

# Relational capital, new knowledge and innovative ideas

Chris Murray talks with Tom Mom

**Organisational learning occurs when people engage in *exploration* activities – activities aimed at acquiring and using new knowledge, ideas and insights. Exploration, explains Tom Mom, associate professor of strategic entrepreneurship at RSM, ‘is about people and organisations promoting things that are new to them,’ which can lead to new products, new technologies, or the company going into new markets.**

Exploration is thus fundamentally different from *exploitation* activities, which involve the implementation and execution of strategies and decisions. To take a simple example, market research for a business new to your firm is exploration. The launch of a marketing campaign for your existing customers is exploitation.

According to Mom, it is a commonly accepted wisdom that social capital – the breadth and depth of the connections and relationships of an organisation’s employees and managers – can enhance the organisational learning at the heart of exploration.

However, many leaders and managers view social capital in terms of struc-

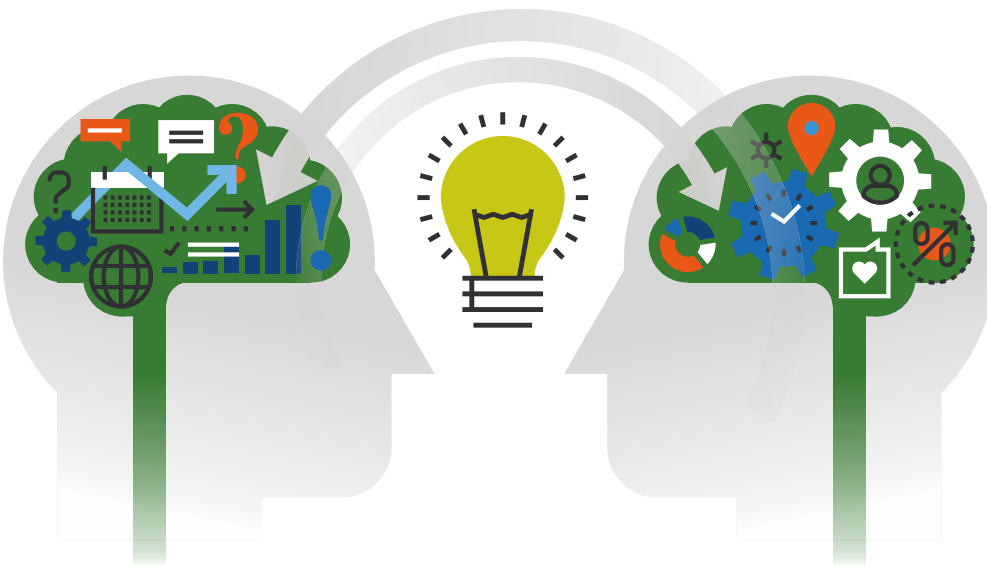
ture or quantity – for example, the size of individual networks in the organisation or the density of the connections in those networks (ie, how many people know each other personally and directly rather than being connected through other people).

In his research, Mom has focused instead on another dimension of social capital called *relational* capital, which refers to the types of relationships that exist between people (eg, the amount of trust in the relationship, or how closely the people are tied together). This research, including a recent study of 150 members of R&D teams from three R&D-intensive firms, reveals that not all dimensions of social capital have an unrelenting positive influence on individual exploration.

## Good and not-so-good

Mom’s recent R&D study, co-authored with professors Pepijn van Neerijnen of the University of Amsterdam, Patrick Reinmoeller of Cranfield University, and Ernst Verwaal of KU Leuven in Belgium, confirmed that relational capital has a positive impact on *knowledge acquisition*, an important element of exploration. In other words, people are more willing to exchange knowledge and learn more from people that they trust and with whom they have a close relationship.

At the same time, however, close, trusting relationships can undermine exploration activities because they lead to *goal alignment*, which, Mom says, refers to the tendency of people who work closely together to come to a consensus on goals and objectives. As a ▶



# Relational capital, new knowledge and innovative ideas *(continued)*

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result, they start to shut down or neglect other sources of innovative ideas, or fail to follow up on innovations that do not fit the group consensus.

The paradox is that alignment around key objectives can help with implementation and execution – that is, exploitation – even as it undermines exploration. ‘Goal alignment is important for efficiency or decision-making speed,’ Mom explains. ‘But to force creativity or get people to explore new thoughts, goal alignment can be detrimental.’

The bottom line is that close, working relationships among people can be both productive and counterproductive to exploring new directions and opportunities. Leaders must find a way to balance the impact of close relationships; they must encourage trust and collaboration so that people are willing to share knowledge and insights but at the same prevent people from becoming so close that they are no longer thinking independently or exploring options that are outside of the group’s consensus.

Finding this balance is further complicated, as shown in the next section, by the influence of contextual factors, such as the organisational environment.

## **Why context matters**

Before leaders can decide how to

achieve the delicate balance of just enough trust and closeness to encourage knowledge sharing while avoiding too much goal alignment, they must understand contextual factors that can impact this balance.

For example, a tough competitive environment can have a negative impact on the company’s desire to be innovative or seek new ideas. When results start to falter or share prices are dropping, says Mom, ‘the most common reaction is, “let’s not change things, but let’s do things better. Let’s focus more on the things we have always been doing.”’

In actuality, Mom says, competitive pressure should, on the contrary, encourage exploration-driven change.

In such a case, the *organisational context* – relating to such issues as the heterogeneity of the company’s teams, the type of leaders in the organisation, or the company’s hiring and promotion policies – can play an important role. ‘Heterogeneity in terms of values, beliefs, relationships and goals is quite effective’ in encouraging individual exploration, Mom says. Such heterogeneity enables the organisation, he says, ‘to remain flexible and change direction every now and then.’

The type of leaders in the organisation is also important, Mom says. Certain leaders are intently focused on execution. Transformational lead-

ers, however, ‘are eager to understand the personal needs and developmental aspirations of their people,’ he says. This attitude encourages their exploration activities.

Hiring and promotion policies is another facet of the organisational context. Mom cites the case of an airline that in essence “selects out” people who might tend to favour exploration over exploitation. The reason is that the airline hires and promotes people ‘based on reliability, doing a good job, and being consistent,’ Mom says. People who might have other attributes, such as creativity, are not as valued. Not surprisingly, the organisation is struggling with innovation and creativity.

Beyond organisational context, there is the more specific context of the *task*. Teams that are focused on research and development, for example, will be naturally more inclined to encourage exploration in their members, Mom says. In addition, R&D or product development teams are usually multi-disciplinary, which adds to the company’s exploration capabilities.

Even very closely knit R&D teams built on trust and affinity among members will tend to reject goal alignment, seeking instead to continuously discover the new and innovative. ‘I would project,’ notes Mom, ‘that in another company where single disciplinary teams are more common, it would see goal alignment come about more quickly.’

Finally, *individual personality traits* can influence whether the company successfully balances knowledge acquisition and goal alignment.

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Individuals who are intellectually curious and open to new ideas can push against situations that might encourage goal alignment, such as mono-disciplinary teams.

### What companies can do

Companies can take a number of steps to ensure close, trusting relationships that foster knowledge acquisition without tipping into groupthink-driven goal alignment.

The first step is fundamental: an awareness of the importance of exploration. 'The implications for practice really begins with the fact that firms should be aware that, generally speaking, more exploration or innovation is needed,' Mom says. Given the disruption in so many markets, he says, most companies are aware of the importance of seeking out the new and the innovative.

Second, companies should continue to foster close personal relationships in the organisation. While Mom strikes a cautionary note about such relationships in terms of goal alignment, he emphasises that close personal relationships are vital for knowledge acquisition and sharing. Some companies believe in fostering internal competition, and the results are disastrous. 'People start to protect their turf, they become less willing to collaborate and trust others less,' Mom warns. Other companies unwittingly discourage collaboration. For example, Mom describes how a bank mandated all knowledge sharing to occur through its internal website. As a result, people were no longer developing the personal relationships that can

lead to a much more effective exchange of ideas and insights than the formal mechanism of a website.

### Achieving the balance

While encouraging collaboration and knowledge sharing on the one hand, companies can take steps to prevent such collaboration from undermining exploration through goal alignment.

says. A top-down mandate on what and how the company will act discourages the exploration of new ideas and directions. On the other hand, decision-making autonomy will allow teams to forge different paths. For example, says Mom, 'let teams figure out what the problems are with customers, and how to solve them.'

'The message of this research is that it takes some time for goal align-

*"The implications for practice really begins with the fact that firms should be aware that, generally speaking, more exploration or innovation is needed..."*

Encouraging relationships among people from a variety of functions or disciplines throughout the organisation is key, according to Mom. Such relationships will be rich in knowledge sharing but, because of the diverse backgrounds of those involved, will avoid insular alignment around certain goals.

Job rotation is another effective antidote to goal alignment: changing the members of a team prevents the team from coalescing around common goals.

'The other thing, at a company level, is to not have too strong a vision or develop too strong an identity,' Mom

ment to grow and to come about,' Mom says. 'After two or three years in these teams, goal alignment has increased to such an extent that it starts to have negative effects for exploration. Maybe then it's time to reshuffle teams, and to bring people to other positions. It is not to say that we should not have goal alignment. But let it not get too strong.' ■

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