Limits to Competition: Managing Concept, Innovation and Strategy Beyond the Firm

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Corporatism is close to its end. Organisational empire, business strategy of deterrence, and competition within a defined turf of market went hand in hand for a couple of decades. It structured relations between employees, manager, and holders of debt and equity through the organisational prism. However, with new markets getting created, and with infusion of socially dispersed and socially produced intangible assets into transformative process, firm's status as the principal provider of assured growth has been jeopardised. Consequently, incentives and structures within an organisation that could ensure turnover has become frail. Knowledge organisation, described as porous, and governability of concept-led innovations through earlier modes of management has been rendered infructuous. A concept is a fruit of imagination. It grows within a medium of discourse with a guild, which is a social group sharing common belief systems and common approaches to theory. A concept imagines possible microworlds of novel utility-envelopes, or sometimes counterfactual worlds of utility. It brings in surprises and innovation that it seeks to achieve is highly uncertain dependent crucially on market making. The concept based innovation thrives on the ability to transform intangible into tangible form and hence it demands a unique understanding and a novel practice of strategies and incentives. A knowledge organisation cannot define a business strategy a la competition-driven product manufacturing organisation. Strategy for such a new organisation, which is open and socialised, involves employees, customers and concept creating technological culture. Managing knowledge and concepts is socialised and this is what is described as social management. A social management signals the end to corporatism.

1 Introduction

The history of firm has bequeathed us an organisation that has proved its worth for earning profit on the investment made through the capital market, by manufacturing a product and selling the same under conditions of competition, characterised mostly as oligopolistic. This organisation has developed over centuries of its trials a few structural scaffolding. Simon argues maintenance of which alone and not the concern for profit of the equity-holders, attracted all the energies of managers. These are, according to Simon, authority, rewards, identification, and coordination which are internal to the organisation, hierarchically structured and controlled by the manager, who has been allowed to put up Chinese walls around it, enabling the managerial governance over such factors. Capital market, for whatever reasons, could not substitute managerial authority. The factor markets such as of the market of experts too, could not exercise any effective control over the internal turf. Chandler argues that motives behind managerial actions are driven by considerations on organisation of firm as a unit. Firm organisation as a unit of analysis, replaces transaction cost minimising individuals, and the market is then defined in terms of organisation as its constitutive unit. The capability theory is also driven by similar concern for long-term viability of the organisation. Goal of reaping a quick profit written with a clear rule of ‘exit’ is available in the non-organised capital market that has an interface with the firm, though this market failed in writing those same rules of profit-earning and of exit for the organisation of firm, the quasi-market of M&A notwithstanding (in fact, M&A often stabilised the managerial control over an organisation). Clearly firm as an organisation is burdened with maintaining and reproducing itself through such acts as are not strictly economical. The question is can such a socio-political organisa-
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1.2 Knowledge Contained by Organisation

Management of knowledge in an organisational context of product manufacturing and defined in the context of oligopolistic competition, limited itself to the doctrines of codified/uncodified (or tacit) knowledge or skills. This has been knowledge regarding material products manufactured en masse and with little variations between products in the same series. Knowledge could thus become both site-specific and practice or routine-specific. A use-value categorisation of such products would not have distinguished between items on the same series. Free play of ideas or of practices remained incognito and the organisation could enforce routines. The capability theorists talked about the evolution of routines within an organisation, defined as the core capability and constrained by the strategy and the structure of the firm. Transaction theorists talked about asset-specificity in explaining the importance of uncodifiable tacit skill, and schemes offering solutions to the management of such tacit and location-specific skills along with the codified routines were offered by Nonaka and Takeuchi. However, what could be the answer to managing concept-evolution and concept-creation, or, how can or why should an organisation attempt to manage extra-organisational affairs in order to create even better concepts, are not decipherable from this dialectic of codified/uncodified knowledge. Moreover the agencies who have an incentive to retain the asset-specificity or enhance the power of routines, are recognisable in a firm manufacturing product in an oligopolistic setting, and these agents are within the institutional premises of a firm, and hence the management of a firm can manage well all such agencies and their respective incentives. Can we capture with this management experience all such agents and their incentives/motivations who are involved in the innovation chain leading from a concept, or who are selling concepts, or who while remaining outside the firm participate in the refutation/vindication process of concepts! A concept is not a product, neither is this a manufactured item. Competition in concept space is not oligopolistic either. These cannot be valued either through the age-old accounting procedure or through the capital-market norms.

1.3 Scope of the paper

The present paper does not offer a solution to all this. However, within the limited scope, it attempts...
two things: disputing the validity of certain borrowed practices in the case of knowledge organisation and identifying a set of possible incentives/motivations for the agents involved. These agents are: managers, employees (professional knowledge workers), guilds (mostly informal associations of these knowledge workers), debt-holders, and the equity-holders. Conditions under which these agents may desire new concepts and concept-led innovations are described. Incentives underlay these conditions, and it is observed that intra-organisational incentives play a comparatively insignificant role. Concepts demand that the firm initiate a new management style, which may be named as ‘social management’. The guilds now play a significant role. These concepts can overcome, moreover the distinction between strategy and technological initiative. Business strategy defined so far in terms of competition and deterrence in a given and defined market now gives way to a strategy that involves customers, market making, concept creating, and the employees. We attempt a definition of concepts and concept-led innovation based on imagining\(^\text{10}\) possible worlds of novel utility-envelopes or utility-defined counterfactually, and this definition helps us bridging the gap between strategic initiative of a firm and its technological initiative. An organisation of the firm can now lead conceptual innovation through social management, an important component of which is sustained by generating possible microworlds or counterfactual states of affair. Spearheading such activities cannot be limited within the boundaries of an organisation. A fuzzy organisation, through which social institutions inhere and which cannot induce innovation through competitively orienting itself, brings forth new issues of management. Innovation by this concept-led organisation is sustained by the institutions of market-making, and considerations on future pay-off play an important role.

This observation on new management style is largely derived from the field-interviews that were held, based on unstructured questionnaire, with a large number of software firms in India. The empirical support is thus derived from qualitative data from ethno-survey. Theoretical support is derived first from refuting those concepts which are based on generalisations of the experience of managing knowledge for competitively manufactured product, and secondly from several research in trans-disciplinary areas that remained neglected by the scholars which were disputed. A few broad conclusions were drawn which offer a few possible styles of managing knowledge, in an extra-organisational set-up. Necessarily the notion of competition defined so far in terms of inter-organisational or intra-product space, has to be enlarged to give a scope to the new types of concept-led, often counterfactual, extra-organisational aspects of competition.

Subsequent section discusses aspects of transformation of intangible into tangible. It discusses incentives and stake holders. Limits to contemporary managerial institution is brought out. Section 3 defines concepts and framework, possible microworlds and counterfactual worlds of novel utility-envelopes. Aspects of concept-led knowledge based innovations, followed by a discussion on the institutional context of such innovations are then discussed. The idea of social management is taken up in Section 4, which discusses several strategies and defines conditions under which novel strategies required to innovate conceptually may thrive. Integration of technological initiatives and social strategies appear necessary. This, defined as social management is hastened by a business strategy that is a conceptual-technological strategy, as well. A brief conclusion completes the argument.

2 Agents and Incentives Within an Organisation

The five types of agents we have referred to, namely, managers, employees, guild, equity-holder (EH) and the debt-holder (DH), have different goals and they cherish different incentives. However, only managers and employees belong strictly to the unit of organisation. Equity-holder and debt-holder have stakes but they do not belong to the unit. The guild, however, can do as well without the existence of
the organisation. The four former agents only will be discussed.

2.2 Profit, Rent and Interest

A quintessential manager would not invest any capital in the unit of organisation. By definition investors have entrusted the agency of manager with the task of earning profits, rent and interest for them. Profit defines the innovator’s profit; rent is owing to the efficiency with which the unit is run in comparison with the competitors and the interest is what the bank would have offered for any deposit. This profit, originates in an innovation, such as through market-making (as the NASDAQ offers) or through certain distinct conceptual advances over the existing concepts. The rent, however, is attributable to such items as higher productivity, better financial or logistics management; and this is defined with respect to the competitive conditions either prevailing in or potentially threatening the current market. The last component, interest, defines the condition of exit — it is that minimum below which the organisation has to exit the market. It would appear then that the current institutional conditions regarding the evaluative practices on the managerial performance relates primarily to the second namely the rent part, and only by default to the interest part, and these practices, cannot in general, influence the profit as such. A manager is constrained by the competitive or potentially competitive aspects of the market, and the evaluators, such as the stock market or the equity holder or the debt holder judge its performance in terms of this constrained performance. These measures and in consequence the respective incentives cannot drive a manager towards earning profit.

2.3 Employees and Incentives

Employees are not considered as investors in the traditional theories. Wages and other life-cycle compensations are treated as cost in both the accounting and economist’s practices. Institutional practice, as it is in India, treats these life-cycle benefits as costs; though German Co-determination law permits treating these as investments as it were. Becker treated on the job training of workers as an investment by the worker; however, interest on such a capital reaped by the worker in the form of wages was empirically found out to be higher than the value of the marginal product (VMP) offered by the worker which violated rationality. Lazear offered the theory of delayed payment, where under an implicit contract the young worker would be offered wages less than VMP but with the expectation of receiving wages higher than VMP at an advanced age. This was termed as ‘life-cycle incentives’. Such an incentive can solve partially only the problem of motivating the worker, though surely monitoring the VMP remained as problem. Moreover, a VMP can be defined only when production is settled, as under an oligopolistic situation of manufacturing. This incentive and delayed payments cannot however, refer to situations where a profit has to be earned and where the employee has to be conceptually innovative. Life-time employment as in Japan, quality circles, kaizens or other types of tournaments; a tournament is an inter-worker competition and hence effort inducing situation can bring in small efficiency and productivity enhancing changes. A profit enabling set of incentives that should motivate employees to be conceptually creative and knowledge generative cannot be captured by these theories.

2.4 Capital from Intangible

A sketch of profit-enabling capital investment profile of an organisation engaged in particular in the business of knowledge will now be attempted. An employee enters an organisation with initial tangible capital K of certain degree plus experience, and an intangible capital K of certain beliefs (beliefs that are part of a framework). The firm also offers implicit contracts (like assurances, mostly verbal, sometimes written) regarding scope to work in challenging frontier areas, creativity-linked bonus
or employee stock option, scope to undertake at employer's cost further formal study, time to sky-gaze, etc apart from the present and prospective lifecycle compensation. Thus the offered incentives are non-pecuniary which motivates and induces an employee to put further ideas and concepts at a time intermediate, or middle. The employee now contributes or inputs a middle-term intangible capital $K^{im}$ to the firm ($K^{im} > K^n$). The initial tangible capital also has changed by this time, due to an increased experience at the least. The ratio of $K^{im}$ to $K^n$, called expected profit ratio, indicates the expectations on profit (i.e., expected profit ratio = $K^{im}/K^n$). Therefore, a value of the ratio close to 1 would indicate that the firm expected to receive rent only; on the other hand, a value > 1 would indicate that the firm expected to receive an innovator's profit out of the intangible capital input by the employee.

The $K^{im}$, however, is conditional to the contingent investment of intangible by two other parties: viz team or organisational members and the guild. In fact, $K^{im} - K^n$, that is the increase in intangible capital of an employee has co-evolve with a similar increase or difference in the intangible held by other employees and also with the increase in the intangible held by professional members not attached to the firm. Each one of these three enters an implicit contingent contract, of investing possible concepts as intangible capital, with the expectation that no one defaults and that there would be a future profit. It therefore, acts as an incentive, inducing each to invest the intangible. The temporal order of these investments is crucial. Each one would like to shirk, or would like to retain out of one's own total capital (tangible plus intangible), the maximum possible in the form of intangible (which is undisclosed), however, no body gains from non-disclosure. The final future concept, would be valued by the market based on the novelty of its utility. Value of the concept, therefore, would depend on a future disclosure. Parties offering the future concept would continue to play a game where each would like all the disclosures of intangibles by others, with the condition that a non-disclosure at a particular temporal order may lead to a useless concept. The total time to market a concept has to be minimised due to likelihood of emergence of competing concepts, and also that a quicker pay-off from innovation is desired.

At the end of a period ‘t’, when the concept is marketed, $K^f$ is changed to $K^f$, $(K^f > K^n)$ and the difference depends upon the probability of earning profit at time ‘t’ from the concept. In case of failure to innovate, the difference is minimum while in case of profit, the difference would vary according to the amount of profit. Similarly the $K^f$ is an increase upon its middle-term value.

Given the the incentives and the mode of managing such incentives can be delineated. As it appears the managerial modes employed by the manager under a rent-seeking condition of competitive manufacturing cannot be of value to an intangible driven concept-led innovation. A rather large portion of capital employed in a typical knowledge-organisation (KO) is on employee compensation, described as working capital in a manufacturing setup, and the sunk cost to a KO is little. The sunk cost to a KO is primarily attributable to current compensation paid over to its employees and the past compensation lost due to employee turnover. Strategies and incentives deployed for a high sunk cost low working capital manufacturing unit cannot be copied for the KO unit which has a different temporal order of investment with different characteristic of capital.

2.5 Incentives to Intangible Conversion

Initial stake-holders in a KO are the EH (equity holders) and the DH (debt holders), and the stakes are laid out on compensation. Which in, turn, generates, incremental and episodic intangible and tangible capital getting reinvested in that KO as detailed earlier. Thus the manager would want least manpower turnover and would wish to employ incentives towards that. However, as would be discussed in the next section, such a scheme may
not be the best course for a KO. The manager, therefore, needs to deploy incentives that hasten episodic generation of tangible out of the intangible human capital. An episodic concept, is arrived at through a maze of discourse between employees and its guild. Episodic development of concept implies heuristic or novel jump; a linear combination of input concept-fragments do not add up to the episodic concept. Players here are self-motivated and the managerial action needs to ensure removal of any blockage that may obstruct the passage of this discourse. The discourse follows norms, most of which are extra-organisational in character as these are borrowed from the prevalent professional practice. Any effort to translate these norms into a set of routines typical only to this KO, would be detrimental. In contrast the manager needs to ensure an open organisational culture and an ethnology that transforms professional norms of discourse into a set of roles. An employee may then take upon several roles, which are defined not extenso content-wise but in terms of delimiters or injunctions on what not to be undertaken. The incentives are therefore, as per injunction rules on what is not expected of an employee. Rest of the incentives relate to encouraging open culture of disclosure.

Compensation to an employee, as per Lazear\(^2\), has to be actuarially just. The compensation, as it cannot be based any longer on the VMP, has to treat an employee as an investor (not necessarily holding a stock, hence not based on calculations of ESOP) who invests more (that is transforms more of intangible into tangible) over a sequence of time. Hence the incentives ought to be based on actuarial calculations that takes care of expected present value at that time minus the insurance premium that is necessary to take care of a default in discourse or a failure in innovation. Some kind of deferred-bonus (contingent to profit, and not linked to stream of future revenue) announced for but to be paid under the contingent contract, is an alternative mode of modelling, as we may suggest, of incentives/compensation. This keeps the inside of the organisation in a virtual future market. As a result the KO does not suffer a reduced stream of revenue, which, in general is vital to the running of a KO. An ESOP in contrast, bounds the employee to certain rights of voting, and is inferior to the above mode of actuarial calculations. An ESOP, therefore, is likely to strengthen managerial decision-making structure (akin to the features described in reference\(^1\)), detrimental to concept-builder roles-playing open culture and ethnology of a KO.

Incentives to the manager the EH and the DH are related to innovation circuit of a concept developed by employees. The circuit generally belongs to a future market, and sometimes to an existing market. Two circuits are recognised: concept circuit and the market circuit for innovation. Under conditions of existing competitive market, if a KO wishes to launch a concept/product, then the logics are the same. The existing market defines incremental innovations or the efficiency in raising innovations, and the KO responds as an organisation to these demands. While, under conditions of profit earning through a future market of a novel concept, then the concept defines the logic, and the logic of innovation would continue to obey the older logic of existing market. The gap created by a future market would, in turn, create demands for new instruments of market. It may be recalled that several financial derivatives, angel fund and the incubators are creation of such demands.

2.6 Riddles about Stake-holders

The DH is interested in securing its interest and this can be ensured through the mechanism of a competitive existing market. In fact, a DH may not encourage risk taking profit orientation of a KO. It is a clear limitation on the instrumentality of credit. However the debt-based mutual fund as against the equity-based or the sector-based mutual fund, is a better alternative; though a debt-based mutual fund too does not gain directly from the market-making as such. A rent earning organisation ensures the regularity of interest payment. Thus the DH does not offer the right mode of financing the conceptual
innovation. An EH wishes ordinarily a continued stream of income, most commonly through dividends but otherwise also through buy-backs of shares or through bonuses. There is a need to distinguish between two groups of EH - ordinary EH and the block-EH. The latter has an interest in governance and control while the former is interested in revenue streams only. The Modigliani and Miller assumptions regarding independence of corporate financial decisions from the firm market value, holds true for an ordinary EH while it does not apply to the block-EH. The ordinary EH would be interested in liquidity of its holdings (which in turn is ensured through the signalling that dividends perform). A block-EH would wish to have a higher leverage-ratio (obtained through several means, for example by retained earnings, other incomes, etc) and security from threats of take-over. The block-EH has control over or access to an asymmetric information regarding future value of holdings that an ordinary EH does not have. This asymmetric information pays off in the form of a quasi-profit, in excess of declared dividends, and can be leveraged by the current block-EH, in detrimental to the ordinary EH. The leverage ratio often depends upon the signals sent to the market regarding the intangible value and such a ratio can be used during an M&A (especially a cash financed M&A). Moreover, raising external capital as the source of finance for new projects may lower this value.

A project on concept based innovation is risky and requires external capital or streams of current revenue to sustain it. This lowers the value of the scrip and enhances the ease of venture capitalist to bargain (mostly for a quick pay-off, an aspect detrimental to a concept builder). As a concept leads an innovation and creates future market, the scrip price rises, provided the KO is an old organisation otherwise the scrip would require a market maker if the KO is a new organisation. In either case the price realised in the short run would be less than what an equivalent investment in a portfolio would have earned. Thus the concept developer does not share incentives in common with the EH at least in the short run. The EH can at best and that too for an old organisation remain neutral to the conceptual innovation. In particular a block-EH would have the least interest both during the developmental phase of a concept and also during the early phase of market creation. It can reap a sizeable earning through trading over scrip price movements as it has large resources under its control. The block-EH often goes for a takeover/acquisition mode at the close of the initial period of market creation. The current market has fewer types of signals and few channels such that even at the close of the initial period of innovation these channels do fail in conveying the signals to the ordinary EH. Thus the current institution of finance, signals and channels constrain the concept based innovation.

2.7 Limitations to Managerialism

A manager, under this current institutional practice, is monitored through the value of such performance indicators as rate of dividend, liquidity and price of the scrip or the growth through acquisitions. A manager has to generate for the block-EH a set of information not available in the public signals. A tacit collusion between the manager and the block-EH is thus permitted and encouraged under the present institutional set up. The managerial performance and the respective indicators cannot capture entrepreneurial spirit of conceptual innovation. The takeover theory suggests existence of a competitive market of managers which substitutes an inefficient manager with an efficient one. Even this cannot work for a concept-based KO since the performance of a manager remains dormant without being able to emit any worthwhile signal for the current institution. The manager cannot exercise a hierarchic control, as discussed above. It appears then that this manager does not have an incentive in the current institutional practice to promote concept-led innovation. A manager needs to create the market even prior to the completion of the concept, and thus nurturing a future markets appears to be the principal task of a concept manager. Unfortunately the existing ideology of competitive market does not offer the
People, Relations, and Concepts and Framework (Figure 1). A resources view would constrain the organisation to promote growth of these categories, and competitively access it, in order to appropriate, and organise in such an idiosyncratic syntax as would render this syntax enough difficulty to be copied. Incentives that promote accessing people has been discussed in the last section. The features of concepts and framework are discussed subsequently.

Concepts are fruits of imagination and an Imagination is carried over pure phenomenology. Multiple worlds, consistent into themselves, are conceptualised. These are possible worlds of utility-envelopes. A concept creates new utility envelope and a rationality that justifies consistency of utilities. Moreover, a concept is colourful, as it does not base itself upon the foundation of earlier concepts or utilities known earlier. Such a visualisation of a space of utilities, that is founded on pure senses and not on other worlds of utilities that are either in use or have been in knowledge beforehand, is defined as a concept. It is unblemished by the faculty of reasoning, and independent of skill too. A skill, such as on problem solving, can create artefacts of great utility and ingenuity, however, cannot be imaginatively procreative of new worlds of utilities. A skill is often in enmity with imagination. A pure phenomenologic concept plays with the plasticity of senses while a skill (and naturally also, the much talked about tacit skill) hones around a material object. A concept in its pure form does not require a skill to get translated from imagination to the semiotic world of icons and numbers. The semiotic constraints of icons and the linguistic constraints of utterances give shape to concepts that are commu-
nicable. Such a concept offers a counterworld of possible utilities as it is based on the absence of current world of utilities. A concept is often counterfactually driven, and is assisted by the faculty of theoretical reasoning.

3.2 Defining Framework

A framework is the body that sustains several concepts, theories and counter-theories, together in a belief system. A framework, thus, need not be coherent. A revision in the framework is also carried out, not according to the demands of rationality, but as per the dictates of goals set by emotion and desire. A framework, which we often describe as the culture of an organisation, is mostly shared by several members and as it is not based upon a set of rational principles the owners of a framework cannot utter or even often know its constituents. The constituents of a framework are observable, through the ethnology of work. In the language of intangible, the framework may be described as a set of norms, unwritten rules, modes and manners of working, modes of engagement with discourses, etc. A change in these conditionals of intangible is often unacceptable to the holders and they react jerkily to such a change. It is at a meta-theoretic and meta-conceptual level and is very often irrational. Individual goals relating to a framework are set by desires and expectations, which are rationally indefensible, and are driven by emotional engagements or by initial conditions of ignorance shrouded under veils of lost memory.

Loasby has referred to frameworks yet remained limited to meta-theoretical level of beliefs. The above description of framework together with concepts is an advance over what Loasby thought as sufficient. Moreover the Popperian verificational procedure and the Lakatosian procedure are rejected in this paper. The discourse, as depicted in this paper is not for rejecting or verifying a particular theory and hence these methods are inapplicable. We see the importance of imagination, and of imagining possible microworlds of utility-envelopes, where each world is independent of another. A counterfactual world is also an absence of the existing world of utilities. The discourses in our description are not meant for bringing about novel unique theories but to bring about alternate theories and concepts, based as these are on beliefs systems which, in turn, are indefensible on grounds of rationality. These discourses beg cultural contents and artefacts. We do not either propose for a socially-wide and socially accepted set of norms that are socially rational, neither do we propose for a normative rationality. Thus, our proposal accepts multiple alternate concepts and their microworlds, and several alternate frameworks. Each such microworld is justified and has legitimate internal consistency, derived from its microworld of framework; and such a world offers its inhabitants unique good and pleasure, use and utility, efficiency and reliability.

3.3 Conceptual Microworld and Discourse

This microworld of concept and frameworks does not and cannot make a claim to global rationality, or a globally applicable theory. It offers conditional theories, that are contingent to the boundary conditions implied by the framework concerned. Management and economic theories till date talked about globally verifiable and globally acceptable concepts and utilities; Loasby, therefore, talked about competition amongst theories and innovative schemas. He proposed two modes: Schumpeterian and Marshallian competitions. Both the modes exist on a globally competitive scale and the competition is set between firms, generally small, and on ideas and on concepts. However, our schema considers a world of parallel concepts and microworlds, who coexist and yet engage in discourses amongst themselves. Such a discourse is not competitive in the Marshallian or Schumpeterian sense of the term. No strings of scarcity can be attached here. No microworld can make a global claim. None can be substituted by another on the grounds of rationality. And yet, a new microworld brings in an expectation of novelty and surprises. Thus, only in the sense of the degree to which surprises can be created and novelties can be ushered into, a microworld acts...
• Holder is individual member
• Theory laden, hence great scope to inferencing
• Forge relations between Theories at meta-Theory Level
• No difference between Codified and Tacit Knowledge—includes both
• Heuristic/Imaginative, because it is at a meta-Theory level
• Scope of Verification and Refutation is limited
• Conceptual discourse is possible only if a Prototype/meta-Theoretic Example is made available
• Conceptual discourse is less governable and normatively conducted through institutions beyond organization

Figure 2 — Concepts

• A System of Beliefs/Ways of Doing Things; Not necessarily a Rational coherent System
• Holder is often a Team or a Group, also an Individual
• Incentives can function only when Compatible to Framework
• An Organisation is a Vat with multiple conflicting Frameworks
• A challenge to a Framework is very often vehemently Rejected with pathological reaction
• Most often a New Inference or a New Concept is subsumed under the Existing Framework
• Inter-Framework Discourse uses Rhetoric, or, Non-Discourse Coercive means
• Inter-Framework Discourse is least Governable, and Discourse remains within Organisational boundary

Figure 3 — Framework

competitively for an unknown future. Much of these surprises are in the realm of meaning. A discourse competes for attaining new meanings, new algorithms, and new connectivities. A discourse makes demands on revisions of the belief system. It honours the apiece product and the microworld of lifestyles, utilities and concepts. Competition, if any, is there in creating the new microworlds, in creating new meanings, concepts and utilities. This is a competition to create new market and not to vie for a slice in the existing market.

3.4 Imperatives for the Manager

The implication of this idea on organisation design, on incentives design, on marketing and on designing technological/managerial strategies, and on conceiving the organisational knowledge space is immense. A contemporary manager and his toolkits are overburdened with making competitive business strategy, and in attempting to offer most efficient solutions to competitive business games. The manager and its organisation, and the indicators to evaluate their performance are thus thoroughly unsuited to this new condition of a KO. A KO member including its manager takes care of concepts and framework defined above. These latter set the imperatives of a KO. A schematised presentation of these imperatives are given in the Figure 2 and 3.

Framework membership is through sharing meaning, following unwritten practices and through
being able to disambiguate the motives and moves of other members. These members, we describe as forming a guild. A guild, we understand, is not just a professional society; it is a group of dramatic personas each of whom understand the motives of an utterance or can tell beforehand the likely moves of another member. A guild shares thus meta-theoretical commonality. Its members create theories the beauty and elegance of what is appreciated by its members. The microworlds are appreciated by all of them though not all may have the same utility functions. This shared bases of meaning is not a paradigm, which as per Kuhn, has a temporal aspect and a global relevance. The drama enacted by a guild, with several acts of concepts, does not have global claim or a temporal authority. The social form of such a guild is extra-organisational, cutting across the boundaries of multiple organisations. Its members, since they are not ideologues and cannot exercise any hegemony in the Gramscian sense, can engage in a playful game but are incapable of subverting with certain force the agenda of an organisation. Inter-framework discourse is then led by rhetorics and subterfuges. Meanings are not without motives when a game is played across frameworks. The much talked about trust or the intended rationality of Williamson that seeks to replace trust refer to circumstances that are general, while we describe a setup where trust is born out of shared meaning and shared ethnology of a common framework and otherwise, rhetorics and subterfuges, motives and games replace the framework.

Table 1 — Three knowledge strategies

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<tr>
<th>S1</th>
<th>S2</th>
<th>S3</th>
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<tbody>
<tr>
<td>Limit and defer the followers</td>
<td>Negotiate the generation of “lagged followers”</td>
<td>Dynamic generation of “lagged followers”</td>
</tr>
<tr>
<td>Strategy of deception and concealment on users</td>
<td>Negotiate with “first user” on future development</td>
<td>Choose “first user”</td>
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<tr>
<td>Encourage user to use S1</td>
<td>Encourage “first user” to adopt S2</td>
<td>Encourage quick dissemination of K and I</td>
</tr>
<tr>
<td>Barricade the flow Knowledge and Information (K and I)</td>
<td>Encourage dissemination of K and I through payoff strategy</td>
<td>Organisation open to outside institution</td>
</tr>
<tr>
<td>Organisation governs interaction with outside institution</td>
<td>Organisation filters outside institution</td>
<td>Little check on flow of resources</td>
</tr>
<tr>
<td>Traces of resource-flow; Limit, put stop to flow</td>
<td>Controlled flow of resources</td>
<td>Continuous creation of futuristic markets</td>
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<td>Creation and retention of markets</td>
<td>Continuous joint-creation of markets</td>
<td>Active strategy of governance of institutions</td>
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<tr>
<td>Separation from governance Institution</td>
<td>Supportive strategy of institutions</td>
<td>Heuristic jumps; Generation of conceptual problem</td>
</tr>
<tr>
<td>Problem solving</td>
<td>Conceptual overcoming of problems</td>
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<td>Emphases on Problem-solving</td>
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41 A guild shares thus meta-theoretical commonality. Its members create theories the beauty and elegance of what is appreciated by its members. The microworlds are appreciated by all of them though not all may have the same utility functions. This shared bases of meaning is not a paradigm, which as per Kuhn, has a temporal aspect and a global relevance. The drama enacted by a guild, with several acts of concepts, does not have global claim or a temporal authority. The social form of such a guild is extra-organisational, cutting across the boundaries of multiple organisations. Its members, since they are not ideologues and cannot exercise any hegemony in the Gramscian sense, can engage in a playful game but are incapable of subverting with certain force the agenda of an organisation. Inter-framework discourse is then led by rhetorics and subterfuges. Meanings are not without motives when a game is played across frameworks. The much talked about trust or the intended rationality of Williamson that seeks to replace trust refer to circumstances that are general, while we describe a setup where trust is born out of shared meaning and shared ethnology of a common framework and otherwise, rhetorics and subterfuges, motives and games replace the framework.
3.6 Guild – Professional Society

A guild thus plays a key role in the generation of organisational knowledge. It is the site for creation of conceptual microworlds of possible utilities; it sustains the imaginative faculties and the discourses on that. It helps setting the goals of its members the goals we may recall, are set not necessarily rationally. A guild generates the uncertainty, ambiguity, surprises and a sense of discovery through the inter-guild (inter-framework) discourses — an aspect much emphasised by the neo-Austrians. This formation of guild is thus crucial to the conceptual innovation. It appears as even more critical since the governability of a guild is fuzzy — its members, if coerced, as they had been subjected to often under a hierarchic shop-floor of manufacturing under constraints of competition in order to achieve competitive advantage or efficiency, would have disincentives to conceptually innovate. The age-old system of compensation and incentives, and performance benchmarking fails as argued in the last section, to provide innovative fillip even to the organisational insiders, and a guild, as described, cuts across the organisational boundaries. The reach of managerial prerogatives is shorter than the reach of a guild. This provides the second necessary criterion to a manager to comprehend, support, nurture, and perhaps help cruising a guild through what we may call the social management.

4 End of Strategy — or Strategic Governance

The core of a business strategy is about positioning one particular business organisation vis-a-vis other organisations. It derives its strength from a Clausewitzian paradigm of warfare where contending parties have tactical moves decided beforehand by respective strategies. A strategy then is about potential competition or sometimes about ongoing competition in an existing market, which may however be expanding. This
competition is strictly between organisations engaged perhaps in one sector of industry. By definition, a business strategy cannot be defined when there is quasi-organisation (an organisation whose boundaries are fuzzy) or when it is about market making or future uncertain markets, or when sectoral markets are competing amongst themselves. In fact we do not have a proper theory about the last. Following the above discussion regarding a KO and its conceptual innovation, we wonder how a business strategy can be defined for this KO. A KO is a quasi-organisation, porous enough and infiltrated by multiple guilds, and is engaged in creating concepts of possible microworlds of utilities. The markets have to be made, outcomes are uncertain, utilities are unknown, and there are potential surprises. Managers, EH and the DH, have relatively insignificant role. Employees and the guilds enjoy importance. The theories of competitive business strategy assumed a set of initial conditions, such as of prior knowledge on product/utility, which are violated in our case and hence we doubt the applicability of these theories. Moreover, most economic theories on business strategies looked into such aspects (for e.g., entry deterrence, r and d spending) as are independent of agency, that is these are decisional problems at the board level having no difficulty in organisational implementation. Other issues having bearing on strategies but that are organisational in character, have little theories backing them up, as for e.g., we know little about compensation-strategy’s relevance to business strategy, or we know little about relevance of a strategy on technological standards to the business strategy of organisation.

4.2 Strategy for Social Management

With increasing capital intensity of its operations, managerial strategy inside an organisation looked more into enhancing the tangibility and hence governability of capital. A capital is made more tangible through sharpening the site-specificity of capital (such as by enhancing the tacit skill), by sharpening the boundary of the organisation, by demarcating the ownership such as between debt and equity, and by enhancing or hastening the governability of resources sucked into the organisation. This tangible capital and managerial performance on this capital can be captured through accounting standards. The latter affords a set of signals to the organised market of owners of tangible capital. The losers in such a scheme are the owners of intangible capitals such as the educational institutions/research centres, unemployed or quasi-employed manpower, logistics providers, and umpteen number of interface-owners in the market. The immensely powerfull owners of tangible capitals and their managers forced the evolution of a certain institution of capital that ensured marginalisation of peripheral intangibles. However, a global falling rate of profit and crises in the system of innovation opened the doors to the intermediate organisations, defined here as the KO, and to the incorporation of intangible, and making of markets lying outside the pale of predefined competition. Business strategy has failed here. We argued for a strategy of social management.

A significant element of this new strategic outlook is to govern the flow of resources, most of which is in intangible form; to govern the quality (which now is the most valuable aspect) and quantity of resources being generated at their sites/processes of generation; to enable/empower the dispersed holders of intangible resources in being conceptually creative; and to create possible future markets or microworlds of utilities. The abiding characteristics of these governance are their intangibility, and their growth and evolution taking place beyond organisation. Contemporary institutions are ill equipped to manage such a state of affairs. Subsequently, we describe certain features of this management.

4.3 Comparing Three Strategies

Three different strategies can be deciphered, and we name these as S1, S2 and S3 (Table1). S1 speaks about the conventional business strategy, which is about competitor deterrence, stable market for
manufactured product, asset specificity, and organisational policies that precipitate organisational-knowledge and that sustains technologies which hasten the organisational hold over utilisation of knowledge. This strategy learns little from the market. Customers are faceless and do not provide meaningful signals to this firm. The users of its goods are encouraged to possess known utilities. This organisation disfavours leakage of resources across its boundary and hence follows a compensation scheme which encourages tacit skill formation. In the best of circumstances and with this strategy a firm can reap a rent and otherwise when there are many followers it would reap only an interest on the sunk capital. Thus, deterrence acquires significance. Management of these assets is feasible since this firm employs wide and deep authority structure. Hence, this strategy stands on three legs: entry/competition deterrence applicable to existing/potential competitors; stabilising utility function of the customers; and governing site-specific organisational knowledge through efficiency raising problem-solving. This is a typical business strategy of an established manufacturer with modest growth rate.

S2 is an intermediate strategy, followed these days by a number of KO and other innovative manufacturing organisations. The strictly resource-based strategy view espoused in S1 is abandoned here. S2 employs a strategy where the customer/user is drawn into strategic moves-making and the problem-solving approach is substituted by a concept-driven solutions to problem solving. Employees remain however, outside the moves-making. S2 recognises the significance of users, in particular, it 'chooses' sometimes punctiliously though the first user of its novel product with the hope that the reputation of the first user, an intangible asset held by that user, would build up in synergy its own intangible asset of reputation. S2 values the reputation of 'innovator' and its strategy builds up this reputation in order to create a market. Market creation is part of S2 though this creation is advanced jointly by the innovator and first user together.

Considerations on entry and on deterrence are replaced by a negotiated generation of 'followers', in fact, often some of the first-users are encouraged to become followers. The follower too is encouraged, sometimes through financing, to adopt not S1 but the S2. Therefore the S2 undertaker enjoys a profit for a while and then a rent for a while. Moreover, the first user being an advanced technology-intensive organisation, help generating plenty of information on the designing and manufacturing of the yet-to-be finalised prototype product/concept. The technology/concept to solve the problems is not just site-specific and limited to the shop-floor but is conjointly driven by the first-user as well. This freedom from site and shop-floor, and this use-based or utility-based evolution of technology invites the holder of S2 to engage concepts, which are free from contingency of site and shop, in not just overcoming problems faced but also in offering further novelties and surprises. S2 thus employs new compensation scheme, new incentives of pay-off to both employees and first-user. S2 is thus more than a business strategy — it is a strategy on customer, novel market and novel technology/concept.

The third strategy S3 is a sharp departure from S1 and is significantly different from S2. It shares with S2 such features as choosing first-users, with the difference, however, that while for S2 such an act of novelty is unique, for S3 it is regular. Thus, S3 acts over an envelope of innovations, and for each such innovation it chooses a first-user whom S3 holder activates into adopting for itself S2. Thus S3 continues to create/make markets and earn dynamically profits only. Each new market then is given over to followers of S2, who invests in developing further such markets in order to retain that market for a time till rent is exhausted through threats of entry exerted by the interest-seeking followers of S1. Tangible capital invested by S3 follower is but little initially while during the course of development of concepts intangible assets are transformed over into new and novel tangible assets. The market creation involves investment of both
Inside Organisation
- Quality of manpower
- No. of visionaries, conceptual leaders
- Competing frameworks
- Windows to market
- Windows to institutional research, teaching
- Apprenticeship
- Strategic business units, Managers as entrepreneurs
- Multiple role expectancy
- Productivity enhancing incentives system, and structures
- Organisational Slack
- Problem solving

Governance Issues
- Incentive structure
- Conceptual independence
- Inter-framework competition
- Global rating and benchmarking
- Quality of role playing
- Deemphasize efficiency
- Orgnl. Capture by consumers, vendors/logistics, interest groups
- Info. Asymmetry based competition and alliances

Figure 5 — Resources, processes and governance - within organisation

Inter Organisation: R & P
- Inter-orgnl. Management flow
- Joint R&D, Conceptual exercise,
- Joint product development
- Joint market development
- Mkt. Sharing-brand name; Product, Patent, Region
- Distribution, OEM
- Financial partnership, venture financing
- Joint development of standards, of advanced infrastructure
- Joint seminar, sharing research services, joint publication
- Dynamic complementarity

Governance Issues
- Lower or Middle-level Joint Mgt. Council
- Dispute settlement mechanism
- Property laws
- Universal and trust-based banking
- Enhanced Advisory role of Governing bodies
- Joint SBU and inter-SBU competition
- Inter-Framework competition
- Encourage implicit contract
- Trust-building exercises

Figure 6 — Resources, processes and governance - across organisation

Beyond Organisation: R & P
- Quality of Manpower
- Quality of Certification
- Quality of Public Research
- Vast Network of Research Services
- Quality of Research Publication
- Multiple Modes of Financing
- National Information Infrastructure
- Dynamism of Consumer Demands
- Global alternatives of domestic Market
- S&T park, Incubators
- Entrepreneurial culture
- Academic symposia, force

Governance Issues
- Encourage Rating Agencies, Benchmarking
- Widely held Test Examinations
- Endowments, Scholarships, Research Grant
- Varieties of Regulators
- Encourage Competing Interest-Groups
- Encourage Information Asymmetry
- Social Insurance
- Encourage norms
- Spirit of cooperation, Elements of trust
- Degree of separation between governance and regulation

Figure 7 — Resources, processes and governance - beyong organisation
tangible and intangible capital by follower of S3 and the follower of S2 who had been chosen as the first-user. S3 thus employs incentives to S2-holders, employees of S3-holders and the guilds with whom these employees share the frameworks. Incentives are employed for generation of tangible capital out of intangible. Governance of its own organisation takes a back seat. Relations management and flows of resources past and across the circuits joining employees, guilds, and the first-users appear crucial. S3 thus employs little check on flows of resources; it is not worried over manpower turnover. It acts through incentives management. These incentives are not delimited by the boundary of its organisation, which is extremely porous, but in contrast it excels in the art of social management. S3 actively participates in the designing of incentives and regulatory structures for the cohort, for the cluster, for the institution of research/education. S3 holder thus keeps on creating users/markets, renews continually its employee flow, and thrives on concepts of possible worlds or counterfactual worlds of novel utility-envelopes. Innovation for S3 holder is not dependent on information obtained from the first-user. Extant sources of information, theories and sensual flights are allowed free play to generate heuristically fantastic novelties. S3 has little sunk capital with itself. It requires a high socially sunk capital.

4.4 Implications of Strategy on Organisation

Figure 4 describes an interplay of holders of S3 and S2 through three periods of time, and through markets existing and possible in future, social institutions, meanings-cues, rhetorics and discourses. Transformation of resources, such as of a concept-builder who transforms itself through creating concepts-meanings-utilities, through circuits of S3 holder is shown as well. An organisation is depicted here as a transformer, much like a university, who transforms resources through stages of meta-resources. S2 holder seeks to obtain for itself such manpower as have come out of S3 holder — described here as filtered resources. Current market provides signals via the first-user, and cues are discovered by the guilds in an interpretative framework.

We often observe a KO to be following S3 initially and then S2 later. Followers of S1 are uncommon amongst such KO as are spearheading innovations in software, bio-tech, and similar knowledge areas. This mix of S3 and S2 is understandable since the current state of infrastructure and of institution lag behind what is required by these strategies. Issues of social management are being faced by the managers and the EH/DH.

A schematic representation of some of these issues are listed in Figures 5-7. The issues raised in these figures are illustrative. These have been classified under three heads: Inside organisation, Inter-organisation, and Beyond organisation. Objective of these figures are to look into the governability and modes of governance of the resources that are processes as well. These are self-explanatory and hence we desist from a further discussion on that. In so far as governance is the management, these issues describe aspects of social management. It has been assumed that capital, customer and employees are no longer site-specific, and are no longer detained within the organisational boundaries by dint of a strictly definable property-rights system. Resources appropriation and growth as well as distribution of the capital, and the governance of the process of transformation of intangible into the tangible — it may be observed from these figures, are more inter-organisational and social than strictly organisational. Given the fact of rising capital intensity of the intangible capital this new modes of management would assume greater significance in the future.

5 Endgame of Corporatism

Corporatism is close to its end. Organisational empire, business strategy of deterrence and competition within a defined turf of market went hand-in-hand for a few decades. It structured relations between the employees, the manager, the holders of debt and equity through the organisational
prism. However, with new markets getting created, and with infusion of socially dispersed and socially produced intangible assets into the transformative process, the firm's status as the principal provider of assured growth has been jeopardised. Consequently, incentives and structures within the organisation that could ensure the turnover has become frail. Knowledge organisation we have described as porous, and governability of concept-led innovations through earlier modes of management has been rendered infructuous. A concept is the fruit of imagination. It grows within a medium of discourse with the guild, which is a social group sharing common belief systems and common approaches to theory. A concept imagines possible microworlds of novel utility-envelopes, or sometimes counterfactual worlds of utility. It brings in surprises and the innovation that it seeks to achieve is highly uncertain dependent crucially on market making. This concept based innovation thrives on the ability to transform intangible into the tangible form and hence it demands a unique understanding and a novel practice of strategies and incentives. A knowledge organisation cannot define a business strategy a la a competition-driven product manufacturing organisation. Strategy for this new organisation, which is open and socialised, involves employees, customers and concept creating technological culture. Managing knowledge and concepts is socialised and this is what we describe as social management. A social management signals the end of corporatism.

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