Bringing focus to entrepreneurship
Tim Skelton interviews Justin Jansen

The value of emotion in visionary leadership
by Merlijn Venus, Daan Stam and Daan van Knippenberg

Optimisation for dynamic ride-sharing
by Niels Agatz

Walking the knowledge tightrope
by Vareska van de Vrande

The harmful neglect of decision support systems
by Niek Althuizen, Astrid Reichel and Berend Wierenga

Attracting non-executive directors to the board
by Abe de Jong, Reggy Hooghiemstra and Marcel van Rinsum

Visions of continuity as visions of change
by Merlijn Venus
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Contents

› Page 05

Bringing focus to entrepreneurship
Tim Skelton interviews Justin Jansen
Fostering entrepreneurship has long been a core part of the RSM ethos. But a new centre bringing together some key players promises to take this philosophy to a new and even more successful level.

› Page 08

The value of emotion in visionary leadership
by Merlijn Venus, Daan Stam and Daan van Knippenberg
New research shows that emotional displays from leaders can have a profound and influencing effect on the way that employees think, feel and behave relative to an organisation’s visionary goals.

› Page 11

Attracting non-executive directors to the board
by Abe de Jong, Reggy Hooghiemstra and Marcel van Rinsum
Companies that are performing poorly from a commercial perspective and are struggling to tap into the advice and guidance of well-qualified non-executive directors need to consider new board members’ intrinsic motivations and the potential for enhancing their reputation if they are to improve the effectiveness of their board.

› Page 13

Optimisation for dynamic ride-sharing
by Niels Agatz
For decades, people have looked for ways to maximise personal transportation efficiency, especially for the regular commute between home and work. Particularly in times of economic difficulties, the primary aim is generally to reduce costs by sharing them. However, an important priority for travellers by car is also to find a substitute for inadequate public transport.

› Page 16

Walking the knowledge tightrope
by Vareska van de Vrande
With "outside knowledge" looking increasingly attractive as a means of growing a business, firms need to be more skilful in identifying how, when and where they collaborate with external knowledge partners.

› Page 18

The harmful neglect of decision support systems
by Niek Althuizen, Astrid Reichel and Berend Wierenga
A serious disconnect between how users perceive decision-support systems and how these systems actually perform could lead to “harmful neglect” of such potentially performance enhancing business tools. On the bright side, something can be done about it.

› Page 20

Visions of continuity as visions of change
by Merlijn Venus
The most effective visions of change given by leaders in organisations are those that assure employees of the things that won’t change rather than the things that will. For employees, ensuring the continuity of organisational identity is not only reassuring but also essential.
Introduction

Bringing the Netherlands back into the top five

Over the past year, Dutch competitiveness has declined considerably. The budget deficit, the badly functioning financial markets and increasing anxiety over the stability of Dutch banks are affecting the Dutch economy. On top of that is an ineffective labour market and delays in making investments in innovation. The upshot is that the Netherlands has dropped out of the top five of the world’s most competitive economies, tumbling to 8th place in the World Economic Forum Ranking.

Lagging investments in innovation exact a toll on the Dutch economy. The Netherlands has been unable to retain its top-five position because of decreasing corporate investment in R&D, the dire need for technicians and engineers, poor co-operation between companies and universities, and a lack of governmental direction and co-ordination. The government’s focus on pivotal economic sectors is moving forward too slowly and the result is an innovation policy with few tangible results.

This issue of *RSM Insight* contains several articles about how to boost the Dutch economy and bring the Netherlands back into the top five. Read, for instance, the article about the newly founded Erasmus Centre for Entrepreneurship, which wants to contribute to new economic growth. Or the article on the knowledge tightrope that shows how firms can increase their R&D effectiveness by considering a diversity of sourcing modes. And, of course, this requires leadership and vision, important subjects that are also touched upon in this edition.

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Fostering entrepreneurship has long been a core part of the RSM ethos. But a new centre bringing together some key players promises to take this philosophy to a new and even more successful level.

When Erasmus University (EUR) was founded back in 1913, its stated ambition was to improve education for entrepreneurs and the wider business community. And now, appropriately enough almost exactly a century later, the Erasmus Centre for Entrepreneurship (ECE) has been created to focus and concentrate its undoubted expertise in this field. The plan is to further the understanding of entrepreneurship and entrepreneurs, and in so doing to benefit the Dutch economy as a whole.

Already up and running, the centre will receive its official launch on October 10, at the inaugural Erasmus Entrepreneurship Congress, which will be held in Rotterdam.

But why is entrepreneurship so important economically, and why should it be encouraged? One of the new centre's Scientific Directors, RSM Professor Justin Jansen, explains. 'It's one of the main drivers of economic growth,' he says. 'Growth depends on how we respond to the challenges we face, both from an economic and an environmental viewpoint. To grow you need innovation and novel approaches, and entrepreneurship underlies that.'

Creating impact
Various EUR schools, not least among them RSM, already cover entrepreneurship in many of their other educational and research programmes. So why was the centre seen as a necessary addition to the fold? 'Erasmus University is known for its facilities, and we are the biggest centre of entrepreneurship in the Netherlands, possibly even in the whole of Europe,' Professor Jansen agrees. 'Our role, like the role of any university, is to look at how we can contribute to economic growth. It's not just about inspiring our students, but also about translating entrepreneurship into economic policy and new management approaches. The principal idea behind the centre was to create more of an impact with this.'

The ECE’s big selling point is that it attempts to combine all the available resources. The joint initiative of both RSM and the Erasmus School of Economics (ESE), its principal strength comes from the pooling of their different areas of expertise. 'ESE has always focused more on the implications for economic policy, whereas RSM has dealt more with the inside of the organisations, both small
Bringing focus to entrepreneurship (continued)

Tim Skelton interviews Justin Jansen

and large,' Jansen says. By tapping into the strengths and skills of both schools, the centre is able to make more of an impact, he adds. ‘It also makes EUR as a whole stand out more, and shows the business world it’s a good place to find out more.’

In other words, the centre is designed to operate as a single unified gateway to all of EUR’s fields of entrepreneurial excellence. In the past, EUR had offered the world a more diffuse – and thus less effective – entrepreneurial face, in the form of its individual schools.

This collection of knowledge is supplemented even further through collaborations with Delft University of Technology (TU Delft), and with Leiden University through the Holland Programme on Entrepreneurship (HOPE). This links together all academic entrepreneurship activities throughout the entire province of South Holland.

Stimulate and educate

The centre’s underlying belief is that the Netherlands has the potential to become a leading knowledge-driven economy, but it recognises that achieving this requires the national workforce to adopt a more entrepreneurial and creative approach. Dutch universities face the challenge of preparing and stimulating society to use its knowledge and skills in more entrepreneurial and creative ways. The centre’s stated mission is therefore to ‘inspire, educate and support tomorrow’s leading entrepreneurs’, by stimulating entrepreneurial behaviour, and by ‘fostering ambitious and innovative entrepreneurship’.

‘We want to accelerate growth in the Dutch business world,’ Professor Jansen explains. ‘In the Netherlands there are many start-ups (zzp’ers), but most remain very small, usually one-person companies. Our idea is to help stimulate them, to grow them into companies with 50 or perhaps 100 employees.’

It’s a worthy ambition that would certainly boost the economy. So how does the centre plan to go about achieving this? ‘We focus on three distinct areas: research, education and support,’ Jansen says. ‘Research is the main pillar of what we do, because it is about launching and building successful new business ventures. The other, Entrepreneurship in the Modern Economy, is offered by ESE, and gives students the opportunity to dig deeper into the world of entrepreneurship and its many aspects.

Students come to study these Minors not only from EUR, but also from other Dutch universities. ‘We teach our students how to develop business plans, something that is perhaps more important for those who come from the more technical universities, since EUR already has a business focus’ Jansen says.

“In the Netherlands there are many start-ups (zzp’ers), but most remain very small, usually one-person companies. Our idea is to help stimulate them, to grow them into companies with 50 or perhaps 100 employees.”
Besides the Minor programme, ECE also offers two Masters programmes. Again, one programme is offered by each of the two participating schools. There are also post-initial education programmes. ‘Alumni might be working in a big organisation, but may also want to start out with their own company,’ Professor Jansen explains. ‘We help to enable these corporate entrepreneurs through training programmes and Masterclasses.’

**Easy networking**

Beyond teaching, the centre offers support to new entrepreneurs in other ways, by providing practical programmes for start-ups and big organisations alike. ‘We bring start-ups together with serial entrepreneurs,’ Jansen says. ‘The latter have been through it all before and know what can go wrong, so they can offer insight and advice for budding entrepreneurs.’

This form of easy networking can be invaluable. ‘Big organisations can sometimes get stuck coming up with new products and services,’ Jansen continues. ‘The research side of our centre is more academically angled, but our education and support programmes can help them out. We provide 10-day post education programmes and support programmes. Entrepreneurs can rent office space in our Science Tower. There they can get together with other start-ups and entrepreneurs and can learn from each other and share experiences.’

Around 20 start-ups are currently working in the Science Tower, located just west of Delfshaven in Rotterdam. Together they form a Startup Campus, where they can interact with one another, with other alumni, and with in-house experts and advisors.

Underpinning the three key pillars of education, research and support are the many events the centre organises. One is the above-mentioned Erasmus Entrepreneurship Congress, which is intended as an annual event, bringing together top business people, entrepreneurs, and politicians to share their insight.

Another is ‘Get in the Ring’, an international competition initiated by the ECE. In this, entrepreneurs compete to secure an investment of up to one million euros, but they have to go about it in an eye-catching way. To add to the sense of battle, the contestants pitch their ideas in front of prominent international investors - in an actual boxing ring. The heats are held globally, and the finals will take place in Rotterdam each year.

‘Before EUR focused its entrepreneurship efforts in the ECE, we were never able to organise such large conferences and events,’ Professor Jansen points out. ‘Thus the centre allows us to make more of an impact in both the educational and business worlds.’

As the centre gets into its stride in the coming years, its unofficial ambition is to grow to become one of the top three centres for entrepreneurship in Europe. But according to Professor Jansen the focus will remain on accelerating growth, and on researching how this can be achieved. ‘All economies need growing companies, so we are looking at what separates these from small one-person start-ups who are happy simply to earn enough,’ he says. ‘We are looking at how we can support their growth and what we can do for our students to strengthen their ambitions. We want them to know there are opportunities out there for them, and to show them how they can make the most of these.’

In addition to being one of the Erasmus Centre for Entrepreneurship’s Scientific Directors, Justin Jansen is also Professor of Corporate Entrepreneurship.

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**Erasmus Entrepreneurship Congress**  
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The value of emotion in visionary leadership

by Merlijn Venus, Daan Stam and Daan van Knippenberg

New research shows that emotional displays from leaders can have a profound and influencing effect on the way that employees think, feel and behave relative to an organisation’s visionary goals.

These days, business leaders tend to strive toward being calm and collected. Executive coaches teach it. Some professionals reportedly even take Botox not just to keep the wrinkles at bay, but also to sculpt their faces into a state of permanent serenity. However, they might be better off taking acting classes as recent research suggests that far from something you should shy away from, emotions are actually a crucial part of persuasion.

This isn’t entirely news. From the ancient Greeks on, people have known key facets of persuasion. Over the next 2,500 years, however, people have not learned much more about how this process works. Even such questions as what kind of emotion is most effective for what kind of message have been answered less by scholarship than gut instinct. Obviously, many leaders developed an intuitive sense of what kind of emotional displays might support or undercut what kind of message, but no one proved it in any kind of systematic way.

“…emotional displays tend to have a profound, long-term influence on how employees think, feel, and behave at work.”

Emotion to Vision

About 15 years ago, this began to change. Although knowledge about the nature of persuasion remains fragmented, researchers have learned more now about the dynamics of jobs that require “emotional labour,” such as waiters and waitresses, airline attendants, hotel desk clerks, and other service employees expected to provide “service with a smile.” Specifically, some scholars found that the more the person actually felt the emotions they presented, the higher their level of customer satisfaction. However, quite how this works has remained unclear. For example, we still don’t know much about the reason emotional displays of leaders help them convey a long-term vision or even what kinds of displays work best in what situation.

Overall, scholars have confirmed the general intuition and found that how you say something tends to matter more than what you say. Other researchers have found a correlation between enthusiasm and a perception of charisma, and optimistic emotions.
tend to be rated as more effective. Somewhat more surprisingly, scholars have also determined that emotional displays tend to have a profound, long-term influence on how employees think, feel, and behave at work. For example, expressions of negative emotion tend to lead to more analytical thinking in a group and can lead to increased effort, while positive emotions may encourage people to be more creative and feel more open and positive about a company’s prospects. Emotional displays even seem to support better group coordination.

These insights are useful as far as they go. However, because the most valuable work a leader does is sell their long-term vision, we needed to know more about how emotional displays and expressions can help leaders encourage people to support their vision.

RSM colleague Daan Stam made a distinction in his PhD dissertation between visions of an optimistic future ideal that appeals to growth values and opportunities, and towards which people might stride, and visions of an undesirable, dark future, from which people need to stay away and that appeals to values such as obligations, duties and responsibilities.

He found that whether leaders can effectively communicate a positive or negative vision depends on the personality of the followers or the context of the vision. In some contexts, people seem to be more attracted by a warmer vision and in other contexts they can be more receptive to a chillier vision designed to encourage prevention.

His work pointed to a new question: how can leaders make their vision easier to accept regardless of the context or the follower characteristics?

Our research suggests that what matters most in persuading a group to follow a long-term goal is not whether the emotional state itself is positive or negative but how closely it aligns with the long-term vision of the message. For example, former Vice President Al Gore’s concerned tone in *An Inconvenient Truth* fit his vision of the seriousness of global warming (a prevention focus), while the 2008 electioneering of President Barack Obama’s fit the optimistic “Yes, We Can” vision of his campaign (a promotion focus).

This congruence can develop in a number of ways. We found that in general, leader enthusiasm motivates followers toward a promotion focus, which leads to higher follower performance for certain kinds of growth-oriented goals (Sell more! Serve better!). Leader concern works the other way, by encouraging followers to think more about prevention (don’t lose this account!). But frustration can also be effective when paired with a growth-oriented vision (if only you could straighten this software out, we would sell more!).
The value of emotion in visionary leadership (continued)

by Merlijn Venus, Daan Stam and Daan van Knippenberg

No bad emotions
Most business communications advisors instinctively try to accentuate the positive. We found, however, that positive or negative is not the crucial aspect of whether a message is effective. The effectiveness of the emotional content depends largely on how it relates to the end-goal: in the end, there are no bad emotions, just emotions that don’t suit the purpose.

Far from hiding their feelings, the most successful executives will be those whose emotional displays correlate most closely with their vision of where the organisation needs to go. Our findings suggest that leaders capable of delivering strong emotional displays that match their long-term vision will be more successful in motivating followers to share and pursue the vision.

Based on a number of experiments with students at RSM and our review of the academic literature, we believe that managers should keep in mind the following:
- Get frustrated! Frustration may be the most effective kind of emotional outburst when an opportunity is blocked.
- Act concerned. Agitation may be more appropriate when survival is at stake.
- Beyond better acting skills, try to develop greater awareness and knowledge of emotions and their consequences.
- Pay attention to strength of feeling. If you don’t have much emotion behind your message, the message is likely to be much less effective.
- Recruiters and human resource administrators should search for candidates who have abilities that are predictive of a strong capability for emotional communications, including emotional intelligence.

Many questions
Of course, many questions about the relationship between emotion and persuasion remain. One of the most compelling is not only about the impact of the vision on the group and which other emotions can help leaders, but also how the leader develops a compelling vision in the first place. How can we help leaders with the development and formation of a vision? Are there particular personalities and/or skills that lend themselves to developing a persuasive, long-term vision?

Once we know the answers to all those questions, we should be a few steps closer to a model of leadership that managers can use to transform their organisation, and eventually, their world. That’s certainly our vision.

This article draws its inspiration from the paper Leader emotion as a catalyst of effective leader communication of visions, value-laden messages, and goals, written by Merlijn Venus, Daan Stam and Daan van Knippenberg and published in the journal Organizational Behavior and Human Decision Processes, 122 (2013) 53-68. http://dx.doi.org/10.1016/j.obhdp.2013.03.009

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Companies that are performing poorly from a commercial perspective and are struggling to tap into the advice and guidance of well-qualified non-executive directors need to consider new board members’ intrinsic motivations and the potential for enhancing their reputation if they are to improve the effectiveness of their board.

One of the interesting elements of the research carried out in the preparation of our paper To Accept or Refuse an Offer to Join the Board: Dutch Evidence is the role that the risk of damage to the reputation of a non-executive director can play in them deciding whether or not to accept the offer of an individual appointment. Few people, it seems, relish the prospect of being tainted by failure should their involvement with an ailing company fail, or even simply be perceived to fail, to help turn it round.

Our paper not only identifies the problem, but also identifies a clear solution to it. Struggling companies, we suggest, should consider changing the emphasis towards the opportunity that they represent for non-executive directors to enhance their reputation.

Writing on corporate governance is traditionally centred on the relevance of non-executive directors and the role that they can play in helping a company’s board with advice and guidance, and the value they add for investors by monitoring their executive counterparts. There has by contrast been little in the way of consideration of the underlying thinking behind the structuring of corporate boards.

Previous studies of the subject matter have typically only addressed the issue of who is on the board. We set out with the aim of trying to discover more about why people accept or refuse an offer of a Dutch non-executive position.

Motivating factors
The question is of more than academic interest. It has long been assumed that companies can populate their board with whoever they identify as their preferred candidates. What if, however, they would like a stronger board but find they cannot recruit the people they most want? We asked a series of questions designed in broad terms to find out who has refused offers, and why they refused them.

What then are the principal reasons? We distinguished between three categories: extrinsic, intrinsic and reputational. Extrinsic reasons include additional income and status, although these are more important for younger people than for more experienced older people who enjoy a degree of financial independence.

Intrinsic reasons can be further subdivided into two categories. The first is self-development. A non-executive position offers the opportunity to learn, to the benefit of the individual and the company both. The second is related directly to work output: if a potential non-executive feels that s/he can contribute to growth, and add other value, the answer is more likely to be ‘yes’. We find this to be the most important factor in the equation.

The results of this study show that, in general, directors do not accept yet another non-executive position just for the money or the prestige as is believed in agency theory. On the contrary, directors are more likely to accept an offer if they expect they can make valuable contributions to either the board’s discussions or society in general.

Basically, this seems to suggest that non-executive directors behave in line with the ideas underpinning stewardship theory as they are intrinsically rather than extrinsically motivated. This should provide some comfort to policymakers as well as companies looking for non-executive directors.
Attracting non-executive directors to the board (continued)
by Abe de Jong, Reggy Hooghiemstra and Marcel van Rinsum

On the one hand, non-executive directors prefer to have a role beyond “rubber stamping” management’s proposals and simply cashing attendance fees. On the other hand, smaller listed and unlisted companies should be in a position to attract highly qualified and motivated non-executive directors, which eventually should increase board effectiveness.

The exact mix of motives will clearly differ between directors, and there is some evidence that intrinsic motivation and achievement are positively correlated. Putting this into a board perspective, it suggests that intrinsically motivated directors are likely to be more effective directors than extrinsically motivated ones.

Reputation matters
When it comes to reputational concerns, the quality of the existing management board, and its collective reputation, can play a major role in individuals declining to accept a role on a supervisory board. In simple terms, if you don’t think much of them, you refuse. This has obvious implications: companies with weaker boards will inevitably struggle, and the companies that most need strong non-executive directors can experience the greatest difficulty in recruiting them.

Research in the area of recruitment and selection of non-executive board members is mainly empirically driven. Our study provides some preliminary ideas about directors’ characteristics and their motives to join boards or not. It is, however, a challenge to develop a theoretical framework in this area which helps us to understand, on the one hand, why firms choose to recruit non-executive directors in a particular way and, on the other, whether this is successful.

Furthermore, it may also be interesting to bring together theories or ideas about what motivates individuals to join supervisory boards and their ideas about the roles they should play.

Pending further study, we feel the messages echoing from our paper are clear. One of the loudest for invitees wavering over a decision is to focus not on risk and fear, and highlight instead the commercial challenge and the opportunity to enhance their reputation by helping to nurse a struggling company back to health.

The paper To Accept or Refuse an Offer to Join the Board: Dutch Evidence, written by Abe de Jong, Reggy Hooghiemstra and Marcel van Rinsum, has been published online in the journal Long Range Planning. http://dx.doi.org/10.1016/j.lrp.2012.06.001

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Optimisation for dynamic ride-sharing

by Niels Agatz

For decades, people have looked for ways to maximise personal transportation efficiency, especially for the regular commute between home and work. Particularly in times of economic difficulties, the primary aim is generally to reduce costs by sharing them. However, an important priority for travellers by car is also to find a substitute for inadequate public transport.

The idea of carpooling originally enabled family members or colleagues to benefit from faster, more direct routes, at the same time sharing the family car and reducing running costs, and taking turns as drivers to pick up and drop off the others according to a fixed schedule. A more flexible solution was difficult due to the lack of enabling communications technology.

Today, there are additional incentives to share transportation resources with others, and the benefits could be broader. Pools of users have widened to include people who don’t know each other personally. The evolving situation naturally brings with it new requirements, which in turn offers new potential for the service providers serving these markets.

Maximised cost control and mobility, greater flexibility and real-time travel solutions are the basic aims, but real, personal added value could be achieved through linked networking and community building opportunities, not to mention reduced road congestion and vehicle emissions in the interests of society at large. And now, the technology is available.

“As yet, web-based ride-sharing tools have only begun to exploit the potential of technology-based systems.”

Speed bumps

The increasing use of mobile communication devices has led to different kinds of online carpool-related services becoming available, ranging from downloadable apps to web-based platforms accessible by tablet computers and smartphones. The focus of these services is to meet the need for a way of bringing together those offering rides with one or more passengers on specific routes. As yet, in reality, they only provide access to electronic bulletin boards, requiring – like carpools – an existing group or community with similar timing and routing requirements.

While technology has made access to this information instantly available, prospective users are still left with the task of searching through lists to find the right match in terms of location, timing and route. Bulletin boards require constant updating: investigating different offers to verify their suitability could mean that a first choice has meanwhile been “taken” by someone else. Matching options are also limited: questions of safety, reliability, comfort and compatibility usually remain unresolved issues.

The matches that people look for now are short-term, flexible solutions adapted to changing societal and infrastructural developments, different employment and commuting patterns, and which pay attention to environmental issues. Larger numbers of employees work according to a flexitime policy, with variable working...
hours. Thus, for many, the duration of the working day is not fixed, making pre-arranged rides impossible or at best, limiting.

More women have joined the workforce, so that families often have to contend with complex, overlapping schedules for crèche and school drop-offs and collection. Public transport can’t hope to meet these complex requirements, often involving time-consuming, multiple changes and restrictive schedules.

Pools of energy
Our on-going research into the possibilities of optimising ride-sharing draws on our expertise in the area of mathematical optimisation, transportation and logistics. Our aim is to explore options for the development of dynamic ride-sharing, enabled by today’s technological connectivity using smartphones and mobile access to the internet.

Using algorithms to handle more complex driver-passenger matches in real-time, providers can be enabled to consistently offer users more balanced choices to the benefit of the companies and individual users they serve, simultaneously minimising the negative impact of congestion on the roads and excess emissions on the environment.

Computer simulations based on commuter data provided by the Atlanta Regional Commission during post-doctoral research at the Georgia Institute of Technology showed that the performance of ride-share platforms tends to improve with the success rate of ride-share requests, which in turn depends on the existence of sufficiently large pool of users. Internet platforms may be infrequently visited, and the numbers of users too small to offer suitable real-time matching.

Equally, longer-term postings requesting a one-off ride for a particular occasion, such as a concert or sports event, could remain without response, or arrive too late for the passenger to take advantage of it. This can be frustrating, discouraging people from using the service again in the future. The unfortunate consequence is that the critical mass needed for the system to be successful is not achieved.

It’s a “Catch 22” situation: insufficient users make it difficult for the system to work effectively, and users’ disappointment in the results prevents the critical mass from developing. For ride-share providers, therefore, it is important to consider how to build traffic to their sites.

Travelling light
Consumption and behavioural trends in society appear to be moving increasingly towards a culture of sharing: not only ride-sharing, but car sharing, appliance sharing, house sharing, sharing creative ideas for new products, new ways of using materials, and more. What all these initiatives have in common is that they not only provide financial benefits to the users, but also bring people together and reduce their environmental footprint.

Ride-sharing becomes more attractive when it meets practical needs for fast, flexible transportation solutions, reliable connections and reduced travel costs, while minimising the negative environmental impact – and possibly offers additional benefits.

“Conceivably, ride-sharers could specify match criteria linking them to others in the same kind of job or profession, or even potential employees, employers, or customers.”
As yet, web-based ride-sharing tools have only begun to exploit the potential of technology-based systems. Traffic on ride-sharing platforms could be increased by linking the functionality of existing services to meet more users’ needs for safety, reliability, also offering the possibility of sharing in a wider sense, and building networks and communities.

User profiles could be linked to social media, providing more insight into a fellow traveller’s background, interests, and level of competence, helping to alleviate concerns about safety and security. Navigation and route selection is made easy with smart links to Global Positioning Systems. Ride-sharers could choose to develop networking opportunities, selecting travelling companions according to their business interests.

Multiple match options

On the principle that satisfied users return to and use a service more frequently, it is in the interests of providers to explore the potential of more sophisticated “match-making” systems. A flexible platform that allows participants more choices, and more possibilities, combines the practical benefits of ride-sharing with networking and community building opportunities.

However, systems that allow people to specify multiple requirements, or define alternative scenarios, require a more sophisticated approach than a simple formula that looks only at departure times and destinations. By broadening the options, participants increase the chances of finding a beneficial match, and a faster, and efficient matchmaking process is enabled by an appropriate underlying system structure.

Conceivably, ride-sharers could specify match criteria linking them to others in the same kind of job or profession, or even potential employees, employers, or customers. How people expand the opportunities offered by ride-sharing will depend on its proven reliability. This in turn will be established only when more people are attracted to and enjoy positive experiences of sharing rides.

Rather than trying to match the maximum number of requirements of every user, tailor-made algorithms could deliver the best possible combination of factors to achieve the optimal balance of benefits, in alignment with users’ profiles: cost, time schedules, flexibility, safety, comfort, environmental impact, compatibility, networking potential. With this in mind, we would encourage ride-sharing service providers to develop more dynamic platforms, taking advantage of novel optimisation approaches. In the end, everyone benefits from balanced solutions.
Walking the knowledge tightrope

by Vareska van de Vrande

With “outside knowledge” looking increasingly attractive as a means of growing a business, firms need to be more skilful in identifying how, when and where they collaborate with external knowledge partners.

The technology cycle is getting shorter, so is the time to market. This is putting pressure on industry to innovate quickly so that it can react to customer demands. This means that, to sustain their competitive advantage, firms can no longer rely on just their own internal R&D; they need to look at resources outside the company.

Collaborating with external market players – such as start-ups, established rival companies, customers, academic intuitions, or individual experts – firms can typically enrich their own knowledge base. Such knowledge sharing is underscored in the open innovation model that promotes the exchange of knowledge, allowing firms to combine external resources with their own R&D department in order to accelerate innovation.

Making the right choice

Knowledge collaboration comes in various forms and depends on the type of relationship – from a strategic alliance, joint venture, merger or acquisition, to owning a minority share or providing venture capital – a firm has with its external partner, and which governance mode is applicable. My recent research in this area indicates that in order to maximise the effectiveness and efficiency of external knowledge sourcing, firms need to carefully build and balance their “knowledge-sourcing portfolios”. So how do they achieve this?

“…a higher diversity of sourcing modes increases the effectiveness with which external knowledge can be transferred.”

It appears that firms benefit most from investing in a portfolio with intermediate levels of technological relatedness. Furthermore, my findings indicate that a higher diversity of sourcing modes increases the effectiveness with which external knowledge can be transferred. Notably, every type of collaboration has its own characteristics. This means that the deployment of a particular type of collaboration strategy depends on a particular set of circumstances and conditions.

For example, corporate venture capital is mainly used in the early stage of a technology or product cycle to create a window on new technology. As a side note, we should not forget that providing resources, such as finance, research facilities or guidance, help the recipient grow the business, making it ripe for the investor to harvest its innovative knowledge – useful in developing products or technology, for instance – at some later stage.

On the other hand, a strategic alliance may involve a higher level of co-operation, but does not necessarily require an equity investment in the partner company. Often deployed in the research-hungry pharmaceutical industry, this collaborative strategy allows companies to join forces in the early stages of a new product or technology cycle, and means that they not only share the potential benefits but also the risks and costs, which could be substantial.

However, in the later stages of the development cycle, when a
achieve this, they need to collaborate with external partners. One way of looking at it is that in the knowledge business ‘no man is an island’. However, ensuring success demands a knowledge-sourcing portfolio that is diversified and well balanced, and an integrated growth strategy supported by an integrated organisation to maximise the efficiency and effectiveness of the knowledge transfer.

This article draws its inspiration from the paper Balancing your technology-sourcing portfolio: how sourcing mode diversity enhances innovative performance written by Vareska van de Vrande and published in Strategic Management Journal 34; 610-621 (2013). http://dx.doi.org/10.1002/smj.2031

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The harmful neglect of decision support systems

by Niek Althuizen, Astrid Reichel and Berend Wierenga

A serious disconnect between how users perceive decision-support systems and how these systems actually perform could lead to “harmful neglect” of such potentially performance enhancing business tools. On the bright side, something can be done about it.

When you consider that accurate and timely information on key markets and customers is the lifeblood of decision makers, it is not surprising that these decision makers deploy a wide range of information technology tools – decision-support systems (or DSSs) – capable of trawling, processing and analysing huge amounts of business-related data in search of patterns, correlations and trends, as well as crucial answers to key what-if queries. All this information is used in preparing, refining and managing business plans and marketing campaigns that eventually have bearing on a company’s performance and bottom line.

Since the late 1960s, DSSs have evolved in the field of marketing. So-called marketing decision-support systems (MDSSs) now include marketing models, expert systems, case-based reasoning systems, creativity support systems and marketing dashboards. In the fast-moving consumer-goods industry, companies deploy them to investigate, for example, how customers with different characteristics and requirements will react to a marketing campaign, discovering new sub-segments in the process. Banks and insurance companies make use of customer relationship management systems (CRMs) to identify possible customers for niche products or services.

Mind the gap

But are decision makers arming themselves properly with the best tools? Unfortunately, sixteen DSS studies we looked at revealed that these systems are not being deployed to their fullest potential. The same complaint applies to DSS in a broader sense. There is a gap between the actual and realised potential.

A key factor – “perceived usefulness” – in a tool’s adoption and usage depends on the extent decision makers think it contributes to decisional quality, that is, performance. Simply put, if a DSS makes an important contribution to performance, but decision makers do not recognise this (because perceived usefulness is low), it will have a negative effect on the DSS’s adoption and usage, and ultimately on the firm’s results.

We conducted two experimental studies in the use and efficacy of DSSs. In the first study, the task was to come up with creative ideas in response to a business problem. We were thus able to measure actual performance by the quality (effectiveness) and number (productivity) of generated ideas.

The task for the second study was to design a creative marketing campaign, arguably a more complex task than the one in the first study. Again, the purpose was to examine whether users evaluate more effective DSSs more favourably. Here we compared the performance of two prototypical DSSs supporting the design of creative marketing campaigns, to a baseline condition in which no DSS was available.

The results of our empirical studies add to an already bleak picture. Not only did we fail to find in either study significant positive correlations between user evaluations and actual performance; but, we even found significantly negative ones, meaning that improvements in actual performance were associated with less favourable evaluations of the DSS in question.

Crucially, our findings imply that...
perceptions, effective DSSs may not be adopted and used; or ineffective DSSs may be adopted and used. Apparently, recognition of the contribution of a DSS is not automatic. Our studies also show that user evaluations of performance-enhancing DSSs appear to be insufficient to guide their adoption and continued use.

In terms of further research, we feel it is important to study the conditions that facilitate or hinder users in forming accurate performance-related evaluations, which are essential to ensure good managerial decision-making. Hopefully, this will help to design effective interventions that facilitate the adoption and use of performance-enhancing DSSs in practice. However, what kind of interventions could be tried in the meantime to alleviate this problem?

**Accentuating the positive**

Two potentially effective strategies come to mind. First, publicise success stories based on in-company experiments or field studies that demonstrate the positive effects of a DSS on creative performance.

However, it is also important to warn users that such performance improvements may be difficult to assess immediately and that the contribution of a DSS may only become evident after a period of extended use.

Second, employ efficiency gains to get users interested. After all, it is generally easier to assess these types of gains (time saved, for example) than to assess improvements in decisional quality. We discovered that users tend to evaluate a DSS more positively when they were able to construct a solution more quickly after deploying it. Such efficiency gains could be emphasised to stimulate use, which may eventually enhance decision quality through (increased) DSS usage.

It should be noted that outside of marketing, for example in operations management, DSSs are mainly deployed for efficiency gains. However, results in marketing are dependent on a huge number of different factors (such as marketing-mix, competitors and economic climate), making it difficult to isolate the contribution of the DSS to decision quality.

Finally, there is also the "usability" of the tool to consider. It goes without saying that a DSS selected for deployment should fulfil several basic user requirements to make it attractive to use. Characteristically interactive, intuitive and user-friendly, it should also offer decision makers – sitting at their desks – access to a wide range of standard analytical functions and well-presented graphical information, as well as split-second response times.
Visions of continuity as visions of change

by Merlijn Venus

The most effective visions of change given by leaders in organisations are those that assure employees of the things that won’t change rather than the things that will. For employees, ensuring the continuity of organisational identity is not only reassuring but also essential.

When Barack Obama took to the podium to deliver his inaugural address in 2009, the US was in the throes of an economic crisis and two wars. He needed his first presidential speech to inspire faith in his vision of a very different future.

Referencing past generations and values and linking them to future actions, he said, ‘America has carried on... because We the People have remained faithful to the ideal of our forbearers and true to our founding documents... the time has come to reaffirm our enduring spirit.’

Obama created a strong sense of an evolving American identity – a sense of continuity of the collective identity. This, we now know, is key to mobilising support for a vision of change and a powerful tool for leaders seeking to mitigate the resistance that is behind so many failed change initiatives.

Organisational change

A recent survey of HR professionals found that organisations implement an average of two major organisational changes each year. Most of these initiatives fail, largely owing to the uncertainty and thus resistance they provoke among employees. Given that leader vision is instrumental in mobilising support for organisational change – perhaps what leaders are telling their employees is not always what they want to hear.

Most management experts assume that effective visions of change depict the deficiencies of the status quo while portraying an idealised future both vastly different and greatly improved. If employees are convinced that what lies ahead is better, so the reasoning goes, they will be motivated to embrace the uncomfortable process of changing the way they do things. At the core of this message is – dispel with your current identity and embrace a new and better one.

But these assumptions are just that – assumptions lacking empirical support. The current state of science leaves us in the dark as to the exact way in which leader vision translates into follower action. And despite the validity of the logic supporting these theories, they essentially encourage a discontinuity of the basis of employee’s self-conception – the part of their self-definition they derive from their organisation.

Identity concerns

When Intel made the radical switch from producing memory chips to microprocessors they faced a profound change of identity. Employees described a sense of not knowing who they were going to become. Andy Grove, the CEO at the time, said, ‘Intel equals memory in all minds. How could we give up our identity?’

Leadership scholars agree that leaders exert their profound influence through their impact on followers’ self-concept. Importantly, our self-concept is based not only on unique self-descriptions but also the collectives to which we feel connected, such as the organisation for which we work. Just as people identify themselves with their country, so they identify with their organisations. Organisations provide employees with a consensually valid social template for what to think, feel, do and expect, thus reducing uncertainty.

But what happens when organisations change that identity – as they attempt to do with increasing frequency? Studies show that, while
people like change, not many like to change the essence of who they are. Changes to the organisational identity represent a threat to employees’ basis of self-definition. And that employees resist change when it poses a threat to their identity has been evidenced extensively in merger research.

Yet how can we motivate change and simultaneously assure continuity? This apparent paradox can be resolved if change is framed as involving features not central to what defines the organisation.

**Visions of change**

Our research proposes and validates an alternative conception of an effective vision of change – namely, that a successful vision of change must be one in which the organisational identity is not threatened; a vision in which employees are reassured of a continuity of identity.

We tested our hypotheses with a series of four studies, two of which were field studies on companies about to undergo significant change. We asked employees the extent to which they perceived their leader as an agent of continuity and the extent to which they supported the change. The supervisor was asked the extent to which employees were contributing to the realisation of the change. Two other experiments were conducted involving a merger context and a controlled experiment where student participants read a vision of change regarding educational programme changes.

We found that the more people perceived a vision of collective continuity and a preserved sense of core identity, the more willing they were to accept and work towards realising the change. This was especially the case for people who were dispositionally uncertain – and therefore displayed the most resistance. Together, these findings allow us to claim with confidence that visions of continuity are effective visions of change.

**What leaders can do**

Leader visions that successfully inspire change do so because they address the primary source of resistance by employees – identity concerns. These visions assure employees that, of all the aspects that will change, the most defining features of the collective identity, will definitively not. Successful visions of change indicate changes to practices and features of the organisation, but not to the
Visions of continuity as visions of change

As visions that effectively mobilise support for visions of change. According to our findings, instead of creating dissatisfaction with the status quo or framing the change as a positive break from a deficient present, leaders would do better to assure their employees that the change is a continuation, reaffirmation or preservation of who “we” are as a collective.

Indeed, it is becoming increasingly clear just how great a role leaders play in constructing the organisational identity – adeptly defining an evolving reality for others.

“Leader visions that successfully inspire change do so because they address the primary source of resistance by employees – identity concerns.”

When Charlotte Beers became the new CEO of Ogilvy & Mather Worldwide in 1993, she developed a vision statement that outlined her plan for some major organisational changes. It also contained this important clause: ‘The values we share, however, the way we do things, day-to-day, will remain constant.’ Knowingly or not, her choice of words was undoubtedly key in helping her employees embrace what lay ahead.

Managers stand to benefit immensely from understanding more about how to identity for employees and framing it as one that is evolving. In this respect, it may be interesting to use Steve Jobs’s return to Apple as a case in point. This can be referred to as an instance where the leader seemed to suggest that proposed changes were more in line/consistent with the collective identity than the then current situation.

As such, change meant a re-affirmation of the collective identity. On returning to Apple, Jobs’s strategy seems to have been to advocate a return to Apple’s roots (which according to him was consistent with Apple’s identity), advocating that by changing Apple would become more like its true self. This back to our roots strategy clearly shows that identity is negotiable (and not an objective, fixed thing) and effective leaders are skilful entrepreneurs of identity. More research analysing the rhetoric of leaders who effectively achieve this could offer even more insights into how leaders can become skilled entrepreneurs of identity – adeptly defining an evolving reality for others.

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