Chapter 10
On Leadership, Intellectual Capital Creation and IT Governance

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ABSTRACT

This chapter positions a discussion of intellectual capital, governance, IT and leadership in the context of a resource-based and dynamic capabilities view of the firm. It then discusses in very pragmatic terms how leadership may be associated with IT governance and both knowledge sharing and knowledge creation from a micro-practices perspective. The chapter then presents four vignettes on the experiences of exemplary pioneering leaders to illustrate this argument. The leaders chosen are Leif Edvinsson of Scandia in Sweden, Robert Buckman of Buckman Laboratories in the United States, Hu Gang of NCD in China, and Lars Kolind of Oticon in Denmark. The chapter concludes with the pragmatic argument that leadership matters.

INTRODUCTION

If, in a parallel universe, Adam Smith, Karl Marx, Joseph Schumpeter and Edith Penrose could join in this conversation, they might agree that intellectual capital is becoming the new ‘wealth of nations’. If socioeconomic development has moved from the wheel and horse power, through steam (1780-1840), mechanisation (1840-1890), electric power and advances in physics and chemistry, mass production and consumer goods (1890-1940), electronics, information technology (IT), satellites, plastics, multimedia and bioscience (1940-1990), to the present knowledge K-wave mediated by the Internet and sophisticated use of information technology (IT) systems where the intangible has gained ascendancy over the tangible, it follows that we may need to focus on these processes of intellectual capital creation and the role of leadership in facilitating such processes.


DOI: 10.4018/978-1-60566-346-3.ch010

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com), we have become increasingly aware that we are living through a major discontinuity in the nature of business value. Intangibles and applied knowledge are gaining ascendency over the traditional sources of value—land, labour and financial capital (Arthur, 1996). Nurturing the riches of such intangible value creating systems in real-time has assumed a more strategic purpose than the previous industrial strategy of rigidly predicting, directing, exploiting and controlling organizational structures, processes and employees (O’Donnell et al., 2003; Cleary et al., 2007). Sveiby (1997) argues that people should not be regarded as costs in the knowledge economy but should be viewed as revenue creators and that knowledge and competence are the primary sources of wealth creation. Firms may be viewed as “social communities that specialise in the creation and internal transfer of knowledge” (Kogut & Zander, 1993, p. 625) and much of these stocks and flows of knowledge (Bontis et al., 2002) are mediated through information technology systems. Interviews with senior management in the Irish information and communications technology (ICT) sector support Sveiby’s assertion with a consensus emerging that two thirds of the value in this knowing-intensive sector is intellectual and that the people/knowledge factor accounts for at least half of this IC value (O’Donnell et al., 2003). This brings focus to the issues of leadership and governance of such intangible value creating processes.

Corporate Governance, following the leading journal in the field Corporate Governance: An International Review, may be defined broadly as “the exercise of power over corporate entities so as to increase the value provided to the organization’s various stakeholders, as well as making those stakeholders accountable for acting responsibly with regard to the protection, generation, and distribution of wealth invested in the firm.” Good corporate governance enhances the legitimacy and integrity of business culture (Heneghan & O’Donnell, 2007) and this theme may be considered of central importance to the future of economy and society in terms of growth, revenue generation and citizen welfare. In this volume, Information Technology (IT) Governance may be defined as the practice of specifying the decision rights and accountability framework that should be created to encourage desirable behaviour while using IT. IT Governance has become of central concern for assisting successful enterprises in achieving their visions and creating business values by carrying out enterprise IT actions with properly controlled risks. Three of the main practices used to achieve these visions are the alignment of IT with business strategy, IT resource management, and performance measurement. What is the role of corporate leadership here? It is simply argued in this chapter that it is a function of corporate leadership to drive the agenda on such strategic practices.

The structure of the remainder of this chapter is as follows: we first position our discussion of intellectual capital, organizational capital, IT systems and leadership in the context of a resource-based and dynamic capabilities view of the firm. We then discuss in very pragmatic terms how leadership may be associated with organizational capital and both knowledge sharing and knowledge creation from a micro-practices perspective. The chapter then presents four vignettes on the experiences of exemplary pioneering leaders to illustrate this argument. The leaders chosen are Leif Edvinsson of Scandia in Sweden, Robert Buckman of Buckman Laboratories in the United States, Hu Gang of NCD in China, and Lars Kolind of Oticon in Denmark. The chapter concludes with the pragmatic argument that leadership matters in corporate governance, IT governance, and intangible value creation.

A LITTLE THEORY

There is a very large academic and practitioner literature on the relationship between leadership