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# FACTORS INFLUENCING ORGANIZATIONAL KNOWLEDGE MANAGEMENT

– Knowledge transfer in two local finance companies

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Competitive advantage can be achieved in an organization by recognizing knowledge and skills that are critical for the business. Tacit knowledge is personal, context specific knowledge that individual gains through experience. Sharing tacit knowledge to other members strengthens the organization as a whole and creates competitive advantage that is crucial in the competition of today's market.

The aim of this study is to investigate the views of the management of finance companies towards tacit knowledge as well as methods and challenges in its transfer. A fundamental factor for the success of an organization is its members' ability and attitude to share knowledge inside the organization. Organization and management can contribute to knowledge transfer with their own actions.

The empirical data was created by examining and analyzing theoretical framework together with the research results. Secondary data such as books, articles and electronic sources were used to collect that framework. Empiric framework was executed with qualitative research by interviewing participants with questions that were formulated by analyzing the theoretical framework.

The results showed that motivational and attitudinal factors influence knowledge transfer as well as gaining new knowledge. Also previously acquired knowledge affects internalization of new knowledge. Organization can enhance knowledge transfer by its culture and incentive systems. Finance field was not considered to be directly dependent on amount of knowledge but the accuracy of knowledge matters which is why knowledge transfer was considered to be an ongoing process.


KEYWORDS:

Knowledge management, tacit knowledge, transfer of knowledge, qualitative research, finance company.

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# ORGANISAATIOIDEN TIETÄMYKSEN HALLINTAAN VAIKUTTAVAT TEKIJÄT

Organisaation kilpailukyky varmistetaan tunnistamalla liiketoiminnan kannalta olennainen tietämys ja taidot. Tietämystä on jaettava ja hyödynnettävä toiminnan kehittämisessä. Hiljainen tieto on yksilöllistä, kokemusperäistä ja ajan myötä kertynyttä tietämystä, joka jaettuna kaikkien organisaation jäsenten käyttöön vahvistaa koko organisaatiota ja mahdollistaa tavoitellun kilpailuedun kiristyneillä markkinoilla.

Tämän opinnäytetyön tarkoituksena on tutkia rahoitusalan esimiesten näkemyksiä hiljaisesta tiedosta ja siihen liittyvistä siirtämisen keinoista ja haasteista. Olennaista työyhteisön menestymiselle on jäsenten kyky ja halu jakaa organisaatiossa olevaa tietoa, jota organisaation johto ja esimiehet voivat toiminnallaan tukea.

Tutkimuksen empiirinen runko on luotu tutkimalla ja analysoimalla teoreettista osuutta yhdessä haastatteluista saaduilla tuloksilla. Aineiston keruuseen on käytetty sekundaarisia lähteitä, kuten kirjoja, artikkeleita ja sähköisiä aineistoja. Laadullinen tutkimus toteutettiin haastattelemalla kahta rahoitusalan esimiestä.

Tutkimuksen tuloksena oli, että motivaatio ja asenteelliset tekijät vaikuttavat niin tiedon siirtoon kuin uuden tiedon etsimiseen. Myös aiemmin omattu tieto vaikuttaa uuden tiedon sisäistämiseen. Organisaatio voi kulttuurillaan ja palkkiojärjestelmällään edistää tiedon siirtoa. Rahoitusalan ei suoranaisesti koettu olevan riippuvainen tiedon määrästä, mutta tiedon tulisi olla ajan tasalla, minkä vuoksi tiedonsiirtoa pidetään jatkuvana prosessina.

ASIASANAT:

Tietämyksenhallinta, hiljainen tieto, tiedon siirtäminen, laadullinen tutkimus, rahoitusyhtiö.

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# 1 INTRODUCTION

According to DeNisi et al. (2003, p.6) "Human capital expansively means; the collective skills, knowledge, or other that can be used to create economic value for the individuals, their employers or their community."

During the industrial age human capital was valued because its physical resources such as strength, endurance, and dexterity – in the current economic landscape, human capital is more likely to be valued for knowledge and social skills of an individual. Competitive advantage cannot be achieved only acquiring individuals who have such attributes. It is also necessary to develop structures, systems and strategies that allow the organization to exploit those resources. (DeNisi et al. 2003, p.6-7.)

There are three primary reasons to understand the competitive dynamics of human capital and knowledge management (later referred as KM). Firstly, it helps a company to differentiate itself from its competitors since human capital assets are unique and heterogeneous. Secondly, it embeds individual's social and professional networks which might be fatal to business in case lost. Thirdly, knowledge is built over a time which means that time and money is invested to it. (Virtainlahti 2009, p.13-14; Desouza 2007, p.6-9.) DeNisi et al. (2003, p.12-15) argue that competitive advantages that are sustained over time lead to higher performance.

KM is placing increasing emphasis on organizational culture, structure and systems that facilitate the flow of knowledge between people. Knowledge acquisition, reuse and creation, and the overall effectiveness of organizations' KM activities are vital in creating and sustaining the competitive advantage of an organization. (Rhodes et al. 2008, p.85.)

KM literature theorizes knowledge to two typologies: explicit and tacit. Explicit knowledge represents knowledge that is impersonal and can be codified in a tangible form which makes it easy to share. Tacit knowledge is difficult to express in words or codify in documentation because it includes both physical and cognitive skills. The main characteristic of tacit knowledge is that it is personal

and it even may be subconscious which makes it difficult to articulate and share. (Hislop 2013, p.21.)

Cook and Brown (1999, p.383-384) argue that distinction between two concepts needs to be conceptually clear in order to recognize, support and harness different forms of work that requires use of knowledge. In practice, each form of knowledge serves a function that the other cannot. However, each form of knowledge can be used as an aid to acquire the other. Two epistemologies; practice and objectivist-based together with Nonaka's knowledge creation theory are explained to understand the nature of knowledge and how it influences management activities (Hislop 2002, p. 169).

## 1.1 Motivation behind the thesis

Kim and Mauborgne (1998, p.323) note that: "knowledge is a resource locked in the human mind". As a researcher who addresses knowledge to be an asset, I am hoping that my research will help me to identify what is considered to be valuable knowledge and what kind of mechanisms are used to managing it effectively. My management studies and working experience have proved me that people are extremely challenging objects because they have feelings and their own will. Investigating factors influencing knowledge transfer will hopefully give me some sense of direction of how human assets are perceived and managed in the finance field, where I am planning to head after my master's studies.

Another reason for addressing knowledge as my research perspective is a desire to represent my ability to utilize skills and knowledge acquired from my management studies. I have gained factual and conceptual knowledge from my education and hopefully this research will deeper my procedural knowledge which I could utilize when entering work life.

## 1.2 Case companies

According to Empson (2001, p.811-814) the category of knowledge intensive firm includes organizations that not only have the number of knowledge workers

but the amount of effective use of knowledge. Professional service firms, such as finance and consulting have been recognized due to their unique combination of experiences and intuition. This combination is argued to provide them an ability to offer customized solution to their clients' problems. Therefore, two following companies were chosen as target companies for my research.

Due to request to stay anonymous from the first company, it will be referred as Case Company X (later CX). It is a Finnish privately held investment firm which offers high-quality and easily manageable saving and investment solutions. Case Company X serves nationally at 25 branches with more than 300 investment professionals. Its services have been used by more than 60,000 customers and, in total their customers have invested more than 1.5 billion euros. In 2014 Case Company X's turnover was 25.7 million euros. (Case Company X, n.d.)

Vauraus Ltd. (later VT) is a Finnish public company founded in 2011. They offer investment solutions to crowdfund start-up businesses and small and medium-size enterprises. Vauraus has about 40 employees and it currently operates in Helsinki, Espoo, Oulu, Pori and Turku. In 2014 Vauraus's clients have invested over 18 million euros to new promising growth companies with the credit loss of 0%. (Vauraus, n.d.)


1.3 Objectives of the thesis and research questions


This thesis initially introduces factors associated with KM and their applications within the organizations (see picture 1). This study attempts to understand motives of human behavior in knowledge transfer by examining socio-cultural factors that influence the ability and attitude towards knowledge transfer. Theoretical framework embraces the idea that knowledge is not ultimately amendable to management's control but it can enhance that process with a KM strategy.

In the qualitative research, Case Companies' KM activities are studied in both organizational and managerial level by investigating procedures and methods that they use to promote knowledge transfer. Research questions are formed to

give a clear and updated opinion about factors influencing KM activities in the finance field. Research scope is examined from management's point of view.

Research questions:

1.  How knowledge is shared within the case organizations?

2. Which factors influence knowledge management and sharing?

3. Are some of those factors more influential than others?
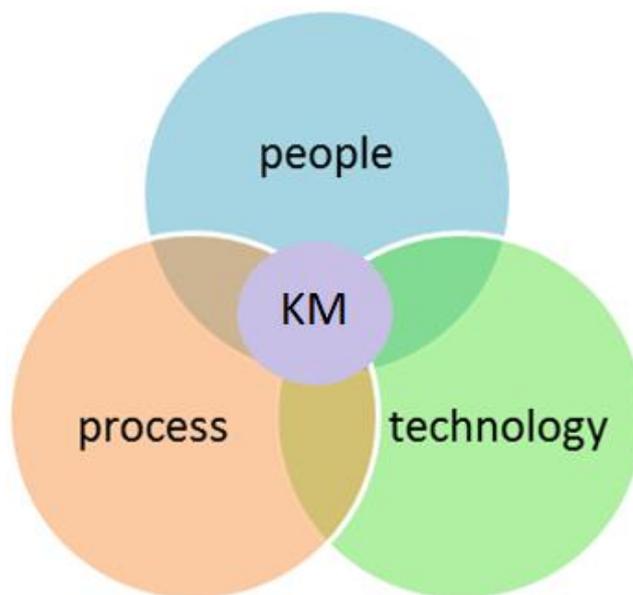


Picture 1. KM activities (Malhotra 2005, p.8)

1.4 Structure of the thesis

This bachelor thesis consists of five chapters. It begins with an introduction to the theoretical frame by explaining differences between two types of knowledge; tacit end explicit. Two epistemologies and Nonaka's knowledge creation are presented to understand the nature of knowledge and how it influences management activities. In the next section, concept KM strategy is introduced to provide understanding how organizations can influence and enhance their knowledge transfer processes. Individual and group level factors as well as challenges in knowledge transfer are also examined in chapter 2.

Chapter 3 focuses on the research methodology chosen for the study. Also reliability and validity of the research are evaluated. The final two chapters present findings and analysis of the data received from the Case Companies. Conclusions and further research suggestions that came to mind during the research process are also proposed. Literature sources used for theoretical framework and appendices used in research are presented in the end.

# 2 KNOWLEDGE

Since the ancient Greek period, people have searched for an answer to the question "What is knowledge?" Philosophers Plato (427-346 B.C) and his student Aristotle (384-322 B.C) introduced concept knowledge as 'justified true belief'. (Virtainlahti 2009, p.31.) Current and modern definition for knowledge, according to Oxford Dictionary (2014), is "facts, information, and skills acquired by person through experience or education" and "theoretical or practical understanding of a subject."

## 2.1 Types of knowledge

| Tacit Knowledge | Explicit Knowledge |
| --- | --- |
| • Inexpressible in a codifiable form<br>• Subjective<br>• Personal<br>• Context Specific<br>• Difficult to share | • Codifiable<br>• Objective<br>• Impersonal<br>• Context independent<br>• Easy to share |

Picture 2. The Characteristics of Tacit and Explicit Knowledge (Hislop 2013, p.21)

Within business and KM two types of knowledge are usually defined; tacit and explicit (see picture 2). Explicit knowledge regarded as an objective assumes that knowledge can be developed and understood free from individual subjectivity (Hislop 2002, p.167). Explicit knowledge presents knowledge that can be codified in a tangible form, and as a consequence it can be communicated easily (Koskinen 2003, p.69). Knowledge can be stored and transferred through documents, diagrams, computer systems or text-based manuals (Virtainlahti 2009, p.91-91).

Tacit knowledge on the other hand combines the idea that Polanyi suggested in 1969 that "we know more than we can tell" (See Hislop 2002, p. 172). Nonaka and Takeuchi (1994, p.16) define tacit knowledge as a form of knowledge that people possess because it is influenced by physical skills and cognitive frame-

works. Tacit knowledge being highly personal and deeply rooted in individual experiences, values and emotions makes it difficult to express in words or to codify in documentation (Roberts 2000, p.431). Sharing embodied knowledge successfully requires communication and collaboration of individuals (Hislop 2002, p.169).

As a concept, KM has changed from popularity of being a fashionable topic to now being a cornerstone of organizations' strategic and management processes (Malhotra 2005, p.8). KM is a formal process of determining which information could be used to benefit a company and ensuring that this information is easily made available for those who need it. The use of KM systems has grown substantially from the past, because organizations' economic, strategic and innovation performance highly relies on the degree how organization is able to use knowledge. (Harlow 2008, p.149-150.)

KM is a strategic process for capturing, developing and sharing knowledge to enhance organizational learning and performance. It should be seen as a process not as a method, which organization can use to achieve short and long term approaches to use knowledge within the company. (Virtainlahti 2009, p.68-69.) Knowledge management system (KMS) allows organizations to create, store and share both tacit and explicit knowledge by using technology and other methods (Harlow 2008, p.150).

2.2 Epistemologies of knowledge

To provide an overview about the nature of knowledge and how it influences KM activities, two epistemologies: practice-based and objectivist-based perspectives are presented in the following section. In addition to these two epistemologies, Nonaka's knowledge creation model is presented to embrace the idea that knowledge transfer should be seen as a continual process. (Hislop 2010, p.17-27).

### 2.2.1 Objective based perspective

The most fundamental feature of objective based perspective is that knowledge can be conceptualized as a discrete entity and it is free from individual subjectivity (Hislop 2013, p.17). McAdam and McCreedy (1999, p.93-94) support this theory by defining "knowledge is truth" which means that knowledge is not dependent on personal characteristics such as culture or language or the subjective insights such as intuitions or hunches. Within the objectivist epistemological framework there is an 'either/or' logic to knowledge separation with knowledge being regarded as either tacit or explicit. Epistemology however, privileges explicit knowledge over tacit knowledge due to its nature.

Explicit knowledge can be codified and separated from people who may be creating, developing and/or utilizing it. Knowledge assumed to be externalized from people into a separate and discrete entity facilitates straightforward model for knowledge transfer. It is a simple model, where receiver takes knowledge from sender and is able to understand it without any form of interaction with the sender. Information technology plays an important role in this theory. (Hislop 2002, p.166.)

Wei-Li et al. (2007, p.327) remind that even organizations with excellent communication technology fail in their knowledge transfer processes because in order to share knowledge, it requires willingness from the source that holds the knowledge. Hislop (2002, p.165) also argues that technology neglects social and cultural factors, because context of the knowledge is shaped by both the receiver and the sender. Knowledge shaped by both parties may lead to an outcome that knowledge is not understood or recognized which is in contradictory with McAdam and McCreedy's theory.

### 2.2.2 Practice-based perspective

While the objectivist perspective argues that tacit and explicit knowledge represent two distinct and separate types of knowledge, practice-based perspective suggests that they are inseparable and mutually constituted (Tsoukas 1996,

p.17-19). According to Virtainlahti (2009, p. 42-45) Polanyi (1958) was a theorist who believed that all knowing is personal. He also believed that tacit and explicit knowledge should not be separated into separate forms since all knowledge is 'either tacit or rooted in tacit knowledge'. There are two dimensions in his work to explain this theory; tacit knowledge and focal knowledge. Individual first uses its focal knowledge which means that object or phenomenon that is focused is visible (explicit). In order to handle or improve such object, person has to use tacit knowledge. Polanyi's conclusion was that both forms of knowledge are vital parts of understanding and using knowledge as a whole.

Practice-based theory follows Polanyi's work by arguing that knowledge is inseparable from human activity that is also referred as knowledgeable activity. Knowing and doing is a fused activity involving the use of a body together with cognitive abilities which most of the time cannot be separated. Financial advisors and consults were recognized for this activity where they use a combination of experiences and intuition. Therefore development of tacit knowledge is an ongoing process that develops as a person conducts routines and activities which makes it difficult to fully articulate or make explicit. Acquiring and sharing such knowledge requires communication and interaction between individuals. (Hislop 2013, p.36.)

Virtainlahti (2009, p.55-57) presents a study to support the argument that knowledge is embodied by investigating employees in the paper mill industry. She explains how explicit knowledge, such as instructions, can be transferred to a new employee in order to run the machines. But to fully understand or keep the mill running cognitive knowledge is also required. Intuitions and five senses are used to notice if something is wrong, for example by the smell of the cellulose pulp. Tacit and explicit knowledge alone are insufficient in acquiring the ability to run the paper mills. Cook and Brown (1999, p.93-95) argue that the previous scenario only enables 'knowing' rather than 'knowledge', which can only be gained through practice.

Embedded knowledge can also be linked to tacit knowledge that individual has gained through social and professional networks. People in finance most likely collaborate with their customers over extended periods which could help them

to acquire cognitive knowledge about their customers' preferences and motives to invest. This type of embedded knowledge could play an important role in the success of the organization.

In contrast to objectivist based epistemology, practice based perspective argues that knowledge is socially constructed and it is highly subjective. Constructed nature of knowledge applies to both its sender and receiver. A written report is a piece of partially explicit knowledge whose meaning is constructed by its author. Different readers may however infer different meaning and analysis of it because their interpretation is shaped by their tacit knowledge. (Hislop 2013, p.38.) Polanyi (1969) describes these two processes as sense giving and sense reading. This theory questions the objectivist based straightforward model for transferring knowledge without an actual interaction between the parties. (Hislop 2002, p.171.)

Another aspect that challenges objectivist perspective is that social and cultural values play a role in the nature of knowledge. Hislop (2002, p.171) argues that knowledge is never totally neutral and unbiased, and it is to some extent inseparable from the values of those who produce it. Language, time and culture can change also the perceiving person's interpretation which may infer a different meaning and analysis of the original knowledge.

2.2.3 Nonaka's knowledge creation theory

Nonaka's (1994, p.18-19) knowledge creation theory follows objective and practice-based theory by combining them into one larger theory. There are three fundamental elements to Nonaka's theory of which the first one is basic definition of knowledge being justified as 'true belief'. As practice-based theory suggested, socio-cultural values have an impact on knowledge which follows Nonaka's belief that 'being true' is shaped by individuals experience and interaction with the world.

More accurately, people's true beliefs emerge from a process of dialogue with others, where people's knowledge is born from the multiple perspectives of human action. (Nonaka 1994, p.19.) In finance these types of dialogues are more

like really important in terms of providing knowledge to investors. Clients' own personal beliefs, such as uncertainty about the target company, could be changed after receiving new knowledge from interacting with an investor.

Second element in the model presents an idea that knowledge gives people the ability to define and understand situations and act accordingly. Nonaka has created a SECI-model (see picture 3) to explain knowledge creation but it also embraces a continual dialogue between explicit and tacit and how knowledge can be transferred by converting it from tacit to explicit and vice versa. Even though, there is a distinction between tacit and explicit knowledge, both elements are considered important in terms of interaction. Model also highlights the importance of an ongoing process which enables a continuum for effective use of knowledge. (Nonaka and Takeuchi 1995, p. 70.) Knowledge was argued to be a critical factor for the success of professional service firms, such as finance. Therefore, continual knowledge flows between employees are more likely highly valued in finance sector.

As noted before, organization cannot create knowledge by itself but it should facilitate an environment where knowledge acquisition, reuse and creation are possible. Ba is a Japanese concept originally created by Nishida Kitaro and further developed by Nonaka which refers to a space and context that are important elements in knowledge creation model. Concept Ba includes shared physical spaces where people can create knowledge through face-to-face collaboration. It also includes virtual spaces where people communicate, such as e-mail. Further, Ba also refers to shared mental space where knowledge about common assumptions, values and practices can be developed and shared. (Nonaka and Nishiguchi 2001, p.18-21.)
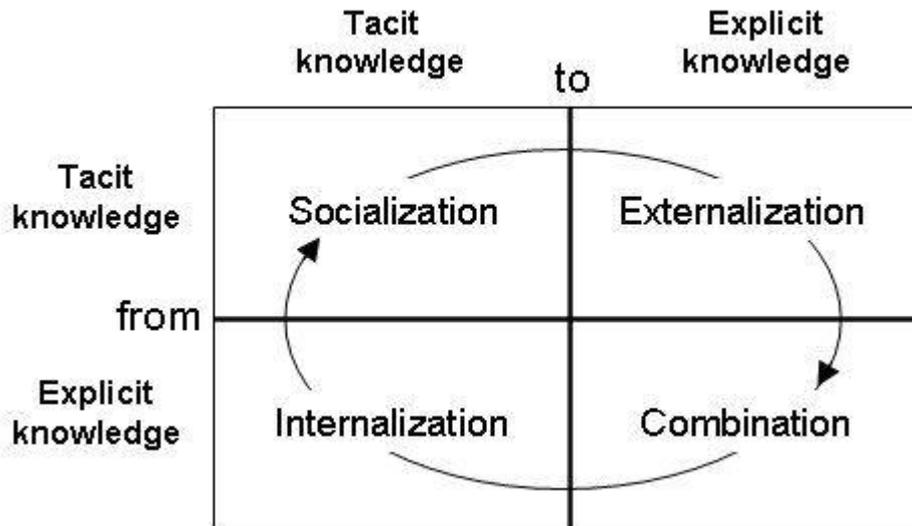
Picture 3. Four modes of knowledge conversion (Nonaka and Takeuchi 1995, p.62)

Socialization in the model refers to an impulse of individuals to collaborate and communicate with others on a daily basis in order to share knowledge from individual to another. New member of a work group can, for example, acquire tacit knowledge held by the group by cooperative working or observing others. The key for acquiring tacit knowledge is experience. Transfer of knowledge will often make little sense unless person has some level form of shared experience with the abstracted situation. Language is not however compulsory in this phase because apprentices can learn from their mentors by observing, imitating and practicing. Over the extended period people will develop common system values through socialization but also working procedures that company wishes to practice. (Nonaka and Takeuchi 1995, p. 62.)

Second process of knowledge is externalization, where knowledge is transferred from individual to a group by transforming knowledge from tacit to explicit form. Individuals exchange knowledge by articulating and communicating with models, images and language. In this phase, personal interaction methods, such as dialogue and metaphors are also important because that way individual can clarify its beliefs or even being challenged by peers. (Nonaka and Takeuchi 1995, p. 61.) Accomplishments in finance are probably measured in personal level since they more likely serve their customers individually not in groups. Ex-

ternalization allows individuals to improve and adapt new procedures from others which they can later utilize either in individual or group level.

Combination refers to a movement where explicit knowledge is transferred from the level of the group to the level of the organization. Individuals exchange and combine knowledge through exchange channels, such as meetings, telephone conversations or computerized networks. Further, it involves explicit knowledge to become formalized where procedures and rules of working environment are shared. (Nonaka and Takeuchi 1995, p. 62.)

The fourth level is internalization where knowledge is converted from explicit to tacit form. This is where knowledge transfers from organization level to an individual level. Absorption and embodiment have occurred through earlier phases, as well as, in the fourth phase which results that individual no longer have to utilize the explicit knowledge that has shaped their tacit knowledge. In the end, previously transferred tacit and explicit knowledge now becomes purely tacit that person holds. (Nonaka and Takeuchi 1995, p. 69.)

## 2.3 Knowledge Management

Practice-based theory's assumption was that knowledge cannot be codified into a discrete entity as it is deeply embodied in people and simultaneously embedded in and inseparable from people's work practices. According to Nonaka (1994, p.17), knowledge is fundamentally created by individuals collaborating and carrying out their work. Tsoukas (1996, p.22-23) sums these assumptions up;

> *"the key to achieving coordinated action does not so much depend on those 'higher up' collecting more and more knowledge, as on those 'lower down' finding more and more ways to get connected and interrelating the knowledge each one has".*

From the management's point of view it means that knowledge is not regarded as something that can be directly managed but requires interpersonal commu-

nication and collaboration between people. Further, practitioners of KM should embrace the idea that knowledge is not ultimately amendable to management's control. (Hislop 2013, p.16)

2.3.1 Knowledge management strategy

The effectiveness of knowledge transfer is influenced by key organizational factors such as strategy, structure, culture and technology. The essential question relates to how organizations process and transfer both explicit and tacit knowledge effectively and how organizational factors can enhance that process. (Rhodes et al. 2008, p.85.) The primary reasons for knowledge transfer are; acquisition of knowledge, knowledge reuse and knowledge creation. To conclude, KM intends to improve the 'wisdom' of the organization to obtain increased innovation, performance and sustainable competitive advantage. (Storey & Barnett 2000, p.153-155.)

| Stage Number | Stage Title | Actions |
|---|---|---|
| 1 | Clarify strategy | Decide on the generic strategy to be used and get buy in to it from senior management |
| 2 | Identify strategic themes | Determine the activities that are key to achieving this strategy |
| 3 | Identify knowledge resources | Identify the role of knowledge resource in the activities which are key to agreed strategy |
| 4 | Evaluate knowledge resources | Evaluate whether the firm's existing knowledge resources are adequate to allow the effective execution of the firm's strategic activities |
| 5 | Knowledge decision | Decide what actions are necessary to develop and/or sustain the firm's knowledge resources |

Picture 4. Model of Knowledge-Based Strategy-Making Processes (Massingham 2004)

One of the knowledge-based strategies (see picture 4) was created by Massingham (2004), where different stages of the model are explained in a chronological order that company should follow in order to implement and use KM within the organization. Factors influencing organizational approaches to take actions towards KM are built by the organization itself. It means that each company chooses and carries individual business strategy and its approach to KM. (Rhodes et al. 2008, p.84.)

According to Business dictionary (2015) vision is "the aspirational description what an organization would like to achieve or accomplish. It is intended to serve as a clear guide for choosing current and future courses of action." Virtainlahti (2009, p. 63) adds that in order to truly accomplish desired vision it must be commonly shared and admitted by every worker.

Vision also includes norms, beliefs and behavior that are wished to be followed by the members of an organization. This type of concept is referred to organizational culture. Gary Dessler (2013 p.492) summarizes organizational culture to be "the characteristic values, traditions and behaviors a company's employees share." In order to include KM activities to organization's culture it is first important to create this type of activity as a part of the organization culture. Also rather than informing and sharing those values among workers, organization should have a strategy how such culture can be maintained and encouraged in everyday activities. (Hislop 2013, p.51.)

Organization's vision is carried by creating and implementing a strategy which begins with setting the objectives (Massingham 2004, p.50-51). According to Hokkanen and Strömberg (2003, p. 265) company who is determining their objectives should have an answer to the question; "what we must do to achieve our goals tomorrow, and how about next week?" Also if current strategies do not lead to the expected results, company should modify its strategy by creating something new or better.

The characteristics and nature of the environment that business operates in will affect its approach to KM strategy. Global multinational companies are, for example more likely to face the challenge of sharing knowledge between workers from different cultures than local SMEs. Knowledge intensive work suggests

that labor market shortages in a particular sector can make it easy for knowledge workers to move between firms where retaining such workers can be considered as an important element of organization's KM strategy. Knowledge-intensive companies, such as pharmaceutical, IT and software, knowledge loss can be fatal because the competitive advantage is gained through knowledge creation. (Hislop 2013, p. 73.)

Considering the characteristics of knowledge-intensive firms and how to define them, it is important to understand that not only are there a wide range of different companies labelled as knowledge intensive but also there are no consensus how to define a knowledge intensive firm. Alvesson (2001, p.863-864) defines them as "companies where most work can be said to be of an intellectual nature and where well qualified employees form the major part of the workforce". Carneiro (2000, p.88) and Massingham (2014, p.57-58) elaborate concept by arguing that professional service term should be linked to term knowledge intensive, which suggest that some firms are extremely fragile and vulnerable when talking about knowledge. According to Massingham's and Carneiro's definition, finance field could be categorized as knowledge intensive because their success depends on the level knowledge. Finance companies must be aware of all the changes and variables that might affect their business so they can readjust to them accordingly.

According to Nonaka and Nishiguchi (2001, p.43) term knowledge worker was first introduced by the American management consultant Peter Drucker (1959). He defined knowledge worker as anyone who works for a living at the task of developing or using knowledge. Such a privileging definition of knowledge worker is criticized to be a subjective and somewhat arbitrary in contrary to perspective where all work is considered to be knowledge work (Hislop 2013, p.71)

Bosch-Sijtsema et al. (2010, p.183) define knowledge worker as; "someone whose work is primarily intellectual, creative and non-routine in nature, and which involves both utilization and creation of abstract and theoretical knowledge". Hislop's (2013, p.71-73) own analysis is that: "anyone whose work involves the use of reasonable amount of tacit and contextual and/or conceptual knowledge". Following analysis could be both linked to people working in the

finance field. As mentioned before, changes in finance are evitable so if workers do not have proper or right kind of knowledge they cannot readjust to those changes. Knowledge in finance could be categorized as a resource or a tool, and utilizing it is a necessity in order for workers to conduct their work on a daily basis.

The last stage in the model was to decide what actions are necessary to develop and/or sustain the firm's knowledge resources. It is related to methods used in knowledge transfer which are later examined. Important aspect, according to Nonaka and Nishiguchi (2001, p.43) is Drucker's suggestion that companies should be prepared to abandon knowledge that has become obsolete and learn to create new/or improved techniques in order to achieve best possible results.


2.4 Challenges in knowledge transfer


Knowledge can be conceptualized as belonging to an employee rather than their employer because the knowledge is fundamentally workers' asset that they possess. Tension between workers and the organization that they work for may inhibit the willingness of workers to share their knowledge. (Hislop 2013, p.140-151.)  In the context of workers' knowledge this tension relates not only to who "owns" an employees' knowledge but how and for what purpose such knowledge is used. Even though organization's interest is to encourage workers to codify their knowledge, workers may be reluctant to do so if they feel that such efforts will negatively affect them through diminishing their power and/or status for example being replaced by new employees. Such concerns by workers mean that they may not participate in organizational knowledge management process if they perceive there to be negative personal consequences from doing so. (Kim & Mauborgne 1998, p.325-326.) The following sections provide an overview of the factors that may influence organizational knowledge management processes, and why individuals' participation in KM processes should not be taken for granted.

2.4.1 Power

The saying goes that knowledge is power, therefore addressing power and its legitimations in KM processes and knowledge transfer are vital. Michael Foucault (1977), an author of general business and management, conceptualizes power in his work Discipline and Punishment as following:

> *"The power exercised on the body is conceived not as property, but as strategy... this power is exercised rather than possessed; it's not the privilege, acquired or preserved, of the dominant class, but the overall affect of its strategic positions −an effect that is manifested and sometimes extended by the position of those who are dominated."*

Foucault suggests that power is not only a discrete resource that social actors can utilize but it is something that is produced and reproduced within and through dynamics of evolving relationships. In more simple terms power is something that is embedded in people by the way they act, talk and interact with others. Most vital is that it is something that cannot be transferred straightforwardly to another person because both actors, the sender and the receiver, play an equally important role in the transition process. Taking account power helps to address another aspect why knowledge transfer is a complex process to manage since it involves people. (Hislop 2013, p.188-189.)

2.4.2 Knowledge sharing and hoarding

The sharing and communication of knowledge requires also willingness from the actors participating in knowledge transfer processes. Collective organizational resources are referred to a public good as anyone can utilize them whether they have contributed to their development or not. The dilemma for worker is that there are potentially positive and negative consequences to both sharing knowledge and contributing to public good and hoarding for knowledge and act as a free-rider. (Hislop 2013, p.138.)

The negative consequences are that knowledge sharing can be time consuming and that there is a risk that individuals are "giving away" a source of individual power and status. People, who regard knowledge as power, may start hoarding for knowledge and manipulate it to ensure their own success. (Kim and Mauborgne 1998, p.325.) Many finance organizations give bonuses or rewards to their employees if they have performed well. This could possess a change that an individual wants to ensure their own position and earn those incentives at the expense of using other employee's knowledge but not giving anything in return.

Another potential limitation for workers' attitude towards knowledge sharing is affected by over-rational view of how people think and act. Rational calculations and emotions shape individual willingness to share or receive knowledge. Uncertainty about own position, can, for example lead person not to be willing to share their knowledge. Individuals may have a sense of feeling that exposing personal knowledge makes them vulnerable. Commitment and trust to knowledge transfer is also minimal unless people are confident that the knowledge gained from the process is of good quality. (Hislop 2013, 140-143.)

### 2.4.3 Commitment and trust

Kim and Mauborgne (1998, p.323) present another aspect that can affect employees' knowledge-sharing attitude. Procedural justice represents the extent to which organizational decision-making processes are fair, with fairness being related to how much people are involved in decision-making processes. Communicating and clarifying expectations will explain workers what is wanted from them and why decisions are made. Employee participation in decision-making process provides premises for psychological ownership where person feels that their effort and ideas are recognized, which is also linked to the level of organizational commitment. In other words, the level of commitment has an effect to worker's knowledge sharing and attitude as well as loyalty to its organization and KM activities.

Interpersonal trust shapes people's attitudes in knowledge sharing process since generally proven the lower level of trust a person has in someone else, the less willing they will be to share knowledge with them (Hislop 2013, p.144). Rousseau et al. (1998, p.395) define trust as; "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another." Positive expectations can refer to a feeling that person is willing to share knowledge in the sense that it will be reciprocated at some point in the future. However, there are no guarantees for receiving anything in return which can affect negatively person's willingness to provide knowledge in the future.

Trust is not developed only in individuals but also in groups, teams and organizations. These types of trust have an equally important influence on a person's willingness to share knowledge. Institution-based trust refers to an extent to which people trust the organization to provide a working environment conductive to positive knowledge sharing. Manager-employee relationship is also vital. The greater the extent to which workers trust their managers, the more likely there will be positive attitude towards sharing knowledge with colleagues. (Renzl 2008, p.207.)

Wei-Li et al. (2007, p. 328-329) present an affect-based trust which on the other hand relates to trust and relationship between colleagues. When affect-based trust prevails between colleagues in a group level, people will become more sensitive to other's needs. They are willing to help them, not because it is expected or might lead to future rewards but simply because their help is needed. Members are also more likely to engage in the knowledge transfer process instead of just free-riding. Nonaka's SECI model emphasizes the importance of interaction between individuals. If collaborating and sharing experiences occurs in regular bases it can tighten the group cohesiveness and it allows members to have time to build that trust. (Nonaka 1994, p.24.)

Social capital refers to trust that some people such as clients are more willing to share knowledge with specific worker due to their interpersonal trust gained through relationships. It can also include the resources people access through these relationships which are important in the context of knowledge-intensive

firms and workers. (Alvesson 2000, p.1104.) Interpersonal trust in finance is probably difficult to create since it is a risky business where clients invest their money to targets that they believe. However, consultants who have managed to make several profitable investments with their clients possible have probably created a relationship where interpersonal trust is present. A consultant might, for example, inform this customer about new investment possibilities before informing other clients.

2.4.4 Culture

Practice-based theory already made an assumption that cultural background affects person's ability to gain and understand knowledge. Culture also plays a role in knowledge transfer but in a different manner. People's willingness to share knowledge is shaped and influenced by people's national cultural characteristics. For example, Hofstede's cultural dimension theory classifies Finland to be an individualistic country where personal achievement is emphasized. (The Hofstede Center, n.d.) Therefore, it could be assumed that individualism is also practiced in the Case Companies since they are only operating in Finland. Also people in finance usually serve their clients individually, which means that their accomplishments are directly linked to their personal input. This could possess a possibility that personal achievements in general are emphasized in finance field.

Nonaka's knowledge theory is criticized by Glisby and Holden (2003, p.30-35) who argue that knowledge creation model is limited by the fact that it is embedded and reflected by the Japanese. Theory focusing on values and culture of Japanese business might work better in practice in Japan. It is a collective country which believes that individual's life belongs not only to individual but also to a group or society. People are culturally driven to sacrifice and share their values and goals for common good. (Nonaka and Takeuchi 1994, p.29-32.)

2.4.5 Motivation and incentives

Kim and Mauborgne (1998, p.323) argue that 'knowledge is a resource locked in the human mind'. Sharing and communicating knowledge are intangible activities that require a willingness of an individual who participate in such processes. That is why Gosh (2004, p.7-9) suggests that knowledge sharing should be intrinsically rewarded. Individual-pay-for performance can be enhanced by material reward such as a bonus or a promotion. Team based rewards on the other hand refer to an activity where the whole group is rewarded when set goals are reached. This type of incentive could also increase the possibility that people are more like to share their knowledge among team members because they know that their knowledge as a whole can enable better success.

Rhodes et al. (2008, p.87) remark that no matter which approach organization uses, it is important to have an equitable reward or incentive system. It does not only motivate individuals or groups to share knowledge willingly but it reinforces an understanding of an organizational trust culture. Knowledge transfer takes place more readily in organizations where culture of trust and cooperation exist. Wei-Li et al. (2007, p.327.) also highlight the importance of motivational factors; "Even though knowledge owners are willing to share their knowledge, recipients must also have a strong motivation to learn. Otherwise they will be unable to absorb the given knowledge well".

2.5 Activities

As Massingham (2004) suggests, a part of KM strategy includes a decision of actions that are necessary to develop firm's knowledge resources. Organizations can use external or internal resources to enrich their employees' knowledge. Each knowledge transfer methods serve their own unique function by transferring either tacit or explicit knowledge or both and according to the situation each company should use a method that matches their desired outcomes. The main function of each activity is to increase employees' knowledge and therefore improve their performance. (Virtainlahti 2009, p.116.)

2.5.1 Mentoring

"A mentor is a person who helps another to think things through." (Pask and Barrie 2008, p.8)

Traditional mentoring is related to a process of informal transmission of knowledge, social capital and psychosocial support between an experienced person (mentor) and an unexperienced person (mentee). In the process, mentor is guiding and teaching individuals who are willing or capable to develop their knowledge. Mentor is sharing knowledge about a particular job or industry by aiming to increase mentee's growth, knowledge and skills. (Virtainlahti 2009, p.119.)

Cornerstones for the mentoring process are the willingness, trust and commitment towards it. Aim of the mentoring is to improve individual's professional skills and competencies together with actions to strengthen self-esteem of a mentee. (MindTools n.d.) The mentors are most likely to learn a great deal themselves by being involved in such a learning experience (Foot and Hook 1999, p.206).

In formal mentoring, goals and activities are established beforehand by the organization which should take place in a mentor process in order to reach desired goals. Informal mentoring on the other hand is more 'subject free' where the mentor shares knowledge that cannot be categorized such as organization values, attitudes, norms, policies and manners. (Virtainlahti 2009, p.119-120.)

Mentoring can be taken to a deeper level which is coaching. Mentoring gives a mentee a deeper understanding and knowledge about what is needed in the job but in a coaching process the mentee will be the one doing the actual work. Mentor-coach helps and encourages a person to take actions independently while still working together. (Pask & Barrie 2008, p.11.)

2.5.2 Group work

Groups are usually formed in knowledge transfer to create and increase interaction among members. They share common objectives set by the organization or management. Desired outcome encourages individuals to share their skills and knowledge to other members of the group and mostly it happens unconsciously through interaction and observation. (Virtainlahti 2009, p.118-119.)

In groups people can exchange opinions, share experiences and gain knowledge. Through conversation and observation employees can find ways to solve problems and enhance their performance. Conflicts and disagreements may arise from connecting with other members but it can push employees to question existing premises and creating new improved ways. (Nonaka & Takeuchi 1994, p.14.)

2.5.3 Networks

One method to enable knowledge transfer is to create networks. Informal and formal networks are developed through interaction between employees within the organization. It is important for employees to know which type of knowledge others have so they know from whom to ask for help in case needed. This type of knowledge is highly tacit and usually a network is created between a member working in a same level or department. Company picnic or other types of leisure activities that facilitate an opportunity to all organization's employees to connect are also vital. (Virtainlahti 2009, p.122.)

Creating networks can be arranged by the organization itself such as seminars or exhibitions. It enables individuals to connect and create networks with other people sharing similar interests, for example, individuals specialized in the same area. (Hislop 2013, p.156.) Networks are sufficient ways to transfer knowledge within and outside the organization. Networks arising outside the organization can provide knowledge that can be used to reflect organizations' current status. Innovations and new procedures might also arise from those

networks. Also individual performance can be enhanced by learning from other organization's representatives' ways of working.  (Virtainlahti 2009, p. 123.)

2.5.4 Stories

Stories and storytelling have been adopted in management and organizational practices to achieve specific purposes. It is an approach to communicate and connect individuals and organizations as well as a technique to share and store knowledge. It also provides opportunities to knowledge creation because stories provide and stimulate receiving person's imagination. (Virtainlahti 2009, p.97.)

Stories have many features for example they are memorable, economical, entertaining and encouraging. Stories are easy to remember because information is turn into patterns and symbolic information when processed by human brain. Stories are beneficial in many levels because they can be used in different levels. In an individual level, norms and values of an organization can be transferred to new employees where as in a group level it can improve cohesiveness. (Leung et al. 2011, p.468-471.)

Storytelling is also an ongoing process since people pass stories from person to person and generation to generation. Prevailing stories from the past are important because future is built from the past experiences. Knowledge expressed through stories is usually tacit but it helps people to assimilate and understand received knowledge. (Virtainlahti 2009, p.97.)

2.5.5 Training

Training is a planned process to give new or current employees the skills that they need to in order to perform their jobs. It also aims to develop the abilities of the individuals by providing information that is new to its receiver. Shortly, training is used to increase work-related knowledge. (Dessler 2013, p.272.)

Training can be bought from the external sources such as seminars and training programs if the company itself does not have required resources to train its employees. External sources usually possess fresh ideas and professionalism to

specific topic which can be matched with organizations' needs. Such trainings are however costly and time consuming which is why mostly only minority of the organization's employees get to participate.

To cover a larger area in participation, organization itself can implement training programs. The company may choose a manager or a person with excellent professional skills to become a trainer. Selected person is automatically forced to reflect on his/her own work and the way to do things, which is important in order to pass such knowledge to other employees. Training can take place in formal places such as meetings or intranet, or it can be an informal situation such as a lunch break with the colleagues. This way new knowledge will gradually become distributed among all workers. (Viitala 2004, p. 205-206.)

# 3 RESEARCH METHODOLOGY

The objective of this research is to identify and explore factors associated with KM and knowledge transfer in two local finance companies. Qualitative research was chosen to investigate those factors from two manager's perspective. Gorman and Clayton (2008, p.10) define qualitative research as an attempt to understand motives of human behavior through analyzing perspective or participants' lived experiences of the event, and additionally derive possible similarities between research and theory of the specific topic.

Data collection techniques such as an interview, observation and action search are used as data gathering procedures in qualitative research. Management's personal experience about knowledge transfer and how it is perceived within the company was collected through interviews held within the case companies' premises. Such technique gives an opportunity for the researcher to explore and interpret actions that occur in their natural settings. (Gorman and Clayton 2008, p.10).

Interview questions (see appendix 2) were created by examining theoretical framework which was collected from secondary data; books, articles and electronic sources. Knowledge being such a vague topic, semi--structured interview was chosen, which enables researcher to cover all the questions to be asked but also allows both parties to clarify given answers or questions which can deeper the originally designed question. (Saunders and Lewis 2012, p.151.) Having properly structured interview lead to a successful data collection where all the desired questions were answered but also side tracking from the subject was avoided.  Interviewing the two case companies took totally one hour.

The first organization, Case Company X, chosen for the research came from an unplanned event when they offered their services to me through a phone call. Approaching them later with an email (see appendix 1) and asking their interest to participate in my research was therefore easier. The second Case Company contacted for the study was Vauraus Turku. I called their office manager Jouni Hannula and told about my research. He agreed immediately to participate in the study and provide data for it.

## 3.1 Reliability, Validity & Generalization

The original idea was to interview only one finance company, but after the first interview I felt like my research would not be valid or extensive enough. According to Saunders and Lewis (2012, p.128) the simple solution to eliminate factors that threat the validity is to increase the number of organizations in your research. The first approval to participate in my research came from a local finance organization so adding another similar organization felt logical in order to increase the generalization of this research.

Reliability refers to a degree where data collection methods and analysis procedures yield consistent findings, which means that measures taken in different occasions would produce same results. (Saunders and Lewis 2012, p.127-128) Same method and procedures were used, but subject error is possible in my research because one of the respondents was a Marketing Manager and the other one was an Office Director.

Subject bias refers to unreliable information collected from the respondent. (Saunders and Lewis 2012, p.128) I do not think that the Marketing Manager gave me unreliable information, but requesting questions beforehand gave me a sense that the marketing person wanted to think carefully what to say during the interview, which was surprising since already before the interview they had decided to stay anonymous. I also found out that she had prepared answers together with another Marketing Manager from another unit. This possesses a possibility that the answers were formed to give a good reputation about the company instead of revealing all information.

## 3.2 Participants

As mentioned earlier, the Case Company X wished to stay anonymous due to confidential reasons and therefore the respondent's name is changed and later referred as Person A. In terms of honoring and following their wishes, all the information received and transcribed to my thesis was sent to them. In common courtesy, I also did the same for the other case company, Vauraus Turku. Both

companies have therefore read my final research and given their approval to publish it.

First interview was held with Person A, who is a Marketing Manager for Case company X in Turku. She manages totally 31 employees of whom 16 are working in the marketing department and 15 are specified in finance marketing. She is also responsible for training sales department with 15 employees.

Second participant was an Office Director Jouni Hannula for Vauraus Turku. He is also one of the co-founders of Vauraus. The company was founded 3 years ago. He manages 10 consultant employees, each of them working as independent entrepreneurs with their own trade names. Hannula also manages totally five customer appointment servers. Overall he is responsible for managing the entire operation of Vauraus Turku.

# 4 RESEARCH ANALYSIS

Research attempts to understand factors influencing employees' ability and attitude toward knowledge transfer as well as its challenges. Case Companies' KM activities, such as procedures and methods that they use to promote knowledge transfer are examined in the analysis. To provide more clear data for reader, subheadings in the analysis are created by compacting original interview questions (see appendix 2).

4.1 What kind of skills and knowledge person in the finance should have?

According to Person A, substance knowledge, also known as content knowledge is generally required in finance field. It consists of skills and knowledge of central facts, theories, concepts and principles practiced within the given field. Also up-to-date information about local and global markets is vital in finance field. Factual knowledge refers to facts that help CX's employees to function and operate on variables that arise from the current situation. It deepens and modifies employees' generic knowledge to become more semantic.

Person working in VT should have some knowledge about entrepreneurship, finance and investing. Economical education and/or working in business sector are beneficial. APV (Degree in Investment Services admitted by Federation of Financial Services of Finland) is also worthwhile. Knowledge and skills acquired from these resources were considered to allow a better framework to work in the field. According to Hannula, finance is also really sales-oriented work which is why sales skills are important.

Despite cataloguing all the skills and knowledge factors needed in finance field, both respondents agreed that 'all knowledge' (tacit and explicit) is equally important and they usually do not separate them but considers them as a whole. As Tsoukas (1996) suggested in practice-based section 2.2.2, tacit and explicit knowledge are inseparable and mutually constituted. It could be however, that respondents really did not know how each form of knowledge is truly catego-

rized and therefore they mostly talked knowledge as in general topic. From the researcher's point of view, employees' tacit knowledge was considered to allow better basic premises to work in the field as well as receive new explicit knowledge. As Polanyi (1958) suggested, in order to individuals to handle objects that are visible (explicit), person has to use his/her tacit knowledge.

Either respondent did not consider finance to be straightforwardly knowledge intensive, but perceived it to be a field where gaining new knowledge is an ongoing process. Events in finance field might obsolete current knowledge and that is why employees have to be aware of changes all the time. Carneiro (2000) and Massingham (2014) elaborate term knowledge intensive in section 2.3.1 by arguing that firms who are fragile and vulnerable to knowledge should be labelled as knowledge intensive. Therefore, I would categorize finance as knowledge intensive because their success depends on how well they are aware of factors that influence their business. In order for employees to readjust to those changes, and based on the interviews, Case Companies' employees do have reasonable amount of tacit, contextual and conceptual knowledge to do that. Due to those reasons employees in finance could be categorized as knowledge workers.

Both respondents highlighted the importance of motivational and attitudinal factors. Person A also argues that motivation and attitudinal skills are vital: "Person with excellent substance knowledge does not survive in finance field if they do not have the right spirit towards work and life overall. Enthusiasm must also be present. Not everyone is capable of working in finance if motivational factors are not there". Attitudinal factors were also emphasized in VT. "Employees here are proactive, motivated and enthusiastic. They are thirst for gaining new knowledge".

Based on theory, it could be linked to personal characteristics rather than actual knowledge. Robertson (2000) links emotions and values to tacit knowledge which could represent VT's employees' enthusiasm toward gaining new knowledge. Wei-Li et al. (2007) also highlight the importance of motivational factors by arguing that people who have a strong motivation to learn will absorb the given knowledge well.

4.2 What type of KM strategy organization practices?

In CX's organizational culture norms and values are shared to new employees since first training. It was considered to work as a starting point to familiarize new employees with CX's culture which will become even more concrete after they start working. As Virtainlahti (2009) suggested, company's vision, norms, beliefs and behavior that are wished to be followed by the members of an organization should be shared and admitted by every worker.

According to Hislop (2013) rather than informing and sharing those values among workers, organization should have a strategy how such culture can be maintained. Hannula said that encouraging and an open culture is practiced in VT, which is why he only hires people who would share that same paradigm. Person with excellent skills and knowledge but wrong kind of attitude or lacking positive team spirit would harm that culture. Maintaining family type of culture where trust and openness are present is also practiced in CX. Team working skills are required from all new employees since it enables better premises to continue that culture. According to Person A, being listed in Great Place to Work reflects their effort of having a well-functioning organization culture.

Hislop (2013) also argued everyday activities to be important for organizations to continue their culture. Hannula uses two types of approaches for that where the first one is leading by example. Creditability and motivation to follow organization's vision, as well as him, arises from the fact that he does the exact same job than his subordinates. He believes that he can't require or expect anything from his employees unless he does the same. Hierarchy is preferred to keep horizontal in VT which also reflects their KM strategy. Employees can suggest improvements and new procedures.

Hierarchy in CX is more vertical since all their employees have concrete titles and positions. However, Person A describes them to be open and non-hierarchical when it comes to seeking for help; "Stiff bureaucracy is avoided and people do feel comfortable about coming in and asking for advice. Open-door-policy approach was practiced by both organizations' managers which could

also reflect to a positive environment where employees can always approach their manager in case needed. Hannula also encourages his employees to seek for knowledge by stating that: "there are no stupid questions".

Office arrangements were also examined in both case companies because as Nonaka suggested, space and context are important elements in knowledge creation model. Concept Ba includes shared physical spaces where people can create knowledge through face-to-face collaboration. All the employees in VT work in one open office which could enable better possibilities for their employees to communicate on a daily basis. CX on the other hand, has two office spaces in one building but they are located in different floors. It was not considered to influence knowledge transfer since employees working in different floors were argued to communicate on a daily basis by phone, email or via face to face dialogue. I visited both offices in CX, and moving from one office to another was not straightforward since it required using an elevator. This could mean that dialogue between employees focus more on using virtual spaces where knowledge transferred is mainly explicit.

4.3 How knowledge transfer is generally perceived?

Practice-based approach was highly valued in both organizations. Hannula believes that working in the finance field is not 'rocket science' and everything can be learned by doing. New employees will begin to work immediately without any observation or learning from colleagues. Cook and Brown's (1999, p.93-95) theory between 'knowing and knowledge' is practiced in VT where developing an understanding to topic arise from active process of an interpreter when knowing becomes knowledge.

In CX new employees are gradually transferred to practice-based approach. It begins with Nonaka and Takeuchi's socialization phase, where new member of a work group acquire tacit knowledge held by the current employees by observing them. Socially constructed knowledge becomes more concrete and meaningful to its user after they utilize it with active doing.

Knowledge sharing was considered to be an ongoing process by both partici-pants, and therefore everyday dialogue and communication between employ-ees must be present. Knowledge sharing was also considered to increase group cohesiveness as well as enabling employees to stay up-to-date. Nonaka's SECI- model in section 2.2.3, suggested that continuous and effective dialogue is linked to knowledge creation which could lead to better perfor-mance. It also enables organizations to receive new knowledge that possibly obsoletes the previously known and used knowledge.

Objective based approach where knowledge is codified and shared through ICTs was not emphasized as much as practice-based approach. VT uses Google Drive as a knowledge database in where all the employees can find facts and frequently asked questions. Knowledge that everyone needs and that can be transferred to such data was considered important because that way everyone do not have to acquire that information individually by themselves. Similar thoughts were featured in CX where they use their extensive webpages. In addition, it provides explicit knowledge to their customers too. Both respond-ents did conclude that knowledge gained and transferred through ICTs is im-portant as well as it is economical. However finance as a field requires more active doing where knowledge is gained through experience.

4.4 Which type of methods company uses for knowledge transfer?

One of the objectives was to find out how knowledge is transferred within the organization. CX doesn't have concrete or specific knowledge transfer activities justified by the explanation of being profit seeking organization where encourag-ing, supporting, and motivating employees is an ongoing process.

Meetings on a regular basis are used as an exchange channel in both organiza-tions. Reports about company's former week and upcoming week targets are set and analyzed. VT also uses meetings to exchange knowledge about other topics, such as presenting and evaluating new target companies. Also employ-ee findings like procedures and methods that have worked well are shared to other employees. Nonaka's combination phase, where explicit knowledge is

transferred from the level of the group to the level of the organization is practiced in Case Companies through meetings.

Both Case companies have a "kick-off' event twice a year where all the employees participate. In these kinds of events people get to know each other and their specialties. It also increases the sense of belonging to an organization instead of just being part of one specific department or unit. This type of activity could be linked to networks that organization can promote by arranging facilities where individuals can connect and share knowledge with other people. (Virtainlahti 2009, p.122)

Training as knowledge transfer activity was used by both Case Companies. Person A admitted training to be time consuming and expensive, however they have always invested to it and that is probably one of the reasons why they have grown substantially in the past few years. Both organizations are currently only using their in-house professionals to train their employees which could enable them a possibility to cover larger area in participation. Hannula also states that VT has a quite expensive field of experts working for the organization, such as finance, investment and banking experts as well as lawyers. The whole finance sector field is covered and therefore there is no need for using external resources.

Stories are used very actively in both Case Companies because they were considered to foster a motivational spirit for employees to aim better results in the future. As Virtainlahti (2009, p.97) suggests, stories and storytelling can be used as management practices to achieve specific purposes. According to Person A, it also promotes CX's organizational culture of being an open community which is linked to the assumption of Leung et al. (2011, p.468-471) that stories in group level can improve cohesiveness. Learning from failures was considered as important because it can provide explicit knowledge of what could be done to overcome possible obstacles and how to avoid those undesired situations.

It can be said that the power of stories was surprisingly high in both organizations. As mentioned in section 2.5.4, stories possess many benefits as some being; memorable, economical, entertaining and encouraging. However there is a risk that different readers may infer different meaning and analysis from them

because their interpretation is shaped by their tacit knowledge. (Hislop 2013, p.38) There was also no clear consensus whether these Case Companies use stories as knowledge transfer method or as methods to motivate their employees.

Mentoring was not used in either organizations but in CX they follow a similar approach. If an employee is struggling and does not meet set goals in a longer period, a more experienced employee can be used to guide them. They can provide knowledge about different techniques or approaches that person can use to improve his/her professional skills and competencies. According to Person A, duration of this type of activity is however really short, not more than a day.

4.5 Motivation and incentives

The following two sections reflect objective to estimate factors that influence KM and knowledge sharing. Experience was argued to be one of the most important factors in motivating employees. In CX, people in management positions have gone through hierarchical steps which enable managers to have overall understanding of the operation. Hannula on the other hand, still does the exact same work than his subordinates. Procedures and expectations required from his subordinates are applied from his as well. As (Renzl 2008, p.207) suggested, manager-employee relationship is vital. The greater the extent to which workers trusts their managers; the more likely there will be positive attitude to sharing knowledge with colleagues.

Both organizations have a progressive salary commission system which means that there is no base salary but individuals' income is directly contributed to their accomplishments. Another exceptional bonus system in VT is that individuals receive stocks from the target businesses that they have managed to make profitable. Hannula believes that it is one of the reasons why people want to work there, because they desire to have investments in growing companies.

Performance paid system was not considered to lead to knowledge hoarding or pledging and both respondents debate it to be the best salary system that an

organization could ever have. Rather than ensuring own position or power it motivates employees to be successful in their own individual level with their customers. From employees' perspective performance paid system could be linked to the theory of trust by Rousseau et al. (1998, p.395); "Person is willing to share knowledge in the sense that it will be reciprocated at some point in the future."

Negative consequences to knowledge transfer were also considered in theory section 2.4.2. Individuals might experience that they are "giving away" a source of individual power and status if they share their knowledge. Also people, who regard knowledge as power, may start hoarding for knowledge and manipulate it to ensure their own success. Hannula has however never faced jealous people who work for this type of salary system, especially since their employees do not compete over the same customers. Procedural justice is present because people working with performance paid system in Case Companies are aware of the system which is fair to everyone. All the employees are provided with equal opportunity to success.

VT's organization structure differs from CX since all of their employees are entrepreneurs working with private trade names. Therefore, a sense of psychological ownership is truly present in VT. It influences their attitude and motivation to seek knowledge that may enable them better success in the field. Working as a private trade name could increase the creditability of the knowledge that other employees receive which could increase the affect-based between colleagues. According to Wei-Li et al. (2007, p. 328-329) if affect-based trust is present, people will become more sensitive to other's needs and they are willing to help them, not because it is expected or might lead to future rewards but simply because their help is needed.

Gosh (2004, p.7-9) suggested in section 2.4.5 that knowledge sharing should be intrinsically rewarded and individual-pay-for performance can be enhanced by material rewards such as bonuses. Each manager in CX can decide according to their own personal experience whether to use individual or team level incentives to foster knowledge sharing. Not having a clarified strategy for knowledge transfer could affect workers' attitude towards it. For example, if a

manager mostly practices individual level incentives together with the existing salary system, recognition of team work effort might be minimal.

Employees in VT have team level incentive called 'fun money budget' which grows each time a group manages to achieve set targets. Hannula expressed a metaphor where their employees are individual team players, but without everyone's input the team cannot win. Good competitive spirit between individuals is also encouraged with small incentives, such as person who manages to sell most in one week would win a wine bottle. Even though the price might not be significant, Hannula believes in their magic; "It is about the glory and feeling of success that increases motivation to success in all areas not only in that playful competition".

As Rhodes et al. (2008, p.87) remark that no matter which approach organization uses, it is important to have an equitable reward or incentive system. It does not only motivate individuals to share knowledge willingly but it reinforces an understanding of an organizational trust culture. Knowledge transfer takes place more readily in organizations where culture of trust and cooperation exist

4.6 Challenges in managing and sharing knowledge?

Commitment or loyalty was not considered as factors that would challenge knowledge sharing in CX. However, personal characteristics such as person being extrovert or emphatic were noted to influence knowledge transfer. People who are less social or enthusiastic to share knowledge have to be motivated by different management techniques. People learn and motivate differently and it should be taken into account from the management's point of view.

Hannula did not consider straightforwardly personality to influence knowledge sharing but attitude and motivation towards gaining new knowledge. He said that people who are initiative to gain more knowledge and are not afraid to ask help will become talents in this field. Theoretical framework was created by examining socio-cultural factors in the work place that might influence knowledge transfer and it does not directly contain personality. Hislop (2013, p.151) however notes that some researchers have suggested that certain personality traits

may influence knowledge sharing more positively. In general, personality is a very under-explored topic in the KM literature.

As mentioned, performance paid system was not considered to lead to knowledge hoarding or pledging. Person A does not think that it promotes or leads to self-seekers by arguing work to be entrepreneurial, and it is human as well as logical to strive for individual success. Hannula does not see anything negative in performance paid salary system either. It was argued to give people a good selfish reason to give excellent service and people should be rewarded for that.

# 5 CONCLUSIONS

As a researcher, knowledge is a difficult and vague subject since practitioners and theoreticians from different sources have their own views of how knowledge is perceived. Define a research scope was therefore challenging. However, uniformity between theory and research findings was made.

Research prevailed that both Case Companies value the importance of knowledge and they have different approaches to exploit it. It seemed like neither of the companies had concrete KM strategy but more like a general management approach where knowledge transfer is an ongoing process that enables individuals improve their performance. In the end, that approach will benefit organization itself because their success is linked with their employees' accomplishments. Both target companies mainly used their internal resources to share that valuable knowledge to their employees. As a future research topic, one could investigate what kind of market there are for external knowledge sources and compare the benefits and/or influences of using internal versus external resources.

Practice-based approach where knowledge is gained through experience was highly valued. Experience did not however solely mean that person can only gain it from own personal experience but they can also learn from other people's experience. Stories were used to reflect that management approach as well as method to motivate their employees in general. Motivational and attitudinal factors were considered to influence knowledge transfer in two ways. Firstly, organization can motivate their employees with different incentives to share their knowledge. Secondly, people who are enthusiastic will absorb that given knowledge and use that in order to perform better.

Performance paid salary system practiced in both Case Companies, was considered as a main incentive that influences knowledge transfer. As a researcher, I must say that I am still not confident that it will promote knowledge transfer but rather motivates individuals to gain knowledge. Therefore as a future research, employees' perspective about monetary incentives influencing knowledge transfer could be investigated.

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# Appendix 1: Interview request

Hei,

Olen kolmannen vuoden tradenomiopiskelija Turun ammattikorkeakoulun kansainvälisen liiketalouden linjalta (IB). Kirjoitan opinnäytetyötä, jonka tarkoituksena on selvittää yrityksen hiljaisen tietämyksen jakamisen keinoja sekä sitä, kuinka niitä on hyödynnetty niin yksilö- kuin ryhmätasolla. Osana tutkielmaa tutkin myös mahdollisia esteitä tietämyksen jakamiselle.

Toivoisinkin suuresti, että juuri Teidän yrityksenne lähtisi mukaan tuottamaan arvokasta aineistoa tutkielmaani. Sain nimittäin yritykseltänne muutama viikko sitten puhelinsoiton, joka herätti mielenkiintoni yritystänne kohtaan. Myös nettisivuillanne kuvailette yrityksenne henkilökuntaa asiantuntevaksi ja taidokkaiksi tarjoamaan laadukkaita sijoittamisen ratkaisuja. Olisin hyvin kiinnostunut tapaamaan jonkun yrityksenne edustajan ja kuulemaan lyhyen haastattelun avulla lisää, millaisia keinoja käytätte henkilökuntanne tietotaidon lisäämiseen.

Olisi hienoa, jos saisimme haastatteluajan järjestymään ja kiitos vastauksestanne jo etukäteen!

Ystävällisin kevätterveisin,

Mariel Saretsalo

## Appendix 2: Interview

- Nimi, titteli, toimialue, ja alaisten määrä

- Minkälaista tietoa tai taitoa tarvitaan rahoitusalalla/teidän yrityksessä?

- Kuinka näitä tietoja pyritään jakamaan?

  - ➤ Mitä yksilö- tai ryhmätason keinoja on käytössä?

- Millaisia näkemyksiä teillä on yritystasolla tiedon merkityksestä ja sen jakamisesta?

- Onko teillä tietyt avainhenkilöt keiden tietotaitoa jaetaan? Ketkä? Kuinka ne on määritelty ja miksi? Vai pyritäänkö jakamaan kokonaisvaltaisesti?

- Mitä tietämyksen jakamisen haasteita organisaatiossa on? Miten ne on pyritty tunnistamaan ja ratkaisemaan?

  - ➤ Esimies-alainen ja työntekijä-työntekijä suhde

  - ➤ Ilmapiiri yleisesti; avoin ja kannustava, vai onko yrityksessä huomattavissa yksilöiden oman edun tavoittelemista?

  - ➤ Vaikuttaako sitoutuminen yritykseen?

  - ➤ Organisaation rakenne

  - ➤ Aika ja raha

- Miten hiljaisen tietämyksen jakamiseen kannustetaan organisaation puolesta?

  - ➤ Palkitseminen

  - ➤ Koulutukset tiedon jakamisen vaikutuksista

  - ➤ Palautteet, kehityskeskustelut, jne

- Miten sinä esimiehenä kannustat ja motivoit alaisiasi jakamaan tietoa?