Preface

The focus of this book as the title alludes to is the implementation, management and utilization of intellectual management strategies within multinational organizations. The objective of the text is to describe best practices with the aim to enable the reader to employ strategies to best utilize the intellectual capital contained within the organization and to avoid some of the less obvious pitfalls in managing that intellectual capital within the multinational setting.

As the title infers, there is a distinction drawn between managing intellectual capital in a single site or single country setting and that of at a multinational level. Not only is there additional levels of complexity associated with management across national borders, there are also significant differences in the way in which intellectual capital is viewed from culture to culture. Despite the fact that we live in a relatively technologically connected era, technology and communications are not necessarily the solution in their own right to the management of intellectual capital from one culture to another. As an example, the value associated with relationship capital, the value associated with close ties to business partners, whether they be suppliers, customers and to a certain extent competitors, differs from culture to culture. Close ties to suppliers may be valued in one culture, but have significantly less value in others.

In addressing intellectual capital management within the multinational setting, we have taken the approach of viewing this from three perspectives, Leadership, Strategy and Implementation, hence the book is broken into three major sections. Technology proliferates these sections as an integral part of the management of intellectual capital, but in today’s environment it can be viewed as an enabler as opposed to necessarily requiring a distinct strategy for the management of such capital. That said there are distinct systems that do exist for managing intellectual capital such as Customer Relationship Management (CRM) systems.

Leadership

As with the deployment of any new system or process within an organization, leadership is both necessary from a support perspective (the buy-in of the leadership of the organization at the appropriate level), from a direction setting perspective (aligning the new system or process with the strategic direction of the organization) and from a sustainability perspective to ensure that the process or system stands the test of time. This is even more essential in the multinational context where trust, culture and understanding managing intellectual capital within an organization may be misunderstood.

Within the Leadership Section we examine four broad areas that impact the management of Intellectual Capital within the multinational; facilitating the use of intellectual capital, making the management of intellectual capital practical, working with cross cultural networks and leadership.
In Chapter 1, Thompson looks at the issues surrounding encouraging the generation of intellectual capital and the management of innovation within the organizational environment. Organizational structures included in the review include flat, matrix and international services sector. 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.

In Chapter 2 Carrell looks at the management of intellectual capital within the environmental context in which it exists. It has been theorized the organizational tool for survival of the 21st century is intellectual capital. As with all 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.

Gadman and Richardson, in Chapter 3, discuss the driving forces behind the magnitude of transformations that have driven existing business models to become either invalid of incomplete pertaining to the management of intellectual capital. Fundamental to these changes is the emergence of the digital networked economy 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. From the multinational perspective, outsourcing and off-shoring have been the most common examples of these approaches. User lead innovation founded upon Open Source methods are rapidly emerging as the leading source of competitive advantage. This chapter 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. Current research into core commitment structures of virtual multinational communities has not been well established, however, it is important to have and understanding of the current state of play in terms of research in the area in order to enhance the sustainability of intellectual capital management initiatives within the multinational organization.

Following on from Gadman and Richardson’s work on cross cultural knowledge networks, Juntunen further discusses the management of intellectual capital within the research and development environment. Chapter 4 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.
Strategy

In the second section of this text we examine the role of strategy in the successful implementation of intellectual capital management programs. Because of the very nature of managing intellectual capital within a multinational environment, significant aspects of any strategy for the implementation of such an initiative must incorporate significant aspects of education to those who’s intellectual capital is being managed. This is due to a large degree to cultural differences from location to location as well as differences in innate opinions as to what has value as intellectual capital. As such we examine the role of strategy in managing intellectual capital within the multinational environment by looking at techniques for the measurement and reporting of intellectual capital. We then look at the impact of national culture in terms of both national and organizational perspective. In doing so we take the example of contrasting two locations, that of Lebanon and Iran.

In the latter part of this section we examine the role of intellectual capital management in corporate sustainability, the role that technology plays in the development of intellectual capital management strategy, how intellectual capital management plays into the learning organization within the multinational context.

In Chapter 5, Cuganesan and Petty review how achieving the right balance of global alignment and local flexibility is central to competitive success for multinational organizations 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 favorable 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.

Nazari et al in Chapter 6 demonstrate the use of a set of macro-level socio-economic indicators in determining appropriate intellectual capital management strategy. They first explore whether two Middle Eastern countries (Lebanon and Iran) provide the foundation for organizations to develop their intellectual capital (IC) at the national level. Then, they 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.

In Chapter 7, Robinson discusses the significant development in knowledge management (KM) literature in recent years as 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 discusses 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.

Palacios and Galvan 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 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.

Mohamed et al 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, elicitation of tacit knowledge, and leveraging of the core competencies for the creation and maintenance of geographically distributed value proposition.

In Chapter 10 Prieto and Revilla discuss the role of intellectual management within the multinational organization in the context of the learning organization and the strategies that the learning organization requires. 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.

Implementation

In the final section of the book we examine the implementation strategies for achieving sustainability and success in the deployment of intellectual capital management across multinational organizations. We have devoted six chapters to this aspect. As implementation strategies are required inevitably to be tailored to the organization that the strategy is being implemented within and the tailored approach is
even more significant with a multinational context, the approach that we have taken within this text is to discuss considerations and demonstrate through examples, how intellectual capital management strategies can be implemented within the multinational context.

In Chapter 11, Pedrini 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 strategizes on the implementation of intellectual capital and discusses 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. Trevinyo-Rodriguez considers 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.

In Chapter 13 Gloet explores various linkages and implementation strategies 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.

Butler and Grace discuss building and maintaining human capital with learning management systems in Chapter 14. It is now clear that building and maintaining a firm’s human capital through organizational learning represents the only sustainable source of competitive advantage. They illustrate that the strategic resources which underpin the success of business enterprises include an organization’s physical, human, and organizational capital. Physical capital includes plant and equipment, geographic location, and access to raw materials. Human capital includes the training, experience, judgment, intelligence, relationships, and insights of managers and workers. Organizational capital includes firm structure and processes, internal and external relations, both formal and informal. This chapter argues that human capital can be enhanced through the application of IT (as physical capital) and organizational learning processes (organizational capital).

Based upon the research and examples discussed thus far, 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. In Chapter 15, Medina discusses those reasons and proposes a tool based on the geographic area’s intangible assets. This tool allows for the implementation of strategies for 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.
Finally, in Chapter 16 we look at an example of how such an implementation may be accomplished. 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.

CONCLUSION

Through this text, we have brought together the thought leaders and researchers involved in the development of strategic intellectual capital in multinational organizations. There are a number of significant conclusions that can be reached in terms of how intellectual capital management is progressing as a practice.

The first conclusion is that should intellectual capital management be embarked upon within a multinational organization, it must be done at the strategic level. The complexities of implementing such strategies requires that require that leadership at the highest levels be involved in championing such initiatives and that management at all affected levels be involved and have appropriate e buy-in.

Secondly, the implementation of such initiatives needs to be consistent yet context sensitive. In other words, a strategy for valuing and reporting intellectual capital assets needs to be universal within the organization, but needs to encompass the actual situation on the ground at locations in which the organization operates in order to overcome issues such as trust, culture and perceptions of misuse of such capital once codified.

Thirdly, there are distinct benefits for not only the organizations that employ intellectual capital techniques, but also for the locations that the organization operates within. Such techniques can lead to greater Corporate Social Responsibility (CSR) better learning within the organization at the local level as well as tighter integration with the local environment leading to heightened competitive advantage.

While technology is certainly a driver for intellectual capital management, it cannot be seen as the end result. Technology is an enabler and for organizations, allows for the management of intellectual capital in ways that have thus far not been possible. Of note is that technology acting as an enabler, does not in itself dictate that intellectual capital management initiatives are sustainable.

The management of intellectual capital within multinational organizations certainly has payoffs measured in both level of innovation and competitive advantage. Hopefully after reviewing this text, the reader will have significant insight into how to strategically implement strategies that work in their environment and avoid some of the pitfalls of such an implementation.