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COMMUNICATION IN KNOWLEDGE Transfer Management

Zbyněk PITRA – Anna ZAUŠKOVÁ

ABSTRACT:

Innovations try to change the status quo, which is why markets resist them! A market's hostility to innovations becomes stronger when market players are interconnected; each player will switch to a new product or service only when s/he believes others will do so, as well. To be successful, innovators have to realize system-wide switch of their business behavior to create environment, where many would adopt their innovations and believe they are better off because of it. It is feasible only if innovators master the process of knowledge transfer within their innovation activities. More than 50% of promising and good prepared innovation activities fail. Not due to organizations' weaknesses in technology or organization, but due to their inability to handle properly the social and psychological aspects of processes which deal with the innovation's solution. Therefore the organization's executives must fully understand how technologies, people's competencies, and internal processes in architecture together influence internal communication during the knowledge transfer that leads to the innovation solutions. It is a unifying vision of final innovation's market launch that gives coherence to the plenty of creative ideas from different sources which gives an organizational sense to the idea exchange during internal communication within the knowledge transfer processes' performance. The paper deals with methods that will assure such knowledge transfer's optimal efficiency.

KEY WORDS:

business model, corporate culture, competitiveness, corporate social responsibility, creativity, education and training, innovation project, intellectual capital, internal communication, knowledge management, leadership, shared value, team performance

Introduction

The global economic crisis has shattered two articles of faith in standard economic theory - that human beings usually make rational decisions and that the market's invisible hand serves as a trustworthy corrective to imbalance. When the economy recovers, things won't return to normal; a different mode of leadership will be required. Today's mix of urgency, high stakes, and uncertainty will continue as a norm even after the recession ends. Therefore, it's time to change the former point of view on business performance. The business leaders must rediscover "stakeholder capitalism" by focusing on the needs not just of investors but also of customers, employees, and suppliers. Resource productivity will become central to any subject's competitiveness.

Any subject is competitive if it relies on its long-run productivity; that is the value of goods and services produced per unit of human, capital, and natural resources the subject can mobilize. Only by improving its ability to transform inputs into valuable products and services it can assure the subject's prosperity due to satisfying its stakeholders' expectations. To increase subject's productivity over the long run requires continual innovation in its products, processes, and management.[1]

Innovation means pursuing radical new business opportunities, exploiting new or potentially disruptive technologies, and introducing change into the core concept of business. Successful innovation requires "exploration competencies" - the ability to harvest ideas and expertise from a wide array of sources. What a subject needs to do in the purpose of raising its competitiveness is to make innovation a natural element of its commercial activities. It means to be able uncover and exploit opportunities outside its existing business or beyond its current technical or operational capabilities.

Hence, the innovation's commercial success depends on involving subject's partners to actively share ideas, technologies, and other capabilities needed in the exploitation of opportunities. Within the process of transferring the initial innovation idea into an object that satisfies stakeholders' actual needs better than others do. Any subject that tries to launch innovation to the target market must gain thorough knowledge about the influence the external social, commercial, and physical networks have on innovation's successful public acceptance.

Knowledge is the intangible phenomenon that gives a person understanding of some subject or event; the person gains knowledge by evaluating, collecting, and organizing information that deals with subject's (event's) features, by mastering existing knowledge about the subject (event), or by personal experience. Knowledge is not something by itself; therefore it does not exist in the abstract, but only in the relation to a practice. Only when codified and attached to some presentation media it is possible to identify and communicate, in a reasonable form, what knowledge is all about. By this way generated knowledge resources in combination with other resources' capabilities make it possible for the organization to do something.

Knowledge resources belong to the category of organization's intangible assets. Intangible assets almost never create value by themselves; they need to be combined with other organization's assets. They work indirectly through complex chains of cause and effect that drive any internal process. From this point of view knowledge becomes the accelerator of organization's performance when it is closely identified with execution of its business strategy.

The organization's employees (or at least its executives) must fully understand how technologies, people's competencies, and internal processes in architecture together influence organization's performance. Therefore the knowledge transfer that helps to create such understanding must be effectively and efficiently managed. Thoroughly planned, perfectly organized, well leaded, and correctly controlled.[2]

Innovation is the engine that powers organization's performance and competitiveness. Knowledge is the fuel that keeps this engine running. The spark that starts the fuel ignition is the organization employees' creativity.

The Role of Creativity in Value Adding Process

Creativity is the ability of a person or of a group of persons to analyze a problem, find its solution and open the ways that bring this solution into life. Employees' creativity is a source of energy that allows an organization to survive in bad times. Good news is that quite every person is creative; the bad news is that their natural creativity is suppressed by existing social rules and habits.

Hence, it is necessary to construct environment that nurtures and unleashes everyone's creativity within an organization. To be original in searching for new ideas that enable ailing performance recovery, the organization has to accept the uncertainty, even when it's uncomfortable, and must have the capability to recover when this means to take a big risk and accept probability of failure. It is the executives' tendency

to avoid or minimize risk that leads to the choice of copying others' success rather than try to mobilize employees' creativity and try to do something brand-new that kills organization's ability to re-start its performance due to radical change in its former behavior.[3]

Organization could use a bigger dose of creativity, if its internal environment fosters a culture of creativity, and eliminates the creativity bottleneck at top management. Every executive must understand that management's job is not to prevent risk but to build capability to recover when failures occur. Their duty is not to manage creativity, they must manage for creativity. The teams' leaders must have a unifying vision - one that will give coherence to the plenty of ideas - and must be able to turn this vision into clear directives that the staff can implement.

Creativity involves a large number of people from different disciplines working effectively together to solve a great number of problems. Everyone must have the freedom to communicate with anyone; the most efficient way to deal with numerous problems is to trust people to work out the difficulties directly with each other without having to check for permission. It must be safe for everyone to offer ideas; it's necessary to make it safe to criticize everyone in the company, regardless of discipline or position.[4]

Therefore, if an organization gets creative people to work together and bets big on them, its managers must give them the enormous leeway and support as well as provide them with the environment in which they can get honest feedback from anyone. There're the different languages spoken by different disciplines, and even physical distance between offices; these barriers are impediments to productive cooperation and must be removed. Another kind of impediments that should be removed is well known not-invented-here syndrome, and also often overlooked the awe-of-the-institution syndrome (an issue with young hires); it's important getting young new hires the confidence to speak up.

To survive the turbulent changes in today's global environment any organization has to strengthen both - its core business and its ability to capture new-growth opportunities by four types of innovation activities:[5]

1. Sustaining innovations that bring incremental improvements to existing products; these are important for retaining current customers and getting new people to try a product or service.
2. Commercial innovations that use creative marketing, packaging, and promotional approaches to grow existing products or services offerings.
3. Transformation-sustaining innovations that reframe existing categories; they typically bring order-of-magnitude improvements and fundamental changes to a business and often lead to breakthroughs in market share, profit levels, and consumer acceptance.
4. Disruptive innovations that present new-to-the-world business opportunities; by them an organization enters entirely new businesses with radically new offerings.

The decisive element for successful innovation in any organization present talented people! For their survival the smart people are more important than good ideas. To deliver the required growth an organization has to link business and innovation strategies explicitly to exploit its smart people abilities for creating a reasonable mix of innovation types it needs.

The innovations are targeting the raising complexity of global environment. In a complex environment, the same conditions can produce different outcomes, depending on the interactions of its elements (all the elements are interacting continuously and unpredictably). Complex environments are organic; the organization must be sure that its staff contains enough diverse thinkers that will be able to deal with the changes and variations that will inevitably occur within its environment.

The design of effective knowledge management system should ensure that adaptation and innovation of organization's business performance outcomes occurs in alignment with changing dynamics of its complex external environment. Real knowledge is created and applied in the processes of socialization, externalization, combination, and internalization outside data and information. Motivation of employees, organizations, customers, and suppliers to share accurate and timely information is based on trust, despite the potential

1   FAVARO, K., MEER, D., SHARMA, S.: *Creating an Organic Growth Machine.* In Harvard Business Review, 2012, Vol. 90, No. 5, p. 97-106.
2   ZOOK, C., ALLEN, J.: *The Great Repeatable Business Model.* In Harvard Business Review, 2011, Vol. 89, No. 11, p. 107-114.

3   MIKLENČIČOVÁ, R.: Creativity and innovations in businesses entities. *In Globalizácia a jej sociálno-ekonomické dôsledky,* 2014, s. 389-394.
4   AMABILE, T. M., KHAIRE, M.: *Creativity and the Role of the Leader.* In Harvard Business Review, 2008, Vol. 86, No. 10, p. 101-109.
5   PFITZER, M., BOCKSTETTE, V., STAMP, M.: *Innovating for Shared Value.* In Harvard Business Review, 2013, Vol. 91, No. 9, p. 100-107.

of information use in unanticipated ways (without this trust it is almost impossible to ensure that the right information is available despite the presence of enabling technologies that can facilitate integration of information flows). To enable continuous information sharing that supports the knowledge renewal, and creation of new knowledge it is important to create an organizational infrastructure for dynamic adaptation of knowledge to new and unfamiliar situations that may not fit recognized templates.[6]

Implementation of knowledge management system focuses mostly on information technology application, databases and knowledge bases organization, mathematical models and simulation tools exploitation, and on training in "best practices" use within the knowledge transfer activities. It is not computers that matters, but what people do with them! Hence, time and attention of organization's managers must be given to ensure that the knowledge transfer primary focuses on keeping dominant business logic in tune with changing competitive and strategic needs.

It's the question "why?"(what knowledge to manage and toward what ends) that should drive tactical and operational aspects of knowledge management system's technology and processes. The overriding challenge for the organization is to address effectively the dialectics of knowledge harvesting and knowledge creation within its internal environment that supports creativity and cooperation. The executives must be able to answer three questions that influence the employees' creativity and their engagement in the knowledge transfer:

1. What knowledge does the organization need and for what purposes?
2. How could be this knowledge reached and in which way it must be applied?
3. Why is this knowledge important and what would happen if this knowledge could not be accessible?

To find correct answers to these three questions the employees should gain detailed understanding how to use the set of instructions, guidelines, and recommendations that influence their creative approach to the knowledge transfer processes from the first innovation idea to the commercially successful innovation's launch to the target market.

The Driving Forces of Global Economy

The style of life and economic development of modern society results from the combined influence of three driving forces: new technologies´ development, broadening roles of social institutions, and changes in the system of socially accepted values. The pace of technology progress is so rapid that majority of society is not able to handle demands of new technology effective applications earlier than this technology will be replaced by new and more progressive one. The social institutions must react to the technology progress by guarding that the positive results of new technology application in one area of society wouldn't harm society's well being in other areas. The broader role of social institutions consists in their focusing on cutting carbon emissions, reducing waste and otherwise environment protection and social activities enhancing the quality of society's life. But a mishmash of sustainability tactics does not end up in a statement of society's strategy of sustainable development. To endure, a strategy that stems from changes in society's values must address the interests of all stakeholders: investors, employees, customers, governments, non-profits, and society at large. Such value initiatives have nothing to do with building consensus - they're about imposing a set of fundamental, strategically sound beliefs on a broad group of people; on majority of society members.

Sustainable development of the society allows keeping pace of raising its economic prosperity with improvement in life quality and preservation of environment (green) conditions. The main target of sustainable development is to enhance volume of inherited capital (results of former generation's work) due to value added which results from the work of actual generation, and transfer such capital to the next generation for reasonable use. This is feasible only when majority of social institutions is able to mobilize its intellectual capital to improve performance; they need to invent new products, processes, and business models. This means to be simultaneously innovative, socially responsible, and profitable.

There are three categories of intangible assets - parts of organization's intellectual capital - that are essential for implementing the strategy of sustainable development. Their proper use depends on the level of employees' creativity.

- Human capital is presented by skills, talent, and knowledge that have organization's employees. Its strategic readiness is satisfactory if employees have the right kind and level of competencies to perform the critical internal processes.
- Organizational capital consists on organization's databases, information systems, networks, knowledge bases, and technology infrastructure. Its strategic readiness depends on how well the organization's information technology infrastructure and applications support its critical internal processes.
- Relational capital forms the internal culture, style of leadership, employees' ability to share knowledge, and the level of their alignment with organization's strategic goals.

Sufficient level of strategic readiness of intellectual capital is the necessary - but not fully satisfactory - condition for successful creation and implementation of innovation's solution. The process of knowledge transfer (from the initial idea to commercially successful innovation) must be therefore logically divided into three compact phases: inspiration, illumination, and implementation.

Within the first phase there dominates discovery creativity in the purpose of identifying high-impact market opportunities and exploring fit between technological capabilities and marketplace. The ability to make links between science and market possibilities leads to this phase output - to the conceptual idea of innovation's solution. A creative team should focus on solving challenging problems from the industry and scientific field. Its members must devote time and energy to finding and testing the innovation ideas through different perspectives.

The second phase's target is to design a viable model of innovation that delivers breakthrough value to customers and to the organization as well. Members of creative teams that develop the innovation's solution within this phase rely mostly on their pragmatic incubation creativity during mental experiments with technology and different business concepts in the purpose of developing specific applications of new products or services for target groups of potential customers. During these mental experiments, the creative teams have to respect not only innovation value maximization but must also assure that the innovation will be aligned with the larger organization's economic and competitive situation.

The final third phase focuses on developing conditions that will support the innovation's successful market launch. Within this phase there dominates entrepreneurial creativity during developing repeatable business processes, stabilizing relationships with mainstream organization, and building infrastructure that makes the innovation socially acceptable.

Any of these phases needs autonomous organization, formally independent structures that allow the creative teams to experiment in highly uncertain conditions, make failures acceptable, and use specially-designed metrics for their performance evaluation. The knowledge transfer processes must be separated from core business activities to create an organizational cultural infrastructure that enables continuous information sharing, knowledge renewal, and creation of new knowledge. The creative teams must be governed by different rules that encourage experimentation, rely on knowledge workers' self-control, and build teams' cohesion on commonly shared vision of successful innovation.[7]

How to Assure the Knowledge Transfer Efficiency

The knowledge transfer management relies on different knowledge management models in accordance with the category of innovation to be developed. The sustaining innovation's knowledge needs to suit the technology-push model that relies upon single-loop automated and unquestioned pre-programmed response

6   MAUBOSSIN, M. J.: *Embracing Complexity.* In Harvard Business Review, 2011, Vol. 89, No. 9, p. 89-92.

7   ANDERSON, E. T., SIMESTER, D.: *A Step-by-Step Guide to Smart Business Experiment.* In Harvard Business Review, 2011, Vol. 89, No. 3, p. 99-105.

to received stimuli. In contrast, in the case of disruptive innovation the organization must develop and apply the strategy-pull model - with a double-loop process - that can enable new knowledge creation for the purpose of true sense-and-respond paradigm general use.

- **Technology-push model** of simple knowledge transfer focuses primarily on existing knowledge re-use over creation of new one. Its concept stems from the idea that doing the things right where the pre-specified inputs, processing logic and the outcomes are assumed depends on getting the right information to the right person at the right time.
- **Strategy-pull model** serves to much more sophisticated knowledge transfer and its primary focus is the use of knowledge as intelligence in action that is making sense in non-routine and unstructured problems solution. Within these situations knowledge is handled as a fluid mix of framed experience, values, contextual information, and expert insights that provides a framework for evaluating and incorporating new experiences and information. This model concept respects the fact that knowledge, unlike information, resides in the user, not in the collection of information technology devices.

The strategy-pull model is a dynamic construct in contrast to static representation of the technology-push model. The knowledge transfer management programs for any kind of innovation's category should handle the mix of static and dynamic approaches due to finding the correct answer to three central questions:[8]

1. What kind of knowledge is the value driver that differentiates organization's outputs in the market place?
2. How could an organization create more value from its knowledge assets?
3. How should organization's employees learn and acquire knowledge needed for future success more effectively than competitors?

An organization should classify its intellectual portfolio by producing a knowledge map that will show where peoples' and systems' knowledge resides. Frequent knowledge-management diagnostics helps the organization to get a snapshot of the existing level of intellectual capital as well as of the bottlenecks in its knowledge flows. The understanding of organization's knowledge accumulation allows identification of knowledge gaps that must be filled. This signals requirement for training and personal targets for intellectual capital development that would close the existing knowledge gap.

The missing knowledge acquisition will have the form of individual learning, team experimenting during problem solving, and building technology that allows knowledge common deployment. The executives will have personal responsibility for their subordinates´ personal development (mostly learning) plans fulfillment and for creation of such environment where sharing knowledge among employees is a norm.

This makes organizations more responsive to changes in their environment and yet more stable and coherent in their sense of identity, purpose, and vision. Creative use of intellectual capital catalyzes imagination and innovation ideas creation which leads to higher productivity. Creative teams are the essence of learning organizations - groups of people who, over time, enhance their capacity to create what they truly desire to create. They could rely on development and proper use of new intellectual capacities, supported by fundamental shifts in mindsets of every employee.

The serial progression in innovation's solution is based on systems thinking during the knowledge transfer processes which use mental models to reach agreement about some aspects of innovation's features. This approach makes the team learning easier and leads employees to a shared vision deeper understanding, which in turn initiates their effort in building personal vision of their commitment to the shared vision bringing in life. Comparison with current reality returns the creative team to systems thinking, and starts the next cycle of innovation's solution development.[9]

The intellectual capital maximization processes comprise organization's strategic objectives, knowledge management systems, knowledge workers engagement and personal effort, and reward and incentive system. The intellectual capital effective exploitation requires the integration of technologies, people and systems, with a people focus. The cultural issues are most challenging in knowledge transfer management practice. Especially in situations when an organization is pushed to open its innovation activities.[10]

Breaking down organizational boundaries allows intellectual property, ideas, and people to flow freely both into and out of an organization. Thus each innovation project will take a unique path to its most strategically sensible destination.

- Outside-in open innovation enables an organization to exploit outsider's contribution to create offerings whose scale bellies its internal capabilities. This saves an organization time and money that must be invested in its innovation projects, but also nurtures new supplier and partner relationships, and promotes innovative ecosystems´ creation.
- Inside-out open innovation refers to situations where an organization places some of its assets or projects outside its own wall. Placing some of internal innovation projects outside the organization's walls reduces its R&D costs without relinquishing related growth opportunities and opens possibility for gaining high-margin licensing income.

Open innovation leads to inevitable cultural, political, and organizational challenges. The organization has to coordinate and harmonize various roles and interests of its technical, marketing, finance, and legal functions during tough negotiations with outside parties, including investors, allies, partners, customers, and suppliers. Its intellectual property must regularly be inventoried, analyzed, and classified into assets to be either retained for further development or offered to the outside world. Similarly, an organization needs to evaluate a range of financial structures in order to identify the best combination of expense reduction today and upside potential tomorrow. These are complicated activities that should be approached holistically. If an organization is a useful and valuable member of an innovation ecosystem it is not enough to have a flexible innovation strategy. The organization must be strategically flexible. [11]

Nurturing the Organization's Strategic Flexibility

To gain a successful innovation the organization has to take a good technology and wrap it in a great business model. New business models often look unattractive to internal and external stakeholders. Organization's executives must therefore recognize if to use existing model or how much it has to be changed for the purpose to capture the opportunity. This is the principle of strategic flexibility. To develop a formally new business model to present organization's strategic flexibility is a waste of time and money if that model is not new or game-changing to an industry or a market.

Innovation is doing new things that customers ultimately appreciate and value - not only developing new products, services, channels, and customer experience but also conceiving new business processes and models. The organizations' effort in innovation activities predominantly focuses on generating and vetting new ideas. This is not the problem: any organization can generate plenty of ideas - too many, in fact. The problem is harvesting them, allocating the organization's limited resources, and managing their development in a coordinated and efficient way. Too many promising innovation ideas are stalled by business-as-usual resistance. The organization needs a specific strategy that will promote innovation. Innovation's success often depends on the organization's ability to coordinate efforts across internal (and sometimes also over external) boundaries to integrate innovation activities into the larger scale of its operations. It means to bring together the "soft" areas (people, culture, and community responsibility) and the "hard" areas (technology, production, logistic and sales).

8   AWAD, E. M., GHAZIRI, H. M.: *Knowledge Management*. New Jersey : Prentice Hall 2004.
9   SENGE, P. M.: *Pátá disciplína. Teorie a praxe učící se organizace*. Praha : Management Press, 2007.

10   ZAUŠKOVÁ, A., MADLEŇÁK, A.: *Otvorené inovácie - teória a prax*. Lodž : Dom Wydawniczy Michal Koliński, 2012.
11   ZENGER. T.: *Strategy: The Uniqueness Challenge*. In Harvard Business Review, 2013, Vol. 91, No. 11, p. 52-58.

At heart, most strategies, like most people, involve some mystery. The need to create and re-create reasons for a company's continued existence and further development sets the strategists apart from every other individual in the company. That's wrong! Interpreting that mystery is an abiding responsibility of the organization's managers. Every employee must understand the organization's strategic intents and know his/her personal role within activities that would change these intents into reality.

To exploit the emerging market opportunities, the organizations must identify important unsatisfied needs, devise fundamentally new business models that can meet them profitably and affordably, carefully implement and evolve these models by continually testing validity of their assumptions and adjusting them to the changing market situations. Innovation strategy is a powerful tool that allows an organization to satisfy these needs by achieving objectives that led to new business model development. To achieve the strategy's objectives a portfolio of strategic initiatives must be created. These strategic initiatives should respect organization's competitive position on the target markets and within an industry, the distinctiveness of its capabilities, and the volume of knowledge supply.[12]

In this way an innovation strategy becomes a plan that positions an organization in its external landscape and also guides its performance development over time. Managers should translate organization's innovation strategy into what by them led teams should actually be doing. This means to adjust integrated planning of long-term strategy's intents implementation to schedule of day-to-day operations.

A strategic initiative is a discretionary project or program, of finite duration, designed to close some performance gap. Hence it forms an element of chain that connects strategic objectives and targets with operations measures. Successful strategy execution has two basic rules: to understand the management cycle that links strategy and operations, and to know what tools to apply at each stage of the cycle. The portfolio of strategic initiatives structure must help an organization to manage risk, to integrate the skills and capabilities that reside in a range of its disciplines and functions, and to advance critical knowledge at the organizational and industry level. The managers should pursue three levels of ambitions within the portfolio of strategic initiatives:

 a. enhancing the core offerings by optimizing existing products for existing customers;
 b. exploiting adjacent opportunities by expanding from existing business into new to the organization one;
 c. venturing into transformational territories by developing breakthrough innovations for new markets.

Organizations that outperform their peers usually allocate their investments into strategic initiatives in certain ratio: 70% to safe bets into core, 20% to fewer sure things in adjacent spaces, and 10% to high-risk transformational initiatives. As it happens, an inverse ratio applies to returns on innovation. Although never the dominant activity, transformational initiatives are vital to an organization's ongoing health.

To enhance their competitive positions organizations must continue to carry through on strategic initiatives and create new ones, to adapt to shifting business environments. The traditional approach to strategy management can't handle the innovation dynamics that brings rapid changes into strategic initiatives performance. Hierarchies and standard managerial processes, even when minimally bureaucratic, are inherently risk-averse and resistant to change. Therefore, the innovation strategy implementation must be organized in an agile, network-like structure that permits higher level of individualism, and reacts on external stimuli with greater agility, speed and creativity than even the least bureaucratic hierarchy can provide.

The network must be aligned with systems that manage strategies (like finance, human resources, logistics, etc.) supporting innovation activities. Therefore network complements hierarchy, thus freeing the latter to do what it's optimized to do. It actually makes organizations easier to run and accelerates strategic changes in their behavior.[13]

12   NAGJI, B., TUFF, G.: *Managing Your Innovation Portfolio.* In Harvard Business Review, 2012, Vol. 90, No. 5, p.67-74.
13   CASADEUS-MANASEL, R., RICART, J. E.: *How to Design a Winning Business Model.* In Harvard Business Review, 2011, Vol. 89, No. 1-2, p.101-107.

The Changes in Organization's Internal Environment

To keep pace with external changes an organization needs to transfer the architecture of its internal environment by imposing a lot of new processes and canceling some old ones into the structure of its operations. The successful launch of innovation to the target market must be supported by changes in organizations´ behaviour. Organization's behaviour transformation starts with the understanding of its urgency and forming the group with enough power to lead the change effort. This group should create a vision of future organization's behaviour that will help direct the change effort and initiate development of strategies to achieve that vision. The managers, responsible for transformation, should use every vehicle to communicate the new vision and strategies to everyone in organization for the purpose of empowering them to work on the vision. To get rid of obstacles to the change the managers should encourage risk taking and nontraditional ideas, activities, and actions application.

The transformation execution should primary focus on changing systems or structures that seriously undermine the vision. These changes will bring visible performance improvements, hence managers must recognize and reward employees involved in the improvements. It is important to consolidate gained improvements and to continue in changing other systems, structures, and policies that don't fit the vision. Using increasing credibility of transformation activities the managers can reinvigorate the transformation with new projects, themes, and change agents. Final institutionalization of new approaches must articulate the connections between new ways of behaviour and organization's strategic initiatives success.

Organizational architecture is a powerful metaphor for describing organizational systems, processes and structures, the features that represent its foundation and ensure its success in the future. These features guide human interactions, relationships, decision-making, and organizational direction. Organizations' behaviour (their reaction to the external stimuli) is therefore successful to the extent in which their social design and structure (soft features) match with their technical (hard) features.

The five basic elements of an organization's architecture - that represent an integrated whole - are its vision, culture, strategic direction, strategic goals, and structure. The degree to which there is alignment among all these five elements is a key to the organization's behaviour performance. The effort to change organization's behaviour therefore starts with examination of potential changes in all five elements together during the process of designing or redesigning the organization's architecture. It means that organizational transformation doesn't represent incremental improvements within the organization's architecture. Rather, it is a fundamental shift in the quality and nature of the organization as a whole. The process of redesigning an organization's architecture represents a whole system approach to growth and change that has a greater chance of yielding success than piecemeal approaches.[14]

During their life cycle the organizations go through natural phases; each phase brings a unique set of challenges and every phase requires a different organizational architecture for successful answer to external changes. Organization's size alone does not guarantee success; obviously it impedes flexibility and adaptability of its reactions. Contrary to popular belief, the greatest predictor of organization's future performance is not its past great performance. In many cases, relying on past successes produced organizations that are entrenched and inadaptable to change. Organizations must be very careful in applying "best practices"; holding on to the past may weaken their focus on redesigning architecture for the future.

Today's organization command enormous resources that influence the world for better or worse and their strategies shape the lives of the employees, partners, and consumers on whom they depend. These organizations form an intrinsic part of the society. They work to make money, of course, but in their choices how to do so, they should build enduring institutions. Institutional logic holds that organizations are more than instruments for generating money; they are also vehicles for accomplishing societal purposes and for providing meaningful livelihoods for those who work for them. The trust of institutional logic is to balance public

14   KOTTER, J. P.: *Leading Change. Why Transformation Efforts Fail.* In Harvard Business Review, 2007, Vol. 85, No. 1, p. 96-103.

interests with financial returns. Institutional logic should be aligned with economic logic but need not be subordinated to it. An intensely competitive global economy places a high premium on innovation, which depends on human imagination, motivation, and collaboration. Therefore seeking legitimacy or public approval by aligning organization's objectives with social values has become a business imperative.[15]

The demands of complex innovation solution are so high that no single organization is able to satisfy them completely. Organizations are networking in the purpose of exploiting resources that exist outside organization. Hence integration into specific strategic alliances - business ecosystems - now represents a critical approach to innovation's development. Rather than involving individual subjects in competition races, battles for market dominance are in today's global world waged between ecosystems.

The alliances are ideal for managing risk in uncertain markets, sharing the cost of large-scale capital investments, and injecting new found entrepreneurial spirit into maturing businesses. But they often fail in effort to gain these advantages of mutual cooperation due to wrong strategies, incompatible partners, inequitable or unrealistic deals, and weak management. The causes of these reasons lay in the fact that co-working organizations overlook a critical piece of any alliance building - the launch planning and execution. Mistakes made during the launch phase often erode up to half the potential value creation of an alliance.

After two companies agree to an alliance, there are still multiple parties dealing with disparate interests. This creates a unique set of challenges:

1. Building and maintaining strategic alignment across the separate entities; areas of potential misalignment could be anticipated during the negotiation phase but many conflicts of interest surface only when partners dig deep into operational details and start to run the business.
2. To create governance system that promotes shared decision-making and oversight between partners; the secret to effective governance is balance that provides enough oversight to protect important assets without stifling entrepreneurship.
3. Managing effectively the economic interdependencies that creates cooperation between partners within the alliance's combined activities.
4. Building a cohesive organization of alliance's internal environment for the purpose of smooth running of common activities; road map of all common activities allows orchestration of all work teams effort and intervening when their progress veers off track.

The value of the alliance comes from deep combination of existing businesses; the transfer of some critical skills from one partner to the other partners; leveraging the complementary capabilities of any partners; combining existing capabilities to create new growth. The transition team should focus on maximizing operational synergies in the first two cases, and on understanding new or expanded market opportunities in the latter two.

Removing the Social and Psychological Barriers

More than 50% of promising and good prepared innovation activities fail. Not due to organizations' weaknesses in technology or organization, but due to their inability to handle properly the social and psychological aspects[16] of processes which deal with the innovation's solution. Many leaders blame their organization's culture for thwarting significant change initiatives but when they try to change the culture, their efforts tend to fizzle, fail, or backfire. The culture is highly ingrained in the ways people work; any organization therefore has the culture assets. The managers should make the most of its positive elements, rather than fighting against it. A strategy that is at odds with an organization's culture is doomed. Culture trumps strategy every time.[17]

To align organization's strategic priorities with its internal culture state, the managers should honor existing culture's strengths. To sharpen the strategic focus by helping the culture to become an accelerator of change, not an impediment, they must start just with a few critical ways of behaviour rather than attempting a wholesale transformation. The attempt to match the strategy and culture must be led by the correct answer on the question: why do we want to change the existing culture?

All too often, leaders see cultural initiatives as a last resort, except for top-down exhortations to change. But cultural intervention can and should be an early priority - a way to clarify what an organization is capable of, even if the goal of change is refining its strategy.

It's tempting to dwell on the negative traits of organization's culture, but any corporate culture is a product of good intentions that evolved in unexpected ways and will have many strengths. Within the process of choosing priorities of culture's transformation it often helps to conduct a series of "safe space" discussions with employees at different levels throughout the organization to learn what ways of behaviour are most affected by its current culture - both positively and negatively. Such survey of employees' behaviour roots helps to diagnose culture's weaknesses of an organization and its strengths as well.

To promote critical new ways of behaviour it is important to make people aware of how they affect the organization's performance. The executives therefore should integrate formal approaches - like new rules, metrics, and incentives - with informal interactions such as networking communities of interest, ad hoc conversations, and peer interactions. Whatever formal or informal, interventions should do two things:[18]

• to reach people at an emotional level (invoking altruism, pride, and how they feel about the work itself);
• to tap rational self-interest (providing money, position, and external recognition to those who come on board).

Coherence among corporate culture, organization's strategic intent, and its performance priorities make the whole organization more attractive to both employees and customers. There are three criteria for an effective organizational culture: strength, adaptability, and appropriate match with the environment.

To support internal discussions managers must set boundaries and hold every employee accountable. Paradoxically, people feel psychologically safer when leaders are clear about what acts are blameworthy. They must continuously ask employees for their observations and ideas and create opportunities for them to detect and analyze failures and promote mental experiments. Therefore company leaders must build a psychologically safe environment where to tell the truth is not only allowed, but also acknowledged and welcomed. To be open in their views and worries´ presentations, employees need a shared understanding of the kinds of failures that can be expected in a given work concept and why openness and collaboration are important for surfacing and learning from them. Those who come forward with bad news, questions, concerns, or mistakes should be rewarded rather than shot.

Creativity that supports new unconventional thinking of organization's employees is also the engine that makes all trends in current management processes´ development temporary. Managing for creativity often means taking most of what we know about routine management and placing it on its head. Company's wildly innovative products stem from an unpredictable, messy, and emotional process. Rules and policies kill creativity. However, creativity must have some limits. Therefore it is necessary to create a strong and viable organization's culture that guards a set of values and insists on keeping ground rules. The organization's leaders must reinforce these consistently and without reservation. The key role is played by the business ethics; the study of morality which applied in the workplace is translated into standards of conduct. It allows any employee to guide his/her decisions by internal ethical barometer and keeps his/her working performance to stay in ethical course once it has been chosen. Trust is a critical element of ethics, which, in turn, makes ethics critical for employees' self-esteem in making decisions and feeling good about self behaviour.

Therefore, the key to a strong and adaptable organization's culture creation is one that is driven by values and reinforced by the leadership of the knowledge transfer. The first priority of such leadership is to engage the right people, at the right times, to the right degree of creative work. It means to tap ideas from all ranks, and encourage and enable collaboration between creative teams; the reality of our times is that most innovations draw on many contributions. Hence the innovation's development leaders should open the organi-

15   ZELENÝ, M.: *Technology and High Technology: Support Net & Barriers to Innovation.* In Acta Mechanica Slovaca, 2009, Vol. 13, No. 1.
16   See also: SOLÍK, M.: *Komunikácia v spoločenskom kontexte - uznanie ako intersubjektívny predpoklad*. In Communication Today, 2010, Vol. 1, No. 2, p. 41-57; SOLÍK, M., VIŠŇOVSKÝ, J., LALUHOVÁ, J.: *Media as a tool for fostering values in the contemporary society.* In European Journal of Science and Theology, 2013, Vol. 9, No 6, p. 71-77.
17   CHRISTENSEN, C. M., RAYNOR, M. E.: *The Innovator's Solution.* Boston : Harvard Business School Press, 2003.

18   WATKINS, M. D.: *How Managers Become Leaders.* In Harvard Business Review, 2012, Vol. 90, No. 6, p.64–72.

zation to diverse perspectives when people of different disciplines, backgrounds, and areas of expertise will share and exchange their knowledge within common mental experiments performance.[19]

A good leader can do much to challenge and inspire creative work in progress. People are highly attuned to organization management's engagement with and attitude toward an innovation project. Employees doing creative work are more motivated by managerial behaviour, even by seemingly little things like a sincere word of public recognition, than by financial rewards. Managers must decrease employees' fear of failure that seems to rise with the scale of business. Any business that experiments vigorously will experience failure - which, when it happens, must be analyzed and dealt with to improve creative problem solving, team learning, and organizational performance.

Efficiency-minded management that is geared toward reducing variability and achieving conformance to a desirable norm has no place in the discovery phase of knowledge transformation. But only few people have equal capabilities in idea generation and idea commercialization. Hence, the efficient models make good sense for the middle and end stages of the innovation development, when the game has moved from discovery to control and reliability. Unfortunately, the initial idea is reshaped at various points along the way to its final commercialization to suit the agendas of people whose support is required in order for it to be funded. Powerful constituencies inside the company mostly beat things into a shape that conform the existing business model rather than to the opportunity in the market. The leaders of creative teams therefore must protect creative work from a hostile environment and clear paths for them around organization bureaucracy's obstacles. Simultaneously, the leader must respect the fact that for every idea with real commercial promise, there are dozens that aren't worth pursuing.[20]

Leadership could be viewed as a set of four capabilities: sense-making, relating, visioning, and inventing. Making sense of the world around by understanding the context in which an organization operates needs collecting data from multiple sources to articulate alternatives and better ways to understand options that open the way to new possibilities. Building relationships within and across an organization needs to spend time trying to understand others' perspectives, listening with an open mind and without judgment to anticipate how others will react to explanation of leader's demands. Creating a vision - a compelling picture of the future - should motivate others to act. If it is compelling and credible, other people will find this vision exciting and important. Then they will discover all sorts of ways to make it real in a way the leader could have never imagined on its own. Cultivating inventiveness (by developing new ways to achieve the vision) relies on experimenting with different ways of grouping and linking people that will search the best ways to make things differently than they have always been done.

Without sense-making, there's no common view of reality from which to start. Without relating, people work in isolation or, worse, strive toward different aims. Without visioning, there's no shared direction. Without inventing, a vision remains illusory.

Still many executives - and also broader public - are trapped in the myth of a "complete leader", they believe to meet the person that could be at the top without flaws. No leader, however, will excel at all four capabilities in equal measure. But fortunately, an individual can become and remain an authentic leader without to be born with all traits of a genuine leader. If a person posses some characteristics of the leader, the proper training will help her/him to develop good leadership competencies.

No one has till yet produced a clear profile of an ideal leader. Thank goodness. No one can be authentic by trying to imitate someone else. The journey to authentic leadership for a person with some of needed capabilities begins with understanding her/his story of life. How the person was involved in overcoming difficult experiences and how s/he used these events to give meaning to her/his life. Authentic leaders work hard at understanding and developing themselves. A person can learn from others' experiences, but there is no way for her/him to be successful by trying to be like them. People trust only the person that is genuine and authentic, not a replica of someone else. Therefore the person who wants to be an authentic leader should use formal and informal support networks to get her/his peer's honest feedback in the purpose to develop her/him self.

It may be possible for an ambitious manager to produce short-term outcomes without being authentic, but not drive long-term results. This is a domain of authentic leadership. The integrity of authentic leaders helps to sustain organizational results through good times and bad times as well.

Conclusions

The social problems present daunting constraints to organizations' operations and vast opportunities for growth. But many of them are struggling to design and implement initiatives that deliver both social and business benefits. The majority of organizations have not been guided by a social mission and lack experience in measuring and linking social and business results. Therefore, building social networks of external stakeholders that include unfamiliar organizations can be challenging. Organizations that can within their innovation solutions deliver both social benefits and business values usually rely on five mutually reinforcing elements:

1. **Embedding a social purpose**
   Solving major social problems in profitable ways and creating shared value entails embedding a social mission in the corporate culture and channeling resources to the development of innovations that can help solve social problems. This establishes a culture that unleashes the best in employees and helps mobilize external partners that have similar goals.

2. **Defining the social need**
   The organization has to not only gain insight into the needs of its environment, but also go deeper in order to recognize these needs underlying social conditions and how to change them in the best way. Hence, its innovations must be adapted to local conditions.

3. **Measuring shared value**
   The organization's executives must be able to estimate how a degree of change in the social conditions will drive profits. Measuring the ultimate social and business benefits helps the organization to expand into new areas and justify additional investment.

4. **Creating the optimal innovation infrastructure**
   The managers should develop and launch the organization's strategic initiatives that focus on building a strong business case for complex innovation solutions. If an organization as such lacks the expertise to develop in-depth understanding and cost-effective solution to a social problem of interest, it must find strategic partners to tackle the challenge.

5. **Co-creating with external stakeholders**
   Deeply involving stakeholders in identifying all the dimensions of a social problem and designing and implementing solutions mean to enlist a wide range of stakeholders and leverage the other's capabilities within a business ecosystem.

The best way to make this happen is to provide platforms on which people can engage with one another and invent new ways to create value for their organizations and themselves. This platform will be based on internal and external communication and on new forms of leadership that can bridge the chasm of culture, incentives, and purpose that separate the creative teams in business ecosystems. The innovation solution will be effective only if any ecosystem's member organization retools their communication processes and culture consistently to support the new ways of knowledge transfer within all its creative phases. These organizations should focus on competencies rather than tasks in employee evaluation. Their leaders should create social networks that will connect individuals possessing different types of expertise for performing common mental experiments.

Traditional corporate communication must give way to a process that is more dynamic and more sophisticated. Most important, that process must be conversational. Hence, the leaders of creative teams must maximize the team's energy (the ways how the team members contribute to the team as a whole), engagement (the style how team members communicate with one another), and exploration (the forms how teams communicate with one another). It seems almost absurd that how the people communicate could

19   BUYTENDIJK, F.: *Performance Leadership*. New York : McGraw-Hill, 2008.
20   GROYSBERG, B., SLIND, M.: *Leadership is a Conversation* In Harvard Business Review, 2012, Vol. 90, No. 6, p.76-84.

be for knowledge transfer more important than what they communicate. Because if some people fail to contribute or signal their level of interest or approval, then the team members have less information and weaker judgment.

The most valuable form of communication is face-to-face; e-mail and texting are less valuable. Mental and emotional proximity is important for communication's intensity; this is necessary to efficient knowledge transfer within an innovation ecosystem. Physical proximity between leaders and employees isn't always feasible. Therefore, many executives and managers can't resist temptation to threat every medium at their disposal as if it were a megaphone. However, people will listen carefully only to communication that is intimate (personal and direct), interactive (leaders talk with employees, not to them), inclusive (with employees' active participation), and intentional (emerges from a cross-organizational conversation about strategy).

Quite all complex innovations that aim on creating shared value need support from an ecosystem which presents network of cooperating business, nonprofit, and government subjects. Assuring effective knowledge transfer within such diverse environment could be done by leaders with a strong sense of mission who can move easily among the business, government, and social spheres. These leaders must be able to switch flexibly their focus between distinctive mind-sets of creative teams that rely on different knowledge sources for the purpose of building common base for complex innovation solution. To develop these "three-sector leaders" the modern society has to apply a life-cycle approach that would incorporate cohesion of diverse issues in formal academic and executive training, set up exchange programs so that midcareer leaders can build inter-sector networks, and make three-sector experience a talent development priority for creative teams' leaders.

Business executives excel at allocating scarce resources to capture attractive market opportunities. Nonprofit leaders typically focus their more limited resources, longer time horizons, and greater operating freedom on devising creative ways to further the social good. Government officials bring competing interests together to create legal and policy frameworks for the benefit of the public. The ability to recognize similarities in seemingly unconnected situations is a signal attribute of three-sector leaders. To select and apply the tools in their repertoire, three-sector leaders must not only see parallels between sectors but also accurately assess in context and translate across them.

Developing and applying an intellectual thread across the sectors gives the capacity to understand underlying principles and to transcend some of the constraints that single-sector leaders face when dealing with cross-sector issues. To develop three-sector leaders, we need practical pathways on which they can move from sector to sector without slowing their forward momentum. Because managers of today's organizations rarely look outside their own sectors for knowledge transfer managers, networks are especially vital to three-sector careers.

Therefore, academic institutions are currently facing the big challenge: to accept the responsibility for developing leaders who will assure further sustainable development of our society.

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