Strategic Intellectual Capital Management in Multinational Organizations: Sustainability and Successful Implications

Kevin J. O'Sullivan
New York Institute of Technology, USA
Detailed Table of Contents

Preface ........................................................................................................................................... xiii

Acknowledgment .......................................................................................................................... xix

Section 1
Leadership

Chapter 1
Facilitating the use of Intellectual Capital in a Matrix Multinational Organization ..................... 1

  Alan M. Thompson, Production Services Network Ltd., Scotland

This chapter looks at the issues surrounding how to encourage the generation and manage the use of innovation within the organizational environment of being a flat, matrix-shaped, international services contractor. The influence of organizational structure on communication and trust is examined in comparison to traditional hierarchical-shaped organizations. The importance of organizational strategy, particularly in terms of how that strategy is communicated and how to manage when events disrupt that strategy, are looked at in detail. Organizational culture can rest on some more heavily than on others; how those responsible for sustaining and promoting a culture of innovation can be supported is the next layer analysis. Finally the skill sets required of managers are considered along with issues of motivation, influence and handling indirect sources of innovation. Illustrations of the issues and some solutions in action are taken from the company Production Services Network, (PSN) to build a bridge between academic theory and practical application.

Chapter 2
An Epistemology of Intellectual Capital and its Transition to a Practical Application ....................... 17

  Jan Carrell, Northwestern College, Colorado Technical University, USA

Organization requirements for survival evolve reflective of the environment in which they exist. It has been theorized the organizational tool for survival of the 21st century is intellectual capital. As with new concepts the transition from theory to practical implementation is not without challenges. Intellectual capital struggles with transitioning into the world of business. This chapter includes a limited study of organizations in the Midwestern United States whose executives espouse a valuation of their organizations' intellectual capital but have not bridged the gap from the theoretical understanding of intellectual
capital to the practical documentation of their organizational intellectual capital in practice. This finding illustrates an estrangement between the academic field of theory and the practical implementation in the organizations.

Chapter 3
Multinational Intellect: The Synergistic Power of Cross Cultural Knowledge Networks

Leslie Gadman, London South Bank University, UK
Robert Richardson, Mental Health Associates, USA

The world of international business is experiencing transformations of such magnitude that existing business models have become either invalid or incomplete. A fundamental force behind these disruptions has been the emergence of the digital networked economy (Ridderstrale and Nordstrom 2004, Flores and Spinosa, 1998) with its supporting internet and communications technology. One significant manifestation of this economy is the emergence of business models designed to gain competitive advantage by bonding with customers, suppliers and complementors (Wilde and Hax 2001). From the multinational perspective outsourcing and off-shoring have been the most common examples of this approach, but user lead innovation models (von Hippel 2005) based on Open Source methods are rapidly emerging as the leading source of competitive advantage. Commitment has been argued to play an important role in determining the success of these relationships (Abrahamsson and Livari, 2002) suggesting that entrepreneurs must be adept at building and maintaining commitment based value networks (Allee 2004, Sveiby and Roland 2002, Savage 1996, Gadman 1996, Adams 2004). This paper considers the challenges associated with commitment in multinational value networking and finds them to be most problematic in the diffusion of innovation where increasing levels of commitment are required across national boundaries and cultures. (Mauer, Rai and Sali 2004). Current research into core commitment structures of virtual multinational communities is not been well established. By analyzing data from a range of sources the paper concludes that the success of value networks depends on the desire of participants to acquire history-making identities (Gauntlett 2002, Spinosa et al. 1997) by maintaining identity defining commitments across the network. Implications for theory and research are discussed.

Chapter 4
Dynamic Capabilities in R&D-Networks

Arla Juntunen, Helsinki School of Economics, Finland

This chapter addresses collaborative business networks at the level of industry/cluster networks, which is important and relevant from the strategic management perspective in several industries. Collaborative networks are seen to offer firms collective benefits beyond those of a single firm or market transaction. The author of this chapter aims to contribute to the development of theories of knowledge management, organizational learning and a resource-based view of the firm. The initial argument is that the characteristics of the task that organizations try to accomplish through forming a specific collaborative network influence the organization’s intellectual capital, the capabilities developed and required. This chapter is based on a longitudinal case study in the ICT-sector.
Section 2
Strategy

Chapter 5
Intellectual Capital Measurement and Reporting: Issues and Challenges for Multinational Organizations

Suresh Cuganesan, Swinburne University of Technology, Australia
Richard Petty, Macquarie University, Australia

Multinational organizations operate across a variety of complex competitive environments. Achieving the right balance of global alignment and local flexibility is central to competitive success for these organizations. Viewed from an intellectual capital perspective, multinational organizations need to: design and execute appropriate structures and systems (structural capital); engage and align its international workforce (human capital); and, generate favourable relationships across the multitude of stakeholders it interacts with globally (relational capital). But in pursuing these goals, a number of issues and challenges are faced: How to make sense of intellectual capital investment decisions? How are they to communicate intellectual capital priorities throughout the multinational business? And, with what tools are they to measure and monitor investments and initiatives such that refinements and corrective action can be made? In dealing with these issues, intellectual capital measurement and reporting practices can help. This chapter presents the conceptual framework underpinning intellectual capital, discusses limitations with traditional financial reporting models, outlines the benefits of intellectual measurement, and reports and presents research on the perspective of finance professionals evaluating global companies.

Chapter 6
National Intellectual Capital Stocks and Organizational Cultures: A Comparison of Lebanon and Iran

Jamal A. Nazari, Mount Royal College/University of Calgary, Canada
Irene M. Herremans, University of Calgary, Canada
Armond Manassian, American University of Beirut, Lebanon
Robert G. Isaac, University of Calgary, Canada

Using a set of macro-level socio-economic indicators, we first explore whether two Middle Eastern countries (Lebanon and Iran) provide the foundation for organizations to develop their intellectual capital (IC). Then, we investigate the role of micro-level organizational characteristics that might support or hinder the development of IC management processes within organizations. The insight gained through our comparison will shed light on some important organizational attributes that foster the management of IC for wealth creation. The analysis has important implications for multinational corporations (MNCs) that have operations in the Middle East, are contemplating business involvement in the Middle East, or that have employees with Middle Eastern origin.
Chapter 7
A Knowledge Management Framework to Manage Intellectual Capital for Corporate Sustainability

Herbert Robinson, London South Bank University, UK

The significant development in knowledge management (KM) literature in recent years is a reflection of the growing interest to academics and practitioners/consultants involved in organizational change and business transformation. Knowledge is a major source of competitive advantage and knowledge assets/intellectual capital has to be managed effectively. The importance of implementing a knowledge management strategy to understand the relationship between physical and intellectual capital, to increase the market value of organizations and achieve corporate sustainability is examined. Using case studies of construction organizations and applying the STEPS knowledge management framework, it was found that there is a greater need for multinational organizations to implement KM. This is because they have knowledge that is diverse and geographically dispersed across a network of organizations. It is concluded that knowledge management has a catalytic role in developing intellectual capital to achieve corporate sustainability. The STEPS framework will enable multinational organizations to identify the reform, resource implications and the results of KM activities.

Chapter 8
An Overview of International Intellectual Capital (IC) Models and Applicable Guidelines

Tomás M. Bañegil Palacios, University of Extremadura, Spain
Ramón Sanguino Galván, University of Extremadura, Spain

In line with the increasing importance of the intangible economy within the last few years, a higher number of models have been published. In this sense, our main original contribution when measuring Intellectual Capital is related to comparing and assessing the different existent Guidelines, unlike previous published papers. The purpose of this paper is to present and compare some of the most recent and significant contributions from researchers to the field of the measurement and management of intangibles.

Chapter 9
The Role of ICTs in the Management of Multinational Intellectual Capital

Mirghani S. Mohamed, New York Institute of Technology, Bahrain
Mona A. Mohamed, New York Institute of Technology, Bahrain

This chapter aims to investigate the strategic importance of Information and Communication Technologies (ICTs) in the management of Intellectual Capital (IC) within a Multinational Company (MNC) ecosystem. It provides a systematic multidisciplinary framework that defines the role of technology in leveraging IC across borders and between headquarters and subsidiaries. The chapter addresses the transubstantiation of MNC into boundaryless Global Knowledge-Based Organization (GKB-MNC) which ultimately propagates into Learning MNC (LMNC). The latter is a suggested MNC category that sustains competitive advantage through systemic adoption of "Knowledge Iterative Supply Network (KISN)" model proposed by the authors. The chapter suggests new multinational ICT/IC governance strategy that handles the emerging complexities associated with modern intangible resource synthesis. In effect, these complexities originate from the introduction of functionalities such as just-in-time knowledge supply,
It is widely recognized that the development of learning capability is key to achieve a durable competitive advantage. This is especially true in the context of MNEs. When MNEs operate in disparate host countries, they enhance their knowledge bases, capabilities, and competitiveness through learning processes. The analysis of the relevance of learning capability to improve business performance and, thus, the organizational competence has been an important issue developed in literature. This chapter explains the link between learning capability and the improvement of business performance by comparing how the main dimensions of learning capability—knowledge resources and learning processes—impacts on performance, in terms of both non-financial and financial performance. It is argued that those MNEs with the highest levels in both their knowledge resources and learning processes obtain a superior performance.

Section 3
Implementation

Chapter 11
Managing Corporate Responsibility to Foster Intangibles: A Convergence Model ......................... 178
Matteo Pedrini, Altis–Postgraduate School Business & Society, Italy

This chapter presents a model for the integrated management of Corporate Responsibility (CR) initiatives and intangible resources. The model defines an approach for structuring a company’s social efforts (stakeholder management) in such a way as to increase competitiveness through the development of the intangible resources. After having presented an analysis of the studies conducted on the benefits of CR initiatives on the development of intangible resources, the text proposes a protocol for evaluating each CR initiative according to the model.

Chapter 12
Intellectual Capital Management in Long-Lasting Family Firms: The DuPont Case ...................... 207
Rosa Nelly Treviño-Rodríguez, EGADE Campus Monterrey, México

How to acknowledge, manage and measure intangible strategic resources embedded in organizational settings—such as intellectual capital—has been a widely discussed topic during the last two decades. However, when referring to unique organizational forms such as family-owned or controlled firms, the topic is understudied. Considering that approximately one third of S&P 500 are family-controlled firms—i.e. DuPont—, which have survived beyond a lifetime, we ask ourselves how these long-lasting family businesses managed to balance the strategic and parallel creation, development and use of their
intellectual capital both at the family and business levels in order to support growth and regeneration. We introduce the ICFB-Family Wealth matrix in order to describe our findings.

Chapter 13
Knowledge Management and the Links to Human Capital Management: Leadership, Management Capabilities and Sustainability ........................................ 221
Marianne Gloet, Abu Dhabi Women’s College, UAE

This chapter explores various linkages between knowledge management (KM) and human capital management (HCM) in the context of developing leadership and management capabilities to support sustainability. Based on the prevailing literature, a framework linking human resource management (HRM), KM and HCM is applied to the development of leadership and management capabilities to support sustainability. The framework identifies ways to promote sustainability through creating effective links between KM and HCM by which organizations can develop their leadership and management capabilities to support sustainability across business, environmental and social justice contexts. This approach provides managers with a framework for addressing sustainability issues and for developing individual and organizational capabilities to support sustainability through KM and HCM practices.

Chapter 14
Building and Maintaining Human Capital with Learning Management Systems ........................................ 234
Tom Butler, University College Cork, Ireland
Audrey Grace, University College Cork, Ireland

In this chapter we examine how building, integrating and maintaining human capital with Learning Management Systems acts as an enabler for the management of intellectual capital within multinational organizations. We draw upon learning theory and training practices to demonstrate that human capital is best viewed through a competence lens; that is, accounting for human capital should focus on matters of individual and organizational competence, and that the development of human capital is, in essence, an exercise in competence development, which involves training and learning. This, then, is this chapter’s point of departure in understanding how IT-based systems can enable training and foster learning, thereby building an organization’s human capital.

Chapter 15
Multinational Companies and Their Link to the Intellectual Capital of Territories: A Proposal of a Tool to Evaluate the Sustainable Development of the Region through its Intangible Assets...... 249
Agustín J. Sánchez Medina, University of Las Palmas de Gran Canaria, Spain

Nowadays it seems to be widely accepted that a multinational company has many different environmental, economic or social impacts on a territory. Moreover, every region has the right to aim to achieve sustainable development. For those reasons, this work proposes a tool based on the territory’s intangible assets. This tool allows the management of the sustainable development of a region where a multinational company has located, paying special attention to the way that this type of company can influence the development of the region.
Chapter 16
International New Ventures, Organization Structure, and IC Management ........................................ 271
Irene M. Herremans, University of Calgary, Canada
Robert G. Isaac, University of Calgary, Canada

Flare Solutions Limited is an entrepreneurial international new venture (INV). Of particular interest is the manner in which the firm developed a strategy by combining a special set of resources to provide knowledge products to markets in various countries. The firm realized early on that its knowledge, systems, and relationships were to be the keys to its success. With this in mind, the founding partners took steps to ensure that the firm’s structure and controls were conducive to management of its intellectual capital (IC). The chapter discusses the formation of the INV and the management of its IC in special ways to sustain its entrepreneurial activity. In part, this involved creating management processes consistent with its objective of creativity and innovation for the broad purpose of knowledge development. Consequently, the firm has been able to mobilize its IC to sustain its competitive edge in providing knowledge services.

Compilation of References ...................................................................................................................... 286
About the Contributors ............................................................................................................................... 328
Index ......................................................................................................................................................... 334