

**CUSTOMER-RELATED KNOWLEDGE
UTILISATION IN THE COLLABORATIVE
RELATIONSHIPS OF PROFESSIONAL
SERVICE ORGANISATION**

**SATU
NÄTTI**

Faculty of Economics and
Business Administration,
Department of Marketing,
University of Oulu

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OF PROFESSIONAL SERVICE
ORGANISATION**

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Supervised by
Professor Kimmo Alajoutsijärvi

Reviewed by
Professor Jukka Ojasalo
Doctor Carl-Johan Rosenbröijer

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Faculty of Economics and Business Administration, Department of Marketing, University of Oulu,
P.O.Box 4600, FIN-90014 University of Oulu, Finland
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Abstract

The purpose of this study is to describe customer-related knowledge utilisation in the collaborative relationships of professional service organisations. Within this specific context, knowledge transfer capabilities are emphasised as an important prerequisite in the utilisation process.

Effective organisation-level knowledge utilisation is crucial in collaborative relationships of professional service organisations. In order to formulate a coherent service offering across different areas of expertise, for instance, it is beneficial to transfer customer knowledge between professionals, business units and functions. Knowledge utilisation across different expertise areas may also be an important prerequisite for an organisation's innovativeness and proactiveness in customer cooperation.

Customer-related knowledge utilisation and related knowledge transfer processes are in this study approached from a relationship management perspective, and literature from organisation research, resource-based view and knowledge management is used as a theoretical basis. Empirically this study is based on a descriptive case study of two professional service firms in the field of business-to-business education and consultancy services. In the first case, an in-depth analysis of an organisation developing a collaborative relationship in the outsourcing situation is described. In the second case, additional views are given on organisational practices potentially facilitating customer-related knowledge transfer.

Empirical results show that internal fragmentation in the professional service organisation seems to be, to a large extent, inherent in this type of organisation, and may cause many problems in customer-related knowledge transfer and thus in effective utilisation of that knowledge. These knowledge transfer inhibitors rise from an organisation's characteristics; its dominant logic, culture, structure and systems. These organisational characteristics are bound to the characteristics of knowledge itself: its tacitness, non-observability and complexity, and can have an inhibiting influence on knowledge transfer.

However, in spite of the inherent forces causing internal fragmentation and inhibiting knowledge transfer, moderating practices of a well-planned relationship coordination system, customer knowledge and expertise codification, and cooperative working practices among the experts seem to help to maintain customer knowledge transfer and utilisation, and thus also continuity and value creation in the long-term relationships. This value creation can be seen to be based on accessing and integrating a wide variety of knowledge resources in order to create innovative, flexible and multifaceted service offerings. Value creation can also be based on organisational ability for generative learning in order to change prevailing organisational assumptions and to develop the operations model needed in collaborative relationship.

Keywords: capability development, collaborative customer relationship, customer-related knowledge, knowledge transfer, knowledge utilisation, professional service organisations

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1 Introduction

“... It is a really good question, what keeps the professional organisation working to fulfil customer needs as a team... What could be a process or a system, which could disentangle all the expertise of the service organisation for the customer’s purposes, without any friction...” (Auctor, manager)

More complex, demanding customer needs and a trend towards outsourcing have created a situation in which the ability to create long-term customer value relies on collaborative customer relationships (e.g. Jones, Chonko & Roberts 2003). This trend is also prevalent in the area of professional services. In this situation, the key questions of relationship management are: how to co-ordinate relationships and how to manage the organisation in order to make it responsive to long-term customer needs (Homburg *et al.* 2002, 38).

Long-term co-ordination of relationships requires support from the entire professional organisation. In practice this means that the participation of functions other than sales and marketing is needed. The ability to open up access to, and gain the commitment of those cross-functional resources seems to play a critical role in the success of many relationships (Kothandaraman & Wilson 2000).

Thus, the development of internal, organisation-wide knowledge processes that assist in learning about customers and create opportunities to utilise internal resources widely is essential for creating competitiveness in a collaborative relationship (Campbell 2003, 382, Ballantyne 2003, 1247). Effective customer-related knowledge transfer within a professional service organisation is the cornerstone of both knowledge-intensive service production and customer-relationship co-ordination (Sivula 1997, 230). It is also an important prerequisite for the previously mentioned cross-functional co-operation and commitment (Homburg *et al.* 2002, 55; Grant 1997, 450–454).

However, complete internal knowledge transfer and assimilation are rare in any type of organisation (Goh 2002), and most organisations are faced with many obstacles such as myopic mental models or constricted circulation of information, or the collective memory suffers from amnesia (Argyris 1999, 66; Day 1994b, 11). Customer-related knowledge processes may be based on the transactional idea of customer relationships, “one project at a time” when a more long-range, relational approach would be better. Developing collaborative relationships by improving internal knowledge transfer in

professional organisations offers interesting challenges concerning the specific characteristics of those organisations. This is discussed in more detail in the following section.

1.1 The potential challenges of knowledge transfer in professional organisations

The contextual properties of an organisation, its subunits, individuals and relationships among them always influence knowledge management outcomes such as the creation, retention and transfer of knowledge (Argote *et al.* 2003, 580). That is why the phenomenon of customer-related knowledge transfer is particularly interesting in the context of professional service organisations, which are typically “loosely coupled systems”. The parts of such a system influence each other and react to each other whilst *retaining their separateness and their own characteristics*. Loose coupling may appear among individuals, sub-units, and between hierarchical levels, for example. (Orton & Weick 1990, 205 and 208). The organisation becomes “a total of many loose autonomous units” (Reponen 1999, 241), which is why loose coupling is also *likely to create barriers to knowledge transfer* (e.g. Starbuck 1992).

An organisation has to be capable of transferring customer-related knowledge internally in order to be able to utilise it in a collaborative relationship (see e.g. Grant 1997, 450-454). However, an individual expert’s intensive customer relationships and autonomous working orientation may reduce the amount of internal knowledge transfer among the professionals working for the same organisation. Likewise it may be hard for professionals to understand the significance of institutionalising knowledge for purposes of the whole organisation (e.g. Løwendahl *et al.* 2001). Consequently, the organisation’s common knowledge stocks may remain weak if there is no commonly shared customer knowledge, but plenty of individual-bound knowledge in its tacit¹ form. As a result, the customer might be the only one with a complete picture of the customer relationship and customer needs (Day 1994b, Day 2000, 28, Starbuck 1992). Organisations may also face difficulties in creating a common understanding of the expertise possessed by different professionals within the same organisation, and as a consequence creating innovative service offerings becomes more difficult. These are examples of possible reasons behind the claim that generally speaking professional organisations are not very successful in managing their knowledge assets (e.g. Kerkhof *et al.* 2003).

Internal knowledge transfer may also be weak in professional service organisations because of other underlying tendencies. These include hidden status and power structures and organisational structures which influence knowledge transfer and cause incoherence within the organisation (e.g. Argyris 1999, 49), such as competition between experts and teams, an individualistic culture, barriers between different professional/collegial/task-

¹ According to Demarest (1997, 378), tacit knowledge is “held in memory by a single individual or in the day-to-day business practices of a small number of people, but it is not formally encoded or available for dissemination or emulation”. Explicit knowledge is clearly formulated and defined, easily expressed, and codified and stored in databases (Bollinger – Smith 2001, 9).

oriented groups (e.g. Thomas-Hunt *et al.* 2003), political “subsystems” and so on, all of which have an effect on knowledge transfer. Behind these distinctions there are also human feelings (e.g. Argyris 1999, 70) such as ambition and jealousy. Experts in the same organisation might even act competitively (e.g. Starbuck 1992).

Individual experts from different functional areas may diverge into their own expertise and collegial groups, creating social bonds with the people they see as having views similar to their own (Thomas-Hunt *et al.* 2003, 465-466; Empson 2001b). People create meanings when they deal with each other in those groups and differences between those meanings may be strengthened in everyday interactions within one’s own collegial groups. Changing or balancing these views is difficult because people are often unaware of these differences (Argyris 1999, 67). All of the above supports the emergence of strong collegial subgroups, which in turn may create barriers to customer-related knowledge transfer.

As a result of this fragmentation on individual and group level, the whole organisation may suffer and become weaker (Orton & Weick 1990). From the customer relationship point of view this could lead to a situation where customer-related knowledge is not transferred on the organisational level and this can harm the customer – for example, in the form of multiple selling efforts conducted simultaneously by professionals within the same organisation. Based on the same phenomenon, specialist groups and individual experts might be competent in providing specific, narrowly defined services, but lack the ability to combine expertise with other professionals in the same organisation to create added value for the customer. This is paradoxical, because in the knowledge-intensive context the added value produced by combining different types of expertise might be far more valuable to the customer than cost savings, for instance (Kirjavainen 1997b, 55).

1.2 Purpose of the study

The purpose of this study is to model and describe customer-related knowledge utilisation in the collaborative relationships of professional service organisations. Within this specific context, knowledge transfer capabilities are emphasised as an important prerequisite in the utilisation process.

The ability to utilise customer-related knowledge can be seen as a core element of value creation in collaborative customer relationship. The ability to utilise the internal knowledge resources of the professional organisation may result in the delivery of more innovative and valuable service offerings (e.g. Cavusgil *et al.* 2003), in proactiveness in relation to customer needs and/or in the ability to combine expertise in novel ways (e.g. Kandampully 2002, 19). Prior knowledge about the client and established routines will facilitate cooperation and service delivery (Sivula 1997, 56). Efficient knowledge transfer may also help in *maintaining those utilisation capabilities over time*.

This is because organisational development occurs as individuals acquire knowledge, share that knowledge throughout the organisation, achieve a shared interpretation of the knowledge and finally consider changes based on that shared interpretation (Slater & Narver 2000, 120). Thus, in addition to being an important prerequisite for instant utilisation of customer-related knowledge in collaborative relationships, knowledge

transfer processes can also be seen as an important prerequisite for long-term customer-related capability development (see e.g. Wagner 2003)².

Capability development can be understood as a firm's movement towards something "desirable"; towards the goals of the organisation. In this study, capability development is used synonymously with positive change in relation to the operations model needed in the collaborative relationship (See e.g. Anderson & Narus 2004; Rosenbröijer 1998). In this study the focus is on the development of the customer-related knowledge transfer processes. The outcome of that development would be an organisational ability to utilise customer-related knowledge, and consequently the ability to deliver more value to the collaborative customer. Achieving this enables the organisation to develop and maintain long-term, interactive relationships with mutual goals. In that sense, in this study capability development may also be seen as an organisational change from transactional "relationship management" (concentrating on conducting individual projects for various customers) into relational relationships management (maintaining chosen customer relationships).

This discussion is naturally based on the idea that collaborative orientation is different from transactional orientation (see e.g. Pillai & Sharma 2003; Day 2000, 24-25). According to one definition, transactional orientation means selling and delivering a service, while collaborative orientation means learning about customer needs and wants and knowing how best to create, satisfy and sustain the relationship (Anderson & Narus 2004, 11)³ Thus, collaborative exchanges feature very close "information, social, and process linkages, and mutual commitments made in expectation of long-run benefits" (Day 2000, 24). The core difference between those two orientations (from this study's point of view) is that with transactional orientation, the resources needed are not so varied, services may be more productised and the meaning of the customisation is lower, and therefore the need to access a wide variety of internal knowledge resources may not be so considerable. In contrast, relational exchanges may require more flexibility and commitment to use a wider variety of internal knowledge resources and for the professional organisation to customise the service offering for the benefit of the customer. This means, as has already been mentioned, that an ability to conduct inter-functional cooperation may be critical in implementing a collaborative strategy (Kothandaraman & Wilson 2000, 340). In collaborative exchanges very close knowledge sharing, social and process connections and mutual commitments in expectation of long-term benefits also call for a high level of communication (Day 2000, 24-25), both internally and in the customer interface. Collaborative orientation also makes that communication more likely (Sivula 1997).

Before going any further, there are words and concepts of which we have to create a common understanding. In the following I would like to define the key concepts of the study:

² Also Day (1994a) suggests that because organisations are cognitive entities, understanding how they process market information is critical to understanding how they learn and why they do not learn. Also Uzzi & Lancaster suggest that knowledge and information transfer and learning are closely related (Uzzi & Lancaster 2003, 390).

³ Sivula (1997, 78) defines that in this type of relationship the aim is to benefit both parties by knowledge development and utilisation of the accumulated knowledge with the partner. He names this type of relationship "client partnership".

- *Customer-related knowledge* means all the knowledge potentially utilised to benefit the customer in collaborative customer relationship. Originally it may be internal or external to the professional organisation
- *Customer-related knowledge utilisation* means utilising that knowledge to benefit the customer in collaborative customer relationship between professional service organisation and its customer
- *Customer-related knowledge transfer* internally in the organisation is seen to be an important prerequisite for knowledge utilisation. It means both socialised transfer (that occurs through direct, personal interaction), and intermediated transfer (where codified, explicit knowledge is available and the knowledge transfer is intermediated e.g. through an IT system) (See also Jordan & Jones 1997, 393, Dawson 2000)
- *Customer-related knowledge transfer inhibitor* is an organisational factor or a factor related to the knowledge itself which inhibits socialised transfer and/or intermediated transfer
- *Customer-related knowledge transfer facilitator* is an organisational factor which facilitates socialised and/or intermediated knowledge transfer
- *Collaborative customer relationship* is the type of customer cooperation which is by both seller and buyer meant to be strategic, mutually beneficial, cooperative and long-term and is based on a mutual goal
- *Professional service organisation* is the type of organisation that employs highly educated and experienced people, professionals/experts. An organisation is in its service production extremely dependent on professionals' ability to mobilise, develop and transform the knowledge in order to create value for their clients (see e.g. Løwendahl *et al.* 2001, 912)
- *Professional services* produced by the type of organisation are typically based on the expert assessment, customised to client needs, and their delivery involves a high degree of interaction with the client (see e.g. Løwendahl 1997, 20)

Based on the views presented earlier, customer-related knowledge transfer is seen as an important prerequisite for customer-related knowledge utilisation in professional organisations' collaborative relationships. It can thus be suggested that internal knowledge transfer inhibitors and facilitators in the professional organisation play an important role in the development of those relationships. Thus, the research questions can be presented as follows:

The main research question is: in what way do the customer-related knowledge transfer capabilities of the professional service organisation influence customer-related knowledge utilisation in a collaborative relationship?

Two *sub-questions* are formed in order to answer the main question:

- I What are customer-related knowledge transfer inhibitors to customer-related knowledge utilisation in this context? (For this question both theoretical and empirical insights are given).
- II What are the customer-related knowledge transfer facilitators encouraging customer-related knowledge utilisation in this context? (Also for this question, both theoretical and empirical insights are given, although the emphasis is on empirical aspects).

In this study, defining the specific context of professional service organisation is important because without these theoretical and empirical elements concerning the context, the description of customer-related knowledge transfer would lose its depth and richness. Thus, in the analysis I focus on the inner context of the professional organisation meaning the historical background, structural, cultural and political environment influencing knowledge transfer (Pettigrew 1997, Alajoutsijärvi & Eriksson 1998), and reflections of those phenomena on knowledge utilisation and on value creation in the collaborative customer relationship.

However, the main source of customer-specific knowledge is the customer itself. It is therefore impossible to analyse intra-organisational knowledge transfer totally separately from knowledge transfer in customer relationship interface. Keeping this in mind I focus on customer-related knowledge transfer within a professional service organisation, knowledge transfer in the customer interface is included whenever it is considered necessary. In the following, the focus of the study is illustrated.

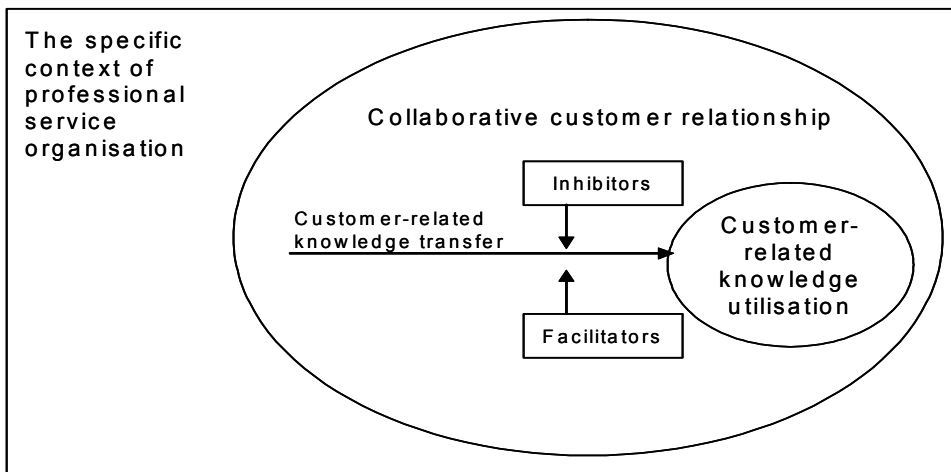


Fig. 1. Focus of the study.

I approach this phenomenon from the perspective of relationship management in professional service organisations, and use insights from the resource-based view, organisation research and knowledge management in order to form a holistic theoretical understanding of the subject. Using this multitheoretical approach helped me to see the phenomenon from different perspectives; the picture formed is thus hopefully more complete in that sense. Important theoretical aspects of this research are theories of loosely coupled system (Orton & Weick 1990) and exploration and exploitation of knowledge (March 1991, Slater & Narver 1995, McGrath 2001, Kerkhof *et al.* 2003). In addition, the classical model of knowledge conversion is represented (Nonaka & Takeuchi 1995), in addition to knowledge transfer mechanisms through which organisations are able to develop their capabilities (Zollo & Winter 2002) and transferability of knowledge. Further, characteristics of organisation either hampering or facilitating knowledge transfer are analysed by using the concepts of dominant logic (e.g.

Bettis & Prahalad 1995), culture (e.g. Starbuck 1992), structure (e.g. Teece 1996, Teece *et al.* 1997) and systems.

A case study in two companies from the business-to-business environment offering consultancy and training services was conducted in order to enrich the description with an in-depth-analysis and to open up the “black box“ of internal reality in professional organisations. Thus, *my aim is to develop the existing theory keeping this specific context in mind, and not to test a theory.*

In the following I will describe relevant discussions in the area of organisation research, knowledge management and relationship marketing, and based on this I will define the meaning of this study. I will also define more precisely why the collaborative customer relationship is especially interesting when looking at the customer-related knowledge transfer processes.

1.3 Academic and managerial discussion around the research area – meaning of the study

1.3.1 Resource-based view and relationship management

During the last decades, researchers in the area of strategic management have started to pay attention to the role of a firm’s internal factors such as resources, capabilities and competencies as a basis for competitive advantage (see e.g. Penrose 1995). This has generated a profound change in the perception of the roots of competitive advantage (e.g. Sanchez & Heene 1997, Argote *et al.* 2003a and 2003b).

In principle, three different paradigms can be identified in the history of strategic management (Teece *et al.* 1997, 510, 527). The dominant paradigm during the 1980s was the well-known competitive forces approach adopted by Porter (1980), which emphasised the action a firm can take to create “defendable positions” against competitive forces. The strategic conflict-approach (e.g. Shapiro 1989) is closely related to Porter’s view, and is based on game theory. Both of these views seem to share the idea that the competitive advantage is formed by “privileged market positions” (Teece *et al.* 1997, 510).

The resource-based view takes a different approach to competitive advantage compared to these earlier research streams. It emphasises that firms build enduring competitive advantages through efficiency and effectiveness, thus looking inside the organisation. It focuses on firm-specific competencies, assets, resources and the firm’s internal organisation. “What a firm can do is not just a function of the opportunities it confronts: it also depends on what resources the organisation can master” (Teece *et al.* 1997, 513). According to this definition, these resources may be specific physical, human, and organisational assets (Barney 1986). When those resources are valuable, rare, inimitable and non-substitutable, an organisation can achieve a competitive advantage by implementing new value-creating strategies (Eisenhardt & Martin 2000, 1105). Based on this ideology, *internal knowledge resource constellation and its effective utilisation in a customer relationship may create a competitive advantage.* The knowledge approach is naturally only one angle on the internal resources; however, it is my focus in this study.

When linking the resource-based view and knowledge perspective, at least two different streams of research seem to be formed: firstly, research emphasising the stock of knowledge as a potential source of competitive advantage and secondly, research emphasising knowledge as a potential source of innovation and value creation (Løwendahl *et al.* 2001). Both approaches are relevant to this study point of view, but knowledge application in the process of value creation to the customer is emphasised. Effective knowledge transfer can be seen as a source of value per se; for example, if the organisation is (with the help of knowledge transfer processes) able to create innovative service offerings by utilising a variety of expertise possessed by a variety of organisational actors. In addition, effective knowledge utilisation may create dynamic capabilities whereby the firm is able to renew and adapt its activities to serve the long-term client needs in changing circumstances (see e.g. Teece *et al.* 1997).

Dynamic capabilities are isolating mechanisms that enable competitive advantage to be sustained (See also e.g. Lippert-Rasmussen 1993, 8). From a dynamic capability perspective, competitive advantage lies in specific, distinctive co-ordinating and combining processes that are shaped by the evolutionary paths a company has adopted (Teece *et al.* 1997). Argote *et al.* (2003a) suggest that the idea of capabilities is attractive because it puts “content back into theories of organisations”. In other words, these theories emphasise the content of those activities (“what organisation comes to know”) as an important explanatory variable of performance. According to the authors, these theories capture and explain changes in the content and distribution of knowledge and its effect on organisational performance over time.

“How do organisations retain the knowledge they create? Where is knowledge embedded in organisations and how do those repositories affect its retention and subsequent use? How is knowledge transferred within organisations and what factors facilitate (or inhibit) its transfer?” (Argote *et al.* 2003)

In pursuance of a defined change towards a more resource- and knowledge-based view in strategic management, a change has also occurred in the marketing paradigm. A customer is no longer seen as an object of marketing operations, but rather a subject who can choose how to behave and be active in the relationship (e.g. Storbacka & Lehtinen 1997, 82). Traditional, consumer-oriented marketing theories have seen the customer as a “behaviouristic automaton” who acts in the stimulus-reaction-pattern. This view of marketing does not fit well into the reality of business-to-business service marketing that is based on collaborating and bonding strategies (Grönroos 1994, 347-353, also Gummesson 1994, Day 2000, 25).

The relationship marketing approach focuses on inter-organisational relationships (Möller & Halinen 2000, 40), and is based on the themes of developing, maintaining and coordinating customer relationships. The aim of the discourse is to shift the focus from transactional customer activities to viewing the customer relationship as an ongoing and maintained phenomenon (Möller & Halinen 2000, 32; Anderson & Narus 2004). Relationship marketing emphasises the need for the support of the whole seller-organisation in maintaining and developing the relationships, and the need to access the variety of internal knowledge resources in order to benefit the customer (Grönroos 1994, 356). That may be one reason why in the relationship marketing approach *there seems to*

be an increasing interest in learning and knowledge processes (see e.g. Ballantyne 2004b, 97-98).

For example, related to the above-mentioned resource-based view, Grönroos (1996) writes about the transition from a product-oriented approach in marketing to a resource- or competence-oriented one. Although he focuses on consumer aspects in his work, the idea may be especially relevant to the business-to-business context as well. When utilising a resource-oriented approach, service companies, like professional service organisations, do not have products in the traditional sense, but “a set of resources and, in the best cases, a planned way of using these resources as the customer enters the arena”. Thus, an organisation has to be able to handle the resources so that a total offering is developed. As mentioned many times before, especially in collaborative relationships it seems that customer value cannot be delivered by one function or an individual alone and it should not be the responsibility of few (Tzokas & Saren 2004, 127).

This means that in addition to work in the customer interface, the development of all types of internal resources, design and internal communication becomes important from the customer relationship point of view (Grönroos 1996, 10-16; Gummesson 1994, 10). In that sense relationship orientation also requires use of knowledge resources and skills that are different from those utilised in the traditional, transactional approach (e.g. Dubinsky *et al.* 2003, 8)⁴ which may have been more product- or service production-oriented, and where utilising local knowledge resources in single transactions may have been sufficient.

According to my view, the previously presented viewpoints also bind the views of resource-based strategic management and relationship marketing together: collaborative relationships cannot be developed and maintained without considering the internal resource constellation of the seller organisation and the mechanisms which sustain its effective use to benefit the partner. I find it surprising how rarely researchers in the area of relationship marketing have been interested in combining organisation's internal factors with phenomena in the customer relationships.

The connection between internal knowledge transfer, knowledge utilisation and collaborative relationships can be created with the help of the *customer value concept*. First of all, without creating value for the customer, the firm has limited potential to succeed in collaborative relationships. Customer value is at the core of long-term relationships (Storbacka & Lehtinen 1997). Based on the knowledge resources, for example customer-specific knowledge and expertise-related knowledge in the organisation, the supplier has the potential to develop its organisation and service offering to meet the needs of the collaborative relationship. Thus, the relevant knowledge resource from this study's point of view is knowledge that offers the potential to develop value for long-term customers (see also Tzokas & Saren 2004). Organisation's internal reality unavoidably influences customer cooperation.

It is interesting to question what that value means in practice, because naturally *perceived value depends on customer characteristics* (Anderson & Narus 2004, 7) and customer needs may be very complex. Considering the focus of this study, I suggest that

⁴ Along with the principles of relationship marketing, through increased mutual learning and relationship-specific investments, cooperating parties become interdependent, which makes (also from the buyers point of view) switching the partner more difficult (Möller & Halinen 2000, 44).

in a collaborative relationship the value creation may be based on utilising a wide variety of internal knowledge resources, for example in the customisation process of the service (Sivula 1997), and in the way professional service organisation can provide innovative service offerings (e.g. Cavusgil *et al.* 2003), maintain its pro-activeness in relation to customer needs, or the ability to combine expertise in novel ways (e.g. Kandampully 2002, 19).

1.3.2 Why it is important to study customer-related knowledge utilisation in professional service organisations

To my knowledge, there is a research gap concerning customer-related knowledge utilisation in the collaborative relationships of professional service organisation. As I mentioned before, I find it surprising how rarely researchers in the area of relationship marketing have been interested in finding the critical link between organisation's internal factors (especially customer-related knowledge transfer and utilisation processes) and its value-creation ability in the collaborative customer relationships. This is especially surprising considering the discourse of professional services in business-to-business markets where the core of the value creation is knowledge, either customer-related (e.g. knowledge on customer needs) or expertise itself. Thus, by focusing on these issues, my aim is to contribute to the discourse of relationship management in professional service organisations.

Although the importance of knowledge is widely recognised within the discussion of professional service organisations (e.g. Empson 2001, Birkinshaw *et al.* 2002), as mentioned, the examination of the relevant interconnections between collaborative customer relationship management and internal knowledge utilisation of professional service organisations seem to be lacking, despite the fact that as a spin-off of the knowledge management boom, the generation, transfer and use of customer-specific knowledge has received increased attention also in the marketing literature, although not necessarily related to the specific context of professional service organisations. For example, market knowledge, including knowledge of customers, has for a long time been acknowledged as an important resource in creating a market-oriented company (Kohli and Jaworski, 1990; Narver and Slater, 1990). More recently the role of customer relationships in generating such knowledge has also been emphasised (Ballantyne, 2003; Tzokas and Saren, 2004).

Knowledge transfer in general within organisations has been of interest to many researchers (Kalling, 2003; Tsai 2002, 2001; Osterloh and Frey, 2000) including multinational corporations (Gupta and Govindarajan, 2000), international service firms (Lindsay *et al.*, 2003) as well as professional service firms (Löwendahl *et al.* 2001, Kalling 2003, Tsai 2002, 2001, Osterloh & Frey 2000 Kerkhof *et al.* 2003, Gupta & Govindarajan 2000, Lindsay *et al.* 2003) However, the notion of customer-related knowledge or internal knowledge transfer processes related especially to collaborative relationship is not emphasised in these examinations. The emphasis has been on general, internal knowledge transfer processes and related characteristics. One could claim that

customer-related knowledge is implicitly included in this anyway, but it does not solve the problem of the missing link between customer-related knowledge utilisation internally in the professional organisation and its performance in the collaborative relationships.

Thus, very little research focusing on customer-related knowledge transfer has been conducted in the context of professional business services. Campbell's (2003) case study of customer knowledge competence in financial service firms is one of the rare exceptions where internal company processes have been examined from the customer-relationship management perspective. However, Campbell is more general in her focus, studying phenomena in the financial service industry, which means that relationship marketing based on IT-solutions on consumer markets is emphasised. (About IT-solutions see also e.g. Bose & Sugumaran 2003, Blessing *et al.* 2001, Ofek & Sarvary 2001).

Other remarkable exceptions are the studies by Sivula *et al.* (1997) and Sivula (1997) which focus on the role of client contacts as a context of knowledge absorption (see also Wagner 2003) and the further leverage of that knowledge. Sivula's study is also beneficial when defining the focus of this study. According to his study, knowledge absorption in client relationships provides opportunities for 1) utilising the absorbed knowledge in the long-term customer relationships, or 2) utilising that knowledge in new relationships. My focus is on knowledge utilisation in the long-term relationship. According to Sivula (1997), customer-related *knowledge transfer internally* (he uses the term "knowledge sharing") in the professional organisation is needed for enhancing that utilisation. Thus, I focus on the key process of internal customer-specific knowledge transfer that was touched on in the research by Sivula, but not described more precisely because his focus was wider.

In the area of business-to-business professional services there are other discourses worth mentioning, like service quality and quality of the customer relationships, which naturally have links to my study, although those ideas may not be directly applicable.

Although the main focus of *service quality* discourse in *professional services* has concentrated on consumer services (like financing), there are also some current examples of research about business-to-business professional service quality (see e.g. Woo & Ennew 2004), and a related study focusing on factors influencing customer satisfaction (Patterson 2000), customer expectations (Ojasalo 2001a) and social aspects (Hausman 2003) influencing service quality perception. However, in this study I would like to look at professional service organisation's knowledge utilisation ability and its influence on the collaboration in customer relationships, not at the level of single service transactions or episodes.

When looking at the studies emphasising the *quality of the customer relationships* of professional organisations⁵, the themes of trust and commitment (e.g. Halinen 1997, Gounaris 2005) seem to be emphasised. As well, the challenge of the long-term relationship maintenance in this discontinuous, project-based business (Skaates *et al.* 2002) is examined; however, these studies do not focus specifically on customer-related knowledge utilisation.

Based on the previous review I suggest that this study aims to contribute to the discourse of customer relationship management in professional service organisations by

⁵ Thus, looking at relationship development and maintenance instead of single service episodes

bringing intra-organisational customer-related knowledge transfer processes into light, and by discussing their influence on value creation ability of professional service organisation in its collaborative customer relationships. This thesis is meaningful, because studies from the collaborative customer relationship management perspective in this specific business-to-business context, focusing especially on internal company knowledge transfer facilitators and inhibitors, and on their influence on knowledge utilisation in collaborative relationship, seem to be absent. Like Campbell (2003, 381) put it:

“ ... To date, there has been little conceptual development to guide firms as they move away from searching for advantage through aggregated market information towards a focus on individual customer relationships as a means to enhance their strategic advantages.”

In addition to emphasising the rarity of studies in the area of relationship marketing, which are looking at the seller organisation's inner context (Kothandaraman & Wilson 2000, 340), many authors have presented supporting arguments for this type of research from organisational learning, capability development and knowledge management perspectives. Thus, the contribution of this type of study can be seen from those angles as well.

Firstly, in this study the phenomenon is approached from a relationship marketing perspective, and literature from organisation research, resource-based view and knowledge management is used as a theoretical basis. The approach is thus interdisciplinary. According to Loermans, interdisciplinary approaches between organisational learning and knowledge management are not conflicting but contain significant synergies and complementary aspects. In order to understand organisational learning one has to consider aspects of knowledge management (Loermans 2002, 288). The topic of knowledge management in relation to capability development in collaborative relationships spans several disciplines, and this interdisciplinary approach can be a valuable way to move the discourse forward (see also Argote *et al.* 2003a).⁶

Secondly, according to Argote *et al.* (2003b, 580) research about how the properties of relationships among different actors affect organisational learning is a promising area of research, because relationships among the actors are critical when one moves beyond studying individual learning to studying organisational capability development.

Thirdly, giving the new aspect on tacit and explicit knowledge in relation to customer-related knowledge is one area for study. According to Grant, for example, much remains to be done, especially in relation to understanding the organisational processes through which knowledge is integrated. He suggests that further progress is critically dependent upon closer observation of the theoretical processes through which tacit knowledge is transferred and integrated (Grant 1996, 384, see also Cavusgil *et al.* 2003).

Fourthly, according to many writers, capability development processes in different organisational contexts are not yet well known (e.g. Argote 1999, Doz & Hamel 1998,

⁶ Also according to Sinkula *et al.* (1997, 305, 315), information-related behaviours (thus, also knowledge transfer) that facilitate learning are an important aspect of future research (also Loermans 2002). Building market-related capabilities is even more important when the relationship is collaborative, long-term and the goal is mutual benefit.

Teece *et al.* 1997), and the main criticism of the literature on dynamic capability approach focuses on failures to operationalise the theories in empirical research. Theories do not seem to provide answers as to what type of capabilities are effective in certain firms and how these capabilities are built (Sallinen 2002, 62), how a firm may become successful, how it sometime stays where it is, or how its position may even deteriorate (Teece *et al.* 1997, 530).

From the managerial point of view, by discussing this specific context of professional organisation, I believe I can create a meaningful contribution. Professional service organisations and knowledge work are now a significant part of business life (e.g. Empson 2001, 812). Professional business services have grown in importance in Western industrial countries during the past twenty years. According to some European investigations, the increase in employment has mostly been concentrated on knowledge-intensive business services. These services are expected to take a leading role in future economic growth in Europe (European Commission DG III Industry, 1999). Increased complexity of the services needed, outsourcing of services, internationalisation, mergers and acquisitions in the field have made it even more important to study customer-relationship coordination and value creation in the collaborative relationships of the professional organisation (Hirvonen & Helander 2001).

Moreover, industries other than professional services are rapidly becoming more knowledge- and expertise-based. Consequently, by studying what is relevant to professional service organisations, we are also learning what is becoming applicable to some extent in almost any organisation (Dawson 2000).

My personal interest is mentioned last, but it is definitely not the least important. I was first interested in this topic due to my educational and working experience. I completed my master's thesis on value creation processes in the area of professional business services. During that process I found that developing operational capabilities meaning marketing communication or service production, for example, was not enough to build long-lasting, interactive customer relationships. Those development efforts were even more suitable for transactional relationships. I found out that more strategic shifts internally in the organisation may be needed when building collaborative relationships, and this led me to study customer-related capability development in professional service organisations and potential development in their culture, structure and communication networks.

I wanted to learn how a professional service organisation can develop from transactional operations towards a relational orientation, why these efforts may fail and what is remarkable in that process. From my empirical experience I knew that knowledge transfer among professionals was challenging in this context, and its shortcomings also harmed customer relationships in many ways. Thus, during the research process I decided to focus on customer-related knowledge transfer and its interconnectedness to customer-related knowledge utilisation ability in a collaborative relationship.

In the following I would like to define some basic concepts related to organisational ability to transfer knowledge, and to describe why especially collaborative customer relationships can be seen as an important and potential context of looking at knowledge acquiring and transfer processes.

1.3.3 Customer relationship as a context for knowledge acquiring and utilisation

The capabilities needed to maintain collaborative relationships in professional organisations are typically knowledge-based capabilities, which comprise complex sets of organisational routines including knowledge transfer processes (Dawson 2000, 105). Long-term client relationships may indeed increase pressure on a business service firm to develop knowledge processes internally in order to satisfy the client (Sivula *et al.* 1997, 126). For example Doz and Shuen (1995) have pointed out that being in a partnership can be a “vehicle for new organisational learning, helping firms to recognise dysfunctional routines, and preventing strategic blindspots”.

Processes of generating, integrating, and thus utilising customer knowledge are embedded in organisational cognitive activities and are consequently immobile (Day 1994a). That is one reason why creating and maintaining knowledge-based capabilities can also form a strong competitive advantage in the collaborative relationships of professional service organisation. They are not easily imitated by the competitors, for example.

However, it is important to note that not all the customer relationships of professional service organisations are collaborative; requirements for internal knowledge processes may thus vary accordingly. From the knowledge transfer perspective, for example Dawson (2000, 11) draws a distinction between “black-box services” and “knowledge transfer” in the professional service markets. In the former, the customer is only interested in the outcome: the service product itself. This may often be the characteristic of transactional relationships. However, in long-term relationships, new challenges in relation to differentiation, customisation, customer relationship coordination and knowledge transfer practices are created in order to be able to sufficiently utilise customer-related knowledge. In collaborative orientation, developing client relationships becomes ultimately inseparable from developing knowledge transfer processes.

It is also likely that opportunities to observe each others’ functions and organisation (also informal organisation) occur more often among organisations that are in long-term and interactive relationships (e.g. Sivula 1997). Thus, the collaborative relationship provides *potential* for customer-related knowledge acquisition and can be followed by knowledge utilisation in the relationship.

Why only “potential” to acquire knowledge from the customer, not ability? Because capability development is a cumulative process, the ability to evaluate and utilise outside knowledge is largely a function of the level of prior related knowledge in professional organisation, which confers an ability to recognise the value of new information, assimilate it (put it into organisational memory), and apply it (to recall and use it). These abilities collectively constitute the *absorptive capacity* of an organisation (Cohen & Levinthal 1990, 128, also Klavans & Deeds 1997, 104). Absorptive capacity can be seen as an “umbrella concept” of all the abilities influencing internal knowledge transfer and assimilation.

If the seller organisation possesses good absorption capacity, knowledge of the client contacts accumulates a knowledge base and provides opportunity for *further utilisation of*

that knowledge in long-term client relationships and also non-specific knowledge leverage in other client relationships (Sivula 1997, 38).

Organisational absorptive capacity is not simply the sum of its employees' capacity to gain new knowledge. Because it is to a large extent an ability to utilise knowledge, it does not simply depend on the direct interface with the external environment either (e.g. the number of customer contacts), *but is also dependent on the transfer of knowledge across and within sub-units that may be quite removed from the original point of knowledge entry*. As Cohen and Levinthal put it:

“Thus, to understand the sources of a firm's absorptive capacity, we focus on the structure of communication between the external environment and the organisation, as well as among the subunits of the organisation, and also on the character and distribution of expertise within the organisation” (Cohen & Levinthal 1990, 132).

This is also my point of departure in this thesis. It is important to notice that my focus is not so much on seller-customer interaction itself, but more on the absorption capacity of professional organisation in relation to customer-related knowledge, how the organisation internally transfers, or does not transfer, that knowledge, and what are the consequences of those processes for organisational ability to utilise customer-related knowledge in collaborative relationship. In the following chapters, I have looked at different contextual aspects of professional organisation (named “characteristics of the organisation”) where I can potentially find forces either inhibiting or facilitating knowledge transfer, thus also facilitating or inhibiting the development of the aforementioned absorptive capacity of the organisation.

Although my focus is on internal factors of the professional organisation influencing customer-related knowledge transfer, *the source of customer-related knowledge is the customer, and that is why factors related to the customer interface influencing knowledge transfer cannot be totally left out. These factors may also be strongly interlinked*. So, it is also important to take a brief look at what potentially inhibits or facilitates customer-related knowledge transfer *between the collaborative organisations*.

I mentioned earlier that long-term, interactive customer relationships offer better potential for knowledge transfer between organisations because of the increased opportunity to transfer tacit knowledge by observing the customer in close cooperation (Sivula 1997). In addition, many authors claim that cooperative organisations should, to a certain extent, be similar in order to be able to transfer knowledge and build capabilities between them (Lane & Lubatkin 1998, 462). A prerequisite of organisational learning may be a certain level of familiarity with the partner so as to correctly “interpret the information and the actions of the partner firm”. Knowledge transfer may be more difficult in cases where the organisational structures are very different and common understanding is absent (Doz & Shuen 1988, 8).

Having a compatible “frame of reference” also influences knowledge transfer between the customer and seller. By this I mean the expectations for the cooperation by both parties. Different frames of reference create compatibility problems. These embedded frames of reference are not easily modified through incremental learning processes, but may even need to be totally unlearned. (Doz & Shuen 1995, 26-27.)

A client's willingness to share knowledge is one natural influence. Because the type of customer-related knowledge needed in this type of service production is often sensitive,

this aspect is relevant in this context. The tension that rises from controlling intellectual capital versus learning opportunities is evident (Doz & Hamel 1998, 138). Trust plays a key role as a facilitator or inhibitor of knowledge transfer in this sense (Ojasalo 2001b, 13). A partner who wants knowledge to flow will typically try to structure the interface with minimal constraints and openness. Lack of trust will probably lead to a narrower interface in order to protect knowledge.

The interface, the set of formal and informal interactions between the partnering firms, plays an important role in influencing knowledge transfer between seller and buyer in a collaborative relationship. The openness of the interface is an important determinant of what types of learning processes take place. At the practical level this may mean resources bound into a relationship; for example, the number of project personnel and meetings have an effect on the level of communication (Doz & Shuen 1995, 18-19). Restricting the partner interface might fail to provide a wide enough “window” to interact, share expertise and learn to work together (Doz & Hamel 1998, 15). A broader operational scope (what is actually done jointly) normally provides a larger exchange surface and thus a sufficient interface to facilitate joint learning (Doz & Hamel 1998, 76).

To conclude this section I suggest that a collaborative relationship can be seen as an important context for customer-related knowledge utilisation. That utilisation would, in its ideal form, result in cooperation, which would not only help to meet the customers’ articulated needs, but also to offer innovative, comprehensive service solutions and help to maintain the relationship itself. It is worth emphasising that those solutions are not necessarily based on strictly articulated demand, but on the internal capacity to utilise a wide variety of knowledge resources available in the organisation.

Choosing this specific context for this study may be especially fruitful based on the fact that the relationships of professional service firms differ from relationships in many other industries because of the potential richness and deepness of interaction (Dawson 2000, 47). Also, in this specific area the meaning of the long-term cooperation and customer-related knowledge transfer is emphasised because it is a) important organisationally to know one’s partner in order to deliver high-quality professional services, b) trust has a key role as a prerequisite for cooperation, c) many professional services are even outsourced while buyers are willing to focus on their own core competencies. Thus, the professional service provider may conduct a remarkable number and a wide variety of services to the buyer in the collaborative relationship.

However, according to my view, the professional service organisation potentially has characteristics that may form barriers to customer-related knowledge transfer, and thus hamper the organisation’s absorptive capacity. This is an interesting point of departure considering the aim of this study. In the previous section the concept of *absorptive capacity* was presented in order to define an organisational ability to acquire and accumulate customer-related knowledge. In the following chapter the inner context of professional organisation and its influence on knowledge transfer is examined more thoroughly. Before that, I would like to define my scientific approach in this study.

1.4 Scientific approach

Research in the field of social sciences is based on two broad paradigms of positivism and phenomenology. Positivism is related to realism, determinism and quantitative research methods and its interest lies in finding causal relations and law-like generalisations (Neilimo & Näsi 1980). Phenomenology, on the other hand, is linked to voluntarism, nominalism, anti-positivism and ideographic research methodology (Burrell & Morgan 1979). Reality is assumed to be constructed by individuals, and the idea is not to find “scientific laws” or causalities, but to understand the phenomenon based on interactive research process where subjectivism is not excluded, but the active role of the researcher him/herself is seen as a natural part of the outcome (Burrell & Morgan 1979, see also Morgan & Smircich 1980).

As mentioned, phenomenology is linked to nominalism, an ontology which sees the social world as a social process which is created by the individuals concerned. Thus, according to the ideas of nominalism, examined reality is not external to the individual cognition (Burrell & Morgan 1979, 28, also Easton 1995). It is closely linked to anti-positivist epistemology, which sees knowledge as being something that has to be individually experienced. Thus, for the anti-positivist, the social world can be understood from the point of view of the individuals who are involved in the phenomenon under study (Burrell & Morgan 1979, 5). This idea has its natural connections with the voluntaristic idea of human nature, which thinks “that man is completely autonomous and free-willed” (Burrell & Morgan 1979, 6).

If we look at the earlier defined continuum between positivism and phenomenology, I would say that the present study can be located towards the phenomenological end. The principles of scientific realism are adhered to in this research because I found those ideas to be compatible with my own personal thoughts regarding the phenomenon studied. The choices made in this study are guided by principles according to which phenomena are contingent, context-bound and guided by underlying structures; although those structures do not always generate regular patterns of events. According to these ideas, “scientific law” (as defined in positivistic approach) is tendency rather than “cause and effect” (Sayer 1992, see also Tsoukas 1989). According to Sayer:

“It may be wise to avoid thinking of knowledge as attempting to “represent” or “mirror” of the world like a photograph. A better analogy may be that of a map, a recipe or an instruction manual, which provides means by which we can do things in the world or cope with events” (Sayer 1992, 59).

Central structures and related tendencies create or restrict phenomena and processes, in this case the knowledge transfer processes and its further influence on customer-related knowledge utilisation in a collaborative relationship. When the structure changes, so does the underlying mechanism. In that change the process of communication plays a central role.

In my analysis I have tried to follow the principle that as well as identifying the immediate causes of events, symptoms, my explanations must include references to the necessary conditions for the existence of these mechanisms (Sayer 1992, 111). This is done by using several different angles of analysis in relation to the phenomenon in

question. However, what occurred to me is that empirical reality is far from simple. Within an organisation there are plenty of different structures, and a wide variety of different tendencies influence the organisation. In addition, the effect of one mechanism may be dependent on many other mechanisms and circumstances (Sayer 1992).

From my point of view, the managerial aspect is important. Based on the ideas of scientific realism, managerial “interventions” are characteristically concerned with mediating the effects of the exercise of mechanisms by manipulating the conditions in which they operate (Sayer 1992, 112). According to Sayer (1992, 135),

“By providing information on the necessary conditions both for the existence and the motivation of the mechanism, and in some cases on the way conditions mediate its effects, we increase the chances of either removing or changing the mechanism, preventing its activation or suppressing the damaging effects of its exercise.”

Context can be understood as something one must know about in order to understand an action and processes (Alajoutsijärvi & Eriksson 1998). The fact that the phenomenon is *context-bound* has been the guiding principle of this study right from the initial ideas. My interest in the reality of professional service organisations and underlying mechanisms in relation to customer-related knowledge transfer in them has been the very inspiration for this study. According to Sayer, any kind of question about a concept must take into account the (empirical) circumstances in which it is asked, its context (Sayer 1992, 58, see also Pettigrew 1997, 340). Context consists, in this study, of the structural, cultural and political environment of the organisation in question (Alajoutsijärvi & Eriksson 1998) through which the knowledge and potential development proceeds.

When defining the research process itself, I would like to describe it as being more abductive than inductive or deductive. In the deductive research approach the aim is to develop propositions from current theory and make them testable. Oppositely, the core idea of the inductive approach is to generate a theory systematically from data, creating categories, concepts, models, in other words, theories (Gummesson 2000, 63). By choosing an abductive approach to represent my orientation, I want to define my research process as being more cyclical than linear; it has involved iteration between the deductive and inductive. The construction of theoretical and empirical understanding has been intertwined, and characteristic to it has been a constant movement between theory development and empirical material (see e.g. Dubois & Gadde 2002). The abductive approach seems very natural for me, considering my background and preunderstanding, and the subject itself. In addition, it can be argued that a high level of induction might prevent the researcher from benefiting from existing theory, just as a high level of deduction might prevent the development of a new and useful theory. (Perry 1998, 789).

According to the principles of scientific realism, we cannot approach the problem with an untainted mind; we always bring along frames of meaning to the social situation (thus, also to our research) (e.g. Sayer 1992, 36). Observation is theory-laden (Sayer 1992, 83). Thus, based on that idea, pure induction is not even possible because a researcher always carries his/her own theoretical framework into the research process. A researcher may also possess a preunderstanding of the phenomenon under study, when an essential element in the process of collecting and analysing data is personal experience gained in the research area (Gummesson 2000, 60). This can be seen in my study as well. My own working experience as a trainer and consultant has - without a doubt - had a strong

influence on the ideas presented here. However, I have tried to maintain theoretical sensitivity (Gummesson 2000, 60) in the working process, meaning that I have also been able to alter my assumptions when reality presumed me to do so. Additionally, my experience in this line of business can be seen as a strength in the sense that it guaranteed better access to the empirical material.

Methodological choices in this research were quite easy for me to make. I tend to think that around the phenomena of customer-related knowledge utilisation, attempts to create codified quantifications to solve the research problem like mine may be misleading (see also Grandori & Kogut 2002, 230). Considering my aim, and the in-depth description I want to produce, an organisation can be seen as a political and social process, which should be understood from the point of view of the intentions of the actors instead of “objective”, causal explanations. This is especially relevant in the context of the professional service organisation, because its processes are embedded in human, not in physical capital (Lehtimäki 1996, 10). Professional service organisations are socially constructed (e.g. Berger & Luckmann 1966), which is why a qualitative, phenomenologically oriented in-depth case research agenda is well suited to this study.

A case study strategy was selected as it is particularly strong in providing a multi-sided view of a situation in its contemporary context (Yin 1989), as well as providing new insights into a phenomenon of which little is known (Eisenhardt 1989). The case study approach is justified because through this type of study, the interaction between a phenomenon and its context is best understood (Dubois & Gadde 2002, 554). Following the principles of scientific realism, the case study offers a good opportunity to clarify the generative mechanisms and contingent factors behind the phenomena in this context (Tsoukas 1989, 556).

This study can be defined as a descriptive case study (Yin 2003). My intention was to create new knowledge of the phenomenon under study through selecting cases rich in information. From another perspective, this study is also an instrumental case study (Stake 1994), where the cases are examined in order to gain insight into an issue and to facilitate understanding of something other than the case *per se*. A more detailed description of the research strategy will be given in “research strategy”-section.

1.5 Structure of the report

This report started with an introduction, which defined the research area, research questions and the meaning of the study. In addition, the scientific approach of the study was described.

The second chapter is a review of the professional service organisation as the context of knowledge transfer. This section is important, because from my point of view the research phenomenon is strongly interlinked with its context. This distinction leads us to look at such factors as the type of organisation in question, the professional organisation as a loosely coupled system and concepts of exploration and exploitation of knowledge in that context. The objective of the chapter two is to offer “a mirror” of analysis concerning knowledge transfer and knowledge utilisation processes in professional organisations. In order to understand the phenomena, we need to know the potential characteristics of the

context in focus, and relate them to the other theoretical concepts needed. In that sense this review of the professional organisation also serves as choice criteria (along with the research questions) for theoretical concepts of customer-related knowledge, knowledge transfer and organisational development which were chosen to help me in analysing the empirical reality further.

The aim of chapter three is to develop further the theoretical framework, based on a review of the characteristics of the professional organisation. For that development, three viewpoints are chosen, according to which the chapter is also structured: 1) customer-related knowledge transfer and *the characteristics of the knowledge*, 2) customer-related knowledge transfer and *the characteristics of the organisation*⁷ and 3) customer-related knowledge transfer influencing customer-related knowledge utilisation and capability development. These concepts are naturally intertwined and overlapping; however, considering the purpose of the study, this classification seems to be reasonable.

Chapter four is dedicated to the introduction of the research strategy; choice criteria and the description of the method of conducting the case study. The empirical aspects of the study are detailed in chapter five, which describes and analyses the “Auctor” case. Chapter six consists of a description and analysis of the case “Factor”. In the discussion part that follows chapter six I attempt to link the main findings of those two cases to the theoretical discussions and to draw some empirical conclusions. The last chapter is dedicated to conceptual conclusions, managerial implications, evaluation and limitations of the research as well as avenues for future research.

⁷ Also Empson (2001b) has used these two categorisations (characteristics of knowledge and characteristics of the organisation) when defining literature on impediments of knowledge transfer on general level.

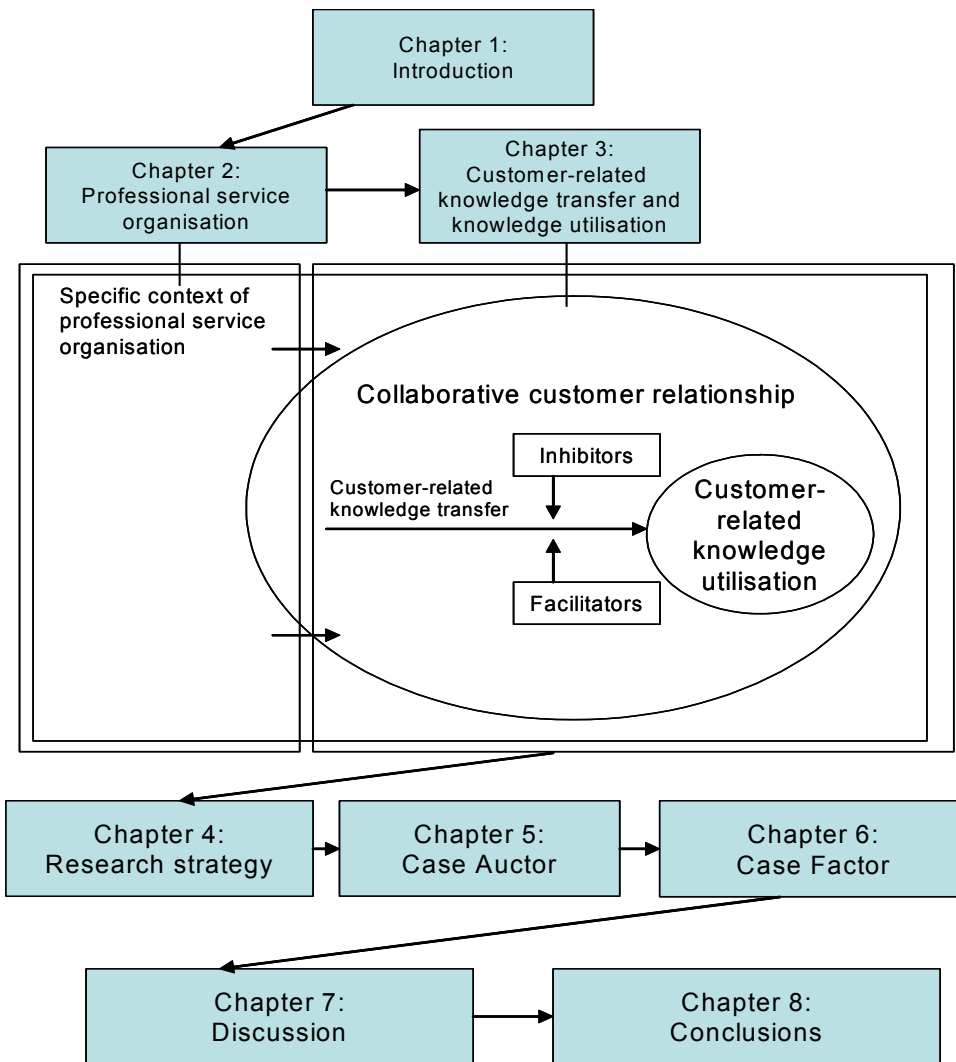


Fig. 2. Contents of the research report.

2 Professional service organisation and customer-related knowledge transfer

“It is fair to say that many of the assumptions of traditional organisation theories - explicitly or implicitly based on industrial organisations - do not hold good as regards knowledge organisations.” (Nurmi *et al.* 1992, 13)

Many explanations of effective knowledge management focus on the properties of a particular unit; an organisation, or an individual inside the organisation, or even a population of organisations. The properties of the relationships between units might be focused on, e.g. intensity of connection, communication or contact frequency, and social similarity (Argote *et al.* 2003, 573). In this research, defining these features is an essential part of the theoretical argumentation. It can be claimed that professional service organisation provides an interesting context for studying customer-related knowledge transfer because of its nature and characteristics.

In this chapter I will present definitions of the professional service organisation such as: what are professional services, who are the workers in those organisations and what type of organisation is in question. The concept presented in the following of the loosely-coupled system as a potential knowledge transfer inhibitor or facilitator is a significant concept concerning the goal of this study. The aspects of a loosely coupled system are strongly intertwined with the tension between the need for exploring new knowledge and exploiting existing organisational understanding (e.g. March 1991).

2.1 Definitions of a professional service organisation

How could we describe a “professional service” and a “professional service organisation”, and who are “professionals”? Løwendahl (1997, 20) suggests that the following are typical characteristics of *professional service*:

- Value creation is knowledge-intensive and delivered is by highly educated employees, who are frequently closely linked with research and scientific development within their area of expertise

- Services are based on a professional assessment by experts in the field
- Services involve a high degree of personal judgement by the experts involved
- Services are customised to each client's needs
- Delivery involves a high degree of interaction with the client representatives, for diagnosis as well as delivery
- Individuals are typically trained in a standardised body of knowledge which is common to all professionals in that sector and is certified by the relevant professional authority
- Services are constrained by professional norms of conduct, including setting client's needs higher than profits and respecting the limits of professional expertise.

Thus, individual-boundness, knowledge-intensiveness, a high level of expertise needed and a high level of customisation are characteristic of professional services. All these characteristics are strongly linked to customer-related knowledge, its acquisition, assimilation and utilisation. Customer-related knowledge is potentially needed e.g. in the service production process itself, or as the basis for evaluation done in order to define the suitable expertise for customer purposes.

Looking from another angle, *how can we define professional organisation, what are its characteristics?* Knowledge-intensive companies are the ones where most work is said to be of an intellectual nature and where well-educated employees form the major part of the organisation (e.g. Alvesson 2001, Starbuck 1992). Personnel expenses are higher than capital expenses and organisational dependence on personnel is strong, and substituting leaving professionals is difficult (Eklund 1992, 63).

It is important to note that the capital of knowledge organisation consists of human capital, high know-how and its product or performance is based on knowledge (see e.g. Hitt *et al.* 2001), not on tangible goods or production facilities. Knowledge organisations may be included in the service sector, but the key factor is the utilisation of knowledge instead of service quality in its traditional meaning (e.g. banking services) (see e.g. Sveiby 1987). As Løwendahl *et al.* (2001, 912) put it:

“... As they employ a very high percentage of highly educated people, and they are extremely dependent on their ability to attract, mobilise, develop and transform the knowledge of these employees to create value for their clients.”

In accordance with these distinctions, the focus of my study will be knowledge organisations, hence my use of the term, professional service organisation. In the same sense I use the term “*professional organisation*”, “*professionals*” or “*experts*” when I want to emphasise people creating professional services and conducting knowledge work.

The success of a professional organisation is based on “more-or-less loose beliefs about them being able to offer something specific to clients”. Knowledge itself is ambiguous, but its role in knowledge-intensive organisations might also be ambiguous because the tight, traditional view of expertise has nowadays disappeared (Alvesson 1993, 1002). Furthermore, the results of work are not so easily evaluated, or there are not sufficient criteria; did an expert succeed or not, is the problem solved? A customer may often not be able to tell, or at least the opinions are contradictory (Alvesson 1993, 1006). Where knowledge intensity is crucial, so is ambiguity and “issues of image, rhetoric, orchestrating social relations and processes” (Alvesson 2001, 876).

The following typology is formed based on the organisation's products and the core technology used to create those products. They can be pure products, concrete services or knowledge services. The three forms of production technology are based on the depth of the know-how needed on the part of the core staff. The dimensions are know-what (skills)-, know-how- and know-why-based technologies (Lehtimäki 1996, 26, see also Blackler 1995, 1030).

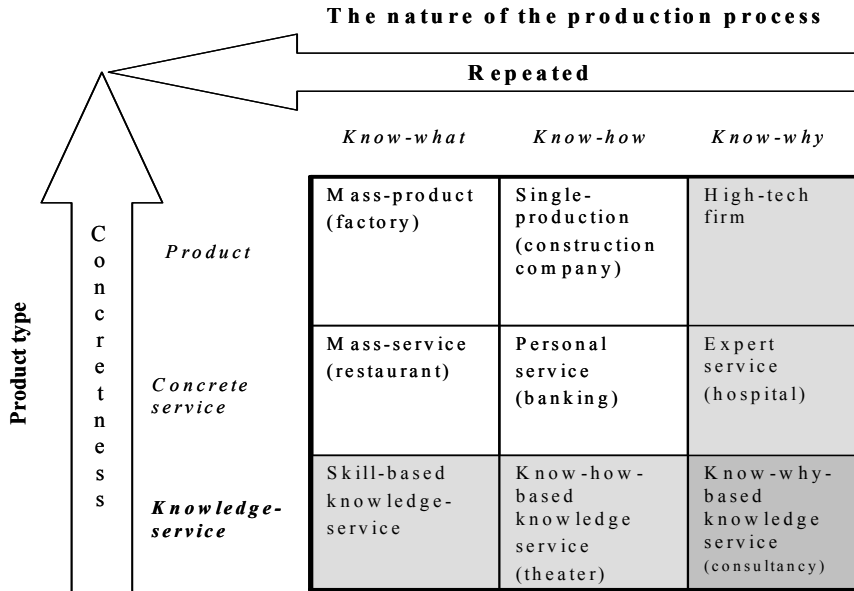


Fig. 3. Typology based on the product and production technology (Lehtimäki 1996, 26).

The bottom row and the column on the right together form the base of knowledge-intensive organisations. The row below represents knowledge-organisations and the right-most column represents expert organisations. This typology emphasises the differences between the production processes and the differences between the amount of human capital needed in the production (Lehtimäki 1996, 26).

The type of organisation in this study is a know-why-based knowledge service organisation. Further I use term “professional service organisation”. The empirical part of the study was conducted in the area of education and consultancy services.

As in the previous review, we can form typologies in order to increase our understanding of the phenomenon studied. However, the truth is that no pure form exists; organisations may thus fit different categories depending on the angle we want to take. Organisations always have their own special characteristics that are developed over time; however, this typology offers a tool to define the main focus of this study: highly knowledge-based service where the need for customisation is high because of the breadth and complexity of customer needs.

In the following section I present some notions concerning the variety of organisational life in a professional service organisation context. These notions include

different dichotomies needed in describing customer-related knowledge utilisation in this specific context, e.g. loose coupling/tight structuring in professional organisation and exploitation/exploration of knowledge.

2.2 Professional service organisation: its potential loosely coupled characteristics

In the introductory chapter the concept of a loosely coupled system was shortly described. In this section this aspect is reviewed more closely.

The organisational co-ordination mechanisms needed to create a fertile context for knowledge transfer can be divided into mechanisms of primary organisational routines and direction, and supporting mechanisms of systems and structures (Grant 1994). Organisational fragmentation is likely to impair all kinds of knowledge transfer processes; unity versus fragmentation may play a key role in defining e.g. the speed of organisational learning (Doz & Shuen 1995, 22-23).

In order to increase the understanding of potential fragmentation in the context of the professional service organisation, characteristics of the loosely coupled system are defined in the following. Because the emphasis of this study is on customer-related knowledge utilisation in the professional service organisation, it is also essential to understand the meaning of loose coupling from the knowledge transfer and accumulation point of view, especially in this specific context.

Orton & Weick suggest that any location in an organisation contains interdependent elements that vary in the number and strength of their interdependencies ("coupled"). These elements are also subject to changes and preserve some degree of independence ("loosely") (Orton & Weick 1990, 204). In principle, coupling produces stability and looseness produces flexibility (Orton & Weick 1990, 205).

The theory gives three explanations as to what causes loose coupling; causal indeterminacy, fragmentation of the external environment and fragmentation of the internal environment (Orton & Weick 1990, 206, also Kontkanen 1996, 51). In the professional organisation, ambiguity may e.g. be caused by the intangibility of its production materials, which are knowledge. Fragmentation of the external environment can be caused by different customer segments being served by different experts, and internal fragmentation may be due to a high level of individualism, autonomy and responsibility in expert work (e.g. Kerkhof *et al.* 2003) as well as different subcultures and collegial groups, for example.

Thus, among the other knowledge-intensive organisations, professional organisations may also be loosely bound (e.g. Orton & Weick 1990). The fragmented external environment may create a fragmented internal structure (Nurmi 1985, 36). Instead of coherent views or a joint vision of the organisation, incoherent and conflicting views may prevail (e.g. Day 1991, 2). From the customer relationship management point of view this may be problematic, because a shared, organisational understanding about ways to develop and maintain customer relationships now and in the future may be missing (Anderson & Narus 2004). In addition, internal fragmentation may strongly influence

internal customer-related knowledge transfer in the professional organisation and further utilisation of knowledge in a collaborative relationship.

Different types of loose coupling include loose coupling among individuals, subunits, ideas and organisations, as well as between hierarchical levels, environments, activities, intentions and actions (Orton & Weick 1990, 208). For example, professionals' intensive customer relationships may decrease the extent of internal knowledge sharing. This happens because everyday activities are the focus of the customer interface, and professionals concentrate on single projects more or less autonomously (Kerkhof *et al.* 2003). This is an example of loose coupling among individuals.

A remarkable notion in relation to the goal of the study is that all types of loose coupling can also form obstacles to customer-related knowledge utilisation in collaborative relationships because of the local inability to transfer knowledge.

Three direct effects of the loosely coupled system mentioned most frequently in literature are modularity, requisite variety, and discretion (Orton & Weick 1990, 210). Modularity can be seen as either good or bad. It gives speed and flexibility and increases the level of knowledge acquisition, but lacks e.g. the synergy of combining different kinds of expertise. Necessary variety helps professionals to recognise different aspects of the environment, but discretion may also harm the synergy of the organisation. (Nonaka, 1994.)

According to many authors, it is possible to compensate for the effects of dispersed organisations. In literature the three most frequently recurring managerial strategies are enhanced leadership, focused effort and shared values (Orton & Weick 1990, 211). For example, multiple and often conflicting goals among the different components in the loosely coupled systems may call for enhanced leadership. This entails leadership that unifies and clarifies incoherent goals within the organisation and emphasises interaction and dialogue among the members and subgroups (Orton & Weick 1990, 211-212). Focused attention on specific relationships in the system means that individuals may compensate for loose coupling "by carefully selecting targets, controlling resources, and acting forcefully". This might mean that managers pay attention to controllable and essential behaviours and provide freedom for subordinates to adapt their behaviour to local needs (Orton & Weick 1990, 212). Strengthening shared values (thus, common culture) may offer one way of doing it. Loose coupling produces uncertain means-ends structures and in this kind of situation the agreement about preferences is the source of order needed (Orton & Weick 1990, 212).

I assume that although professional service organisations are by their nature to a large extent a loosely coupled system, they may also include more tightly coupled subsystems. We need to remember that there is no pure form of loosely or tightly coupled systems, but more or less mixed forms. However, based on my pre-understanding, the theory of loosely coupled systems provides a powerful tool for describing some aspects of the focal phenomena in this specific context.

The concept of a loosely coupled system has attracted other researchers as well, especially in the area of leadership (see e.g. Fusarelli 2002; Meyer 2002; Reponen 1999). For example, Kontkanen (1994, 1996) has studied adult education centres in Finland with the help of this concept. According to her, in those organisations loose coupling means that administration and teaching are coupled to some extent, but their interaction is

occasional, its effects are weak and reactions slow (Kontkanen 1996, 53). Also, according to Reponen (1999, 238), in the universities the danger of loose coupling lies in the knowledge being too fragmented, which leads to situations where the organisation is not capable of creating a sufficiently integrated entity for the needs of the customers.

2.3 Professional organisations and knowledge processes

– in search of balance

The aspect of loosely coupled systems leads us to look at the balance between the *exploration* of the new customer-related knowledge and the *exploitation* of an old knowledge base.⁸ Learning from externally focused experience (exploratory learning) is critical to the capacity of the organisation to create variety, and thus to adapt (McGrath 2001, 118; Slater & Narver 1995). On the other hand, acquiring knowledge from internally-focused experience, knowledge exploitation, is needed in order for the organisation to benefit from the “lessons learned”.

According to March (1991, 71), organisations that emphasise knowledge exploitation too much may lose their ability to generate learning. On the other hand, organisations that emphasise knowledge exploration too much are likely to suffer from the “high cost of experimentation without realising much benefit”. Thus, it is important to notice that although in this thesis the effects of loose coupling might be mainly studied from the knowledge transfer inhibitor point of view, loose coupling can also have positive aspects, especially in a highly competitive and dynamic environment. In that environment higher levels of exploration may encourage innovation and increase flexibility of the organisation needed (compared with the earlier mentioned “modularity”). Learning from externally focused experience, or “exploratory learning”, may be critical for the capacity of the organisation to create variety and to adapt (McGrath 2001, 118; Slater & Narver 1995; Cohen & Levinthal 1990, 133; also March 1991, 71). Thus, in that sense the loosely coupled system could also be seen as a prerequisite for increased effectiveness, efficiency, flexibility, adaptation, knowledge integration and innovativeness, especially in a hypercompetitive environment (Ravasi & Verona 2001).⁹

Professional service organisations can be defined as loosely coupled organisations in much the same ways as educational organisations and universities studied by other researchers from a leadership perspective (see e.g. Fusarelli 2002; Meyer 2002; Reponen 1999). Like the defined kinds of organisations, professional companies are also contexts with high individualism, strong professional subcultures and collegial groups. However, according to my view, the field of consulting and training and especially collaborative

⁸ Cohen & Levinthal use the concepts of outward- and inward-looking absorptive capacity in the same sense. (Cohen & Levinthal 1990, 133).

⁹ Like Anderson and McDaniel (2000), McGrath combines the idea of exploration and exploitation with the concept of managerial oversight (well-defined tasks and goals for the group). She argues that when higher variety (thus exploration) is needed in the context, less oversight is valuable and vice versa. Too much oversight in situations where variety is needed can lead the organisation in the wrong direction. To increase variance and new alternatives, loose coupling is useful (McGrath 2001, 128, see also Uzzi & Lancaster 2003, 384).

customer relationships within them do not represent the type of hypercompetitive context that Ravasi and Verona (2001) define, but offers a more stable environment (e.g. Slater & Narver 2000, 125) in which loose coupling and a high level of knowledge exploration without organisational knowledge exploitation may have more harmful than positive effects on customer relationship management. In practical terms this means that exploration may too often happen only on the individual level, and the knowledge gained may not be transferred into the organisational knowledge pool to benefit other experts, management of the organisation, and further customer cooperation.

As a conclusive remark to this section I suggest that forces of loose coupling are potentially strong in the context of the professional service organisation. This can be seen in the individualistic nature of experts' everyday work in the customer interface, for example. Customers are one important source of knowledge (e.g. Dawson 2000, 25) and work in the customer interface may be very explorative in nature. However, plenty of "explored", customer-related knowledge may stay with the individual expert in the tacit form and is not transferred into organisational knowledge pool. Local discovery and exploration may be well-developed, but the loose system does not support exploitation and thus the knowledge gained in the customer contacts and "fruits of the exploration" are not utilised on the organisational level. This can also be seen as an ongoing conflict between gains in individual knowledge and gains in collective knowledge (March 1991, 74, McGrath 2001, 128).

I suggest that more tightly coupled systems may be needed in order to facilitate knowledge transfer among individuals and subgroups; to institutionalise individually-bound, experience-based customer-related knowledge, and to utilise that knowledge. By tight coupling I mean practices that potentially create interconnectedness between actors and thus facilitate customer-related knowledge transfer (Helfat & Raubitchek 2000, 964).

This view is also supported by some other authors. For example, in their modelling of knowledge management in professional organisations, Kerkhof *et al.* (2003) emphasised the meaning of knowledge exploitation in creating a strategic advantage in this specific context. Also March (1991, 84) suggested that organisations which develop effective, cooperative instruments of coordination and knowledge transfer suitable for their contextual needs are probably more likely to succeed than more loosely coupled organisations.

In the best possible situation, an organisation is able to balance the needs for both search and stability in a suitable form considering its contextual needs (Rivkin & Siggelkow 2003)¹⁰ Thus, the benefits of a loosely-coupled system (efficient knowledge exploration) and tightly-coupled system (efficient knowledge exploitation) may be combined. This balance guarantees a suitable amount of knowledge exploration in the customer interface and knowledge exploitation internally. However, for professional organisation inherent loosely coupled characteristics tend to create a situation where the emphasis of organisational knowledge activities is on knowledge exploration in the customer interface, and gains on individual knowledge. This is because a loosely coupled system does not support knowledge transfer among the internal actors. On the other hand,

¹⁰ Also Uzzi & Lancaster suggest that the balance between exploration and exploitation in relation to contextual needs is needed in order to result in capability development. Combining exploratory and exploitative learning can expand the range of learning capabilities (Uzzi & Lancaster, 397).

in a more tightly coupled system interactions would be enabled and knowledge exploitation would also play a bigger role. This means that *collective* knowledge is also developed and maintained, thus also customer-related knowledge utilisation is enabled throughout the whole organisation.

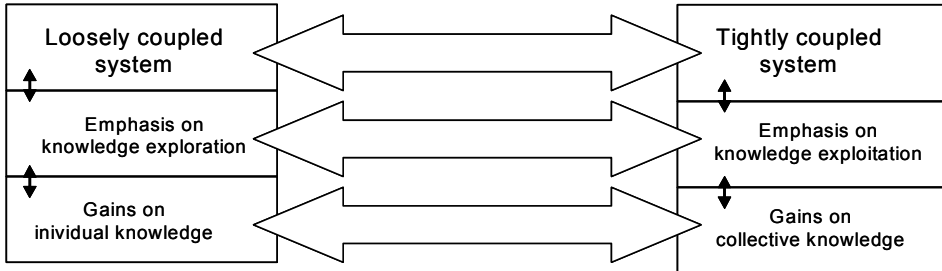


Fig. 4. The search for balance between the characteristics of loosely and tightly coupled systems.

In professional service organisations the managerial challenge of knowledge transfer is related to factors that influence communication and participation; for example, the organisational structure influences the opportunity for communication and participation in work processes, and individual attitudes towards knowledge sharing determine whether knowledge is being shared between individuals or not (Sivula 1997, 59).

Thus, knowledge transfer and building more interconnected, tightly coupled systems can be influenced by everything that encourages or inhibits inter-personal communication (Roberts 2000, 433). For example, organisational culture and structure play an important role in the likelihood that the experts will work together and share their knowledge (e.g. Bollinger & Smith 2001, 14, 16); more on this later on. In addition, issues of control and power shape social interaction and therefore the process of knowledge transfer (Roberts 2000, 439).

Based on the above-mentioned challenges of knowledge transfer, we can claim that organisational knowledge capital and the tightly coupled structures supporting its internal transfer may have strategic meaning in professional service organisations, because a tightly coupled structure also balances the aforementioned dependency on individually possessed knowledge (cf. Åkerberg 1998). Without processes for transferring knowledge from the individual to the organisational level (institutionalisation), the benefits of learning will be lost totally from the organisation when an employee departs (Bell & Whitwell & Lucas 2002, 75). Even if the employee remains in the organisation, the knowledge is not embedded in the organisation's common knowledge pool, *thus it is not utilised on an organisational level*.

In the following chapter, further theoretical development is conducted by looking more precisely at characteristics of knowledge and organisation potentially creating inhibitors and facilitators for knowledge utilisation in this specific context, thus creating a tendency of either loose or tightly coupled organisation.

3 Customer-related knowledge transfer

In the previous section the specific context of the professional service organisation was presented. This section is dedicated to the more precise definition of the potential inhibitors and facilitators of customer-related knowledge transfer. The conceptual framework used in this study is thus developed further.

Theory development about the characteristics of professional service organisations is done by offering three different perspectives on the phenomenon of customer-related knowledge utilisation in this context, and knowledge transfer as an important influence in that process. Firstly, important concepts of customer-related knowledge and knowledge transfer are defined under the theme of “customer-related knowledge transfer and the characteristics of knowledge”. Secondly, characteristics of the organisation potentially influencing customer-specific knowledge transfer are addressed. These differ from the previously defined characteristics of the professional organisation in that they are more detailed in their focus and go deeper into contextual aspects, although they are naturally strongly intertwined with the previously presented views.

Thirdly, my aim is to develop the link between customer-related knowledge transfer and customer-related knowledge utilisation. For example, capability development aspects are emphasised in this section. Based on the reviewed theoretical and conceptual aspects, a theoretical framework which is used in further empirical analysis is formed in the conclusions section. The following is an illustration of the contents of this chapter.

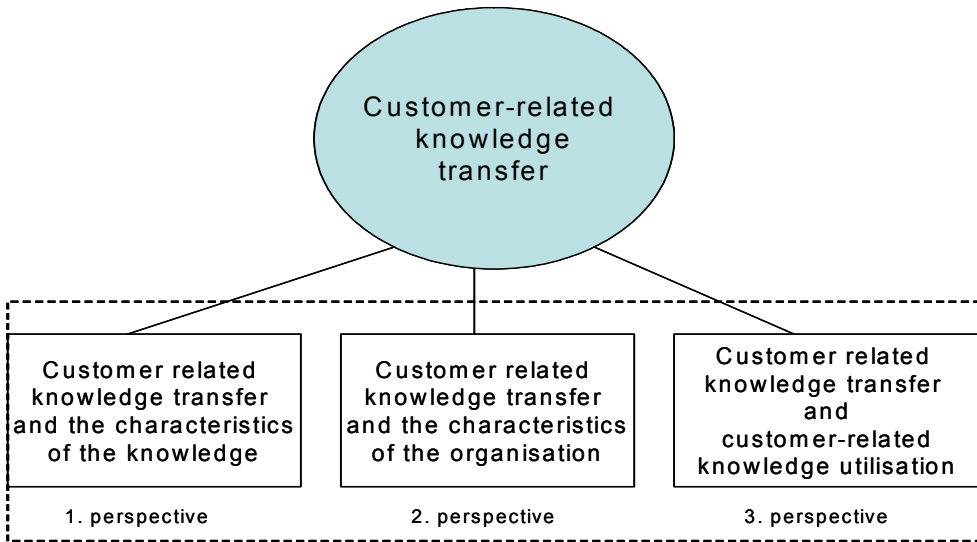


Fig. 5. Further theoretical development.

3.1 Customer-related knowledge transfer and the characteristics of knowledge

3.1.1 Customer-related knowledge

“Information is a flow of messages, while knowledge is created and organised by the very flow of information, anchored on the commitment and beliefs of its holder.” (Nonaka 1994, 15)

In the area of knowledge management and organisation science, a wide variety of definitions can be found around the concept of knowledge. For example, Bollinger and Smith (2001, 9) make the distinction between information, data and knowledge: “Information is processed data and can reside within computers. Humans possess knowledge”. They define knowledge as understanding, awareness, or familiarity acquired through study, investigation, observation, or experience over the course of time. Kogut & Zander (1992, 387) define knowledge as an individual’s interpretation of information based on personal experiences, skills and competencies, meaning e.g. being able to organise and structure the work and interactions of employees.¹¹ Knowledge has also been conceived as “information put to productive use” (Kakabadse *et al.* 2003, 77).

¹¹ Quintas *et al.* (1997, 388) refer to similar, conventional definitions of data, information and knowledge: “Information is organised facts and data, and knowledge consists of truths and beliefs, perspectives and concepts, judgments and expectations, methodologies and know-how”.

Knowledge is held by individuals, but from the collective point of view it is also embedded in the ability to conduct organisational practices (Kogut & Zander 1992, 388). Thus, knowledge can be seen as a content, *substance resource*, but also as the basis of the firm's ability to integrate the processes of knowledge creation and development (Sivula *et al.* 1997, 122). The concept of *organisational knowledge* is often defined as what people in the organisation collectively know about customers, products, processes, mistakes and successes. It defines the organisation, and is a reflection of the organisational culture. Organisations gain new knowledge through the transformation of collective experiences and expertise (Bollinger & Smith 2001, 9), which may become embedded in organisational routines, processes, practices, and norms (Davenport & Prusak 1998, 5). However, once knowledge has been acquired in the organisation, it is not necessarily easily accessible. Its retention may require policies, procedures and ongoing routines that guarantee that the knowledge is utilised and up-to-date (Day 1994b, 23). An organisation needs "a memory"; otherwise knowledge may be lost or it remains inaccessible in the memory of individuals (Day 1991, see also Alvesson 1993, 1001).

Thus, we can make a distinction between individual knowledge and collective knowledge. On the individual level it may be seen as task-related ("know-what") knowledge, experience-based and tacit ("know-how") knowledge, for example. At the collective level, knowledge can be viewed as a combination of "skills, routines, norms and values developed by at least two employees working together" (Løwendahl *et al.* 2001, 916-917).

Organisational knowledge is influenced by the cultural system through which professionals achieve their knowledge (Blackler 1995). According to Tsoukas and Vladimirou (2001, 979), in a weak sense, knowledge is organisational by its being "generated, developed and transmitted by individuals within organisations". However, in a stronger sense, knowledge becomes organisational when individuals within the organisation "draw and act upon a corpus or generalisations in the form of generic rules produced by the organisation".

The concept of *knowledge management* is often used when the focus is on knowledge as a primary resource, and the aim is to make it more productive by increasing access to it, developing it, capturing it in databases, or applying it to enhance processes, products, and services. The core of these managerial initiatives is in developing relationships between people to allow for opportunities to share knowledge in its different forms. (Dawson 2000, 4.)

In this study the type of knowledge studied is *customer-related knowledge* meaning first of all systematic, relationship specific knowledge. It is - depending on the situation - either individual-bound or organisational (Campbell 2003, 376), and it is related to specific customer needs and characteristics of the customer, or the history and future possibilities of the relationship, for example. It is primarily based on past relational experiences and is co-created in interaction between the representatives of the professional company and its client. Besides the facts or judgmental knowledge of the customer, customer-specific knowledge is coping knowledge about how to deal with the customer (see e.g. Ballantyne 2004a). Utilising that knowledge is a crucial capability for a professional service organisation, without which the organisation is unable to provide good professional services for the customer.

However, in this study I would like to widen the focus of customer-related knowledge to cover all the knowledge resources which are needed in order to maintain and create value in collaborative relationships. According to my initial understanding, *knowledge about customers* is without a doubt an essential knowledge element; however, *knowledge for customers* also is needed in the process of relationship management (Gebert *et al.* 2002), meaning that in the best possible situation, customer needs are matched with the best possible expertise available. For example, in order to be responsive to specific customer needs and form a suitable service offering, it is crucial to know who knows what in the professional firm (also e.g. Argote 1999). *Knowledge from customers*, meaning feedback on services used earlier and/or general knowledge on prevailing and future customer needs, is a third important aspect, whose exploitation is significant in the process of service development (e.g. Gibbert *et al.* 2002). In addition, along the research process, other types of knowledge benefiting collaborative relationships management may come up. Thus, customer-related knowledge should not be defined too narrowly at this stage.

3.1.2 Knowledge transfer and characteristics of knowledge

According to Dawson (2000, 17) *knowledge transfer* is a combination of socialised transfer that occurs through direct personal interaction and intermediated transfer where codified, explicit knowledge is available and the knowledge transfer is intermediated e.g. through an IT system (see also Jordan & Jones 1997, 393). In principle, customer knowledge management in a professional firm includes several knowledge processes: Kerkhof, van den Ende and Bogenrieder (2003) identify absorption, diffusion, generation and exploitation as the four most essential processes. With my focus on internal company knowledge transfer, I primarily touch the process of diffusion. Diffusion concerns the distribution of knowledge among the members of the professional organisation (Kerkhof *et al.* 2003, 79). Thus, my focus in this study from the knowledge transfer point of view is the transfer of knowledge among the members of the organisation and thus transformation of knowledge from individual to organisational capital.

Quinn (1992) defines four *carriers of knowledge*: people, technical systems, management systems and culture. Because my focus is narrowed to the diffusion process in the organisation, I am able to take all these knowledge carriers into account without losing the focus of the analysis.

Many descriptions of “best possible practices” are given in relation to inter-organisational knowledge transfer. For example, Goh (2002) brings up following organisational practices and characteristics which may either facilitate or inhibit knowledge transfer:

- Information technology; is knowledge widely accessible?
- Organisational culture; is there a natural tendency to share knowledge?
- Amount of trust and openness in decision-making
- Political motives: what are attitudes and willingness to share knowledge?
- Organisation’s infrastructure: does it support knowledge transfer, e.g. is infrastructure based on horizontal communication?

- Characteristics of the recipient; is there a capability to receive a knowledge?
- Nature of the relationships: close or distant?
- *Characteristics of the knowledge: is it tacit or explicit?* (Goh 2002).

In the following I would first like to focus on the factors influencing the customer-related knowledge transfer related to characteristics of knowledge, leaving the other organisational practices and characteristics to the following sections.

Characteristics of the knowledge being transferred, e.g. its codifiability and complexity, are important in determining the degree of transfer (Argote 1999, 173); the rate at which knowledge is accumulated, retained, where it is retained, how much of it is retained and how easily it diffuses within and across boundaries (Argote *et al.* 2003b, 580).

The traditional categorisation by Polanyi (1966, 4) divided human knowledge into two categories: “explicit knowledge”, which refers to knowledge that is transmittable in formal, systematic language, and “tacit knowledge”, which has a personal quality, making it hard to formalise and communicate; it is embedded into human actors. Tacit knowledge is tightly related to action, commitment and involvement in a specific context. This distinction between explicit and tacit knowledge could also be described as an epistemological dimension of organisational knowledge creation (Nonaka 1994, 15).

Examples of explicit, customer-related knowledge can be e.g. codified knowledge stored into IT systems, which may be more easily transferred to a larger audience without personal interaction, and is more easily standardised. On the other hand, tacit customer-related knowledge is more circumstantial, possibly related to time and the client’s context, transferable only in an interaction, by participation and/or observation, for a limited audience. (Teece 1984, 9; Sivula 1997, 80.)

In addition to tacit vs. explicit aspects of knowledge, also other dimensions can be defined referring to the characteristics of knowledge: observable in use – not observable, complex – simple, and element in a system – independent (Winter 1987). These distinctions are particularly valuable when the transfer of knowledge in a professional organisation is the focus of analysis. They are directly related to the ease of transfer or “stickiness” (e.g. Szulanski 1996) of knowledge potentially hampering the transfer process.

According to my initial understanding, customer-related knowledge is often tacit in nature (see also Day 1994b, 10); thus it needs to be co-created through shared experience with the customer or colleagues. In addition, it is not easily observed, thus a considerable amount of face-to-face interactions may be needed in order to transfer it (Argote 1999, 88; Birkinshaw *et al.* 2002, 278). That type of knowledge may be to a large extent quite complex, which further increases the challenge of making it explicit, and thereby more transferable. The complexity of knowledge makes it also more difficult to transfer in face-to-face contacts. As has been mentioned several times before, in professional organisations knowledge tends to be highly embedded in its tacit form into individual actors (professionals) or small group of actors (e.g. collegial groups). All of these characteristics of customer-related knowledge provide a challenge from the perspective of knowledge utilisation: how to transfer the knowledge into the common, organisational knowledge pool, between the actors in the organisation, and exploit it on the organisational level?

In the previous sections we looked at the form of knowledge and its influence on knowledge transfer. I also defined that I am going to focus on inter-organisational diffusion of knowledge. Within that limitation, *two different, but also overlapping concepts of knowledge processes can be categorised*, 1) transformation of knowledge from tacit to explicit knowledge and vice versa, and 2) transfer of knowledge. Thus, vertical transfer, e.g. codification of knowledge transforms the nature of knowledge, whereas horizontal transfer, e.g. sharing knowledge in face-to-face contacts, describes the transfer of knowledge (Sivula 1997, 51). These theoretical aspects are both taken into consideration in this study because of their inherent overlaps in this context, as the following review also shows.

The classical model of knowledge conversion and *knowledge transformation* in the organisation by Nonaka & Takeuchi is widely used (Nonaka & Takeuchi, 1995). The idea behind the model is that organisational knowledge may be created through a continuous dialogue between tacit and explicit knowledge. Although new knowledge is developed by individuals, organisations may play a critical role in articulating and amplifying that knowledge (Nonaka 1994, 14).

According to Nonaka & Takeuchi it is possible to identify four different patterns of interaction between tacit and explicit knowledge. These "modes" of knowledge conversion are: 1) from tacit knowledge to tacit knowledge (socialisation); 2) from tacit knowledge to explicit knowledge (externalisation); 3) from explicit knowledge to explicit knowledge (combination); and 4) from explicit knowledge to tacit knowledge (internalisation). (Nonaka & Takeuchi 1995, 62.)

The key to acquiring tacit knowledge is experience. The process of creating tacit knowledge through shared experiences is called "socialisation". The second mode (combination), involves the use of social processes to combine explicit knowledge held by individuals (e.g. meetings). The conversion of tacit knowledge into explicit knowledge and into a communicable form is called "externalisation", or "codification" as Boisot (1998) calls it. The process of translating explicit knowledge into personal, tacit knowledge is called "internalisation." (Nonaka 1994, 19.)

These different forms of conversion also have analogues within different aspects of organisational theories. For example, socialisation is connected with theories of organisational culture and combination is rooted in information processing (Nonaka 1994, 19). The core idea is that dynamic interaction is needed between these different modes. Knowledge creation is based on building both explicit and tacit knowledge and on the interchange between these two aspects (Nonaka 1994, 20). It is human activity that creates the organisational "mind" as individuals interact and create behaviour patterns (Nonaka 1994, 23).

In practical terms, socialisation can start with the building of a "*field of interaction*". This facilitates the sharing of perspectives and provides individuals with the opportunity to collaborate, to develop ideas and to integrate their expertise. For example, this field could be organised in the form of a self-organising (cross-functional) team, which triggers organisational knowledge creation through two processes. It can build a mutual trust which accelerates the creation of an implicit perspective shared by members. This shared implicit perspective is then conceptualised through continuous dialogue among members. (Nonaka 1994, 24.)

In the professional service organisation, creating a field of interaction may be challenging because of the loosely coupled nature of the organisation. For example, work is to a large extent done in close co-operation with the customer, and even on the customer's premises, and thus there may not be resources to create and develop common forums for internal, tacit knowledge sharing in face-to-face contacts.

The combination mode is facilitated e.g. by co-ordination between the members of the team and the documentation of existing knowledge. It may also be challenging to build facilitators in this context because of the inherent complexity of the type of knowledge, and its high embeddedness and situation-boundness in individual actors.

Internalisation may be developed through a process of "learning by doing", resulting in shared experience (Nonaka 1994, 20). Internalisation is the process by which people make information part of their personal knowledge, "The essence of this process is found in establishing new connections and associations to, and within existing knowledge, which happens through perceiving associations and similarities to prior experiences, thoughts and mental structures" (Dawson 2000, 72). Low frequency of interaction inherent to the loosely coupled organisation also causes challenges in this sense.

Zollo and Winter (2002, also Zollo & Winter 1999) define the knowledge transfer mechanisms through which organisations develop their capabilities. Thus, their approach focuses on developing knowledge processes using these mechanisms, and in that sense the ultimate meaning of these mechanisms is seen from a different angle compared to the views offered by Nonaka and Nonaka & Takeuchi. However, these views are overlapping. These authors also focus on the nature of the knowledge (explicit vs. tacit) and address the role of knowledge articulation and knowledge codification as processes maintaining experience (knowledge) accumulation processes in the evolution of capabilities and operational routines (Zollo & Winter 2002, 339).¹²

In *knowledge articulation* organisational knowledge processes improve when – via knowledge transfer and dialogue – people become more aware of the "big picture" of an organisation. Implicit knowledge is articulated through collective discussion, and members of an organisation can achieve an improved level of understanding of the causal mechanisms (compare with the former "field of interaction"). Working practices supporting knowledge articulation could be one practical example of facilitative conditions for discussion. It is worth noticing that in the professional organisation context, the individualistic nature of work might inhibit all of these aspects: knowledge articulation, dialogue and knowledge sharing.

¹² According to Grant, literature points to two primary knowledge integration mechanisms: *direction* and *organisational routines* (Grant 1996, 379), which overlap with the mechanisms presented here. Grant uses the concept of direction when referring to highly codified knowledge (Grant 1996, 379) and organisational routines when defining a mechanism for coordination which is not dependent upon the need for communication of knowledge in explicit form. Organisational routines are patterns of interaction which facilitate the integration and articulation of knowledge and appear "automatically". Also Slater & Narver (2000, 122) write about the intelligence generated from the repetitive experience, while Argote speaks of repeated practice as an important learning mechanism that helps people understand processes more fully and thereby develop more effective routines (Argote 1999). Thus, existing tacit knowledge can be codified into detailed routines that specify steps and subdivide activities. Routines are "programmes of action", context-specific, experience-based action rules (Grandori & Kogut 2002, 224). Such routines intensify the memory of the firms for the routine (Argote 1999); as workers continue to gain experience with these routines, they channel the processes so that they become easily sustained and – finally – may even become inertial (Eisenhardt & Martin 2000, 1113).

Knowledge codification is a step towards an explicit form of knowledge. It means that the learning effort goes further than merely sharing the knowledge by articulating it to developing manuals, data storage and other process-specific tools. Codification reveals and clarifies the logical steps and hidden assumptions of the phenomena in question and makes the causal linkages explicit. Thus, codification may be a potential supporting mechanism for the entire knowledge evolution process, and not just the transfer phase (Zollo & Winter 2002).

It can be said that the knowledge transfer categorisations reviewed here highly simplify the ambiguous nature of knowledge (see e.g. Alvesson *et al.* 2002), and extensive criticism has been directed against these conceptualisations. For example, focusing on “knowledge” rather than “knowing” is brought up as a criticism towards the prevailing knowledge discourse (Orlikowski 2002, 249-250, see also Tsoukas & Vladimirou 2001, 990). According to those views, the problem lies in separating knowledge and knowing, as if knowledge could be separated from a human actor, the “knower” him/herself, and from his/her actions in everyday working situations. For example, according to Blackler (1995), focusing more on “knowing” could help in avoiding the distinction made between knowledge and learning. The dynamics of domination and subordination interwoven into knowledge conceptualisations (e.g. Foucault 1980) and its use only for “capitalistic purposes” (Blackler 1995, 1040) is also criticised. However, although concepts are always simplifications of reality, the categorisations presented here are, according to my view, needed in order to describe the customer-related knowledge transfer. This does not mean that the type of criticism mentioned is not relevant.

To conclude this section, I suggest that there are obvious factors related to the nature of knowledge that influence the *transferability of knowledge* in professional service organisations. In principle, codified knowledge is more easily transferred (Sanchez 1997). For example, Zollo and Winter (2002, 348) suggest that more explicit mechanisms may be more effective, especially in the case of *high task heterogeneity* and *causal ambiguity*. Explicit mechanisms may also be more effective when the frequency of experiences is low. In the professional service organisation this notion may be especially relevant because of the relatively ambiguous and complex nature of knowledge services produced. In circumstances where working practices are typically individualistic, genuine and heterogeneous, the creation of an organisational understanding of expertise possessed may require explicit mechanisms of knowledge transfer in order to diminish the causal ambiguity. In addition, for the loosely coupled system the characteristic low frequency of face-to-face interactions (thus low frequency of experiences) among the professionals may also make explicit knowledge transfer an increasingly effective mechanism.

Knowledge in professional organisations may often be *non-observable* because of its tacitness, and low frequency of interactions among the professionals diminishes the possibility to share tacit knowledge, which is only shared by participating or by observing. However, according to Day (1994a, 10), the most influential knowledge needed in order to develop capabilities in customer relationships is likely to be tacit. This is paradoxical: on one hand, loosely coupled working practices in professional organisation offer few possibilities for sharing tacit knowledge by interacting or observing between the professionals, and on the other hand, by externalising knowledge into explicit form one may even lose its richness and authenticity (Boisot 1998). In

addition, customer-related knowledge may be difficult to articulate, or so circumstantial and/or context-dependent (embedded into the system or individual actor) that the codification efforts are too vast in comparison to the benefits gained (Sivula 1997, 198). Thus, the role of tacit and explicit knowledge in the professional service organisation and its influence on knowledge transfer is not unambiguous.

Knowledge cannot be integrated without its transfer, in its explicit or tacit form. From the customer-related knowledge utilisation perspective especially knowledge integration in the service production and relationship coordination can be seen as a potential source of competitive advantage. In the area of professional services and especially in collaborative relationships, customer needs seem to be becoming more ambiguous and include a wide variety of different aspects. Thus, the capability to create processes that span boundaries between firms and between internal functions in order to create a wide offering is becoming essential (see e.g. Day 2000, 28, also Grant 1996, 381). Different types of knowledge can be seen as complementary rather than substitutes. Also, the greater the scope of knowledge being integrated, the greater the difficulty faced by competitors in replicating that capability (Grant 1996, 381).

Professional service organisations face clear challenges in processing customer-related knowledge; a balance between tacit and explicit mechanisms as well as the exploration of new knowledge and exploitation of existing knowledge are both needed in order to develop organisational capabilities to meet customer needs. In the previous sections I have defined concepts of knowledge, and the concept of knowledge transfer concentrating mainly on the nature of knowledge, meaning e.g. tacit versus explicit aspect of knowledge. *However, a wide variety of contextual aspects of the professional service organisation together with the characteristics of knowledge influence knowledge transfer.* These characteristics of knowledge and organisation are strongly interconnected. Referring to the previous review of professional organisation as a more loosely coupled system, it can be claimed *that these contextual factors may either strengthen the loosely coupled nature of the organisation (thus inhibiting knowledge transfer), or create a more interconnected, more tightly coupled organisation which could be facilitative for internal knowledge transfer.* In the following, these contextual aspects are reviewed.

3.2 Customer-related knowledge transfer and characteristics of the organisation

In addition to the previously defined characteristics of knowledge, different characteristics of the context can impact an individual's ability and opportunity to retain and transfer knowledge and his/her motivation or incentives to do so in the first place (Argote *et al.* 2003, 575).

In principle, knowledge is embedded in individual members (i.e. experts) and in the organisation's rules, routines, culture, structures and technologies (Argote *et al.* 2003, 575, Levitt & March 1988, Starbuck 1992). After knowledge is retained and transferred, the collective knowledge of an organisation contains decision rules for accepting or rejecting information, shared mental models for making sense of that information, and making decisions on how to act on the information in light of the expected results (Day

1991, 4). All these aspects form the inner context, which can be seen as a result of the knowledge transfer, and which may also foster or inhibit knowledge transfer.

Thus, these different aspects of the organisation (*in the following categorised as “systems, structure, culture and dominant logic” of the organisation*) are important both as a prerequisite for effective knowledge transfer and as aspects of the capabilities developed as a consequence of a knowledge transfer, although in this study those concepts are mainly used in order to define potential knowledge transfer inhibitors and facilitators. Thus in that sense those factors are simplified in the form of the prerequisites of the customer-related knowledge utilisation.

These concepts were chosen in order to give a multi-layered description of organisational characteristics in this context. According to my view, together they create a reasonable, systematic and holistic spectrum of “tools” to analyse the empirical reality while keeping the goal of this thesis in mind. Those concepts bring up different aspects of the same phenomenon; thus they offer a more eclectic view on the phenomenon under study. I wanted to do so, because all too often in the literature only part of the picture is portrayed using only one angle of analysis. According to my view, without analytical tools looking deeper into e.g. the history-bound aspects of the organisation (such as the dominant logic of the organisation) the final result might have been a constructive model of knowledge flows without the necessary contextual considerations. In that sense, symptoms would have had a dominant role instead of the underlying tendencies causing them.

I will start my review from the organisational characteristic I consider the most history-bound aspect of the organisation: the dominant logic.

3.2.1 The dominant logic

Customer-related knowledge utilisation may call for the ability of the organisation to absorb new information about customer relationships and their environment into their mental models (e.g. Day 1991, 6). Organisational “flexibility” implies the ability to change the very basis of our views and opinions in relation to the context. Mental models should be at least as diverse and flexible as an organisation’s environment in order to support capabilities needed in the markets (Dawson 2000, 84).

Prior knowledge permits the assimilation of new knowledge, and therefore it can be seen as an important factor influencing an organisation’s absorptive capacity, as it is named in earlier sections. This notion has important implications for the development of capabilities over time: because of the remarkable role of prior knowledge, capability development is path- or history-dependent (Cohen & Levinthal 1990, 136). One characteristic of organisational capabilities is their “stickiness” over time. It is argued that once created, capabilities tend to be hard to change (Helfat 2000). In practical terms, this means that new knowledge is embedded into a prevailing knowledge base of the organisation. The prevailing knowledge base in turn is likely to be strengthened; thus knowledge tends to be filtered to “fit” into previous knowledge. This is why many organisations may find it hard to change and why many organisations see a need for

change but are unable to act in order to fulfil this need (Bettis & Prahalad 1995, 7). This also unavoidably influences organisational capability to transfer and utilise knowledge.

The concept of dominant logic is one way of describing the aforementioned type of “knowledge filter”, in which organisational attention is focused only on knowledge deemed relevant to the organisation, which fits into prevailing assumptions, while other kinds of knowledge, which could have renewing potential, may be ignored (Bettis & Prahalad 1995, 7). The dominant logic can be compared to genetic factors when making a medical diagnosis: “its influence is pervasive. It permeates the organisation, yet it is invisible. It predisposes the firm to certain kinds of strategic problems and often interacts with organisational systems and structures in a complex way in causing these problems” (Bettis & Prahalad 1995, 8-9).¹³

The danger of the dominant logic is that these mindsets are usually tacit and function to a large extent below the level of awareness. When these assumptions of the dominant logic become dysfunctional, an organisation is not able to critically evaluate the relevance of its basic assumptions in the prevailing situation. The unworkable activities in the customer interface might continue, and collective myopia might develop (Argyris 1999, 5; Schein 1985, 373). Levitt & March use the concept of “competence trap” to describe a situation wherein an organisation falsely projects into the future the strategies that have worked for them in the past (Levitt & March 1988, 322-323).

Competence traps might be especially prevalent within organisations that carefully segment activities, keep functions separate and professionals working in isolation (Day 1991, 13; Day 1994b, 18-19). These organisational forms also inhibit knowledge transfer. Even though individual exploration may bring useful knowledge to the organisation, defensive behaviour among the actors may prevent the development by hiding and/or ignoring important information from others, avoiding public testing of basic assumptions, and tacitly communicating that the organisation is not open to having mental models challenged on the individual or organisational level. Members of the organisation tend to mutually reinforce their beliefs (Sterman 1994, 313).

The “defensive routine” mentioned is an emotionally laden concept. The need for customer-related capability development may also create a threat for some individuals or groups, who may respond defensively to threat and potential embarrassment. Most organisations exhibit powerful organisational defensive routines which inhibit learning (Argyris 1999, 56, also Senge 1990). Even though changes may make good logical and business sense, existing emotional attachments may stimulate considerable resistance towards new initiatives (Roth 2003, 45). The more effective the defensive routines are, the more effectively they cover up the underlying problems and the less effectively these problems are faced.

As we can see from the previous review, unlearning may be as important as learning when developing organisational practices towards collaborative operations and towards improving the organisational capability to utilise customer-related knowledge.

¹³ Along the same lines, Levitt & March (1988, 324) write about the history-dependant, collective understanding – paradigm – which is normally suppressed as a conscious concern, but forms a framework for learning. Argyris and Schön use the concept of “theory in use” (Argyris & Schön 1987, Argyris 1999, 30) as well as “frame” (Argyris 1999, 13). Day (1991, 6; 1994b, 17) uses the concept of “mental models” presented earlier, while Cohen & Levinthal (1990) emphasise that the development is based on previous knowledge base and is path- or history-dependent.

Unlearning means that before strategic learning can occur, the old logic may have to be, in a sense, ‘unlearned’ by the organisation. Unlearning is at the heart of change, and open-mindedness is the value that is a necessary facilitator in that process (Sinkula *et al.* 1997, 309).

As mentioned, the longer a dominant logic has been in place, the more difficult it may be to renew (Bettis & Prahalad 1995, 11); for example, managers are obligated to behave rationally. They are the ones who frame the problems and search for solutions. Unfortunately their ideas may often be based on historical experience as opposed to current knowledge (Tripsas & Gavetti 2000, 1148). When senior managers work together over time they often develop a set of beliefs based on their shared history. However, it is not possible to change organisational routines without changing individual routines and vice versa (Argyris 1999, 56-59). In that sense new managers/employees bring new ideas and have the ability to redefine an organisation’s dominant logic.

Thus, choices about domains of competence are influenced by past choices. “This path not only defines what choices are open to the firm today, but also puts bounds around what its internal repertoire (of competencies) is likely to be in the future” (Teece *et al.* 1997, 515).

3.2.2 Culture and values

Culture and values in the organisation are strongly intertwined with the concept of dominant logic. However, the main difference from my point of view is that dominant logic can be considered to be even an more “fixed” and a history-dependent phenomenon than organisational culture.

Organisational culture refers to the values and beliefs that are held by employees. Culture can be an important governing system from the knowledge transfer point of view as it mediates the behaviour of individuals (Teece *et al.* 1997, 520). It is claimed that organisations which are culturally open for change are likely to obtain higher returns for learning at any knowledge transfer investment, e.g. codification, because they are more effective in shifting behaviour to exploit the novel understanding (Zollo & Winter 2002).

Developing a special organisational culture (if “developing” culture is even considered possible) takes a lot of effort, and every culture involves distinctive traditions (Starbuck 1992, 729). Culture and values are not easy to “manage”. The role of value structures as an initiator and moderator of changes makes this a timely topic for the understanding of organisational dynamics (Buenger *et al.* 1996, 572).

Customer relationship orientation pervades all parts of the organisation’s mindset, values, and norms, as well as influencing all interactions with the customer. Thus, a change towards relational customer orientation and related changes in knowledge transfer practices also has a strong cultural aspect. For example, Sinkula *et al.* (1997) present a learning framework that interrelates organisational values, market-information-processing behaviours and organisational actions. According to Sinkula *et al.*, an organisation’s commitment to learning (also Senge 1990; Slater & Narver 1995), open-mindedness and shared vision are facilitative learning orientation values (Sinkula *et al.* 1997, 309).

Dubinsky *et al.* (2003, 5) studied sales organisations, and according to their view, organisational factors influencing a sales organisation's readiness to adopt a relationship selling approach, and thus relationship-based values, include facilitative and supportive leadership, organic structure and decentralised strategic planning (also Slater & Narver 1995). Thus, organisational design can also be seen to be intertwined with the culture. Also Buenger *et al.* (1996, 572) suggest that an organisation's set of values is at least partially predictable based on the structure of its context. The values enacted by the organisation may in turn influence certain aspects of its structure (vertical and/or horizontal coordination). Their model suggests the structural consequences of emphasising certain values. For organisations seeking control, vertical coordination through the hierarchy is the most likely choice, while in organisations seeking flexibility, it would be to rely on horizontal channels to ensure information flow, which is critical to adaptation (Buenger *et al.* 1996, 572).

Thus, managerial choices should reflect the organisation's value structure (and its deficiencies), its context and its structure as well as how these elements fit together (Slater & Narver 1995). It is important to notice that a clearly articulated target is one way in which learning organisations can potentially manage the tension between the exploration and exploitation paths to effective capability development (Slater & Narver 1995).

3.2.3 *Structural assets*

Formal and informal organisational structure has an important bearing on the transfer of knowledge; for example, the degree of hierarchy and the level of vertical integration are elements of it (Teece 1996, Teece *et al.* 1997, 521-522). In addition, organisational incentives are also elements of governance structure influencing knowledge transfer, because knowledge assets are also embedded in managerial processes (Teece 2000, 30).

The organisational design presents an interesting angle because it lies, to a larger extent (than previous dominant logic and culture), within the manager's control (Sorenson 2003, 227). By creating a suitable design, organisations can provide forums for knowledge sharing and discussion. This may occur e.g. through liaison positions, integrator roles, matrix organisations and face-to-face contacts (Slater & Narver 1995). Once again it is important to notice that the presented organisational characteristics of dominant logic, culture, structure and following systems influence each other strongly and overlap, although they are here presented separately.

The presence of structural barriers between different activities will raise some problems from the knowledge utilisation standpoint, since knowledge transfer processes *may tend to remain localised*.

From the capability point of view, an organisation can be seen as a knowledge integrator. This provides a rather different perspective on the organisational structure compared to traditional discussions about the design of the organisation. Current management practices can be seen as attempts to change organisational structure and processes to achieve better integration, e.g. between different functions and actors (Grant 1996, 384). Thus, it is seen that changes in structure may also contribute to knowledge

transfer, knowledge utilisation, and finally, organisational capability development as well (e.g. Argote 1999, 70).

3.2.4 Systems-level

In order to facilitate customer-related knowledge transfer, an organisation can also make investments in tangible assets, such as the establishment of IT systems. IT systems are nowadays an important part of the process of converting individual knowledge into organisational knowledge. These systems can support the conservation and transfer of that knowledge in its codified form (Day 1991, 8; 1994b, 22, see also Bose & Sugumaran 2003, Blessing *et al.* 2001, Ofek & Sarvary 2001).

Starbuck (1992, 726) uses the concept of physical capital in that sense. Physical capital is a critical tool for coordination and control. On practical level this may mean collecting new critical information which supports management (Reponen 1996, 43, 45) in customer relationship management systems, for example. This organisational aspect has a strong link with the earlier defined processes of knowledge combination (Nonaka & Takeuchi 1995) and documenting/codifying existing knowledge (e.g. Zollo & Winter 2002).

However, these operational moves may not alone be sufficient to address the challenges when a professional organisation must develop new capabilities to support long-term cooperation with its customers. In that sense, ongoing management discussion concentrating on customer relationship management IT systems as an ultimate solution to the challenges of customer relationship development is seriously misleading, at least in the context of professional services. Development of the systems may be needed, but they are not enough on their own to create facilitative conditions for customer-related knowledge transfer and utilisation (e.g. Dawson 2000, 75). A deeper analysis of organisational skills and behaviours – human activities – is essential in order to understand the phenomenon.

3.3 Utilising customer-related knowledge in capability development

This section is dedicated to the capability development aspects. In this study it means that we are looking at theoretical viewpoints of customer-related capability development influenced by organisational and knowledge-related factors described earlier. Thus, when considering customer-related knowledge utilisation in relationship maintenance, coordination and creating service offering, it is important to consider knowledge utilisation *also as fuel for long-term development* of organisational resources to better meet the needs of the collaborative relationship.

My choice to move on these two levels of analysis (knowledge transfer vs. capability development) is supported e.g. by Loermans: “Taking a broader view, knowledge creation is the final result of the learning process and conversely, *learning occurs when we talk about creating, sharing and using knowledge. This makes a very clear link between knowledge and the learning process*” (Loermans 2002, 289-290). Organisational

learning is dependent on the development of knowledge in the organisation (Kerkhof *et al.* 2003).

Three different orientations of organisational learning can be distinguished. Firstly, learning as a development of the collective, cognitive structure; secondly, the discourse around the importance of learning within the organisation and the description of the ideal form of it and thirdly, learning as a *sourcing, formation and refining process of knowledge* (Kirjavainen 1997a). I would say that my focus is the latter one, emphasising an ability to access and utilise knowledge resources in order to create value for the customer.

Dynamic capabilities develop and maintain the relevant knowledge resources of the company (Teece *et al.* 1997). However, having knowledge-related capabilities is seen as meaningful only in relation to a particular context at a particular time (Winter 2000, 982). Thus, the nature of effective dynamic capabilities varies according to the external context of an organisation, market dynamics, the situation of the organisation and its strategic challenge. What these capabilities are in this context and in relation to collaborative relationships, will ultimately be answered with the help of empirical material.

In principle, in more stable markets, capabilities seem to remain like the traditional conception of routines. This means that dynamic capabilities are processes which rely on existing knowledge and linear thinking. Managers can develop efficient processes based on linear steps that are relatively predictable and stable (March 1991, Eisenhardt & Martin 2000, 1110). Best practices are widely shared and knowledge can even be codified (Sallinen 2002, 61).

In high-velocity markets dynamic capabilities take on a different character. Change becomes nonlinear and less predictable. Market boundaries are blurred and market players are ambiguous and shifting. In that situation capabilities can rely much less on existing knowledge, while rapidly created, situation specific knowledge may become more important. (Eisenhardt & Martin 2000, 1106, 1111.)

In this study, the focus is on the professional organisations, which according to my view operate in the relatively stable markets of education and consultancy as opposed to a hypercompetitive environment (e.g. Ravasi & Verona 2001). In addition, emphasis on the collaborative relationship would presume that relying on existing knowledge becomes more important; customer knowledge is potentially acquired, accumulated and retained in the long-term relationship. Thus, continuity plays a significant role. Strategic capabilities in that situation can be seen as the combination of the stabilised, observable way of acting, supporting routines which may help to utilise customer-related knowledge. In the context of the professional service organisation, developing those collective capabilities may be even more valuable, because those organisations are usually very dependent on their individual experts. (Kirjavainen 1997a, 285.)

Referring to the earlier review of professional service organisations and aspects of loosely versus tightly coupled structures in the organisation, from a knowledge utilisation point of view those capabilities could potentially be based on the development of exploitative structures, which can be considered a weakness in those organisations. By this I mean a development of existing knowledge utilisation in order to support collaborative customer relationship management. Thus, according to the theoretical review presented, a *routine-based approach* to capability development may be warranted. This approach can be linked with the formerly presented concepts of tightly coupled

structures and knowledge exploitation. Creating tightly coupled structures in a naturally loosely coupled organisation and maintaining routines supporting interactions can be seen as a remarkable challenge, and it also offers potential for customer-related capability development in this context.

This is also supported by the fact that in order to be able to learn organisationally, to develop, a certain amount of repetition may also be needed. The “fear of bureaucracy” in management discourse seems to have led to underestimation of repetition and systematic routines as part of organisational practices. However, it is exactly repetition and routines that are an important prerequisite for learning; thus they are also essential when lasting change is needed (Kirjavainen 1997a, 287).

Of course we also have to remember that we are looking at the professional organisation *from a collaborative customer relationship perspective*: from the perspective of customer-related knowledge transfer and utilisation, which is only one potential angle for examination.

3.3.1 Knowledge transfer and its influence on development processes

Using the word “learning” or capability development creates obvious problems: should we look at organisational, group or individual levels while studying learning processes? We do not have a clear idea of how these different levels are connected. The only thing researchers seem to agree on is that in an organisational context learning can be much more than the sum of the individual learning, and individual learning is inevitable, but not sufficient, when we want organisational learning to take place. (Kirjavainen 1997a, 16.)

Traditionally the idea of organisational capability has been based more on individual knowledge than on organisational capabilities. However, the trend nowadays seems to be towards the development of the strategic capabilities, and thus from individual-based knowledge to organisational-based capabilities (Kirjavainen 1997a, 211). Organisational-based capabilities are also my main focus here, although we must note that individual- and organisational capabilities are not totally separable, at least not in the context of the professional service organisation, because of the strong emphasis on human capital in those organisations. However, in this study the focus of theory development and empirical analysis is mainly on the organisational level.

This section is necessary because – considering the focus of the study – it is important to define the potential development processes in order to understand the development of the knowledge transfer processes towards collaborative operations and its influence on customer-related knowledge utilisation.

The following concepts were chosen based on the research questions, the contextual factors of a professional service organisation and the earlier theoretical review of different organisational aspects influencing knowledge transfer. Those concepts come from the theoretical discourse of organisation research. By using the following definitions, we can gain a clearer understanding of why, and how, and on what levels capability development may or may not happen. I will start my review of organisational learning with different “types of learning”: single-, double-, and triple-loop learning.

3.3.2 Single and double-loop learning

All learning depends on feedback, and thus on knowledge. People make decisions that alter the real world: we receive knowledge and using the new knowledge, we potentially revise our understanding of the world and the decisions we make in order to bring the system closer to its goal (e.g. Sterman 1994, 292). *Without knowledge transfer there is no feedback-loop, which enables learning and development.*

Change initiatives are formed when the actors in the organisation compare their knowledge about the state of the real world to various goals. Differences between the desired and the actual state leads them to take actions that (they believe will) cause the real world to move toward a desired state; error is thus detected and corrected. Many authors call this kind of learning ‘single-loop learning’. It does not alter one’s worldview, (e.g. Argyris 1999, 68, Sterman 1994, 294) but “fixes the symptom”. This type of organisational learning is also called adaptive learning (Slater & Narver 1995, Senge 1990).

According to many authors, in most cases organisational learning is single-loop, adaptive learning and it is especially typical in businesses with strong functional and bureaucratic commitments (e.g. Argyris 1999, 69, Sinkula & Baker 1999, also Morgan 1997). Nowadays skills are often institutionalised in the form of information systems designed to keep the organisation “on course” (e.g. budgets and other management controls) and these practices are widely emphasised. However, those systems are not enough alone to facilitate desired development, and may even lead to the adaptive learning trap (see e.g. Morgan 1997, 88).

One way to avoid this “adaptive learning trap” may be to ensure that there is a functioning *cooperative network which includes people with perspectives* that differ from the organisation’s dominant logic (Slater & Narver 1995). As our mental models are able to change as a result of variable knowledge influences, we may create different decision rules and change the strategy of our organisation. The same knowledge is now filtered and processed using different decision rules, yielding different decisions, possibly towards the desired state. This change in decision rules can be called double-loop learning (Argyris 1999, 68, Sterman 1994, 296-297). The term “generative learning” (Senge 1990, Slater & Narver 1995) is often used to describe this phenomenon.

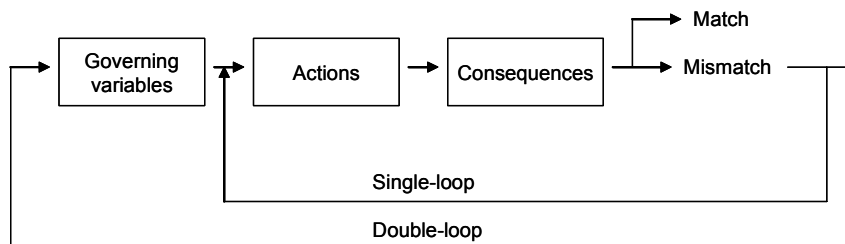


Fig. 6. Single-loop versus double-loop learning (Argyris 1999, 68).

Morgan suggests that learning organisations can create designs that allow them to become skilled in the art of double-loop learning.

“To learn and change, organisational members must be skilled in understanding the assumptions, frameworks, and norms guiding current activity and be able to challenge and change them when necessary. In concrete terms it means that organisational members must be skilled in understanding the paradigms, metaphors, mind-sets, or mental-models that underpin how the organisations operate. This is what it takes to reinvent existing modes of operation.” (Morgan 1997, 92-93.)

For double-loop learning to occur, organisations can establish cultures that support change and risk-taking, for example. Openness, ongoing dialogue (thus, knowledge sharing) as well as conflicting opinions can be encouraged (e.g. Day 1994b, Bhatt 2000). It is suggested that generative learning cannot be sustained in the organisation where “event thinking” predominates; instead, structural or systemic thinking is needed, as it is an ability to discover structural causes of behaviour (Senge 1990, 42-45).

As mentioned, routines have an important role in the learning process because of their repetitive nature. Routines offer a way to capture, codify and share knowledge about procedures and best practices (MacIntosh & MacLean 1999, 307). On the other hand, they can also become dangerous when repeated use of the same pattern institutionalises it to the point where it is applied even if the environment has changed radically. This is also one example of the dilemma of finding the balance between the earlier mentioned explorative and exploitative aspects on knowledge utilisation in the organisation. As was presented in the earlier section of the “search for balance in the expert organisation”, there are a variety of tensions between different organisational practices and their pros and cons. That is why it is important to keep the context in mind when analysing the practices that either facilitate or inhibit customer-related knowledge transfer.

As a conclusion to this section I suggest that adaptive, single-loop learning may be sufficient for tactical, short-term adjustments in the operations. Generative, double-loop learning is, however, a prerequisite for more strategic shifts (also Sinkula & Baker 1999, 412) where new mindsets have to be created and put in place. Changes in mindset may be needed on the individual level in order to create change on the organisational level (Argyris 1999, 88). According to my view, these changes are, to a large extent, based on effective knowledge transfer. When focusing on customer-related capability development, customer-related knowledge is at the core of the analysis.

The organisation can transfer knowledge among its workers and create an atmosphere where participants can continually compare the theories in use. One way of creating that system is the challenging task of rebuilding the very basic assumptions of the organisation in its history, which has been defined by dominant logic. That is why the concept of triple-loop learning is the focus of the next chapter.

3.3.3 Triple-loop learning

The view that ongoing dialogue and conversation is a prerequisite for capability development is a very interesting perspective (e.g. Morgan 1997). Organisational development may occur only when the knowledge – and upon which it is based – is widely shared. Thus, it is essential to create opportunities and forums for this sharing to

occur in order to bring mental models into the open (Slater & Narver 2000, 126, Day 1994b, 21, Argyris 1999, 61). The discipline of dialogue is important in organisational learning because it is one way of improving collective thinking and knowledge transfer (e.g. Isaacs 1993)

Today, organisations face a degree of complexity that requires intelligence beyond that of any individual. However, as mentioned, in professional organisations experience and knowledge may be often divided into “isolated bits” in experts’ heads. As a result of many of the organisational distinctions mentioned in the previous chapter, specialists in different fields may not be able to talk across specialities. This fragmentation becomes very apparent when people try to communicate and think about difficult issues together (Isaacs 1993, 25). In addition, people tend to defend their images, particularly under conditions of threat (Isaacs 1993, 31).

However, collective thinking may be one important facilitator for knowledge transfer because it creates a common mental base for knowledge to assimilate, which in turn facilitates common understanding. Dialogue may lead to learning about context and the nature of the processes by which people form their paradigms, and thus take action (Isaacs 1993, 38).¹⁴

“The practice of dialogue focuses on uncovering and inquiring into the feedback-loop between our internal interpretive structures (our tendency to name events in certain ways) which then influence the world and (eventually) our internal structures. It seems increasingly clear that our perceptions and thought can literally create our worlds” (Isaacs 1993, 29).

A link can be formed between the idea of dialogue and the formerly mentioned single- and double-loop learning. Gregory Bateson has used the concept of “learning III” to describe the form of learning about the context of learning. It is also called triple-loop-learning (Bateson 1972). If double-loop learning answers the question “what are the alternative ways of seeing this situation and how could I act more effectively”, triple-loop learning would answer the question “what is leading me and others to have a predisposition to learn in this way at all? Why these goals?” Triple-loop learning opens the inquiry into the underlying “whys” (Isaacs 1993, 30, also Kirjavainen 1997a).

Thus, in order to learn this “unlearning”, cultural open-mindedness in the organisation is needed (e.g. Sinkula *et al.* 1997, 309). A shared vision created based on coherent collective views influences the direction of learning, whereas open-mindedness may influence the intensity of learning (e.g. Sinkula *et al.* 1997, 309).

The effects of personnel turnover might have a positive influence on organisational learning in the sense that it is a source of internal variability in the organisation. Before newcomers adapt to the prevailing organisational “code” they are a significant source of new views that can contribute to the improvement of the underlying paradigm. (March 1991, 79.)

To conclude to this section I suggest that ongoing dialogue means a higher level of communication and frequency of communication in a professional organisation, which

¹⁴ The concept of dialogue has also awoken interest in the relationship marketing discourse lately in the sense of creating trust, common understanding and in generating new business knowledge between business counterparts and within firms (see e.g. Ballantyne 2004a).

may lead to a more coherent, more collective mindset, which can in turn facilitate knowledge transfer. This common conceptual ground and language can facilitate knowledge transfer and assimilation, because there is an area of common understanding on which it is able to assimilate new knowledge.

For me these aspects of single-, double- and triple-loop learning represent the different aggregate levels of organisational development, and they can help me widen the focus of customer-related development analysis from an operational level to include more strategic shifts.

3.4 Conclusive remarks on customer-related knowledge transfer and utilisation in collaborative relationship

As a conclusion to the previous review of the professional service organisation and the theoretical aspects of customer-related knowledge transfer, I suggest that in building collaborative customer relationships, new ways of creating and maintaining organisational knowledge resources may be needed. According to my view, internal customer-related knowledge transfer in professional organisations is the core of that ability.

The main source of customer-specific knowledge is the customer itself, and acquiring knowledge from the customer interface, knowledge *exploration*, is the prerequisite for being able to benefit from it internally. That is why, although my focus is on intra-organisational knowledge transfer processes in professional organisation, it is impossible to totally exclude knowledge transfer in the customer interface from this study. Keeping this in mind my focus is on knowledge transfer within an organisation, but I extend the focus to knowledge transfer in the customer interface whenever considered necessary.

In professional service organisations an individual professional's possibility to explore knowledge using the customer interface may be quite good. This is because many customer contacts are based on professionals' long-term and interactive co-operation with specific customers. In those relationships, clients are potentially willing to share knowledge, because the nature of a professional service presupposes that a client gives even strategic information to the expert in the trusting relationship in order to be able to get satisfactory services.

Thus, I suggest that the weakness of customer-related knowledge transfer may not lie in the aforementioned customer interface and knowledge transfer between the customer and professional, but more or less in the internal contact configurations among the professionals of the organisation; *in internal knowledge diffusion* (see e.g. Kerkhof *et al.* 2003). Professional organisations are inherently *loosely coupled* and that creates natural barriers to internal knowledge transfer. Thus, it may be that individually-bound customer-related knowledge is never transferred into the organisational knowledge pool in one form or another. Gains may be on individual knowledge base, not on collective one. Knowledge is not sufficiently *exploited organisationally* to benefit the partner. From the long-term perspective, knowledge gained from customer contacts is utilised efficiently only if it is transferred into the professional organisation, institutionalised into

organisational memory, and retrieved to use when needed in order to create value to the customer.

Based on my initial understanding, theoretical insights, and considering this specific context and industry, when developing collaborative operations, *more “tightly coupled systems”* in professional organisation may be needed in order to create more facilitative conditions for customer-related knowledge utilisation. By tight coupling I mean practices that create interconnectedness between actors and thus facilitate knowledge transfer. Such practices would increase the level of communication among the internal actors, increase the frequency of communication and in that way also create more coherent views among members of the organisation (See e.g. Sorenson 2003, 447). The practices may be based on repetition and a certain level of routinisation, which offer a way to constantly, not just occasionally, capture, codify and transfer knowledge on customers (MacIntosh & MacLean 1999).

The previous sections firstly defined the tendencies of loose coupling and outlined the potential challenges of customer-related knowledge utilisation in professional organisation. Secondly, because more detailed definitions were needed in order to form a holistic picture of the underlying mechanisms of this phenomenon, I looked at the phenomenon of customer-related knowledge transfer in professional organisations from three different perspectives: 1) customer-related knowledge transfer and the characteristics of knowledge, 2) customer-related knowledge transfer and the characteristics of the organisation and 3) customer-related knowledge transfer influencing customer-related knowledge utilisation, especially its capability development.

The first section was dedicated to customer-related knowledge transfer; the *characteristics of the knowledge* were emphasised and definitions of knowledge, customer-related knowledge and the factors influencing knowledge transferability were offered. I suggested that *customer-related knowledge is often tacit, non-observable and individual-bound in nature, and needs to be co-created through shared experience* or converted into explicit knowledge (“externalisation” by Nonaka & Takeuchi 1995, and/or “codification” by Zollo & Winter 2002) in order to become an organisational possession.

Characteristics of the professional service organisation which potentially influence knowledge transfer were evaluated from four different angles: 1) organisation’s dominant logic as a history-bound element of organisation influencing all knowledge acquiring, 2) cultural factors influencing knowledge transfer 3) structure of the organisation influencing knowledge transfer and finally, 4) organisational systems influencing knowledge transfer.

Firstly, when looking at tacit knowledge transfer, the characteristics of an organisation mentioned and the knowledge itself create *either facilitative or inhibiting conditions for the existence of an organisational “field of interaction”*; organisational routines and practices (Grant 1996; Argote 1999) supporting especially tacit and individual-bound knowledge transfer (e.g. “knowledge articulation” by Zollo & Winter 2002; “socialised transfer”, Dawson 2000; also “socialisation” by Nonaka & Takeuchi 1995).

Secondly, when looking at codified knowledge, it can be claimed that the type of knowledge *is more easily transferred* (Sanchez 1997). More explicit mechanisms may be more effective also in the case of high task heterogeneity and causal ambiguity (Zollo and Winter 2002, 348). In the professional service organisation this notion may be especially relevant because of the inherent ambiguous nature of customer-related knowledge. In

circumstances where working practices are typically individualistic, complex, genuine and heterogeneous, the creation of organisational understanding of the knowledge possessed may require explicit mechanisms of knowledge transfer (Zollo and Winter 2002, 348). In addition, the low frequency of face-to-face interactions and common experiences among the professionals are also likely to make knowledge codification an increasingly effective mechanism. However, because of the complexity, non-observability, individual-boundness and tacitness of the type of knowledge, *knowledge codification may be challenging* in this context.¹⁵

How then are potential knowledge transfer facilitators/inhibitors based on the nature of knowledge connected to the different characteristics of the organisation mentioned earlier? For example, the meaning of codification is closely related to systems-level (e.g. physical assets available) and cultural aspects (e.g. is there an understanding of codification's meaning). A further example of those linkages could be professionals' willingness to articulate their knowledge either literally or by word of mouth and its connections to the organisational structure. Knowledge sharing is facilitated if there is no competition - thus no need to hide the knowledge from other actors. Structural factors such as strong subsilos (e.g. organisational functions competing with each other) may hamper knowledge transfer in the form of protective actions.

It is important to note that the "influencing factors of knowledge transfer" presented, such as culture or structure, are also results of knowledge transfer. Thus, the phenomenon could be described as development loops as well (e.g. Senge 1990, Kirjavainen 1997a). Actually one of the biggest challenges of conceptualisation in this research lies in this factor: knowledge utilisation can be seen on two levels. Knowledge can be seen as a *substance resource*, which may create added value for the collaborative customer when an organisation is able to transfer, access and finally utilise it in the service production and customer relationship coordination. But customer-related *knowledge can also be seen as "fuel" for capability development*, e.g. for generative learning. Generative learning may occur if an organisation has such a level of interconnectedness that it enables common questioning of prevailing assumptions. In this work I look at both of those aspects, as they are both relevant to the investigation of customer-related knowledge utilisation, in short and long term.¹⁶

Creating organisational practices that support customer-related knowledge transfer (based on both the nature of knowledge and the characteristics of the organisation) is also a prerequisite of the ability to *utilise expertise knowledge* of professionals for customer's purposes. Integrating that knowledge can be a source of competitive advantage. In the area of professional services, customer needs are becoming more ambiguous and include a wide variety of different aspects. Thus, the capability to create processes that span boundaries between firms and between internal functions is a prerequisite for developing a market-related capability (Day 2000, 28). The efficiency of integration is based on the

¹⁵ Thus, based on this theoretical point of departure, knowledge socialisation and externalisation (Nonaka & Takeuchi 1995) are more relevant from this study's point of view than knowledge combination and internalisation.

¹⁶ The operational and strategic aspects of customer-related capability development were examined earlier by looking at three different levels of organisational learning: one-, double-, and triple-loop learning.

extent to which the capability accesses and utilises the specialist knowledge held by individual organisational members, in its tacit and explicit form.

Finally, if we look at the illustration of the theoretical framework gathered from the theoretical elements mentioned, we can see that I suggest two approaches to *potential knowledge transfer facilitators and inhibitors*: 1) based on the characteristics of the professional service organisation and 2) based on the characteristics of the knowledge, e.g. based on its explicitness or tacitness. As mentioned earlier, these two aspects are also interconnected. Furthermore I suggest that as a consequence, either more loosely coupled or more tightly coupled organisation is taking place. *In a more tightly coupled system* actors are interconnected, thus customer-related knowledge transfer is facilitated and customer-related knowledge *utilisation/exploitation is enabled because of the more collective nature of the knowledge*. On the other hand, *in a more loosely coupled system* fragmentation remains and customer-related knowledge transfer is inhibited because knowledge stays in the possession of a few individuals. Thus organisation-level knowledge utilisation is hampered. In a loosely coupled professional organisation, exploration of customer-related knowledge in the customer interface may be well-developed, but that knowledge may not be institutionalised, and thus not exploited organisationally.

Being either a tightly or loosely coupled system has an impact on competitiveness in the collaborative customer relationship because of the consequently inhibited or facilitated customer-related knowledge utilisation in service production and relationship coordination. This phenomenon can be seen at two different levels. First, it influences competitiveness in collaborative relationships based on the organisational ability to *utilise internal knowledge resources* in order to integrate knowledge for service offering, for example, or using customer-related knowledge in the relationship coordination process. If this ability is lacking, *capability development processes may be needed* in order to develop the professional organisation towards abilities needed in a collaborative relationship, thus towards creating tightly coupled structures as well. It means that, for example, prevailing assumptions may have to be developed, possibly also the structure of the organisation etc. In that process, customer-related knowledge is important raw material, and communication between the actors of the organisation is a critical enabler of the development process. Thus, customer-related knowledge is utilised in direct value creation for the customer, but also in *more long-term development* efforts towards the operations model needed in collaborative relationship.

When looking at the different characteristics of the organisation (influencing knowledge transfer) and their variability in that development process, it can be said that from a capability development point of view, the systems level may be more variable and flexible than e.g. the cultural and especially the dominant logic aspect of the organisation. *Systems-level development needs may be satisfied with one-loop, adaptive learning, whereas structural and cultural needs may require deeper changes and the questioning of the prevailing practices and governing variables. Thus, it may call for generative double-loop learning*. Change in the dominant logic of the organisation may call for triple-loop learning; learning about context and the nature of the processes by which people form their paradigms, and thus take action. The knowledge transfer processes needed in that development may also be different (of one-double and triple-loop learning, see e.g. Slater & Narver 1995).

However, a more loosely coupled system may not be able to conduct the strategic development activities needed to create an operations model for long-term cooperation because of the inherent lack of interaction among the actors, which could enable the organisation to question prevailing assumptions. A lack of interaction creates a situation where an adaptive learning trap may take over and only operational shifts may be enabled. Then there is an important question: What could help in releasing the organisation from the competence trap in that situation? The following illustration gathers together the previously discussed concepts.

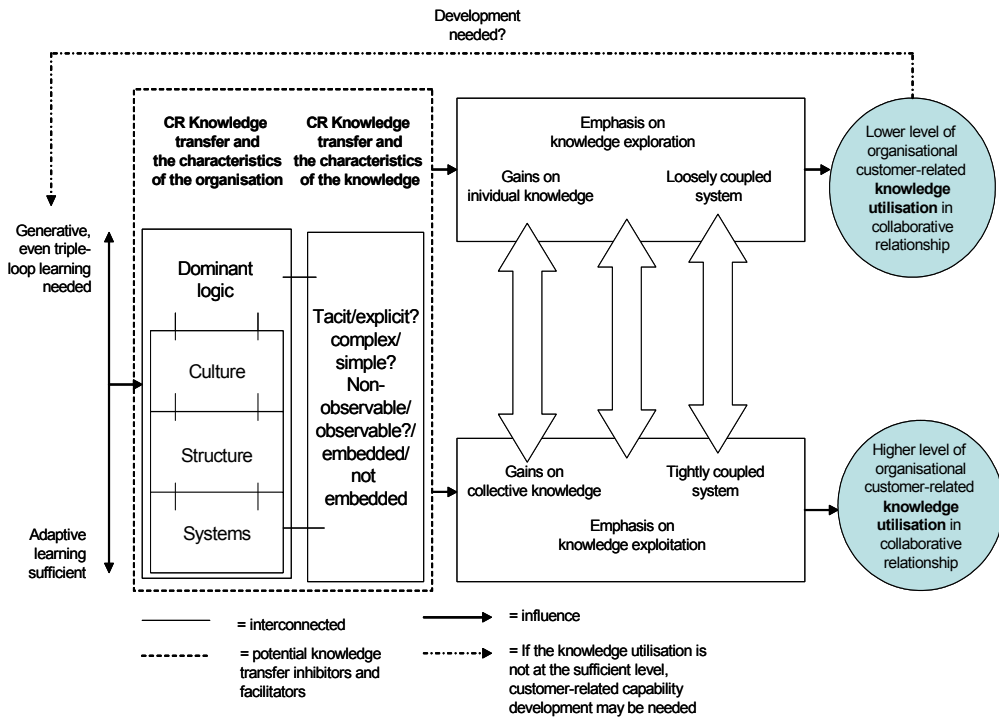


Fig. 7. Potential knowledge transfer inhibitors/facilitators and their influence on customer-related knowledge utilisation in collaborative relationship of professional organisation.

In the previous sections of the thesis I have used multidisciplinary theoretical aspects collected from existing theoretical sources and combined them with my pre-understanding of the context, and thus formed a theoretical framework. These theoretical aspects are further used in the empirical part of this study as a tool of analysis.

The types of theory “combinations” of factors influencing internal knowledge transfer are presented by some other authors as well (see e.g. Goh 2002). My purpose is, with the help of these theoretical tools and empirical material, to describe and model customer-related knowledge utilisation from the customer-related knowledge transfer perspective in the context of the professional organisation. This is conducted keeping in mind the capabilities needed especially in the collaborative relationship. Although the framework presented is very loose, it helps to operationalise and structure the phenomenon for which

empirical material in the following will provide richer and more detailed insights. The empirical part will also show whether all of these dimensions are relevant in relation to the phenomena being studied.

4 Research strategy

Issues around knowledge transfer and the related capability development in collaborative relationships are such multi-layered and complex issues that considering the goal of this study, selecting a qualitative case study strategy was well-argued. The type of strategy offers the possibility for an in-depth analysis. My aim was to understand and describe the phenomenon under study in the organisation where complex social processes form the core of the analysis. These social processes can be seen as being extremely relevant in this context because knowledge processes in the professional organisation are embedded in human as opposed to physical capital (e.g. Berger & Luckman 1966). That is why the qualitative, phenomenologically oriented in-depth case research agenda chosen is suitable. In addition, the case strategy can be seen as particularly strong in providing new insights into a phenomenon of which very little is known (Eisenhardt 1989).

This study can be defined as a descriptive case study (Yin 2003). My intention was to create new knowledge of the phenomenon under study through selecting cases rich in information. This study is also instrumental (Stake 1994) in the sense that the cases are examined in order to gain insight into an issue and to facilitate understanding of something other than the case *per se*, and the cases helped me develop theoretical ideas and concepts.

The case companies were selected based on the idea of theoretical sampling, in which cases are selected to represent the problem of the study. Based on the previous theoretical review, the following limitations were made in order to narrow down the potential empirical scope of the study:

- Type of the customer relationship is a collaborative, long-term, interactive and challenging relationship, offering possibilities and challenges on customer-related knowledge transfer and utilisation in the professional organisation. For example, in the following case Auctor, the organisation is entering the agreement-based collaborative relationship, “strategic partnership”, for the first time.
- The types of professional service organisations studied are, by definition, know-why-based organisations (Lehtimäki 1996). According to my pre-understanding, professional service organisations are by nature loosely coupled, which may also create inherent challenges for knowledge transfer as shown by the theoretical review.

I suggest that especially when building a collaborative relationship between a professional service provider and a client, a deeper capability development process may be more necessary in the professional service organisation than in transactional relationships. For example, in Sivula's (1997) study, all the other types of customer relationships than relationships based on long-term co-operation and high level of interaction, seemed to cause only operational changes in the business service firm. That is why, in my opinion, the potential influence of and the challenge caused by the collaborative customer relationship offers an interesting point of departure for the study of knowledge utilisation.

Concerning the case organisations, the contextual factors described in the previous chapter were the criteria for the organisation chosen (e.g. Lehtimäki 1996). The type of organisation in this study is according to this definition a know-why-based knowledge service. I have used the term 'professional service organisation' to describe them. More specifically, the organisations under study are active in the fields of consultancy and education. In addition, the opportunity to gain access to the organisation was one important criterion. This access was based on good personal contacts and the researcher's former work experience.

This study was meant to be a single case study. However, in this final report there are two cases involved. In the following I will tell about those cases briefly, and also argue *why two cases were chosen instead of one*.

The cases in this study are named "Auctor" and "Factor". Thus, the "case" here is considered a professional organisation under study. Auctor describes a professional service organisation entering an agreement-based strategic partnership for the first time. The co-operating parties are an institute that offers educational and consultancy services (Auctor), and a consortium of two technological service organisations willing to outsource their education function (here named "Promotum" and "Solator"). The focus of the analysis is on the seller organisation, in which the customer-related capability development process is studied from a customer-related knowledge transfer perspective considering especially the aspect of customer-related knowledge utilisation. From that process different inhibitors and facilitators of customer-related knowledge transfer are found.

In case Auctor the described type of outsourcing project was the first one in that specific organisation. Even in the search phase, the case revealed that this new kind of deeper, collaborative and agreement-based customer relationship would challenge the prevailing capabilities of the organisation. The potential in this case was evident. This new kind of co-operation also enabled a variety of knowledge flows. For example, the integration and development of a common IT system would have facilitated the codification of tacit customer-specific knowledge. In addition, the professional service organisation had better access than ever to the customer's strategic information, because according to the preliminary plan, Auctor took responsibility for a substantial part of personnel development in the buyer organisation.

This was a very promising point of departure because it indicated that this case would be a valuable source of information concerning the aim of the study. It was also important that the case organisation corresponded with the type of professional service organisation defined earlier – know-why-based service organisation. In addition, good access to research material was provided.

It can be claimed that the more in-depth case Auctor plays a bigger role in this study and was the point of departure for my empirical study. This case was very rich in information and was consequently expected to answer all the research questions. However, along the research process it was found that it gave very limited information about the facilitators of knowledge transfer. Thus, adjustments had to be made and case Factor was chosen to give extra viewpoints on knowledge transfer facilitators.

Case “Factor” provides a description of the operational model in one business unit of an IT company. The business unit in question works in the area of IT solutions, IT consulting and business consulting, where co-ordinating long-term customer relationships is an established way of handling marketing activities.

Keeping the research goal in mind, case Factor was chosen based on the organisation’s extensive experience of working with long-term customers in collaborative relationships. The researcher also had a contact person in the organisation. According to the preliminary information given by him, this organisation appeared to be very promising in terms of the goal mentioned. In Factor, many challenges related to knowledge transfer had been recognised, and based on that many development activities were conducted. Thus, the strong assumption was that it could help in providing answers about organisational practices facilitating knowledge transfer; this assumption was later confirmed. Thus, in principle it can be claimed that I selected the cases so that they would produce, to some extent, contrary results but for predictable reasons. In addition, the organisation coincided with the type of professional service organisation represented by case Auctor; a know-why-based organisation. Thus, contextual factors were similar enough to offer a solid base for analysis.

Because of the nature of the access, it was not possible to interview customers of Factor and this naturally created some limitations for the analysis. Including customer views on case Factor would have helped in gaining a more confirmed and holistic view on influences of internal practices described to customer value that Factor was able to create. Also, in that sense two symmetrical cases would have made comparison easier. Because case Factor can be considered more superficial by any criteria, the situation was made even worse by this lack of customer interviews. However, in spite of these shortcomings, I still believe that Factor offered added value to my study by highlighting the factors related to customer-related knowledge transfer facilitators.

4.1 Information gathering

Semi-structured interviews were the primary method used to collect data. Discussions during the interviews in the Auctor case revolved around themes that were organised in such a way that they also covered the history of the relationship in question and the phenomena confronted internally in the professional service organisation. The interviewees involved were first encouraged to tell the story of the relationship in their own words, and then asked to give their ideas about developments that had happened/not happened in terms of different organisational variables related to knowledge transfer (see also appendix 3: “interview themes”). The experts interviewed were encouraged to share their work on a general level, their needs in relation to customer-related knowledge

transfer, and the pros and cons of the prevailing operations model in relation to work in the customer interface. Discussions were mainly free and led by informants themselves. It was obvious that employees of the organisation had a strong need to express their opinions concerning organisation-level customer relationship management.

All the relevant information gained was not strictly related to the partnership in question in case Auctor. This was especially true in the case of the three expert interviews, because not all of them had direct contacts with this specific customer. However, those interviews provided plenty of material about customer relationship coordination and knowledge transfer especially from an individual professional's viewpoint, and that kind of material was naturally not ignored. Thus, I used one specific customer relationship as a starting point of the study, but plenty of material was gathered outside of that focus. Later on that material turned out to be very important.

In addition to interviews, I attended internal seminars and meetings where follow-up type of information was collected. A large amount of internal memos and development plans related to this specific customer relationship and/or other activities in the organisation were also used to support the analysis. It can also be said that my own tacit knowledge about the organisation in question played a remarkable role in this study. One strength in that sense was that I was able to build a trusting relationship with the informants because of earlier personal contacts.

In the Factor case, the aim was to gain more information about organisational practices facilitating customer-specific knowledge transfer. Thus, the focus was narrower and the interviews more detailed. Semi-structured interviews covered practices relating to the way in which customer relationships and customer-related knowledge were handled in the organisation. As in case Auctor, discussion flowed freely; it was however in this case led more by the researcher. This was probably because of a lack of previous contact with the informants that caused some tension in the situation. However, the informants were willing to share their ideas and experiences and the interviews complemented the earlier data nicely.

I also attended one development seminar in Factor during spring 2004. That seminar offered a possibility to discuss the latest developments in Factor regarding customer relationship management, and also in that sense complemented the data.¹⁷

4.2 Informants

According to Dawson, from the knowledge sharing point of view “knowledge gatekeepers” play a critical role in the relationship (Dawson 2000, 148). One example of the gatekeeper is a relationship co-ordinator (e.g. key account manager) of the seller organisation. Gatekeepers provide filtered knowledge about the organisation and can act as a junction point of knowledge flows in relation to a specific customer.

Also understanding and co-ordinating other roles in the customer interface is meaningful in building client relationships (Dawson 2000, 152). These roles include e.g. senior representatives, relationship coordinator, knowledge specialist and knowledge

¹⁷ For detailed information of data used, see also appendices.

customiser. The senior representative often acts as the face of the firm for top-level client contacts. The relationship co-ordinator (e.g. named “key account manager”) is responsible for orchestrating the resources of the service provider to achieve the desired outcome for the client. “Knowledge specialists” are a source of knowledge and expertise. The knowledge customiser customises the knowledge to the specific requirements of the client and communicates that knowledge to the client. In these cases, the roles of knowledge specialists and knowledge customisers are strongly intertwined. (Dawson 2000, 151-156).

To a large extent the client roles mirror the roles of the professional service organisation. The senior representative’s role on the client’s side may be critical. There is often a project manager on the client side who is the counterpart of the relationship co-ordinator at the service provider. The knowledge specialists often prefer to deal with other specialists and have little respect for other roles (Dawson 2000, 156).

Informants were chosen based on whom information could be best gained; people involved in the phenomenon studied. For example, in case Auctor people from the customer-specific project organisation (project manager and assistant), members of the management team and key persons in the customer organisation were considered to be important informants in this process. The professional point of view was also essential for obtaining a holistic picture of the professional work. Interviewing people in different roles adds to the rich data needed to study a multi-layered phenomenon such as organisational knowledge transfer and utilisation.

A total of 15 interviews were carried out at Auctor during 2002 and 2003, eleven of them in the professional service organisation and four on the buyer side, in buyer coalition of organisations “Promotum” and “Solator”. At this point it is also important to emphasise that although customers are included as informants in the Auctor case, the focus of the analysis is on the professional service organisation and its activities related to customer-related knowledge transfer. The role of the buyer’s representatives was to report, as an “outsider”, how they saw the development, the competitiveness and value creation ability of the partner.

It was agreed with both case organisations that the name of the company and the informants involved were to remain confidential. Therefore this information is not included. In the following table of interviews, the roles according to the previous categorisation are defined. However, in the quotations used in the following chapters, these roles are not mentioned in order to keep the interviews anonymous. Only two, more general roles, of “manager” and “consultant” are used.

Table 1. Informants and time of the interview/case Auctor

Informant	Role in the relationship	Time
Key account manager, Auctor	Relationship coordinator	26.2.2002 and 11.2.2003
Key account assistant, Auctor	Supporting staff	12.3.2002
Member 1 of the management team, Auctor	Senior representative	15.3.2002 and 4.2.2003
Member 2 of the management team, Auctor	Relationship coordinator	12.3.2002 and 11.2.2003
Member 3 of the management team, Auctor	Supporting staff, marketing	19.3.2002
Consultant 1, Auctor	Knowledge specialist	20.2.2003
Consultant 2, Auctor	Knowledge specialist	28.2.2003
Consultant 3, Auctor	Knowledge specialist	24.2.2003
Customer 1 (Promotum)	Senior representative	13.11.2002
Customer 2 (Promotum)	Relationship coordinator	18.11.2002
Customer 3 (Solator)	Senior representative	22.8.2002
Customer 4 (Solator)	Relationship coordinator	16.8.2002

In case Factor, informants came only from the professional service organisation. As mentioned, interviews on the buyer side would have possibly offered extra points of view, but unfortunately this access was not possible. A total of six interviews were conducted for the Factor case during March 2003.

Table 2. Informants and time of the interview/case Factor

Informants, Factor	Role in the organisation	Time
Key account manager	Relationship coordinator	25.3.2003
Manager of the business area	Senior representative	24.3.2003
Consultant 1	Knowledge specialist	24.3.2003
Consultant 2	Knowledge specialist	24.3.2003
Development manager 1	Knowledge customiser	25.3.2003
Development manager 2	Knowledge customiser	several instances

All the interviews lasted about an hour and were transcribed and analysed as in case Auctor. The development manager was a contact person through whom different types of information was gathered through the research process at several instances.

4.3 The level of analysis

The “case” is a clearly limited system, such as an individual, a group, or a project. What is essential is that the case under study can be clearly separated from its context (Stake 1995). In this study, both cases are professional organisations, Auctor and Factor. In the following I would like to clarify the focus of my study by giving a detailed description of the level and limits of these cases.

The different levels of aggregation in this study should be taken into consideration. In that sense the core question is whether I am studying the individual, subgroup level, or organisational knowledge transfer and knowledge utilisation (see e.g. Loermans 2002)? Individuals, not organisations, perform the actions that produce development. They share

their knowledge in their network and in this process they create new knowledge by combining their own knowledge with the knowledge of other individuals or groups. Interweaving the thoughts and actions of individuals while interacting with one another, is a key factor in analysing actions on the organisational level (Argyris 1999, 9, 67).

Thus, an organisation cannot create knowledge by itself. Organisational knowledge creation is to a large extent based on the knowledge of individuals (Empson 2001b), although the sum of the individual knowledge in the organisation does not equate “organisational knowledge”. However, learning goes on at many organisational levels (Van de Ven & Poole 1995, 521). In practical terms this means that individuals within the organisation may possess high learning capabilities and large amounts of relevant knowledge, but the organisation itself may still lack the knowledge base needed (Bhatt 2000). Thus, in order to benefit from knowledge collectively, an organisation has to mobilise the knowledge that has been created and accumulated on the individual level for organisational purposes (e.g. Nonaka & Takeuchi 1995, 72).

It is important to ask whether individual-, group- or organisation-level development is essential from my topic’s point of view? This strongly influences the level of analysis used here. If in a given situation the organisation can benefit from individualistic autonomy and flexibility in order to adapt prevailing conditions, small group- or even individual-level learning can be beneficial. *But, when the organisational goal is common and access to all organisational resources is needed, like in the case of collaborative relationships, organisation-level knowledge processes and organisation-level learning become an interesting focus of examination.*

However, it is important to notice that although my focus is directed especially towards organisation-level processes, it is important to also take into account the individual level. In this study my primary intention is to describe the organisational level customer-related knowledge processes, and knowledge transfer facilitators and inhibitors within them. However, from my point of view it is evident that individual-, group-, or organisation-level processes cannot be totally separated and only final empirical analysis will reveal the important interconnections between those levels.

Thus, analysis looks first of all at the characteristics of the professional organisation, and not at its individuals. By this I mean that the core issues are *how an organisation transfers knowledge as a system and what the inhibitors and facilitators of that process are*. Those inhibitors/facilitators, on the other hand, can also be individually-bound. Because of this organisation-level focus, my approach can be defined as being a “holistic case study design” (Yin 2003), where the unit of analysis is an organisation (Auctor or Factor), not its subgroups alone, although those groups might have a significant role in the final analysis.

It is also important to clarify a horizontal level of analysis at this point. In the research design, the influence of the customer is to some extent emphasised. In addition, the main source of customer-specific knowledge is the customer itself and that is why it is impossible to analyse intra-organisational customer-specific knowledge transfer separately from knowledge transfer in a customer relationship interface. However, the primary focus of analysis is within the professional service organisation developing customer-related capabilities and to some extent on the quasi-organisation between these two organisations (relationship co-ordination system named key account management system, for example).

Informants were also chosen from the customer side in case Auctor. This was because issues were partly analysed through the relationship in question. In case Auctor, a customer relationship was seen as a “mirror” of a professional service organisation’s capabilities, against which the ability to utilise customer-related knowledge is evaluated. This is based on the very basic idea of organisational learning that in order to understand an organisation’s position, one has to understand what it was taken against (Grandori & Kogut 2002, 228). *However, it is extremely important to notice that the main goal is not to describe knowledge utilisation in relation to this specific customer alone, but in relation to the organisational practices needed in the collaborative relationships of professional service organisations.*

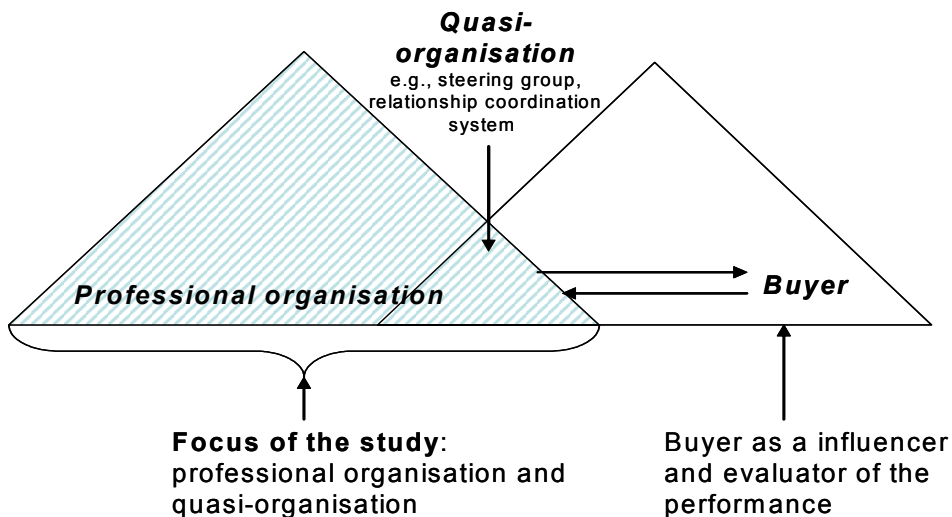


Fig. 8. Focus of the study.

4.4 Methods of analysis

Analysing a qualitative case study is not an easy task, and it has not been thoroughly elaborated on in the methodology literature either. However, it can be said that analysing qualitative data is about examining, categorising, tabulating and recombining the empirical evidence in order to give answers to research questions. (Yin 2003.) From the data, a researcher tries to find significant themes in order to answer the research questions posed. This process also requires interaction between theoretical and empirical aspects. According to Stake (1995), the analysis part of the case material is typically an integral part of the whole study, closely intertwined with the planning of the study, gathering and interpreting the empirical evidence. This is true considering the present study. The process was not inductive, nor deductive, but abductive. The theory development and gathering of empirical evidence were strongly intertwined.

All of the interviews were audio-taped and transcribed. The research material including interviews, other documentation and notes of observation was analysed with the help of content coding, theme-based categorisation, matrixes, and mind mapping. Analysis began by reading the material several times. During that process I picked up key words (coding) and found themes, which gave me the possibility to proceed to building matrixes of different themes brought up related to potential inhibitors of customer-related knowledge, for example. Mind mapping was also helpful when developing connections between theoretical concepts and empirical phenomena.

Because the process was abductive, characterised by movement between empirical evidence and theory development, it is not easy to define the process of theory development linearly. However, in the illustration of *appendix 4* I have defined how the theory development, my interpretation process, progressed from empirical data to final theory, and how the empirical data were categorized at different phases in the first place. The process proceeded from a more general idea of customer-related capability development and related customer's experiences to more focused efforts to find out customer-related knowledge transfer inhibitors and facilitators, to link them with the underlying mechanisms in the organisation and with different "symptoms" in customer-related knowledge utilisation capability and with the customer experience. This all happened in an iterative manner, and as the work progressed, I found the final focus (see *appendix 4*). Along this process, a preliminary theoretical framework was developed further to describe better the specific context of professional service organisation, and in order to be able to answer the research questions posed.

The core of the qualitative analysis is the *interpretation* mentioned. It means that based on the existing data, a researcher searches for meanings and makes interpretations. It should be kept in mind that this study is also one interpretation of data related to the phenomenon, my interpretation. Likewise, the data are based on respondents' interpretation, first of the question posed, and further on interpretation of the situation described in the interview (Lincoln & Guba 1985). However, as mentioned before, based on the subjectivist orientation of the study, it is fully acceptable that observation is theory-laden (Sayer 1992, 83). Researchers always carry their own theoretical framework into the research process, and so do the informants. In this case the researcher also possessed a certain level of preunderstanding of the phenomenon under study. Thus, an essential element in the process of collecting and analysing data was also personal experience gained in the research area (Gummesson 2000, 60).

Choosing a qualitative research approach enables a researcher to be intensively in the field, make observations, analyse and synthesise as well as make subjective judgments (Stake 1995, 41). It gives a possibility to even change the course of action if needed in the light of the data gained and interpretations made of it. During the data collection interpretation emerges in countless ways, and in my process climbing the steps from one level of preunderstanding to another is first of all seen in the ever narrowing focus of the study, from a wide target of describing customer-related capability development in collaborative relationships towards describing inhibitors and facilitators of customer-related knowledge transfer, which were found to be the core issue in the development. Thus, the understanding gained from earlier data certainly influenced the following data gathering, e.g. the questions asked from the persons interviewed.

In the following I will move on to the empirical part of the study. First, the story of the Auctor and its customer relationship is told. After that, an analysis of organisational characteristics potentially influencing knowledge transfer (systems, structures, culture and dominant logic) is carried out. Because of the strong links between characteristics of the organisation and knowledge itself, the nature of knowledge is considered at the same time, not separately. Finally, the knowledge transfer facilitators and inhibitors characteristic of the case organisation Auctor are defined. After that, the following chapter is dedicated to case Factor, where the emphasis is on knowledge transfer facilitators and related issues.

5 Case Auctor

Auctor is a professional service organisation offering educational and consultancy services. It was established at the beginning of the 1970s to be a development partner for big industrial companies in Finland. At the time the core mission of the institute was to offer vocational education and educate workers for industry, e.g. paper and metal industries. However, during the following years the possibility to develop further education courses increased, and the basis for the institute in its present form as a personnel development partner of the organisations was established.

Auctor was established on foundation, thus it was in principle owned by its customers. Those customers were, and still are, influential actors in the Finnish industry. At present Auctor is focusing on the further education of personnel from different organisational settings. A lion's share of the customers still come from big industrial companies, but lately also medium-sized Finnish companies and public organisations have been more widely represented. In addition, customers from new industries (meaning e.g. electronics industry) have strengthened their role.

Because of this influential historic setting, quite strong traditions prevail in the organisation. In addition, it can be claimed that the customer base has been quite stable throughout the history of Auctor, and Auctor has had a relatively low personnel turnover among professionals and management.

5.1 Professional services of Auctor

The expertise areas of Auctor are human resource management, organisation development, social and co-operative skills, production, economy, quality and project management. Thus, a wide variety of different types of expertise are represented, ranging from personal interaction skills to paper machine maintenance. Auctor employs 60 people in total. The organisational design is functional, where areas of expertise mentioned are combined into subgroups focusing on different types of education programmes and customer projects in the area of management, leadership or technology. During the research period every unit had its own experts and its own superior. Professionals in the group usually have quite similar type of education and/or background.

It can thus be claimed that open programmes are more “transaction-oriented” services where the focus is on service and service quality itself. The service offering is highly standardised and a minimum amount of customer-specific customisation is made. The focus is not on relationship coordination and thus customer-related knowledge also plays a minor role in the marketing process. On the other hand, strategic partnerships as a kind of professional service are relationship-based. This means that in the service production

the focus is on customer needs. In that situation *the challenge is to use and get access to all the possible internal resources of professional organisation in order to form a suitable offering for a partner*. This might mean that a high level of adaptation is needed as well. Relationship-specific coordination and maintaining the customer-related knowledge base becomes, in this form of service, a core element. *The focus of this study is on these services, using one of the strategic partnerships of Auctor as an example.* (See figure 9.)

The company-specific programmes and services of Auctor lie in between on the continuum; these services are project-based, thus long term relationship orientation is not necessarily emphasised, but projects or relationship episodes might be conducted one at a time without relationship-level coordination. The initiative for those projects is mostly given by the customers themselves. Projects are based on an articulated customer need; they are not very often based on initiatives made by the professionals themselves. Standardised service offerings are also used in customer-specific applications. However, in customer-specific consultancy the internal resource constellation and its use in service production plays a more important part, and even more so in strategic partnerships. By emphasising the development perspective, the need to change from a transactional way of handling customer relationships to relational orientation can also be illustrated as follows:

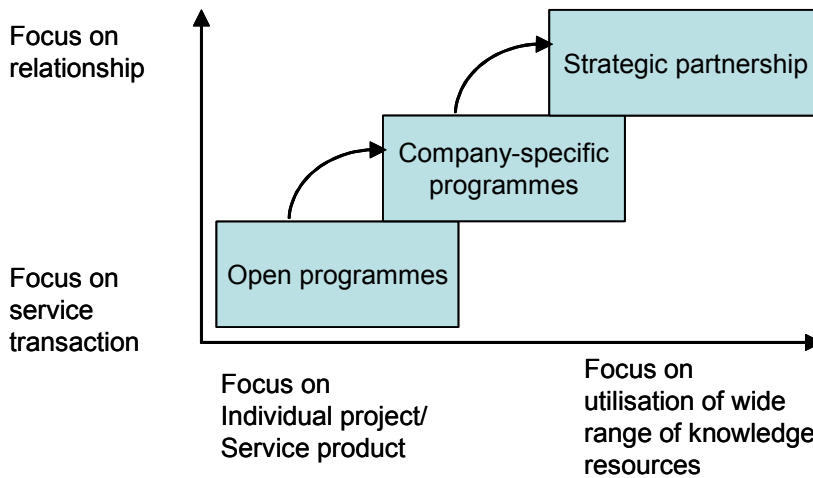


Fig. 10. Development need in relation to collaborative orientation (adopted from Storbacka & Lehtinen 1997, 27).

Thus, in short, building a collaborative orientation, which in case Auctor means the changing emphasis towards strategic partnerships as a way to handle customer relationships, can be assumed to require access to a wider range of the professional service provider's knowledge resources. In open programmes, for example, focus has been on service delivery and one project at the time, *not on customer relationship maintenance, coordination and/or constant utilisation of customer-related knowledge*. The operations model in company-specific programmes and consultancy has also been

quite project-oriented, where the development and maintenance of the relationship itself has a minor role.

Although the services of Auctor are separated and defined here in this way, it is important to notice that those different types of service offerings are not necessarily independent areas, but are strongly interlinked, overlapping and – above all – *conducted using the same resources*. For example, a strategic partner can send its employees to the open programmes as part of the cooperation, and use company-specific programmes and consultation when willing to offer wider education on some subject for its workers. In that sense those other forms of service are part of the internal resource constellation used in strategic partnerships, although their “production process” is based on a different logic. In addition, it is important to notice that the same professional may conduct both open and company-specific programmes; thus all the services may be conducted using the same human resources.

From the previous review we can see that along the ideological change in focusing on core competencies of the firm, many companies have shown a growing interest in creating strategic partnerships with organisations specialising in personnel development services. The important question in this situation is *which are the core issues from the customer-related knowledge utilisation perspective considering this development need that may either support or hamper the ability to benefit the strategic customer*. Knowledge transfer can be seen as an important prerequisite for the ability to utilise a wide range of knowledge resources to benefit the customer. Thus, it can be assumed that describing the knowledge transfer processes will also reveal many obstacles that might be in the way of developing collaborative relationships. Those obstacles do not necessarily define the knowledge transfer *per se*, but they also describe important organisational characteristics in a deeper sense, as I mentioned in the theoretical section as well. Those characteristics may have a major role as an underlying mechanism of knowledge transfer inhibitors and facilitators.

5.2 Characteristics of Auctor

In the previous section I described the services offered by Auctor. Considering the research questions, it is also important to tell about Auctor as an organisation.

Auctor is an educational institute where strong traditions have prevailed for a long time, and there has been a relatively low turnover of personnel and management. The customer base has been relatively stable for a long period of time. Bigger changes in customer base occurred only after the mid 1990s as a result of emerging industries in the area, mergers and due to the public sector’s increased interest in educational services.

Auctor’s customer-specific projects may get started by individual consultants or team leaders, who may “share” the potential customer project with the experts in their group. After that, the experts themselves usually take care of further negotiations and conduct the project. The knowledge of customer projects conducted in different teams is not usually shared on the organisational level; however, discussions of those may be conducted internally within the groups, e.g. in monthly meetings. Customer-specific projects are usually conducted by individual experts or a pair of experts. However, a pair

for the projects is usually chosen from one's own functional group, group of "management, leadership or technology". Personal chemistry seems to play a major role in choosing the colleague for a project.

Functional groups are important building blocks at Auctor. People working in the groups mostly share a similar type of education, background and professional attitude in their work. They may have worked in the same group for a long time. These groups are strongly connected to their leader, and are in a way "personified". This can be seen for example in the way they are called in everyday situations; e.g. "Kate's group" or "John's group". The management group consists of the three group leaders, the CEO of the organisation, the secretary of the CEO, and communications and financial directors of the organisation.

Performance measurement in the organisation is based on balanced scorecard, where aspects of finance, organisational learning, process development and work with customers are measured. Qualitative metrics are formed on the individual level based on those aspects; however, on the organisation level the discussion mainly revolves around financial performance. This was possibly because financial calculations are more concrete, and therefore easier to handle as an indicator of success or failure, in relation to customer relationships as well. These financial control and profitability calculations are conducted on group and individual level. Functional groups are measured separately, and the results are announced monthly to the organisation. Individual experts' financial income is also calculated, but this information is not made public.

At Auctor, *customer responsibilities* are not part of the operations model. A system of naming the experts responsible for certain important customer relationships was tried about 15 years ago, but it has not been implemented since, because of bad experiences at the time. Back then it was noticed that when experts got the customer responsibility, it seemed to prohibit the access of other experts to the relationship in question. Now, along this strategic partnership defined in the following, the first customer-specific organisation for a long time period is introduced to the organisation.

The IT system of the organisation was renewed during the outsourcing project described here. The idea behind the renewing was – in addition to being able to serve this specific customer better – that it could also meet better the knowledge needs of accounting and marketing in general. For example, a system of storing customer-related knowledge in its codified form was established in addition to a more administrative application consisting of knowledge on services conducted (time of the project), people involved and financial calculations related to that project. The administrative application gained acceptance quite quickly and it was also actively used. This was probably because it was mainly the responsibility of secretarial and administrative staff, not the experts themselves. However, an application made for storing more qualitative knowledge about customer contacts and customer projects has not been used actively.

In the previous section I gave an overview on Auctor's services and characteristics. In the following I would like to proceed into describing the established strategic partnership, which will help us understand customer-related knowledge transfer and the following customer-related knowledge utilisation at Auctor.

5.3 Story of the relationship

Looking at the issue on general level and according to the people interviewed, a common trend in the area of personnel development has been a shift towards more company-specific solutions, which has diminished the popularity of open programmes, for example. In general, the amount of “tailored” services in the professional service sector seems to have increased markedly (Talouselämä 27.8.2004, 32). However, from my point of view the most interesting shift has happened in the way customer relationships are maintained and developed in this branch. The shift has been towards strategic partnerships.

One reason for this development has been a more general development of management; focusing on core competencies of companies. As a natural consequence, this has led to outsourcing projects in many areas of business life as well in personnel development. This is the case with Auctor, as one of the customers interviewed put it:

”The basic philosophy behind this is that one is concentrating on core business, and supporting functions – which we cannot develop ourselves – are conducted by a professional service provider whose core business it is.” (Customer)¹⁸

This development has brought new challenges to professional service organisations. Instead of the traditional, transactional marketing ideas, the new focus is on linking service processes to customer’s strategic goals. Consequently, the professional service provider has a larger role than ever in customer’s strategic development, and the emphasis on customer relationship management has moved towards creating long-term value and mutual benefit, not standardised service products only.

At the beginning of the research period, Auctor was for the first time entering a strategic partnership and an agreement-based relationship. This was thus a time when the new service sector, “strategic partnerships” was launched in the organisation. This also means that Auctor was implementing a systematic relationship coordination system (named key account management system, for example). The co-operating parties in the relationship were Auctor (the seller organisation), and two technological service organisations willing to outsource their education function (here named “Promotum” and “Solator”).

This case is especially interesting because the buyer organisations took the initiative in suggesting a more intensive cooperation with Auctor. The buyer companies compared potential partners and decided to approach Auctor because of its location, size, and areas of expertise. The idea was to find a partner to organise seminars and lectures and to plan educational programmes together with the seller in order to meet the buyer's educational needs. The cooperation was, at first, limited to technological issues.

Promotum and Solator were involved in the implementation from the selection of the relationship coordinator at Auctor. Finally an individual was recruited from the buyer’s own industry, but from outside Auctor. This meant that Auctor had a new relationship coordinator in its organisation to serve the new strategic customer. He possessed good understanding of the buyer’s industry, but his knowledge on the variety of services

¹⁸ Further considering the quotations used, the insertions by the researcher herself are marked by []

provided and the expertise possessed by Auctor was naturally at first weaker. The buyer coalition paid the new coordinator's salary for two years, and appointed suitable contact persons in Promotum's organisation to work in cooperation with him. It also set up a steering group consisting of managers from its own staff, as well as from Auctor. Initially drawn up for two years, the contract covered the partnership and the relationship coordinator was financed by the buyer organisations.

No customer-specific team comprising the functional managers of different expertise areas at Auctor was established. There were only a few professionals working for this specific customer given the organisation's capacity. Thus, in the beginning, the customer interface seemed to be quite narrow, consisting of the relationship coordinator, his secretary and professionals from a couple of expertise areas with a technical emphasis.

In the following representation I have used a chronological structure in order to tell further the story of Auctor in this customer relationship. This chronological ordering has no deeper analytical meaning besides clarifying and structuring the story.

5.3.1 Time of the preliminary planning

The group organised around the project was committed and enthusiastic. During the planning period, consensus prevailed concerning the goals and operations model. The main goal was to form a new kind of cooperation benefiting all parties, and in the participants of Auctor this awoke a willingness to learn a new kind of approach to serve their customers.

"... First of all this group of people which gathered, had cooperation, common understanding, common goals, and this has certainly been a strength. Actually we had quite a good strategy on which we all agreed, including Auctor, because I have understood that, for Auctor, this kind of new concept is the kind which can be applied to other areas as well... Auctor wants to get closer to its customers. It is in a way one strength of this cooperation that Auctor is committed and apparently there are opinions that this is certainly the operations model of the future, that they kind of step inside the gate of the customer." (Customer)

However, the apparent change requirements also awoke some suspicion among the workers at Auctor. Big customer organisations had a strong bargaining position and this gave rise to some concern regarding the continuity of the relationship in relation to the investments needed (e.g. renewing the IT system). The preliminary agreement formed for the first two years did not guarantee an everlasting relationship. Additionally, because the customer potentially needed a substantial amount of services, there was some concern as to the sufficiency of resources.

"I can remember as well that it was quite critically evaluated that are we going to do this, what does it mean for us? At that stage we could already see that this could be quite a remarkable business for us; how could we take care of all the educational needs that we would confront?" (Auctor, manager)

Auctor's relatively small size guaranteed a quick start at the operational level. Fixing the formal acceptance for the official agreement at Auctor did not last long because there

were not many hierarchical levels. The form of cooperation was planned in the project team that included members from Auctor, customer-specific organisation (relationship coordinator) and from Promotum and Solator.

However, the work to gain real support from the whole organisation for this new way of handling customer relationships at Auctor had only just begun. A need to develop capabilities to meet long-term customer needs was evident, as a relationship coordinator put it at the time based on his first experiences at Auctor:

”In our case it has been that we have not been customer-oriented, we have been one-project-at-the-time customer-oriented.” (Auctor, manager)

5.3.2 Building the base for the cooperation

At the beginning, a common goal was set: cooperation should be based on mutual benefit. The desire was that both seller and buyer should benefit from the cooperation in all aspects, including financially. This goal was set because it was realised that only a sufficient cash flow for the professional service organisation would ensure the development of services, and thereby creation of added value to the partner on a long-term basis.

Despite the potential asymmetry of power in the relationship (e.g. big customer organisations versus small professional service organisation, outsourcing-relationship), equality seemed to prevail at the beginning. The financial risks mentioned earlier were eased; customers paid the salary of the relationship coordinator and part of the costs of the new information system established during the period of preliminary agreement. Thus, risks were shared.

One important aspect in the development of the relationship was that Auctor had access to the strategic planning of the customer. The idea of outsourcing was based on the goal that Auctor would take care of part of the formerly internal function important for both Promotum and Solator. In order to guarantee successful results in that sense, the service offering of the seller should be compatible with the strategic goals of personnel development in the customer organisations. In addition, according to the plan, development and success of the operations model should be regularly measured, and those metrics would be formed together.

The customer had a strong role in establishing the relationship. Especially Promotum allocated significant amounts of its own resources to the project. A project manager was moved from another project to take care of this outsourcing project on a full-time basis, and from the very beginning this customer took a far more active and demanding role in cooperation compared to Solator.

After setting the goals and forming the steering group for the project, the immediate task was to define the goals for operational activities and following the establishment of the project itself rather than services provided at the time in the cooperation.

”We established the project and steering groups and searched for representatives for those from all the organisations involved. Together we also hired a project manager [for Auctor], with whom we all were satisfied.” (Customer)

The first distinct challenge for the core team of the cooperation was to build up a new information system that would support the integration between the organisations and store customer-specific data. This information system was also meant to be an information channel to all potential customers in the big customer organisations.

”Right in the beginning came the construction of the infrastructure. We had many meetings on homepages and all the procedures.” (Customer)

This was also a point of action which made the new requirements concrete for the whole professional service organisation. The workers noticed that this customer insisted on more than transactional, one-time service offerings. *It seemed to presume more profound changes in everyday working activities.* As one member of the supporting staff put it:

“It poses demands and challenges for Auctor’s way of work, if we want to keep customers of this kind.” (Auctor, supporting staff)

A critical choice during the IT integration project was made in relation to the partnership agreements status and position in the organisation’s everyday life: is it going to be part of everyday routines or an independent business area? From the development point of view it was important that a concrete link was established between this customer-specific project and Auctor as a whole.

” It was a possibility, but also quite a critical issue, because there were actually two different viewpoints in the beginning. Either we would make our own IT system for this project, so that it would be kind of separate from our other activities. Then, after hard thinking we got the insight that it would be to our advantage to take care of more with these same, common processes, and that it cannot function alone... According to my view, the big advantage in this kind of project is that we can learn and leverage that lesson learned for the whole organisation, for all the service products and clients.” (Auctor, manager)

Thus, the link was formed as well as an opportunity to benefit the whole organisation and learn as a system. This fact is also in defence of the relevance of this case when considering my research questions. Because the connection to everyday activities was formed, it is now possible to study knowledge utilisation processes from the whole organisation’s, i.e. from Auctor’s, point of view. Otherwise it could have been worth considering whether e.g. an individual business unit would have been a more reasonable point of departure.

These initial conditions described above supported the viewpoint that this customer relationship enabled a variety of customer-related knowledge flows and the possibility to utilise that knowledge in creating services and maintaining the relationship itself. Similar frames of reference including common goals and understanding regarding the form of cooperation were built, and in order to guarantee successful cooperation the client was willing to share even strategic knowledge from the very beginning. How Auctor was capable of utilising these possibilities and the knowledge needed will be analysed later.

5.3.3 Later operations

By spring of the second year the project was trailing behind its original targets. One particular example was the above-mentioned IT project, which was still under construction at the time, and whose implementation took longer than expected. The targets set for service usage levels were not reached. In spite of that, after two years of cooperation, the preliminary contract was extended for another two years.

At that time at Auctor, new partnership agreements were established using mainly the same resources. The same relationship coordinator and related personnel at Auctor took care of those projects as well. Because the same key resources were involved in the planning of new strategic partnerships, the role of this specific customer was not emphasised to the same extent anymore, and the level of interaction was reduced. It was at this time as well that the level of interaction in control and project groups diminished. Accordingly, the services offered to and used by the customer still represented quite a narrow area of expertise, mainly technological issues. Service usage level also remained quite low.

In a wider sense, not everything seemed to be in order in the organisation. Dissatisfaction revealed by the survey among Auctor's own personnel concerning the use of internal resources, internal cooperation, and managerial practices triggered the idea of organisational change which was announced at the end of the research period's second year. As one of the senior managers at Auctor put it:

“This form of organisation has not supported the activities for a long time. And this form of organisation has been – sort of – in the way...” (Auctor, manager)

The core idea of the planned new structure was to strengthen customer orientation as well as service development orientation through creating a system relying on the professionals named as being responsible for expertise area development, and on the other hand, different types of service concepts including non-customer-specific education services, customer-specific education services and strategic partnership-agreements. Thus, it can be said that instead of the former expertise/functional-based structure, the idea of the new structure would represent a more process-like matrix structure aimed at combining expertise and facilitating cooperation among functional groups and individual experts in order to produce more innovative service concepts and guarantee a wider usage of organisational resources in a more flexible way.

One valuable aspect of the new structure was seen to be a prerequisite for a more objective evaluation of the cost-effectiveness of different concepts. According to the plan, service concepts and experts are “separated”, and evaluation is thus differentiated from the “possessive, individualistic attitudes” or the protection of the expert's own service concepts.

However, in reality, all the experts still received their “own homebase” which was the basis for financial evaluation and in spite of sufficient planning, during the research period, group silos still seemed to remain on the practical level. It can be claimed that the implementation of this new operations model was very challenging in the prevailing organisational atmosphere. There were views according to which everything would remain largely the same in spite of the initiatives.

“It is good in principle, basically there are all the necessary elements for a functioning model. It is only dependent upon how well they can emphasise that there are varied expertise areas which are really responsible for their product conceptualisation, and then understanding the selling and marketing channels [different service types] which are a way to bring those services to the customer.” (Auctor, manager)

In addition to service concept development responsibilities on the organisational level, the idea of wider customer responsibilities (named experts responsible for a specified customer) is part of the development initiative made. However, as previously noted, in the prevailing cultural climate, changing the way that experts undertake their every-day work and reporting is not without its challenges.

“Now, for example, in the new outsourcing projects made, the customer responsible is named, which is a good thing. But then there is the challenge that other experts would tell what they are doing with that customer, or what discussions they are having at the moment. That type of attitude has not sunk in yet.” (Auctor, Manager)

Thus, in respect to controlling and developing the customer process, this new cooperation has provided a different viewpoint and influences. However, during the research period, it has not yet replaced the traditional functions.

5.4 Customer point of view

The point of departure, from the customer point of view, was in this case getting a strategic partner, and outsourcing its personnel development function to Auctor. This development was a result of wider developments in the organisation: focusing on ones core competencies.

In this section I want to bring up the customer point of view of view in order to offer “a mirror” for analysing Auctor’s internal reality from the customer-related knowledge utilisation perspective. Because the focus of the analysis is on Auctor, the characteristics of customer organisations are in a minor role and the emphasis is on the *customer’s views of Auctor*.

From the customer point of view, positive development at Auctor’s operations can be seen during the research period. As one of the customers put it:

“The quality of activities should be in order. In that sense Auctor has developed, there is no doubt about that...” (Customer)

However, the following expectations have not been fully met from the customers’ point of view, starting with the innovativeness of the service offering:

“... How innovative Auctor is to bring new ideas, solutions - it is lacking... One would expect more innovativeness and initiativeness.” (Customer)

Thus, according to customers, new, innovative service concepts and methods of bringing those services to them are needed. To some extent the customers felt that the offerings

were too often “the same”, and did not develop according to their existing and potential needs.

“... But somehow one would want a more intensive approach, and a kind of development effort, or “we have a suggestion like this, would this interest you”, not always the same services... Although we do need them as well, Auctor could invent something new and advancing.” (Customer)

This problem, however, was not a problem due to a lack of expertise and/or services at Auctor, but seemed to be more or less a problem of how the services offered were chosen and presented to the customer. According to one of the customers:

“I have heard from others that Auctor has really good management courses and, although we initially limited their usage [and focused on technological issues], they could be marketed as well.” (Customer)

The clarity of the service concepts was also one development requirement from the customers’ viewpoint. By this they mean clearer articulation of expertise within the service concepts.

“They should classify more precisely what the courses include.” (Customer)

Flexibility and responsiveness of the partner were also development points on a general level. This was considered especially in relation to customer feedback and decision-making at Auctor. From the customer point of view, more “dynamism” was needed in making and implementing decisions.

“A kind of sensibility for customer feedback is lacking... It should immediately lead to action there; I feel that if the customer gives feedback, it should be seized upon immediately.” (Customer)

“... And on those objectives Auctor has responded partly, although it has not been very dynamic, but more or less careful and reserved... It seems to be in the implementation, like in many other things, where it breaks down”. (Customer)

“Year after year the same is done and the development of the activities is slackened.” (Customer)

The intensity of the cooperation diminished remarkably at the end of the research period. This was mainly because new strategic partnerships were developed at Auctor, and also because of large IT renewing projects especially at Solator, binding resources into IT education which was not offered by Auctor. It seemed as if Auctor and their partners almost “forgot” each other. Development groups were focusing on administrative discussion and service offering and its development was more or less left out of that debate. One reason for diminishing activity can also be the plain lack of resources in the customer interface. Auctor’s relationship coordinator was also active in other customer relationship development activities at Auctor and due to time limitations the amount of the contact was reduced. There was also the problem of a *narrow of customer interface*; there were not that many people responsible for this relationship to correct the situation if the relationship coordinator, for example, could not be active at the moment.

“For our direction Auctor has not been active enough in offering suggestions, like “what could we do here.” (Customer)

“There are certain people who deal with us, but I do not know others from Auctor.” (Customer)

“I do not think the problem is that they would not understand, but certainly it is also a question of resources.” (Customer)

According to some customers, and in addition to what has already been mentioned, future challenges are to a large extent also based on Auctor’s ability to learn how to build *external networks in order to benefit the customer*:

“... Networking particularly to the experts from a really narrow area. In our organisation there might be only 5 people who need that service.” (Customer)

Here I have presented critical points offered by the customers that were interviewed. For the reader it may give an impression of some kind of a “desperate” situation from this strategic partnership’s point of view. However, it should be noticed that the customers interviewed were encouraged and willing to give even negative criticism in order to give an honest picture of the situation. They did not see only development needs, but also plenty of hope for the future. As one of those interviewed put it:

“I think that it [better performance of Auctor] is not far away, only activeness and attitude is needed.” (Customer)

In addition, this strategic partnership is still active after six years of cooperation. This is an example of a willingness to cooperate in spite of challenges – which certainly occur in every relationship from time to time. What is essential at Auctor is that the potential to renew the organisation based on the insights gained along this relationship has been noticed:

”Somehow it has been a good change, positive, and when looking back, it seems like it was a time of stagnation. Somehow things began to move. It was a kind of work being done that suddenly somehow caused movement... That one-eyed way of seeing things and looking at only one way of acting [creating services and handling customer relationships] got a good knock.” (Auctor, manager)

It is also important to note that customers see that many of the problems mentioned are partly caused by their own deficiencies in their own internal communication, for example. This is seen on the practical level in service usage, which has been problematic throughout the whole process. However, my point of focus is on Auctor’s activities and that is why I have to a large extent left those issues to play a minor role in this study.

Against what kind of “vision” of collaborative relationship can we understand the previous notions? The core question is how the professional organisation can change its course of action in changing situations. For me, *the needs customers have expressed to Auctor explicitly are not only interesting from the analysis point of view, but also looking at what opportunities were available to Auctor in this relationship, and how and why Auctor succeeded or did not succeed in relation to those possibilities*. This naturally brings with it the point of Auctor’s internal reality. Here internal knowledge transfer

processes and contextual aspects either inhibiting or facilitating customer-related knowledge utilisation are suggested to be a significant factor causing problems in this customer relationship.

According to my view, because of inhibited customer-related knowledge transfer, Auctor could not utilise all the possibilities offered, and this has manifested itself in the ways discussed previously also from the customer's point of view. For example, during the first year the goal of widening the scope of services used in the new areas outside technology was expressed by the customer. However, that possibility was only partly utilised. From Auctor's point of view this is a development challenge, not the challenge of the customer's internal communication, for example.

What lies specifically behind these problems of collaborative customer relationship management? In the following sections an analysis of contextual characteristics is conducted and the aspect of knowledge transfer as an underlying force in that process is described more in depth.

5.5 Analysis on contextual aspects affecting knowledge transfer and utilisation

The potential of this customer relationship from the knowledge transfer point of view was evident. Examples of those facilitative conditions are as follows:

- The interactive and long-term nature of the relationship facilitated knowledge sharing and capability development
- Goals were mutual and based on mutual benefits
- Similar frames of reference prevailed in the beginning
- Cooperation with Promotum and Solator opened many possibilities for Auctor and buyer organisations were willing to share even strategic knowledge
- A link between the project and the rest of the professional service organisation in every-day actions was created. The goal was to utilise the wide variety of the resources possessed by Auctor in the long run
- This pilot partnership project cemented the need for change towards a more customer-oriented mind-set for the whole organisation through systems-level changes, e.g. IT development
- Common metrics measuring the cooperation were developed by the project group.
- Metrics potentially strengthened the feed-back loop by intensifying and cementing it
- Metrics potentially facilitated the level of interaction in the form of continuous follow-up and transparency in evaluation

However, these facilitative conditions were mainly related to the characteristics and potential of the relationship, not Auctor itself. The internal reality of Auctor seemed to prevent the utilisation of knowledge that was “offered” by this new partnership, as we can see in the following analysis.

Based on the research design and framework presented in the previous chapters, I have examined the knowledge processes through different aspects of the organisation, which,

according to my view, form Auctor's *absorptive capacity*. Another viewpoint potentially influencing knowledge transfer is the characteristics of the knowledge itself, which is also touched in the description. Those two aspects are not separated here because they are, to a large extent, intertwined.

The structure of the following analysis is based on the categorisation of organisational characteristics presented in the previous theoretical review: the organisation's dominant logic, culture, structure and systems. These angles on the organisational characteristics were chosen in order to describe the context of the phenomenon and its underlying tendencies. In the following, emphasis of the analysis in case Auctor was on knowledge transfer inhibitors, which are later on taken under more careful examination with the help of the theory of a loosely coupled system. In that examination, phenomena related to knowledge transfer inhibitors and contextual factors are presented with the help of different types of loose couplings of professional service organisations. In order to reach a detailed and comprehensive description, those factors are then linked to earlier defined customer experiences in the relationship.

However, in the following my aim is to analyse contextual aspects before a more detailed study on knowledge transfer. While analysing contextual aspects, *it is important to notice that these circumstances and tendencies may prevail in the organisation regardless of the customer relationship in question*. In that sense this analysis is mainly about Auctor, not about the formerly presented customer relationship, although that relationship was chosen to bring these phenomena "into light" and function as a mirror of Auctor's characteristics.

5.5.1 Dominant logic at Auctor

Prior knowledge permits the assimilation and exploitation of new knowledge, in other words an organisation's absorptive capacity. This notion has important implications for the development of capabilities over time as capability development is path- or history-dependent (Cohen & Levinthal 1990, 136). One characteristic of organisational capabilities is their "stickiness" over time. This means that once created, capabilities tend to be hard to change (Helfat 2000), although new knowledge gained might support a need for development.

As was brought up in an earlier review, from my point of view, the concept of dominant logic from one angle answers the question of how organisations may find it difficult to develop their capabilities (Bettis & Prahalad 1995). For example, in this case, the challenge was to change from Auctor's transactional marketing orientation to the relational orientation required in the new way of coordinating customer relationships. This phenomenon is analysed by focusing on customer-related knowledge utilisation in the organisation.

An important question from the customer-related knowledge utilisation point of view is how new knowledge born in the client interface is noticed and integrated into the conscious strategic view, and finally, how it is used as fuel for the development process (Cohen & Levinthal 1991). Dominant logic can be seen as an information filter in which

organisational attention is focused only on the data “deemed relevant” by the dominant logic while other data are largely ignored (Bettis & Prahalad 1995).

At Auctor, the customer base has traditionally been quite stable and personnel turnover has been low. This has created strong collective, organisational assumptions along the history of the organisation. However, this new kind of cooperation with the customer offered a good opportunity to question the dominant way of thinking about the customer relationships, and possibly redirecting it towards a more collaborative mode. As one of the senior managers at Auctor noted:

”People’s mental structures are developed over such a long time that it takes really concrete evidence that this new operations model is working. In this type of organisation... It is very difficult to even imagine that it changed otherwise than through piloting, because it is possible that when successful, this pilot enables also a change in the minds of the people.” (Auctor, manager)

This phenomenon can be explained by the following observation: dominant logic acts as an information filter, so that attention is focused on knowledge “deemed relevant” and other kind of knowledge is ignored. On a practical level, because of the strong dominant logic, customer feedback supporting status quo was accepted in organisational dialogue (e.g. in the development seminars), while more critical notions pushing the organisation towards development activities or questioning prevailing ways of thinking seemed to be ignored at the collective level. This meant for example that some kind of “illusion” of a successful relationship was maintained by emphasising positive feedback and messages from customers in official discussions, whereas more critical feedback from customers “demanding” development activities seemed to be ignored and/or was not brought (by individual expert/group of experts) into open discussion. These difficulties were recognised by many individual workers in the organisation.

“Now we are all floating in this sort of ‘Auctor fantasy’, that it is nice to work here and yes, these problems are going to be solved, and drawbacks are not addressed.” (Auctor, consultant)

In the previous section I looked at customers’ views on the development challenges of Auctor in relation to their expectations. According to my view, at least the following points may have their roots in Auctor’s dominant logic:

- Delayed decision-making (“responsiveness and more dynamism needed”)
- Delayed reactions to customer feedback
- Lacking innovativeness
- Lacking intensity in interactions and cooperation.

In relation to delayed decision-making and a lack of responsiveness and dynamism, it can be claimed that if things are considered to be in order on the collective level, even if a single informant called it “an illusion”, then there is no “push” to react. If the prevailing assumptions are strengthened by ignoring negative and critical messages, then an organisation may not be able to utilise relevant information from the customer, which would potentially initiate some decision-making process, or development activities, for example. Negative customer feedback concerning service offerings may also be ignored.

Reactions needed become slow or even absent. The development activities conducted are, at their best, a representation of adaptive, not generative learning. In the case of Auctor a lack of intensity in cooperation and interactions with the customer may also have its roots in limited resources, but first and foremost in the prevailing transactional way of handling customer relationships, “one project at a time”.

The strong dominant logic in the organisation seems to easily overtake the good will of individuals to develop their organisational activities. Not until the third year of the research period were more concrete initiatives in relation to the structure of the organisation announced. Expectations to change the status quo may even cause anxiety, which can be followed by a rise in defensive mechanisms.

”Some feel that this is going too fast and happening with a too “rapid pulse”, and a kind of process decision-making [fast decision making] is really needed. For that, we do not have enough feeling of security based on older operation logic and structure.” (Auctor, manager)

When the prevailing assumptions and practices in the organisation have been quite stable for a long time, it takes time to renew them. The renewing influence of change of generation is worth noting in this connection. New workers can see the possibilities from a totally different angle:

”It is clearly seen that new people who do not have the stiffness of this system, can react to these new things... I think that these people who have no “burden of the traditions” should get their chance.”(Auctor, manager)

Thus, a profound change takes time and in the *limited time that was available for this research it was also unrealistic to expect any radical changes in the dominant logic of an organisation*. However, my focus here is a bit different: dominant logic’s influence on knowledge transfer. If we think about the core questions of potential knowledge transfer inhibitors and facilitators, it can be claimed that *a dominant logic as a “general information filter” has a significant role, and it is an important, potential inhibitor or facilitator of knowledge*. At Auctor, a customer base that is historically stable, together with a low turnover in personnel has created a situation where changing common assumptions was quite challenging. In addition, Auctor has traditionally had a relatively secure position in relation to its customers/owners. Thus, no major crisis has occurred along its history which might have triggered a profound change processes. Thus, although customers might “have sent messages” that challenged the prevailing operations model, only those messages that supported the prevailing assumptions seemed to be accepted into organisational discourse. In short, it can be claimed that considering dominant logic of the organisation, *a barrier to customer-related knowledge transfer is potentially formed between the customer and Auctor. This may have created the basis for all the development limitations because Auctor was not able to utilise that knowledge as fuel for its development activities*.

In addition, the type of customer-related knowledge, although articulated by the customer, may be *complex*. There may thus be difficulties in creating a common understanding of the type of development activities needed.

When collective understanding is lacking because of the previously mentioned organisational characteristics (its dominant logic and knowledge in question),

development initiatives are easily ignored. Referring to the theoretical framework presented earlier, there may be gains on individual knowledge, but because of a lack of common understanding, loose coupling between the actors prevails and leads to a lower level of organisational, customer-related knowledge utilisation.

5.5.2 Culture at Auctor

Organisational culture refers to the values and beliefs held by employees. Culture can be the governance system of the organisation, as it mediates the behaviour of individuals (Teece *et al.* 1997, 520). Culture is strongly intertwined with the concept of dominant logic, although dominant logic is a more “fixed” and history-dependent concept compared with organisational culture.

I see Auctor’s culture and values to be based on a high level of individualism and strong collegial groups. *Actually, it can be said that there does not seem to be common culture and/or values, but more or less a variety of individual and/or group-level realities within the organisation, leading to a certain level of internal fragmentation.* Individualism is the very core of expertise, which is based on human capital and therefore naturally individual-bound. The nature of expertise seems to include an assumption of autonomy and mobility. According to my view, this force is strong in this context.

On a practical level this leads to a situation where the expert owns his/her capital, knowledge. That knowledge can be substance knowledge, expertise, but – more importantly – a similar type of “ownership” appears also in relation to customer relationships and the customer-related knowledge one possesses. An expert is often more loyal to him/herself than to his/her organisation, and this brings along tension between gains in individual knowledge versus gains in collective knowledge. As those interviewed put it:

”Experts are autonomous and stubborn.” (Auctor, consultant)

“It might be an endogenous thing in those who are in a line of work like this that they have in their personality and character a need to do work by themselves.”
(Auctor, manager)

This often also leads to jealousy, which might harm knowledge transfer. Lack of appreciation between experts, especially those from different expertise areas, strengthens this tendency. This in turn leads to “expert orientation” instead of collective, organisational customer-orientation. By this I mean that an expert him/herself and/or one’s expertise may be strongly emphasised as the starting point, not the customer need. We may talk about a “product-oriented company”, but we can also define an “expert oriented” organisation. Neither are the best possible starting points from the customer relationship management perspective, and fragmented actions in the customer interface may be one symptom of that.

“In the organisation there are also these “instincts”, meaning that people’s own interests also drive the organisation in their respective directions. And those

directions are not necessarily the same directions that are needed in customer-oriented operations". (Auctor, manager)

Customer-related knowledge is often tacit and embedded. Individualism is relevant from a knowledge transfer point of view because this type of knowledge cannot be transferred by other means than interaction between individuals. If a high level of individualism hampers interactions between the actors in the organisation, tacit customer-related knowledge transfer is accordingly hampered. Referring to the earlier theoretical framework, gains in individual knowledge may be substantial, but gains in collective knowledge may be insignificant. This leads to a lower level of organisational, customer-related knowledge utilisation in the customer relationship.

On another aggregation level, Auctor's *collegial groups* formed strong "subcultures" in the organisation. By collegial groups I mean (for example) the organisation's psychologists and/or technologically oriented experts. Because the functional structure of Auctor was based on expertise areas, collegial and functional groups can be considered the same in this context.

Collegial groups can create their own discourse and own values separately from each other. Different practices may also exist among different groups, differing from "commonly accepted" behaviours, if in this cultural fragmentation there can be such a thing as "commonly accepted" in that sense. As a natural consequence, barriers to knowledge transfer seem to be formed between these groups. This also happened at Auctor as the following citing shows:

"I think that it is also a natural tendency that people gather strength around oneself from people who they think are important for themselves. It is natural to gather into groups with those people one thinks might benefit one... Then there are certain interests, which this group stands for, or this group has a certain framework, or where it wants to be; a position in the organisation, a position in the customer relationship or a position concerning the status of the group. Those are significant and might even cause blindness. The internal culture and hierarchy of the organisation might make us blind so that looking from the outside, it looks bizarre. In the worse case it causes difficulties in customer contacts." (Auctor, manager)

Individual- and group-level cultural fragmentation influences the knowledge transfer processes. Fragmentation may lead (and be caused by) a lack of shared identity and lack of a common cognitive base among the organisational actors, which makes knowledge transfer and assimilation challenging. There may not be a "common understanding" of things, and thus no common basis for effective communication. What the concrete effects of this type of fragmentation are on knowledge transfer is analysed more precisely later on.

When reflecting to the collaborative customer relationship, fragmentation of organisational culture may be related to *innovativeness*, which was mentioned as being one of Auctor's development challenges. This is meaningful from the customer point of view, because knowledge integration would result in more innovative solutions, whereas organisational fragmentation can hamper that integration process, both in the service offering and at a more general level. Also because of this fragmentation, the *scope of actions in the relationship* may remain narrow; an individual expert and/or collegial groups all have their "own customers" and it may be challenging for other experts to

enter the relationship. As a natural consequence, service offerings also remain narrow, and may be based on limited areas of expertise. In Addition, *intensity in relationship* may diminish because one expert/group of experts takes only one project at a time, so that the horizon of the relationship remains short. These short-term relationships are also a result of no continuity on the relationship-level, only occasional projects. For example, if the customer reveals a “lead” for a potential project during the cooperation, that lead may not be communicated internally within the professional organisation. Potential for future cooperation may thus be in that sense hampered.

As mentioned above, the different frames of reference of different experts (especially when representing different expertise areas) and between subgroups might have a damaging effect on knowledge transfer: *it is not understood what kind of expertise other experts have to offer to the customer*. In addition, willingness to utilise that knowledge in customer relationship might be lacking because of a lack of mutual appreciation.

“But, I myself have also noticed how different our ways of thinking are, and problems arise as a result of this... We think so differently about many things.”
(Auctor, consultant)

For me, it was interesting to notice that from an individual professional’s point of view these new collaborative ways of handling customer relationships (such as creating strategic partnerships) might be seen as an “attack” on the traditional, expert-oriented approach where the expert defines his or her own customer relationships him/herself. When customer relationships are supposed to be coordinated on the organisational level, experts should accept the new role which might (at least to some extent) shift from comprehensive “customer ownership” (which was prevailing in a transactional mind-set) to a “expertise module producer”, where one’s expertise is part of the wide service concept needed in the long-term cooperation where a customer-specific organisation has a major role.

” Now we have, for the first time, a customer-specific organisation [within Auctor], which in other organisations can be comparable to the selling organisation, thus there is an organisation which sells services to a certain customer. This must have been the biggest change in thinking, and means in our operations model also that so far an individual consultant has strictly held on to the selling of one’s own services. Now this would mean that this selling would be taken care of in a more centralistic manner, of course without forgetting those individual consultants... But the idea that somebody else could sell an expert’s hours is quite new here... Our thinking is very product-oriented and products are easily perceived as being one individual’s products.” (Auctor, manager).

As a conclusion to the analysis of the culture and values of Auctor, I suggest that a high level of individualism and strong collegial groups have created a certain level of fragmentation in the organisation hampering customer-related knowledge transfer. If the earlier dominant logic created an obstacle to knowledge transfer between the organisation and its external environment, *these factors of individualism and barriers between functional groups create obstacles for internal customer-related knowledge transfer* on two levels: between individuals and between their groups. Because customer-related knowledge is often tacit in nature and cannot be transferred by other means than

interaction, this creates a situation where gains of individual knowledge may be substantial, but gains in collective knowledge may remain insignificant. Consequently, customer-related knowledge utilisation possibilities are low in the collaborative relationship. From a customer's point of view this might appear firstly as the lack of innovativeness of a service offering, and secondly, the scope of actions in the customer relationship may remain narrow; only few experts have the opportunity to work for the customer. Consequently, the intensity of interactions in the relationship may diminish because those interactions are handled by only a couple of experts. For example, if they have no time for one reason or another, activity in the relationship may diminish dramatically. Thirdly, there may not be an organisational understanding of expertise possessed by various experts because of a lack of versatile cooperation. Thus, experts cooperating with customers and other actors in the customer interface would not be able to utilise that type of knowledge while planning and conducting services even if they wanted to.

5.5.3 Organisational structure at Auctor

As I suggested in the theoretical review, *structural assets* of the organisation can be seen as one of the building blocks of competitiveness, which significantly influence the organisation's ability to utilise customer-related knowledge. From my point of view this is based on the assumption that organisational design may have a significant role either in facilitating or inhibiting knowledge transfer. Structural aspects are strongly interlinked with the formerly defined cultural aspects, especially with the notion of collegial groups, but aside from that I think it is important to analyse organisational design and its influence on knowledge processes separately as well.

The organisational design presents an interesting angle because it lies largely within the manager's control (Sorenson 2003, 227). From the capability development perspective, a beneficial organisational structure would support generative learning (Slater & Narver 1995, 64) by creating opportunities for interaction. It can provide forums and means for knowledge sharing and discussion. This may occur through e.g. liaison positions, integrator roles, matrix organisations and face-to-face contacts (Slater & Narver 1995).

Auctor's organisational structure was functional and based on different areas of expertise; thus, subgroup silos were strong. In addition, although a variety of performance indicators was developed, in practice the discussion revolved only around group-specific and the professionals' own financial results. This type of organisational structure and metrics encouraged individualism and may have also increased competition between functional groups. *Together with the cultural aspects defined earlier, they have mutually enforced the internal fragmentation of the organisation.*

In the relationship described, cooperation with the customer started with technical education. However, from the beginning it seemed to be possible to widen the scope of activities and thus, improving internal cooperation in the professional service organisation seemed to be a critical capability considering this relationship. However, widening the scope of services for the customer was unsuccessful. The main reason for

this seems to be the internal fragmentation at Auctor, which created an inability to access all the knowledge resources needed from the organisation to form an innovative, wide service offering for the customer.

Looking from another angle, capability development processes influenced by customers seemed to remain local, within the customer-specific organisation, collegial groups and/or individual experts. All of these “symptoms” had their roots, besides in the earlier mentioned cultural aspects of individualism and strong collegial groups, in organisational design as well.

”... When we have these functional groups, and they have their own history, the way they have become and have always been... There are barriers in between.”
(Auctor, manager)

These structural barriers among the different professional groups (functional silos) were strong and that theme came up, in some form, in every interview with the employees of Auctor. For example, the next figure (drawn by an informant) shows the problem of serving customer in a collaborative relationship and how fragmented structure can cause friction in the cooperation. The customer needs (e.g. more flexible actions, a broader customer interface and a wider variety of services used) might be quite clear even in the eyes of the professional service organisation’s management and individual workers, but the prevailing structure does not support a new, collaborative way of acting. It is a friction factor. Thus, from that point of view, the organisation cannot follow the requirement of utilising internal customer-related knowledge, and from the customer’s point of view this may appear in the form of a narrow or uninnovative service offering, for example.

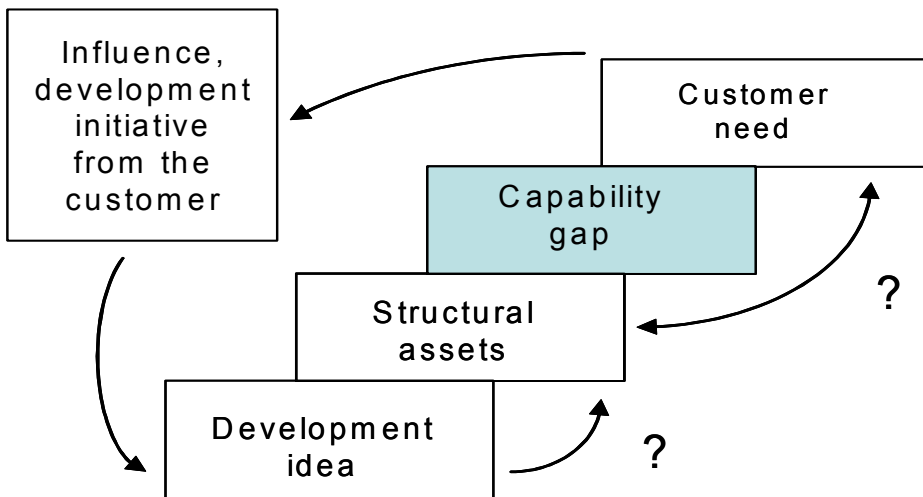


Fig. 11. Structure as a friction factor in customer cooperation (Auctor, manager).

As one of the senior managers put it:

“... It is a really good question, what keeps the professional organisation working to fulfil customer needs as a team... What could be a process or a system that could disentangle all the expertise of the service organisation for the customer’s purposes, without any friction... I see the organisation’s structure to be a really remarkable friction factor in conducting service production today.” (Auctor, manager)

Fragmented and transactional actions of experts in the customer interface has at Auctor, for example, led to situations where two experts from different functional groups were, unbeknown to them, undertaking a project with the same customer.

It is also important to notice that the prominent role of individual- or group-based financial metrics may have forced competition and knowledge protection among the experts and expert groups within the organisation.

”If for example a service is conducted that potentially demands work contribution from many experts, but is not really seen in the [financial] result of the expert, one might think that the same time might as well be used for benefiting one’s own financial result and that of one’s group.” (Auctor, manager)

“It emerges exactly from this that certainly if the result was measured individually, everyone would take care of their own area. When the result is measured team-based, everyone takes care of their own team. These silos are strong, everyone is optimising their own activities.” (Auctor, manager)

According to many interviewees, the management system of Auctor may have focused too heavily on financial metrics alone. Although a variety of new metrics based on balanced scorecard have been developed and implemented, it has seemed to the personnel that performance is still measured in euros only. From that point of view it seems to be challenging to use more abstract, e.g. qualitative customer-related metrics, or metrics measuring the amount of cooperative activities, for example, to evaluate individual or organisational performance. Money is something concrete, more measurable, thus easier to comprehend as a performance indicator. It may be assumed that implementing qualitative indicators efficiently would require a more profound cultural change.

As a conclusion to this analysis on the structural assets of the organisation I suggest that together with cultural aspects defined earlier, the organisational design and the management system of Auctor has enforced the internal fragmentation of the organisation by strengthening the competition among individuals and groups within the organisation. Thus, customer-related knowledge transfer is hampered between the individuals and functional groups of Auctor. The focus has been on individualistic knowledge exploration, where an organisation stays loosely coupled and gains on collective knowledge remain weak. This leads to a lower level of organisational customer-related knowledge utilisation in collaborative customer relationships. From the customer’s point of view this may appear in the form of lacking innovativeness, narrow scope of actions in the relationship, and low intensity in the interactions. The customer relationship is taken care of by individuals or small groups, not the whole organisation.

5.5.4 *IT systems at Auctor*

Also bound to the earlier mentioned aspects of culture and structure, *system level* development outside the basic administrative routines seemed to be a difficult task. This is mainly because the professionals were unwilling to use common systems, as well as due to organisational inability to increase the understanding of the importance of using the systems. From the experts' individualistic point of view it may not be easy to understand why codifying their own expertise or customer-related knowledge would have strategic importance from the organisational point of view. There is no motivation to work for it. This phenomenon has a strong link to the individualistic cultural aspect mentioned earlier.

"Taking care of the customer relationship is a bit strange for us... Not to mention that we have not been able to get people to use the system [to store the qualitative customer information]. We do not want to share knowledge, although our main business should be what is happening to the customer and what we have done with the customer. Then we anyway protect our own activities; offers made cannot be found, knowledge on where have we been... We are not genuinely willing to share that information even though there is a possibility to do so." (Auctor, manager)

The mentioned competition among the actors may also have led to some protective actions in knowledge transfer: experts may be not willing to codify their tacit customer specific knowledge in the common knowledge pool, e.g. in the customer relationship management system. This knowledge may only be shared with those considered "similar enough", such as members of the same collegial group. Thus, customer-related knowledge tended to stay tacit and embedded. Of course the complexity of the type of knowledge may also make codification extremely challenging and this may hamper the process as well.

Further related to metrics is the challenge of motivating people to use common systems in order to guarantee sufficient data behind the new measurements. This may also be because using those systems can be seen as a form of control over them, thus insulting the autonomy of their work. As described before, this tendency has been seen in relation to every aspect of knowledge codification:

"Concrete, new metrics are not easy to implement because people in this type of organisation shun disciplined activities." (Auctor, manager)

In addition to what has been mentioned previously, the dullness of codification work seemed to cause resistance among the experts towards using common IT systems.

"I think it is nice to do and think and stuff, but exactly the kind of routine tasks and number crunching, I do not know why I almost get eruption from it. So, I would like it if I could just be artistic, and someone else could take care of that." (Auctor, consultant)

As a conclusion to this section, I suggest that the earlier mentioned factors related to Auctor's culture and structure create internal fragmentation, which has also influenced knowledge codification. An especially high level of individualism in the organisation has lead to a situation where codification activities are underestimated by the individual

experts. Codification is considered redundant and dull, and experts may not be willing to share their customer-related knowledge because of competitive attitudes. At Auctor it seems that customer-related knowledge was not codified into common systems because of protective attitudes, competition, and because of plain disgust at that kind of task. The management system could not provide sufficient incentives for codification, and it was not “measured” by any means.

Codified knowledge could be more easily shared and utilised on the organisational level. That is why the mentioned lack of codification poses a problem from customer-related knowledge transfer perspective. The IT system was in place, so the core of the problem seems to be individual attitudes and lack of understanding of the strategic meaning of creating a common customer-related knowledge stock for the organisation.

5.6 Conclusive remarks on organisational characteristics and characteristics of knowledge

In the earlier description of case Auctor, a relationship based on the idea of strategic partnership was formed. Similar frames of reference including common goals and understanding about the form of cooperation were built. The client was willing to share even strategic knowledge from the very beginning in order to guarantee a successful cooperation.

Along the way we could see that this new type of collaborative cooperation enabled a variety of knowledge flows and thus, also enabled and challenged organisational knowledge utilisation internally at Auctor. In the beginning the integration and development of a common IT system potentially facilitated the codification of tacit customer knowledge and influenced everyday routines at Auctor. In addition, Auctor had better access than ever to the customer’s strategic planning because they took responsibility for a substantial part of personnel development in the buyer organisations.

When reviewing this relationship and Auctor it was apparent that the biggest challenge occurred in developing Auctor’s codification practices, organisational structure, culture and dominant logic to support the knowledge transfer processes necessary to be able to efficiently utilise customer-related knowledge in order to benefit the partner. It meant a need to change from the expert-driven, transactional (one project at a time) and fragmented mode to a more holistic, internally cooperative approach.

It looks as if Auctor was not fully capable of utilising its internal knowledge base in order to develop its activities towards a relational mode and finally, to create value for the customer. *Developing operations towards collaborative activities seemed to proceed mainly on the operational, not the strategic level. Referring to earlier theoretical discussions this meant “adaptive” learning instead of a “generative” process.* According to my interpretation, Auctor tried to utilise the same knowledge capabilities as before in a different situation. The lack of knowledge transfer also inhibited knowledge utilisation in the process of generative learning. However, generative learning would have been needed in the new situation. Only the systems level (e.g. IT systems and establishing administrative procedures in customer-specific organisation) went through some renewal. The basic structural - not to mention cultural - assets stayed the same.

This inability to change has its roots also in Auctor's *strong dominant logic*, which seemed to decelerate the change processes needed and maintained the status quo. More strategic shifts and actions that were needed were not even considered at the preliminary stage of the relationship. In addition, internal fragmentation caused by cultural forces of a high level of individualism and strong collegial groups inhibited knowledge transfer which would have enabled the organisations to question the prevailing assumptions. Structural design further strengthened this fragmentation by creating a competitive atmosphere between individuals and groups.

If we look at case Auctor from the longitudinal, processual point of view, development started to ensue on different levels of the organisation: from everyday acts to the deeper structure. In the first phase, a system level change was possible, but during the research period, because of the lack of interaction mentioned, the organisation's dominant logic, culture and structure were not able to progress towards a collaborative orientation to the same extent. This phenomenon is well described in the following quotation:

"There is a saying that structure steers. And now there are structures at different levels; cultural structure, also power structures of the organisation, and workings structure, it is of course very strong in this type of organisation. Now this system level, IT system, tools and customer contacts, they are kind of flexible structures, they have changed. The kind of lighter structure has changed and now it is beginning to tear apart these deeper structures. Then we consider these aforementioned cultural and power structures, which are the result of an earlier way of action. When we go into cultural and valuation issues, and power structures, somehow I think that they change along a longer period of time. Changing generations might be the biggest renewing force in that." (Auctor, manager)

Initiatives to change the organisation's management system did indeed take place, meaning e.g. that by the end of the research period the company announced a new organisational design, and a different approach to customer responsibilities. However, the traditional way of handling things seemed to stay in place. Changes happened in the formal management system, but the informal system remained basically the same. Thus, based on this analysis, the capability development process started from the "minor", concrete aspects that were easier to comprehend on the organisational level. More complex, profound changes related to the dominant way of thinking, individual status and/or the organisation's common values seem to take time and may require plenty of supporting managerial activities.

Because of its organisational characteristics and related characteristics of knowledge, Auctor could not utilise its customer-related knowledge assets, and this is apparent from the customer's point of view. To the customer, these problems appeared as a lack of innovativeness meaning, for example, an *inability to combine expertise* in an innovative way to service offerings. The natural result of internal fragmentation at Auctor was that the *service offering remained narrow*, and the *scope of co-operation* (meaning people co-operating with the customer) remained limited. This led to diminishing interactions over time. Customers also saw a kind of "slowness" at Auctor when it came to *making decisions* or *reacting to customer feedback*. Utilising the internal network seemed to be challenging, and from the customer point of view this can be seen for example in the *inability to utilise external expert contacts* possessed by the experts at Auctor.

In the analysis I tried to focus on the *issue I consider to be the core of the problem: customer-related knowledge transfer internally in professional service organisations and its influence on knowledge utilisation in collaborative customer relationships*. One of my research questions was: what are customer-related knowledge transfer inhibitors to customer-related knowledge utilisation in this context? Based on these empirical findings, three different types of potential knowledge transfer barriers in professional service organisation can be defined at this stage:

1. Between the customer and organisation is the *dominant logic of the organisation*. An organisation may have an inability to “accept” the knowledge given by customer, if it does not fit into the basic assumptions prevailing in the organisation. Complexity of the type of knowledge creates additional challenges in this sense.
2. Between *individuals and subgroups* of the organisation, meaning the cultural and structural aspects defined earlier. *Internal fragmentation* may occur because of a high level of individualism, or because of the high barriers between collegial or functional groups and because of internal competition resulting in protective activities. This affects the ability to create a common “field of interaction”. As a consequence, knowledge may not be articulated in co-operation, so that it stays in its tacit, embedded and non-observable form.
3. A codification barrier may occur between the individual actors, meaning that on the individual level codification activities are not conducted, and therefore the common organisational, explicit knowledge pool stays weak as well. This is because experts may not be willing to share their customer-related knowledge because of competitive attitudes and/or because of plain disgust at that kind of task. However, explicit knowledge would be more easily transferred.

If we look at the preliminary theoretical framework presented earlier and relate it to case Auctor, we can see that knowledge transfer inhibitors create a situation where the organisation stays loosely coupled and fragmented. Knowledge exploration in the customer interface by individual actors may be conducted actively, and gains in individual knowledge may thus be strong, but that knowledge may not become embedded in the collective knowledge pool. As a consequence, customer-related knowledge utilisation in a collaborative relationship is hampered. Development activities, even generative learning, would be needed to develop an organisation’s dominant logic, culture and structure in order to create better potential for a higher level of knowledge utilisation to benefit the customer.

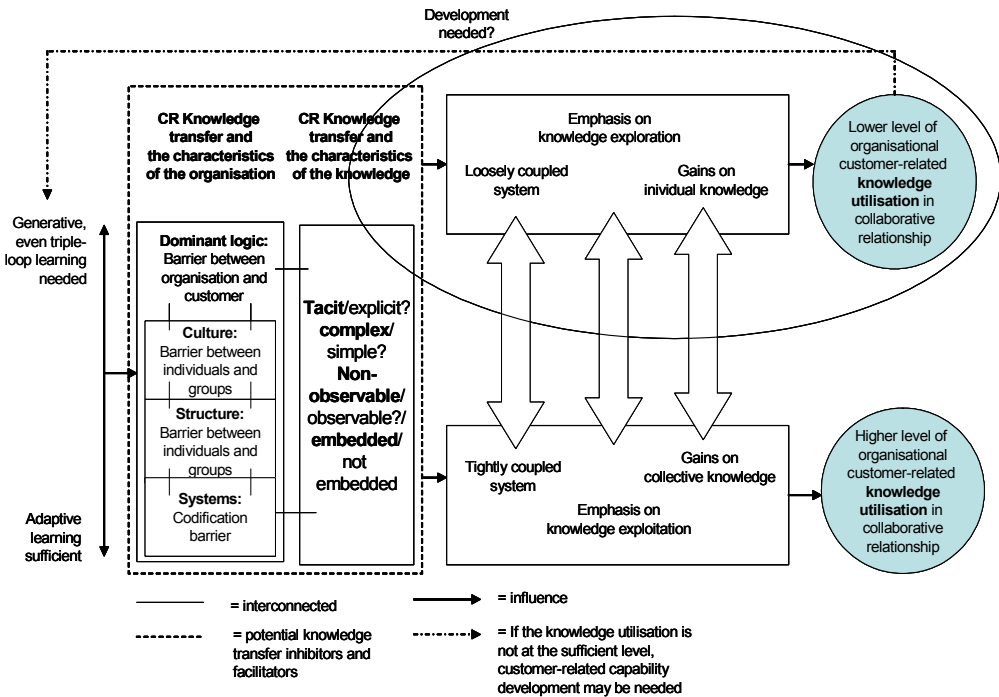


Fig. 12. Case Auctor in relation to theoretical framework.

An important question is raised at this stage: is there an inconsistency between my claim of “strong” dominant logic and fragmented culture; thus claiming that there were strong common assumptions while suggesting that the culture was fragmented (see e.g. Kirjavainen 1997a, 46)? According to my view, dominant logic can be seen more from organisational point of view, which means that collectively the organisation was looking inward, and not capable of accepting renewing influences from the outside, or from the inside either. Although at individual and group level people seemed to challenge these basic assumptions, those questionings seemed not to be sufficiently brought to the common arena, to open discussion. Thus, it seemed that there was a strong organisation-level “filter” for what was accepted into open discussion, and people seemed to follow that code surprisingly well in spite of strong individualistic orientation and strong group-level culture. This might be because people – in line with the earlier presented views of loose coupling – *were putting more effort into outward-looking activities instead of inward-looking organisational development and collective knowledge utilisation*. In practical terms, they were not interested enough in developing their own organisation because they were busy with their “own customers”.

In the previous section I have analysed different characteristics of Auctor that influence its ability to transfer and utilise customer-related knowledge: the organisation’s dominant logic, culture, structure and systems. My aim was to build a description of the context of this phenomenon before looking in more detail at customer-related knowledge transfer within Auctor.

As a conclusion to the previous description of Auctor I suggest that tendencies inhibiting knowledge transfer were stronger than conditions facilitating it. That is why the following analysis is conducted using the theory of loosely coupled system. The section also brings our analysis to a more practical level linking the previously described knowledge transfer inhibitors and results concerning the collaborative customer relationship. Knowledge transfer processes are critical, as one of the interviewees put it:

“I think that one of the most critical issues in strategic partnerships, and one of the biggest mistakes internally at Auctor, is that we have not been able to spread the knowledge to a sufficient degree internally.” (Auctor, manager)

5.7 Detailed description of the potential inhibitors found

In case Auctor, the possibilities for effective knowledge absorption in the customer interface were evident. However, inhibitors of internal customer-related knowledge transfer seemed to affect the organisation’s ability to benefit from those possibilities, and thus, absorb and further utilise customer-related knowledge to benefit the partner.

In the earlier section I analysed the contextual aspects of dominant logic, culture, structure and system, which have been underlying mechanisms hampering knowledge transfer. In the following section I will analyse knowledge transfer in the organisation, linking former organisational tendencies (knowledge transfer inhibitors), with “symptoms” they have caused. As a result of this analysis, the answer to the first research question about customer specific knowledge transfer inhibitors in the context of professional service organisation will be generated. The theory of the loosely coupled system is linked to the analysis because it helps me to categorise and give structure to the phenomenon of organisational fragmentation thoroughly in this context. The description is divided into the following “modules”.

- Type of loose coupling (e.g. among individuals, see the headings of the following tables)
- Customer-related knowledge transfer inhibitors – characteristics of the organisation and/or knowledge
- “Symptom” of knowledge transfer inhibitors; inhibitors’ influence on customer-related knowledge utilisation
- Influence on collaborative customer relationship.

The structure of the section is based on different types of loose coupling: among individuals and groups, individuals and organisations, and between hierarchical levels.

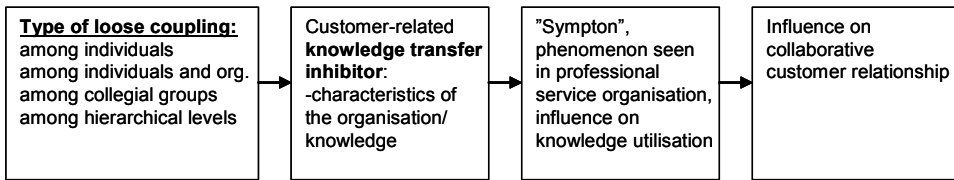


Fig. 13. Structure of the more in-depth analysis on knowledge transfer inhibitors.

Naturally different viewpoints may also overlap. In addition, it is also important to notice that these phenomena do not always prevail in all parts of the system; it is rather a question of tendencies.

5.7.1 Loose coupling among individuals

Loose coupling among individuals is one factor that may cause organisational fragmentation, which was strongly represented in the empirical material. In that sense organisation's cultural characteristic of *individualism* is influential. Expert work is autonomous and individualistic by nature. Expertise is considered to be bound to the individual, and as a natural consequence, customer-related knowledge may be seen as being "owned" by an expert. Thus, when a high level of individualism prevails in an organisation, or part of it, this may cause the following "symptoms" which in turn hamper collective knowledge utilisation in the collaborative relationship:

- The individual experts tend to "own" their customers. All experts have more or less their own customer networks; knowledge of customer needs and characteristics may not be transferred.
- The individual expert alone may take care of the development and execution of the services based on his/her own expertise, so expertise-related knowledge may not be transferred.
- Feedback from the customer may be ignored or not handled on the organisational level, only by the individual expert
- All experts have their own external expert network, which is used only in their own customer projects.

At Auctor, individual consultants often took care of their "own" customer relationships and co-ordinated their own customer networks. Even if co-operation and/or knowledge sharing occurred, it often happened within collegial group boundaries. This resulted in a situation where customer-related knowledge was not transferred among experts on the organisational level, with some access even being denied. There was no common organisational understanding about customer relationships, or a codified knowledge pool about customers. Instead there was plenty of *individually bound tacit knowledge*. Thus, both the characteristics of organisation and related characteristics of knowledge in

question mutually enforced each other and caused a strong tendency of knowledge being embedded into individual actors, which inhibits knowledge transfer.

“All [experts] have their own customers and their cards in own drawers, everyone has [their] own contacts.” (Auctor, consultant)

“[How about then when the customer knowledge is shared, how it is conducted?]”
 “It happens coincidentally during coffee table talks, not systematically. What one happens to tell, and then it is also dependent on one’s own activeness.” (Auctor, consultant)

In this type of situation, it is challenging to implement IT systems that would help in creating a deposit of explicit knowledge about customers. For experts it is hard to find the motivation to use systems like that in a highly individualistic and autonomous context.

“But there, one cannot find the [customer] history, what we have done with them. Sometimes it is surprising how well some customer knows our staff, because one thinks that the customer is always kind of “virginal.” (Auctor, consultant)

“It feels like people cannot see the final meaning [of using the common system], so it does not motivate them to use the system either.” (Auctor, consultant)

From the customer’s point of view the lack of internal knowledge transfer makes Auctor’s activities in the customer interface seem fragmented. This fragmentation causes problems such as *multiple selling efforts* by the same organisation, or experts might even be unaware that they are working for the same customer at the same time. The *scope of the relationship may remain narrow*, meaning that only a few experts have access to the relationship. Customer interviews also showed that the interface was considered to be narrow, consisting of only a few people. Consequently, the expertise of Auctor was only partly used. This in turn may have a negative influence on *innovativeness of the service* offering. Also, because of a lack of internal communication channels, responsiveness in reacting to the customer needs and expectations may be hampered. Messages do not “go through”, although as shown by the previous analysis, the issue of responsiveness is also linked to the strong dominant logic of the organisation.

Because knowledge transfer is hampered in many ways, customer-related knowledge is not accumulated, and thus not utilised on the organisational level. That is one reason that the horizon of the relationship tends to remain short and transactional. Projects are conducted one at a time, but relationship-level coordination is not in place. The following table gathers together the findings related to the mentioned type of “customer ownership”, which is a result of a high level of individualism, and its potential influences on knowledge utilisation and further on a collaborative customer relationship.

Table 3. Type of fragmentation: loose coupling among individuals, “customer ownership”

Customer-related knowledge transfer inhibitors; characteristics of the organisation and knowledge	“Symptom”, phenomenon seen in professional service organisation and inhibitors’ influence on knowledge utilisation	Potential influence on collaborative customer relationship
<i>Cultural characteristic of individualism</i>	<i>Individual consultant takes care of his/her own customer relationships, “owns” one’s customers.</i>	Fragmented actions in the customer interface: e.g. multiple selling efforts by several experts within the same organisation,
Individualistic nature of the expert work; expertise is considered to be bound to the individual. That is why it seems natural from the expert’s point of view to “own” one’s customer and customer-related knowledge	↓ a) Customer-related knowledge <i>considering customer needs and characteristics</i> may not be transferred among the experts	<i>Scope of the interactions may remain narrow</i> , only few experts are able to access the relationship.
Characteristics of organisational structure and metrics forcing competition among experts may even strengthen this tendency	b) There is no sufficient collective, organisational customer-related knowledge pool, neither tacit nor explicit c) Collective customer-related knowledge utilisation is hampered.	Customer-specific knowledge is not organisationally utilised to benefit a partner, which may hamper <i>innovativeness</i> in creating service offering. Also, service offering may not be suitable for customer purposes. Likewise, <i>responsiveness</i> in reacting to the customer needs and expectations may be hampered.
		Horizon of the customer relationship may remain short, transactional and based on “one project at a time” type of activities.
		↓
		Development towards collaborative orientation is hampered

It is important to notice that if considered from another angle, these aspects could also be studied as an expression of loose coupling between an individual and the organisation. This aspect is based on the very basic nature of expertise: personal interests in the customer relationships are stronger than organisational-level interests. This leads to the situation where there is a constant conflict between gains in individual knowledge versus collective knowledge. Thus, using previous theoretical concepts, an “explorative” way to acquire knowledge dominates, while exploitation of that knowledge on the organisational level is not well developed.

Loose coupling among individuals may also appear in the lack of common understanding of expertise possessed by the organisation.¹⁹ When experts, either alone or with a partner, develop and execute services based on their expertise and these services are not conceptualised (thus, codified) or knowledge about it is not shared in its tacit form e.g. in co-operation with others, knowledge about the expertise possessed by the organisation will never be assimilated into the organisational memory. At Auctor there seemed to be for two reasons for this: a) Although there was a systemic readiness (IT systems), the organisational context did not seem to provide enough incentives or motivation to codify expertise, and b) because work is most often done alone, or at best with a familiar colleague from the same collegial group, working practices did not provide a context to leverage tacit knowledge on one's expertise. The following quotation describes this phenomenon well from expertise codification point of view.

“What we are lacking completely is service conceptualisation. We have conceptualised in a way that [the service] “belongs” to someone, and that someone always customises them customer-specifically. We have no catalogue where one could see what type of things people do.” (Auctor, manager)

Consequently, the *horizon of the customer relationship tends to remain short*, transactional and based on “one project at a time” type of operations model.

“... Like an old saying goes, if somebody wants to buy a Mercedes Benz, the answer is “good, and what else can I offer you?” This “what else can I offer you” remains unasked by us... Thus, we simply stop too early with our customer.” (Auctor, manager)

This is understandable. For an expert, it is hard to recognise their customer's potential needs in projects when there is no common understanding of the expertise possessed by the whole organisation. Even if the “good will” to offer expertise outside one's own expertise area did exist, without understanding and/or codified knowledge on that it is hardly possible.

In addition, like described previously, organisational structure and metrics may increase competition between individuals in the organisation and this may lead to knowledge protection that further hampers knowledge transfer.

In the above situation the relationship coordinator also faces difficulties finding the best possible solution for the partner. Especially problematic is the situation where he is new to the organisation and the internal network, thus the tacit knowledge of expertise possessed by different experts, is weak. In that situation codified knowledge of expertise would support his work. Like in the previous section, the following table gathers together the findings related to the lack of internal knowledge about expertise possessed by the organisation, its influence on knowledge utilisation and further influence on the collaborative customer relationship.

¹⁹ This is one aspect for utilising customer-related knowledge: internal knowledge on expertise which could be utilised to benefit the customer is named also “customer-related” knowledge here, although the customer is not its source.

Table 4. Type of fragmentation: loose coupling among individuals, “organisation-level knowledge on expertise possessed”

Customer-related knowledge transfer inhibitor; characteristics of the organisation and knowledge	“Symptom”, phenomenon seen in professional service organisation and inhibitors’ influence on knowledge utilisation	Potential influence on collaborative customer relationship
<i>Cultural characteristic of individualism</i>	Loose coupling reduces the amount of work done together with other experts. Thus, the level of tacit, collective knowledge of the expertise possessed by the organisation is low.	This may lead to a <i>one-sided service offering and lack of innovativeness. Responsiveness</i> to customer needs may be hampered.
Individualistic nature of the expert work; expertise is considered to be bound to the individual. That is why it seems natural from the expert’s point of view to develop and execute his/her own services alone.	Services are not codified. Although there may be systemic readiness (IT system, intranet),	↓ The horizon of the customer relationship may stay short, transactional and based on “one project at a time” type of activities.
Characteristics of the organisational structure and metrics forcing competition among experts may even strengthen this tendency.	the organisational context does not seem to provide enough incentives or motivation to facilitate the codification. Experts find the work redundant and dull. When an expert has understanding of only his/her own expertise, there is no common understanding of expertise possessed by the organisation. Thus, it may be harder to recognise new needs of the customer and/or offer solutions outside one’s own field of expertise.	↓ Development towards collaborative orientation is hampered
	↓ Collective customer-related knowledge utilisation is hampered.	

However, in spite of the problems, the need to combine expertise and potential advantages of co-operation seemed to be widely recognised at Auctor. Connections to underlying mechanisms causing problems in that sense were also brought up by many informants:

“... That we could learn to utilise better different types of expertise to benefit the customers, but change initiates from people’s attitudes, and apparent or structural change does not yet change things. Or then result measurements have to steer things very strongly.” (Auctor, consultant)

Combining expertise in novel ways may also be closely linked with innovativeness and responsiveness, which was considered to be one of the development points from a customer point of view:

“The customer is not necessarily the first one who notices the demand, that it would be good to combine different types of approaches. The customer cannot necessarily demand that, but still by offering different combinations we would certainly create something interesting...” (Auctor, consultant)

Gaining organisational benefits from *customer feedback* was also considered problematic at Auctor. This can be seen as one additional symptom of internal fragmentation related to the high level of individualism in the organisation. All too often customer feedback seems to be ignored, or at least it is dealt with by an individual expert rather than on the organisational level, even if it concerns organisational practices, not an individual expert's actions. In that situation customer-related development activities are hindered because *there is no complete feedback loop enabling generative or even adaptive learning on the organisational level*.

“We have not been very systematic in the way the feedback is utilised. This is also characteristic of the kind of expert organisation, that “when I have kept the course, got the feedback, it is not the business of others.” (Auctor, manager)

This problem also has its roots in the nature of the expert work: expertise is considered to be bound to individuals and thus feedback is “private”:

“Expertise is so closely bound to an individual that it is an awfully sensitive issue. As a result, things tend not to remain just “things”, but get very close to the person and their self-esteem.” (Auctor, manager)

Like the previous case description of Auctor showed, a lack of responsiveness on customer feedback has been a problem also from the customer point of view. The following table gathers together the findings related to challenges of transferring customer feedback in a professional service organisation, its influence on knowledge utilisation and the collaborative customer relationship.

Table 5. *Type of fragmentation: loose coupling among individuals, “organisation-level utilisation of customer feedback”*

Customer-related knowledge transfer inhibitor; characteristics of the organisation and knowledge	“Symptom”, phenomenon seen in professional service organisation and inhibitors’ influence on knowledge utilisation	Potential influence on collaborative customer relationship
Individualistic nature of the expert work; expertise is considered to be ‘individual-bound’. Thus criticism may be harder to handle on an organisational level	Organisation’s expertise and services may not be developed on the organisational level based on customer feedback.	This may have a negative influence on the <i>suitability of service offered</i> to the customer needs and on the <i>general responsiveness</i> to customer feedback.
The strong dominant logic further strengthens the tendency to ignore critical views offered by the customer.	There is no organisation-level responsibility for development activities. Instead, development happens locally mainly based on the needs and wants of an individual expert.	↓ Development towards collaborative orientation is hampered.
	Customer feedback is ignored or is not utilised on the organisational level, only by the individual expert and/or work pairs.	
	↓ Collective customer-related knowledge utilisation is hampered.	

Finally, when the forces of loose coupling are strong among individuals, every expert has *their own collegial and expert networks* outside the organisational boundaries. Those connections are utilised in the service formation but not on the organisational level.

“We always say that we have 500 experts in our network, but the praise stops there. We have no systems. Everyone has their own experts they are using. This coordination and its significance will increase.” (Auctor, manager)

From the point of view of the customer, this underdeveloped network may also lead to one-sided offerings and lack of innovativeness. From a customer point of view, the capability of utilising wider networks was mentioned as a factor providing competitive advantage in the future of the co-operation.

In this case this it did not seem to be based on an unwillingness to share expert contacts, but more or less on a lack of common organisational understanding regarding the importance of sharing that type of knowledge. The knowledge is shared informally (there is no common database used actively by experts) and – once again – the knowledge is usually shared with members of the expert’s own collegial group.

As in the case of co-ordination of internal networks, this may cause problems for the customer-specific organisation as well. For the relationship coordinator, it is harder to build an effective network of external experts to benefit the key client; he/she has to build it more or less from zero because of the lack of a common knowledge pool.

The following table gathers together the findings related to organisation-level utilisation of external expert networks in case Auctor.

Table 6. Type of fragmentation: loose coupling among individuals, “Organisation-level utilisation of external expert networks”

Customer-related knowledge transfer inhibitor; characteristics of the organisation and knowledge	“Symptom”, phenomenon seen in professional service organisation and inhibitors’ influence on knowledge utilisation	Potential influence on collaborative customer relationship
Individualistic nature of the expert work; expertise is considered to be individual-bound. An expert has no endogenous motivation to share expert contacts with others.	All the experts have their own external expert networks used in the customer projects. That knowledge is not shared in interaction nor in codified form ↓ Knowledge about external experts is not utilised organisationally	In a collaborative relationship this may lead to a <i>one-sided service offering</i> and <i>lack of innovativeness</i> in service offerings ↓ Development towards collaborative orientation is hampered.

In the following I will gather the main findings related to individualism as a knowledge transfer inhibitor in the context of the professional service organisation. I suggest that it hampers the utilisation of four different types of customer-related knowledge: knowledge about customers, knowledge of the organisation’s own expertise, customer feedback and external expertise. These problems of knowledge utilisation are further connected with the potential influence on the collaborative customer relationship. Related to those issues, I have developed two categories: *service-related issues* and *relationship coordination-related issues*. These issues are naturally strongly interlinked and also overlapping.

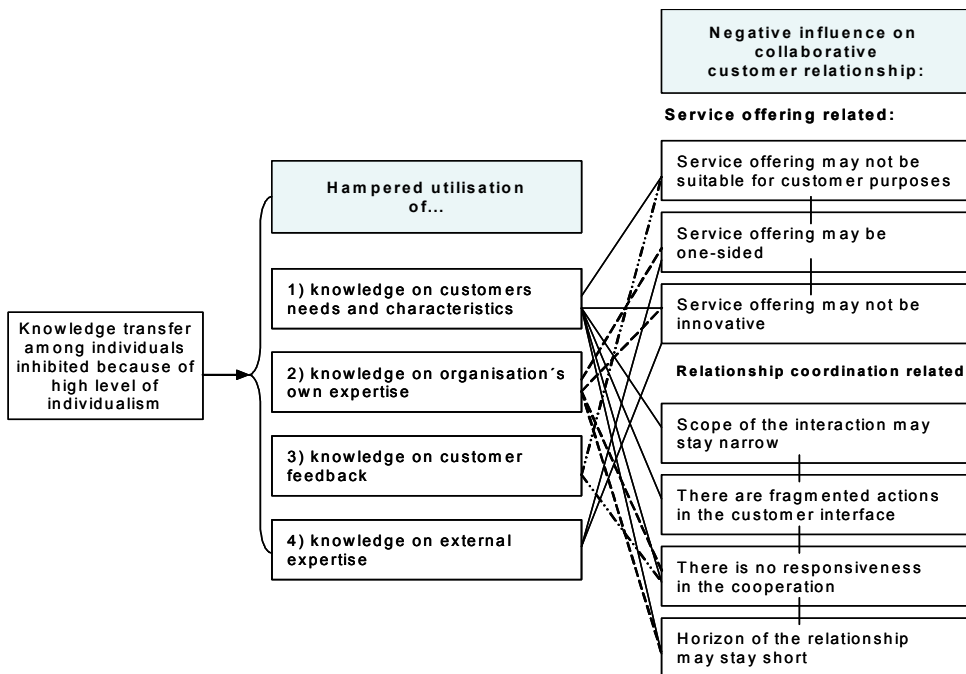


Fig. 14. Summary of findings of individualism as a knowledge transfer inhibitor.

5.7.2 Loose coupling among collegial groups

Loose coupling among collegial groups is strongly related to the previous aspects of loose coupling among individuals. Even if knowledge is transferred between individuals, cross-functional cooperation and knowledge transfer among groups with different professional orientations may be challenging. People tend to choose (whenever it is possible) to work with people they feel comfortable with, usually people of “a similar type”. Thus, if the work is done with another expert, it is usually conducted within group limits and/or based on strong personal likes.

“It is a bit like “us” and “them.” (Auctor, consultant)

“Pair work is awfully sensible, there has to be a trust and appreciation for one another... There has to be almost a kind of “love” for the other consultant, to accept and appreciate the colleague.” (Auctor, consultant)

Because of their professional identities, employment background and different types of customers served, *experts may have different frames of reference*. The lack of a common frame of reference leads to a situation where knowledge is not assimilated into the organisational memory. There is no common “organisational substratum” for knowledge

to be embedded in. Different discourses prevail in the organisation and in turn support the isolation by creating different “realities”. Thus, it is a kind of vicious cycle of ever-increasing isolation between the groups. One example of different frames of reference is that references of work and managing customer relationships may be understood in a different way, e.g. the importance of “effectiveness” and “financial results” instead of “humanism”, and this causes conflicts.

Different ideologies, values and working practices among different collegial/functional groups may lead to a further lack of appreciation among them. This is to a large extent represented by experts ignoring and/or undervaluing the expertise possessed by the people outside the group limits. Different types of professional backgrounds and/or expertise areas may also be linked with different levels of status in the organisation.

“Still there is a certain need in the organisation to limit certain things to certain teams, and... Sometimes I have been thinking, where does a need like that come from, because according to my understanding, customers do not define it like that.”
(Auctor, manager)

Loose coupling among collegial groups has the same kind of influence as a high level of individualism. This just happens at another aggregate level. Because of this knowledge transfer inhibitor, utilisation of knowledge about customer needs and characteristics, organisation’s own expertise, customer feedback and knowledge of external expertise is hampered. Basically the same influences may also be seen in a collaborative relationship. For example, combining expertise is not easy, and that is why the service offering may remain one-sided and uninnovative. A need to combine expertise of different groups in order to create value for the customer was also widely recognised at Auctor:

“... So the people could speak to the customer also about the services of other teams. In practice, there is an extremely strong barrier between those teams. That kind of thinking is something we have to get rid of somehow.” (Auctor, manager)

In addition, because customer knowledge is not transferred sufficiently, actions in the customer interface may be fragmented and responsiveness in general may be hampered. This is because knowledge remains local and is not utilised organisationally. The lack of a common frame of reference may appear to the customer in the form of different types of, or even contradictory messages from the same organisation. Coherence seems to be lost. On a practical level this may mean that offerings and service descriptions seem to be “messy”.

The following table shows the main findings related to strong collegial groups as a knowledge transfer inhibitor, their influence on knowledge utilisation and further on collaborative customer relationship.

Table 7. *Type of fragmentation: loose coupling among collegial groups*

Customer-related knowledge transfer inhibitor; Characteristics of the organisation and knowledge	“Symptom”, phenomenon seen in professional service organisation and inhibitors’ influence on knowledge utilisation	Potential influence on collaborative customer relationship
Cultural characteristic of <i>strong collegial groups</i> is meaningful in professional service organisation.	Customer-related knowledge is not shared across the group boundaries even if the individual level sharing existed in pair work, for example.	Because fragmentation appears among different areas of expertise, basically the same influences may occur as in the earlier description of individualism.
From a cultural viewpoint, collegial background is very important in the expert work. This brings along different value structures (e.g. technology versus humanism) and ideologies, thus also barriers between those groups.	In principle, utilisation of 1) knowledge about customer needs and characteristics 2) knowledge about organisation’s own expertise 3) knowledge about customer feedback 4) knowledge about external expertise are all hampered, like in the case of loose coupling between individuals. However, this happens on a different aggregation level, between collegial groups.	E.g. fragmentation among collegial groups may hamper the ability to combine the expertise to form a multi-layered and innovative service offering
Structural and financial metrics force competition among sub-groups and may further strengthen this tendency.	Knowledge is not transferred outside group borders, but remains local, and so it cannot be utilised organisationally.	It may also cause fragmented actions in the customer interface and harm responsiveness because the knowledge remains local. The horizon of the customer relationship may remain short if the customer is dealing only with one collegial group in the seller organisation. ↓ Development towards collaborative orientation is hampered

5.7.3 Loose coupling among hierarchical levels

Loose coupling among the hierarchical levels of an organisation and related problems in knowledge transfer can be seen as well. At Auctor, the management group had a strong role in defining organisational goals and practices. However, a gap between management and professionals seemed to have led to a situation where a common understanding concerning organisational vision, strategies and customer relationship management was not prevailing. This problem naturally has its roots also in the cultural fragmentation described earlier. However, the defined type of fragmentation among hierarchical levels brings some additional understanding of this phenomenon.

This problem is partly based on practical factors. Superiors in the professional service organisation are often very ambitious in their own work as professionals and when it comes to taking care of their own customers. This naturally affects their knowledge sharing capacity internally in the organisation because they are often out of office.

“My superior is also quite busy, s/he might have expertise which could benefit others, but no time to share it.” (Auctor, consultant)

Thus, this is not only a question of superiors not sharing their knowledge, but knowledge flows “upwards” are also inhibited. This is due to infrequent contacts between experts and superiors and/or a willingness to protect knowledge. In addition, the type of knowledge is often tacit and complex, thus its transfer is more challenging.

Internal politics may play an important role in knowledge transfer as well. If the roles of “decision-makers” and “operative staff” are kept separate, this may lead to isolation and conflicts among hierarchical levels.

Problems in knowledge transfer have their effect on organisational learning. If dialogue among hierarchical (as well as vertical) sub-units is hindered, the common understanding of developing customer relationship management or services cannot “go through” to the whole organisation. Thus, a common understanding on those issues remains weak and local assumptions begin to play a bigger role in organisational life. Referring to the earlier discussion of a strong dominant logic; it cannot change without interaction among hierarchical levels.

Loose coupling among hierarchical levels may, once again, lead to passive and ambiguous roles in the customer interface. Consequently, decision-making may be delayed and there may be a lack of responsiveness in the relationship. The following table presents the main findings related to loose coupling between hierarchical levels, its influence on knowledge utilisation and further on collaborative customer relationship.

Table 8. Type of fragmentation: loose coupling among hierarchical levels

Customer-related knowledge transfer inhibitor; characteristics of the organisation and knowledge	“Symptom”, phenomenon seen in professional service organisation and inhibitors’ influence on knowledge utilisation	Potential influence on collaborative customer relationship
Superiors are experts as well and busy taking care of their own customer contacts. This has an effect on knowledge transfer capacity internally in the organisation.	<p>Knowledge is not transferred between different levels of the organisation</p> <p>Structure, culture and metrics forcing fragmentation among subgroups may hinder the dialogue needed in order to create a common understanding of customer relationship management and related knowledge processes needed in the organisation = generative learning</p> <p>Internal politics may play an important role: the roles of “decision-makers” and “operative staff” are kept separate and this leads to isolation and conflicts between hierarchical levels</p> <p>↓</p> <p>Customer-related knowledge utilisation is hampered</p>	<p>Roles may be ambiguous in the customer interface.</p> <p>Problems with responsiveness and delayed decision making</p> <p>↓</p> <p>Development towards collaborative orientation is hampered</p>

5.8 Conclusive remarks on case Auctor

We must note that the defined characteristics may also be seen as individual-bound characteristics (e.g. capability to do cooperation, to share knowledge). Naturally there are individuals who are more willing to share knowledge than their colleagues, also at Auctor. From my point of view this is not a problem concerning the descriptions in this study, because the phenomenon studied is looked at first of all from the organisational point of view, and these tendencies were widely recognised in the case organisation, thus considered to be strong, prevailing tendencies at Auctor. However, it is also important to notice that the kind of phenomena described do not always prevail in every part of the organisation or in relation to every individual in the organisation, although these tendencies may be widely recognised.

According to my understanding, many of the problems presented in case Auctor may be similar to other professional service organisations trying to build collaborative

customer relationships. The core of that effort is an ability to utilise a wide variety of internal knowledge resources in the organisation. Due to the inherently fragmented reality in the organisation, this ability may be lacking: knowledge is not transferred to the collective level, and organisational customer-related knowledge utilisation is thus hampered.

New aspects about the nature of the knowledge needed in this specific context came up during the research process at Auctor. Utilising *customer-specific knowledge*, meaning e.g. knowledge of specific customer needs and characteristics, would certainly be needed. However, the meaning of exploiting *expertise-related knowledge* (knowledge of the expertise possessed by different experts in the professional service organisation) and *knowledge of every professional's own external expert network* seem to be, in this empirical context, very significant “raw material” of customer-related knowledge utilisation in a collaborative relationship. *Customer feedback* was also emphasised as one type of knowledge that was needed in order to be responsive to customer needs. Thus, the perspective is too narrow if we only concentrate on customer-related knowledge in its narrowly defined sense, which is based on the idea of relevant knowledge being basically knowledge of customer needs.

Knowledge transfer inhibitors influencing the organisational ability to utilise the knowledge can be found in the organisation's dominant logic, its culture and values, structure and systems. For example, at Auctor a strong dominant logic made it hard to accept renewing messages and to change prevailing practices, although a need for change from a transactional mindset to relational one was recognised by many actors. Knowledge was “absorbed” only if it fit into prevailing assumptions, and the idea that “things are going just fine” was maintained on the organisational level.

There were also cultural factors inhibiting knowledge transfer, first of all, loose coupling between individual experts in the organisation. Thus, a high level of *individualism is one important knowledge transfer inhibitor in this context*. Individualism can be seen as a natural part of expert work, but it has its harmful effects from the knowledge transfer point of view. On practical level, inhibitors of knowledge transfer are, first of all, realised in individualistic working practices. When this tendency is prevailing, the individual consultant “owns” his/her customer, as well as the customer-specific knowledge, which is often not transferred and assimilated into organisational knowledge pool, but mostly stays in its tacit, individual-bound form. This in turn lowers the horizon of the customer relationship in the form of unutilised possibilities. If internal knowledge resources are utilised only narrowly, the relationship tends to stay in the transactional mode.

In relation to this phenomenon of individualism, many other challenges can also be seen. Firstly, if an individual consultant develops and executes only his/her own services and those services are not conceptualised; in that situation the understanding of expertise-related knowledge possessed by the organisation may remain weak due to a lack of dialogue. There is no explicit or tacit knowledge transfer.

Secondly, if customer feedback is not shared on the organisational level, there may not be a strong enough “feedback loop” to guarantee the development needed based on the information given by customer. At Auctor, customer feedback tended to stay in the minds of individuals, so that the learning effect also remained local. It was not shared in open discussions, or codified into common IT systems.

Thirdly, at Auctor all experts seemed to have their own external expert networks outside Auctor. Those networks were utilised in their own service production efforts, e.g. in connection with their own courses. However, information about those people and about their expertise was not shared with other actors.

On the higher aggregate level, *strong collegial groups also created barriers to knowledge transfer*. When the knowledge was shared, it was shared among the expert's own collegial group and only occasionally across group borders. Thus, it seems to me that when loose coupling did not prevail among individuals, it existed on group level.

Structural assets are a remarkable underlying mechanism which can either support or inhibit knowledge transfer. In case Auctor, the organisational structure was functional and based on different areas of expertise. Strong functional silos – which were intertwined with the previously mentioned strong collegial groups – may have created barriers to knowledge transfer. Performance measurements based on individual and group level financial results have promoted competition between groups, which has also led to knowledge protectionism. Thus, the *structure and metrics supporting competition among the actors is a significant knowledge transfer inhibitor*.

Organisational context did not seem to provide sufficient incentives to facilitate knowledge codification into systems, although the system itself was renewed and in place. The previously mentioned cultural and structural factors created a situation where the emphasis was on tacit, individually-bound knowledge, which was difficult to share. Protective actions and simply an inability to understand the meaning of the shared knowledge created a situation where knowledge was not codified into the systems, but remained in its *complex, tacit and embedded form*. Thus, the *lack of codification seemed to be one highly important customer-related knowledge transfer inhibitor in this context*.

In case Auctor, all these problems in accessing and utilising the customer-related knowledge directly influenced both the service offering and the general relationship coordination in the collaborative relationship. These challenges were, in the former analysis, connected with phenomena mentioned earlier.

We can look at the issue of knowledge transfer also from a more long-term capability development perspective. Because of the hindered knowledge transfer in its different forms, it can be said that operational development towards the collaborative orientation may be needed, but deeper changes (in dominant logic, culture and the structure of the organisation) may possibly be hindered because of a lack of or insufficient customer-related knowledge utilisation. Thus, as in case Auctor, interactions should somehow be fostered in order to develop an organisational capability for generative learning, changing the prevailing assumptions of the organisation, culture and structure to be more responsive to collaborative operations.

Both of these problems directly associated with the value creation in collaborative relationship and more long-term capability development may lead to a declining relationship by increasing the isolation from the customer. Isolation from customers in turn also inhibits exploration in the customer interface because of ever-diminishing interactions. In that way a lack of dialogue may lead to a vicious cycle from which the organisation is not easily freed; the level of interaction in the relationship may get lower and lower, and consequently the relationship may even end.

The following illustration gathers the main findings. As we can see, it is built based on the illustration of theoretical conclusions at the end of Chapter 3. In case Auctor we can

find many factors related to the characteristics of organisation and characteristics of the knowledge itself which inhibit customer-related knowledge transfer. Thus, referring to the earlier theoretical review, the emphasis of this case was on modelling and describing the characteristics of a loosely coupled system where gains in individual knowledge are stronger than gains in collective knowledge, and emphasis is on knowledge exploration instead of collective knowledge exploitation. Consequently, organisational customer-related knowledge utilisation is at a low level. This in turn creates negative influences on collaborative customer relationship, both on its coordination and also on the service offerings created with the partner.

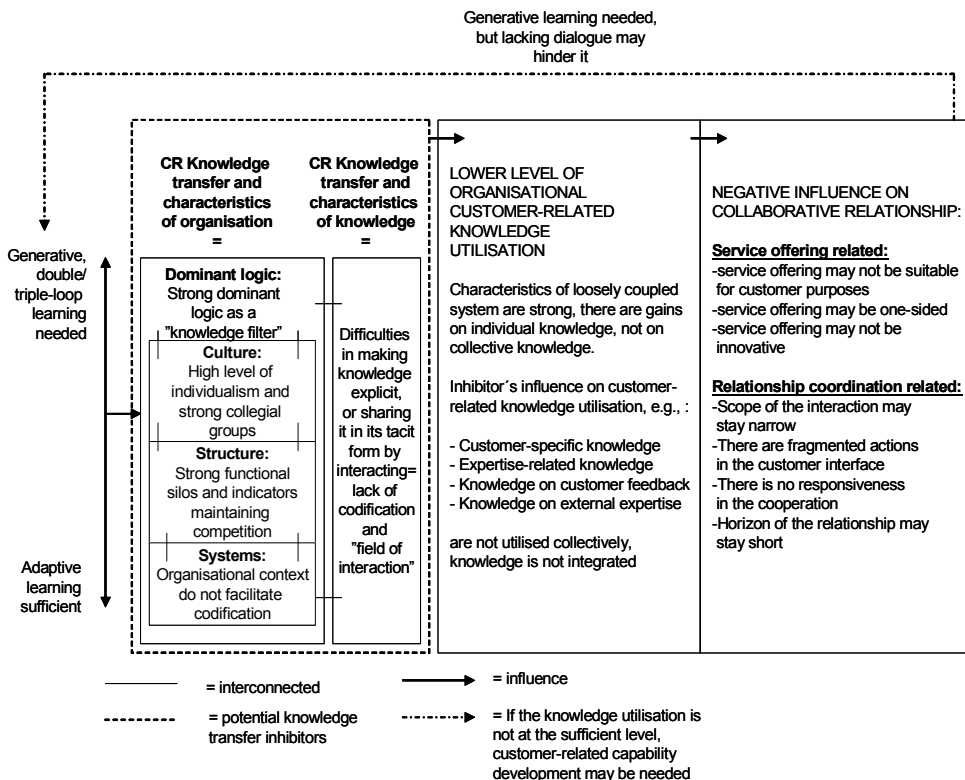


Fig. 15. The main findings of case Auctor; a more loosely coupled system.

Now we have seen the description of Auctor. In the analysis we found a variety of knowledge transfer inhibitors potentially hampering customer-related knowledge utilisation. We have to remember that these challenges are not rare in this type of organisation. *Thus, in that sense Auctor was not a "failure", but a good example of a loosely coupled organisation and the challenges related to collaborative relationships of those organisations.*

However, one question remains: in the situation of lacking organisational dialogue, how can an organisation free itself from the vicious cycle that can hamper the customer

relationship? Later on, in order to fulfil my research task, I want to find answers to questions about knowledge transfer facilitators. In that sense an important question from the theoretical and empirical point of view is “how can more tightly coupled, interdependent systems be created?” What could be the organisational characteristics/practices that would enable the knowledge transfer needed and effective customer knowledge utilisation on the organisational level? The following case Factor was chosen keeping that goal in mind. My aim is to enrich the description of Auctor with the help of case Factor. My purpose is not strictly to compare these two, but to offer a wider perspective on knowledge transfer facilitators complementing the views offered in the previous chapters.

6 Case Factor

Case Factor is a description of the operations model of one business unit in an international information technology consulting company that offers services related to IT solutions and business consulting. My goal is to concentrate on issues that have influenced knowledge transferability and obtain examples of organisational practices potentially creating tightly coupled structures in an organisation, thus facilitating knowledge transfer.

Because my focus is on the knowledge processes required in developing operations models functioning in collaborative customer relationships, these practices are studied in relation to key customer relationship issues. The choice of the case was strongly supported by the fact that the customer relationships of the business area in question are usually long-term strategic partnerships and services are conducted in close co-operation with the customer.

6.1 Factor's organisation and background

The business unit examined is divided into expertise areas of business consulting, IT consulting and partnerships. There are 300 workers in this local unit and it is part of a large, multinational company.

The company was initially established during the 1960s, and the customer base started to grow during the 1970s along with the technological development in the area of IT solutions. During the 1990s the company experienced rapid growth and internationalisation through a number of acquisitions, mergers and strategic alliances that have brought along new expertise areas and experts to Factor. Thus, along its history the company has been “a melting pot” of different kinds of organisational and national cultures and practices, which have adapted into common orientations, some better and some worse.

During the 1990s, a strong trend on focusing on core competences emerged among the customers. As a consequence, in many customer relationships IT processes were outsourced to Factor. At the same time, Factor's earlier dominant position in the market was challenged by new entrants in the industry, which turned out to be serious

competitors for Factor. As a consequence, Factor was challenged to engage in ever closer co-operation with its customers, and the organisation faced requirements for better customer-related and industry-specific know-how.

Factor's customer group has traditionally been limited because of the clearly defined industry Factor is serving, and because of the limited amount of significant actors within. An important strategic goal at Factor has been *maintaining those long-term customer relationships*. In maintaining and developing its collaborative relationships, Factor has clearly been successful: it has been cooperating with its main customers for years, with some even for decades.

The articulated means to be able to create best possible value to those customers are combining competencies of different expertise groups and managing partnerships. In other words, one of the main articulated goals is to create innovative solutions for customer-specific needs by *using a variety of internal knowledge resources* of this specific unit and even the consortium as a whole. *The meaning of utilising cross-functional resources has increased remarkably lately because in addition to offering services related to technological solutions, customers are expecting views, ideas and suggestions for developing their businesses in a wider sense.*

So, recently the "search for a match" between the internal knowledge resource constellation and the long-term needs of the customer has been the guiding line of development activities. The challenge of answering that need is not so much in developing the expertise (which is considered to be sufficient), but in developing the means to integrate that knowledge cross-functionally.

"One challenge we have tried to tackle on the company level is how we can develop these customer-specific partnerships, which kind of poses its own challenges and is *where we are really strong*, and on the other hand these expertise-based, or service-based issues, so that they would be functioning on their own, but also together." (Factor, manager)

"... That we have been able to utilise the whole organisation for all the cases, is remarkable. In that way we are able to allocate the right expertise for the project, from which new expertise for new persons can be created." (Factor, manager)

"... We utilise the whole competence widely in all the deliveries... In practice the one advantage we have nowadays is that we have a variety of expertise." (Factor, manager)

Today's challenges are also related to proactiveness in customer relationships. Factor has to be able to give complete solutions even before the customer even recognises the need. Thus, understanding *how to develop customer's business* is critical.

6.2 Former challenges at Factor

Like Auctor, Factor has faced, and is still facing, challenges in developing its knowledge transfer and knowledge integration capabilities. During the interviews the discussion and

actual development activities in the organisation seemed to be based on *previous problems in relation to the challenge of using a diverse range of internal knowledge resources*. As in the previous case (Auctor), competition between subgroups and the partial optimisation caused by it has been a problem to a certain extent. In addition, earlier there seemed to be plenty of expertise and customer-related knowledge in its tacit form, but no sufficient mechanisms for collecting and transferring it to collective use. Because of the organisational fragmentation and partial optimisation mentioned, the ability to integrate the knowledge needed in the process of creating service offerings was, to a certain extent, hampered.

” If we go back in time, this has been really sub-unit-centred, meaning that all the units have had their own style and the most important issue has been achieving a certain [financial] result [for the unit], regardless of everything else.” (Factor, manager)

Also, understanding the meaning of knowledge sharing and/or widening the horizon of the relationship seemed to be lacking among experts at the time. Being afraid to break customer confidentiality, which is important in this area of expertise, seemed to strengthen the tendency to knowledge protection:

“There was a short-term attitude that “when this project ends, it has ended” and it was not considered that in a year’s time something else could be sold to the same customer.” (Factor, consultant)

At Factor, the expertise base was not quite as diverse as at Auctor. However, there were recognisable, strong collegial sub-groups in the unit, which may have strengthened the fragmentation tendency.

“You should be able to understand the expertise possessed by the whole “machinery” [organisation]... And if you are not able to see it, there is a danger of people starting to live in their own circle... Part of the troops may start building walls around them, and kind of live too much in their own group.” (Factor, manager)

There were people responsible for the most important customers, but those *relationship co-ordinators could not always get a clear understanding and/or tools to connect internal knowledge resources and customer needs*. This was a problem especially when the relationship coordinator’s internal network was weak, and there was thus no tacit knowledge about the expertise possessed by different experts. Shortcomings in knowledge transfer led to a situation where, for example, new leads which were given by the customer during the project did not reach people who could have taken care of the continuity in the relationship. Like in case Auctor, operations in the interface were somehow fragmented in spite of the relationship co-ordination system.

As we can see, Factor has had its challenges related to organisational fragmentation too, *which look a lot like the challenges faced by Auctor*.

“... We simply did not know what happened around us, and it is kind of funny that one runs into some situations where someone else is taking care of similar things right beside you. Then we decided that some change must happen and took up this question along with the organisational change.” (Factor, manager)

However, compared to Auctor, the aspect of individualism did not get so much attention at Factor, whereas strong collegial groups and their negative influence on knowledge transfer, knowledge utilisation and co-operation were mentioned in many interviews.

What is noteworthy when trying to solve the research question of customer-related knowledge transfer facilitators? Firstly, *evidently there has been a conscious effort lately to build a dialogue between the individuals and collegial groups in the business unit*. For example, metrics based on organisation-level goals are used to measure a variety of aspects, including e.g. networking instead of only money-based factors. Those metrics also seem to guide the activities. Management has also made a conscious effort to build a common, more customer-oriented and cohesive culture aimed at eliminating the earlier problem of sub-optimisation.

”Nowadays the model is not based on that [partial optimisation], but based on the result of the whole organisation, utilisation of the whole expertise and sharing of it. It is a really remarkable change.” (Factor, manager)

There are also other practices which have been created and developed further in order to compensate, or at least moderate, the aforementioned problems of internal knowledge transfer and integration, which have hampered the effective utilisation of the internal resources in collaborative customer relationships. Thus, in the following I would like to describe Factor’s *prevailing organisational practices during the research period*. This is done in order to form a basis for analysis that will later show which potential influences those practices had on customer-related knowledge transfer and further knowledge utilisation.

6.3 Factor’s characteristics and operational practices

The strategic importance of maintaining the key customer relationships, and the previously disturbed customer-related knowledge transfer in the business unit called for *further development of a systematic customer-specific relationship coordination system* (known at Factor as “key account management system”). This system is constantly expanding its focus, including more of the organisation customers and practices all the time.

During the research period the system was in a form where key account managers took care of the important accounts and smaller accounts also had their own permanent contact persons who might not work for the specific customer all the time, but were responsible for defined customer relationships.

”... In our organisational design customers are in view.” (Factor, consultant)

“... Structure of customer responsibilities... Important customers all have an appointed person who takes care of the relationship, its development, coordinating selling for the customer, and also selling, and these persons have a significant role. Kind of they have to have the knowledge and insight.” (Factor, manager)

Part of the relationship co-ordination system, and also the management system in general, are "client plans" which are updated by the key account manager every 2-3 months and presented to the management of the unit. In the plan, the situation of the customer, changes, potential developments and ongoing projects are described.

The main task of the relationship co-ordinator seems to be guaranteeing the continuity of the relationship. Ideas leading to a project can be initiated in many different ways, but he/she is the person who takes care of co-ordinating and initiating the projects that follow.

"When it is clearly related to a certain customer, I think that it goes quite easily through our appointed customer responsible persons. Then the person responsible is a junction point in it. If the project has ended and I have got 2-3 leads from it, which could be utilised in future marketing, they certainly go to the customer responsible and responsibility is kind of delegated to him/her. I have no possibility to work on them, and on the other hand it is not convenient for me to go and fiddle with some relationship, but it goes through that person and organising, possible contacts and offer, he/she masters the big picture of the customer relationship." (Factor, consultant)

Depending on the project in question and/or the group working within the project, the relationship coordinator might be active or less active when conducting the project.

"It depends on the project and also on the situation of the team, and its supervisor, how quickly it takes responsibility for it." (Factor, manager)

"But I keep myself in the customer interface, so I can be sure that I am quick enough to hear the core issues and what will be generated, and also influencing how we get the next potential projects." (Factor, manager)

In addition, according to some of those interviewed, professionals working in the customer projects should be aware of their responsibility to keep both the relationship co-ordinator and the rest of the organisation informed.

"Our minimum obligation is to inform the person who is responsible for the customer relationship of what the situation is, and what is going on." (Factor, manager)

As described earlier, motivating experts to share their knowledge is not without its challenges. This is also true at Factor:

"We are confident that supervisors and those who are responsible for relationships and people in the selling roles understand what this is about and aspire to share their knowledge, but... There among the people working in the projects maybe... that we could increase the understanding and insight on what this is connected with and why this is important." (Factor, manager)

As we can see from the earlier description, the relationship co-ordinator combines the expertise possessed by the organisation into a service offering. In those situations cooperation between different units is needed and the coordinator's task is to coordinate the project in the initial phase where the knowledge resources (i.e. experts) needed are

chosen. This happens through contacting the "key persons" in the units in order to get an opinion concerning the best possible solutions in relation to customers' needs. Those key persons are usually managers of the units. Thus, internal and external networking and trust seem to be important prerequisites for the understanding needed in order to offer the best possible solution for the customer. *Usually the relationship coordinator is hired from inside the organisation.*

"... Because I search from our organisation here in Finland and abroad those suitable professionals for the specific project." (Factor, manager)

Further on during the planning process, team leaders are informed of a planned offer and they also attend the planning process (called "offer jury"). A critical resource on those occasions – in addition to team leaders and experts needed for that specific project – are people who have recently worked for the customer in question.

The relationship coordinator accumulates and transfers customer-specific knowledge, and usually this accumulation occurs in the tacit form. Client plans are one way of storing codified customer-specific knowledge, but even then the organisation is very dependent on its relationship coordinators. In addition, part of the tacit knowledge is very difficult or even impossible to codify and insitutionalise.

".. If he/she for some reason or another was not available for us, we would lose a huge amount of important customer-related knowledge... Knowledge which would be very difficult even to transfer into the system... There are dozens of those persons who along the years have developed a customer relationship, or who have learned about those people [customers] and their methods, and ways of making decisions." (Factor, consultant)

This tacit knowledge is based on a large amount of interaction externally and internally. It is gained via informal conversations in everyday working situations, as a relationship coordinator who was interviewed put it:

"Of course I discuss relatively regularly with the supervisors - who are responsible for the projects - how things are. Although I do not have an active role in the project, I may have knowledge which can benefit the supervisor and vice versa." (Factor, manager).

Customer-specific teams formed of experts and supervisors from different areas of expertise are not always used, but managers of different units act as contact people when customer-specific solutions are formed and knowledge resources are combined. However, some of the relationship coordinators have formed a relationship-specific team in order to establish a more "official" supportive structure for their work. Relationship-specific teams consist of representatives of the expert groups.

As mentioned, not all knowledge can be transformed into an explicit form. However, organisational practices of *changing tacit expertise-related knowledge into explicit form* to guarantee its wider usage are developed further at Factor. Firstly, Factor forms holistic *service concepts* which include services offered on the business unit level. As well as this, specific services are codified, and finally a couple of practical examples concerning every service concept are developed. Those concepts are stored in the database which all workers are able to access.

These concepts are based on experience. The core idea is to transmit experience and competencies and to crystallise the message into a form that it is easier to understand on an organisational level. Special instructions for the conceptualisation process are available so every expert knows how to do the job.

Like in case Auctor, the former lack of service descriptions has caused difficulties at least for relationship co-ordinators in their work:

“The key account manager perceived it as terribly difficult that there was no helping system for gaining knowledge of the expertise possessed by the organisation.” (Factor, manager)

After these developments in service conceptualisation, relationship co-ordinators find it easier to find a solution for customer needs:

“I use it very much, because all these new concepts created here, models, services, case-descriptions, those are tools for me when I conduct discussions with the customers.” (Factor, manager)

In Factor, *the project is usually done* in pairs or groups. In every project there is a key account manager involved in the initial phase. Mentoring is part of the system in the consultancy, and it involves cooperation between a senior and a junior expert.

“I think that the best way would be that there could always be someone experienced and someone less experienced.” (Factor, consultant)

An information system supporting the accumulation and codification of the qualitative, and so far tacit customer-related knowledge is currently under construction. Customer-specific knowledge was formerly codified with the help of basic IT systems (which also include more quantitative information), in the form of the aforementioned concepts and customer reports given by key account managers.

“We have a customer register, within which we are planning such functions that would support knowledge sharing about leads and cases at different stages, for example.” (Factor, manager)

However, also at Factor motivating people to use common IT systems (and codifying the customer-specific knowledge) has been challenging, especially because it is not always easy to see how the knowledge is used later. Thus, retrieving the knowledge shared in the new work context seems to increase the motivation for sharing activities. If the benefits are not recognised, and recognised soon enough, motivation to share will decrease.

High confidentiality in customer relationships (a characteristic specific to the type of professional services discussed here) might also influence the willingness to share and codify knowledge. Some experts are still eager to keep customer knowledge to themselves because they want to ensure that there are no information leaks. This may also happen because they want to back up their own position in the organisation. As was noted previously, a willingness to share knowledge seems to be related to personality as well.

6.4 Analysis and conclusions on case Factor - examples on knowledge transfer facilitators

One remarkable problem in the professional service organisation seems to be an individualistic customer orientation which can lead to fragmented actions within the organisation and thus also in customer interface. In that situation organisational knowledge resources are not fully utilised to benefit the partner, and the horizon of the customer relationship may remain short and transactional in spite of the effort to create long-term co-operation.

As case Factor shows, a relationship co-ordination system helps to prevent this problem by developing organisation-level co-ordination above the project conduction level. Relationship-specific organisation may also create a “neutral zone” between the army of experts and the customer. By this I mean the relationship-specific organisation work on behalf of the customers in the organisation that is not motivated by internal politics, such as the expert’s individualistic motives, or on behalf of the specific group.

”Through customer responsibilities we have got a systematic way of handling things.” (Factor, consultant)

It looks as if at Factor, a relationship co-ordination system has really enabled the horizon of customer relationships to be extended, based on well-functioning utilisation of customer-related knowledge resources. The system is designed to keep the need for customer-related knowledge utilisation in mind. The relationship co-ordinator collects and transfers the knowledge related to the specific customer. He/she also takes responsibility for continuing the relationship. Although the relationship coordinator’s knowledge might be to a large extent tacit, they are “junction points” of customer-related knowledge transfer. *In that sense the relationship co-ordination system binds the loosely coupled system together.*

Case Factor shows that a relationship co-ordination system can be developed keeping customer-related knowledge transfer in mind. *A customer plan* made by the key account manager enables the link between the management system and every-day customer contacts to work. *This also compensates for loose coupling among hierarchical levels*, between management and other individuals and groups in the organisation. With the help of a client plan, consciousness about the specific customers may be increased in the organisation. The client plan also supports management, because it makes resource allocation easier. With the help of the plan, the relationship co-ordinator has the opportunity to obtain support from the organisation and management through the co-ordination of resources in the sales department, for example. If you take the other point of view, this facilitates knowledge transfer, and management is able to gain a holistic picture concerning the situation of key customers.

At Factor, relationship co-ordinators are usually hired from inside the organisation, and thus they potentially possess a good understanding of the competencies possessed by the organisation. This also helps them to create the best possible solutions to benefit the customer. This means that the internal network is strengthened and organisation’s experience is enhanced.

However, relationship co-ordinators may need support from different expertise areas because it is impossible for an individual actor to possess all the knowledge on the expertise potentially needed. *Relationship-specific groups* used at Factor, including members from different expertise areas, is one example of a supportive structure in a relationship coordination system from the knowledge transfer perspective, concerning expertise-related knowledge in particular. At Factor, a key account management team was not established for all accounts, but in those cases it was not necessarily needed because active dialogue and internal networking with the unit managers helped the relationship coordinator to form a holistic picture of the competencies possessed by the organisation.

With the help of a relationship co-ordination system, customer-specific and expertise-related knowledge is transferred more fluently. Assumingly customer feedback is also utilised more effectively because there is relationship coordinator as well as single experts who are receiving the feedback. Thus, there is a stronger responsibility related to the type of knowledge. In case Factor, knowledge of external expertise was not in a pivotal role because they were used only rarely in the projects.

However, it looks like a type of *relationship coordination system cannot function alone in creating tightly coupled structures that facilitate knowledge transfer*. Other *supportive organisational practices are needed* as well. At Factor, the process of making tacit knowledge explicit, and thus facilitating knowledge transfer, occurs on different levels. First, the *service concepts*, including the services offered on the business-unit level, are defined. By service concepts I mean explicit, codified expertise-related knowledge and service descriptions. Specific services are explicitly codified, and finally a couple of practical examples concerning every service concept are given. These concepts are stored in a database and all company employees are able to access the files. Service concepts help the key account manager to do his or her job because explicit knowledge of the expertise possessed by the organisation makes it easier to comprehend the possibilities and to make an offer to the customer. However, it is important to notice that combining knowledge to create the best possible customer value seems to be partly based on tacit knowledge anyway, as well as informal dialogue with "key persons".

In case Factor service conceptualisations are used on different levels to define and describe service offerings in codified form, which can be advantageous. In short, service concepts may:

- Help the relationship co-ordinator present offerings for the customer. Concepts are important tools in his/her work and in searching for solutions
- Help the whole organisation create a common understanding about the competencies possessed by the organisation
- Enable, to some extent, the creation of a common knowledge base, a "language" and a framework, which facilitates knowledge transfer, accumulation and thus, knowledge utilisation in a collaborative relationship. In that sense it may *make the weak cause-effect linkages of organisational discourse stronger and thus, compensate for the effects of a loosely coupled system*
- When a holistic picture about the "field of action" is formed, it is easier to understand one's role and importance, and thus facilitate the creation of an atmosphere of appreciation between the units and individuals.

It is important to notice that not everything can be codified, and that codified knowledge unavoidably loses some of its richness and dynamism. Thus, making tacit knowledge explicit is not enough. That is why service concepts or other explicit knowledge should not be the only source of customer-related knowledge utilisation, but an important, supportive function. Everyday working routines (*co-operative routines and repeated practices*) support the sharing of tacit knowledge and in that sense function as an important facilitator of knowledge transfer.

There is always tacit knowledge that we cannot codify, and that can be transferred only in co-operation, face-to-face. Many *co-operative working methods* seem to support that kind of knowledge transfer at Factor.

”... Because when people are working alone a lot, knowledge is not transferred and one [the organisation] becomes too dependent on one person”. (Factor, Consultant)

Also working together on its behalf creates an understanding of the competencies possessed by colleagues, and can thus make combining individual capabilities more easy and likely. Working together also facilitates customer-specific knowledge transfer. The following working routines support the knowledge transfer at Factor:

- Common projects and working together on the customer interface may help experts to recognise each other’s expertise and thus help create common understanding and sharing of knowledge.
- Customer cases are prepared and planned in co-operation. The customer interface, including e.g. experts from different professional areas, is thus larger.
- Mentoring; more experienced colleagues supporting younger colleagues, is also one form of co-operation which supports knowledge transfer, especially sharing of tacit, expertise-related knowledge.

When looking at the organisational level, we may have to examine *strategic choices* as well. In order to facilitate knowledge transfer, an organisation can plan its management and incentive system; culture, structure and metrics accordingly. They all can either support or hamper knowledge transfer and accumulation, and thus customer-related knowledge utilisation. In the best case they create a common understanding about the importance of institutionalising the knowledge.

One significant problem regarding customer-related knowledge transfer at Factor has also been the competition and sub-optimisation between professionals and sub-units. However, according to many interviewees, a more cohesive approach has developed lately in the organisation. We could see at the beginning of the case-description that management of the organisation made conscious efforts to build an organisation-wide *culture* emphasising the importance of using a wide variety of internal resources to benefit the customer. Thus, effort has been made to create a more co-operative approach across the functional limits. Metrics based on organisation-level goals are used to measure a variety of aspects including networking and co-operation instead of only money-based factors. Those metrics are also implemented effectively and brought into organisational discussion. In case Auctor we could see that different types of metrics were developed, but collective discussion still revolved around financial results only.

Auctor's culture did not seem to support the idea of multi-layered performance measurements.

According to my understanding, the type of knowledge transfer inhibitors presented in case Auctor, e.g. high level of individualism, strong collegial groups, competitiveness and difficulties in knowledge codification *are highly characteristic of professional service organisations*, as case Factor also shows. However, organisational practices presented in case Factor may in a way *compensate for those challenges* and in spite of those underlying mechanisms and tendencies, create a higher level of interconnectedness in the organisation. This *strengthens the characteristics of a tightly coupled system facilitating organisation-level knowledge utilisation and gains in collective knowledge*. This may also offer the potential to benefit the customer in the form of efficient knowledge integration for service offerings. Looking from a wider perspective, the kind of tightly coupled structures mentioned may also lead to a *better customer-related knowledge absorption capacity*, which may in turn also facilitate long-term customer-related capability development as a result of an ability for generative and even triple-loop learning.

The following illustration gathers together the main findings of case Factor. Firstly, similar problems as faced by Auctor were observed at Factor in their earlier operations: strong collegial groups, functional structure and metrics supporting competition between the groups. This led to sub-optimisation and problems in transferring explicit knowledge (problems in codification) and tacit knowledge (lack of cooperation), which further hampered the organisational ability to utilise a wide variety of internal resources to benefit the partners. Individualism was not such a strong tendency in the context of Factor, whereas at Auctor it was very pronounced. This is probably because the service offered by Factor has, from the beginning, been typically created working in pairs, whereas at Auctor the tendency to conduct services individually was natural considering the type of service offered.

Secondly, at Factor a conscious effort to build a more tightly coupled system which could increase the ability to gain knowledge organisationally has been a development effort based on the need to use a wider variety of the organisation's internal resources to benefit the partners. The relationship co-ordination system design (at Factor "key account management system") helps in transferring customer-related knowledge. A customer-specific group of "key persons" from different units is helped by the key account manager to cope with expertise-related knowledge. On her/his behalf, the key account manager takes care of spreading customer-specific knowledge and customer feedback by updating "client plans" every second month. This supporting practice of creating service conceptualisations makes both expertise-related and customer-specific knowledge explicit, and thus more transferable, in the form of service concepts and customer reports. Developing co-operative working practices, such as mentoring, creates the potential to transfer tacit knowledge, both on expertise possessed by the organisation and knowledge on customers. It is assumed that all these knowledge transfer facilitators offer the potential to utilise knowledge in collaborative relationships.

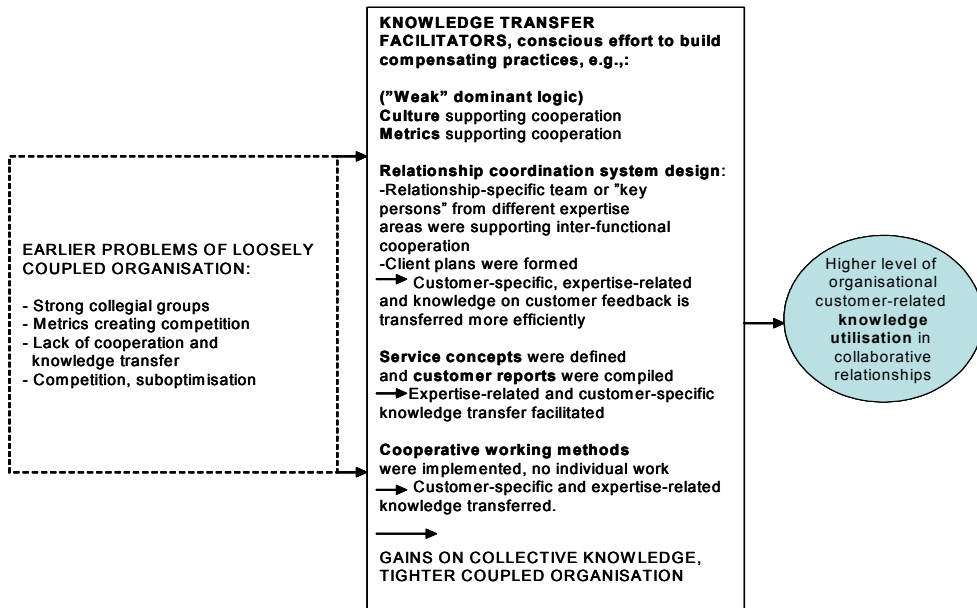


Fig. 16. The main findings of case Factor.

7 Empirical findings and comparison

According to the empirical material of the study, professional service organisations seem to be inherently loosely coupled systems. Looking in more detail, loose coupling potentially causes barriers to customer-related knowledge transfer between individuals, subgroups, hierarchical levels (between experts and management), experts and their organisation and through concepts and ideas (e.g. professional identities), as we could see in case Auctor. In addition, individuals closely involved in a specific customer relationship (customer-specific project organisation, key account management team, for example) can form a quasi-organisation with their own, specific competencies that are not linked with the common knowledge pool of the organisation (cf. Alajoutsijärvi & Tikkanen 2000, 9). This is one form of loose coupling among subgroups

Internal fragmentation of the organisation may be strengthened by external fragmentation. It may appear in the professional service organisation because different experts are serving different customer groups, for example. Causal indeterminacy is also recognised as being a reason for loose coupling and is also relevant in those organisations because of the abstract nature of the working processes and its “production material”, knowledge. Professional service organisation differs from other organisations because of a remarkable amount of human capital and personally held knowledge is bound to production and products (cf. Lehtimäki 1996, 30). Thus, individually held attitudes and knowledge may play an important role from the point of view of knowledge transfer.

However, there are also conflicting views according to which loose coupling may also have its positive effects: it has been shown that a higher level of exploration may encourage innovation and increase flexibility. Learning from externally focused experience is critical to the capacity of the organisation to create variety and to adapt (cf. Mcgrath 2001, Slater & Narver 1995, Cohen & Levinthal 1990, 133, also March 1991, 71). Thus, in that sense the loosely coupled system could also be seen as a prerequisite for increased effectiveness, efficiency, flexibility, knowledge integration and innovation, especially in a hypercompetitive environment (Ravasi & Verona 2001). However, I suggest that this exploration in a loosely coupled system happens all too often only at an individual level, as we could see in case Auctor. Thus, a more tightly coupled system may be needed to facilitate *knowledge diffusion* internally in professional organisation between individuals and subgroups, to institutionalise individually-bound, experience-

based knowledge and to further utilise it to benefit the partner. By tight coupling, I mean practices and processes that create interconnectedness between actors and thus facilitate knowledge transfer (see e.g. Sorenson 2003, 447). In the previous section examples of those practices were defined under the organisational practices of relationship coordination system, cooperative working practices and service conceptualisation.

According to my view, one important contribution of this study is the multi-layered description of the facilitators and inhibitors of the customer-related knowledge transfer processes in this context, and their influence on customer relationships. Especially knowledge transfer inhibitors caused by organisational fragmentation in this context are profoundly described. Existing research on professional service organisations has focused on knowledge processes on a more general level (e.g. Lowendahl *et al.* 2001, Kerkhof *et al.* 2003), not specifically on inhibitors and facilitators of customer-related knowledge transfer and their influence on knowledge utilisation. For example, Kerkhof *et al.* (2003) propose a general model of knowledge management in professional organisations, and identify the processes of absorption, diffusion, generation and exploitation as the four most essential knowledge processes. They also categorise people, management systems and technical systems as potential carriers of knowledge, strategy, structure and organisation as important conditions in either facilitating or inhibiting knowledge transfer in professional service organisation. I go deeper in the sense that the diffusion process, and its inhibitors and facilitators, has been my focus, and especially their consequences for customer-related knowledge utilisation has been under examination. Sivula (1997, also Sivula *et al.* 1997) focused in his research on the role of client contacts as a context of knowledge absorption in professional service organisations, and the further leverage of that knowledge. However, my study brings additional understanding on the internal process of knowledge sharing, as Sivula calls it, which has not been profoundly discussed in his studies.

Furthermore, compared to Campbell's (2003) findings in the area of customer-relationship management of financial service firms, this study is more focused on the business-to-business context and aims to offer a more holistic view on processes of customer-related knowledge transfer, whereas Campbell focuses on IT aspects of knowledge transfer. However, my study clearly supports her suggestion that interaction patterns and communication linkages need to be reinforced through multiple organisational conditions, e.g. by reward and evaluation systems facilitating knowledge transfer. Overall, compared to the existing discussion on the issue, I would say that my focus has been much more detailed, and a more focused research design has also enabled deeper and richer description on customer-related knowledge transfer inhibitors and facilitators in the context of professional service organisation. Also, a critical link to the customer value is created in this examination. Thus, the aspect of relationship management is immanent throughout the description.

7.1 Individualism and collegial groups as knowledge transfer inhibitor

Based on the previous empirical material, two strong cultural tendencies in professional service organisations are *individualism of the professionals and powerful collegial groups*. These aspects are viewed more closely in the following.

Based on this study, it is prevalent that professionals often like to build their own roles, divide work to suit their own interests, compete for resources, emphasise the autonomy, collegiality, and flexibility of their organisation in relation to their individualistic needs (cf. Starbuck 1992, 718). Thus, it can be claimed that individualistic orientation is strong within professional organisations (cf. Åkerberg 1998). Although experts are expected to contribute to their organisation, individually-oriented values may be dominant. It has even been suggested that professionals in knowledge-intensive organisations identify more closely with their profession and personal goals than with their organisation (cf. Starbuck 1992), and this tendency was also seen in this study, e.g. in the strong tendency of customer “ownership”. Correspondingly, this may influence customer-related knowledge sharing as well. As also Grandori & Kogut (2002, 227) put it:

“There is little evidence that incentives to share knowledge are generally stronger within the same organisation than across its boundaries, or at least one can maintain the reverse as well. This may be especially true for personal and tacit knowledge, as it is mostly the property of people who are less likely to share it with their more proximate competitors in the internal labour market than outside.”

The creation of professional service often occurs with the customer (cf. Alvesson 1989, 26). The expert works in close co-operation with the customer and more occasionally with their colleagues. This builds a close co-operation with the client, but along with the formerly presented characteristics it might result in barriers for knowledge flows internally in the expert’s organisation (cf. Kontkanen 1994, 256, Starbuck 1992, 732) because knowledge is embedded, tacit and not shared by articulating or codifying it. Lack of loyalty and commitment to the organisation are often also outcomes of this distinction.

Organisational knowledge in the professional organisation is often based on individual knowledge, and individualistic working processes, and those processes tend to make that *knowledge evolve towards a more tacit form*. Thus the knowledge may become highly embedded in the behaviour and minds of the individuals involved in executions of the task (cf. Zollo & Winter 2002, 344). Tacit and highly embedded knowledge is more challenging to transfer. Thus, the natural tendency towards tacit knowledge in expert work may hamper organisational customer-related knowledge utilisation.

In practice, this study clearly shows that what seems to be rational at the collective, organisational level, namely contributing to the shared customer-related knowledge stock, may not seem rational at the individual professional’s level. From the individualistic point of view it may be rational to move on to the next project immediately and to get billable hours, as opposed to spending time articulating or codifying one’s customer-related knowledge. It may also be preferable to protect customer-related knowledge from other professionals when competition prevails between professionals or groups (see also

Løwendahl *et al.* 2001). In addition, professionals may not appreciate each other, and this may diminish their willingness to share knowledge as well (cf. Empson 2001b). Many experts may have very little respect for those outside their field of expertise (cf. Quinn *et al.* 1996, 75). Kontkanen has claimed that the previously described “selfishness” in knowledge sharing is one more type of loose coupling: between the individuals and the organisations (Kontkanen 1996, 56).

Based on this empirical material we can raise a critical question: what is the individual professional’s motivation to work for the common goal of organisational customer orientation, maintain customer relationships and share one’s customer-related knowledge? Is it even possible to “motivate” professionals? How do incentives and possibilities for individual development promote a common goal to improve customer-related knowledge transfer? It is not possible to force experts to share their knowledge and it is useless to build extensive intranets and other knowledge sharing technology unless people are motivated to use them in co-operation (Dawson 2000, 22).

The very basic assumption of the nature of individual and organisation absorptive capacity is the *importance of a prior knowledge base*, meaning e.g. a common language, commonality of conceptual knowledge, experience and norms between individuals (cf. Grant 1996, 380). This study clearly supports the argument that a suitable level of overlap of prior knowledge across individuals in an organisation would be needed to ensure the effective communication and assimilation of customer-related knowledge (see also Cohen & Levinthal 1990, 133)²⁰, also in the context of professional service organisation. However, this study demonstrates that among the experts of the professional service organisation this overlap may remain weak because of the heterogeneous knowledge bases, based on distinctive personal experience and professional identities. The frameworks may be totally different. This may happen both among the individual professionals and among the subunits of the organisation, such as different collegial groups. The greater the diversity of the individuals in question, the lower the level of common knowledge and thus the more inefficient the knowledge sharing and knowledge integration may be.

It was clearly seen in case Auctor that professionals within different collegial groups create meanings when they deal with each other and differences between those meanings between the groups may be strengthened in everyday interactions when isolation prevails between them. Changing or balancing these views is difficult because people are often unaware of these differences (see also Argyris 1999, 67). The problem is that knowledge may become highly context-bound while the shared beliefs within the group provide the context and rules with which the information is processed. When those shared beliefs are very different between the groups, there may not be enough of a common knowledge base. Thus, there may not be enough common understanding to create a common discourse. As between individuals, this may also create a vicious cycle where isolation between groups gets stronger and stronger (Tushman & Scanlan 1981). Group-specific

²⁰ Sinkula *et al.* (1997) bring up the meaning of the *shared vision* as an influence guiding the direction of learning activities through increasing understanding on organisation-level expectations. Slater & Narver mention *shared identity* (1995), which means that through communication and coordination, organisation could be able to reach a shared interpretation of the information.

dominant logic may be created, which may be followed by the creation of local competence traps.

In addition to the different frames of reference, the internal reality of the professional service organisation may maintain competition and cultural barriers between different professional/collegial/task-oriented groups (e.g. Thomas-Hunt *et al.* 2003). These empirical examples clearly showed that professionals from different expertise areas are likely to diverge into their own collegial group, preferring co-operation with the people they see as having similar views to themselves. This might mean people with similar type of education and working experience, for example. In addition, professional organisations (e.g. management consultancy or educational institutions) are often organised by bringing people with a similar type of expertise together, creating collegial, functional subgroups in the organisation. These subgroups in turn may create barriers around them, thus also barriers to knowledge transfer.

This leads us to the conclusion that specialisation into different groups of expertise may be a double-edged sword, for it increases the efficiency of knowledge processing within the sub-unit, but simultaneously may create obstacles to knowledge transfer between the unit, external groups and individuals. As mentioned, organisational boundaries may be associated with knowledge transfer boundaries.²¹

As a conclusion to this section I suggest that experts may see their organisations more or less as a frame for their individualistic work and self-realisation. Consequently, maintaining an organisational customer knowledge pool may not be seen as being meaningful from an individual perspective. From that point of departure, using the knowledge for the expert's own purposes, or those of one's collegial group would seem far more reasonable than utilising it organisationally.

This problematic aspect of organisational culture and structure in professional service organisation is closely linked with the earlier defined processes of socialisation (Nonaka & Takeuchi 1995) and knowledge articulation (Zollo & Winter 2002). The cultural environment may inhibit or facilitate the creation of a common field of interaction. In a professional service organisation, creating an organisation level interaction may be challenging because of the inherent autonomous nature and individualism of expert work, which leads to the situation where knowledge may not be shared at all, or is at its best shared only between the closest colleagues in the same collegial group. Thus, customer-related knowledge utilisation organisationally is hampered.

7.2 Internal fragmentation, knowledge transfer and possibilities of knowledge integration

The empirical material also clearly highlights that the critical source of success in collaborative relationship of professional organisation may be the integration of knowledge rather than knowledge itself (see also Grant 1996, 388). Interactions between

²¹ However, organisation may have also "boundary-spanning individuals" whose role is either informally or formally to facilitate knowledge transfer. They may gather and disseminate information across the boundaries (Tushman & Scanlan 1981).

individuals who possess different knowledge structures will increase the organisation's capacity to make novel linkages and associations, innovating, beyond what any one individual could achieve. In professional service organisation, organisational knowledge integration can be a source of competitive advantage. In addition, because these capabilities cut across departments and functions they can also be hard to identify and thus hard for competitors to imitate (Day 2000, 25). That is why capabilities that enable knowledge integration can form a real source of competitive advantage. According to Grant, in general:

"If knowledge is a critical input to all processes, if efficiency requires that it is created and stored by individuals in a specialised form, and if production requires the application of many types of specialised knowledge, then the primary role of the firm is the integration of knowledge. The integration of specialist knowledge to perform a discrete productive task is the essence of organisational capability." (Grant 1996, 377).

The ability to generate new combinations of existing knowledge is also known as "combinative capabilities" in the resource-based view (Kogut and Zander 1992, 391). It means organisational processes by which the knowledge resources are synthesised and acquired in cooperation. These practices may be especially focused on tacit knowledge sharing. Firms learn and develop new skills by recombining their current knowledge. As a natural consequence, they have to emphasise the meaning of building social relationships in the organisation in order to be able to facilitate tacit knowledge transfer (Kogut & Zander 1992, 383-384).

This means that when considering customer-related knowledge utilisation, we may have to consider the infrastructure that will facilitate the process of knowledge transfer and knowledge integration. This might result in e.g. an organic structure that supports a sense of cooperation and knowledge sharing instead of a functional structure based on expertise silos working in isolation.

Which could be a more concrete example of an organisational design that could generate the above-mentioned balance between loosely and tightly coupled systems, and exploitation and exploration, when the goal is to form a facilitative context for knowledge transfer? One example is given by Nonaka (1994), who combines these two forms in his description of a "hypertext organisation".

Nonaka (1994, 32) has created a description of an organisation that also sheds some light on the structural base for the process of organisational knowledge sharing. This design utilises the ability to switch between different types of contexts in order to accommodate changing requirements from the knowledge transfer point of view. Nonaka visualises the ideal form of the "hyper text organisation" as having three layers: at the bottom is the "knowledge base", which includes tacit knowledge associated with organisational culture and procedures, as well as explicit knowledge in the form of documents and databases. The second layer is defined as the "business system" layer where routine operations are carried out by the formal, hierarchical and bureaucratic organisation. The top layer relates to the area where multiple self-organising (multi-functional) project teams create knowledge. These teams are loosely linked to each other, and their operations are based on a shared vision and joint creation of knowledge (Nonaka 1994, 33).

When a task is finished, for example, when a customer project is completed, members move to the knowledge-base layer and make an inventory of the knowledge acquired and created throughout the project. After this codification process they come back to the business-system layer and engage in routine operation until they are required for another project. A key idea is to create a circular movement of the people and guarantee the knowledge codification and articulation activities, and thus guarantee the knowledge transfer (Nonaka 1994, 33).²² Characteristics of this type of system were seen in case Factor.

7.3 Internal fragmentation and decreasing dialogue with the customer

Based on the earlier empirical insights, the collaborative nature of customer relationships, which facilitate customer-related knowledge transfer in the customer relationships interface (e.g. Sivula 1997), *does not seem to help much if the professional service organisation is not internally capable of utilising the customer-related knowledge* because of fragmentation caused by a high level of individualism, barriers between collegial groups or metrics causing internal competition.

According to an earlier theoretical review, the way client contacts are organised partly determines the interaction level between the seller and the buyer. In case Auctor there were many distinctive features in the organisation's culture and structure that maintained the narrow scope of co-operative activities; what was actually done together and by how many people. The core of the problem seemed to be internal fragmentation. Only a few experts had access to the relationship because of the lack of internal coherence.

In case Auctor there was no relationship-specific team consisting of representatives from different expertise areas. There was however a steering group and a development group for the customer relationship. Why could those forums not compensate for the type of problems mentioned? According to my view this is related to the nature of the interactions and the level of interaction. In a development group, the level of interaction was quite low after administrative routines were developed at the beginning of the co-operation. In the steering group, the discussion was more about administrative issues, so the problems were not recognised and/or compensated for in that sense. There seemed to be no forum to talk about "what we are going to do with the customer" and "how we can develop the service offering".

Ever-decreasing internal dialogue about the customer within the organisation may also lead to a decreasing dialogue with the customer. Consequently, the customer relationship may decline, or even end.

²² Related to this theme, also Gummeson (1994, 10) has defined an "imaginary organisation", which is a network of relationships which has a "heart".

7.4 Internal fragmentation and relationship co-ordination system

One important angle I want to highlight in this empirical material is the knowledge flows between an organisation and its customer-specific organisation. Both Auctor and Factor had a relationship-specific organisation (key account management system) but *only at Factor did it seem to sufficiently facilitate customer co-operation and customer-related knowledge transfer in the organisation*. Why is that?

In case Auctor, the professional organisation could not culturally and structurally support the work of the relationship coordinator well because of several reasons. Firstly, no customer-specific team comprising the functional managers of different expertise areas in the seller organisation was established. This could have offered some compensation for the fact that professionals working for this customer were few, given the organisation's capacity and options. Thus, the customer interface remained quite narrow, and consisted of the relationship co-ordinator, his secretary and professionals from a narrow expertise area. Representatives of the different expertise areas did not have a forum through which to access the relationship. As mentioned, the focus of the work in the project steering group was more about administrative discussions, and as a consequence the problem of e.g. the service offering being too narrow and "uninnovative" was probably not recognised at the time. On the other hand, at Factor relationship-specific teams and using the relationship coordinator's trusted contact persons in different expertise areas created the possibility of using a wide variety of internal knowledge resources to create innovative and many-sided service offerings for customers.

Secondly, at Auctor the relationship coordinator possessed sound knowledge of the customer's industry, but because it was an external recruitment, his knowledge of the expertise provided by the seller organisation was at first relatively weak. In addition, his internal contact network was quite weak in the beginning. In that situation, deficiencies in service conceptualisation can be seen as one core problem when the goal is to create innovative solutions for the customer. Because of the lack of service concepts and/or codified expertise, the relationship coordinator did not have the tools to define wider areas of expertise to the customer in order to create the best possible solution. On the other hand, in case Factor relationship coordinators were mainly recruited internally, thus they already possessed an understanding of the organisation's competencies. Experience from the organisation made the internal network stronger. In that sense, a relationship-specific team was not necessarily needed because of the active dialogue and internal networking between the unit managers.

Thirdly, at Auctor a common IT infrastructure was established, but people in the organisation were mostly not motivated to use it to share customer-specific or expertise-related knowledge. Thus, this system did not support the knowledge flows needed in customer relationship co-ordination either. Codification efforts focused more on plain data consisting of names and numbers. At Factor an IT system for storing more qualitative data on customers was only under construction during the research period. However, customer reports (called "client plans") were stored in the common IT system, as were codified service concepts. Thus, customer reports supported customer-specific

knowledge transfer. The relationship co-ordinator could actively use both and add his/her contribution by writing client plans every second month.

The resistance Auctor exhibited towards building a relationship-specific organisation was surprising. This resistance may rise from the individualism and preferred autonomy of experts:

“It is such a situation where [experts] do not have a possibility to choose that “I will do that project”... So, it is the freedom of the choice... We are in the operations model governed by the organisation, where someone else says what you do, it is a kind of thing which causes resistance.” (Auctor, manager)

This empirical reality also raised the question of *whether a relationship co-ordination system would be exactly the right way* to co-ordinate the collaborative relationships in this context. The tendency for “customer ownership” seems to be so strong that the relationship co-ordinator as a more *neutral actor* in the customer interface could help to develop the relationship further, beyond single projects.

“... But one kind of possible scheme could be that customer relationship people [relationship co-ordinators] do not get into the expertise, but are the experts in taking care of the customer. The benefit of that could be that it does not influence the customer badly getting the best of what’s possible, but [relationship coordinator] rather get an expert from outside [if beneficial for the customer] than using one’s own expertise because “this is my customer.” (Auctor, manager)

The aspect of the local learning processes and loose coupling between the customer-specific organisation and Auctor can be well described when analysing the customer-specific organisation of Auctor in relation to Auctor’s other individuals and groups. For example, customer-specific metrics were developed and found to be helpful in the cooperation. However, exploiting that “lesson learned” on the organisational level to benefit all the customers was never discussed, at least not when the researcher was present, even though measuring success in customer relationships was considered challenging at Auctor:

“... The financial result has been natural from the beginning, but these customer measurements... Like anything we think occasionally, why do they toss about like this, but we do not kind of catch it. Why does a customer sometimes choose us and sometimes not?” (Auctor, manager)

A challenge for the relationship coordination system in relation to knowledge transfer is to create synergy in a loosely coupled organisation in order to benefit the customer. This kind of structure within an organisation potentially functions as an exploitative structure in an explorative professional service organisation, building connections between the individuals and subunits within, and in that way, compensates for the fragmentation of the organisation. The customer-specific organisation can be implemented keeping the internal knowledge utilisation in mind as case Factor showed.

7.5 Empirical conclusions

This study focused on customer-related knowledge utilisation in professional service organisation's collaborative relationships. Thus, it is based on the idea that one important prerequisite for an organisation's "growth" towards a relational operations model is developing its internal knowledge utilisation processes. This is because especially in close relationships, customer needs are becoming more complex. The seller has to create holistic offerings instead of conducting single service episodes. Thus, the focus moves from service quality towards relationship quality. In maintaining the relationship quality and developing the relationship further, *an ability to access and exploit organisational knowledge resources has a significant role*. However, tackling this challenge in professional service organisations is not without its challenges as the empirical reality has shown.

Customer-related knowledge needed. Transferring and utilising customer-specific knowledge in its traditional sense, meaning knowledge of specific customer needs and characteristics, would certainly be needed as a basis for benefiting the partner. If that type of knowledge is not utilised collectively, the service offering may not be suitable for customer purposes, the scope of the interaction may remain narrow, there might be fragmented actions in the customer interface, the seller may not be responsive in the relationship and the horizon of the relationship may remain short. However, knowing about the expertise possessed by different experts, named here expertise-related knowledge, and the challenges in relation to its transfer, as well as the consequences from a value-creation point of view seemed to play an even more important role in customer cooperation than I expected. Without collective utilisation of this type of knowledge, there may be problems in the suitability and innovativeness of the service offering. Also the knowledge of every professional's own external expert network and its transfer seem, in this empirical context, a very important aspect. If the type of knowledge is not shared and utilised collectively, it may influence the innovativeness and breadth of service offering. In addition to the earlier mentioned customer-specific knowledge (e.g. customer needs or history), plain customer feedback is one type of knowledge that is necessary but often underutilised collectively. However, if customer feedback is only handled by individual experts and not organisationally, it may have a negative influence on the responsiveness and reactivity in the relationship. Likewise, the service offerings created may not be suitable for customer purposes. As we can see from this list of the types of knowledge needed, the perspective of customer-related knowledge is far too narrow if we concentrate only on customer-specific knowledge as it is traditionally defined: customer needs and characteristics. A variety of internal knowledge resources are needed to develop and maintain a collaborative relationship; both knowledge for the customer and knowledge from the customer.

Knowledge transfer. For professional service organisations inherent loose coupling among professionals, sub-groups, and hierarchical levels causes problems in relation to knowledge transfer in its tacit and explicit form. For example, fragmented internal reality leads to working routines in which customer-related knowledge may flow only from the customer to the individual expert (or group of experts) and vice versa. In such a loosely coupled context, customer-specific knowledge is not sufficiently shared among the

professionals; it is not institutionalised explicitly by adding to the organisation's common knowledge stocks (e.g. into intranet system), nor is it shared in a tacit form through co-operative actions among professionals.

Thus, looking from the *knowledge utilisation* angle, the previously mentioned organisational *fragmentation* also leads to problems related to the ability to access internal knowledge resources needed in long-term co-operation. In this thesis I first of all aimed to show which *customer-related knowledge transfer inhibitors* may be relevant in the professional service organisation in relation to customer-related knowledge utilisation in collaborative relationships. In my opinion, case Auctor provided good and detailed examples about potential inhibitors. Concepts of organisation's dominant logic, culture, structure and systems have been brought up on many occasions. These are concepts that were helpful when trying to figure out what organisational characteristics may be knowledge transfer inhibitors. However, when looking at a complex phenomenon like organisational learning, we always have to remember that *prerequisites are often consequences as well, thus "cause" and "effects" are easily confused, and this makes analysis challenging*.

In case Auctor, the organisation's dominant logic was quite strong and this made it hard to change prevailing practices although the need for change from transactional, "one project at the time" operations was acknowledged by many actors. E.g. customer feedback seemed to be absorbed only if it fit into prevailing assumptions. Strong dominant logic also supported prevailing cultural fragmentation in the organisation, meaning a high level of individualism and strong collegial groups that were quite isolated from one another. Thus, *strong dominant logic* was an important customer-related knowledge transfer inhibitor, seen especially between the customer and professional organisation. On the other hand, in case Factor we could see an example of an organisation whose dominant logic was weaker; changing prevailing assumptions and practices to meet customer's emerging needs seemed thus to be easier.

Individualism and *strong collegial groups* appear to be a strong cultural influence in professional service organisations and also an important knowledge transfer inhibitor. A high level of individualism and strong groups may have led to customer-related knowledge protectionism because of competitive attitudes and also because of a plain inability to understand the knowledge needs of other professionals due to different frames of reference. Those differences may also create lack of appreciation between individuals and groups, which further hampers knowledge transfer.

Structural assets are important in that sense as well. In case Auctor, the organisational structure was functional, i.e. based on different areas of expertise. *Strong functional silos* combined with strong collegial groups may have hampered the knowledge transfer. Metrics forcing competition strengthened this tendency further. Based on the aforementioned factors, system level *knowledge codification* did not succeed because the organisational context did not provide sufficient incentives for that work.

In case Auctor problems in customer-related knowledge utilisation led to a situation where customer value creation seemed to be hindered: the service offering was one-sided, the scope of activities was narrow and actions in the customer interface were fragmented. At a more general level this appeared to the customer as a lack of innovativeness and delayed decision-making. We could say that in this case there was no relationship-level co-ordination, only co-ordination of single transactions.

Thus, although this type of fragmented organisation might competently provide specific services in transactional relationships, it may lack the capability to customise the services and/or access all the expertise needed. This is also related to the fact that the customer's problems in the area of professional services are not always precisely defined, but focused on "something". In those situations awareness of the knowledge possessed by different experts and functions within the company is needed in order to define the real need and to find the best possible solution. The customer is not always able to explicitly argue that need and in this situation, the seller's innovativeness plays an important role in value creation.

On the other hand, case Factor offered some views on organisational practices which can foster interconnectedness between actors and thus facilitate knowledge transfer in the organisation. Earlier Factor faced problems similar to Auctor; competition between groups hampered knowledge transfer, and a lack of institutionalised knowledge on customers and experts of the organisation hampered customer relationship management. However, by *building a relationship co-ordination system keeping customer-related knowledge transfer in mind, supporting codification activities on many levels and creating co-operative working practices seemed to have compensated for many of these problems.* Plenty of effort was also put into building a coherent culture and common understanding of how to take care of customers. In addition, the organisation's metrics were developed in a direction that encouraged cross-functional cooperation and internal networking instead of partial optimisation of the financial result, like earlier.

On the basis of these findings, I would argue that a well-planned relationship co-ordination system (e.g. a key account management system) may provide a powerful tool to compensate for the problems of customer-specific knowledge transfer caused by *inherent loose coupling* in professional service organisations. If the system is planned keeping the knowledge transfer issues in mind, and managed effectively, it can facilitate knowledge transfer, and potentially develop the ability to maintain continuity in customer relationships. *Professional service organisations developing collaborative relationships seem to need this type of structure, which creates cohesion in the organisation. Thus, relationship coordinator and customer-specific team as "integrator roles" may be essential for the success of collaborative relationships.*

From my point of view, the major task of the relationship co-ordinator could be to promote knowledge transfer and the institutionalisation of knowledge in the professional service organisation. This happens through sharing tacit knowledge in ongoing interaction with different professionals and customer representatives. It is through the day-to-day work of the co-ordinator that customer-specific knowledge is accumulated and shared. The coordinator can also take some responsibility for customer-specific, knowledge being codified into common, internal IT systems.

If the co-ordinator has a strong internal network, s/he also has good knowledge of the different types of expertise possessed by the organisation, and is thus potentially able to "choose" the best possible combination of experts to benefit the customer. The *relationship-specific team* can support the manager's understanding of the expertise possessed by the organisation; this is particularly useful when his/her internal network is weak. Cross-functional teams offer different functions and expertise areas access to the customer relationship through their respective representatives. *Client plans* that are

accessible to the whole organisation can also be used to foster customer-related knowledge transfer.

Service concepts created at Factor offered a wider access to the expertise possessed by different professionals, and also created common knowledge of the projects conducted with key customers. This type of practice also created interconnectedness between the actors, facilitated the creation of the common understanding of the competencies possessed, and on a practical level helped the work of the relationship coordinator in many ways. Also, *co-operative working methods* seemed to support knowledge sharing in many ways, especially tackling the sharing of the tacit knowledge that is not transferable by other means.

According to my view, the nature of professional organisations will always be somewhat fragmented. By definition these kind of organisational practices create a degree of interconnectedness necessary in the organisation to facilitate interaction and thereby knowledge transfer. In the best case, “a positive circle” is created, through which knowledge transfer is continuously fostered and the cohesion in the organisation is maintained. Then, customer-related knowledge utilisation both in creating service offerings and maintaining the relationship is enabled, and “keeping up with the customer” becomes thereby easier.

However, it is important to note that there are also some *contextual factors which may have caused differences between these two cases*. Auctor worked in the area of “ordinary” consultancy and education, offering a wide variety of services based on different types of expertise. Traditionally these services are not highly conceptualised. On the other hand, Factor worked in the area of IT solutions. According to my understanding, in the IT business codification may have been a more natural part of working practices. Maybe IT solutions have been a type of services which have also been more easily codified? Thus, developing those practices might have been easier at Factor, although undoubtedly the challenges of codification were recognised in both organisations. However, Factor had proceeded further in the process of developing those systems.

Compared with case Auctor, it is important to notice that changing organisational structure and practices might have been easier for Factor. Factor’s *dominant logic* seemed to be weaker, thus an ability to absorb renewing influences to the organisational discussion was assumingly better. There may be many reasons for this; firstly, Factor was founded based on a clear objective to create a profitable business, whereas Auctor was first a foundation-based organisation, thus more non-profit oriented. It is assumed that this forced Factor over the years to react and adapt more efficiently to the market situation and customer needs. Their competition situation has been harder whereas Auctor has operated in a more protected environment. Auctor is owned by its customers, who have to some extent secured its existence. Secondly, constant change in the company because of national and international alliances and mergers has made Factor a “melting pot” of organisational cultures, practices and people. Thus, renewing influences were unavoidable in Factor whereas at Auctor such influences were a lot weaker. In addition, Factor’s customer base has traditionally been more homogenous, which might have decreased the amount of internal fragmentation, creating a more cohesive organisation based on a common frame of reference. Furthermore, Factor’s expertise base is more homogenous. On the other hand, Auctor has traditionally served different industries and possessed a variety of expertise, both of which have strengthened a tendency of internal

fragmentation. It is also evident that at Auctor customer ownership was a strong tendency, whereas in case Factor the substance expertise was considered more important among the experts.

At Auctor ideas about development towards collaborative orientation in customer relationships were focused on operational development, meaning e.g. building new IT systems and an administrative relationship co-ordination system. However, the study clearly shows that the development process from transactional customer operations towards relational orientation may first of all result in the need for *more in-depth developments*. Clever, integrated IT solutions do not solve problems of customer-related knowledge transfer if the roots of those problems lie in organisational design, culture and dominant logic, as previously described. *These “deep structures” of an organisation may be in the way when developing the relationship further.* In practical terms this may mean, for example, that customer-specific knowledge codification should be motivated by cultural and/or other incentives which potentially make experts understand the meaning of the customer-related knowledge codification. Another example could be decreasing the competition between experts by using structural solutions that make cooperation and expertise integration easier for them. It is important to notice that these changes may also last longer than operational moves.

In case Auctor we could see initiatives of the mentioned strategic shifts at the end of the research period. Those plans concerned creating exactly the type of organisational structures which could support customer-specific responsibilities and also strengthen the development of different expertise areas in the matrix-like organisation. In case Factor those changes were founded earlier, and now the focus was on developing those organisational practices further. In that sense it can be claimed that the two cases, Auctor and Factor, *have gone/are going through similar types of challenges in their development towards collaborative orientation*, although during the research period they were at different stages of that “development path”. In that sense these cases are complementary and offer a wider view of the phenomenon than Auctor alone could have done. The following illustration defines the main findings and the focus of these two cases.

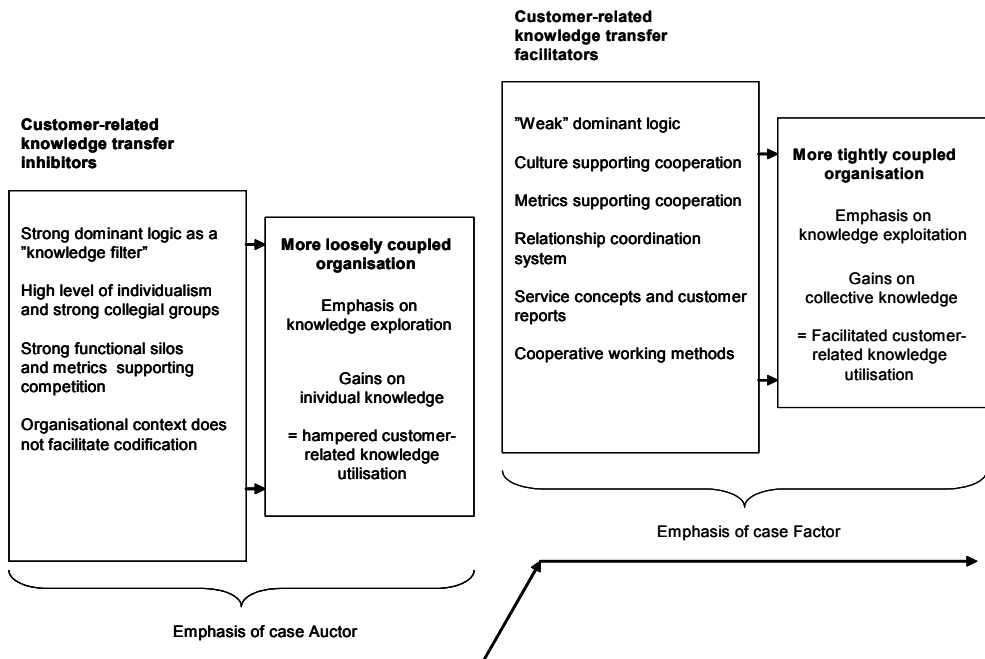


Fig. 17. Cases Auctor and Factor in relation to each other.

In the following section I will focus on conceptual conclusions of the study, its managerial implications, evaluation of the contribution created and credibility of the study, and finally, I will define the limitations of the study and avenues for future research.

8 Conclusions

8.1 Customer-related knowledge utilisation in professional service organisation

The purpose of this study was to model and describe customer-related knowledge utilisation in the specific context of the professional service organisation and especially in its collaborative relationships. In these theoretical conclusions I aim to gather the main findings for each research question posed: in what ways do the customer-related knowledge transfer capabilities of the professional service organisation influence customer-related knowledge utilisation in a collaborative relationship? Two sub-questions were formed in order to answer that question: 1) what are customer-related knowledge transfer inhibitors which hamper customer-related knowledge utilisation, and 2) what are the customer-related knowledge transfer facilitators facilitating customer-related knowledge utilisation in the context of professional service organisation? I will draw both theoretical and managerial conclusions. In addition, evaluation of the study is conducted including further discussion of the contribution gained.

Value-creation in a collaborative relationship is based on knowledge utilisation. According to my view, the core finding of this study is that *I have linked the internal reality of professional service organisation and customer-perceived value in collaborative relationship.* In this study I have aimed to show how professional organisation's internal knowledge and development processes prevalently influence organisational ability to create value for the customer.

We could see that one of the main mechanisms behind the ability/inability to benefit the partner is the ability to *utilise collective customer-related knowledge*. Kogut and Zander (1992, 1996) use the term "*combinative capabilities*" in order to describe organisational processes by which organisations – thus people – synthesise and acquire knowledge resources in co-operation, and generate new applications from those resources. It can be assumed that the more long-term and challenging the relationship of professional organisation, the greater the need for accessing a wider variety of organisational knowledge resources in order to benefit the partner. Based on the ability to

access these resources, *knowledge integration* is enabled. This means integrating expertise in novel ways in order to add value in the form of innovative and holistic service offerings, for example. Thus, customer need is the guiding force instead of expert's customer ownership, which easily guides the activities in a more loosely coupled organisation where expert autonomy has a strong role in customer relationships, and focus is on utilising individuals' knowledge assets only.

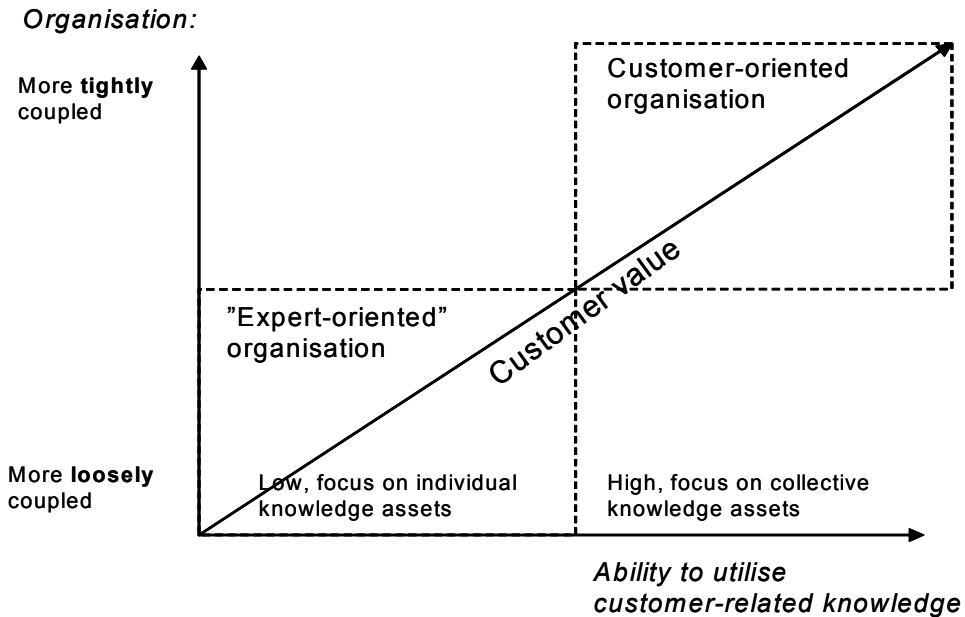


Fig. 18. Organisational customer-related knowledge utilisation and customer value.

One might argue that from the customer point of view expert-oriented operations model may be sufficient, even beneficial. This is true in a case where customer need is strictly focused on a single expertise area. However, this is rarely prevalent in long-term, collaborative relationships such as a strategic partnership where the strategic function of the customer may be even outsourced to the professional service provider. In those situations the whole internal knowledge resource constellation can be seen as potential to create value in the relationship. The need is not necessarily argued by the customer, but cohesive organisation has the potential to see the possibilities even before the customer does.

The long-term capability development. Creating coupling processes may call for double-loop or even triple-loop learning in the organisation. *These long-term development processes are based on organisation-level interaction.* The difficulty of conceptualising the idea lies in the fact that organisational characteristics defined can be seen *both as a prerequisite and a consequence of organisational development.* For example, open organisational culture can be seen as an important facilitator of development, but also a positive result of the development process.

Inhibited knowledge transfer results in a situation where access to organisational knowledge resources is impeded, thus value creation is hampered, as was described in the previous paragraphs. This is a linear idea, from organisational capability to customer value. But it looks as though because of inhibited knowledge transfer, an organisation may also be stuck in an adaptive learning trap, where it is not capable of using customer-related knowledge *as fuel* for the long-term development activities either. The status quo is maintained in spite of the challenges created by new situation. Customer-related capability development does not happen.

There could be a better situation, where generative learning, even triple-loop learning is enabled because of the inter-connections and interactions within the organisation. This basically means constant evaluation of organisational assumptions against messages received from the customer interface, and the possible development activities needed to offer the best potential value for the partner. This may mean operational shifts, such as system-level renewal, but also deeper organisational changes may come into consideration; changing the structure of the organisation, and trying to develop organisational culture towards a more cohesive form. However, considering the multi-layered and complex nature of the change, these deeper, strategic changes do not happen overnight. (see Figure 19.)

The notion of capability development raises a question of reasonable limits of customer-related development and adaptation efforts. Is it reasonable to adapt an organisation to the needs of one strategic partner only? This might notoriously hamper operational and strategic effectiveness? In this piece of work customer-related capability development is seen in relation to an operations model needed in collaborative relationships. Like mentioned many times before, according to my view it is based on the need to utilise a wide variety of internal knowledge resources of professional organisation. Everything represented here is based on that proposition. A professional organisation has to decide, what type of operations it will maintain, what is its strategic choice? For some organisation it might be equally reasonable to choose an operations model based on single transactions. For example, in this context, this might mean organising topical seminars for a wide audience only. But if we choose to develop collaborative relationships, we have to be able to develop our internal capabilities accordingly.

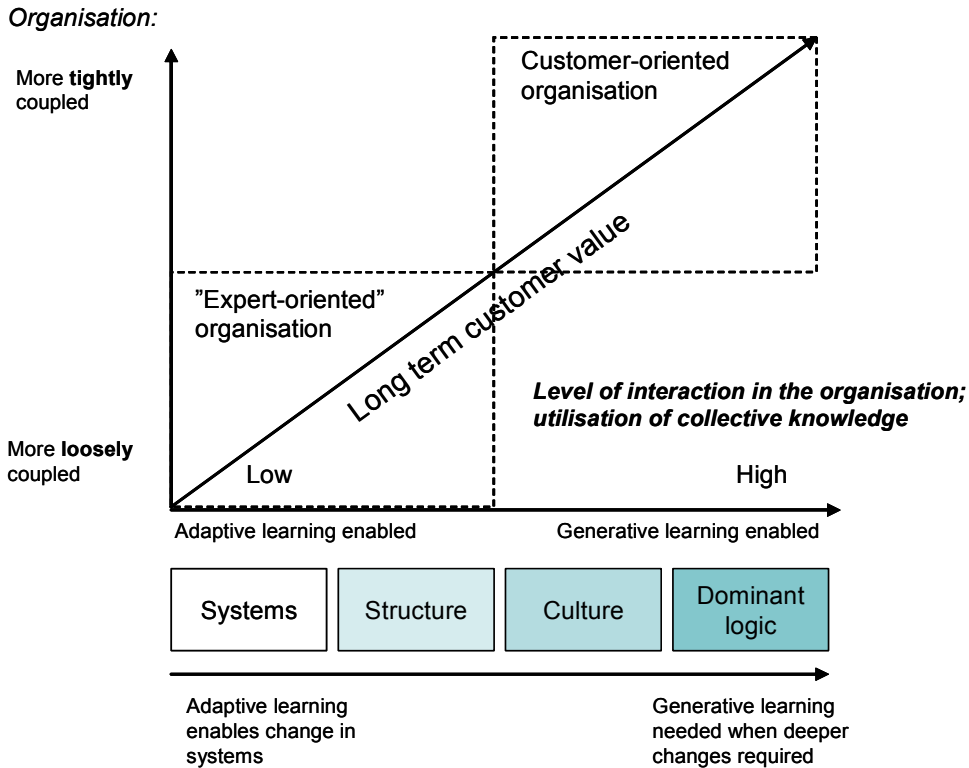


Fig. 19. Long term customer-related capability development in a collaborative relationship.

Based on these two ideas, I suggest that two potential development paths can be presented for the professional organisation in its collaborative relationship. The positive development path, the “virtuous cycle” enables an ever-closer relationship with the customer, which is based on well-functioning customer-related knowledge utilisation. This happens by developing a more tightly coupled organisation by focusing on coupling processes (reviewed in 8.2). In that situation, both instant value creation and long-term customer-related capability development are enabled due to strong dialogue within the organisation, and with the customer.

However, based on the analysis of organisational characteristics and related characteristics of customer-related knowledge in question, professional organisations are by nature loosely coupled systems, and often internal reality remains fragmented, and the utilisation of collective knowledge resources is thus inhibited. As a result both value creation and long-term customer-related capability development is hampered, which is why isolation from the customer gets stronger and stronger. This draws a professional organisation into a vicious cycle where distance from the customer weakens the relationship and may even end it (see the following figure).

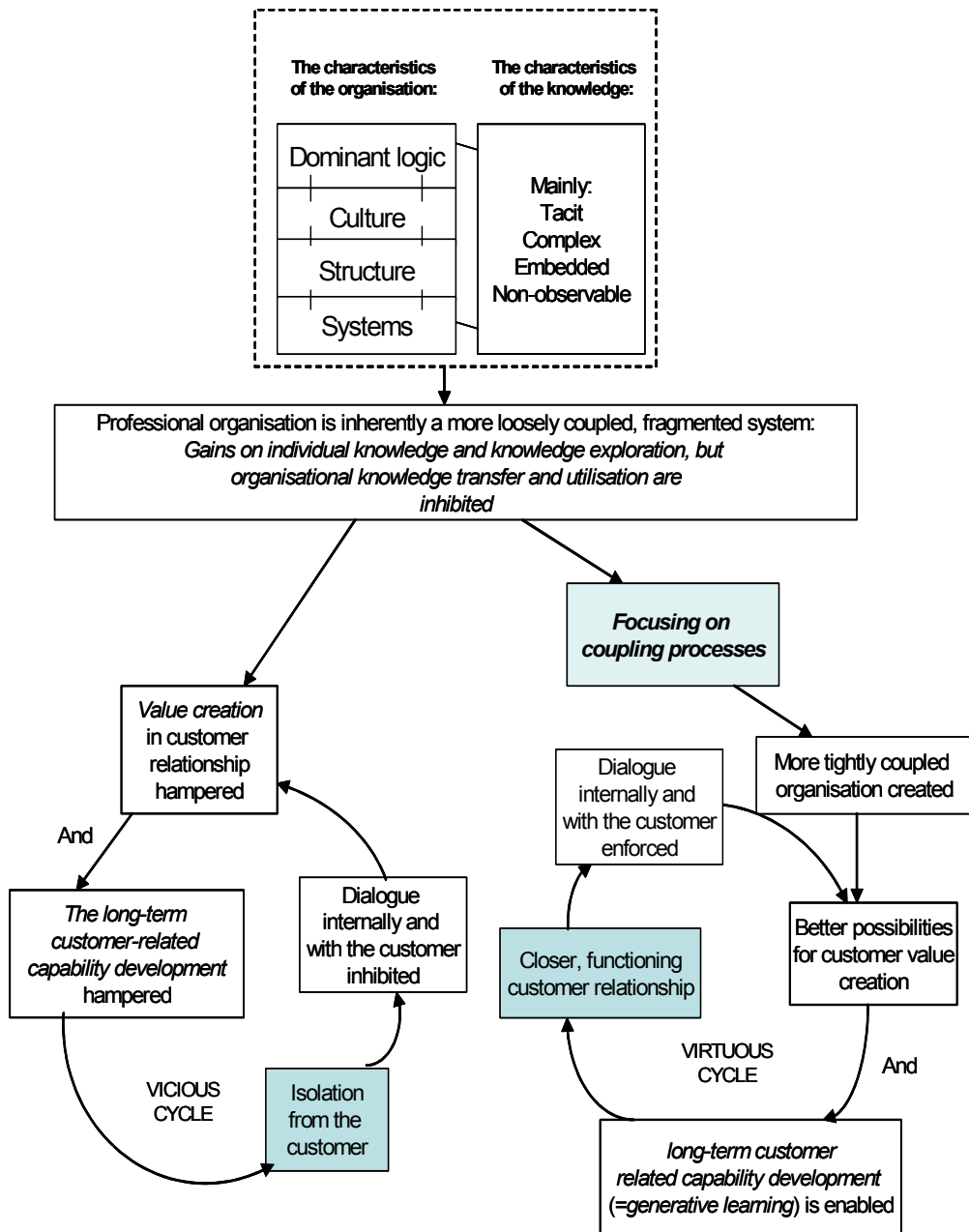


Fig. 20. Vicious and virtuous cycle of professional organisation's collaborative customer relationship.

Customer-related knowledge transfer; its inhibitors and facilitators. Referring to the previous figure, in this thesis I decided to describe this phenomenon with the help of two

categorisations: a) characteristics of the organisation and b) characteristics of the customer-related knowledge.

To define characteristics of professional service organisation, I chose four theoretical aspects, which later proved to be suitable for the type of analysis: organisation's dominant logic, culture, structure and systems. Both theoretical and empirical insights prove that a *strong dominant logic* in the organisation creates high barriers for knowledge transfer most of all between externalities and the organisation, because messages from the customer may be filtered in a way that maintains the prevailing operations model and ignores messages "demanding" renewal and development. Thus, strong dominant logic creates a significant obstacle for knowledge transfer and subsequent capability development. *Dominant logic creates a foundation for the absorptive capacity* of the organisation, and that is also why it is strongly inter-linked with other defined characteristics: culture, structure and systems. A weaker dominant logic enables a more open climate for questioning prevailing assumptions.

Of *cultural* characteristics, the meaning of *individualism* and *strong collegial groups* was emphasised in this study. A high level of individualism in professional work and its negative influence on knowledge transfer can be seen in relation to every aspect of customer-related knowledge. Thus, the study gives strong support for the assumption that loose coupling among professionals and subgroups in a professional organisation causes problems in relation to customer-related knowledge transfer.

Organisational design, *structure*, may strengthen the fragmentation between individuals and groups if competition between them is maintained. This might happen by emphasising one-sided individual- or group-specific financial metrics, for example, which more or less steers the actions towards customer-related knowledge protectionism instead of organisation-level knowledge sharing.

If these deep organisational structures inhibit knowledge transfer in a defined way, a systemic level created for knowledge codification, e.g. customer relationship management (CRM) IT system, or intranet, hardly compensates for the previously mentioned problems of knowledge transfer and utilisation. This study clearly shows that development towards collaborative activities cannot happen by implementing IT system alone, but generative organisational learning may be needed in order to form a cohesive organisation that is able and motivated to use such systems. In that sense, the one-sided prevailing discussion about IT systems as a panacea for every problem of knowledge transfer is misleading.

Another aspect of the potential knowledge transfer inhibitors/facilitators was the *nature of the knowledge in question*: is it tacit or explicit, thus strongly embedded in human actors or more widely shared in its codified form? Essentially, explicit knowledge is more easily transferred than tacit knowledge. Observable knowledge is more easily transferred than non-observable, simple knowledge is more easily transferred than complex. Both "knowledge for the customer", meaning expertise-related knowledge, and "knowledge from the customer", meaning knowledge of customer characteristics and customer feedback, is by its nature tacit in professional organisation. Thus, in its tacit form it needs to be transferred through shared experience with the customers or colleagues. In addition, it is not easily observed, so a considerable amount of face-to-face interactions is needed in order to transfer it (Argote 1999, 88; Birkinshaw *et al.* 2002, 278). The complexity of that knowledge also makes it more difficult to codify without

losing its depth and richness. All these characteristics of customer-related knowledge pose a challenge from the perspective of knowledge transfer. This is problematic in a loosely coupled system because the amount of interactions is low, thus tacit knowledge transfer is easily hampered. On the other hand, knowledge transfer in its explicit form is inhibited if the systems for codification are underdeveloped. As mentioned earlier, this does not necessarily mean the lack of the IT system itself, but usually a lack of willingness and motivation to use it, based on deeper mechanisms of the organisation, for example its structure and culture.

Thus, organisational characteristics and the characteristics of knowledge are also strongly interlinked. Those characteristics form the prerequisites (e.g. system) and motivation (e.g. culture and structure) for doing codification, or understanding the meaning of it (dominant logic) for customer-related capability development. If the mentioned underlying tendencies in the professional organisation and the nature of the knowledge transferred cause inhibitors to customer-related knowledge transfer, which could be characteristics that *facilitate knowledge transfer* in those organisations? The next section is dedicated to those “coupling processes”.

8.2 Coupling processes

This study clearly showed that the co-ordination of customer-related knowledge requires somewhat *tightly coupled organisational processes* (see also Helfat & Raubitchek 2000, 964). As Campbell (2003, 382) has also suggested, interaction patterns and communication linkages need to be reinforced using multiple organisational practices. According to my view, these practices transform the loosely coupled organisation into a tighter structure that is more supportive of knowledge transfer. Here I call those facilitative processes “*coupling processes*”, developing the idea of the loosely coupled system further, especially in relation to the operations model needed in collaborative customer relationships. In the following I define different aspects of the coupling processes which are, according to my view, relevant in this context based on theoretical understanding and the empirical understanding created in this study.

Coupling processes are based on a sufficient level of routinisation and repetition. By routines I mean everyday working practices, patterns of interaction that appear “automatically” (see also Grant 1994, 379), not occasionally. For example, how and with whom work in the customer project is usually done, alone or in a team, or what type of routines are related to knowledge codification? It is important that these practices should be repetitive in nature in order to guarantee the continuity of knowledge flows and thus, constant value creation and capability development with the help of those routines. Infrequent experience (thus, not related to repetitive working routines) leads to shared knowledge being forgotten, and consequently to the lack of both individual and collective knowledge accumulation. I dare to suggest that routines are important in the context of the professional service organisation, although in the prevailing discourse the fear of bureaucracy has led to a situation where organisational routines have become undervalued, even feared as a representation of organisational stagnation and bureaucracy (see also e.g. Kirjavainen 1997b).

Coupling processes create a field of interaction. Coupling processes are first of all based on organisation level cooperation, which in turn facilitates knowledge sharing. Co-operation among experts has many characteristics that facilitate knowledge transfer. In particular it tackles the sharing of tacit knowledge

Co-operation also facilitates the integration from the “common knowledge” point of view (see also Grant 1994); it strengthens the common language, the commonality of conceptual knowledge, experience between individuals and norms. They all facilitate in particular tacit knowledge sharing and the creation of a common cultural base, which can also be called “shared identity”²³. This means that as a result of constant interactions, people are able to reach a shared interpretation of the information and shared knowledge, which provides a common direction to handle customer relationships even in a partially fragmented context (see also e.g. Slater & Narver 1995). Discourse among people who share cognitive models is fruitful because existing categories, mental models and knowledge bases (Kogut & Zander 1996, 510) motivate new learning. Thus, *knowledge articulation* capabilities improve when, via knowledge transfer and dialogue, people become more aware of the “big picture” of an organisation. Knowledge articulation means that implicit knowledge is articulated through collective discussion and members of an organisation can achieve an improved level of understanding of the causal mechanisms. (e.g. Zollo & Winter 2002). The aspects mentioned are closely related to the concept of knowledge socialisation (Nonaka & Takeuchi 1995, 62).

From this study’s point of view, it can be claimed that specially defined *cooperative working practices* create a coupling process which facilitates customer-related knowledge transfer in all its forms. When people work together, cross-functionally, in pairs or in teams, they share their tacit knowledge in their everyday interaction, and are even able to share complex knowledge. If the type of co-operation is repetitive, it creates a lasting coupling process that results in a network of experts who share customer-related knowledge.

Relationship co-ordination system as a coupling process. I claim that in professional organisations the driving force of individualism and a need to gather around and maintain one’s collegial group *results in a certain amount of competitiveness*. These forces seem to be so strong that we have to live with them, at least to some extent. *Professional organisations seem to be inherently loosely coupled* and that is why I think that possibilities of creating the earlier mentioned field of interaction are limited. However, development is possible when the goal and driving forces are clear, and some *moderating organisational practices are conceivable*.

One example of these moderating practices is the structural solution of creating a *relationship coordination system*, and not just any system, but a relationship-specific organisation (e.g. key account management system) which is designed to keep customer-

²³ According to Orton & Weick shared values are a possibility to bind together the loosely-coupled organisation. This also means an agreement about preferences (Orton & Weick 1990, 212). Sinkula *et al.* (1997) bring up the meaning of the shared vision as an influence that guides the direction of learning activities. Without a shared vision, individual experts are less likely to know what the organisation-level expectations are. “In this ambiguous environment, even if one is motivated to learn, it is difficult to know what to learn” (Sinkula *et al.* 1997, 309). A shared vision has a very positive influence on capability development and capacity to learn (Day 1991, 9). On the other hand, it is also claimed that “too much shared identity” can lead to “group thinking”, thus inertia (Orlikowski 2002, 257).

related knowledge utilisation needs in mind. This type of system can be seen as a “sub-organisation” which forms an interface with the customer, and coordinates a coherent offering for the customer across different expertise divisions and business areas. The relationship coordinator and relationship-specific team form the core of that system (Rehme, 2001).

A relationship coordination system can be seen as a *coupling process based on integrator roles* (see also e.g. Seely Brown & Duguid 1998), which creates interconnectedness among actors by forming a junction for a tacit, customer-related knowledge flow. The relationship co-ordinator can funnel and filter customer-related knowledge at the customer interface as well as inside the supplier company (see e.g. Millman & Wilson 1996). This happens through the sharing of tacit knowledge in ongoing interaction with different professionals. Thus, it is through the day-to-day work of the relationship co-ordinator that customer-related knowledge is accumulated and transferred.

This type of relationship co-ordination system is especially effective in this specific context, if the relationship co-ordinator can be kept separate from the “internal politics” of the professional organisation, meaning that s/he is not a member of any specific team or expert him/herself but works clearly on the customer’s behalf in the organisation. This offers her/him the possibility to walk *in the neutral zone*, where the customer’s need is the guiding principle, not an individual expert’s willingness to “own” the customer, for example.

Coupling processes support knowledge codification. The aforementioned relationship co-ordinator can also see to it that tacit, customer-related knowledge is codified into the intranet and made available in a more transferable form for the whole organisation, so that it can be used in customer relationship management.²⁴ Thus, in addition to creating a field of interaction in the professional organisation, the relationship coordination system also facilitates knowledge codification.

Knowledge codification makes knowledge explicit, thus more transferable and available for wider audience within the organisation. *Service conceptualisation can be considered as one important coupling process.* For example, according to Argote (1999, 130) rather than each product (or service) consisting of unique processes, an organisation should develop platforms to be used in different processes. In the professional service organisation this means e.g. codified service concepts. As these “platform” processes (modularity) are repeated in several customer contacts, the organisation has a much larger experience base from which to learn.

According to my view, there is remarkable potential in the way the expertise-related knowledge codification (for example into service concepts) can facilitate organisational knowledge utilisation. Consultancy and tailor-made education have traditionally been original, separately planned services for each case, so codification has been highly undervalued. This has had an impact on organisational learning because the knowledge is tacit, ambiguous and locally held, but also because of a lack of repetition.

²⁴ Also according to Kale, Dyer and Singh (1999), concentrating alliance experience in a dedicated alliance function can lead to the formalisation mechanism through which know-how can be articulated, codified, shared and internalised within the organisation.

Codified, explicit expertise would however guarantee *wider access to knowledge and an organisation-level understanding of the expertise possessed*, thus providing possibilities to innovatively use and integrate different types of expertise. It can increase the knowledge of who knows what in the organisation, which grants experts access to a much larger knowledge base than their own (see also Argote 1999, 53).

If loosely coupled characteristics are inherent in a professional service organisation, as I suggested earlier, it does indeed create the need for knowledge codification. This view is supported by other authors as well. According to Zollo & Winter (2001), the lower the frequency of experiences (e.g. experts working together to share knowledge), the more likely it is that *explicit articulation and codification mechanisms will have more effective results than tacit accumulation*.

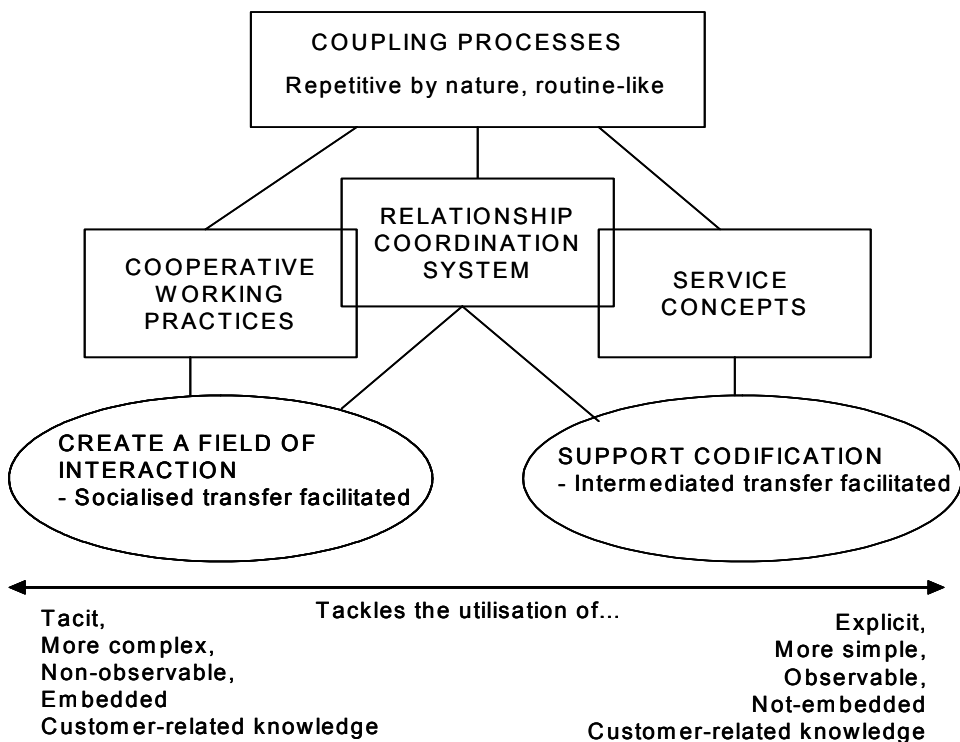


Fig. 21. Coupling processes.

To conclude this section, I suggest that coupling processes related to both explicit and tacit knowledge transfer are needed in order to facilitate customer-related knowledge utilisation to benefit the partner. If the focus is on socialised knowledge transfer, which creates a “field of interaction” and in that way supports tacit knowledge transfer, that knowledge is only available to a few experts, and thus remains to a large extent embedded. However, not all the knowledge is codifiable, and by codifying knowledge,

we also lose part of its richness. In that sense maintaining socialised knowledge transfer is important. On the other hand, if we focus solely on knowledge codification, thus on intermediated knowledge transfer, we lose the complexity and richness of the knowledge, and create a deposit of more static knowledge, which lacks the dynamism and richness gained through human interaction. However, the knowledge reaches more people and is no longer embedded in individual experts and thus, a more lasting knowledge deposit is created for an organisation which is not lost when an employee leaves the company. The following illustration consolidates the main arguments presented in the previous section

8.3 Managerial implications

Based on the previous theoretical issues, we can see that in developing the collaborative customer relationships the core question from the managerial point of view is how to change organisational practices from an operations model which focuses on the completion of individual projects, into an operation model where maintaining the relationship is the central element.

Managerial intervention seem to be needed when trying to foster the internal knowledge transfer needed to create value in the collaborative relationship, and to be able to keep up with the customer needs in changing situations. It means developing coupling processes as defined earlier, and taking care that the characteristics of an organisation, i.e. its systems, structure, culture and dominant logic, support the development.

If we look at organisational development towards facilitative conditions for knowledge transfer, basically development strategies can be based on two ideas. *Firstly*, a firm can change the characteristics of the knowledge itself by developing systems to capture knowledge (e.g. intranet), codification practices and supporting aspects (e.g. incentive systems motivating codification). Developing technological capabilities is strongly related to the previous; creating knowledge bases, and enabling applications to support explicit knowledge transfer. However, customer-related knowledge in its every form is often tacit, sometimes even impossible to codify. Thus, *secondly*, a firm can improve knowledge transfer by developing everyday work practices based on the idea of interconnectedness; for example, where and with whom experts work. This can mean a new organisational structure and new working roles (See e.g. Davenport *et al.* 1996, 61-62) or creating integrator roles like the role of the relationship co-ordinator or relationship-specific team. It is important to remember that the substratum of knowledge transfer and accumulated knowledge is the infrastructure of an organisation.

A relationship co-ordination system can be developed in such a way that it also supports internal customer-related knowledge transfer. As we could see in case Factor, a relationship co-ordination system can be used as the junction point of customer relationship knowledge flows, and it can “tie” the loosely coupled system together. Strengthening customer responsibilities seems to be one way of facilitating customer knowledge transfer and accumulation.

The relationship co-ordinator’s task is to steer different experts to their customer contacts and combine different types of expertise in order to create the best possible value-added offering for the customer. If the co-ordinator possesses a strong internal

network, he/she also has knowledge about the different types of expertise possessed by the organisation. Thus, he/she is able to “choose” the *right combination of expertise, and thus “knowledge for the customer”* to benefit the partner. The relationship co-ordinator also takes responsibility for codifying tacit, customer-specific, “knowledge from the customer”, into common IT systems that support customer-relationship management. This can moderate the inherent disgust of experts towards this kind of “routine work”, as knowledge codification into systems seems to be. The customer co-ordinator has access to all the knowledge from the customer if projects are conducted in a way that the relationship coordinator is at least informed by experts involved throughout the period of intensive co-operation.

How about the relationship coordinator’s personal characteristics then? When recruiting, either internally or externally, it seems to be important to take into account the potential coordinator’s own knowledge resources. Does s/he possess a strong internal network and understanding of the expertise possessed by the professional service organisation, so s/he can pass it on to the customer; or would s/he need supporting structures for that?

An example of the supportive structure mentioned is the relationship-specific team which can support the relationship co-ordinator’s understanding of the expertise possessed by the organisation. This is particularly useful when his/her internal network is weak. These cross-functional teams offer different functions and areas of expertise an access to the customer relationship through their respective representatives. These teams also create an organisational, cross-functional field of interaction for ongoing dialogue.

One beneficial structure from the knowledge transfer point of view which is closely related to the relationship co-ordination system is *client plans*, which are accessible to the whole organisation and which make the tacit, customer-specific knowledge possessed by the relationship co-ordinator explicit. This can help create a common understanding of key customer relationships throughout the organisation, including the management level. For the key account manager the process of writing a client plan is beneficial also because it forces him/her to clarify, update and make topical issues of the relationship concrete to him/herself and to a wider audience as well.

The relationship co-ordination system promotes the establishment of internal capability to manage customer-related and expertise-related knowledge and thus putting together the best possible offering to meet customer needs. All this is required to maintain the competitiveness and innovativeness of the organisation. This system is seen as one way to professionalise the marketing function in professional service organisations, where marketing has traditionally been the responsibility of individual experts.

One of the key words related to the customer relationship knowledge is “*responsibility*”; *who is responsible for knowledge transfer and accumulation* in the loosely coupled system, and why is that type of responsibility not necessarily built in in the management system? The relationship coordinator can also in that sense moderate the weakness of the system by being responsible for transferring and accumulating the knowledge related to one specific key customer.

An important task of the relationship co-ordinator and the relationship-specific team is to crystallise the messages from the customer to the expert organisation and vice versa in order to gain the best possible results for both. *Complex messages can be understood more easily on the individual than on the organisational level, where the complexity and*

number of messages should be reduced in order to promote a common understanding. Thus, it could be said that one task of the relationship-specific system is to funnel and filter knowledge, to decrease the loose coupling and to bind the system together, which creates a common understanding in the expert organisation concerning the management of key-customer relationships.

Another moderating aspect is the relationship co-ordinator's role as a "*neutral actor*" in the customer interface. This means that the relationship co-ordinator can be kept separate from the internal politics and competition in the organisation in order to guarantee the best possible service offering for the partner. According to one relationship co-ordinator interviewed:

"... I go back to the fact that the "customer wanted this and this." I have to come out of the internal politics of our organisation, because if I go along one silo, I will be in trouble." (Factor, manager)

According to this, it would not be the best possible idea to give customer responsibilities to professionals who also conduct their work as experts in different projects and as members of a collegial group. The problem is twofold: firstly, being a professional and being a relationship co-ordinator at the same time draws internal politics into the relationship co-ordinator system, if internal competition between individuals and groups is considered a problem in the organisation. Secondly, *relationship co-ordination requires resources*, it is not something that experts can take care of during their lunch breaks, but requires time, focus and effort.

Problems of customer-related knowledge transfer can also be tackled by developing *service conceptualisation systems*, *codifying "knowledge for the customer"* and *codifying "knowledge from the customer"*. Codified knowledge is more easily transferred to wider audiences. By service concepts I mean explicit, codified expertise that is available to the whole organisation through the intranet, for example. *Accumulation of explicit expertise knowledge* in the organisation is crucial from a knowledge transfer point of view. Along with the structural and cultural prerequisites, this would guarantee a wider understanding of the potential solutions available to the customer and offer access to that knowledge to a wider audience. Because of the inherent fragmentation of professional service organisation, tacit, expertise-related knowledge possessed by individual experts or collegial groups does not seem to be sufficient when innovative, widely cross-functional solutions are needed, which is often the situation in collaborative relationships.

Service conceptualisation would also support the work of the relationship co-ordinator, especially in a situation where the co-ordinator is new in the organisation and/or his/her internal network is weak for some other reason. In addition, it is hardly likely that the relationship co-ordinator possesses a thorough, tacit understanding of the expertise possessed by the organisation when trying to create the best possible solution for the customer. That is why codified expertise and knowledge about customer such as *service descriptions*, *customer case descriptions*, *expert/expertise descriptions* are needed to support his/her work.²⁵ Codifying knowledge is also one way of making tacit knowledge

²⁵ Also according to Alajoutsijärvi & Tikkanen (2000, 12), individual knowledge must be institutionalised at least to a certain extent. Hamel & Prahalad (1993) use the term "*core product*" to describe well-codified core

less individually-bound, thus making sure it is possessed by the organisation, not only by individuals.

To some extent, service concepts also enable the creation of a common "language" and framework, which further facilitates knowledge transfer and accumulation. Considering the cultural aspects of the organisation, it is also easier to understand one's role and importance in the organisation, and thus to create an atmosphere of appreciation between units and individuals when one has a holistic picture of the "field of action".

However, it should be noted that not everything is codifiable into an explicit form. Knowledge may be too complex, too circumstantial, context-embedded and not observable, which all hamper codification efforts. In a way, codified knowledge also loses its richness. Hence service concepts and other explicit knowledge should not be the only source of information, but should perform a supportive function. *If an organisation focuses too heavily on codification only, expertise may lose its ability to evolve with time and become static, thus innovativeness of the organisation may be hampered.* There may also be a level where codification becomes inefficient, too time-consuming and costly compared to its benefits. Thus, although knowledge codification aspects are discussed to a large extent in this thesis, it is important to remember that *codified knowledge may quickly lose its relevance.* In that sense, depending on knowledge codification alone does not seem wise; choosing organisational practices which rely on *both codification and creating fields of interactions* would be more suitable in order to guarantee sufficient customer-specific knowledge transfer and exploitation in this context.

As was mentioned briefly earlier, it is important to define *who has the responsibility for the conceptualisation and codification activities.* From a managerial point of view it is essential to define responsibilities of knowledge transfer in order to make sure it happens, especially in a loosely coupled context such as professional organisations. Can a relationship coordinator take responsibility for customer-specific knowledge codification and conceptualisation, for example take care of writing case-descriptions and codifying feedback given into the system? Can people responsible for developing defined expertise areas be responsible for conceptualising expertise area-specific and expert-specific knowledge?

Defining the responsibilities of conceptualisation and giving time to it is important, but what is also important is the ability to *retain the codified knowledge and put it into use in order to keep up the motivation for codification work.* Unless they are able to see the benefits of codification in customer cooperation, people will soon lose interest, especially when among the experts this type of work is considered time-consuming and dull anyway.

Common projects and working together at the customer interface enables experts to become familiar with each other's expertise, to share knowledge and thus help in the creation of a common understanding. *Co-operation tackles especially the sharing of tacit knowledge.* The significance of working methods is based on the idea that without a field of interaction no dialogue enabling knowledge transfer and capability development is possible. When people work alone, knowledge might be shared in its explicit form, but not in the tacit form. Thus, it is necessary to create co-operative working methods in

competencies. According to them, a core product is an "intermediate product somewhere between the core competence and the end-product" (2000, 215).

order to guarantee knowledge flows. Working together also creates an understanding of the competencies possessed by colleagues, and thus makes combining capabilities easier and more likely.

One way of creating a favourable design for knowledge sharing in the loosely coupled system could be creating more tightly coupled operational models and everyday working practices which support co-operation between experts, groups and hierarchical levels. When people work in co-operation, they know each other's expertise and share (otherwise) tacit customer-related knowledge. As a consequence, building holistic solutions (based on the knowledge on expertise possessed by the organisation) for the customer becomes easier and threats of individually bound knowledge can be overcome.²⁶ When these practices are repeated in everyday working situations, they support an ongoing dialogue which facilitates generative learning.

One example of such working practices is mentoring, with more experienced colleagues providing assistance to younger ones. In addition, the customer cases can be jointly prepared and planned in order to provide access to several experts, which also facilitates knowledge transfer.

In the previous paragraphs I presented organisational practices which support internal customer-related knowledge transfer. However, it is important to bear in mind that in order to develop the relational orientation needed in collaborative customer relationships, deeper learning processes that form a new dominant logic, culture and organisational design may be needed. The core issue in that development is a goal to create a more open and cooperative approach internally in the organisation.

Organisational design will inhibit knowledge transfer especially if functional silos are strong and overlap with collegial groups, which even strengthens the silo effect. In addition, metrics measuring group-and/or individual-level success encourage competition. In that situation it should be carefully considered how to *create the best possible design, how to measure and what to measure?* If our goal is access to the organisation's all potential resources to create value for customer, that development is always hampered by competition among actors in the seller organisation.

For example, it is suggested that in the market-oriented professional service organisation, structural solutions such as matrix-organisation that combine functional (expertise) and client expertise may be superior from an internal knowledge transfer point of view (Sivula 1997). Process management is also seen as a supportive structure for knowledge transfer and co-operation to guarantee the internal collaboration between functions and individuals to create the best possible service offering for the customer. It is claimed that relationship marketing requires a process management approach, where traditional department boundaries are torn down and the work is organised in a way which enables relationship building on the organisational level, not only in conducting single projects (see e.g. Grönroos 1996, 13).

On the cultural level, which is strongly intertwined with the structural aspect, for *professional organisation inherent high level of individualism and strong collegial groups*

²⁶ In addition to problems of processual, cross-functional cooperation (based on strong subunits; experts and collegial groups), the problematic area in the expert organisation context may lie in the knowledge-base layer presented by Nonaka (Nonaka 1994). It is challenging to motivate individualistic experts to codify knowledge and thus strengthen the operating core and common knowledge stocks.

create barriers to knowledge transfer. That is why creating common understanding, strengthening core values and creating a coherent culture in the organisation is important. Creating a field of interaction, dialogue among the actors, is the key to better coherence in the organisation.

Partial optimisation of subgroups and individuals in the organisation is one central inertial force of knowledge transfer. Partial optimisation harms knowledge transfer in many ways: competing actions among experts, concealing customer-related knowledge, weakening of the shared identity, ambiguity in common goals and conflicts that waste energy.

Thus, when developing collaborative relationships, it is important to ensure that the organisational culture and structure as well as related incentive systems support the knowledge transfer goals. According to Kogut & Zander:

“That people respond to incentives is so patently obvious that it hardly can be a point of contention.” (Kogut & Zander 1996, 504)

Thus, the old wisdom of “getting what one measures” is surprisingly relevant considering customer-related knowledge transfer. According to Teece *et al.*, incentives might be detrimental to co-operative activity and learning. In particular, knowledge transfer may be jeopardised because of internal competition (e.g. Teece *et al.* 1997, 517). Winter also suggests that learning may falter, pause, or stop because of implicit cost-benefit calculations made by individual participants, calculations that are partly based on considerations remote from the learning effort itself (Winter 2000, 990).

The focus of the evaluation can be moved from the sensitive area of financial result-based and individual evaluation (Argyris 1999, 59) to more objective, customer-based evaluation, or evaluation where aspects of co-operation and knowledge transfer are taken into account.

8.4 Evaluation of the study

8.4.1 Contribution of the study

According to Whetten (1989), a complete theory must contain four essential answers: what, how, why and who/where/when. By answering the first question of “what”, we define which factors should logically be considered part of the description of the phenomenon of interest. Two criteria exist: comprehensiveness and parsimony of the factors chosen. Thus, factors chosen should form a description that is comprehensive enough, but factors which offer only limited additional value should be left out. The next question to be answered is how are those factors related? This step inevitably gives the conceptualisation order by explicitly delineating patterns. By answering the question “why”, a researcher can offer arguments for the logic and plausibility of the conceptualisation presented. The mission is to challenge and extend existing knowledge, not to rewrite it. That is why it is also critical to state why the study is important in the first place, to define the research gap and how the study is related to the existing

knowledge. In principle, a researcher is obligated to show how the presented conceptualisation significantly improves our understanding of the phenomenon under observation. By answering the questions who/where and when, the researcher can define the limitations of the generalisability of the generated conceptualisation. As in this study, conclusions may have e.g. contextual or temporal limitations.

The remarkable amount of literature on knowledge management, as well as organisational studies, seem to focus on internal knowledge resources, as the review in the introduction shows. However, linking those internal processes to value-creation in long-term customer relationships is according to my view the biggest contribution here. *It seems as if relationship marketing discourse has not considered the meaning of the organisation's internal knowledge processes sufficiently, although they are very essential in creating, developing and maintaining customer relationships.* This issue is especially relevant in the specific context of professional service organisations because value creation is usually bound to human capital.

New conceptualisation developed. According to my view, one important contribution of this study is the multi-layered description of the facilitators and inhibitors of the customer-related knowledge transfer processes in this context, and their influence on collaborative customer relationships. Especially knowledge transfer inhibitors caused by loose coupling in the organisation are profoundly described. One important finding related to the fragmentation tendency mentioned was that professional service organisations tend to be loosely coupled expert structures, where individual-boundness of customer-related knowledge is common, and focus of efforts is towards conducting single projects instead of coordinating the customer relationships itself. Empirical evidence supported the fact that these organisational characteristics hamper value creation ability in collaborative relationships. Thus, loose coupling is not only a source of efficient adaptiveness and innovativeness as many researchers (e.g. Ravasi & Verona 2001) claim; in this context and in collaborative relationships it can also have opposite consequences by severely hampering customer-related knowledge utilisation. Actually, lack of knowledge utilisation may lead to a decreasing level of innovativeness in a situation where individual experts are relying on their own expertise only while creating service offerings for “their own customers”. In addition, adaptation may remain only local, and be short-term in nature when in actual fact generative organisational learning would be needed in order to develop activities towards a relational, collaborative form.

Thus, based on the earlier empirical insights, the collaborative nature of customer relationships that facilitates customer-related knowledge transfer in the customer relationships interface (e.g. Sivula 1997), *does not seem to be of much help if the professional service organisation is not internally capable of utilising the customer-related knowledge* due to fragmentation caused by a high level of individualism, barriers between collegial groups or metrics causing internal competition.

Based on the search for customer-related knowledge transfer facilitators, the concept of “coupling processes” was developed. It includes processes based on a sufficient level of routinisation and repetition, thus creating organisation-level enablers for customer-related knowledge transfer. This concept is context-bound, prevalent in the context of professional service organisation in particular, and includes elements of cooperative working practices, relationship coordination system and service conceptualisation.

The concept of coupling processes brings up the viewpoint that in coordinating collaborative customer relationships in this specific context, routines are not necessarily disadvantageous, but routine-based coupling processes of some kind may actually be needed in order to increase possibilities of knowledge integration to benefit the customer. The fear of organisational “routinisation” prevailing in the literature and its harmful influence on knowledge creation may be misleading, at least in this context and in relation to collaborative orientation.

This study shows that with the help of these coupling processes, it is possible to access and utilise a wider variety of customer-related knowledge resources; also *knowledge integration* is enabled in order to form an innovative and holistic service spectrum. A more loosely coupled organisation easily remains “expert oriented”, so that the ability to utilise collective customer-related knowledge is low, and customer value produced by integrating knowledge may also be lower. Thus, a genuine organisational customer-orientation needed in the collaborative relationship may be hard to create because the relationship remains in the possession of a few.

Interpreted and suggested links between the concepts. From this study we can draw the conclusion that value creation in collaborative relationship is to a large extent based on customer-related knowledge utilisation. In the study I have linked the internal reality of professional service organisation and customer perceived value in collaborative relationship. The internal reality was examined with the help of interdisciplinary “concept combination”. Knowledge transfer inhibitors/facilitators were seen to rise from organisation’s characteristics; its dominant logic, culture, structure and systems. These organisational characteristics are bound to the characteristics of knowledge itself: its tacitness, non-observability and complexity, and can have an inhibiting influence on knowledge transfer. In the literature these concepts have earlier been used separately, providing only a partial picture of the phenomenon. As far as I know, these concepts are not used either to study professional service organisations or customer-related knowledge transfer.

I chose these concepts because I wanted to create a multi-layered description. Choosing different concepts not necessarily representing a single, coherent discourse can be seen as a challenge because underlying assumptions of those discourses may be *incommensurable*. However, in this case, the chosen concepts are at least “close relatives” and I also tried to keep the potential incommensurability in mind while examining theory and linking it with the empirical reality. Overlapping of these concepts was one issue I found, but according to my view they were not conflicting. I still think that a multi-theoretical approach was the right choice as I wanted to increase understanding on internal processes and their influence on collaborative relationships.

Using the conception of loosely coupled system combined with the concepts mentioned, as well as connecting concepts of knowledge exploitation and exploration with them, can be seen as one type of contribution which can help us understand this type of organisation from an organisational and knowledge management point of view. However, in my view the real contribution lies in combining those aspects with the idea of organisational capability development in collaborative relationship, thus in bringing that conception to the marketing discourse, and connecting it with different types of development paths and possibilities of customer value creation.

Organisational customer orientation has been discussed by some authors (e.g., Day 2000, Kotharadaman & Wilson 2000, Dubinsky *et al.* 2003). However, to my knowledge, empirically grounded studies on development processes towards collaborative orientations especially concerning the crucial role of customer-related knowledge in professional service organisations are lacking. I linked customer-related capability development to the customer-related knowledge transfer by using the concepts of double- and triple-loop learning.

8.4.2 Reliability and validity of the research

In the following, the research design and the research process is evaluated. When it comes to the evaluation of the present type of qualitative research, a variety of views can be presented about the relevance of using such criteria (e.g. Stake 1995). For example, it has been claimed that validity cannot be evaluated in qualitative research because it depends on the researcher's ability, and in that sense evaluation should be strongly intertwined with the research process itself. Thus, it is important to consider which criteria are suitable for evaluating a study based on a phenomenological paradigm, when the aim of criteria of validity and reliability is often to meet the needs of the study based on a positivist world view (e.g. Lincoln & Guba 1985). In the following I will apply the concepts of validity and reliability as – from my point of view - appropriate to the type of qualitative research.

Traditionally, in the positivist tradition, the term “construct validity” has referred to “establishing *correct operational measures* for the concepts being studied” (Yin 2003, 34). In qualitative case research this means carefully defining the focus of the study, choosing suitable concepts for the analysis, and demonstrating that the selected concepts do indeed reflect the phenomenon studied. According to Yin (2003, 34), there are three tactics to increase the construct validity in case research. Firstly, using multiple sources of evidence (triangulation) in data collection; secondly, focusing on building a chain of evidence; and thirdly, to have the draft case study reviewed by key informants.

According to my view, I formed a functional theoretical framework based on theoretical triangulation,²⁷ which offered me the tools for in-depth analysis (the contribution of this analysis was reviewed in the earlier section). Cases were chosen in order to gain a holistic understanding to the issue, and my preunderstanding of these organisations also helped in this sense. As mentioned many times, the cases were complementary because I wanted to answer both research questions thoroughly. When Auctor could not offer all the answers needed, case Factor was chosen to give additional insights.

In case Auctor, the research environment was a rich source of data, including interviews, but it also offered possibilities to use other types of data: observation (at various meetings and development seminars), and a large amount of documentation (development plans and minutes of the meetings). The data from these two sources were contrasted in the analysis phase. Thus, *data triangulation* was used as a tactic to increase

²⁷ By combining different theories, an attempt is to give a broader perspective to the analysis (Denzin 1984).

the construct validity of the research (Denzin 1984). In addition, access was quite easy because of the personal contacts I had with the people in the organisation. It can be assumed that this proximity also brought more critical views into light, which would have remained hidden if the interviewer had been previously unknown. The research process at Auctor was an intensive one and it helped me to form a holistic understanding of the phenomenon under study.

Looking from a critical point of view, it can be suggested that both closeness and intensiveness also bring along the “problem of the insider”, where the researcher identifies herself with the persons interviewed, and personal experiences are thus not easily separable from the research. During the research process I have tried to tackle this challenge by remaining conscious of it and trying to distance myself from the empirical material every now and then, in general by being reflective towards both my research process and interactions within the organisation (Gummesson 1988, 143-144). However, I would like to see my closeness to the organisation studied as a strength rather than a weakness in the sense that it really gave me access to information I would not have had in a previously unknown organisation. Also Lincoln & Guba (1985) suggest that one way to increase the credibility of the data used is to get familiar with the empirical context studied, and stay there long enough in order to be able to build a trusting relationship with the informants, and also to be able to test for potential misinformation gained. Thus, because I had a preunderstanding of this empirical context, I think it has also positively influenced the quality of data and analysis. Additionally, I accept that observation is inevitably to some extent theory-laden, as the researcher always brings along his/her “frames of meaning” to a social situation (Sayer 1992, 83).

According to the presented views, case Factor was weaker in the sense that it gave more narrow and focused knowledge of the organisation. I met the interviewees on the same day as the interview was conducted, and the evidence given by them may thus be more superficial or more “polished”, although critical views were brought up as well. The main source of information was interviews and discussions with the representatives of the organisation, although I also visited one development seminar during spring 2004. My presentation in that seminar and following discussion with the participants offered me a possibility to reflect my views with employees of the organisation, thus, to confirm my insights.

Unfortunately, interviewing customers of Factor was not possible. Customer interviews might have brought additional views to light, although considering the focus and goal of case Factor, not completing customer interviews is not, according to my understanding, a major disadvantage. However, during the process I really had to consider the role of case Factor, so that I would not overestimate its contribution in relation to the more in-depth case Auctor. I did not want to see those cases as comparable, *but complementary*. Case Factor gave additional information about knowledge transfer facilitators which case Auctor could not offer.

In both cases Auctor and Factor the *interviewees were chosen* in order to obtain a view on the phenomenon studied that was as rich and multifaceted as possible. This group included people from different positions: managers, organisation developers, experts and people responsible for developing customer relationships. These were people who deal with customer-related knowledge, although from different viewpoints. Interviewing only

managers or only experts, for example, would have offered a narrower view than I got. It would not have been the organisation level view I aimed to tackle.

In analysing the empirical evidence, it is important to maintain *the chain of evidence*, so that the reader can understand how the results have been achieved. In that sense I have tried to keep the theoretical review, the formed theoretical framework, the case description, and the case analysis and conclusions separate (to the extent this was possible considering the abductive nature of the process), in order to provide a clearer picture for the reader of their inter-connections. I hope that the arguments for the choices made in relation to theoretical and empirical aspects also have reached the reader. Several citations from interviews were used in order to support the case description and the analysis presented. In addition, in appendix 4 I have illustrated the categorisation process of the data throughout the study process; from data to theory.

Construct validity can also be increased through having the key informants review the case study report (see also “credibility of the data” by Lincoln & Guba 1985). Concerning this study, Auctor’s and Factor’s representatives reviewed and commented on the written case report before its publication. Those discussions were extremely beneficial for me and gave me a feeling of security in relation to my data, analysis and findings. In addition, most of the interviewees were asked to review and comment on the transcript of the interview. However, not a single comment considering the actual content of the discussion was received. In the more sensitive case Auctor I also offered a possibility for informants to check the citations used from their own interview. Only three informants were willing to use that option. I personally met them and presented them with a manuscript. I have also presented the key findings at one seminar of both organisations. Discussions with the personnel at those gatherings confirmed my interpretation of the tendencies in these organisations to be correct.

Internal validity refers to establishing a causal relationship whereby certain conditions are shown to lead to other conditions, as distinguished from a spurious relationship (Yin 2003, 34). According to Yin (2003), this is more relevant for explanatory or causal studies than for descriptive or exploratory studies like the present one. In that sense, internal validity was not intensively considered.

External validity refers to establishing the domain to which the findings can be generalised (Yin 2003, 34). However, generalisation in its traditional meaning is not relevant when evaluating a qualitative case study. When it comes to this type of study, it is more appropriate to use the term “analytical generalisation” instead of the traditional “statistical generalisation”. It means that the aim is to generalise a particular set of results to some broader theory, not to a large population (Yin 2003, 37). Thus, in other words, it can be understood in terms of how successful a study is in producing new insights into the phenomenon studied (Tsoukas 1989). (In the previous section I have evaluated the contribution created). Considering the present study, the aim has been to model the customer-related knowledge utilisation and related knowledge transfer processes in the specific context of professional service organisations, and in the specific situation of collaborative relationship. Thus, these results are context-bound, applicable above all to the type of organisations in similar kinds of situations.

However, there is no reason why *transferability* of these results to other contexts should not be discussed at this point without making any strict claims. Lincoln and Guba (1985, 124, 316) argue that transferability of research results is grounded in the case

description. Thus, in this study detailed case reporting gives the reader an opportunity to consider the transferability of these results to different contexts. In my opinion, this study can help in increasing readers' understanding on customer-related knowledge utilisation especially if the context has a certain level of fragmentation, which was also inherent for the case organisations of this study. The type of fragmentation can be inherent for many kinds of professional organisations (law firms with different expertise areas, advertising agencies etc.), but also for multi-national organisations, for example, because of geographical and cultural distance between subgroups of the organisation. This study can also give further understanding of customer-relationship coordination for those dealing with project-based businesses (e.g. construction business) where customer relationships may be seen as being compatible with the project, and customer relationship coordination above the project-level is easily forgotten. I think that findings related to coupling processes in these fragmented organisations can increase our understanding of customer-related knowledge utilisation in collaborative relationships in many contexts. For example, detailed descriptions on practices of key account management system can help many organisations in planning their relationship coordination system, keeping the customer-related knowledge transfer issues in mind.

Reliability demonstrates that the research operations, such as data collection, can be repeated with the same results (Yin 2003, 34). My aim to increase the reliability of the study has been to present quite large descriptive parts of the data collection and results, and in that way to make the research process accessible to the readers and also to their own interpretations. Therefore, e.g. direct citations were often used, and the process from data to theory described. Likewise, an effort has been to describe the different sources of information in as much detail as possible. The other procedures followed in this research are also documented, interviews transcribed and research material archived. Although the interviews were carried out in a free manner to give the interviewees the opportunity to speak freely and in that way to give rich insights, a list of critical issues which had to be covered was used during those discussions. According to my view, more structured interviews might have narrowed the views presented, and thus the interconnections between phenomena might have been overlooked.

This type of qualitative research includes a great deal of interpretation on the part of the researcher. Thus, it is quite daring to say that this study could be repeated with exactly the same results. From my point of view, such an aim was not even desirable. Therefore, I have chosen to use the reliability criteria in the sense that with the help of my description the reader would have a possibility to follow the conduction of the study and evaluate how trustworthy it has been from his/her point of view.

8.5 Limitations of the study and avenues for the future research

Selecting the case study research strategy brings forth limitations as far as the statistical generalisation of the results is concerned. However, by understanding these in-depth cases, we are able to learn about the phenomenon in a wider sense. By this I mean analytical generalisation. In future research, a multiple case study design including more professional organisations would enable the development of the descriptions formed.

In addition, this multiple case design could be based on comparison. This occurred to me because a couple of interesting ideas arose from the differences mentioned between the case-organisations. For example, from the theoretical point of view it would be interesting to see what external fragmentation, e.g. serving wide variety of industries in the same professional organisation, causes for a professional service organisation and its internal cohesion. Is the cohesion really better when customers come from the same industry, as seemed to be the case in this study? In addition, it would be interesting to examine more closely what differences in the traditions of the organisation, the nature of its service and customers, influence the knowledge transfer capabilities of the organisation, since capability development is considered to be path-dependant. For example, considering the cases Auctor and Factor: how do differences in their codification traditions influence organisational ability to share knowledge in its different forms?

This study was conducted in a consultancy and training business in which building collaborative relationships seemed to be a particularly relevant issue, as a result of an outsourcing trend and ever more complex customer needs. One important aspect which rose from the empirical evidence was the meaning of relationship-specific organisations as knowledge transfer facilitators in this specific context. Studying other professional service industries, such as the advertising industry, where customer contact has traditionally been organised around account managers and account teams, might give further understanding of customer-related knowledge transfer, relationship-specific systems and their management.

As mentioned many times, *this study is context-bound*. Thus, its analytical generalisations are prevalent only in the specific context of professional service organisations. In future research it would be interesting to see how this same phenomenon of customer-related knowledge utilisation and related knowledge transfer facilitators and inhibitors could be described and modelled in other industries. It would be extremely interesting to know what type of challenges are prevalent in other contexts. For example, how does the outer context influence the internal reality of an organisation (e.g. comparison between organisations in hypercompetitive or more stable environments).

There were certain temporal limitations concerning the analysis presented of capability development of professional organisation towards collaborative orientation. The research period was quite short in terms of trying to capture the time-consuming process of generative learning. For example, without a doubt the renewal of dominant logic takes much longer than the renewal of IT systems, but what does it really mean? Five years or a change of generation?

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- Additional
Talouselämä 27.8.2004

Appendices

Appendix 1 List of secondary data used in the empirical study

Appendix 2 Workshops and development meetings attended

Appendix 3 Interview themes

Appendix 4 Data categorisation

Appendix 1 List of secondary data used in the empirical study

Table A1.1. Documentation of Auctor

Source of information	Type of the document	Time
Steering group	Precontract	19.8.1999
Steering group	IT-development plan	21.3.2000
Steering group	Memo of the meeting	27.3.2000
Steering group	Memo of the meeting	2.5.2000
Steering group	Draft of the pricing principles	3.6.2000
Steering group	Goals 2000-2001	11.8.2000
Steering group	Memo of the meeting	17.8.2000
Steering group	Vision meeting memo	25.8.2000
Steering group	Memo of the meeting	30.10.2000
Steering group	Memo of the meeting	19.12.2000
Steering group	Development plan	19.12.2000
Steering group	Goals/spring 2001-Autumn 2001	5.2.2001
Steering group	Memo of the meeting	5.2.2001
Steering group	Memo of the meeting	3.4.2001
Steering group	Goals 2001-2002	3.4.2001
Steering group	Development plan	3.4.2001
Steering group	Memo of the steering group	11.6.2001
Steering group	Service usage report	summer 2001
Steering group	Memo of the steering group	27.8.2001
Steering group	Plan of expertise usage and resources	27.8.2001
Steering group	Areas of education needs	27.8.2001
Steering group	New contract	16.10.2001
Steering group	Memo of the meeting	23.10.2001
Steering group	Memo of the meeting	11.12.2001
Steering group	Memo of the meeting	13.3.2002
Steering group	Memo of the meeting	10.12.2002
Steering group	Special contract with Solator of cooperation	17.2.2003
Steering group	New contract between all the parties	3.2.2003
Project group/operative	Memo of the meeting	17.2.2000
Project group	Memo of the meeting	20.4.2000
Project group	Goals and plans	20.4.2000
Project group	Educational programs for the autumn 2000	20.4.2000
Project group	A plan about the structure of intranet	20.4.2000
Project group	Memo of the project group	7.6.2000
Project group	Goals and plan for autumn 2000-autumn 2001	10.8.2000
Project group	Memo of the meeting	20.9.2000
Project group	Memo of the meeting	25.10.2000
Project group	Memo of the meeting	22.11.2000

Source of information	Type of the document	Time
Project group	Cooperation contract with a subcontractor	15.12.2000
Project group	Plan for the year 2001	19.12.2000
Project group	E-learning plan	Beginning of 2001
Project group	Goals for marketing, development, IT and metrics	5.2.2001
Project group	Memo of the meeting	19.3.2001
Project group	Plan for marketing, development, IT and metrics	10.5.2001
Project group	Memo of the meeting	19.6.2001
Project group	Resource plan	27.8.2001
Project group	Educational areas used	27.8.2001
Project group	Plan for marketing, development, IT and metrics	25.9.2001
Project group	Memo of the meeting	2.5.2002

Table A1.2. Notes from meetings attended, development plans, additional memos and other secondary sources of information

Source of information/meeting	Type of the document	Time
Auctor	Strategy 2002-2005	End of year 2001
Auctor	Strategy development day/material	26.3.2002
Auctor	Operative plan for 2003	9.12.2002
Auctor	Draft of strategy 2003-2006	11.8.2003
Auctor	Change plan; new organisational design	25.2.2003
Auctor	Notes from the meeting of leadership group	10.4.2003
Auctor	Notes from the internal development seminar	15.4.2003
Auctor	Notes from CRM development seminar	11.6.2003
Auctor	Material of CRM development seminar	11.6.2003
Auctor	Development plan for Auctor's CRM	11.6.2003
Auctor	Notes from meeting of strat. part. group	14.8.2003
Auctor	Book about the history of Auctor	
Auctor	Web-pages	
Factor	Web-pages	

Appendix 2 Workshops and development meetings attended

Table A2.1. Attended meetings and development seminar

Source of information	Type of the occasion	Time
Auctor	Development seminar	26.3.2002
Auctor	Meeting of the “leadership” group	10.4.2003
Auctor	Internal development seminar	15.4.2003
Auctor	CRM development seminar for Auctor’s personnel	11.6.2003
Auctor	CRM development meeting for strat.part. group	14.8.2003
Auctor	Development seminar with Solator and Promotum	5.5.2004
Factor	CRM Development seminar, presentation	26.5.2004

Appendix 3 Interview themes

First phase: internal interviews at Auctor in March 2002.

Interviews were conducted in a free manner. However, the following themes were included in the interviews:

- What has been your role in this co-operation?
- How would you define a partnership with a customer?
- How this co-operation has progressed?
- What are the concrete changes which have happened at Auctor because of this new type of customer cooperation?
- Are there concrete systems which are built because of this cooperation, e.g. IT-systems?
- How this kind of cooperation appear in operational processes of Auctor?
- Can you define other changes which have happened because of this cooperation, e.g. changes in organisational structure or culture?
- What are the main challenges Auctor faces because of this new type of customer co-operation?
- How have Auctor succeeded in the cooperation?
- Why have Auctor succeeded/why not?
- What type of services customer uses?
- What do you think this customer values?
- Other themes you consider important?

Second phase: customer interviews in Promotum and Solator in Autumn 2002

- What has been your role in this co-operation?
- What this partnership includes?
- How this co-operation has progressed?
- How Auctor has been capable of meeting your expectations?
- How Auctor has been capable of meeting the goals of the cooperation?
- Why it has been capable/why not?
- Has Auctor developed its activities along the co-operation?
- How do you see the future of this co-operation?

Third phase: additional interviews at Auctor (managers), in February 2003

- Would you tell the story of the co-operation in brief?
- Can you tell about the latest developments?
- What kind of challenges have you lately met in the co-operation and internally at Auctor?

(consultants) in February 2003

- Would you first tell me about your expertise area

- Can you tell me about your work in general, e.g. how is your ordinary day at work?
- With whom do you co-operate internally at Auctor? How do you co-operate?
- How do you co-operate with your customers?
- Do you use IT-systems in your work?
- How do you share information about customers and/or other type of information with the colleagues?
- What do you think of the management system of Auctor?
- What kind of culture you have at Auctor?
- What do you think of the former organisational changes?

Fourth phase: interviews in Factor in March 2003:

- Tell me about your work/area of expertise
- How do you work?
- With whom do you work?
- How do you share information about customers and/or other type of information with the colleagues?
- How are customer projects conducted?
- What are the roles of different actors in those projects?
- How customer relationships are coordinated above the project level?
- How would you define your organisational culture?
- How would you define the latest developments in your organisation?

Appendix 4 Data categorisation

