Abstract

**A Contingency View on Knowledge Governance
in Knowledge-Intensive Work Environments**

**Keywords: Knowledge Governance, Knowledge-based Theory of the Firm, Knowledge
Worker, Intrinsic and Extrinsic Motivation**

Research Question

Idiosyncratic expert talent constitutes the key scarce resource in the knowledge marketplace, because highly skilled professionals generate the lion's share of knowledge intensive companies' earnings by giving the customers top level products and services. On account of this, such firms have the inherent basic necessity to adequately motivate their constituent members to provide such outstanding performance, making that expert's willingness to perform the linchpin for economic success.

However, most accounts on expert motivation have relied on a *one size fits all* approach, presuming that applying different human resource management practices according to a watering-can principle are sure-firing means leading to universal performance increases (Davenport, Thomas, & Cantrell, 2002). Contrary to this we will argue that governance mechanisms influencing experts' work motivation are heavily dependent on the respective organizational setting in which they're applied. Hence, in the following paper we develop a theoretical framework for understanding knowledge governance in knowledge-intensive work environments by applying a contingency view to the extant knowledge management and strategy literature. Thereby we seek to reconcile hitherto competing views on how firms absorb uncertainties and motivate voluntaristic knowledge-related actions by offering a micro-founded contingency framework that specifies effective governance mechanisms to handle knowledge management according to the type of knowledge production and to the basic knowledge strategy employed. Subsequently we are discussing possible relationships between knowledge governance and the chosen knowledge creation mode.

Theory and Methods

To be more specific, we contribute to the solution of two fundamental problems regarding handling uncertainty involved in the development and storage of new organizational knowledge. Following Spender (2003) and Foss (2007) we argue that two types of motivation problems are most likely to arise in knowledge production:

- Problems of input uncertainty and/or

- Problems of output uncertainty.

Output uncertainty is high in the case of non-routine tasks and innovative problem solutions. Input uncertainty, on the other hand is high when it is difficult to measure the marginal product of each participant in the knowledge process. Thus the danger of *free-riding* might occur when knowledge is produced in a group of experts (for details of those group effects see Schulz-Hard, & Brodbeck, 2001). On the contrary such problems do not arise if knowledge is produced by a single expert, since output can be perfectly allocated to its producer.

The second delicate issue to keep in mind is the storage of newly created knowledge; according to Hansen, Nohria, & Tierney (1999: 107) a personalization and a codification strategy have to be distinguished. If knowledge is easy to codify, there is nothing to worry about – since it can be stored in text or databases and due to that change in ownership it finally belongs to the company. However, if that important storage is only feasible in the form of recoding gained new insights in individuals' minds – the *hold-up problem* arises – since the company in a sudden gets highly dependent on those personal insights.

The above mentioned distinction between the mode of knowledge production (in a team or by a single expert) and the storage of that generated knowledge (codification versus personalization strategy) leads to the buildup of a 2x2-matrix, in whose cells we have a closer look at the necessary motivational tools. Each cell is related to a different combination of motivational problems and needs thus to be matched with tailored governance mechanisms to handle knowledge production in the respective organization. In order to generate such differentiating insights we will draw on psychological contract theory (Rousseau, 1995, 2004; McFarlane Shore & Tetrick, 1994). In a nutshell, two of those cases necessitate pure forms of intrinsic respectively extrinsic motivation, whereas the other two call for finely balanced combinations of those basic constructs. The practical relevance of our approach for successful

corporate governance is illustrated by four illustrative case studies (Freshfields Bruckhaus Deringer, Google, IDEO, and Red Bull).

Conclusions and Results

Our approach differs strongly from the classical one-size-fits-all approach of knowledge worker motivation since it gives concrete recommendations for action contingent upon the specific combination of the required knowledge generation mode and its subsequent safekeeping procedure. For an optimal work motivation the creation of the adequate rates respectively combinations of intrinsic and extrinsic motivation in each of our four matrix cells becomes decisive. In addition, psychological contracts which employers and workers create should be consistent with a well-crafted human resource strategy.

Summarizing, one can conclude that proper knowledge governance mechanisms in combination with the right human resource strategy leads to a fulfilment of psychological contracts which in turn leads to increased work motivation of the employees to the organization.

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