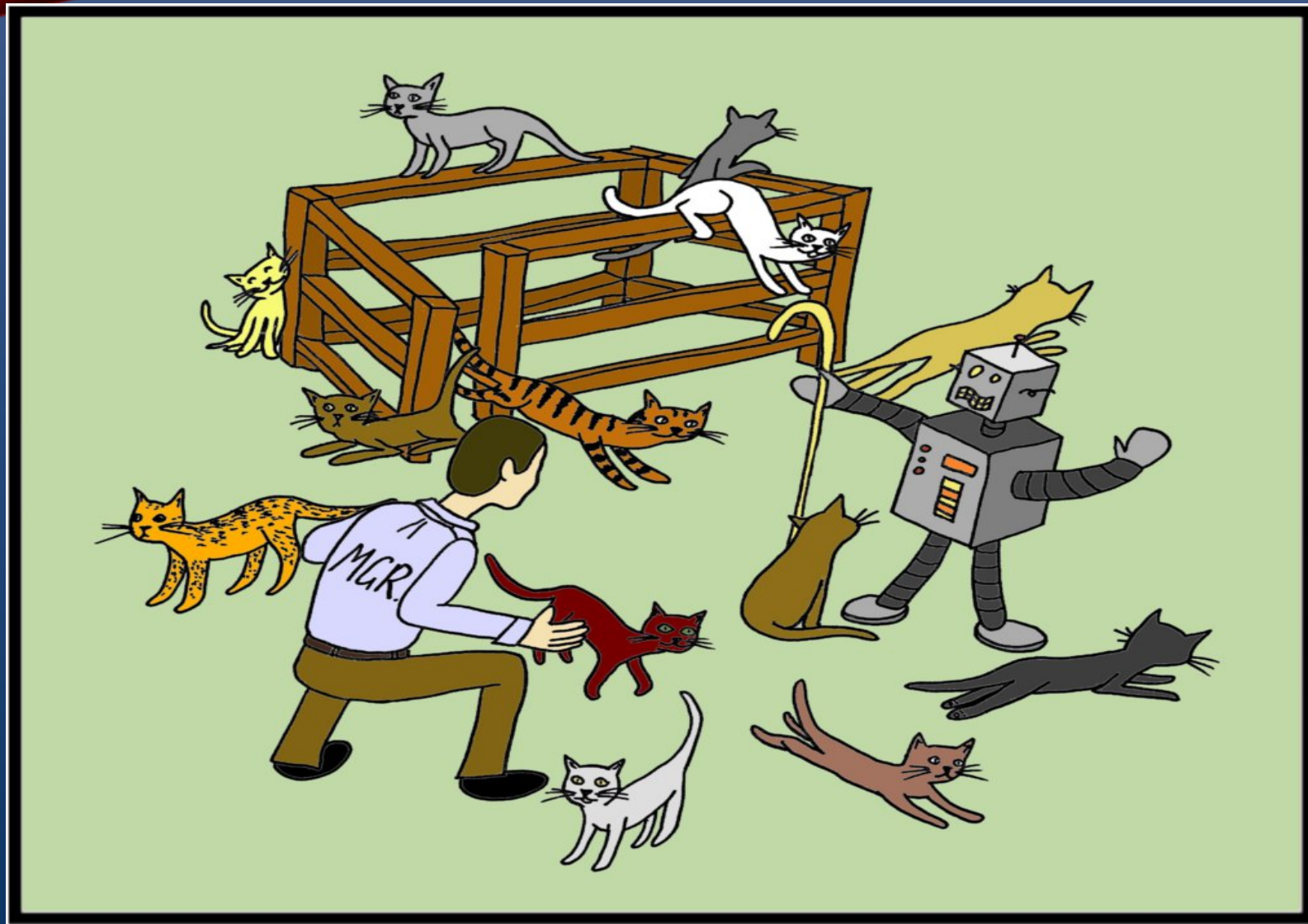
1. <u>Managing knowledge professional is like herding cats</u>:
   - Important to retain and direct employees, as they possess substantial human capital
   - Skills are scarce and transferable across firms [Teece, 2003]
   - Employee bargaining power and preference for autonomy make authority problematic [Anand et al, 2007]

2. <u>Opaque perceived quality of output</u> / asymmetric risk:
   - Output quality hard to assess by client
     - Ad agency campaign effect ?
     - Lawyers' argument effect ?
     - Argue with your doctor /medical consultant?

3. HIGH PROFESSIONALISATION INTENSITY E.G. IN LAW FIRMS AND UNIVERSITIES

- Strong knowledge base [already dealt with]

- Regulation and control: manage staff /output quality
  - The profession has a monopoly on the use of the knowledge
  - The profession regulates the monopoly autonomously
  - Regulation excludes non professionals ['club']
  - Regulation mitigates competition amongst professionals

- Code of ethics and behaviour

1. Knowledge and information
   - Production and consumption often taking place simultaneously = tacit knowledge that can become explicit
     - Tax adviser: advice how to best complete your tax return
     - Consultants:
       - Explicit: consultancy report,
       - Tacit: way of working, how to do things

2. Tangible proof at the end of the largely intangible process
   - University: a diploma
   - Consultants: a report
   - IT consultants: a new software system
   - Advertising agency: a new TV commercial
   - Entrepreneurial firm: a patent

You are working for NIKOS

- Design an innovative one day international management course for managers in Twente and their international networks
- How would you exploit each KIO characteristic, eg managing staff, co-creation
- How would you minimize the asymmetry of knowledge transfer's negative aspects, maximizing the positive ones
- How would you make sure to be more successful than your competitors?

CROSSING BORDERS
IN THE KNOWLEDGE INTENSIVE WORLD

❑Crossing geographical borders: obstacles and opportunities
- Three business systems
- Managing cross cultural differences

❑Crossing knowledge borders: obstacles and opportunities
- Global developments affecting KIOs
- What is knowledge
- Characteristics of KIOs and the people
- Key (international) management issues in KIOs
  - IM of knowledge: creating, sharing, hiding, corrupting knowledge
  - IM of people: Motivating, developing and retaining human capital

❑Key factors for success in KI entrepreneurship and innovation

JUST WHAT IS KNOWLEDGE?

- Facts, information and skills

- Gained through experience or education

- Knowledge is NOT a commodity, and knowledge and knowledge management is a dynamic process that needs constant and consistent management attention

Knowledge management are those strategies and processes to identify, capture, structure, value, leverage and share intellectual assets to enhance performance and competitiveness. It is based on two critical activities: (1) the capture and documentation of individual of explicit and tacit knowledge, and (2) its dissemination within the organization

- Knowledge Management is a process---and who and where in the organization is it managed?

- Knowledge is substantive—that is, knowledge has content—and where and how is content "captured?"

- We need to attend to both and especially so in KIO—
- Capture of new knowledge and its transfer is especially critical

- Key characteristic of KIO is the dynamic, heterogeneous and temporal nature of its services (Pina & Tether, 2016)
- To succeed:
- ➔ demand to adapt, evolve, improvise (Krylova 2016), be creative, innovative, entrepreneurial,
- ➔ culture that promotes organisational learning ➔ innovation

- How to maximise the creative value of human capital?
  - need for psychologically safe team environment
  - knowledge of "who knows what" is not enough to ensure innovative performances.
    ➔ innovative behaviour and new knowledge

INTERACTION OF KM WITH TECHNOLOGY

- Technological methods for managing knowledge exchange, trying to capture
  - Explicit, documented knowledge
  - Implicit knowledge, through knowledge maps replicating social networks
                                                        (Criscuolo 2007)
  - or capturing knowledge across the organisation through electronic storage

- Challenge for leaders:
  - Resistance to systems by knowledge professionals 'herding cats'
                                                    (Von Nordenflight 2010)
  - Resistance to sharing knowledge due to disengagement, differing value perspective or pride in hiding knowledge   (Huo et al. 2016)
  - Incentivise using electronic storage even if they value the relational embeddedness of social networks for K exchange and creation
                                                        (Collins & Smith 2006)

- Trusting relationships ➔ > knowledge sharing and > innovative behaviour
- Challenges for leaders:
o Ensure that knowledge professionals
  - Trust that others will use their knowledge appropriately
  - Trust the value and integrity of knowledge they receive (Staples&Webster 2011)
  - Trust their continuous value to the organisation (does K sharing diminish your value?)

o Incorporate practices
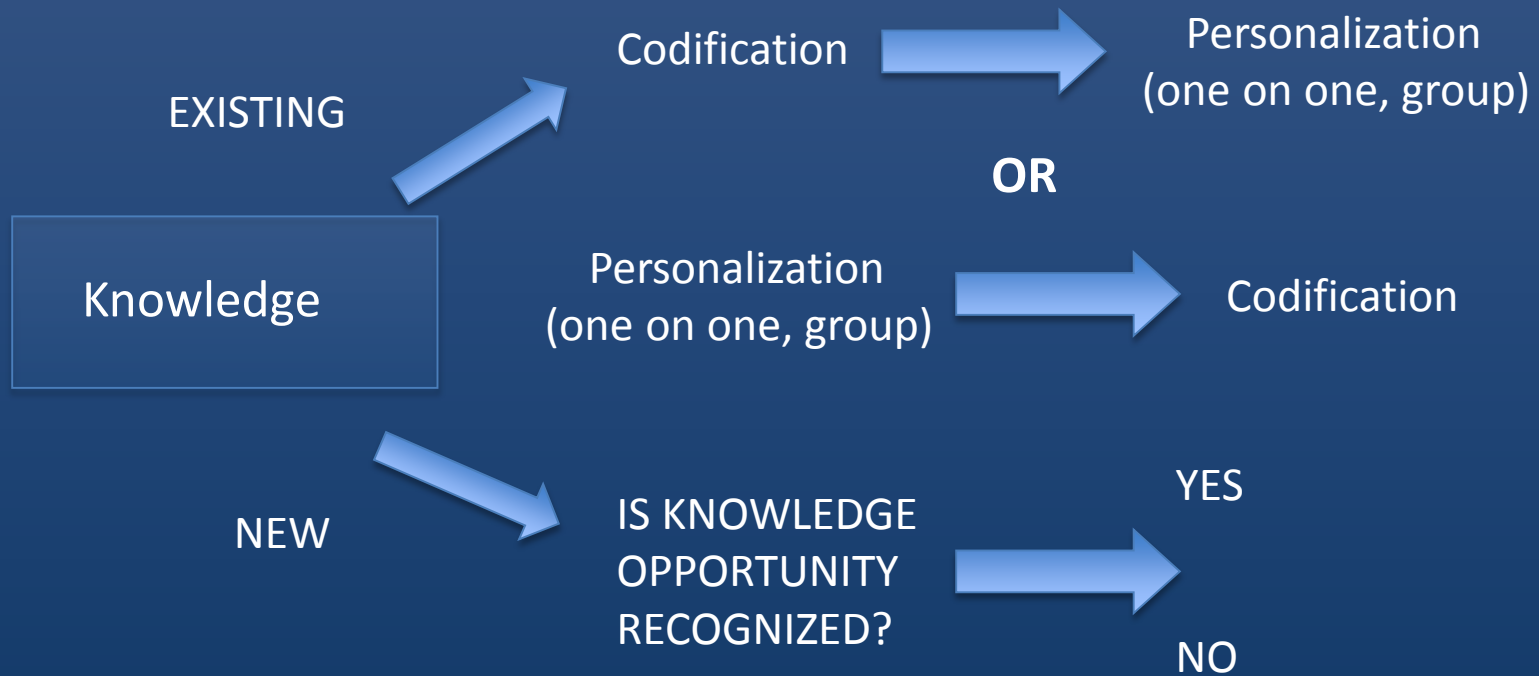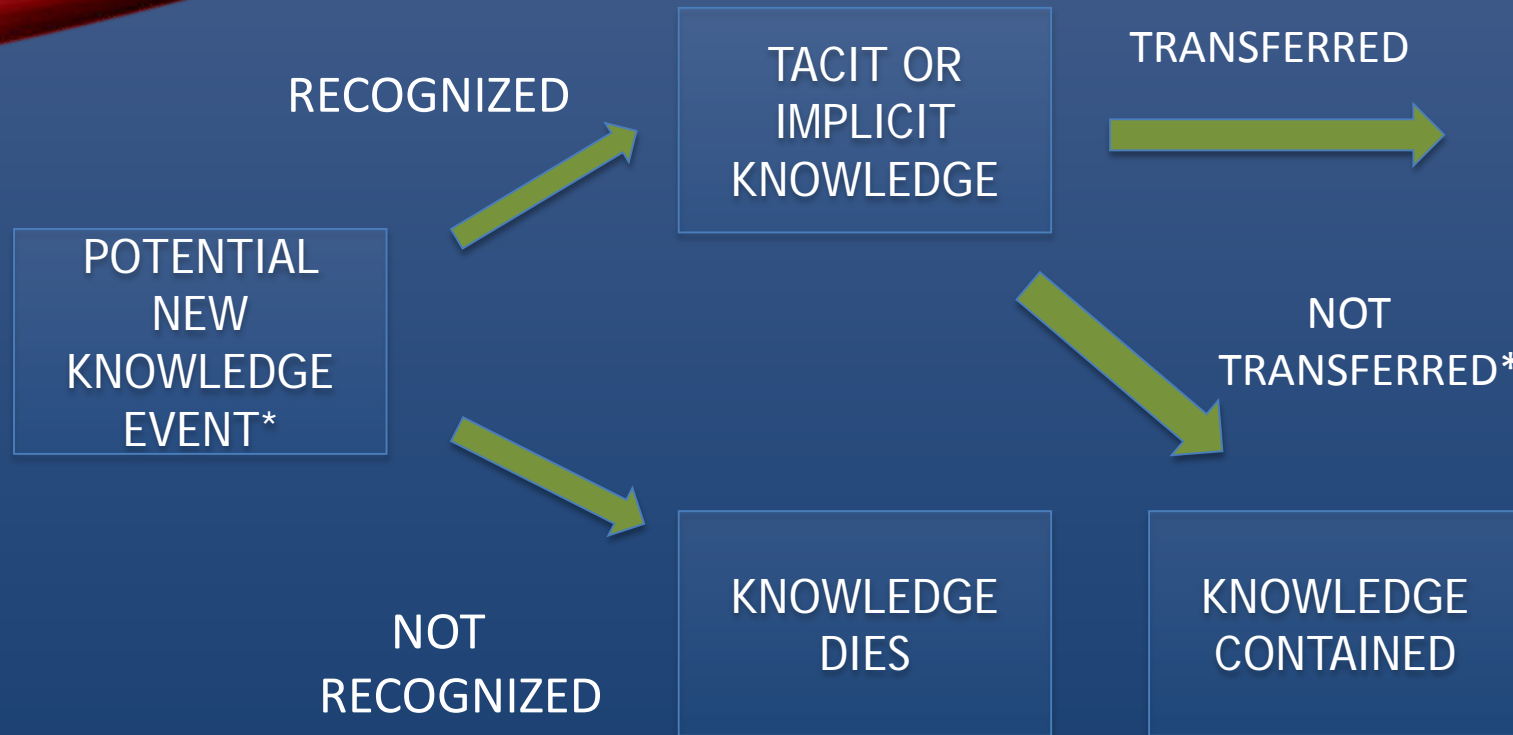 o That facilitate K exchange / novel approaches / innovation / K co-creation
  o Balanced with cost of time and resources

KNOWLEDGE MANAGEMENT CHALLENGES

- New Knowledge (recognition)
- Transfer of Knowledge (and the potential for various forms of knowledge *corruption*)
- Recipient "blindness"
- Knowledge hoarding
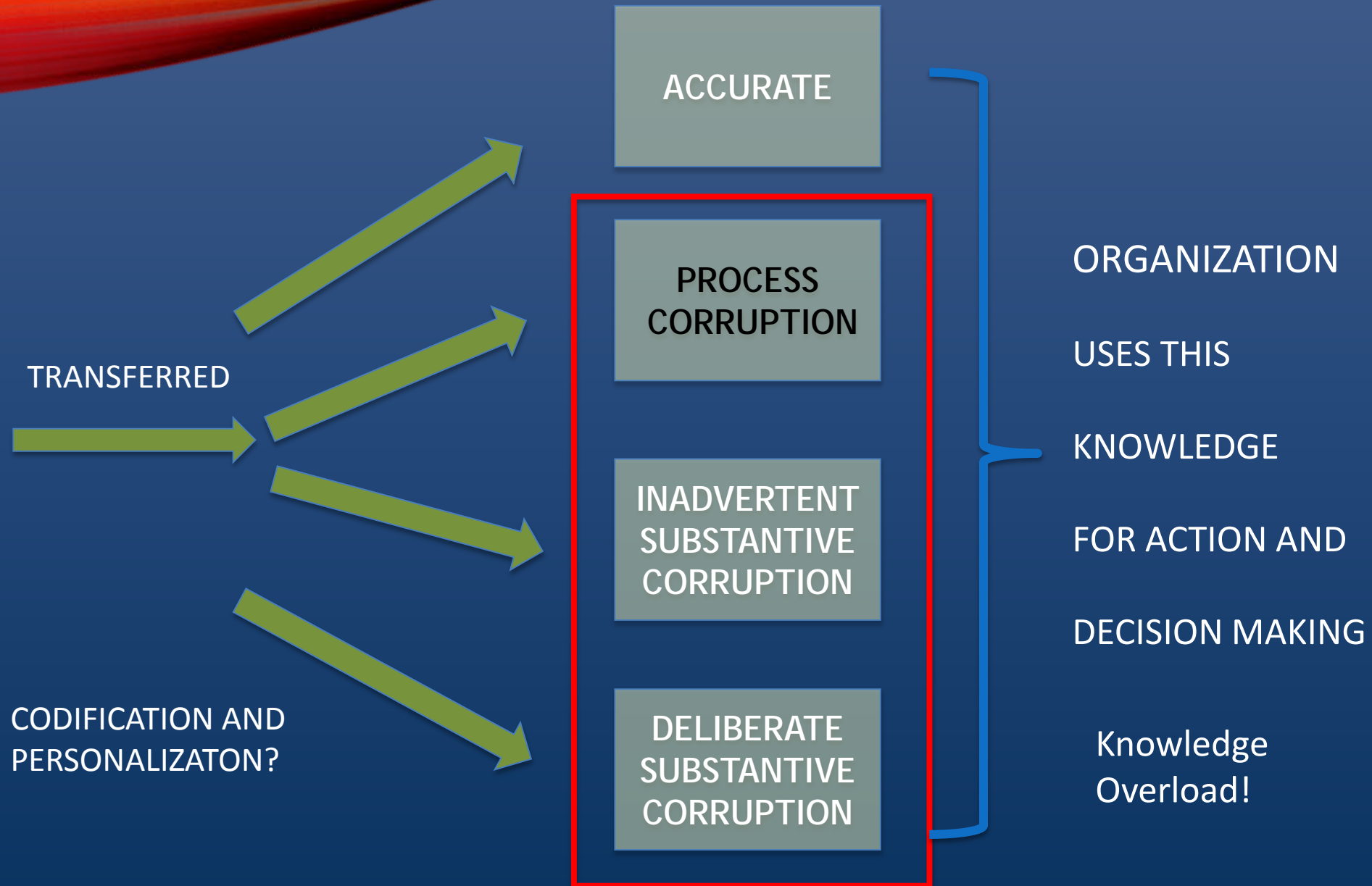- Knowledge retention
- Knowledge decay and loss

How does an individual receiving "knowledge" know or recognize that the knowledge they are receiving may be corrupted in some fashion?*

- Their existing knowledge base?
- Their knowledge network for verification/
checking?
- Intuition

Of equal concern is how does the individual providing the knowledge "know" that it is accurately received and understood?

KNOWLEDGE RETENTION

- Most of us have received initial policy and procedures manuals upon employment and they usually contain a ethics code. How many of us can recall that code of ethics on demand or other specific ?

- Organizationally, retention concerns are often a consequence of individuals leaving or retiring.

- Knowledge retention is or should be the focus of Human Resources in an organization as they serve as the organizational memory for such knowledge

- Science of scientometrics studies this—argues that knowledge, like radioactivity decays over time.

- "Mesofacts"—these are facts that change very slowly—but we do not recognize it—and we make decision on outdated facts. For example. 50% of the existing, explicit knowledge about hepatitis and cirrhosis has been overturned in the last 40 years.

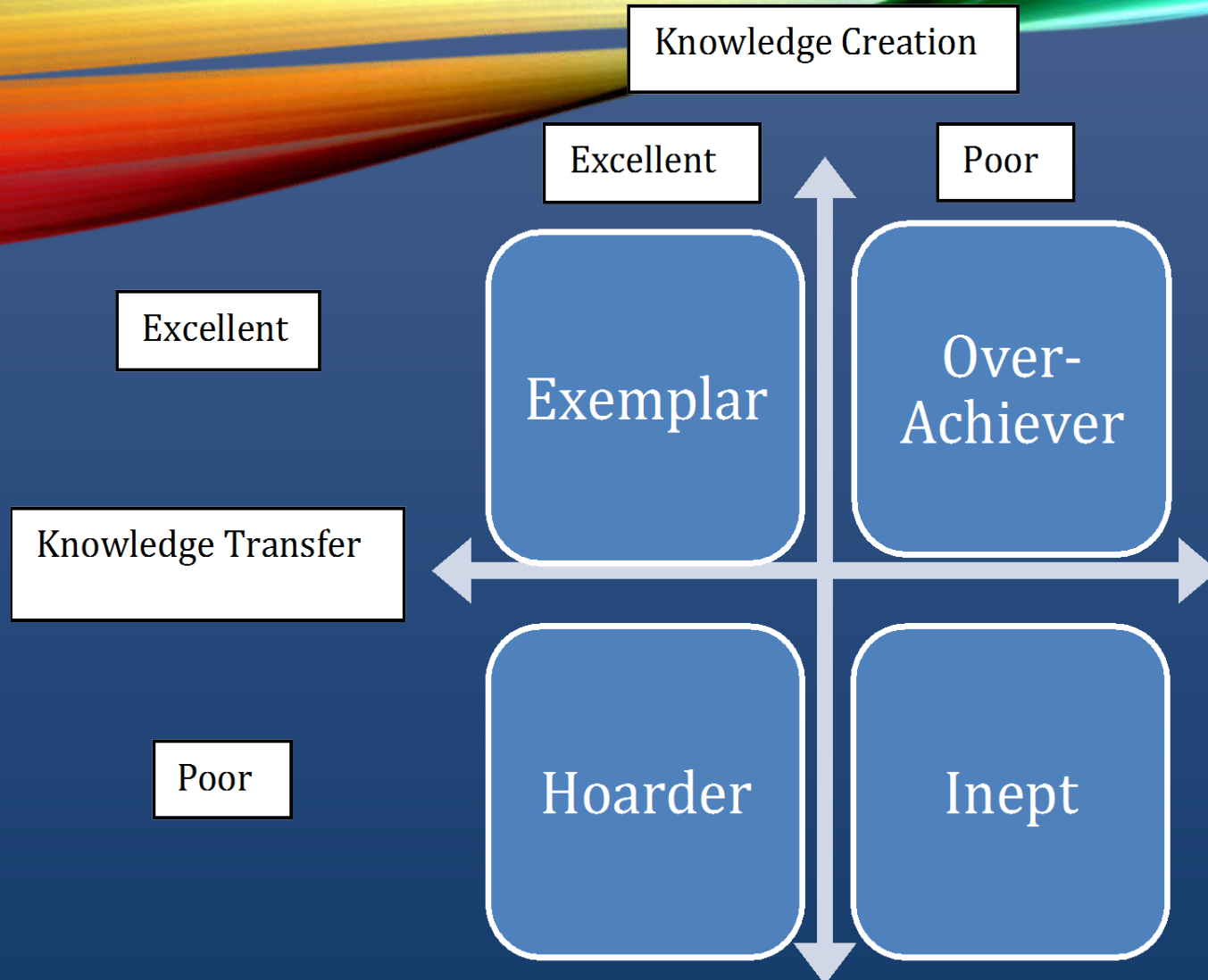- Who oversees knowledge decay in organizations?

- Who should?

OBSOLETING KNOWLEDGE

"An individual's professional knowledge is becoming outdated at a much faster rate than ever before.

Rapid changes in the job market and work-related technologies are necessitating continuous education. In some sectors, the potential exists for AI and other forms of automation to eliminate 50- 80% of the work currently undertaken by professionals and skilled workers."

Talwar and Lazarova (undated)

CROSSING KNOWLEDGE BORDERS

What does this mean for international management:

(internationally) managing people:
motivating, developing and retaining human capital
- IM is about people
- IM is about vision

KEY ISSUES

- In the KIOS people are the major assets
- In order to gain competitive advantage we need to be able to exploit their creativity and innovation
  - ←the tacit knowledge capabilities
  - ←the 4th level of the pillar
- What needs to be done to make our staff, especially Gen Y
  - dare to share knowledge
  - dare to stay in our firm
  - dare to be creative
  - dare to deliver

HOW TO TACKLE THESE IM CHALLENGES?

EXPLORATORY RESEARCH AMONGST HUMAN RESOURCE EXPERTS ON MANAGING PEOPLE IN [GLOBAL] KIOS

- N= 40
- HR managers
- HR directors
- headhunters
- Exec Ed HR faculty

1.Recruitment / external global environment
- From recruiting knowledge to managing talent
- Real talent is very scarce and needs to be recruited worldwide

2.Managing people / internal environment: there is a need to:
- Provide motivation to get creative work done
- Provide meaning, to encourage retention
- Recognise achievement and contribution (independent of promotion)
- Solving the issue that increasing automation may create more need for the highest 'intellects' and less need for the more plodding
- Create a safe environment in which people dare to experiment and take a little risk
- Though it will be difficult, nonetheless measure performance and productivity

3.Exploitation : prioritising what is important

- Realising the value of intellectual capital & what people can continue to offer
- Being able to recognise tacit knowledge, not only knowing what
- Knowing in advance which latent competencies will materialise
- Complementing creativity and knowledge value with ICT
- Paying attention to networking inside and outside of the organisation

4. HR / management models

- The 'old' models do not work anymore: what will the new models look like?
- Adapting management practice
- Need to be fluid, inclusive, creative yet effective
- Need to take risk.

GOOD HUMAN CAPITAL MANAGEMENT RECOGNISES

1. People, assets, latent assets
   - in KI organisations the driver of success is human capital, the people, their creative assets, their latent assets
2. Motivation
   - Such highly skilled IC/technology / creative workers are strongly motivated by the skill/challenge /happiness dynamic (Mihaly Csikszentmihalyi)
   - Millennials' attitudes and aspirations are different
3. Morale
   - morale of KI workers significantly affects discretionary effort.
   - High morale KI workers appear to cheerfully work longer, harder, seek out extra work, feel more secure and positive, and are more creative in solution generation and implementation.
4. Individual and collective knowledge:
   - there is a need to combine individual and collective knowhow, organisational capital

- Traditional HR models are unattractive to many (global) KI staff
- All the above is valid for IM and for the entrepreneurial firm

ATTRACTING AND RETAINING HUMAN CAPITAL INTERNATIONALLY

Knowledge professionals
- ❑ have a higher mobility ← professional qualifications and ability to work anywhere
- ❑ are unlikely to be motivated by competitive pay and reward systems <u>alone</u>
- ❑ demand challenging and stimulating work to increase their professionalism, develop and apply their knowledge skills (Swart&Kinnie 2003)

- Leaders need to
  - Consider the individual values and intrinsic motivation of staff
  - Recognise that talent is scare globally
  - Use rewards like promotion, further education opportunities
  - Recognize that the HR FUNCTION NEEDS DRAMATIC RESTRUCTURING AND VISIBILITY IN THE ORGANISATION

SOLUTIONS FOR THE TWO KIO ISSUES?

HIGH KNOWLEDGE INTENSITY: ORGANISATIONAL RESPONSES 1

1. <u>Cat herding</u>:
   - Important to retain and direct employees, as they possess substantial human capital
   - Skills are scarce globally and transferable across firms [Teece, 2003]
   - Employee bargaining power and preference for autonomy make authority problematic [Anand et al, 2007]

- Organisational responses:
  - Alternative compensation mechanism
  - Autonomy and informality in organisational structure

2. Opaque perceived quality of output / asymmetric risk:

- Output quality hard to assess by client
  - Ad agency campaign effect ?
  - Lawyers' argument effect ?
  - Argue with your doctor /medical consultant?

- Org. response: signal quality through
  - Bonding: creating penalties for producing low quality
  - Firm Reputation: image and ranking
  - Appearance: physical evidence in some services
  - Ethical codes: to protect client interests
  - Professionalisation e.g. law / accounting

MAZARS: FROM KNOWLEDGE INTENSIVE TO RESEARCH INTENSIVE GLOBAL PROFESSIONAL SERVICE FIRM

- Changing context of managing people in global arena of PSFs
- Challenge of continuous motivation and effectiveness of Partners
- Complex reality of young yet multigenerational PSF
- Outmoded standard HR models
- Reluctance of Partners to fulfill executive roles, PSFs losing attractiveness
- ➔ define Core PSF competitive advantages as:
  - **proprietary knowledge creation and thought leadership**
- ➔ stimulate smarter Partners to do research and study for a PhD
  - 'mid Partner career' step at the age of 40-45 and become thought leaders
  - Second curve of career success
- Transformation into a research led firm is a necessary risk for PSFs

CROSSING BORDERS

Key factors for success
in international management for
knowledge intensive
entrepreneurship and innovation

SUMMARISING: I.M. CHALLENGES IN GLOBAL KNOWLEDGE INTENSIVE ORGS

- A VUCA world: volatility, uncertainty, complexity and ambiguity …
- Global developments in IT & KM are context and driver of strategies through which KIOs can compete and prosper
- IM implications are similarly global
- 4th industrial revolution, a fusion of physical, digital, biological spheres (Schwab 2016)
  - Lower costs for transport, comms, international trade
- We need to understand culture and the way business is done globally
- Technical developments:
  - Digitalisation can lead to job loss for high flyers

Bring on the personal trainers

Probability that computerisation will lead to job losses within the next two decades, 2013
(1=certain)

Job	Probability
Recreational therapists	0.003
Dentists	0.004
Athletic trainers	0.007
Clergy	0.008
Chemical engineers	0.02
Editors	0.06
Firefighters	0.17
Actors	0.37
Health technologists	0.40
Economists	0.43
Commercial pilots	0.55
Machinists	0.65
Word processors and typists	0.81
Real estate sales agents	0.86
Technical writers	0.89
Retail salespersons	0.92
Accountants and auditors	0.94
Telemarketers	0.99

Source: "The Future of Employment: How Susceptible are Jobs to Computerisation?" by C.Frey and M.Osborne (2013)

- KIOs need tacit knowledge and latent capability knowledge creation
- Embrace necessary local skills globally and international networking
- Competitive advantage ← Understanding the 'art of knowing': knowing-that, knowing-how, knowing-for
  - within the specific field of knowledge and
  - in social and professional internal and external networks exchange
  - a safe environment in which people dare to create, dare share knowledge, innovate
- Build an IC-enhancing more fluid IM model of the future on exploiting especially this tacit knowledge

FURTHER POINTERS TO IM SUCCESS FOR KNOWLEDGE ENTREPRENEURSHIP AND INNOVATION 2

- Move beyond tick-the-box recruitment with a static list, and recruit potential, and people better than your current best
  - Creative and knowledge developing recruits are valuable because their presence will alter - in creative, unpredictable ways - what the organisation can do and how the knowledge nexus works within it.
- New style KI organisations need a more fluid management model
- Embrace necessary local skills and international networking
- Human Capital includes directors, managers, employees
- Continuous executive education / cooperation between KI firms and universities offers new contexts for knowledge creation.
- Create thought leaders

Marten Mickos:

How do we lead millennials, who grew up in this digital world?
- - We need to focus on values, organisational culture
- - We need to embrace the power of global talent
- - The answer is inclusion, network, focus, trust

- - We need to trust that the digital kids will get it too !

- Silicon Valley Former CEO of Eucalyptus [➡HP]
- Leadership blog with useful videos: Schoolofherring.com

THANK YOU !!
C.MILLAR@UTWENTE.NL

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I.M. QUESTIONS ➜ ISSUES FOR RESEARCH

- How many years will the GenY mentality rule?
- Will a post GenY group prefer safety over autonomy?
- Are the knowledge assets inherent in routine-corporate-processes rather than creative ones neglected to the risk of being lost?
- Is the value of knowledge team workers being underestimated ?
- Focusing on star creatives, can new IM models be developed answering their needs?
- As the multigenerational organisation is with us, what about career paths for the over 35s, over 50s, over 65s.....?
- Is a Brahmin-style class being created, of scarce, highly paid stars who cannot interact effectively with the rest of the organisation?
- When they lead, can they lead flexibly, yet effectively globally?

Thank you

c.millar@utwente.nl