Futures in a Global Knowledge Economy: The Role of Strategic Alliances

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Some Challenges to Modern Organisations

• Managing knowledge assets and processes
• Globalised competition
• Increased internal efficiency through 'unbundling' and out-sourcing
• Cooperative mechanisms - alliances
Organisations were invented to marshal and direct resources to achieve specific objectives. Organisations exist to motivate their members and coordinate their activities.
Bureaucratic Model

- Division of work - tasks organized on a continuous regulated basis
- Specialization of function - tasks have distinct spheres with requisite authority and sanctions
- Hierarchy - authority and control specified
- Rules - technical and/or legal - specify the way work is undertaken
- Documentation - the basis of administration
- Resources - distinct from the individual
- Office holder can’t “sell or appropriate” their “office”
- Seen as unresponsive, slow and expensive
The Market Model
A response to the old “bureaucratic” model

- Emphasis on cost and cost reduction
- Externalize functions through sub-contracting
- Reduced hierarchy – “flat structures”
- Regulations and rules replaced by contracts specifying deliverables
- Separation of strategy formulation from implementation
- Increases power relative to suppliers and distributors
- Works best when outputs are easily defined
- Difficult to operate in a dynamic and chaotic environment
- External contractors an important aspect of this model
The Capability Model

- Primary focus is development and application of intellectual capital - particular areas of skill, expertise
- Emphasis on reciprocity, trust and commitment
- Systematic and cumulative building of corporate and social competencies
- ‘Communities of practice’ exist within/across formal structure
- Appropriate to novel tasks - social capital (relationships between people) important
- Management task is to create an environment that facilitates dealing with uncertainty, supports innovation and internal and external partnerships
- Acknowledges the contribution and significance of knowledge workers
Characteristics of a Competitive Knowledge Economy

• Not just new economy—all sectors knowledge intensive
• Pervasive innovation supported by an effective national innovation system
• Deep commitment to education and training by government, employers and citizens
• Efficient infrastructure, particularly in ICT
• Supportive business environment
Paradoxes of Knowledge

• Using knowledge does not consume it.
• Transferring knowledge does not lose it.
• Knowledge is abundant, but the ability to use it is scarce.
• Producing knowledge resists organisation.
• Much of it walks out the door at the end of the day.
The Challenge of Knowledge Management

• High leverage and increasing returns
• Tendency towards fragmentation and leakage
• Need for continuous ‘refreshing’
• Uncertainty as to value creation
Paradoxically, organisations are entering into non-market type arrangements (e.g., alliances) with external organisations while developing market type arrangements for internal processes and activities.
IT is allowing organisations to become ‘deconstructed’
Management Trends

• Movement away from vertical integration
• Unbundling of key processes
• Contracting of internal support processes
• Outsourcing back office functions
• Retaining and enhancing key competencies, eg with high tacit/embedded knowledge in strategic, mission critical areas
• Acquiring external knowledge and innovation capability
Outsourcing

• Knowledge- as well as cost-driven
• Attempt to leverage the innovation capabilities of other organisations through outsourcing

Outsourcing strategies focused on obtaining higher value services, improving capacity to 'stay current', achieving cross-divisional coordination and reducing risks and increasing flexibility
Challenges

• Supplier has greater knowledge than buyer
• Difficult to measure supplier's knowledge (and other) contributions
• Buyers concerned at over-dependence, loss of skills
• Loss of control over timing and quality of outputs
• Balancing short-term costs and long-term value-added goals
Strategic Alliances
Challenges for Alliances

• The way in which value is created and captured is not pre-ordained
• Partners may not be able to clearly articulate their expectations
• Communication, trust, commitment, compatibility
• Evolution of alliance relationships requires substantial input of senior management
• Inappropriateness of traditional procurement and contractual approaches
Alliance Competence

• Select partners strategically
• Value flexibility and innovativeness over control
• Develop experience-based competence in alliance formation, maintenance and exit
• Develop flexible agreements open enough to encourage innovation
• Assign responsibility for decisions
Where to for Public Service Organisations?