

Corporate Consulting for Customer Solutions Bridging Diverging Business Logics

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Abstract

The change from mere product supply to *customer solutions*, integrated and customized offerings (including e.g. products, software and services), has been argued to be a route to success in the 21st century. However, current literature offers little support for leaders who must manage the customer solutions business' need for bridging the diverging business logics of products and consulting. The thesis addresses this organizational challenge and aims for an understanding of the phenomenon *corporate consulting*, consulting businesses in product-based organizations. More specifically, the author investigates whether, and if so how, corporate consulting can be a general way of providing customer solutions.

The author was formerly a marketing director of just such a corporate consultancy, and has remained a part-time employee throughout the research project. An in-depth study from within the organization enabled the collection of a rich set of longitudinal empirical data through *self-ethnography* and *insider action research*. It also led to a marked emphasis on aspects relevant to both academy and industry. A subsequent broader study into other corporate consultancies helped to generalize the findings further.

The thesis investigates corporate consulting using two levels of analysis. The subsequent findings indicate firstly that, within the consulting unit, the simultaneous existence of consulting logic and product logic can lead to *dual organizational identities* (a consultant- and a staff identity) in corporate consultancies. The importance of managing these identities through conscious rhetoric is emphasized.

Secondly, on an overall company level, the relation between the product business and the consulting business is in focus. The main conclusion here is that, despite a consulting unit's responsibility for customized offerings, *customer-orientation cannot be delegated* to corporate consultancies in order to enable the traditional product business to carry on with "business as usual." In a customer solutions business, top management must, instead, infuse a general customer-orientation into the whole organization, and the corporate consultancy must be handled as an integral part, rather than a mere extension for customization.

Keywords: Corporate consulting, Customer solutions, Business logic, Organizational identity, Knowledge-brokering, Insider action research

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CORPORATE CONSULTING FOR CUSTOMER SOLUTIONS
BRIDGING DIVERGING BUSINESS LOGICS

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STOCKHOLM SCHOOL OF ECONOMICS
EFI, THE ECONOMIC RESEARCH INSTITUTE



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To Lena and the boys

PREFACE

The thesis of Robert Sandberg is part of the Fenix research programme at the Institute for Management of Innovation and Technology (IMIT). The Fenix programme is carried out by the Stockholm School of Economics and the Chalmers University of Technology in co-operation with AstraZeneca, Ericsson, TeliaSonera and Volvo and with financing from the Foundation for Knowledge and Competence Development. The research programme aims at creating knowledge of the management and organising of industrial R&D as a basis for business success.

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Niclas Adler
Director of the Fenix Research Programme

Bengt Stymne
Professor, Stockholm School of Economics

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When I initiated my Ph.D. project within the Fenix program, I had great expectations. These expectations have for the most part been fulfilled, and my time as a Ph.D. candidate has been an inspiring journey. Before I reach the terminus, however, I would like to take the opportunity to thank all of the wonderful people with whom I have travelled.

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**PAPER I – HANDLING MULTIPLE IDENTITIES IN BOUNDARY SPANNING:
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**PAPER III – CORPORATE CONSULTING IN PRODUCT INNOVATION: OVERCOMING
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PAPER IV – VCC AND THE TAILOR-MADE SOLUTION

PAPER V – THE THREE CHALLENGES OF CORPORATE CONSULTING

PAPER VI – THE DUAL ROLE OF THE INSIDER ACTION RESEARCHER

INTRODUCING THE TOPIC: CORPORATE CONSULTING

The transformation of IBM: A renowned illustration

In the beginning of the 1990s, IBM's dominating position as a mainframe computer supplier had diminished, and their emerging role as a PC supplier was not an effective hurdle for aggressive third-party organizations such as consultants, systems integrators and information technology (IT) service organizations. The strong customer positions were therefore eroding when a new CEO, Louis Gerstner, arrived on the scene. A common piece of advice given to Gerstner at the time was to copy the competitors by chopping IBM up into small business units. Gerstner found this strategy problematic, as it would jeopardize both IBM's technical excellence and its worldwide customer base. Instead, he initiated a major transformation of IBM, from its position as a product supplier to that of a provider of IT solutions.

The position as a leading systems integrator in the IT industry was, however, not new to IBM. In earlier days, up until the 1980s, IBM had been a leading supplier of complete IT solutions. At that time, the solutions offered were more or less 100% IBM-based. Delivering solutions during the 1990s, however, demanded an ability to integrate non-IBM products and services. This, in turn, required new service capabilities and a consultative approach to customers. Although IBM had provided services for a long time, and a superior customer service had been a cornerstone, these services were tied to the products bearing IBM logos. Services had thus been an adjunct to the main product business. When CEO Gerstner came, he envisioned a company that would provide all of the services customers needed and literally take over and act on behalf of the customers. This included all aspects of IT, for example specifying and developing computer systems, installing and integrating them into the customer's business, and operating and managing the systems for the customers.

As a former McKinsey partner, Gerstner understood the need for developing a consultative approach and saw the potential of doing this through the launch of the service organization IBM Global Services. However, the integration of IBM Global Services with the established business was a challenge. At the same time as IBM Global Services had to operate independently, with the ability to recommend products from competitors such as Microsoft, HP and Sun, it also needed to be seen as an opportunity, rather than a threat, by the product units.

At first, IBM Global Services was viewed as a real lifesaver by people in the stagnating product business, but conflicts soon began to develop. Through their independent approach, the Global Services people were increasingly seen as traitors by salespeople in the traditional product business. For Gerstner, however, the new service business was key and he spent a great deal of time trying to develop a sense of mutual dependence between the services people and the salespeople. It was, after all, a dramatic change for the product business since the services people increasingly mediated their customer relations. But Gerstner's message was determined: "View them as a distribution channel for your products. Your competitors do!"

To increase coordination between the services business and the product business, IBM introduced a matrix organization in four dimensions – geography, products, customers and solutions. This organizational change strengthened IBM Global Services and its power to influence the strategic agenda of the product business. It also meant that the service business became an important part of IBM's overall mission statement (see below). Whereas the first paragraph describes its technological strive – the old IBM, the second is dedicated to the services organization IBM Global Services – the consultative component of the new IBM:

At IBM, we strive to lead in the creation, development and manufacture of the industry's most advanced information technologies, including computer systems, software, networking systems, storage devices and microelectronics.

We translate these advanced technologies into value for our customers through our professional solutions and service businesses worldwide.

(Mission statement, IBM's Annual Report for 2001, p. 52)

The new customer solutions strategy of IBM has been rewarding. Through IBM Global Services, the company has built the world's largest IT services organization. In 2001, it consisted of 150,000 people, generating over 40% of IBM's revenues and nearly 50% of the profit. In 2002, IBM Global Services entered a new stage in its development toward a full-service solutions provider. Through the acquisition of PricewaterhouseCoopers Consulting, including its 30,000 employees to complement the existing 20,000 in Business Innovation Services, IBM now also has one of the world's largest business consulting organizations.

It can thus be concluded that the service organization IBM Global Services, in part a large consultancy, was the key to an integrated company. It constituted the veins of the company, connecting disparate businesses and providing customers with integrated solutions. As Gerstner put it: "Had the effort to build IBM Global Services failed, IBM – or at least my vision of IBM – would have failed with it."¹

From products to solutions by adding a "consultative component"

The purpose of presenting the IBM case was to introduce and illustrate what is often called "the customer solutions business" or in its simplified version "the solutions business". IBM's transformation from a product business to a customer solutions business, integrating large parts of the organization, has been much discussed. There are, of course, earlier examples of solutions offerings (Tetra Pak's food packaging solutions and ABB's energy plant solutions are two examples) but, during the 1990s, suppliers of IT equipment such as IBM sparked a general interest in extending traditional product businesses into customer solutions businesses (Davies et al., 2001). Another reason for this was that customers increasingly began to insist on

¹ IBM is often used as an example of product supplier turned solution provider (cf. Foote, Galbraith, Hope & Miller, 2001; Normann, 2001; Vandermerwe, 2000). The above description is based on secondary data (the main data sources are Cortada, Hargraves & Wakin, 1999; Garr, 1999; Gerstner, 2002; Greenberg, 2002; IBM, 2001, 2002; Koudsi, 2001; Mills, 1996).

complementing software and services and frequently also turnkey solutions. This demand was based on increasing product complexity and the products' importance for competitiveness.² Consequently, customers attempted to reduce uncertainty by choosing suppliers who were able to provide total solutions.

At the same time, many manufacturing firms, in other industries as well, have seen the margins on their products drop during the 1990s. For IBM, the prices of their mainframe computers more or less collapsed in the beginning of the 1990s. To compensate for this, companies have widened their scope and moved "up the value chain," that is, taking over activities earlier performed by systems integrators and consultants, or the customers themselves (Wise & Baumgartner, 1999). There are also business-related aspects of the increasing complexity such as a convergence of industries, deregulation and outsourcing. Furthermore, part of the change can be attributed to society's increasing demand for- and range of different services (Quinn, 1992).

To deliver customer solutions, companies have to increase their service capabilities. This is often done through the establishment of a consultative component – *a corporate consultancy*³ – in this thesis defined as a consultancy within a product-based parent organization. As the case of IBM's launch of the new service organization IBM Global Services indicates, it can, however, be a painful process. Transformation into a solutions provider is therefore a major challenge for many companies in that the dominating ideas (Normann, 1975) of the product business impede the necessary transformation. IBM successfully managed this, but for some organizations it has become a cumbersome struggle without the rewards hoped for. Recent examples are Xerox's struggle to become a supplier of "document solutions" and Hewlett Packard's recurrent attempts to integrate its broad range of products with customer solutions (Foote et al., 2001).

Despite the painful organizational changes needed, customer solutions are today an emphasized strategy for many companies in a range of different industries. In addition to computer companies such as IBM, telecommunications equipment companies such as Nokia have transformed into providers of turnkey network solutions, and train manufacturers such as Alstom are offering "train availability". However, these companies normally also maintain their existing product-based businesses. A central challenge is therefore to develop and operate a new customer-oriented solutions business parallel to the established product business. For the corporate consultancy in particular, operating between the customers and the product business creates an ambiguous context, both for managers and those "doing the job" – the consultants.

² Not only in IT products but also in other high-tech products (cf. engineering and/or software-intensive offerings).

³ The concept of 'corporate consulting' is based on Good (1985), who used it as a label for the external services offered by internal management consulting units. In this thesis, I use a wider definition and include all externally offered consulting services that are provided by product-based organizations.

Research purpose and initial definitions

One organization with a vision of becoming a customer solutions provider is Telco,⁴ a leading Nordic telecom operator. Launched in 1995, Telco's new vision was a response to the increased competition following deregulation of the Nordic telecom markets, which required more than just supplying a "jack in the wall." The new vision was founded on a clear ambition to become a complete supplier of telecommunications solutions. One way of getting closer to the customers and their business activities was to complement the basic network services offered by adding a greater number of advanced services of a more refined nature. By creating added value in, and based on, the tele- and datacommunications networks, Telco's business relations with the customers could be developed and secured for the future. For the business-to-business segment, Telco's consultancy, Telco Consulting was assigned the role of a consultative component providing telecom-intensive IT solutions and business consulting. This thesis is primarily based on a detailed case study of this corporate consultancy.

My research interest was spawned already in my earlier role as marketing director of Telco Consulting. At the same time as I perceived the services of Telco Consulting as an important complement to the established business, with many potential synergies, I had also witnessed organizational problems. As with the case of IBM, the relation between the dominant product business and the consulting unit was fraught with conflict. Consequently, the desired synergies did not follow automatically. The interface between the consulting business and the product business thus appeared to be an important area in need of research, especially given the scarce academic literature on the topic. (More on that later.)

By way of an in-depth study from within Telco Consulting, and a broader study that follows, my research purpose is to understand the phenomenon of corporate consulting. More specifically, I investigate whether, and if so how, corporate consulting is an effective way of providing customer solutions. A brief definition and delimitation of some of the more central concepts used in the thesis are given below. They will, however, be further elaborated on later in the thesis.

Customer solution: In a customer solution, products are integrated, adapted, and often further customized through added software and services. A customer solution is thus an integrated offering characterized by customization (i.e. based on the unique requirements for each customer) and typically, but not necessarily, co-creation (i.e. developed together with the customer).

Services: The central aspect of services is the right to *use* something (or someone) rather than having to *own* it (Normann, 2000). In this thesis, I delimit the term "services" to people-based services (in

⁴ The name Telco is used in the thesis to protect the anonymity of the company. The names of the other studied companies are also protected.

contrast to equipment-based services such as telecommunications services, see Thomas, 1978).

- Consulting services:* Consulting services are defined as a special type of people-based services that are performed by highly educated professionals and based on a high degree of problem solving, judgement and advice. Systems integration and business consulting are examples of consulting services frequently discussed in this thesis in that they are natural extensions of a product business.
- Product business:* In this thesis, I use the term “product business” to depict the traditional business of a *product-based* organization. In this, I include also capital-intensive automated services as for example telecommunications services.
- Corporate consulting:* Corporate consulting is a consulting business within a product-based organization. Corporate consultancies offer their consulting services externally and may act as a “consultative component” of a customer solutions business. Their role for the product business may however vary and a typology of different types of corporate consultancies is included on page 18.
- Business logic:* Different industries and/or different types of businesses follow different *business logics*, i.e. different ways in which the business can be performed. The definition of business logic is based on the notion of “industry logic” (Lind & Rhenman, 1989). While the term “industry logic” focuses on the (explicit and implicit) rules governing business in an industry, the notion of “business logic” used here also includes the managerial consequences of industry logic in terms such as managerial focus, central managerial concepts and successful managerial practice. In a customer solutions business, two diverging business logics (*consulting logic* and *product logic*) have to be jointly managed even though they show diverging characteristics and demands.

Research questions and thesis outline

Given the problematic integration of consulting services in a product business, exemplified by IBM and my own pre-understanding from Telco Consulting, I want to examine whether corporate consulting is an effective way by which to become a provider of customer solutions. Even if IBM’s creation of IBM Global Services was successful in their transformation into a customer solutions supplier, more cases are needed in order to generalize the answer to this question. Furthermore, if establishing a corporate consultancy is a viable way of building a customer solutions business, what are the main factors and conditions that make it work? To answer these questions, I study the case of Telco Consulting in detail using two different analysis levels.

The first is analysis from *within the consulting unit*, where the unit's position in a product-based firm presents an ambiguous identity in need of understanding. This investigation is operationalized through a two-part research question (further motivated and elaborated on page 16). The first part of the question (Question 1A) deals with an employee perspective: How does the simultaneous existence of product and consulting logic affect a corporate consultancy's identity? The second part (Question 1B) takes a managerial perspective: Is it possible to manage the corporate consultancy's identity, and if so how?

The second level of analysis is *the overall company level* and focuses on Telco Consulting's role in the solutions business and its interactions with product and market units. Because of the knowledge-intensive and customer-oriented characteristics of a consulting business, I limit the study to the diffusion of customer knowledge through Telco Consulting. This is operationalized as Question 2 (see also page 17): Can a corporate consultancy, through its customer access and knowledge, promote customer-orientation in the established product business?

The following section "The emerging interest in customer solutions" will elaborate further on the concept of customer solutions providers. In "Corporate consulting in the customer solutions business," I turn to the phenomenon studied – corporate consulting – the consultative component of such a business. This section also defines the research questions and further presents a typology of generic types of corporate consultancies. The following section, "Theoretical framework," introduces the theoretical domains of the study, which are organizational identity theory and customer-sourced innovation. After that, comes "Research methods," in which I describe the research process and emphasize and discuss my dual role as researcher and practitioner. In connection to this, I also describe the studied case in "The case of Telco Consulting." The following section, "Summary of papers," includes abstracts of the six papers (Paper I - Paper VI, see below) composed in the thesis. The findings from these papers are integrated in the "Conclusions," which is followed by sections on "Managerial implications" and "Theoretical implications and further research," and finally the six papers in full:

- Paper I: Handling Multiple Identities in Boundary Spanning: A Study of Identity Construction in a Corporate Consulting Unit
- Paper II: Managing the Dual Identities of Corporate Consulting: A Study of a CEO's Rhetoric
- Paper III: Corporate Consulting in Product Innovation: Overcoming the Barriers for Utilization
- Paper IV: VCC and the Tailor-made Solution
- Paper V: The Three Challenges of Corporate Consulting
- Paper VI: The Dual Role of the Insider Action Researcher

THE EMERGING INTEREST IN CUSTOMER SOLUTIONS

It has become fashionable to declare oneself a “solutions provider” (Davies et al., 2001; Foote et al., 2001; Sharma & Molloy, 1999) but, as with many other fashionable management concepts (cf. Furusten, 1996), the concept of solutions provider is widely misused, with many suppliers merely labeling bundles of standardized products or services “solutions”. However, since the late 1990s, there has been growing interest in a genuine solutions strategy, normally defined as a business moving its focus from the products to the customer (Hax & Wilde, 1999; Vandermerwe, 2000). There are companies that have been operating solutions businesses for a long time (Tetra Pak’s food packaging solutions and ABB’s energy plant solutions being two examples), but during the 1990s suppliers of IT equipment, such as IBM, initiated a general interest in extending their traditional product businesses into customer solutions businesses. This trend is driven by both the customers and the suppliers, as well as by more general social and industrial changes.

The driving forces behind customer solutions

The increasing customer demand for complementary services is often described as the rationale for a solutions business (Davies et al., 2001; Galbraith, 2002b). During the 1990s, both customer needs and the technologies offered by suppliers, manifested through products and services, became increasingly more sophisticated, complex and interconnected. Consequently, the “technology push” environment of earlier years shifted to an increasing “market pull” with a focus on customer needs (Shepherd & Ahmed, 2000). This is also an effect of a general increase of buying power and of buyers learning how to use it (Galbraith, 2002a). For example, the predecessor of IBM Global Services (Integrated Systems Solutions Corp.⁵) was established as an independent service organization after several large IBM customers made a joint request for vendor-neutral outsourcing services.

Sharma and Molloy (1999) classify customer needs as rational (doing things cheaper, faster or more profitably), emotional (providing peace of mind, risk reduction) and aspirational (enabling new achievements). The solutions provider works *with* the customer to uncover these needs and turn them into required solutions that create more value than the customers can create on their own by buying only the stand-alone products. In this way, customer solutions can also be seen as a limited form of outsourcing for the customer, driven by the contemporary specialization of firms, in which internal services lacking positive synergies with the core competencies of the firm become externalized (Quinn, 1992).

⁵ ISSC was a fully-owned subsidiary in the IBM sales organization. Through a genuine customer focus combined with a deliberately established arms-length relationship to IBM’s product business, ISSC had developed as an independent unit without much synergy with the product business. Gerstner combined ISSC with a number of smaller IBM service organizations and launched IBM Global Services in 1996.

The development toward customer solutions is driven also from the supplier end. The margins on product sales have in general shown a weak trend in recent years (many examples are given in Wise & Baumgartner, 1999), meaning that a greater number of suppliers are making a conscious effort to offer complementary services further up the value chain. This can be interpreted as these companies taking the opportunity to cash in on their existing base of installed equipment. The advantages are many. Firstly, it adds revenue, as the complementary value-added services most often generate substantially more money than the product sales. Information technology can once again serve as an example. A company's costs for information technology demonstrate a falling investment in hardware. It is instead the software, service, support and training that together represent many times higher costs (and potential revenues for suppliers). Another advantage is that the margins on complementary services tend to be higher than those for product manufacture, while at the same time requiring less investment. Finally, since they are largely comprised of costs in the customer's profit and loss statements, rather than investments that affect the balance sheets, add-on services are less sensitive to fluctuations in the economy.

Structural changes, such as privatization, deregulation and liberalization, are another driving force for customer solutions in that they carry with them completely new market structures into sectors such as railways, telecom, and airports (Davies et al., 2001). Activities earlier performed in state monopolies are increasingly performed by external specialists, not least by earlier equipment suppliers operating solutions businesses. Activities within these monopolies consisted primarily of services rather than the manufacture and supply of products, making the changed market structures potentially very important for a manufacturing company wanting to transform into a solutions business. Alstom, a global supplier of energy and transportation infrastructure, is a good example. Since the mid-1990s, its transport division, Alstom Transport, has expanded from the role of train manufacturer into downstream activities such as systems integration, financial services and operational services. Changes in the UK railway market provided the catalyst to Alstom Transport's transformation, through a growing demand for maintenance outsourcing contracts. By combining skills in engineering, project management, systems integration and financial services, the customer solutions business emerged and is led by Alstom Systems Business. Their mission is to offer train operators "train availability" and hereby tap into an operational service market worth three times as much as the initial investment in a train.⁶

The characteristics of the customer solutions business

There are thus many strong forces driving the increasing interest in shifting activities from a product-oriented strategy to a customer solutions strategy in which the customer is placed first. What, then, characterizes a customer solutions business, and how can it be defined? The answer to this is not as clear.

⁶ See Davies et al. (2001) for a more detailed description of the Alstom case.

A new type of firm is emerging at the heart of modern economies: integrated solutions providers. But there is much confusion among firms and analysts about what these companies should be doing. This is partly because the provision of integrated solutions does not conform to the traditional categories of manufacturing or services. (Davies et al., 2001, p. 44)

Because the concept is both ambiguous and prestigious, it is often assigned arbitrarily and too generally. On the surface, any product or service can be seen as a solution to a customer's specific problems or needs. In order to make a distinction between product business and customer solutions business, we must therefore be able to define "customer solutions" and – more specifically – how they are produced and delivered.

The *Oxford English Dictionary* defines "solution" as a "resolution, solving, answer, method for solving a problem, puzzle, question, doubt, difficulty, etc." Assuming the role of solutions provider implies that a supplier, through its offer, takes over a part of the customer's own problem solving. This requires that the solution is developed together with the customer, and that it is tailored to and integrated with the customer's operations. A customer solution is therefore normally delivered in the form of a project, and delivery is seen as complete when the solution is taken into operation. A customer solution is thus judged in its context and with respect to its ability to solve the customer's problems (i.e. technical, economic or organizational).

The overall purpose of solving the customer's problems, rather than supplying individual components that the customer or middlemen refine, requires that the strategy be highly customer-oriented. Hax and Wilde (1999) make a distinction between a classical "best product" strategy and customer solutions:

The customer solutions position reflects a shift in strategic attention from product to customer – from product economics to customer economics and the customer's experience. (Hax & Wilde, 1999, p. 15)

The genuine focus on individual customers means that the traditional product measurement of market share is replaced by customer share. The goal is hereby to achieve a larger share of individual corporate customers' spending, through an increased understanding of their businesses and the opportunities offered for providing new kinds of value (Vandermerwe, 2000). A customer solution is thus an integrated offering characterized by customization (based on the customer's unique needs) and typically, but not necessarily, co-creation (developed with the customer).

The need for new service capabilities

The above example of IBM Global Services and the Telco organization studied illustrate companies that have built up a customer solutions business from an earlier product-oriented business. A challenge in this context is to supply a greater share of additional services.

Today, the point of differentiation has changed: from core products and services to solutions, of which the value-added services and accompanying 'soft' behavior form the most significant part. (Vandermerwe, 1994, p. 55).

As Vandermerwe indicates here, “services” is an ambiguous term and “softness” finds also a common denominator in Gummeson’s (1987) “services are something which can be brought and sold but which you can not drop on your foot.” Still, many services do demand big, heavy products (which could drop on your foot!) in order to be utilized, as for example a train for travelling or a telephone network for making a telephone call. Consequently, the central aspect of services is the customer’s right to *use* something rather than having to *own* it (Normann, 2000). The broad definition of services can apply to widely differing types of businesses. Services have thus been characterized in several ways. One distinction, which I use in this thesis, is based on whether the business is primarily people-based or equipment-based (Thomas, 1978). In a customer solutions business, services used in integration and customization of customer solutions include a high level of problem solving and are primarily people-based (some of the underlying components in a solutions business can however be equipment-based – such as the telecommunications services of Telco).

Davies et al. (2001) develop a framework for the service capabilities of solutions providers, in which they highlight four main types of capabilities. The first, *systems integration capabilities*, are used in the design and integration of components and subsystems into a system. The second, *operational services capabilities*, are needed to maintain and operate the system throughout its life cycle. The third, *business consulting capabilities*, provide solutions and advice related to the customer’s business. And the fourth, *financial capabilities*, are important for helping the customer to purchase new systems and manage the installed base of capital assets. In this thesis, capabilities related to consulting services as systems integration and business consulting are in focus. These services are characterized as knowledge-intensive (Alvesson, 1995) and as carrying with them an enabling function, rather than a relieving function, for the customer (Normann & Ramírez, 1994).

The argument for having services make up an increasingly significant part of the business of product-based companies began as early as the end of the 1980s as a response to the general increase of services in society combined with shrinking margins in product sales (Canton, 1988; Quinn, 1992; Quinn, Baruch & Pasquette, 1988). The concept of customer solutions is a further development of this, taking its departure more in the integration of products and value-added services as well as attention to the unique operational demands of the individual customer (Davies et al., 2001; Foote et al., 2001; Galbraith, 2002b; Miller, Hope, Eisenstat, Foote & Galbraith, 2002). The challenge lies in managing the tension between the customer’s requirements and the requirements of the capabilities that exist in the product business (Miller et al., 2002). Consequently, managing the journey towards a solutions business is a complex organizational process. Apart from the development of new service capabilities, it also includes new organizational structures, new recruitment and competence development strategies, and new performance measures (Cornet et al., 2000; Foote et al., 2001).

Previous studies of the customer solutions business

Although providing customer solutions is an emphasized strategy for many companies nowadays, academic literature on the subject is scarce. The literature that does exist can for the most part be divided into a strategic- and a technical perspective. A summary of the two perspectives is given below, where I also indicate the need for an organizational perspective.

The strategic perspective

Most articles in the literature on customer solutions businesses take a strategic perspective and are found in practitioner-oriented scholarly journals including MIT Sloan Management Review (Hax & Wilde, 1999; Nambisan, 2001; Quinn et al., 1988; Rangan & Adner, 2001; Vandermerwe, 2000) and Long Range Planning (Vandermerwe, 1994, 1996). This perspective can also be found in several reports from larger consulting firms (Cornet et al., 2000; Greenberg, 2002; Sharma & Molloy, 1999). In 2002, SPRU⁷ began a project on customer solutions that above all aims to chisel out the generic strategic aspects from the resource-based strategy perspective (initial findings are reported in Davies et al., 2001). Hax and Wilde (1999) also give a detailed and well-founded description of a customer solutions strategy, claiming that it constitutes one of three generic strategies for the future.⁸ The majority of the literature, however, discusses customer solutions as an alternative to a diminishing and highly competitive product business (see e.g. Canton, 1988; Quinn et al., 1988; Wise & Baumgartner, 1999). The need and forms for a distinctively customer-oriented approach makes up another line of discussion in the strategic perspective (Berggren & Nacher, 2001; Vandermerwe, 1996, 2000).

The technical perspective

Parallel to the strategic perspective, there is also a technical perspective on customer solutions. This focuses mainly on how integrated systems should be constructed to allow both customer-unique functions and repeatability. In this perspective, we find literature related to the development of IT systems (see e.g. Leishman, 1999; Plachy & Hausler, 1999), as well as more general descriptions relating to complex product systems (see e.g. Davies & Brady, 2000; Gann & Salter, 2000). Even if the literature on complex product systems deals to a large extent with organizational aspects, it deals specifically with suppliers and markets for such technical systems and not explicitly with organizations operating customer solutions businesses. However, many of the researchers who have studied complex product systems are associated with the SPRU research project mentioned above, which is why we can look forward to an interfacing of the technical and strategic perspectives of customer solutions (see for example Prencipe, Davies & Hobday, forthcoming 2003).

⁷ SPRU = Science and Technology Policy Research, a research program connected to the University of Sussex.

⁸ The other two are defined as a “best product” strategy – a traditional product-oriented strategy, and a “systems lock-in” strategy – the optimization of systems of actors (e.g. Visa/MasterCard).

The need for an organizational perspective

An organizational perspective on customer solutions is largely lacking. Although the strategic perspective points to the need for organizational changes, it offers little support for leaders who must manage the demands of the customer solutions business on integrating products and services as well as markedly customer-oriented ways of working. At the same time as I began my study, however, a resembling study by a US research program was started. This study, including both researchers and McKinsey consultants, focused on corporate strategy and organizational design of companies that offered, or had tried to offer, customer solutions. Results from the study were initially published in McKinsey Quarterly (Foote et al., 2001). Since I completed my own study, academic papers from the US research program have also been published in peer-reviewed journals (see Galbraith, 2002b; Miller et al., 2002). It was not until then that I came to know about this research project. The orientation of this study differs from my own in that entire customer solutions businesses are studied. An important finding is the need for designing a hybrid organization, consisting of customer-oriented front-end units (e.g. corporate consultancies and market units) and capability-oriented back-end units (e.g. product units), coordinated by a strong central leadership and infrastructure (Foote et al., 2001; Galbraith, 2002b). See Galbraith (2000) for a more elaborate description of the front/back structure.⁹

As regards the specific characteristics and challenges of the consultative component of a solutions business, literature must be sought from other areas. Tordoir (1995) studies the use of consulting services¹⁰ supplied by internal specialists/consultants and external consultants. Although Tordoir's aim is to describe the role of consulting services as support for the internal business, rather than a complementary service as in this thesis, we are nevertheless dealing with similar complexities. The common denominator is the use of consulting services in firms. For this, Tordoir constructs a framework for managing knowledge by dividing it into firm-specific knowledge and professional knowledge. In this thesis, I use these different knowledge types as a dimension for a typology of corporate consulting (see page 18).

In Mintzberg's categorization of generic types of organizations (see e.g. Mintzberg, 1989), the difference between using consulting services as a supporting function (as in machine bureaucracy and a divisional structure) or as business activities (as in a professional bureaucracy and adhocracy) is highlighted. Tordoir argues, however, that Mintzberg's *support staff* is too much of a residual category, where professionals such as lawyers and economists are grouped together with simpler supporting services such as cleaning and reception work. Against this background, Tordoir ambitiously charts firms' use of consulting services, both internal and external.

Neither are the simplified archetypes of Mintzberg sufficient for understanding the organization of a customer solutions business. The typical organization is namely

⁹ Where Galbraith cites the original presentation in Corey and Star (1970).

¹⁰ Tordoir describes this as "professionals services", though his examples are mainly based on consulting services. Since the concepts to a large extent overlap, I use the latter when citing his work.

made up of a combination of two or more archetypes. The consultative component is normally composed of an adhocracy, while the product business is of a machine bureaucracy or divisional structure type. The challenge lies in integrating these archetypes in order to take advantage of potential synergies at the same time as their handling is differentiated according to their unique characteristics. This means, in part, bridging the gap between the diverging business logics of products and consulting.

CORPORATE CONSULTING IN THE CUSTOMER SOLUTIONS BUSINESS

Companies can choose between two generic ways of moving towards a customer solutions business. It can be introduced incrementally into the traditional business – a strategy that ensures that the changes become embedded in the organization, but the implementation of which is often time-consuming due to established corporate rules and procedures associated with the traditional product business (Cornet et al., 2000). An alternative strategy, tried by many companies in the business-to-business segment, has been to create service organizations aimed at complementing the product business. This strategy recognizes the fundamental difference between business logics and required capabilities. Services are provided under labels such as Ericsson Consulting, Shell Global Solutions and AT&T Professional Services. This type of service organization is the focus of this thesis even though I limit the study to the consulting services provided by these units.

The unique business logic of consulting

This thesis deals with corporate consultancies, that is *consulting firms* within product-based parent organizations. However, the concept of consulting has been subject to inflation, with everything from qualified strategic advice to staffing support (for example cleaning services), being given the label of “consultant”. The starting point I use in the thesis is that consulting services must include elements of advice and judgment and that the organization that supplies the services be able to be characterized as a *knowledge-intensive firm*,¹¹ whose offering comprises the individual and collective expertise of the firm’s employees. Based on others (e.g. Gummesson, 1990; Starbuck, 1992), Alvesson (1995) defines knowledge-intensive firms as characterized by: (1) significant incidents of problem solving and non-standardized production, (2) creativity on the part of the practitioner and the organizational environment, (3) heavy reliance on individuals (and less dependence on capital), (4) high educational levels and a high degree of professionalism, (5) traditional concrete (material) assets are not a factor, (6) heavy dependence on the loyalty of key personnel. A similar description is also given for *professional service firms* (see e.g. Lowendahl, 1997; Maister, 1993).

Alvesson (1995) argues that all of these concepts (consulting firm, knowledge-intensive firm and professional service firm) are problematic because they are diffuse yet highly prestigious. A common denominator is, however, that these types of organizations are described as having their own distinctive logic that differs

¹¹ In Sweden, these companies are often referred to as knowledge firms (“kunskapsföretag” in Swedish), a label introduced by Sveiby and Risling (1986). The fact that a company has a highly educated personnel is not synonymous with being a *knowledge-intensive firm*. Companies in which products and technology are the “bearers” of knowledge are *high-tech companies*. These companies are sometimes also referred to as knowledge-intensive firms but the definition used in this thesis is narrower (see above).

substantially from that of a traditional product-based organization (Alvesson, 1995; Lowendahl, 1997).

The existence of, and difference between, *industry logics*¹² has been an important cornerstone in the SIAR School of Strategic Management (Lind & Rhenman, 1989). An industry logic highlights commonalities in doing business in different industries and/or for different types of organizations. Industry logic thus directs attention to the business environment in which the organization is to survive and develop. Central aspects of this environment may be technologies, values, markets, competition and regulations (also described as “world of business” in Normann & Ramírez, 1994).

Given a specific industry logic and available core competencies, a business may find its own mode of operation in terms of management, organization and culture (described as “world of management” in Normann & Ramírez, 1994). The notion of industry logics is thus based on the *contingency theory* of organizations (e.g. Lawrence & Lorsch, 1967; Woodward, 1965) which emphasizes the importance of the fit between the external environment and the internal organizational structure and management systems. Drucker (1994) describes a framework similar to SIAR’s, which he calls the *theory of the business*. The general message is that assumptions about the organization’s environment, about its mission and about its core competencies must fit reality and one another.

Dahlman, a member of the SIAR School, describes different types of industry logics (2000). The “project business logic” (or “intermediate business logic”) is contrasted against a traditional “product-based logic” (or “core technology logic”), and Dahlman argues that the unique characteristics of a project business demand a special type of management. Concepts such as market share, dominance and market orientation have no relevance when the key problems are the importance of project management and the urgent need of flexibility to meet changing business opportunities.

In this thesis, I use the term “business logic” to describe the specifics of an organization/environment. My definition is founded on what the SIAR School defines as “industry logic”. However, I also include the associated managerial characteristics in terms of managerial focus, central managerial concepts and successful managerial action (Table 2 in Paper III illustrates this). The labels “consulting logic” and “product logic” used in this thesis are thus extensions of Dahlman’s corresponding labels of “project business logic” and “product-based logic”.

The concept of business logic can be a useful basis for managerial action when business logics with conflicting demands have to be combined (Dahlman, 2000). This is true for the customer solutions business, where both the consulting logic and the product logic must be jointly managed even though they show diverging characteristics and demands.

¹² This has also been described as *business logic* by the SIAR School. The definition of business logic used in this thesis is, however, broader.

My research questions about corporate consulting

In the thesis, I investigate whether corporate consulting can be used as an effective way of providing customer solutions, and if so how. This is done on two different levels of analysis. Firstly, from *within the corporate consultancy*, where the consulting unit's position in a non-consulting product-based firm creates an ambiguous identity in need of understanding and conscious management. Secondly, *on an overall company level*, including the consulting unit's role as the consultative component of a customer solutions business, where I study the consulting unit's interactions with product and market units. Owing to the knowledge-intensive and customer-oriented nature of a consulting business, I limit the study to the diffusion of customer knowledge, by the corporate consultancy, through knowledge-brokering.

The identity of corporate consulting

When a corporate consultancy acts as the consultative component of a solutions business, the main rationale is the exploitation of synergies between the traditional product business and the customer-driven consulting operation. This requires bridging the gap between product logic and consulting logic. Bridging these diverging business logics is however a demanding task, for management as well as those “doing the job” – the consultants. The ambiguity of this boundary-spanning position is intensified by the consulting unit's role on the fringes of organizational boundaries, working with both internal and external clients. In internal assignments, and in relation to the product business in general, the corporate consultancy is expected to act as a staff unit. In this role, the interests of the product business are in focus. In relation to the external market, on the other hand, they are expected to take an independent position in relation to the product business, focusing on the best for their respective client. This implies the creation of an image of a strong and independent organization.

Moreover, substantial differences in character between the dominating product business and the corporate consulting unit constitute a potential source of internal conflict as the rhetoric used in a consulting firm often describes its members as *different* and *superior* with unique interests and capabilities (Alvesson, 1993; Alvesson & K  ping, 1993). In consulting firms, there is thus a high degree of distancing from the ideas and works methods that characterize product-oriented organizations. For corporate consulting units, this distancing can become problematic and lead to a complex identity construction and an ambiguous categorization into “us” and “them” in relation to the product business.

The first research question aims to elaborate further on the distinction between the product logic and the consulting logic, from the perspective of the consulting unit. The aim with the first part of Question 1 (1A), is to contribute to a deeper understanding of what characterizes the identity of a corporate consultancy and how it is affected by the unit's organizational position and overall purpose of bridging two diverging business logics:

Question 1A: How does the simultaneous existence of product and consulting logic affect a corporate consultancy's identity?

Alvesson (1993) argues that consulting firms may be described as ambiguity-intensive. From a content- and physical standpoint, their employees – the consultants – work close to their customers. Consequently, these organizations act as open systems and develop intensive sensemaking (Weick, 1995). They are very open to the surrounding environment and have looser system structures, meaning that even the organization's own identity can be somewhat of a puzzle. Paradoxically, however, indistinct organizational boundaries lead to our *thinking* more about these boundaries (Normann, 2001). The organization and its individuals thereby strive to internalize a distinct identity (Albert, Ashforth & Dutton, 2000). In order for organizations and their members to be able to interact with one another, questions such as “Who are we?” and “Who am I?” must be answered. As the surrounding environment becomes more dynamic and complex, the organization must therefore increasingly be able to assume a place in the minds and hearts of its employees. The management of an organization's identity is therefore an important task for today's complex and ambiguous organizations (Berry, 1994; Cheney, 1991; Eccles, Nohria & Berkley, 1992; Normann, 2001). If this is not done in a conscious manner, there is a risk that conflicting loyalties and low morale will arise, not least in ambiguity-intensive consulting organizations (Alvesson, 2000). The second part of Question 1 (1B) aims to investigate whether, and if so how, the identity of a corporate consultancy can be managed, given the challenge of bridging diverging business logics:

Question 1B: Is it possible to manage the corporate consultancy's identity, and if so how?

In the construction and management of an organization's identity, the leader is particularly important due to his/her high exposure and thereby also responsibility associated with identity issues. Although this type of leader-centered approach is perhaps most relevant to hierarchical organizations, leaders in egalitarian organizations, like consulting firms, are often given responsibility for construction of the larger group's identity regardless (Scott & Lane, 2000).

Numerous studies (see e.g. Carlson, 1951; Mintzberg, 1973) have described the main task of managerial leaders as that of *communication*. This is especially true for the management of meaning (Smircich & Morgan, 1982), as for example the handling of an organization's identity. The members of an organization must be convinced of- and feel a sense of security in the manager's reasoning. Otherwise, they will not allow the leader to assume the role of ultimately responsible for sensemaking. Such management is thereby largely a matter of *rhetoric* (Cheney, 1991; Eccles et al., 1992; Müllern & Stein, 1999). In answering the above question (1B), I will therefore focus on a rhetorical dimension of identity management.

Corporate consulting in relation to the product business

Growing academic interest in customer solutions businesses has focused mainly on strategic aspects. Apart from consulting reports (e.g. Cornet et al., 2000; Foote et al., 2001), studies on the internal consequences of moving towards a solutions business are lacking (Galbraith, 2002b, is a notable exception). This is a topic of practical importance, especially for corporations that embark on a path of mixed business – with

solutions and stand-alone products. The purpose of the second research question is to contribute to this neglected area, focusing on the consultative component of a solutions business and its interaction with the development of the product business. The organizational position of a corporate consultancy should enable it to mediate between the customers and the established product business, hereby changing it from being primarily product-oriented to becoming more customer-oriented. In turn, this could increase a company's ability to offer products and services that are compatible with each other and that can be adjusted to specific customer needs. This will be investigated through the following research question:

Question 2: Can a corporate consultancy, through its customer access and knowledge, promote customer-orientation in the established product business?

The point of departure taken here is that corporate consulting shall be viewed not only as an autonomous business that adds to the product business, but that it can also serve as a support function for an increased customer-orientation in the product business. This is a potentially important function yet often neglected since corporate consultancies are largely legitimized as a way of generating extra income and/or protecting the product business' technological core through competitive differentiation (Cornet et al., 2000; Davies et al., 2001).

A typology of corporate consultancies

Corporate consulting can have various roles for product businesses. Two central aspects are its relation to the product business' value chain and the type of knowledge that is the key knowledge for the consulting services. The "value chain" (Porter, 1985) represents a firm's (or rather a firm's business unit's) set of activities for designing, producing, marketing, delivering and adding services that complement its products. These activities can be divided into "primary" activities (inbound logistics, operations, outbound logistics, marketing/sales and service) and "supporting" activities (firm infrastructure, human resource management, technology development and procurement). The consulting service can either aim at *supporting* the product business' value chain – as is the case with consultancies offering support activities in organization, leadership development or product development, or at offering an *extension* to the value chain – as in the case of consultancies that integrate the product business' technical products into customer specific solutions, an example of expanding/changing the primary activities.

A second aspect that distinguishes different types of corporate consultancies is the key knowledge for the consulting services. This is based on Tordoir's (1995) framework for understanding the use of consulting services in business, consisting of professional knowledge and firm-specific knowledge. *Professional knowledge* is a combination of science, personal skills and experience, and organizational routines and its value is dependent on exchange of professional experience gained from different business situations. Professional knowledge is moreover intrinsically tied to people – the professionals – and mostly also to common disciplines and/or technologies as for example scenario planning, project management database design and Java

programming. *Firm-specific knowledge* is all of the knowledge owned by an individual business organization that cannot be extracted or transferred from a firm without weakening the firm’s market position or profit standings. It includes for example routines, blueprints, patents, product expertise and process know-how. Firm-specific knowledge gives a firm a competitive edge and is tied to the specific firm and its market position.

In consulting services, firm-specific knowledge and professional knowledge are combined according to how the professionals judge this necessary. These knowledge types are hereby interrelated – a relationship characterized by both interdependence and ambiguity. Moreover, in a solutions business, consulting services often come in packages with other products and services, and it is difficult to isolate the consulting element itself within these packages. Although both knowledge types are always present, I argue that the driving force of consulting units in product-based organizations can be based on either firm-specific knowledge or professional knowledge.

Combining the value-creating dimension with the knowledge dimension yields four “ideal” types of Corporate Consultancies (CC): Expert CCs, Know-how CCs, Spearhead CCs and Integration CCs, as described in Figure 1 below.

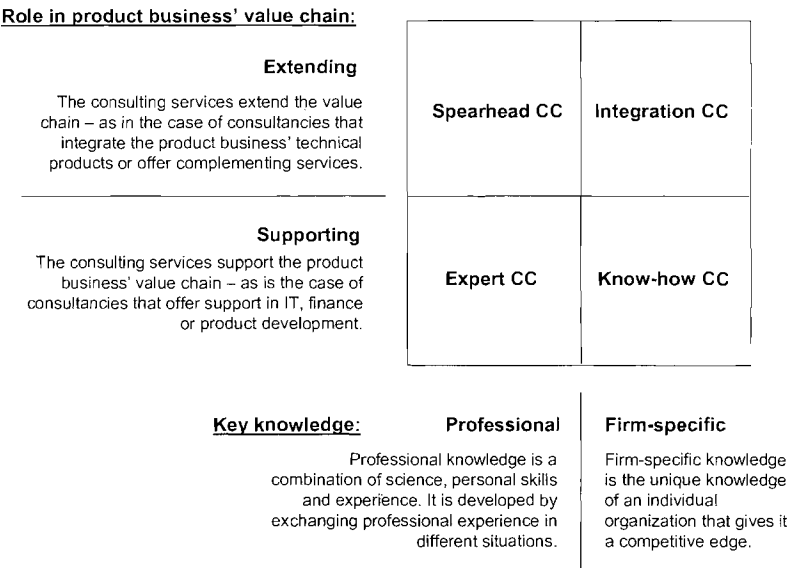


Figure 1: Types of corporate consultancies (CC)

Expert CCs

Expert CCs exploit their professional knowledge (e.g. IT, human resource management or organizational design) by marketing it to clients outside the primary value chain of the product business. ABB Financial Consulting, for example, offers consulting services like balance sheet management, risk management and treasury and finance operations to other organizations not necessarily within the value chain of ABB. Other examples of Expert CCs include IT- and technical support units that provide external services. For example, Porsche Engineering provides consulting services in automotive engineering. These services were initially launched in order to exploit free capacity. Nowadays, the external assignments are an important part of Porsche's business, both in terms of profit and broader technical expertise.

Know-how CCs

Know-how CCs act primarily as internal support units and are organized as a pool of specific knowledge. Here, the driving force is firm-specific knowledge, and consultants thus act as internal knowledge brokers between different corporate units (cf. Hargadon, 1998). Shell Global Solutions, constituted in 1996 as a demand-driven global consulting unit, represents this type of knowledge broker. In the case of Shell, the former support functions (e.g. product research, and technical- and business services) were transformed into an organizational unit that could compete with external consultants. Even though the business focus of Shell Global Solutions may be the needs of internal customers, the unit also serves Shell's joint ventures and other external clients. This is done through advice, support and hands-on expertise in a broad range of technical, organizational and managerial issues of interest to the product business.

Both Expert CCs and Know-how CCs have normally come about via a phase as purely internal specialist- or consulting units¹³ within the product business. In order to improve the competitiveness of internal consultants, and to give them valuable experience outside the parent organization, internal assignments are often complemented by external assignments (Johri et al., 1998). It is in this capacity that they assume the role of Expert CCs or Know-how CCs, depending on the type of knowledge that drives them.

Spearhead CCs

Spearhead CCs complement the product business on the external market by providing services that are only loosely coupled to the product business' value chain. This might consist of consulting services such as analyses and advice based on professional knowledge. Firm-specific knowledge is toned down because the consultants are expected to be objective and relatively neutral. Although this independence is only limited, it is weighed against the fact that the product business often has a strong brand

¹³ As with corporate consulting, the literature on internal consulting is scarce (Block, 1981; Johri, Cooper & Prokopenko, 1998; Kelley, 1979; Lacey, 1995 are notable exceptions.)

in the industry that can also have a legitimizing effect on the consulting services. Ericsson Consulting (part of which was the former Edgecom), a global consulting unit with about 260 employees and 100% owned by the Ericsson group, is a Spearhead CC. Ericsson Consulting's services are oriented towards the telecom industry and build on consulting capabilities in business strategy and customer relationship management. Another example of a Spearhead CC is Pinkerton Consulting and Investigations, which works with different investigation and analysis assignments as a part of the security company Securitas.

Integration CCs – the focus of this thesis

The fourth type of corporate consulting unit, Integration CCs, also extend the product business in the value chain but, unlike Spearhead CCs, the services of Integration CC are more highly integrated with the product business, relying primarily on firm-specific knowledge. PeopleSoft Consulting is a typical example of an Integration CC. As a part of the software supplier PeopleSoft, the unit's 2500 consultants handle software implementation, system optimization, upgrades and other pre- and post-sales assignments. The services are closely tied to PeopleSoft's product – the PeopleSoft Software package – and are geared to turning customers into lifelong clients (Gregoire, 2001).

The focus of this thesis is Integration CCs and there are two main reasons for this. In part the fact that Integration CCs likely constitute the most common type of consulting unit within the limits of an overall customer solutions strategy, and in part because Telco Consulting, the main empirical object, served primarily as an Integration CC during the course of the study.

The four types of corporate consultancies (see Table 1 below) can be viewed as “ideal” types, with the dimensions that distinguish them continuous rather than dichotomous. Corporate consultancies may also move between types as their missions change over time.

Table 1: The four types of corporate consultancies summarized

	Expert CCs	Know-how CCs	Spearhead CCs	Integration CCs (In focus in the thesis)
<i>Mission</i>	Reap external profit based on professional knowledge and through own value chain	Support the product business and other actors in its value chain	Offer unbundled consulting services as extension to product business' role in value chain	Extend (adapt/integrate) product business' offerings through bundled services
<i>Typical services</i>	<ul style="list-style-type: none"> - Engineering - Human Resource - Management and financial consulting 	<ul style="list-style-type: none"> - Engineering - Supply chain management - Organizational development 	<ul style="list-style-type: none"> - Purchase assistance and vendor assessment - Advice on technology, business and strategy - Business development 	<ul style="list-style-type: none"> - Systems integration (IT/technical) - Customer adaptations (of services and/or products)
<i>Rationale</i>	<ul style="list-style-type: none"> - Core competence paradigm - Economy of scale on critical expertise - New revenue streams - Increased experience - Quality control of internal services 	<ul style="list-style-type: none"> - Core competence paradigm - Divisionalization - Consolidate critical competencies - Internal knowledge-brokering 	<ul style="list-style-type: none"> - Industry convergence - Complexity (business, technology, etc.) - Better understanding of customer/industry - New markets 	<ul style="list-style-type: none"> - Co-production - Servicification - Offer one-stop shopping - Protect core business - Move up the value chain - Better understanding of customer/industry
<i>Examples</i>	ABB Financial Consulting Porsche Engineering	Shell Global Solutions Philips Centre for Industrial Technology	IBM Business Consulting Services Ericsson Consulting	IBM Global Services PeopleSoft Consulting AT&T Professional Services

THEORETICAL FRAMEWORK

A corporate consultancy within a customer solutions business crosses the product business' boundaries, both in terms of internal boundaries, e.g. between product units and market units, as well as the external boundaries between the product business and the market. This position on the edge of organizational boundaries creates however an ambiguous context for the corporate consultancy unit and its employees. On the one hand, the corporate consulting unit is expected to be- and act like an insider supporting the dominant product-oriented business. On the other hand, the organization is expected to focus on its external clients and build its own business, which might sometimes mean "being on the customers side" and distancing itself from the product business through a "neutral" consulting logic.

The concept of organizational identity (Albert & Whetten, 1985) becomes salient in this context since the employees perception of "who they are as members of the organization" is an important determinant of their actions. Organizational identity theory is thus one of the main theoretical domains used in the thesis, providing a framework for answering Question 1A (How does the simultaneous existence of product and consulting logic affect a corporate consultancy's identity?) and Question 1B (Is it possible to manage the corporate consultancy's identity, and if so how?)

Even though the consulting business is responsible for the final customization in a customer solutions business, it is necessary that also the product business adapts through increased flexibility and openness (Foote et al., 2001). Corporate consulting could be a vital mechanism for promoting customer-orientation in the product business and its product development processes. The second theoretical domain is thus customer-sourced innovation, in particular the brokering role of consultants in this type of development, and aims to provide a framework for Question 2 (Can a corporate consultancy, through its customer access and knowledge, promote customer-orientation in the established product business?).

Understanding business through organizational identity theory

In an organization working towards a customer solutions strategy, the established product logic is often the *dominant logic*, in line with Prahalad & Bettis (1986), or represents the *dominating ideas* as Normann expresses it (1975). That is, the product logic represents standardized ideas, conceptions and lines of reasoning, and through its dominance, has gained the upper hand in the company. The unique consulting logic of a corporate consultancy deviates from that of the dominant product logic. However, an overall purpose of the corporate consultancy is to leverage capabilities of the product business, and bridging the diverging business logics of products and consulting creates a high degree of ambiguity within the consulting unit – that is, raises the question of identity.

The concept of organizational identity

Can an organization have an identity? Yes and no, though direct agreement with the concept of personal identity does not exist, the concept of organizational identity can

serve as a metaphor in distinguishing and managing conceptions of an organization's characteristic features. Most researchers who work with the concept of organizational identity take their point of departure in the work of Albert and Whetten (1985), in which organizational identity is looked at through the self-reflective question "Who are we?". Organizational identity thus captures the central elements of what is characteristic for an organization. This can be summarized as three dimensions, the first of which is constituted by what members belonging to the organization perceive as *central* to organizational activities. The second dimension deals with what members believe makes the organization *distinct* in relation to other organizations, and the third and final dimension aims to accentuate the *enduring features* of an organization. The concept of organizational identity is to a large degree in agreement with the concept of dominant logic (Prahalad & Bettis, 1986). However, the latter relates above all to the leadership of the organization in comparison to organizational identity, which stems from the organization's collective perception.

Albert and Whetten's (1985) definition of organizational identity focuses on the *characteristics of an organization*. However, the concept of organizational identity can also take on a different meaning. The organizational variant of social identity theory (Ashforth & Mael, 1989) deals with the *feeling of social belonging* of organization members. This perspective is based on individuals dividing themselves and others into social categories on the basis of age, gender, profession, group belonging, etc. This process of categorization gives rise to 'us', through one's perception of belonging to a certain category, and 'them', through systematic cognitive ordering of the social environment. Organizational identity is accordingly defined as a perceived oneness between individuals and the organization. Ashforth and Mael (1989) write that social identities have great influence on an individual's actions, contribute to a sense of community and cooperation, and help to strengthen identification with an organization.

The thesis thus deals primarily with organizational identity (Albert & Whetten, 1985), the perceived *internal* identity of the organization. However, as noted by Dutton and Dukerich (1991), (internal) identity and constructed external *image* cannot be treated in isolation from each other, as they represent two sides of the same coin. Identity influences image and image reproduces identity. A mismatch between image and identity is often perceived as a trigger to change – either of the identity or of the image (Gioia, Schultz & Corley, 2000).

Managing multiple identities

When discussing organizational identity, organizations are generally described in terms of a single specific identity. Organizations in complex environments facing multiple stakeholders with conflicting interests, however, often develop multiple identities (Albert & Whetten, 1985; Pratt & Foreman, 2000). Examples of such organizations might include a church that runs a bank, co-ops, or joint ventures.

The consequences of multiple identities have been discussed by Pratt and Foreman (2000), who identify both advantages and disadvantages of the existence of multiple identities. Among the benefits of multiple identities, they cite increased adaptability and the ability to handle different stakeholders with conflicting demands. Often,

however, this also creates costs, in terms of paralysis, passivization, and ongoing negotiations and conflict within the organization. *Holographic* identities (where the whole organization shares more than one identity) are generally more problematic and conflictual than *ideographic* ones (where different parts of the organization demonstrate different identities) (Albert & Whetten, 1985).

How, then, can multiple identities be managed? Pratt and Foreman (2000) have identified four types of responses to multiple organizational identities. Based on two fundamental decisions, the preferred level of *plurality* – “how much plurality of identities is best for the organization and its members,” and *synergy* – “how much interaction and coordination between identities is possible or desirable,” the types of response are divided into compartmentalization, deletion, integration and aggregation. These strategies are briefly described in the following paragraph. Elaborations and examples can be found in Paper I (in Managerial implications) and Paper II.

In the first type of management response, *identity compartmentalization*, plurality is sustained but synergy is deliberately reduced through physical, spatial or symbolic separation of the identities. Management responses that attempt to neutralize plurality (without sustained synergy) through *identity deletion* is a second type. Such responses may be easy to implement in organizations with ideographic identities or where identities are clearly associated with specific units. Through a process of “identity pruning”, cutting of “superfluous branches or parts so as to improve growth,” organizations strategically remove identities far from their core business. The third type of management response – *identity integration* – includes responses that fuse multiple identities into a distinct new whole, typically when a new identity must emerge due to a merger or acquisition. The last type of management response is *identity aggregation* and involves accepting the existence of multiple organizational identities but, unlike compartmentalization, also trying to exploit possible synergies. This is to a large extent done at a symbolic level (Pfeffer, 1981) and rhetoric plays an especially central part:

The nature of organizational rhetoric in the industrialized world in the late twentieth century is the management of multiple identities. (Cheney, 1991, p. 9)

Pratt and Foreman (2000) state that these identity-controlling mechanisms present a challenge for research with an interpretive-orientation. Here, identity is seen as an ongoing, reflective process in which individuals and the group as a collective interpret and help to create the social context (see e.g. Weick, 1995). Therefore, from this perspective, leaders face a great challenge – either to reduce multiplicity or create synergy between the existing identities. According to Pratt and Foreman (2000), this is therefore an important area for continued research. The first part of this thesis, on the identity of corporate consultancies (see Papers I, II and parts of Paper V), contributes to this area by presenting such an analysis using an *interpretive perspective* (Gioia, 1998).

Customer-sourced innovation and the brokering role of consultancies

The customer-oriented nature of a solutions business changes the conditions and strategies for managing innovation from product innovation to customer-sourced

innovation (Hax & Wilde, 1999), characterized by co-creation and customization (Cornet et al., 2000). However, since customer solutions are an extension of companies' traditional offerings, which still have to be renewed and sold as stand-alone products, corporate consultancies should offer exceptional possibilities for customer-driven innovation by enabling the application of innovation processes with anthropological characteristics (Berggren & Nacher, 2001). This is a role that is seldom addressed since corporate consulting is mainly motivated as a way of protecting the product business by offering added value in the form of adaptation and integration, or generating new revenue streams for the company.

My point of departure is thus taken in the literature on customer-driven development and the use of consultants as knowledge brokers. Leonard (1995) terms product development methods with a heavy emphasis on direct questions and observation *empathic design*. These provide a deep understanding of unarticulated user needs. Empathic design focuses on existing capabilities but applies them in new contexts. Leonard (1995) therefore suggests that it is also necessary to have knowledge about the firm's capabilities and the unarticulated needs of its customers, something that should be characteristic of the consultative component in a customer solutions business.

Consulting services are seen increasingly often as *generators* of knowledge (see e.g. Sarvary, 1999; Werr, 1999). Consultants normally work close to their customers, and much new knowledge is generated through combining the knowledge and experience of the customer and the consultant. When a consultant then applies his/her knowledge, new knowledge is produced (Starbuck, 1992). Sarvary (1999) expands on this and suggests that all truly valuable knowledge in the consulting business comes from customer assignments. Hargadon (1998) further elaborates on this, describing various examples of knowledge brokers and dividing them into internal knowledge brokers, normally specialist units in large divisionalized companies, and external knowledge brokers, including management consultants and designers. What the two have in common is that a significant part of their services are aimed at moving ideas and concepts between different fields, companies, or – in the case of internal knowledge brokers – between different organizational units. Bessant and Rush (1995) argue that the work of such knowledge brokers can therefore be likened to that of bees:

Here the consultants act rather like bees, cross-pollinating between firms, carrying experiences and ideas from one location or context into another. (Bessant & Rush, 1995)

The concept of "knowledge broker" can, however, be perceived as a misleading simplification. The dominating perspective on knowledge and knowledge management views knowledge as an asset (cf. Winter, 1987), an objective and definable unit. From such a viewpoint, the spreading of knowledge can easily be seen as a transfer from one point to another with some form of underlying market forces. The role of the knowledge broker thereby becomes merely one of carrying the knowledge without necessarily developing his/her own knowledge, i.e. a relatively passive action.

An alternative approach, which has emerged as a response to the former perspective, is to view knowledge as a process (see e.g. Brown & Duguid, 1998; Nonaka & Takeuchi,

1995). Knowledge construction is thus largely socially- and situationally adapted, and comes about through the interaction of individuals. It is created collectively, most often within the framework of a certain social system or “community” (Brown & Duguid, 1991). Using such a perspective, the role of knowledge broker becomes more active and is aimed at forming a bridge between communities. This is achieved by collectively creating knowledge in the respective communities. Knowledge-brokering is thus a series of knowledge development processes in different communities (Brown & Duguid, 1998).

Consultants of a corporate consultancy have intensive contact with customers and users of the product business’ products. This enables them to build up a great amount of firm-specific market knowledge. At the same time, they can also possess deep technical knowledge on the products. This combination of market knowledge and technically-oriented knowledge has great importance in effecting successful customer-driven product development (Leonard, 1995). It also enables the knowledge broker’s role, and therefore affords the corporate consultancy a potentially strategic position in the product business’ innovation processes.

Participating in a community helps to create a social identity and identification with the community that can strengthen cooperation within the group. When identification with a certain community is high, cooperation with other individuals and functions outside the community is however at risk. For this reason, I have chosen to study the role of the corporate consulting unit for the product business when considering knowledge transfer from a social perspective. In this regard, it also ties in to the first part of the thesis – the organizational identity of the corporate consulting unit, in particular the orientation toward social identity theory (Ashforth & Mael, 1989).

RESEARCH METHODS

My study began with a pre-understanding of Telco Consulting and has been characterized by an interpretive perspective in an aim to understand the phenomenon of corporate consulting. The interpretive perspective is however something that has grown out of the process. Through my earlier life as a student at an institute of technology, and subsequent positions at two technology-intensive consulting firms, I brought with me a clearly positivistically-inclined perception of reality. The shift toward a more interpretive perspective has matured slowly. The argumentation in the first half of Berger and Luckmann's classical study (1966) seemed so obvious, at the same time as it clearly challenged the perspective I held then.

Given the relative lack of studies and theorizing on the role of corporate consultancies in a solutions business, the study was based on an overall grounded theory approach (Glaser & Strauss, 1967; Strauss & Corbin, 1994; Turner, 1981). This means that rich empirical data, gathered partly through participant observations, have been the basis for my interpretations and my parallel construction of a theoretical framework. Consequently, since part of the data collection was carried out after the introduction of suitable theoretical concepts, in particular that of organizational identity theory, an *abductive* (Alvesson & Sköldbberg, 1994) approach was used.

A central characteristic of the study has been my aim to contribute to practice. This was born of my initial frustration with not understanding the organizational complexities associated with corporate consulting (the primary cause for starting my Ph.D. project) as well as my parallel practitioner role during the study. The importance given to empirical data in grounded theory and its aim for practical applicability appealed to me. It spurred me to initiate an interpretive-oriented grounded theory study into the phenomenon of corporate consulting. The role of corporate consultancies in customer solutions businesses was thus my area for developing *substantive*, rather than formal, theory (Glaser & Strauss, 1967).

Data collection and analysis were carried out in two phases. The first, and main, phase was the case study at Telco Consulting, carried out during the years 1998-2001. As argued by Eisenhardt (1989), the detailed study of single cases is a suitable point of departure for theorizing about a phenomenon – especially for a contemporary phenomenon studied through “how” and “why” questions (Yin, 1994), such as my interpretive-oriented study into corporate consulting. In the second phase, the findings from Telco Consulting were tested and verified against a broader study of the role and management of corporate consultancies.

Defining and initiating a research study from within

My research interest was spawned already in my earlier role as marketing director of Telco Consulting. At the same time as I had perceived the services of Telco Consulting as an important complement to the established product business, with many potential synergies, I had also witnessed organizational problems in that the relation between the product business and the consulting services was fraught with conflict. Consequently, the desired synergies did not follow automatically. The interface

between these different types of businesses thus appeared to be an important area in need of research, which inspired me to start my Ph.D. project.

Parallel to the research study, I have remained a half-time employee of Telco Consulting. Throughout the research process, my ambition has been to use my corporate role to collect and analyze empirical data in a strive to research the phenomenon of corporate consulting *from within*. When joining the research program in 1998, I therefore started to seek and create a new, more independent, role within Telco Consulting with the aim of working with organizational development. Consequently, I took on a staff role that could be integrated in part with my researcher role.

In the initial stage of the research process, I collected unobtrusive data in order to identify the research problem. Since the object of study was my own organization, I was primarily entering the role of *self-ethnographer*, or *auto-ethnographer* as it is sometimes called (e.g. Alvesson, 1999; Gold, 1958; Hayano, 1979; Nielsen & Repstad, 1993; Riemer, 1977). In self-ethnography, the natural access of participating in the action through a membership role characterizes the research design, and participant observations are an important source of empirical data. Several variations on the role of participant-observer exist. A widely used fourfold typology distinguishes these variations according to the type of *participant role*: complete observer, observer as participant, participant as observer and complete participant (Gold, 1958).

Adler and Adler (1987) propose an additional category of involvement: the *membership role*. The advantage of this role is that organizational members recognize the researcher as a fellow member participating in everyday practices. This forces the researcher to take on the same obligations and liabilities and to adapt his/her behavior accordingly. Through this membership role, the repertoire of the researcher's role expands, laying the foundation for richer experiences. The membership role can be peripheral, active or complete. As "complete member", a researcher fully immerses him/herself in the organization as a "native". At the same time, the researcher must sustain a research perspective, implying "the ultimate existential dual role" (Adler & Adler, 1987). Self-ethnography is an example of such a complete membership methodology. Therefore, Alvesson (1999), who used it in his own research in the academic community, summarizes it as difficult but potentially rewarding.

In year 2000, a change program was launched in Telco Consulting. This program was divided into different phases, covering data collection, analysis, decisions about mission, vision, business concept and organizational structure, and in the end an implementation phase. In the beginning of the change program, I continued to act as a self-ethnographer. However, after a while, I wanted to increase the synergies with my practitioner role. Therefore, in the implementation phase of the change program, my researcher role shifted to a more intervening one. Consequently, the role of *insider action researcher* (Coghlan, 2001; Coghlan & Brannick, 2001) became an important part of the research study.

Insider action research is a type of management action science (Gummesson, 2000) with many similarities to clinical organizational research (Normann, 1975; Stymne,

1970). An insider action researcher is defined as a person who conducts action research at an organization where he/she is also a permanent member. The insider action researcher is therefore a complete participant (Gold, 1958) with a complete membership role (Adler & Adler, 1987) expected to last permanently. Insider action researchers conduct research in the setting where they act as practitioners, applying frames of reference from the setting where they act as researchers. Coghlan (2001) argues that this role duality is one of the key elements in insider action research and a major issue for the individual insider action researcher. This role duality is similar to that of the self-ethnographer and, since it has been a central aspect of my methodology, I decided to include my reflections on it as a methodology paper (see Paper VI).

Collecting data from within Telco Consulting

The initial data collection, as a self-ethnographer, centered on Telco Consulting's role within Telco, including its relations with other parts of the company, especially the product and market units. Several different sources of data were used in order to increase the validity through triangulation. These included different forms of participant observations and semi-structured interviews. In my ensuing role as insider action researcher, I initiated a study as a part of the change program in Telco Consulting, hereby shifting the focus from studying Telco Consulting as a part of Telco to looking instead inside the unit. My interest was related to how consultants and managers defined the characteristics of the organization. In addition to the data sources initially used, my observations were increasingly related to my own interventions and actions within the change program. Moreover, since my aim was to describe the common characteristics of Telco Consulting, I also used a questionnaire (see Appendix 1 in Paper I) to collect data about Telco Consulting's identity. The empirical data from Telco Consulting is summarized in Table 2 (see also Appendix 1 for a complete list).

Table 2: Data sources for the case study of Telco Consulting

Empirical data source	Description
Participant observation	Dialogues with consultants and management at Telco Consulting, meetings and workshops, formal and informal management communications, observations related to my own interventions/actions, postings to electronic forums, and written documents.
Semi-structured interviews	20 interviews. 18 interviews with managers and consultants from Telco Consulting as well as people from the product business. 2 interviews with people from outside Telco.
Identity survey	A questionnaire on organizational identity sent to all Telco Consulting personnel and answered by 141 people (50.1%).

Participant observations

I used my part-time employment at Telco Consulting to act as a participant-observer. *Observations* were made through dialogues, at meetings and presentations, and some at more informal occasions such as coffee breaks and kick-off events. Some of the observations were related to deliberate interventions, primarily in the company-wide change program in 2000. These interventions were based on my own experiences as an insider in the company, but also on my (outsider) researcher role. This enabled me to introduce theories as well as empirical descriptions from other organizations. The interventions were normally made in work groups, but some were made primarily in private, one to one dialogues. I wrote down key words to jog my memory, and would then add notes and personal reflections later, normally the same day.

I also collected *written documentation* including both formal (business plans, mission statements, visions and agreements) and informal (suggestions, ideas and drafts) documents. Furthermore, I surveyed several *electronic discussion* forums at Telco Consulting, from which I exported the data to my research database. The main forum was the general discussion forum on the intranet but during the change program I also used a “suggestion box” and GroupSystems¹⁴ sessions managed by external management consultants. The empirical data collected had to have some connection to the identity, role or mission of the consulting unit, or describe feelings or understandings about the organization in general. I also kept a research diary in which all of my observations were coded with dates so that I could later compare my diary notes to the empirical data collected at that time.

Interviews

The study of Telco Consulting also included 20 semi-structured interviews, of which 18 from within Telco. These interviews were conducted with employees from Telco Consulting (12) and people from the Telco product business (6). In addition, I also interviewed an external client of a project that was examined in depth (see Paper IV) and two management consultants (in the same interview) involved in the change program in Telco Consulting. The interviews varied in content but centered on the role and/or identity of the consulting business as well as the relationship between the consulting business and the product business. Special attention was given to the synergies between the two operations and the issues involved in realizing these synergies as well as issues related to the management of the corporate consulting operation. Many of the interviews were taped and transcribed. I normally also added a personal reflection after each interview.

Identity survey

A questionnaire on organizational identity (a qualitative part) and identification with Telco Consulting (a quantitative part) was another important source of empirical data. The questionnaire (see Appendix 1 in Paper I) was sent to all personnel via the

¹⁴ GroupSystems is a trademark of GroupSystems.com (formerly Ventana Corporation).

intranet. The respondents were guaranteed anonymity of their individual answers and were encouraged to reply spontaneously. They were given three weeks to answer the questionnaire and e-mailed one reminder after two weeks. 141 people responded, representing a response rate of 50.1%. Given that Telco Consulting is a consulting unit with an aim to maximize billable hours, I perceived the response rate as acceptable. Furthermore, I checked the distribution of answers in relation to the background questions and found that my sample corresponded well with the organization in that the dropouts were evenly distributed.

Testing generalizability through a second broader study

An important part of the grounded theory approach is the validation of initial concepts in new empirical settings (Glaser & Strauss, 1967). The case study of Telco Consulting was thus followed by a broader comparison with several other corporate consultancies. The aim of this second study was twofold. Firstly, it was to compare and elaborate on the findings from Telco Consulting. Secondly, it was to construct the typology of different corporate consultancies (see page 18) and generate broader insights into these consultancies. This investigation was mainly carried out during 2001-2002 and included several types of data sources (see Table 3 below and Appendix 1 for a complete list).

Table 3: Data sources for the second broader study

Empirical data source	Description
Interviews	11 interviews with executives (mostly CEOs/presidents of corporate consultancies).
Workshop	Workshop on corporate consulting with executives and researchers.
Websites	The websites of 25 corporate consultancies and their parent organizations.
Academic and business literature	Extensive literature search for descriptions and analyses of corporate consultancies.

In order to verify the generalizability of the case of Telco Consulting, an additional eleven *interviews* with executives (mostly CEOs/presidents) of seven other corporate consultancies were conducted. The companies studied in this phase came from different industries, including energy, pharmaceuticals and telecom. The interviews focused on the issue of sameness vs. distinctiveness, and synergies and conflicts between the corporate consultancy and the product business of the parent organization. All interviews included questions about the role and identity of the corporate consultancies. In some of the interviews, carried out toward the end of the study, the interviewees were asked to identify their organization according to the corporate consulting typology in order to test its usability.

The findings from Telco Consulting and from the interviews with managers from other corporate consultancies, were elaborated in a *half-day workshop* with seven executives from corporate consultancies, one executive of a parent organization, and three researchers (apart from myself). During the workshop, the participants collectively crystallized and discussed the main managerial challenges of corporate consultancies and possible solutions to these challenges.

In order to further broaden my insight from the study of Telco Consulting, a survey of *websites* was also conducted. The websites of 25 corporate consultancies and their parent organizations were analyzed in this respect. I collected data about the services offered by the consulting unit as well as how they described their purpose. These descriptions were compared with the parent organization's overall description of products/services and mission/vision.

Parallel to the Internet survey, a search was made of academic and business literature for descriptions and examples of corporate consultancies. Literature databases were searched using terms such as "customer solutions", "integrated solutions" and "in-house consultancies" and the specific names of corporate consultancies. The descriptions found were analyzed in relation to the empirical data from Telco Consulting and the other corporate consultancies that had been studied through interviews.

The research database – the hub of my thesis work

A research database, based on Nvivo¹⁵ software, was the hub of my thesis work. Everything that was connected to my research was either imported or linked to the database. This included both empirical data as well as information dealing with the research process itself (see Figure 2). The empirical material comprised many different *Nvivo documents* (see Appendix 1), of which some also contained many observations. By coding the texts, all of the different types of data and/or methods could be managed, sorted and categorized. Using a research database resulted in my being able to manage different methods, empirical data, and my separate roles in an effective manner. It also forced me to adopt a rigorous and systematic research process and methodology.

¹⁵ Nvivo is text-analysis software from QSR International (<http://www.qsr.com.au>).

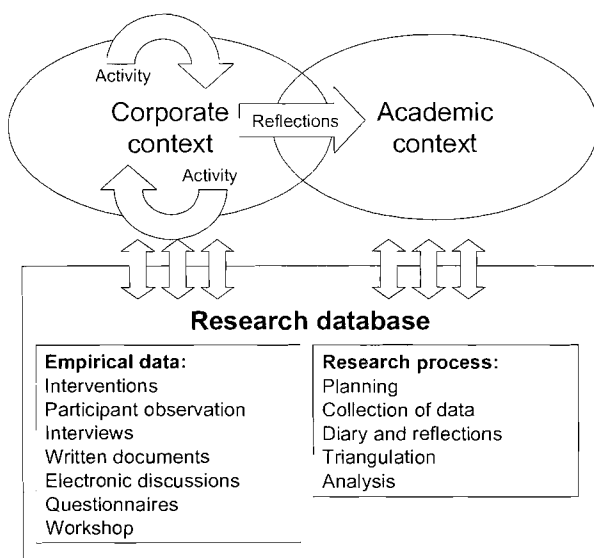


Figure 2: The integrated research database

All field notes, together with complementary information such as agendas and drafts of documents, etc., were linked to the research diary in the database. Reflections were also included and pinpointed continuously through the coding functions of the software. This gave me a chronologically structured view that included all relevant data, including even different versions of documents, linked to the specific context in which it was discussed. The research database added rigor and gave a nice overview of the study. It also helped me to detach myself from my insider role and perspective.

My research database also made it easy to perform *triangulation* (applying several methods on the same research problem), something that is recommended for case study research (Gummesson, 2000). To complement the research database, a database for references (Endnote¹⁶) was used for the administration and citation of relevant literature.

Reporting analysis and conclusions through academic papers

I collected a lot of empirical data through my position as a member of Telco Consulting. However, as these addressed different theoretical domains (e.g. leadership, innovation management and methodology) and different analysis levels (e.g. within the corporate consultancy or on the company level), only parts of the data were used as *primary data* for each of the different papers. However, these primary data sources were always analyzed and discussed against the background of the broader set of *secondary data* in order to get a deeper understanding. Analyses were aided by my

¹⁶ Endnote is a trademark of ISI ResearchSoft (<http://www.isiresearchsoft.com>).

research database. Papers I, II, III and IV are limited to the case of Telco Consulting. Paper V also includes empirical data from the broader study on corporate consulting, and Paper VI is a methodological paper based on the study of Telco Consulting as well as two similar insider action research studies from within other organizations.

For *Paper I* (Handling Multiple Identities in Boundary Spanning: A Study of Identity Construction in a Corporate Consulting Unit), the answers provided in the identity questionnaire (see Appendix 1 in Paper I) serve as the main source of empirical data. This questionnaire included two parts, a qualitative and a quantitative. The qualitative part consisted of five questions and an integrated analysis, inspired by Sarason (1995), aimed to describe the perceived organizational identity. The quantitative part of the questionnaire measured the level of organizational identification with Telco Consulting as well as with the parent organization Telco. The operationalization of "identification" was based on Mael and Ashforth (1992).

The empirical data in *Paper II* (Managing the Dual Identities of Corporate Consulting: A study of a CEO's rhetoric) comprised, for the most part the CEO's company-wide information documents, all of which were distributed via the company's intranet. Among other things, the material included six CEO letters and, since I also wanted to capture the CEO's verbal rhetoric, three local meetings were also included. In addition, a two-hour interview and a number of dialogues were used to collect examples of his interpretations of the changing Telco Consulting and his own leadership. The analysis of the CEO's rhetoric was aided by text coding according to the different organizational roles being addressed (staff unit and/or external consultancy), different aspects of identity and rhetorical dimensions. Three themes were then identified as central as they were repeatedly addressed and relatively distinctive.

Paper III (Corporate Consulting in Product Innovation: Overcoming the Barriers for Utilization) was based on series of 13 semi-structured interviews with personnel from both the consulting unit and the parent organization Telco. The focus of these interviews was on the corporate role of Telco Consulting and its relations with other parts of Telco. Special attention was given to knowledge creation and extension in innovation processes in general, and in NPD activities in particular. In analyzing the case, a second corporate consultancy, included in an earlier conference version of the paper (Sandberg & Werr, 2000), was used for comparison to test the generalizability of the findings.

The empirical data for *Paper IV* (VCC and the Tailor-made Solution) was primarily 12 interviews with people from both Telco Consulting and other units within Telco. These interviews fully (2) or partly (10 of the interviews for Paper III) dealt with the development of Telco VCC. The interviews focused on the interface between the different Telco units engaged in the development of Telco VCC, and related primarily to knowledge creation and extension as well as organizational factors such as how internal agreements were established and perceived. The interviews also included questions on how people perceived their own unit and its relation to other units. Data sources such as past documentation (business plans, presentations, specifications and e-mail communications) and participant observations (mainly through electronic

communications) complemented the interviews. Analysis of the data was aided by the research database.

Paper V (The Three Challenges of Corporate Consulting) was based on both the Telco Consulting study and the broader study that followed. An understanding of the challenges involved in managing corporate consultancies was gained through in-depth study of the Telco Consulting case. In the subsequent broader study of the research, the validity and generalizability of central management challenges found in the Telco Consulting case were elaborated and tested against data from the larger sample. This analysis followed a cross-case approach (Eisenhardt, 1989).

Paper VI (The Dual Role of the Insider Action Researcher) is a self-reflective methodological paper on the entire research process and my dual role as an insider action researcher. The paper compares my study to two colleagues' way of conducting similar insider action research. In order to describe the different cases, events and encounters were recollected based on the respective insider action researcher's notes, intermediate evaluations, and research database. These were in the form of minutes from meetings, progress reports, presentation charts, reflective commentaries by the insider action researchers on specific events, and diaries. The cases were compared using a cross-case analysis approach (Eisenhardt, 1989) and a matrix format was used to find and compare the main characteristics of the cases.

With the exception of Paper V, earlier versions of all of the papers have been presented at academic conferences in order to test and refine the research findings. An earlier version of Paper III was presented at the Academy of Management conference in Toronto in the summer of 2000. The following summer, 2001, was hectic in terms of conferences. In June, the case described in Paper IV was presented as a part of a paper on alternative product development models (Engwall, Magnusson, Marshall, Olin & Sandberg, 2001) at a conference in Stockholm arranged by the International Project Management Organization (IPMA). At the annual conference of the European Group of Organizational Studies (EGOS) in Lyon in July, earlier versions of Paper I and Paper II were presented. Finally, a similar version of Paper VI was presented at the Academy of Management in Washington.

Challenges with the role duality of researcher and practitioner

My research study aimed to contribute to both the scientific community and the industry simultaneously. One of the challenges was to assume the role of interventionist at the same time as the role of researcher, making reflections and documenting the course of events. On occasion, I therefore experienced fieldwork as what Adler and Adler (1987) describe as "near-schizophrenic in its frenzied multiple focus" (p. 70). The strive to contribute equally to my home organization and to my academic institutions led at times to conflicting agendas and a sense of being an outsider in both places (cf. Evans-Pritchard, 1973). Still, the negative consequences of the dual role deal mainly with the problem of taking a step back from the role of practitioner and that which was earlier taken for granted (cf. Alvesson, 1999). In the company's true hour of need, it has most often been the participant role that was

prioritized ahead of that of observer, something Alvesson suggests to be natural even in self-ethnography.

The ethnographer working as a lumberjack does so in order to produce research about lumberjacks, not because of an inner urge to cut down trees – whereas the idea of self-ethnography is to utilize the position one is in also for other, secondary purposes, i.e. doing research on the setting of which one is a part. (Alvesson, 1999, p. 8)

The characteristics of my practitioner role, acting in the change program of 2000, shared many similarities with the action researcher role. Therefore, in comparison to the initial phase as a self-ethnographer (Alvesson, 1999), it was more difficult to clearly distinguish the role of insider action researcher, since I was more than an observer. Consequently, the role duality was somewhat problematic. In my role as researcher, there has thus been constant tension between my identity as a practitioner at Telco Consulting and as a researcher from the Stockholm School of Economics. In comparison to line managers performing insider action research (Coghlan, 2001), however, my dual role was less problematic from a political viewpoint, since I had left my former position as marketing director. Nevertheless, I could easily be seen as a “traitor”, trying to run top management’s business, or as questioning the decisions and knowledge base of management.

Even if the two roles have been difficult to manage, I nevertheless feel that they have also fueled each other. For the role of researcher, this can be summarized as a good pre-understanding and access to empirical data (Gummesson, 2000). For the role of practitioner, the concepts and theories of the academic community have helped to explain ambiguous empirical phenomenon that otherwise risked becoming a source of frustration.

Alvesson writes about the eagerness of people in consulting firms to describe themselves, in their rhetoric, as “different” (1993). I myself am a part of such an organization. In order to minimize the risk of bias, and to enable me to step back from the empirical setting, I have made an active attempt to strengthen my outsider perspective.

Strengthening the outsider perspective: A note on validity and reliability

In my study, as in any ethnographic or action research study, things critical to the research process emerged as the research project developed. This is different from how some methodology books describe traditional research, where the research process is planned in advance of the actual study and rarely changes along the way. In terms of the validity of the current study, I will discuss this on three levels. The first level deals with how the empirical data sources were chosen and how the data was collected. On this level, the question of *reliability* is also a meaningful aspect. The second level relates to the interpretation of the empirical data and the issue of *subjectivity* receives primary attention. Finally, the third level deals with the *generalizability* to other empirical settings.

The collection of empirical data and the issue of reliability: My closeness to the setting was an important feature of the study. My dual role as both researcher and member of the organization studied (further discussed in Paper VI) has influenced the validity in several ways, both positively and negatively. For the collection of empirical data, my insider role was mainly positive in that it improved my pre-understanding and provided me access (Gummesson, 2000). Reliability is hard to relate to the current study because the study was carried out in a changing organization and via my role of complete member (Adler & Adler, 1987). Parts of the data collection and analyses could however be used in a similar organizational setting and by other researchers, especially the identity survey. However, even though the results of certain aspects of the study may be tested through repeated studies it is important to remember that for correct conclusions, interpretations must be based on the specific contextual factors of each case. This leads us to the second level of validity.

The interpretation of empirical data and the issue of subjectivity: In the interpretation of the empirical data, my closeness to the empirical data influenced the validity. My insider role affected the analysis both positively – through a deep understanding of the empirical setting, and negatively – such as in the difficulty seeing beyond what was taken for granted, and in possible tendencies towards subjectivity. Consequently, the relative outsider perspective of my researcher role became increasingly important in order to develop a “critical subjectivity” (Reason, 1993) towards the data. This required me to take a step back from the organization and my participant role. This is a challenge for all ethnographers with true insider perspective:

The easier it is to identify oneself with the object studied, the more difficult it becomes to distance oneself from it. This process of distancing is a slow one that requires many re-interpretations. (Alvesson & K  ping, 1993, p. 47)

The strive to strengthen my outsider perspective took many forms. This was one of the reasons for my making the choice early on to focus in part on an overall company perspective in my study of Telco Consulting, even though, organizationally speaking, I was located in the corporate consulting unit. Furthermore, I made a routine of documenting, and not least reflecting upon, empirical data from interventions, participant observation and interviews on an ongoing basis. This provided me with a continual release from my insider perspective. An important part of this was also the consistent and systematic use of the research database.

Most important, however, was the parallel academic discussion and meetings with my research colleagues that helped me to distance myself from my insider perspective. My tutor conducted some of the interviews at Telco Consulting and helped to provide a more distanced role in the study’s planning and analysis. I was also able to compare the empirical data collected through my participation at Telco Consulting with that earlier documented for a comparable corporate consultancy, TelecomCompany Consulting (see Werr, Bryskhe & Nor  n, 2000). The close cooperation between myself, as an insider, and other researchers, as outsiders, is typical for insider/outsider (I/O) team research (Bartunek & Louis, 1996). The idea of focusing on “the native’s view” is not new, but insiders are seldom treated as co-researchers. For me, the insider/outsider team was an important mechanism for handling the dual role of

practitioner and researcher, and close collaboration with outsiders, people from the academic community, helped me to distance myself from the empirical setting.

Triangulation and continuous validation secured the analysis of the data, i.e. the results and interpretations were validated with different parties, both in the academic domain and in the organizational setting. Furthermore, the introduction of theoretical concepts such as organizational identity theory was another way to detach myself from my insider perspective. Ultimately, my intention of remaining a complete member of the organization could be seen as a guarantee for – and simultaneously a pressure on – the high relevance and validity of the outcomes.

Learning from Telco Consulting and the issue of generalizability: The third level of validity considerations relates to the generalizability of findings from a single case study. Many researchers would argue that it is impossible to draw general conclusions from one or a limited number of cases. However, Normann (1970) argues that single cases can be generalized in terms of “...a fundamental understanding of the structure, process and driving forces rather than a superficial establishment of correlation or cause-effect relationships.” Although I agree with Normann, I also used an additional broader study into several corporate consultancies to further generalize the findings from Telco Consulting, that is, to other corporate consultancies and their roles in customer solutions businesses in general. The main conclusions (see “Conclusions”) address Integration CCs since this type of corporate consultancy (for example, IBM Global Services and Telco Consulting) provided the main empirical data for the thesis. However, in the “Managerial implications,” I develop these arguments further, as well as for the other types of corporate consultancies.

THE CASE OF TELCO CONSULTING

This section presents a summary of the case of Telco Consulting, beginning with a background in the form of a description of the unit's establishment and growth during the mid-1990s. Thereafter, the key events from the course of the study, 1998-2001, are presented, and the section closes with a summary of how the activities in Telco Consulting have changed since the collection of data was completed. The purpose of the section is to provide a more in-depth and interconnected empirical account of the brief descriptions given in the respective papers later on. I want in particular to illustrate how the role for the product business has changed through the years. This is illustrated by three of the generic types of corporate consultancies in the typology presented earlier. In the end of the section, Figure 3 gives a graphic summary of the case of Telco Consulting and the links to my research process (described in the previous section).

The establishment of Telco Consulting as a Know-how CC

Telco is a large telecommunications operator in the Nordic countries and was officially transformed into a public corporation in 1993. The company has, however, a long history as a national agency with a monopoly on the operation, maintenance and sales of telecom services. Telco has a strong tradition in technology and, during the monopoly years, ran comprehensive research and development activities. This work was to a large degree performed by a number of different consulting or development organizations owned by Telco. Telco Consulting was formed in connection with Telco becoming a corporation, when several of these technology development units were gathered under one and the same name. The consulting firm's assignment was to provide IT support and management knowledge for the product business. In Telco's wide-seeded organization, however, there were few who knew what Telco Consulting did and its organizational position lay "beyond" the company's core activities. The Group's management of Telco Consulting was, in addition, poorly developed.

The studied phase of Integration CC

During the 1990s, Telco underwent a transformation from a state telecom monopoly to a commercial operator competing on an open and competitive market. Its new competitors included both other former state telecom monopolies as well as a host of new small actors on the market. In order to respond to the increasing competition, in 1995, Telco launched a new orientation for its activities.

Telco's new vision: Content and value-added services

Telco's new vision "Telco Vision 2001 Now" was based on a clear ambition to become a more complete supplier of telecommunications solutions. One way of getting closer to the customers and their business activities was to add more advanced, more highly refined services to the existing simpler network services. By creating added value in tele- and datacom networks, business relations with the customer would

be developed and secured for the future. This involved “catching the customer in the net,” and doing so would require more than just supplying a “jack in the wall.”

In connection with Telco’s new vision, the company group was also reorganized. The new organization was three-layered. The lower layer (i.e. that nearest the technology) was Telco’s network division, the middle layer was made up of different product units, and the upper layer (that nearest the customers) was the marketing companies. The core businesses were supported by a number of support units, among these Telco Consulting. Because “Telco Vision 2001 Now” was a vision that would give Telco Consulting’s knowledge and experience considerable influence, there was great interest and support for the new strategy early on in Telco Consulting.

Telco Consulting’s transformation into an Integration CC

Although Telco Consulting was formally a support unit, it was the strategy of the CEO of that time to increase the number of external clients. Being able to work uninterrupted (in relation to the product business) with “real” customers, was one of the motives of this strategy. In the early 1990s, efforts had already been initiated in mobile IT solutions and security applications for external customers. In the middle of the 1990s, however, it was the development of call center¹⁷ solutions that stood for the biggest growth in the company and the share of external customers grew quickly.

Telco’s new vision meant that Telco Consulting found itself more and more in the limelight in Telco because the unit was behind many of the more spectacular customer assignments. In the next big reorganization, that took place in 1998, Telco Consulting was therefore given a part in running the business of the Business Communications division. The organizational position thereby reflected Telco Consulting’s emerging role as an Integration CC. In practice, however, it didn’t change much, but rather represented a logical effect of Telco’s broadened strategy combined with Telco Consulting’s increasing percentage of external clients.

A new CEO for Telco Consulting arrives

In 1999, Telco began comprehensive planning for a merger with Telecomp, another former state telecom monopoly. The merger was motivated by the fact that both companies were forced to grow in order to meet increasing competition internationally. For Telco Consulting, the planned merger was a very good thing as it involved a new business area for systems integration, which was Telco Consulting’s specialty. Work on the merger fell through, however, due to national and political differences in opinion that were to a large extent openly staged, with the media working as a catalyst.

When the plans for the merger fell through in the fall of 1999, it quashed the hopes of many employees for a new and exciting, and above all clearer, role for Telco

¹⁷ By *call center* is meant an organizational unit in charge of a business’ everyday telephone contacts, such as those with customers (e.g. in mail order companies, telephone banking, etc.), patients (e.g. in hospitals and other care facilities), or members (e.g. in union organizations etc.).

Consulting. Instead of becoming its own separate business area Systems Integration, Telco Consulting would remain a divergent part of the product business' traditional business operations. The role of the corporate consulting unit was thereby unclear and activities were only loosely tied to other areas of Telco.

Due to the abandoned merger, and followed by Telco Consulting's CEO and marketing director leaving the organization, there was great confusion in the beginning of the year as to Telco Consulting's organizational position and purpose. The organization suffered from weak leadership, low profitability, and a turnover in staff that had been accelerating since the end of 1999. As a result, a new CEO was appointed. The task given him by the business area manager was as follows:

The CEO of Telco Consulting shall lead and develop business activities into a visible, operative contact point/sales channel for the corporate market. Telco Consulting shall focus on solutions in Customer Relationship Management (CRM) and expand to become a market leader in the Nordic countries and to aid Telco efforts aimed at the international market. (Mission for Telco Consulting's new CEO)

The management of the new CEO was characterized by intensified efforts toward change. Overall decisions were made and directions plotted, including the consulting unit's new vision, mission and organizational structure. During this time, the parent organization became listed on the stock market, leading to more closely defined demands from Telco concerning profits.

A snapshot from Telco Consulting

Telco Consulting's assignment was to offer consulting services related to the traditional product business, thereby enabling the supply of total, customer-unique solutions. The synergies between these separate businesses did not follow automatically, however, and the following snapshot¹⁸ from Telco Consulting illustrates the problematic relation between the consulting unit and the dominating product business.

It is a colorless November day and I arrive by car to one of the regional meetings at Telco Consulting. I am a few minutes late after an hour's drive on the freeway. It is a breakfast meeting but it hasn't started yet. The overhead projector is not even set up which surprises me a bit. Weren't we supposed to start at nine? There is time for me to pour a cup of coffee from the urn and at the same time note that the CEO is already there. He is seated at one of the tables and waves a cheery hello. I just have time to sit down before he gets up and makes his way to the big empty space in the middle of the room.

The CEO apparently plans to conduct this meeting without overheads and after a presentation of the meeting agenda, he begins with a comparison to the competition in the IT consulting business: *Others are not doing too well: Mind,*

¹⁸ The illustration is taken from a regular information meeting at Telco Consulting. The meeting was held 24 November 2000, and a complete description thereof constitutes a part of the empirical data of the thesis.

Razorfish and Framfab are letting people go. That means better access to human resources, which is going to help us even more. He makes a point here that Telco Consulting has indeed seen a development opposite to the dramatic worsening of the Internet consulting firms. After informing the gathering about a scheduled move and describing the company group's focus on marketing, the CEO steers the meeting into economic matters and calls attention to the importance of getting paid for what we do and that: ... *there are good costs and bad costs. Bob, would you like to show us the results?*

Bob, the controller, then takes the floor, still no overheads: *I don't dare show overheads after the Group's run-down on the Telco brand. You can't use red print or cartoon characters – but have to use four-color pictures issued by the Group. We're lucky that the image police haven't been out eavesdropping.* He begins with the results for the latest month and is very pleased. He even suggests that it might just be the best month in all of Telco Consulting's history: *Good results are important because that allows us to build up a little "treasure chest" for the future, and avoid having the Group or the business area question us.* After this, he returns again to the need to keep costs down and invoice for all of the hours worked: *We're selling time not products, and any time not charged for is lost.* The controller goes on to point out the problem of the Group having a different outlook on finances and how they have trouble understanding that profitability can vary so much from month to month in Telco Consulting's business compared with the Group's product business. The controller continues with a further reminder to record all hours and purchases whereafter the CEO takes over again.

The CEO tells about a big deal within the Group, in which Telco Consulting will be given the responsibility of delivering a large call center solution to Telco's restructured customer services division. The Group has also requested that the deal be handled by Telco Consulting itself and not the marketing company responsible for the internal Telco account. This is an important marking because there has been a similar internal deal during the fall, with drawn-out discussions on the input of the marketing unit.

The CEO continues by touching on the past problematics of drawing the line between Telco Consulting and the product units: *When it comes to our own call center platform, others are calling us a kind of "product house". I say we're systems integrators and the platform is just a means of attaining customer solutions. The CEO of Telco Products has understood this and is no longer asking for it. In fact, they will also be subcontracting for us.*

The meeting ends with a question period and the first question asked is one on how Telco Consulting is going to find time for its external customers at the same time as so much internal work must be done for Telco. By this, the person asking the question is referring to the new customer services deal. The CEO responds: *The alternative is that someone else does it. It would be unfortunate if we let our competitors become suppliers to Telco. We have to do it, but finding new people will be easy!*

The last comment here ties back to the earlier description of the worsened situation in the IT consulting business and the acute crisis being experienced by Internet consulting firms. A little later, an experienced coworker asks the classic question of whether Telco Consulting is a systems integrator or a consulting firm.

The answer to this comes without hesitation: *I think primarily systems integrators! We are not a resource consulting firm and don't take assignments like making an inventory of creosote posts. Our work is based on our concept, but we also do custom solutions in customer relationship management. Our work is also customer-driven. This is a central feature.*

There are a few more questions, and after just over an hour in total, the meeting comes to an end. Everyone returns to their offices and gets on with their work. The CEO and controller are on the same track and their management work moves forward. Myself, I remain for another half-hour in a corner of the room completing my notes on the meeting. It is difficult to integrate the role of employee and researcher and thus the researcher role must go on after the meeting. (Regular information meeting at Telco Consulting, 24 November 2000)

The above snapshot illustrates how the role of Integration CC influenced the managerial agenda. Central aspects dealt with at the meeting are the demarcation from the product business (we are not a “product house”, our platforms are based on the “concept” – a means to achieve customer solutions rather than an end), the need for an image of its own (the image police of the Group are seen as an obstacle), the blurred identity (“are we a systems integrator or a consulting firm?”), and the emphasis on being customer-driven. The meeting also illustrates how the CEO compares Telco Consulting’s business with other consulting firms and thereby strengthens the distinctive features of the unit in comparison with the product business. A certain frustration can also be discerned over the Group’s lack of understanding of the up-and-down nature of the consulting business’ finances.

Telco Consulting’s increased autonomy as a Spearhead CC

Following the back-and-forths of the failed Telco-Telecomp merger, Telco got a new group president. With a background in development, and a need to quickly increase profitability in the newly listed company, the Group president laid out a strategy that meant Telco would revert to a product strategy as a telecom operator. As a part of this focus, several non-core business activities were sold off.

Telco's core businesses are mobile services in the capacity of mobile operator, fixed network services in the capacity of wholesaler, as well as service provider and supplier of portal services. ... Operations that fall outside Telco's core businesses and international activities outside the prioritized markets will be sold off or ownership broadened. A concentration will be made in a step toward creating a management focus on the core business, creating clarity on the financial market, and securing capital for expansion in Telco's prioritized areas of investment. (Group President, Strategic Direction, 2000)

After a short time in the market organization, Telco Consulting was moved to Telco Holding – Telco’s operations for divestitures and acquisitions. But despite Telco Consulting being seen as not falling into Telco’s identified core businesses, its activities were judged to be too valuable, from a strategic standpoint, to be sold off. It was nevertheless also important that Telco Consulting be given a more autonomous position within Telco.

With increased independence from Telco, the business focus also changed. While the parent organization maintained an overall product strategy, Telco Consulting's strategy continued to be a focus on customer solutions. From having been "Telco's consulting firm" activities were concentrated to supplying integrated customer solutions in contact center¹⁹ and customer relationship management (CRM). In contrast to earlier, also the responsibility for the underlying technological platforms was placed with Telco Consulting. In addition, a company-wide customer support function was established in order to generate further exchange from the customer solutions delivered. Telco Consulting's increased autonomy reflected a new phase of Spearhead CC. Figure 3 on the following page, summarizes the case of Telco Consulting and the links to my research process (see "Research methods").

¹⁹ A contact center is a call center complemented with more communications channels (e.g. e-mail and web services).

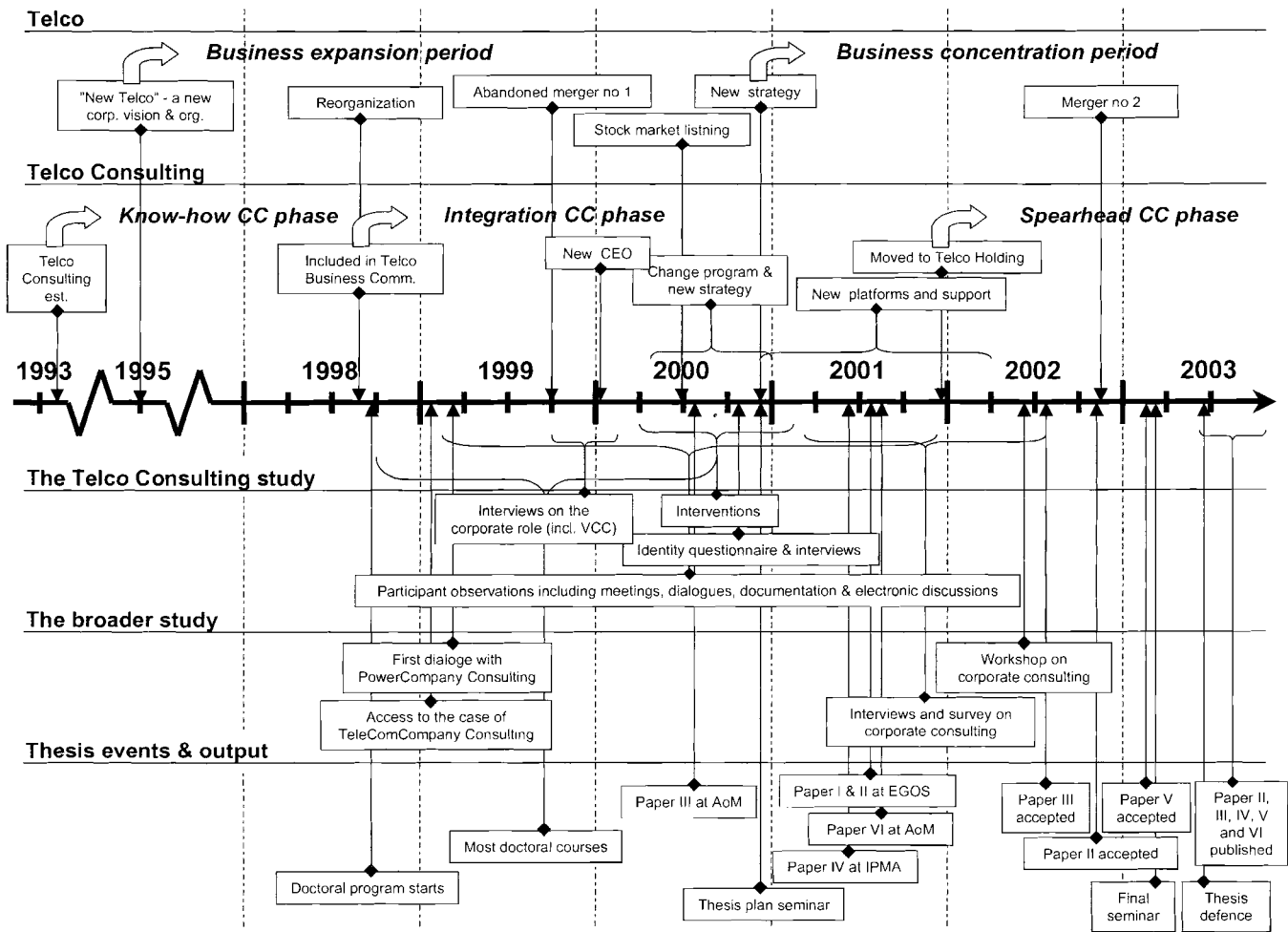


Figure 3: The case of Telco Consulting timeline including links to the research study

SUMMARY OF PAPERS

This section presents a summary of the six papers compiled within the framework of the thesis. The first two papers deal with the identity of a corporate consultancy. Paper I uses an employee perspective and answers Question 1A (How does the simultaneous existence of product and consulting logic affect a corporate consultancy’s identity?). The implications of Paper I, with respect to the management of organizational identity, are further developed in Paper II, which takes a distinct management perspective and answers Question 1B (Is it possible to manage the corporate consultancy’s identity, and if so how?). The two papers that follow (Paper III and Paper IV) answer Question 2 (Can a corporate consultancy, through its customer access and knowledge, promote customer-orientation in the established product business?). Paper III is a description of Telco Consulting’s role from an overall company group perspective and Paper IV is a detailed study of Telco Consulting’s involvement in the emergence of a particular product, the highly adaptable network service Telco Virtual Call Center. The following paper (Paper V) addresses the overall question of whether corporate consulting is an effective way of providing customer solutions by placing the findings in a larger context using a strategic perspective. The final paper (Paper VI) is a methodology description and focuses on the dual role of the insider action researcher. Methodological descriptions have been excluded in the abstracts since these are given in the section “Research methods.” Table 4, below, summarizes the papers.

Table 4: Papers in the thesis

Purpose	Question	Paper	Author(s)
Investigation: The identity of corporate consulting.	Question 1A	Paper I – Handling Multiple Identities in Boundary Spanning: A Study of Identity Construction in a Corporate Consulting Unit	Sandberg & Werr (2002)
	Question 1B	Paper II – Managing the Dual Identities of Corporate Consulting: A Study of a CEO’s Rhetoric	Sandberg (2003a)
Investigation: The corporate consultancy’s role in promoting customer-orientation.	Question 2 related to Telco Consulting in general.	Paper III – Corporate Consulting in Product Innovation: Overcoming the Barriers for Utilization	Sandberg & Werr (2003a)
	Question 2 related to a specific product.	Paper IV – VCC and the Tailor-made Solution	(Sandberg, 2003b)
Synthesis: A strategic perspective on corporate consulting.	Overall: Is corporate consulting an effective way of providing customer solutions?	Paper V – The Three Challenges of Corporate Consulting	Sandberg & Werr (2003b)
Methodology: The dual role of insider action researchers.	Which are the particularities of the dual role?	Paper VI – The Dual Role of the Insider Action Researcher	Roth, Sandberg & Svensson (2003)

Paper I – Handling Multiple Identities in Boundary Spanning: A Study of Identity Construction in a Corporate Consulting Unit

Developments toward what is often called the post-industrial society carry with it a blurring of organizational boundaries. Value is increasingly created in organizational constellations such as joint ventures, corporate consulting units and partnerships that cross traditional firm boundaries. This paper addresses such boundary spanning from an organizational identity perspective and focuses on organizational identity and identification in a corporate consultancy.

The detailed case study of Telco Consulting indicates that a corporate consultancy has dual organizational identities, a *staff* identity and a *consulting* identity. As *staff*, the people in the consulting unit are expected to see to the best of the parent organization rather than their own business, follow policies and project models of the parent organization, charge like a staff unit rather than an independent consulting company, etc. The *consulting* identity implies acting independently in relation to the parent organization. Clients expect them to deliver the best possible solution, rather than the solution based on the product business' products and technologies. In Telco Consulting, three frequent key words manifested the dual identities of staff and consulting – “competent”, “indistinct” and “anonymous”.

Terms like “competent” and related synonyms were frequently used in describing the company. Whereas technical competence was generally described as central, other aspects of competence were directly related to the different identities. From a staff identity perspective, the customer-orientation and innovative capacity of the organization was highlighted. From the external consultant identity perspective, on the other hand, stability and long experience were highlighted as central aspects of competence.

Many employees described the identity of Telco Consulting as “indistinct”, and people perceived the mission and profile of the organization as vague. This indistinctness concerned both the question of “who are we working for?” and “what are we working with?” That is: “Are we a part of the large Telco Group and thus mainly aimed at supporting the product business – or are we an independent consulting company aimed at competing on the “open” market?”

A third recurring theme in the organizational members' description of Telco Consulting focused around being “anonymous”. There was a widespread feeling of being invisible and obscure in the marketplace. The construed image of Telco Consulting was to a large extent affected by the overall brand strategy of Telco, which was dominated by a consumer orientation. This was perceived as problematic by people at Telco Consulting as it conflicted with the perceived consulting identity of Telco Consulting.

Despite the ambiguous dual identities of Telco Consulting, manifested as the perception of an indistinct and anonymous character of the firm, there was high identification of the members of Telco Consulting with the organization. Research on

multiple identities has at times questioned the viability of multiple identities. This study indicates that identification with the organization may be high in multiple identity organizations although there is a perceived lack of distinct values and clear out-groups. In situations like this, a desired identity is created, which allows for distinct values and clear boundaries, as well as identifies salient out-groups.

At the end of the paper, the conclusions are also generalized into a number of propositions for identity construction in boundary-spanning organizations (in addition to corporate consultancies, also joint ventures and alliances, etc.), and the necessity for leaders to actively manage multiple identities is indicated and possible approaches discussed.

Paper II – Managing the Dual Identities of Corporate Consulting: A Study of a CEO's Rhetoric

The management of multiple organizational identities is an important issue in contemporary organizations and, with respect to management aspects, research on multiple identities is wanting. This paper contributes with an empirical description of a CEO's efforts to handle the dual identities of a corporate consultancy.

In order to offer customer-specific solutions, anchored in the capabilities of the product business and with a strong consultative component, Telco Consulting had to construct and nurture dual organizational identities. Firstly, the organization was expected to run its own external business and hereby develop a *consultant identity*²⁰. Secondly, it also had to act as support staff to the product business through a *staff identity*. The people within Telco Consulting perceived these identities as stressful. This, in combination with an abandoned merger on the Group level followed by Telco Consulting's CEO and marketing director leaving the organization, gave rise to a severe identity crisis.

Therefore, in connection with the arrival of a new CEO, a study that would center on how he handled the organization's stressful dual identities was initiated. Communication has been described as a central managerial activity and rhetoric an important way of handling existential questions about organizational identity. Consequently, the study was delimited to the rhetoric used in the CEO's leadership and the focus falls on three central themes that were identified in the empirical data.

Theme 1: Being close but different – the relation to the parent organization: The CEO describes the parent organization as unable to grasp the business logic of Telco Consulting. Being a consulting unit with a wide range of consulting services, the business is genuinely fragmented. Therefore, Telco Consulting's role in the parent organization is hard to define. Instead, it is often described in general terms such as "creating value for the owners" and "moving Telco into the new economy." The CEO's rhetoric emphasizes the distinct values of Telco Consulting by using the parent organization as a basis for comparison.

²⁰ "Consultant identity" corresponds to "consulting identity" in Paper I. Both labels are used, with the same meaning, in the thesis.

Theme 2: Belonging to the IT consulting industry: A recurring theme in the CEO's communications is the use of the IT consulting industry as a frame of reference for Telco Consulting's own identity. An external consulting identity is thereby constructed, and the relation to the parent organization is to a large degree defined as one of customer-supplier. The CEO's rhetoric is understandable given the prestigious image enjoyed by the IT consulting industry during the late 1990s, when being an IT consultant meant high wages, fringe benefits, etc. Consequently, the attractive image of IT consultant was contrasted here to that of "staff" of the large, bureaucratic – and until recently state-owned – telecom operator.

Theme 3: Max the symbol – captain of the crew: At the beginning of 2000, Telco Consulting leadership is at rock bottom. At the same time, its employees are exposed, through TV and the press, to the high-profile leaders of Internet consulting companies. When the new CEO (Max) arrives, the organization is therefore waiting in suspense, harboring great expectations for its new leader. A former submarine captain, Max leaves little doubt in his seafaring metaphors as to who the real captain is, adding to the symbolism. The CEO's entrepreneurial spirit and winning nature serve as a guarantee for the future and help to raise self-esteem throughout the organization. In this way, he can be seen as a symbol for an autonomous identity.

The paper shows that the CEO's rhetoric focuses on creating an identity hierarchy, highlighting the identity of external consultant. The distinctiveness of this identity, in comparison to the parent organization, is emphasized by using the IT consulting industry as a prototype for self-categorization of Telco Consulting. In combination with the latent, but secondary, staff identity, a loosely coupled relation to the parent organization is constructed. The management of multiple identities hereby follows an identity aggregation strategy. One conclusion that can also be drawn from the study is that the two identities emerge in part through the effects of internal contrasting.

Paper III – Corporate Consulting in Product Innovation: Overcoming the Barriers for Utilization

Companies in the business-to-business segment increasingly try to expand their product offerings into customer solutions offerings. This often implies adding value through consulting services such as systems integration and business consulting related to the parent organization's product business. The addition of a consultative component to the product business both poses new challenges and provides new possibilities for the product business' innovation processes. In the paper, it is argued that corporate consulting units provide a vital source of knowledge for organizations seeking to increase their innovation capacity by learning about- and from their customers. Knowledge created in such consulting services, as well as the filters that hinder utilizing this knowledge in the innovation processes of the product business, is discussed.

The knowledge transfer by Telco Consulting was strained by a number of knowledge filters – the surveillance filter, the mentality filter and the power filter. *The surveillance filter* could be observed in the relation with the market units, product development, and to a certain degree also product management, and was due to a

limited awareness of the consulting unit and its specific knowledge. *The mentality filter* could be observed mainly in relations with the market- and product development units, and was based on the different thought worlds between the consulting business and the product business. And lastly, *the power filter* was again most salient in the consulting unit's relations with the market units and product development units, in the form of a perceived threat of losing out to, or being taken advantage of, by the consulting unit.

A central source of the strain in relationships between the consultants and the different parts of the product business were the differences that existed between the product business' logic and the consulting logic of the consulting unit. The respective business logics differed largely in both their perceived missions and the type of knowledge deemed necessary to achieve these missions. At the same time as these differences were beneficial in the sense that they both had their strengths, they were also problematic in that they impeded knowledge extension and thereby also leveraging these strengths.

Overcoming these barriers for the utilization of the corporate consultancy's customer knowledge in the product business requires that managers begin to view corporate consulting services as an integral part of the innovation process, rather than a mere extension for customization, which is a common view in many product businesses. A closer integration of the consulting unit and the product business, however, carries the risk of eliminating the specific characteristics of the consulting unit that made it valuable in the first place, i.e. its ability to create knowledge from- and about the customers.

Paper IV – VCC and the Tailor-made Solution

This paper includes a detailed case study of the development of Telco Virtual Call Center (VCC), network-based call center services, from the original idea of the lead-user Rail Travel Company (RTC) to the finished product. Through Telco VCC, the customers would be able to lease an advanced service, primarily the virtual administration of telephone queues, without the need for investing in their own equipment. From Telco's horizon, the ambition was to move the functions from customer-located equipment to the telephone network and in this way bind the customers even more tightly to Telco. The paper studies the role of the corporate consultancy Telco Consulting in this product development process. The study found difficulties in the integration of the consulting logic, which dominated a pilot project for RTC, with the product logic of a parallel implementation project. The problems stemmed from different thought worlds, political tensions and separate needs for technical platforms.

The cultural dimension – Consulting logic vs. product logic: Within the framework of VCC, a product logic met with a consulting logic. The product logic, personified above all by the product development side of the product business, meant that the main driving force was technical development, through which a relatively homogeneous market would be offered new products and services. The time horizon for planning was relatively long and the operative focus lay on efficiency – doing things right –

with productivity and repeatability held up as a guiding light. The second grouping, mainly Telco Consulting and VCC's initial product manager (who had been recruited for the job from a large Telco customer), was more oriented toward a consulting logic. Here, it was the unique requirements of the individual customer that drove the business, and the operative focus was on effectiveness – doing the right things.

The political dimension – Small vs. big: The established product logic dominated the political arena. The pilot project with RTC represented something new. In that the project, and other customer projects that followed, helped to develop deep relations with several important corporate customers, however, it was able to survive and undergo development despite its relatively small size. RTC and some of the other customers already had their pilot solution, so, even if it was viewed as “skunk work” or “quick and dirty work”, development could not be abandoned.

The technical dimension – The platform as a means or an end: The political struggle was largely related to responsibility for the technical platform. The platform held different functions for the different players, however, since their actions were based on different thought worlds and backgrounds. For Telco Consulting, the technical platform was a *means* by which to meet the customer's specific needs. For the product business, the technical platform had another function. Here, it was more of an *end*, through which they built their business logic. They valued, to a larger degree, the possibilities for integrating the platform into their own technical architecture, for administering it, and for making the billing process easier, etc. Due to the lack of a tie between the different development initiatives, the different methods of attack resulted in the pilot solution and the industrial platform not being compatible in terms of basic systems logic.

The “consultative component” is a central part of developing customer solutions. In that the solutions are driven by customer demands, rather than the content of a catalogue of existing products, there exists great opportunities for knowledge development, both for suppliers and customers. In the case of VCC, this learning occurred for the most part within Telco Consulting, but knowledge was also transferred to product management. The paper concludes that in order to create customer solutions, the consulting services should be seen as a loosely coupled yet integrated part of the product business. This requires leadership with a high focus on the interface between the business logics, rather than merely on the separate businesses themselves.

Paper V – The Three Challenges of Corporate Consulting

Many managers in traditional product-oriented organizations are currently struggling with making the transition to a solutions business. A shortcut in this struggle may be the establishment of corporate consultancies – consulting units whose main purpose is to provide solutions based on the traditional business' products or expertise. The main challenges in creating and running a customer solutions business based on corporate consulting relate to the handling of issues of distinctiveness and sameness. On the one hand, the corporate consultancy has been created to nurture a distinctive identity, culture and processes, different from that of the traditional, product-oriented business.

On the other hand, its purpose is the generation of synergies in relation to the product business, requiring a certain kind of sameness that in turn limits the perceived identity gap between the entities. The paper identifies three specific challenges in the dialectic act of creating and managing a corporate consulting operation – the mission challenge, the identity challenge and the structure challenge.

The mission challenge: Embarking on the journey towards a solutions business by adding a consultative component to the existing product business requires a clear understanding of the corporate consultancy's mission in relation to the product business. Corporate consultancies may relate quite differently to the product business' value chain and core knowledge. Based on these two dimensions, four generic types of corporate consultancies may be identified – the Spearhead CC, the Integration CC, the Expert CC and the Know-how CC.

The identity challenge: In order to offer customer-specific solutions, anchored in the capabilities of the product business and with a strong consultative component, a corporate consultancy has to construct and nurture dual organizational identities, i.e. dual ideas of “who we are” and what the distinguishing features of the operation are. Firstly, consultants enact a *consultant identity* in relations to the customers. Secondly, they enact a *staff identity* in their interactions with the product business. The paper identifies appropriate strategies for managing multiple identities in the generic corporate consultancies listed above.

The structure challenge: The third managerial challenge includes deciding on the corporate consultancy's organizational position, its access to clients, as well as its freedom in relation to the product business' strategies and standard processes. The choice of linkage to product business is dependent on the potential synergies between the corporate consultancy's operations and the market and product units. The higher the potential synergies, the larger the need for tight rather than loose links. Examples of how different kinds of links may be implemented, for the different generic corporate consultancies, are given in the paper.

The establishment of a corporate consulting operation may be a smoother way of becoming a solutions provider than a complete reorientation of an entire company. However, customer-orientation cannot be isolated to a specific part of the organization – the corporate consultancy in an effort to enable the traditional product business to go on with “business as usual.” Leveraging the potential of a corporate consulting operation for customer solutions requires the management of simultaneous distinctiveness and mutual adaptation. Awareness of the corporate consultancy's mission has to be created throughout the product business, and traditional power structures in favor of the established product business have to be broken up in order to increase the influence of customer-oriented elements.

Paper VI – The Dual Role of the Insider Action Researcher

The last paper in the thesis explores how individuals, acting in the dual role of practitioner *and* researcher can contribute to knowledge production both in the

organizational setting and in academy. For this purpose, the particularities of the dual role of the *insider action researcher* are elaborated.

In insider action research, researchers fully immerse themselves as “natives” in the organization. The researcher must at the same time sustain a research perspective, implying “the ultimate existential dual role.” This role duality is one of the key elements for people studying their own organizations. The duality can be characterized on a continuum, ranging from *role segmentation* (high contrast in role-based identities and inflexible and impermeable role boundaries) to *role integration* (low contrast in role-based identities and flexible and permeable role boundaries).

To illustrate the dual role complexity and challenges, the authors describe three mini-cases in which they have acted as insider action researchers at the companies where they are employed. As the research projects emerged, the role duality of the insider action researchers periodically changed character, alternating between high segmentation and high integration. Role duality was thus a constant challenge but especially tangible during the data collection and analysis phase, which was most intense through high role integration.

The insider action researchers were already “natives”, and needed to periodically step back from the empirical setting. During phases of high role segmentation, the insider action researchers were able to do this and hereby apply an outsider perspective. This can be compared with the deliberate absence – “cooling-off periods” – that ethnographers use to minimize their tendency to “go native”.

The role duality is not easy to manage and at times can be viewed as a “near-schizophrenic state”. Yet, managing the role duality is likely to have a major impact on the creation of the new and relevant knowledge. In the described cases, the dual role enabled the insider action researchers to offer their organizations new perspectives by introducing new concepts and ideas, and catalyzing a collective understanding of known, but poorly understood, complexities. At Telco, the identity of the corporate consulting unit was made less confusing by the introduction of the concept *multiple organizational identity*.

CONCLUSIONS

The purpose of this dissertation was to increase the understanding of the phenomenon of corporate consulting, with the specific aim to investigate whether it is an effective way of providing customer solutions. In the study, I found that corporate consultancies can have different roles in product businesses, both in terms of their relation to the product business value chain and whether firm-specific- or professional knowledge is the key knowledge (see the typology of corporate consultancies on page 18). It is therefore important that executives responsible for managing solutions businesses reflect on the role of corporate consultancies and formulate missions to attain the most appropriate synergies with the product businesses. In Paper V, this is summarized as *the mission challenge*.

In formulating the missions for corporate consultancies, managers may opt for one of four generic types of consulting operations presented in the corporate consulting typology (Spearhead CC, Integration CC, Expert CC and Know-how CC). As I have argued earlier, the Integration CC is presumably the most common type of corporate consultancy for a solutions business. Moreover, the main empirical object of this study – Telco Consulting - operated mainly as an Integration CC during the research period (see Paper V). The following conclusions are therefore primarily related to Integration CCs even though most of them should be generalizable to other types of corporate consultancies (see Paper V and “Managerial implications”).

Based on the current study, I will describe how the simultaneous existence of consulting logic and product logic leads to dual organizational identities in corporate consultancies. Furthermore, I will emphasize the importance of managing these identities through conscious rhetoric. Bridging the business logics of consulting and products is also challenging with respect to knowledge sharing. The associated large organizational differences impede the corporate consultancies’ ability to diffuse customer knowledge into the product business, both from a technical, cultural and political perspective. Therefore, customer-orientation cannot be completely delegated to corporate consultancies in an effort to enable the product business to carry on with “business as usual.” Instead, top management must infuse a general customer-orientation into the whole organization, and the corporate consultancy must be handled as an integral part of a customer solutions business.

Stressful dual identities

Corporate consultancies are organizations with *dual* organizational identities based in different roles. As external *consultants*, these units are expected to act independently of the product business. Clients expect them to deliver the best possible solution, rather than a combination of the parent organization’s products. This implies expectations of policies and an image that is differentiated from that of the product business. The ability to act independently of the parent organization and interact directly with the customer is underlined as central here.

However, the consultants are seen by the product business as *staff* of the same organization. They are expected to see to the best of the parent organization rather than their own business, follow product business policies and project models, charge like a staff unit rather than an independent consulting company for their internal services, and support the product business' image construction. This also implies being knowledgeable about the product business and its strategies in order to be able to support these in the best possible way.

The current study indicates that the dual identities of consultant and staff are perceived, by people in corporate consultancies, as an unstable situation (see Paper I for a detailed empirical account). This creates internal pressure on management to focus on one of the identities. As it is more prestigious,²¹ this study indicates a preference towards the external consulting identity which is in line with social identity theory (Dutton, Dukerich & Harquail, 1994). The staff identity of an established product business holds less attraction. However, acting as the consultative component of a solutions business, and mediating relationships between different constituents, entails multiple identities which all have to be enacted. Consequently, there can be a constant gap between the employees desired single organizational identity of the corporate consultancy and its practice, reflected in what might be perceived as an identity crisis – i.e. an indistinct identity.

This indistinctness is not seen as viable by members of corporate consultancies and is often a recurring theme for internal debate within the consulting unit. Consequently, pressure towards explicit autonomy or an increased integration in relation to the product business is usually exercised within the unit. However, this study indicates that multiple identities need not necessarily constitute a state of imbalance (a point upon which there is mixed debate in Reger et al., 1998), but rather that it is a state that tends *to be experienced* as imbalance (see also Research Implications). Consequently, in response to Question 1A (How does the simultaneous existence of product and consulting logic affect a corporate consultancy's identity?) I draw the following conclusion:

Conclusion 1A: Corporate consultancies have dual identities. These are stressful and might be experienced as unstable.

Living with and handling the parallel- and somewhat conflicting organizational identities of *consultant* and *staff* is stressful for consultants and, when active management of the dual identities is lacking, a constant source of frustration. The management of a corporate consultancy's dual identities (and corresponding external images, see Paper I regarding this "mirroring") is thus a central managerial activity in setting up and running the consultative component of a solutions business. This will be elaborated on below and is described in Paper V as *the identity challenge*.

²¹ At that time at least, in the late 1990s.

The need for explaining ambiguity

As described above, this study shows that the identity of a corporate consultancy is perceived as indistinct by people in the consulting unit. However, the study also indicates that corporate consultancies' indistinctness (ambiguity) is in reality made up of both multiple meanings and uncertainty (based on insufficient information) in line with Weick's distinction:

The ambiguity of the term ambiguity can be troublesome, because it implies quite different remedies. Ambiguity understood as confusion created by multiple meanings calls for social construction and invention. Ambiguity understood as ignorance created by insufficient information calls for more careful scanning and discovery. (Weick, 1995, p. 95)

Uncertainty is something that can and should be reduced by, for example, better dissemination of information and training. A large part of the indistinctness in corporate consultancies is however more likely ambiguity based on multiple meanings and has a natural explanation in the special organizational position (consultancy within the framework of a "non-consulting firm") and associated dual identities. Based on the current study, I therefore conclude that a central role for management is to *explain the ambiguity*, rather than merely attempt to reduce it. The business may perhaps not lend itself to being made perfectly distinctive due to an inherent ambiguity. Even if this ambiguity has a natural explanation, it can nevertheless be understood by people in the organization as an involuntary effect of weaknesses, for example in organization and management. Therefore, managers must be able to explain and discuss the reasons for ambiguity such as the existence of several parallel organizational roles and associated identities.

Multiple identity management is especially challenging in Integration CCs. The identity plurality is characterized as being *holographic* (Albert & Whetten, 1985) in that both identities are experienced by the whole consultancy. Furthermore, synergies between the identities must be created since the consulting unit (and the corresponding consultant identity) depends on the firm-specific knowledge of the product business (associated with the staff identity). Consequently, the dual identities must be handled through an *aggregation strategy*, a multiple identity strategy that accepts the existence of multiple identities and tries to forge synergies between them (Pratt & Foreman, 2000). How this can be done through a rhetorical construction of an identity hierarchy is discussed in Paper II. Based on the current study, and as a response to Question 1B (Is it possible to manage the corporate consultancy's identity, and if so how?), I conclude the following:

Conclusion 1B: The dual identities of corporate consultancies are manageable but demand conscious rhetoric capable of explaining the associated ambiguity.

Customer-orientation cannot be delegated

The diverging business logics of consulting and products are often also a root of problematic knowledge transfer, hindering the corporate consultancy's promotion of customer-orientation in the product business. At the same time as this study indicates that corporate consultancies can be an important source of customer knowledge for product businesses' innovation processes, I also found that tapping into this source of knowledge is strained by a number of knowledge filters. The *surveillance filter* determines what knowledge is perceived as relevant and worthwhile acquiring. The activation of this filter means that the product business is not exposed to the customer knowledge accessible from the corporate consultancy. It does not see the consulting business as a potential source of knowledge. And since different thought worlds lead to interpretive barriers (Dougherty, 1992), the *mentality filter* is activated. Consequently, the product business and the corporate consultancy do not always understand each other's knowledge. Finally, the *power filter* hinders diffusion of knowledge that threatens existing power structures, suppressing customer-orientation in favor of the product business' overall product-orientation (for more on the knowledge filters, see Paper III).

Related to the knowledge filters, I also found technical reasons for problematic knowledge transfer (see Paper IV). The background to this is that technical platforms have different meanings for the corporate consultancy and the product business. For the consulting unit, the technical platform is a *means* by which to meet the customer's specific needs. For the product business, the technical platform has another function. It is more of an *end*, through which they build their business logic. Consequently, the technical platforms developed in one of the organizations are seldom regarded as suitable in the other.

It can thus be concluded that corporate consultancies can only to a limited extent promote customer-orientation in the product business because of too large differences in business logic. But, even though the corporate consultancy, through its customer access and types of services, has the main responsibility for developing customer unique solutions, these solutions depend on flexible and modular products and technologies of the product business (Foote et al., 2001). Thus, the customer solutions business, and the associated marked customer-orientation, cannot be isolated to the corporate consultancy, leaving the product business to carry on with "business as usual." Without an increased company-wide customer-orientation, legitimized and enforced by top management, the product business will not understand the need for modularity and flexibility, and how to achieve it. Consequently, the product logic will remain the dominant one and the corporate consultancy will not be able to gradually promote a change. The findings from Paper III and Paper IV thus lead to the following conclusion relating to Question 2 (Can a corporate consultancy, through its customer access and knowledge, promote customer-orientation in the established product business?):

Conclusion 2: Customer-orientation cannot be completely delegated to a corporate consultancy. A company-wide customer solutions business demands an overall customer-orientation, legitimized and enforced by top management.

To attain leverage on consulting services, these can't be an adjunct to the established product business, but rather the opposite, in that the whole organization becomes service-led. At the very least, the corporate consultancy's strategies and operations must be coordinated with the overall strategies of the product business and it cannot be handled as an isolated business responsible for complementing customization. This argument is elaborated in Paper V as *the structure challenge*.

An integral part of a solution for providing customer solutions

Corporate consulting is a vital component of a solutions business. Corporate consultancies enable a genuine customer-orientation through a consulting logic. Their services are carried out through intense customer interaction, and based on the customer's unique demands. Therefore, corporate consultancies must be integrated in the front-end of the organization. This may break up parts of the established power structures, both for product units that are moved "behind" the consulting services and for market units that must cooperate with the corporate consultancy in the front. Consequently, the ultimate challenge for a solutions business is the integration of the consultative component in the parent organization, rather than the mere establishment of the corporate consultancy in itself. This, in turn, demands a simultaneous increase of customer-orientation in the traditional product business. Skillfully managed, it might be a smoother way of becoming a customer solutions supplier, than a complete reorientation all at once. What is needed is appropriate lateral coordination (Galbraith, 1973) that is strong enough to enforce important synergies between the corporate consultancy and the product business at the same time as the businesses are consciously managed to ensure that the respective business logics are not impeded. Consequently, the answer to the overall question, whether corporate consulting is an effective way of providing customer solutions, can be summarized as the following conclusion:

Main conclusion: A corporate consultancy can be an effective way of providing customer solutions, but only if the product business recognizes it as an integral part of a total offering, rather than a mere extension for customization.

For IBM, described in the introductory section, corporate consulting was the key to a united company capable of delivering solutions based on products and services from several different parts of the organization as well as from other companies (not least from competitors such as Microsoft and Sun). At the same time, the product business of IBM continued to offer the separate parts (e.g. computers, networks and software) through the existing market channels. This demanded a complex organization that could be optimized in several dimensions. Consequently, IBM implemented a matrix organization. Even though this organizational structure demanded a large staff to coordinate it, Gerstner still perceived this as important to increase lateral linkages and

thereby also important synergies. However, the integration of IBM's different types of businesses (products, software and services) did not follow automatically, and the existence of active top management and corporate staff was important for the necessary, yet uncomfortable, organizational changes.

For Telco, the main empirical object of this study, the lateral linkages were on the other hand too weak and the consulting services never became a part of an integrated offering. Although there were some ambitious attempts to link the product business with the consulting services, such as the studied case of Telco VCC (see Paper IV), the consulting business was never really acknowledged by the product business and the positive exceptions were associated with determined individuals rather than organizational arrangements. In general, Telco's product businesses retained a strong product-orientation through a linear NPD²² process, product-related financial reporting and strong product units. Furthermore, Telco Consulting was too small²³ and drowning in the large and steady revenue streams of the telecom operator business, and with Telco's new product-oriented strategy, initiated in 2000, Telco Consulting became increasingly detached from the core (product-oriented) business (see Paper V). As a consequence, the solutions orientation of Telco Consulting led to increased autonomy within Telco. Telco Consulting took over critical solutions-oriented technical platforms and was moved to Telco Holding, a division under which businesses not directly linked to the core business of Telco were gathered. The role of Telco Consulting shifted from being essentially an Integration CC, to more of a Spearhead CC.

To recognize the consulting services as an integral part of a total offering is especially important for Integration CCs. The findings from this study (reported in Papers III, IV and V) show, however, that it is bound to be problematic as long as a product business – rather than a solutions business – is the dominating one. This demands a painful transformation of the overall business, from being essentially product-oriented to becoming increasingly customer-oriented with a more influential consulting business. Achieving this transformation, and the following bridging of two diverging business logics, involves the three managerial challenges mentioned above, *the mission challenge*, *the identity challenge*, and *the structure challenge*. These will be elaborated, identifying key choices for managers, in the following section (see also Paper V).

²² NPD = New Product Development

²³ Even though Telco Consulting was a Nordic market leader within contact center solutions, it still only amounted to less than 1% of Telco's total revenue. The leverage, in terms of secured telephony communication etc., was estimated at a factor of four, but it was still a small part of the overall business.

MANAGERIAL IMPLICATIONS

Customer solutions require a different approach to both the customer's and one's own business. In the thesis, I have shown how the introduction of a consultative component – a corporate consultancy – can be a way of delivering customer solutions while at the same time developing the established product business. However, the introduction of a corporate consultancy is a demanding process of bridging diverging business logics. This section discusses the managerial implications of the identified challenges of mission formulation, identity management and structural design. In order to illustrate my arguments, I will also be using empirical data from the broader study, including corporate consultancies other than Telco Consulting.

The mission challenge: Defining a role for leverage

A customer solutions business requires a clear understanding of the corporate consultancy's mission in relation to the product business. The mission is however unstable, which is illustrated by the repeatedly changing role of Telco Consulting, and the associated internal debate about its mission (see Papers I and V). Moreover, different parts of a corporate consultancy can operate as different types of corporate consultancies.²⁴ Formulating the mission is therefore a central and ongoing challenge in corporate consultancies. For some organizations, determined to achieve a custom solutions strategy, this also implies adapting the overall mission statement (see the introductory illustration regarding IBM).

Deciding on a generic type of corporate consultancy

A fundamental prerequisite for a corporate consultancy acting as a consultative component of a solutions business is a well-articulated mission. A fruitful way of carving out this mission might be to think in terms of the value chain and the way in which the consulting unit is supposed to link to the overall business. The parameters for this decision are described in Paper V and are based on the typology of corporate consultancies including the Expert CC, Know-how CC, Spearhead CC and Integration CC.

Since complexities are an important source of consulting services (Tordoir, 1995), we might think of two main types of parent organizations for corporate consultancies. The first are companies that supply *complex product systems*,²⁵ as for example advanced IT

²⁴ As for example within IBM Global Services. While the new Spearhead CC IBM Business Consulting Services is marketed as a separate consulting unit, legally, it is a part of IBM Global Services, primarily an Integration CC.

²⁵ Complex Product Systems (CoPs) is identified as a business with widely differing characteristics compared to a product-oriented mass-production business (Davies & Brady, 2000; Hobday, 1998; Hobday, Rush & Tidd, 2000). For a CoPs business, the offering is a part of- or an entire system of many customized parts, normally both software- and engineering-intensive. A good example is the GSM mobile telecom system in which all of the equipment operated by a mobile telephony operator can be described as one big complex product system. However, the mobile handsets are a commodity

networks from IBM or mobile telephone systems from Ericsson. Here, consulting services can be offered as a natural add-on service – such as systems integration services for adapting and integrating different technical systems, or business consulting services to support the introduction of new functions and changes to routines and organizational forms. For these companies, the Spearhead CC and the Integration CC are the natural alternatives.

The second type is companies with a manufacturing process built on complex product systems. This type of business is often made up of a process industry such as oil refineries or systems for production and distribution of electrical power. For these, the finished product is often highly standardized and thereby difficult to further develop by way of consulting services. This was described, by members of both PowerGroup's and PowerCompany's consulting units, as a naïve request from the product business since the established products were far too standardized:

There came a time in the electricity industry when they believed they could sell power by tagging on a bunch of services – they talked about added value but it didn't turn out that way. The customers just asked: "How much does the power cost and what's the rest of this diddly stuff?" It wasn't possible to bundle it because the basic product was too simple and understandable for the customer. It might be different in other areas, but a kilowatt is a kilowatt – no matter where it comes from. (CEO, PowerCompany Consulting)

The product business' offering was perceived as far too simple to warrant (legitimize) consulting services. Therefore, consulting services of these businesses involve instead supporting the production process, but for other organizations in its value chain as well as the product business. This means that a Know-how CC is a natural type of corporate consultancy. In both of the above types of parent organizations, Expert CCs are also a viable type of corporate consultancy if the product business has built up some kind of competitive expertise.

Returning to the telecom industry for an illustration

To illustrate the discussion above, I will return to the telecom industry in which the studied organization Telco operates. What type of corporate consultancy is most natural for this industry? A pure telecom operator's business is characterized by economy of scale and a complex production organization comparable to a power company, that is, with features characteristic of a process industry. For these organizations, Know-how CCs should be the most common form of corporate consultancy. For telecom operators that focus on the business segment, however, Integration CCs make up an important component of the solutions strategy. Such a strategy also allows the telecom operator to compete with its equipment suppliers because these suppliers (such as the previously mentioned Ericsson) often serve both the operator- and corporate segments.

product developed through mass-production. Even though such terminals are loaded with advanced technology, the strategy for developing and supplying them is based on economies of scale.

One can then ask what the competitive factors are for Integration CCs of telecom operators if the equipment supplier is most knowledgeable of the technical equipment and its built-in complexity. For Telco Consulting, one of the competitive factors was the technical complexity that existed in the critical software used to integrate the customer's business and IT systems with private branch exchanges (from Ericsson for example). The software was adapted to the customer using Telco's technical platforms, as well as third-party platforms from other software firms. Another advantage was that the consulting services were combined with telephony from Telco which made it possible to offer customers total responsibility of development and operations of their entire call center solutions, e.g. for customer services or a telephone bank. Another reason was that, through its position in Telco, Telco Consulting had a great deal of firm-specific knowledge on the functionality and technical construction of the telephony system. Due to these competitive factors, Telco Consulting managed to reach a market-leading position within contact center solutions during the Integration CC period. However, other solution areas based on emerging technologies such as mobile IT and IT security had to be left behind as these areas didn't provide the same amount of synergies with the product business.

The identity challenge: Managing a duality

Work in knowledge-intensive organizations such as corporate consultancies is to a large extent subject to unobtrusive control, thus making identity significant in directing and controlling organizational action (Alvesson, 1995). In contrast to the mission challenge and the structure challenge, the identity challenge is primarily handled within the corporate consultancy. In addition to helping to create synergies with the product business, the management of the consulting unit itself must focus to a large degree on creating a strong consulting identity that is able to coexist with the product business' overall and inherent influence in the organization.

Our efforts competed at times with PowerCompany pouring on their energy company identity while we attempted to establish our identity as a consulting firm. It's a matter of getting the parent company to tone down its ambitions a bit. Having dual identities is difficult. You become divided. (CEO, PowerCompany Consulting)

To minimize the negative tendencies of *cultural engineering initiatives* (Alvesson, 2002), often promoting a single and strong identity (based on the product business), it is important that the identity challenge of corporate consultancies is understood also by executives and staff in the parent organization. This includes a deliberate handling of the construction of the company's external image, since it is a central reference point for identity construction within the organization (see Paper I for illustrations). Image and identity cannot be treated in isolation, as they represent two sides of the same coin (Dutton & Dukerich, 1991; Dutton et al., 1994). Therefore, executives must realize *how, and to what extent*, the consulting image is intertwined with the image of the product business. Classical image, branding and corporate identity models may be helpful in understanding the strategic choices available.

Multiple identity management for generic types of corporate consultancies

The dual identities of corporate consultancies have to be actively managed, calling for symbolic and rhetoric actions by management, primarily within the consulting unit but also in the parent organization. What is decisive in selecting a strategy is thereby the desired degree of identity multiplicity and the possibilities for synergy between the identities (Pratt & Foreman, 2000). Different types of corporate consultancies therefore demonstrate different strategies for handling their dual identities. This is summarized in the figure below (Figure 4), and also illustrated in Paper V with empirical examples from different corporate consultancies.

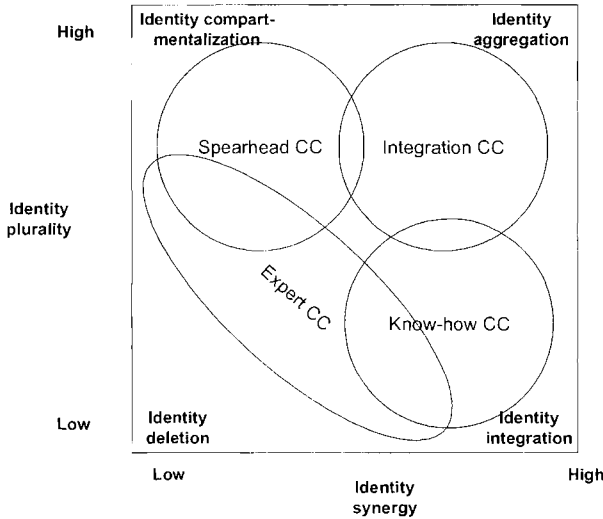


Figure 4: Multiple identity management according to corporate consultancy type

Expert CCs support the product business by exploiting professional knowledge. Their choice of strategy is dependent on the ties between the product business and the consulting operations. If their key knowledge is highly linked to the product business, as for example in engineering services, integration is a suitable strategy for full exploitation of the synergies between the consulting and product identities. If, on the other hand, the key professional knowledge is only weakly related to the product business, for example organizational design and human resource management, a compartmentalization strategy is more appropriate.

Know-how CCs primarily exploit firm-specific knowledge in supporting the product business. This requires close relations and interaction with the product business, making an integration strategy that highlights the product business' identity in relation to the consulting identity suitable. Consultants in Know-how CCs are generally recruited internally and continue working within their already established networks. The somewhat muted consulting identity is therefore seldom perceived as a problem.

In cases where a Know-how CC operates on an external market, the clients generally value closeness to the product business more highly than the consultants' independence, as it is often access to the product business' specific know-how that is sought.

Spearhead CCs exploit professional knowledge by providing services that extend the product business' value chain. These services often include giving advice or carrying out analyses. This requires maintaining a certain distance from the product business in order to remain credible. This often calls for a compartmentalization strategy, in which the consulting operation's identity is separated from that of the product business.

Integration CCs, such as Telco Consulting (during the period studied) and IBM Global Services, combine high synergies with a need for high plurality in managing multiple identities. While their services are mainly directed towards an external market as an extension of the organization's value chain, calling for independence, the main key knowledge is firm-specific, thus requiring some identification and interaction with the product business. Consequently, Integration CCs' multiple identities should be handled through an aggregation strategy, which accepts the existence of multiple identities and tries to forge synergies between them. This type of multiple identity management poses the greatest challenge and was further explored in my study (see Paper II).

Identity aggregation strategies of Integration CCs

Integration CCs such as Telco Consulting must aim for aggregation strategies in handling their dual identities. In doing so, leaders consciously accept the existence of multiple organizational identities and aim at exploiting the synergies between them. In this thesis, I suggest that this is being done through the creation of an identity hierarchy, in which the consultant identity is placed in the foreground and the staff identity in the background. One way of creating an identity hierarchy concerns the creation of a *mediating myth* (Selznick, 1957). Management might here construct a myth or story, which highlights the synergy between identities. Such a strategy was used in Telco Consulting for some time. The mediating myth launched was "Telco Consulting Creates Leverage". This slogan created legitimacy for both the consulting identity as well as the staff identity. The consulting identity was seen as a way of supporting the product business and thereby the staff identity, by creating the need for other products and services from Telco.

The identity hierarchy can also be handled more dynamically. Such a strategy, proposed by Pratt and Foreman (2000), calls for *contextual identities*, implying that organizations may manage multiple identities by organizing or prioritizing them based on the immediate situation or context. The identity of the external consultant is perceived as more attractive. Consequently, I suggest that this identity is emphasized as the dominating identity. However, in some situations, the staff identity of Telco Consulting might become more important and could, in these situations, be emphasized. The CEO of Telco Consulting handled the dual identities in terms of an identity hierarchy (see Paper II). However, this duality was not handled as dynamic, as Pratt and Foreman suggest. In order to enhance the attractiveness of this secondary

staff identity, managers should constantly legitimize the staff role and possible internal assignments primarily related to this role. Paper I illustrates how people in Telco Consulting cited “competent” as a central part of the organization’s identity. This perception should be generalizable to other corporate consultancies given the knowledge-intensive characteristics (Alvesson, 1995) of their business. One potential basis for legitimizing the staff role would therefore be to refer to its contribution to knowledge creation and extension. The need and potential for this is emphasized in Paper III.

An important management task is also being able to *explain the ambiguity*, as described in the section “Conclusions.” It is important to be able to explain and discuss the reasons for ambiguity and help to provide insightful arguments that make sense out of that which is perceived as unclear. For example, ambiguity may have some positive points that can be noted. A common effect of ambiguity is extensive generation of knowledge. Richard Normann (1975) makes the claim that many new business concepts are generated in fruitful states of tension within an organization or in the relation between the organization and its surrounding environment. In addition, people who find themselves in the midst of ambiguity often find that it nevertheless contributes to exciting work tasks, something that could also be derived from my identity survey, reported in Paper I.

The structure challenge: Nurturing vital linkages

Central to the corporate consultancy’s management of its multiple identities and the realization of potential synergies with the product business are its own structural conditions. The third managerial challenge includes deciding on the corporate consultancy’s organizational position, its access to clients, as well as its freedom in relation to the product business’ strategies and standard processes.

Generic types of corporate consultancy links to product businesses

In choosing a corporate consultancy’s structural position, management has to take into account its central interfaces with the product business’ product units and market units. A tight linkage to these units implies a large degree of coordination and mutual adjustment of strategies and procedures, whereas rather loose links imply less coordination and greater autonomy to the respective units. The choice of linkage is in turn dependent on the potential synergies between the corporate consultancy’s operations and the respective market and product units. Examples of how different kinds of links may be implemented are given below in Figure 5. In Paper V, this is also illustrated with empirical examples.

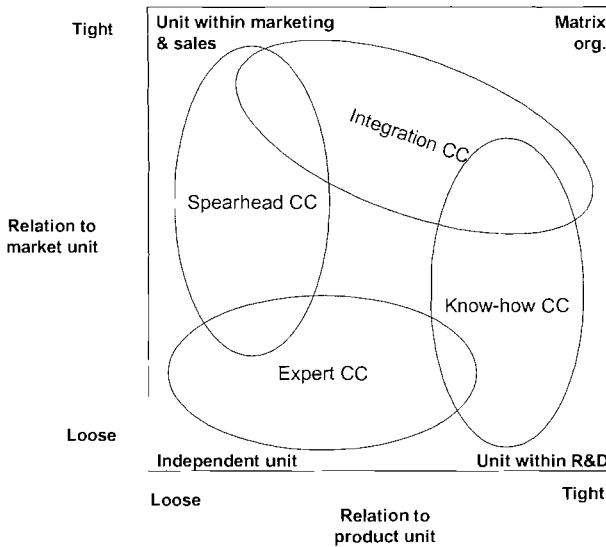


Figure 5: Corporate consultancies' links to product businesses

Expert CCs have often started as internal support units. External demand and excess capacity made them offer their services externally in an effort to leverage their professional knowledge. The customers of these services may be quite different from the product business' customers. Expert CCs thus typically nurture their own customer network, calling for a rather independent position in relation to the market units of the product business. An Expert CC's relation to product units may vary depending on the character of its expertise. If related to the central capabilities of the product units, the relation to these units is typically tight, with the consulting unit following the strategies and operations of the product units. In cases where the expert knowledge is not directly linked to the product units, the links to these units are typically looser, making a position as a rather independent unit possible.

Know-how CCs' role of supporting the operations of the product business based on firm-specific knowledge, often within the area of process and operations development, calls for a close relation and alignment with the product units' strategies and processes. As in the case of the Expert CC, the services of the Know-how CC do not provide a natural extension of the product business' value chain, and are thus partly aimed at customers other than the product business. This reduces the need for, and potential of, tight relations to the market units.

Spearhead CCs extend the offerings of their product business by providing services such as vendor assessment and business development support. This brings them into contact with management representatives of key customers, which makes them valuable for the market units. At the same time, the Spearhead CC's tendency to be on the customer's side, rather than on the product business' side, may be perceived as a

threat. Market units therefore often strive for a tight coupling with the consulting business in order to gain control over them. The Spearhead CC, however, demands an image of independence in order to gain credibility, e.g. in vendor assessment assignments, thus calling for a looser coupling to both market and product units.

Integration CCs thrive on their close relations to both market and product units with service offerings that leverage the product business' products and capabilities. This calls for constant coordination of the corporate consultancy's strategies and operations with the overall strategies of the product business. The establishment of tight relations to both market and product units is bound to be problematic, however, as long as a product logic – rather than a solutions logic – represents the dominating logic (Prahalad & Bettis, 1986). Mechanisms of reciprocal adaptation have to be implemented between the corporate consultancy and product- and market units, and managing these structural interfaces is an important task of top management.

Integration CCs must be linked to back-end product units

Galbraith (2002b) argues that a customer solutions business should be divided into customer-oriented front-end units (including market units and corporate consultancies) and product (or resource) oriented back-end units. He points out that this front/back structure demands five linking processes that rarely occur within product-based organizations. First, a *strategy and reconciliation process* aligning customer and solutions strategies with traditional product strategies. Second, the strategy dimension also includes planning the *product portfolio* in terms of compatibility and adaptivity. Third, a *solutions development process* for choosing which solutions to develop and an explicit process for developing replicated solutions. Fourth, a *solutions fulfillment* process that divides and schedules ordered solutions into each unit's components. Fifth and last, *assembly-disassembly of teams* of people with differing experiences and expertise.

In Telco, partly organized as a front/back structure, these processes were, however, underdeveloped. The strategy and reconciliation process in particular, and the somewhat related product portfolio planning was weak in that top management did not manage these activities on a company-wide basis (see Papers III and IV). Consequently, the product-based business remained the dominant one and the solutions development process and the solutions fulfillment process increasingly became local Telco Consulting activities. In combination with a low exchange of personnel, this meant that potential synergies with the product business, especially the product units, did not emerge.

To compensate for the lack of top management support, and based on my findings from Paper III and Paper IV, I argue that *product managers* could serve as a link between product units and corporate consultancies, at least for solutions that are small in scope. Therefore, this role should be more formally recognized. Because their area of responsibility is in the gap between market and product, they should be able to leverage the consultants' combination of technical knowledge and closer contact with the market. This requires, however, that the corporate consultancy is clearly identified as a source of knowledge in the product and business development of the product

business. This is especially true for the early phases of innovation, often characterized as the “fuzzy front-end of new product development” (Zhang & Doll, 2001). Here, consulting services may be a way of managing some of the “fuzziness” by enabling customers to become involved in and share in the financing of the innovation process. The case of Telco VCC, described in Paper IV, illustrates the potential of this way of working with *lead users* (Von Hippel, 1986).

However, even if a customer-oriented product management may in part substitute for active top management, as in the small-scope solutions business of Telco VCC, it also requires designing and adapting organizational governance structures that support rather than impede cooperation. This could be achieved by “success fees” for the corporate consulting unit’s participation in NPD projects, a clear statement of the respective units’ responsibilities in terms of product responsibility vs. consulting, etc.

Integration CCs and market units must cooperate in the front

In the front/back structure of a customer solutions business, Galbraith (2002b) argues that corporate consultancies and market units must together form an organizational front-end. However, as described in Paper III, people within Telco’s market units often handled Telco Consulting more as a back-end unit and similarly to product units. They argued that their own position as the single point of contact for the customer required them to mediate in all customer relations. However, the market units’ limited experience of selling customer-specific solutions, rather than products, was a constant source of misunderstanding and conflict between the market units and Telco Consulting. Consequently, some account managers of the market units realized the inherent challenges of actively mediating in these processes. Instead, they let Telco Consulting carry out most of their marketing and consulting activities in direct relation to the customers. Still, people within Telco Consulting were expected to inform the market units about its progress and relations with the customer and the financial streams would still go through the market units. Many people in Telco Consulting perceived this as a reasonable principle for increasing synergies without initiating delays and difficulties, although the market units still expected a margin on the sales. I argue that such a pragmatic single-point-of-contact strategy is necessary for a customer solutions business, as long as the overall business is still product-oriented as in the case of Telco.

A customer solutions business demands a more senior and sophisticated account management, which is able to enforce an overall customer-orientation (Galbraith, 2002b). However, before this is achieved, the links between the corporate consultancy and the market units must be actively managed by top management in the same way as the front/back links. Gerstner successfully managed this in the establishment of a widened front-end of IBM. Not only did he see the potential of the service organization IBM Global Services, he also forcefully managed IBM’s painful transformation. This was based on a broad understanding of the separate requirements and possibilities of different types of businesses – experiences he had gained through many years in a consulting business (McKinsey), service business (American Express), and product business (RJR Nabisco).

The structural arrangements necessary for customer solutions businesses based on Integration CCs thus demand an active top management with a high focus on the interface between the business logics, rather than merely on the separate businesses themselves. It is my claim that this demands an understanding of both the established product logic and the consulting logic (see also Nambisan, 2001). This applies in terms of both “soft” factors, such as thought worlds, identities and patterns of interaction, and “hard” factors, such as a clear division of responsibilities in combination with procedures that facilitate internal cooperation. In addition, skills in conflict resolution and teamwork are important in order to bring conflicting interests to the negotiating table (Galbraith, 2002b). In particular, the high ambiguity in bridging the diverging business logics must be handled continuously, and managing these tension-filled processes is a crucial part of the managerial agenda in a customer solutions business.

THEORETICAL IMPLICATIONS AND FURTHER RESEARCH

Organizing a customer solutions business

In the beginning of the thesis, I drew attention to the lack of organizational perspective on customer solutions businesses. I did, however, mention one important exception. The resembling US study (described briefly in Miller et al., 2002) recommends that the organization of a solutions business be built as a front/back structure (Galbraith, 2002b). Compared to the US study, the current research project has been concentrated to the consultative component and comprised primarily a detailed insider study of one corporate consultancy. My focus on identity (Papers I, II and V) as a way of analyzing, discussing and managing the consulting business, and its relation to the established product business, is another difference.

Although the US study also looks at the relation between front-end units and back-end units, their study has a greater orientation toward organizational design. A common conclusion, however, is that of the need for a more integrated organization, and thereby the management that this entails. My study confirms Galbraith's claim (2000; 2002b) that the linkages between the front-end units and the back-ends units are important but also problematic to establish and maintain (see Papers III and IV).

In addition to the front/back linkages, I have also indicated the need for actively managing the links between different front-end units (market units and corporate consultancies). Based on the diverging business logics of products and consulting (see Table 2 in Paper III), friction appeared between the market units and Telco Consulting. Since the existing literature seldom addresses combinations of business logics but rather the separate 'ideal' types (i.e. products, standardized services and consulting services), continued research is needed on how to link the different front-end units of a solutions business.

As regards the phenomenon of corporate consulting in itself, I found a lack of classifications on the subject in the academic literature. This was despite a growing importance of both internally- and externally-oriented consultancies of product-based companies, not only as parts of solutions businesses but also as more autonomous service businesses (Tordoir, 1995). Consequently, as a framework for this thesis and for further empirical research (as well as a basis for managerial action), I have contributed with a typology of generic types of corporate consultancies (see Paper V). This typology can be used for generating hypotheses about the suitable ways to organize the interface between the corporate consultancy and the product business.

The knowledge-brokering role of corporate consultancies

Hargadon (1998) has described various examples of knowledge brokering organizations, dividing them into *internal knowledge brokers*, including specialist units in large divisionalized companies, and *external knowledge brokers*, management consulting firms and engineering design consulting firms. What these organizations have in common is that a significant part of their activities are aimed at moving ideas and concepts between different industries, companies, or – in the case of internal

knowledge brokers – between different organizational units. In this thesis, I have studied a cross between the two – corporate consultancies – that, within the limits of an overall solutions strategy, serve as units that span the boundary between the product business and the customers. In doing so, it could be asked, if they are able to transfer knowledge from the customers to the product business' innovation processes.²⁶ The results from Telco Consulting, described in Papers III and IV, indicate that a transfer of valuable knowledge can certainly occur, but that the transfer is impeded by the large differences in business logic.

Future studies of innovation processes in customer solutions businesses should thus be attentive to the character and effects of different business logics (cf. Nambisan, 2001). Research should also further investigate possible ways of managing the knowledge transfer through (and by) corporate consultancies. This would include research on the structural relations between the consulting business and the product-oriented business, as I proposed in the previous section, but also the incentive structures and management systems used to steer the corporate consultancy in itself. Another aspect that should be addressed in further research is the complexity of the products offered by the product business. Consulting services are often offered as an extension of high-value, engineering and software-intensive capital goods, so called complex product systems (Hobday, 1998). We may find that suppliers of such systems (such as Ericsson and IBM), being knowledge-intensive and accustomed to project-based work, find it less problematic to integrate a consulting business. On the other hand, the typical corporate consultancies for these companies are Integration CCs, the most demanding in terms of multiple identity management and organizational design (see Paper V), leading to other challenges instead. All of these issues should be investigated in a large sample of organizations from different industries.

Understanding and managing multiple organizational identities

This study has focused on corporate consultancies, organizations spanning the boundary between product businesses and customers. The findings from Papers I and II indicate that this organizational position leads to dual holographic organizational identities (Albert & Whetten, 1985). Research on multiple identities has sometimes questioned the viability of such identities (see e.g. Reger et al., 1998). The results of this study show that there is considerable pressure to resolve ambiguity caused by dual holographic identities. Thus, it would seem that organizations with such multiple identities tend towards a clear identity by focusing on one of the identities as the preferred one. A number of propositions as to how this clear (as opposed to ambiguous) and desired identity is formed were also formulated in Paper I. The study also shows that organizational identification might be high in multiple identity organizations despite a lack of distinct values and clear out-groups (see e.g. Ashforth & Mael, 1989). This is because the choice of one of the identities as a *desired identity* allows for distinct values and clear boundaries, as well as identifies salient out-groups.

²⁶ Knowledge transfer can of course also occur in the opposite direction. However, this is not something I have studied here.

Further research is also needed in terms of strategies for managing multiple identities in this context. As argued by Pratt and Foreman (2000), multiple identities enable flexibility and adaptability of organizations, characteristics of great value for organizations in post-industrial society. However, these gains of multiple identities are not realized automatically. There is thus a need for further empirical studies to identify which factors (managerial, structural, cultural, etc.) enable the positive effects of multiple identities and minimize the negative effects such as paralysis, passivization and conflict.

Research on multiple organizational identities should also investigate links to existing theoretical concepts characterizing ambiguous organizations and situations. For example, the aggregation strategy of managing an identity hierarchy (Pratt & Foreman, 2000) might be compared with managerial strategies of compensating for loose coupling, as described by Orton and Weick (1990). In their description, the characteristic of “distinctiveness” is related to high identity plurality and “responsiveness” to high identity synergy in an aggregation strategy of managing multiple identities. This link between multiple organizational identities and loose coupling has recently been elaborated on in a paper presented at the Academy of Management Conference in Washington (Brown, Corley & Gioia, 2001). Using empirical data from a “bricks-and-clicks”²⁷ organization, a hybrid organization with many similarities to a customer solutions business, the concept of loosely coupled identities was defined. This seems to be a fruitful area for continued research.

In managing multiple identities, I have argued for the need to *explain the ambiguity*, that is, to discuss and explain it by breaking it down into undesirable or “negative” uncertainty and more “natural” multiple meanings (see earlier description under “Conclusions”). By this, I mean that ambiguity can be turned into something positive if the reasons for the ambiguity, for example, that an organization has multiple identities, can be chiseled out (cf. Cheney, 1991). Earlier research has argued mainly in favor of management and communication that allow for and preserve ambiguity. Alvesson (2002) defines *bounded ambiguity* as the limits for ambiguity, and suggests that the concept stems from the problem of achieving complete clarity and consensus in many issues. He also argues that bounded ambiguity offers “meta-meanings” – clues for steering around tricky issues – and offers a number of practical examples, such as mediating myths and the use of quick changes between different social identities and thereby also associated notions and ideas. Eccles and Nohria (1992) similarly suggest a vague rhetoric to include the ambiguity. At Telco Consulting, the concept of multiple organizational identities could *explain* a part of the ambiguity in the organization, even if it still remained. An increased understanding such as this, of the reasons behind ambiguity, should help an organization to manage it in a more conscious manner and, in doing so, render the ambiguity less of a source of frustration.

²⁷ During the dot-com hype of the late 1990s, the dichotomy of “bricks *or* clicks” was touted. A new and more robust trend is the development of “bricks *and* clicks” organizations, traditional organizations which also move their business to the Internet.

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APPENDIX 1: EMPIRICAL DATA COLLECTED

The case of Telco Consulting

Description (anonymous)	Date	Data source	Taped	Type of unit
Identity questionnaire, Change program, Telco Consulting	NA	Questionnaire	NA	Corporate consultancy
Management meeting, Telco Consulting	2000-01-26	Observations	F	Corporate consultancy
Intranet forum, Telco Consulting	NA	Observations	NA	Corporate consultancy
Information, Business Area Manager, Telco	NA	Observations	F	Group-wide
CEO, Telco Consulting	NA	Observations	F	Corporate consultancy
CEO letters and meetings, Telco Consulting	NA	Observations	NA	Corporate consultancy
Management meeting, Change program, Telco Consulting	2000-05-09 – 2000-05-20	Observations	F	Corporate consultancy
Management meeting, Change program, Telco Consulting	2000-06-19	Observations	F	Corporate consultancy
Kick-off journey, Change program, Telco Consulting	2000-08-18 – 2000-08-20	Observations	F	Corporate consultancy
Restructuring discussions, Telco	NA	Observations	NA	Group-wide
Implementation of change program, Telco Consulting	NA	Observations	NA	Corporate consultancy
Sub-project identity, Change program, Telco Consulting	NA	Observations	NA	Corporate consultancy
Marketing strategy development, Change program, Telco Consulting	NA	Observations	T (partly)	Corporate consultancy
Organization structuring, Change program, Telco Consulting	NA	Observations	F	Corporate consultancy
General information, Telco VCC, Telco Consulting	NA	Observations	F	Corporate consultancy
General observations, Telco VCC, Telco Consulting	NA	Observations	F	Corporate consultancy
Observations, Telco Consulting	NA	Observations	F	Corporate consultancy
Project manager, Telco Consulting	1999-08-31	Interview (semi-structured)	F	Corporate consultancy
Product manager Telco VCC (initial), Telco Products	1999-10-27	Interview (semi-structured)	F	Product unit
Project manager, Telco Consulting	1999-11-01	Interview (semi-structured)	F	Corporate consultancy
Project manager, Telco Consulting	1999-11-05	Interview (semi-structured)	T	Corporate consultancy

Marketing manager, Telco Consulting	1999-11-08	Interview (semi-structured)	T	Corporate consultancy
Product manager Telco VCC (successor), Telco Products	1999-11-16	Interview (semi-structured)	T	Product unit
Manager, product development, Telco Products	1999-11-16	Interview (semi-structured)	T	Product unit
Project manager, The Rail Travel Company (customer)	1999-11-17	Interview (semi-structured)	F	Customer
Consultant, Telco Consulting	1999-11-24	Interview (semi-structured)	F	Corporate consultancy
Senior manager, Telco Products	1999-11-24	Interview (semi-structured)	T	Product unit
Project manager, Telco Consulting	2000-02-04	Interview (semi-structured)	F	Corporate consultancy
Management consultants engaged by Telco Consulting	2000-03-10	Interview (semi-structured)	F	Other
Consultant, Telco Consulting	2000-04-17	Interview (semi-structured)	T	Corporate consultancy
Project manager, Telco Consulting	2000-05-22	Interview (semi-structured)	T	Corporate consultancy
Consultant, Telco Consulting	2000-10-06	Interview (semi-structured)	T	Corporate consultancy
CEO, Telco Consulting	2000-10-06	Interview (semi-structured)	T	Corporate consultancy
IT manager, Telco Consulting	2000-10-09	Interview (semi-structured)	T	Corporate consultancy
Middle manager, Telco Consulting	2000-10-12	Interview (semi-structured)	T	Corporate consultancy
Staff manager, Telco Consulting	2001-02-22	Interview (semi-structured)	T	Corporate consultancy
Sales engineer, Telco Sales	2002-09-27	Interview (semi-structured)	F	Market unit
Suggestions for improvements, Change program, Telco Consulting	NA	Electronic discussion	NA	Corporate consultancy
GroupSystems sessions, Change program, Telco Consulting	NA	Electronic discussions	NA	Corporate consultancy
Discussion forum, Change program, Telco Consulting	NA	Electronic discussion	NA	Corporate consultancy
Agreements with other units, Documents, Telco Consulting	NA	Documents	NA	Group-wide
Telco policy documents, Telco	NA	Documents	NA	Group-wide
Internal documents, Telco Consulting	NA	Documents	NA	Corporate consultancy

The broader study of other corporate consultancies

Description (anonymous)	Date	Data source	Taped	Type of unit
CEO, TelecomCompany Consulting ²⁸	1998-02-05	Interview (semi-structured)	T	Corporate consultancy
CEO, TelecomCompany Consulting ²⁹	1998-09-19	Interview (semi-structured)	T	Corporate consultancy
CEO, PowerCompany Consulting	1999-02-10	Interview (semi-structured)	F	Corporate consultancy
Manager, TelecomCompany Business Consulting	1999-09-06	Interview (dialogue)	F	Corporate consultancy
Manager, BiotechCompany Consulting	2001-11-21	Interview (dialogue)	F	Corporate consultancy
CEO, PowerCompany Consulting	2001-12-05	Interview (semi-structured)	T	Corporate consultancy
CEO and Business area manager, PowerCompany Consulting	2001-12-05	Interview (semi-structured)	T	Corporate consultancy / Group-wide
Controller, PowerCompany Consulting	2001-12-05	Interview (semi-structured)	T	Corporate consultancy
CEO and consultant, MailCompany Project Consulting	2001-12-14	Interview (dialogue)	F	Corporate consultancy
Marketing director, PowerGroup Consulting	2002-03-01	Interview (semi-structured)	F	Corporate consultancy
CEO, PharmaDistributor Consulting	2002-03-25	Interview (dialogue)	F	Corporate consultancy
Workshop on corporate consulting	2002-05-16	Workshop	T	Corporate consultancy
25 websites of corporate consultancies and their parent organizations	NA	Documents	NA	Corporate consultancy / Group-wide
Academic literature	NA	Documents	NA	Corporate consultancy / Group-wide

²⁸ This interview was conducted before the current research study but for a similar purpose. The transcription of the interview was integrated in my research database.

²⁹ See the previous footnote.

**Handling Multiple Identities in Boundary Spanning:
A Study of Identity Construction in a
Corporate Consulting Unit**

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Handling Multiple Identities in Boundary Spanning – A Study of Identity Construction in a Corporate Consulting Unit

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Executive Summary

The developments towards what is often called the postindustrial society carry with them a blurring of organizational boundaries. Value is increasingly created in organizational constellations such as joint ventures, corporate consulting units and partnerships crossing traditional firm boundaries. This paper addresses the blurring of firm boundaries from an organizational identity perspective and focuses identity formation and identification in complex boundary spanning organizations.

Based on a study of organizational identity in a corporate consulting unit, we explore the constitution and the organization members' handling of multiple identities. The specific constitution of multiple identities in boundary spanning organizations is discussed, and it is concluded, that holographic multiple identities represent an unstable arrangement striving towards a clear identity. The necessity for management to actively manage multiple identities is pointed at, and possible approaches are discussed.

1 Introduction

A central characteristic of the emerging postindustrial society is the blurring of organizational boundaries. Different organizations become increasingly integrated both in terms of physical flows and in terms of knowledge flows (Badaracco, 1991; Miles, Snow, Mathews, Miles, & Coleman, 1997). Where the organization earlier could rely on its internal knowledge, it increasingly becomes dependent on external sources of expertise (Badaracco, 1991). What were earlier isolated external suppliers are becoming integrated partners and the prevailing value chain model is replaced by a new model, characterized by co-production through value-constellations (Normann & Ramírez, 1994).

Different kinds of boundary spanning organizations such as corporate consulting units and joint ventures emerge in the wake of these developments. However, these organizations often find themselves in complex positions with multiple, often conflicting roles and associated multiple identities.

Based on the example of a corporate consulting unit in the telecom industry, this paper focuses on the processes of identity formation and identification in complex, boundary spanning, multi-identity organizations. In approaching this issue, we base our reasoning on organizational identity theory (see for example Albert & Whetten, 1985; Ashforth & Mael, 1989; Pratt & Foreman, 2000). This paper adds to this research by providing a detailed empirical account of the identity formation and identification in complex, multi-identity organizations.

1.1 Co-production – Blurring the Organizational Boundaries

In the era of innovation, characterizing the post-industrial business world, companies increasingly become integrated with upstream and downstream partners. Interorganizational network structures become intertwined with the internal work process resulting in blurred organizational boundaries (Miles et al., 1997, p. 10). Normann and Ramírez (1994, p. 28) push these arguments even further and criticize Michael Porter's *value chain* notion (1985) in which productive systems are based on actors interrelating through uni-directional and sequential relationships. They argue that the relationship between any two actors tends to be far more complex. Instead of the sequential adding of value, actors create offerings – products, service or often a combination – through varied types of *co-productive* relationships. Normann and Ramírez (ibid.) build their argument on Thompson's (1967) categorization of intraorganizational relationships as being pooled, sequential or reciprocal. Applying the categories to interorganizational relationships, the value-chain is hereby characterized as being based on pooled and/or sequential relationships. However, the complex interactions between actors in *co-productive systems*, where the temporal and spatial constraints have been removed, are also based on reciprocal relationships. Therefore, the post-industrial business world is based on relationships that are more complex, more multi-directional and simultaneous than those in the industrial world, as described by the value chain.

In co-production, customers are not just passive recipients but rather active partners in the joint value-creation process. This forces companies to new interorganizational arrangements in order to acquire the necessary capabilities to create value for and *with* the customers. Partnerships, subcontracting, alliances, joint ventures and franchising become increasingly used (Normann & Ramírez, 1994, p. 82). The purpose of these arrangements is primarily to handle boundary-spanning activities (Thompson, 1967), connecting one organization with other organizations. Even though boundary spanning is most often discussed on an individual level, where occupants of boundary roles are in focus (Adams, 1976), we here apply the concept on an organizational level. We are thus focusing on boundary spanning units - organizational units the prime task of which is the mediation of exchanges between a parent company and its constituents (such as customers, suppliers, etc.) (see for example Fennell & Alexander, 1987).

1.2 The Identity Challenge for Boundary Spanning Units

Boundaries are an unavoidable necessity for any social system. Individuals create and maintain boundaries as a means of simplifying and ordering the environment. Therefore, the boundaries are real in the sense that the individual perceives them as such and acts as though they were real (Weick, 1979). However, the act of creating and maintaining boundaries complicates crossing from one domain into another. The

reason for this is that the perception of a boundary enables each group to evolve more independently and differentiate itself in terms of its political, economic, cultural and social systems.

In complex organizational boundary spanning arrangements, as for example joint ventures and alliances, boundaries are ambiguous and often in transformation. This makes identities both salient and problematic since the normally tacit, taken-for-granted nature of identity is most likely to be questioned (Reger et al., 1998, p. 166). The identities of the parent/partner organizations are blended in the intermediate structure and the boundaries, manifested through the categorization of “us” and “them” becomes blurred.

In this context the concept of organizational identity (Albert & Whetten, 1985) becomes salient. The employees perception of “who they are as members of the organization” is an important determinant of their actions. Through identification, organizational members start viewing themselves as part of a group and act in accordance with the identity of this group (Ashforth & Mael, 1989, p. 35). But what if the organizational identity is contested or even consisting of multiple identities? In boundary spanning operations serving multiple constituents with partly conflicting goals, the concept of the single, distinct identity which has been in focus in much of the literature on identity formation and identification is problematic. Ashforth and Mael (1989, p. 23) thus identify a need for research on how identification takes place in complex, multi-identity organizations.

1.3 Corporate Consulting Units, an Example of Boundary Spanning

Corporate consulting units, which offer e.g. systems integration and business consulting, are an example of organizational boundary spanning units, operating on the edge of their parent organizations’ boundaries. Being a so-called knowledge business, these units not only feed the process of innovation but feed upon it in a continuous cycle that increases the complexity of their environment and the market (Miles et al., 1997, p. 11). The clients of the corporate consulting units reside both inside the parent organization as well as outside it, and through a mix of internal and external assignments the unit has a bridging role in the value-creating co-production with the parent organization’s customers. Hereby, the consultants within such units often cross the parent organization’s boundaries, both in terms of internal boundaries, e.g. between product units and market units, as well as the external boundaries between the parent organization and the market. In these bridging activities the corporate consultants can be compared with bees; “...*cross-pollinating between firms, carrying experiences and ideas*”, as described by Bessant and Rush (1995)

However this position on the edge of organizational boundaries creates an ambiguous context for the corporate consulting unit and its employees (Goolsby,

1992; Rhoads, Singh, & Goodell, 1994). On the one hand, the corporate consulting unit is expected to be and act as an insider supporting the business of the parent organization. On the other hand, the organization is expected to focus on its external clients and build its own business, which might sometimes mean distancing itself from the parent organization (Sandberg & Werr, 2000). The tension between these roles can be strong and was the source of ongoing frustration and conflict in the corporate consulting unit that will be described in detail in the following.

We will begin this paper by sketching out a framework for understanding identity and identification. Then we turn to the case of Telco Consulting² in order to describe the constitution of the organizational identity of a complex, boundary spanning organization. In the following discussion on the patterns found in the case, the employees' identification with complex, multi identity organizations is treated and a number of propositions concerning identity formation in boundary spanning units are discussed based on the case. The paper is concluded by a discussion of the research as well as managerial implications of the findings.

2 Organizational identity

Organizational identity is often characterized as the answer to the self-reflective question "Who are we?" and captures central parts of an organization's characteristics (Albert & Whetten, 1985, s. 264). Albert and Whetten (1985) define identity as consisting of three dimensions. The first concerns what organizational members view as central in their organization. The second dimensions concerns what is distinct for the organization in relation to other organizations, and the third dimension emphasizes the enduring aspects of the organization, which connect today's organization to its past and envisioned future.

As an answer to the question "who are we?" identity is closely linked to organizational members' thinking and acting. In the process of sensemaking described by Weick (1995), organizational members simultaneously create an image of their environment, which is both based on and constitutes the individual's identity.

Depending on who I am, my definition of what is "out there" will also change. Whenever I define self, I define "it", but to define it is also to define self. (Weick, 1995, p. 20)

Given that identity is intimately linked with sensemaking processes, it is also linked to action as the interpretation of the world created in the sensemaking process is enacted (Weick, 1995). Who we think we are is reflected in what actions we take. Identifying with a group means engaging in activities congruent with the identity of this group (Ashforth & Mael, 1989).

² Telco Consulting is an invented name used in the paper in order to protect the anonymity of the company.

A complicating issue however is that organizations seldom have a single identity. Organizations in complex environments, facing multiple stakeholders with conflicting interests often develop multiple identities (Albert & Whetten, 1985; Pratt & Foreman, 2000). Examples of such organizations might be a church running a bank, co-ops, joint ventures or in this case corporate consulting units which are expected to run both their own external business as well as act as a support staff to the parent organization.

Multiple identities can be constituted in several ways. They may be holographic, implying that several identities co-exist in the same unit, or they may be ideographic, implying that different units in an organization enact different identities, but that each unit has a single identity. Holographic identities are generally more problematic and conflictual than ideographic ones (Albert & Whetten, 1985).

The consequences of multiple identities have been discussed by Pratt and Foreman (2000), who identified both advantages and disadvantages related to the existence of multiple identities. Among the benefits of multiple identities they mention increased adaptability and the ability to handle different stakeholders with conflicting demands. This however often creates costs in terms of paralyzation, passivization, and ongoing negotiation and conflict within the organization.

2.1 Identification - bringing in the individual

The above section has mainly dealt with the organizational aspects of identity. In the following we will turn to an individual level of analysis in order to gain an understanding of how the individual relates to an overall organizational identity.

According to social identity theory, the formation of individual identity is the result of his/her participation in and identification with different social groups. Organizational *identification* is defined as a process of self-categorization.

Identification induces the individual to engage in, and derive satisfaction from, activities congruent with the identity, to view him or herself as an exemplar of the group, and to reinforce factors conventionally associated with group formation (e.g., cohesion, interaction). (Ashforth & Mael, 1989, p. 35)

Identification with a group thus leads to a number of consequences: 1) individuals tend to choose activities congruent with salient aspects of their identities and support the institutions embodying these identities, 2) social identification supports intragroup cohesion, cooperation, altruism and positive evaluations of the group, and 3) identification supports the antecedents of identification - group distinctiveness, prestige, etc. (Ashforth & Mael, 1989, p. 26)

As individuals generally are part of several groups, social identity theory acknowledges the existence of several social identities. As these are often disparate, creating differing demands on the individual, conflicts between them are unavoidable. These potential conflicts tend to be resolved by ordering, separating or buffering identities (Ashforth & Mael, 1989). However, if the different identities have to be enacted simultaneously, organizational members' ability to handle the conflict breaks down.

This existence of multiple social identities in the at work domain complicates the notion of identification. Given the existence of multiple social identities, with which of these do organizational members identify and how is their level of identification affected by the existence of multiple organizational identities?

Dutton, Dukerich and Harquail (1994) present a model for how to understand the identification of work group members. They propose that member identification is the consequence of two aspects - the perceived organizational identity and the construed external image. In identifying with a group, organizational members focus not only on their perception of the organization, but also on the organization's image - i.e. what others think the organization is. They ask the question "How do outsiders think of me because of my association with this organization"?

In identifying with a group individuals thus focus on what they believe are distinctive, central and enduring attributes of the organization, as well as what they believe to be outsiders' perceptions of the organization in terms of the identity dimensions distinctive, central and enduring. The more positive for the individual the perceived identity as well as the construed external image are, the higher identification will be (Dutton et al., 1994).

Ashforth and Mael mention a number of *antecedents* of identification with a specific group based on the characteristics of its identity. These antecedents are the distinctiveness of the group's values and practices in relation to other comparable groups. If the group is located within a larger organization the clearness of its boundaries are also important. Furthermore, the prestige of the group as well as the salience of out-groups are presented as factors contributing to the identification with a certain organization (Ashforth & Mael, 1989).

Against the background of this framework for understanding the identification of individuals with groups, we will now turn to the case of Telco Consulting, a complex, boundary-spanning organization facing conflicting requirements from different constituents.

3 The constitution of a boundary spanning identity - the case of Telco Consulting

3.1 Methodology

Based on a case study of the corporate consulting unit Telco Consulting, our aim was to gain an understanding of the identity in a boundary spanning organization. A questionnaire was used in order to understand the organization-wide perceptions of the organizational identity (qualitative, part one) and the level of identification (quantitative, part two). The qualitative part of the questionnaire consisted of five questions (see appendix).

The first question (Q1: What is your picture of the company Telco Consulting?) was used to gather the spontaneous picture the respondents had of the organization. This question was primarily aimed at capturing for the *central* dimension of the organizational identity (Albert & Whetten, 1985). Given the dual roles of Telco Consulting (see next section) the organization was presumed to have multiple identities. In order to grasp this multiplicity the following three questions (Q2-Q4) were designed to elicit comparisons between Telco Consulting and the parent organization as well as the perceived competitors of Telco Consulting. Q2 and Q4 were therefore especially important in order to capture the *distinctive* dimension of the organizational identity. In order to find out whether the central and distinctive dimensions also could be described as *enduring* a fifth question (Q5) about the future of Telco Consulting was added. Through an integrated analysis of these five questions our aim was to construct the perceived organizational identity of Telco Consulting. Our operationalization of organizational identity was hereby inspired by Sarason who applied a similar set of questions in her study (1995, p. 104).

A second quantitative part of the questionnaire measured the level of organizational identification with Telco Consulting as well as with the parent organization Telco. The operationalization of "identification" was based on Mael and Ashforth (1992, p. 122) and consisted of two similar sets of four questions (see Q6-Q13 in Appendix). The answers to the questions concerning the identification with Telco Consulting and Telco respectively were integrated into two indexes, one for the identification level with Telco Consulting and one for Telco.

The questionnaire, which was distributed via Telco Consulting's intranet representing a response rate of 50.1%. The respondents were guaranteed an anonymous handling of their individual answers and were encouraged to reply spontaneously with both positive and negative answers. The respondents got three weeks to answer the questionnaire with one reminder sent by mail after two weeks.

The answers provided in the questionnaire serve as the main empirical data source for this paper. However, the material was analyzed and discussed against the

background of a broader set of empirical data in order to get a deeper understanding. Since one of the authors worked at the company half time the survey data was complemented by a *self-ethnographic* approach (Alvesson, 1999), i.e. ethnographic research on a setting of which one already is a part. The often for the self ethnographer difficult act of distancing oneself from the empirical situation was facilitated by the second author who took a more distanced role. He carried out some of the interviews but primarily participated in the later stages of the study where his distanced role was important for analyzing the data and writing this paper. The ethnographic data included hundreds of inlays on electronic forums, many dialogues and meetings as well as observations from three longer workshops in connection with an organizational change initiative. These observations were complemented by six semi-structured interviews.

3.2 The dual role of Telco Consulting

Telco Consulting is a corporate consulting unit owned by the large telecom operator Telco. It is a conglomerate of a number of former IT related support units offering a broad set of services. As an internal support organization it had been hard to say no to internal clients and Telco Consulting had received a reputation as the technical problem solvers of Telco. In parallel with the internal assignments, the organization had developed a profitable external business, mainly built around contact center solutions. This business had grown rapidly in recent years and today represents the focus of the organization.

Telco Consulting primarily offers professional services within business consulting, software development and systems integration. Most projects are delivered as customer specific turnkey solutions and are often based on computer telephony integration and Internet/intranet-applications. These assignments normally range over several stages covering strategic analysis, functional specifications, software development and systems integration. The implementation projects are sometimes followed by additional management support services in order to help the client start using the installed functionality.

The clients of Telco Consulting are both the parent organization Telco, as well as external clients. These two kinds of clients generally have rather different expectations concerning the actions and attitudes of the consultants. When acting towards clients from within Telco, the consultants are seen as colleagues from the same organization. They are expected to see to the best of the parent organization rather than their own business, follow Telco policies and project models, charge like a staff unit rather than an independent consulting company, etc. This also implies being knowledgeable of Telco's products and strategies in order to be able to support these in the best possible way. This role of Telco Consulting is reflected in the following description of the company by one of its consultants:

Telco Consulting has a blend of competence that could be better integrated in the Telco group or business area. As consultants, we could devote a number of hours every month to direct support of the other Telco companies' customer contacts. This would spur an interest in us on the part of the marketing companies. It would also help sales staff to feel they are working with one common customer. [Answer to Q2: "Can you describe Telco Consulting in comparison with the rest of the Telco group?"]

In their relations with external customers the consultants meet a quite different set of expectations. As external consultants they are expected to act independently in relation to the parent organization. Clients expect them to deliver the best possible solution, rather than the solution based on the parent company's technology. This implies expectations of policies and an image that is differentiated from that of the parent company. The ability to act independently of the parent organization and interact directly with the customer is underlined as central here:

In order to survive, we must be permitted to play according to the same rules as our competitors, like having more freedom to sell directly to the end-customer. [Answer to Q5: "How does Telco Consulting look like in three years time?"]

Table 1: Different expectations on the attitudes and actions of Telco Consulting

Expectations from <i>internal</i> clients	Expectations from <i>external</i> clients
<ul style="list-style-type: none"> - Support parent company business - Loyal to parent company - Build on and support parent company image - Follow parent company policies 	<ul style="list-style-type: none"> - Develop own, independent business - Loyal to client – choose the solution that suits the client best. - Develop and maintain independent image - Develop and follow own policies

Telco Consulting's role on the edge of organizational boundaries, working both with internal as well as external clients thus puts the organization's consultants in an ambiguous position (see table 1). In their internal assignments they are expected to act as a staff unit supporting the parent company's business. In this role the interests of the parent company are in focus. In their external assignments on the other hand they are expected to take an independent position in relation to the parent organization focusing on the best of their respective client, which implies the creation of an image of a strong and independent organization able to compete on

the competitive and “hot” market of IT services. The ambiguity and conflictual character of this situation is summarized in Table 1 and illustrated by the following quotations from consultants, highlighting the conflicts between the two roles.

We often try to distinguish ourselves a little – and can have trouble working with other Telco companies because we also want to be paid for our work. But the others (especially the market units) always expect us to work for “free”. [Answer to Q2: “Can you describe Telco Consulting in comparison with the rest of the Telco group?”]

Telco Consulting is a group of qualified consultants struggling to pull Telco forward without getting caught in the chains of the old government telephone monopoly. [Answer to Q1: “What is your picture of the company Telco Consulting?”]

These two sets of expectations from internal and external clients create the basis for two different identities – as a staff unit on the one hand and as independent consulting unit on the other hand. Telco Consulting can thus be described as an organization having multiple identities. As these two identities are to a large extent carried out by the same consultants, these two identities can be characterized as holographic creating a potentially stressful situation for the consultants having to deal with both sets of expectations (Pratt & Foreman, 2000, p. 22-23). However, the combination of the two roles is potentially rewarding. By combining an internal and an external role, corporate consulting units have the potential of building up a unique knowledge base combining technical as well as market knowledge and thereby play a central role in the innovative processes of its parent company (c.f. Sandberg & Werr, 2000).

The stressfulness of this situation is reflected in an ongoing discussion within Telco Consulting concerning the mission and orientation of the organization. In spite of a number of reorganizations and reorientations during the past decade a constant theme in the discussions within the organization has been the unclear mission of the organization. Arguments for a closer connection with the parent company (a focus on the staff identity) and arguments for a more detached and autonomous position (focus on the external consultant role) have been voiced in different periods, however without bringing an end to the debate.

3.3 Identity and identification in Telco Consulting

Having described the position in-between organizations and the dual nature of the organizational role of Telco Consulting we will now turn to the its perceived identity. How do the consultants in the organization perceive what is central, distinct and enduring for their organization? Three keywords that are elaborated in the following summarize this identity - competent, indistinct and anonymous.

3.3.1 Keyword 1 - competent

Externally known for its competence in Contact Center ... Very competent staff ... A lot of highly qualified consultants!! ... Highly qualified, broad competence... Very competent ... Telco Consulting has competence ... Competent, innovative, creative ... A company with a lot of competence ... Exceptional technical competence. [Answers to Q1: "What is your picture of the company Telco Consulting?"]

The above quotations represent just a small selection of answers emphasizing the competence of Telco Consulting as a central aspect of the company. Competence and related synonyms were frequently used terms in describing the company Telco Consulting. This focus on competence however needs some clarification, as the term in itself is very broad. A number of different meanings of the term competence and its distinguishing character could be identified in a closer reading of the empirical material.

One recurring meaning of the term competence referred to technical competence, especially in the area of contact center solutions where Telco Consulting had build up state of the art knowledge of integrating the telecom network with IT-systems.

Our strength lies in our experience from and established routines in telecom and Internet. We have the ability to manage customer relations and make them profitable. Our competitors often specialize in one area or the other. We are the only consultants with the capacity to realize customer relationship management at a more comprehensive level. [Answer to Q4: "Can you describe Telco Consulting in comparison with the competitors?"]

This competence had been developed in large assignments within Telco and was unique for Telco Consulting within the Telco group. This type of knowledge was also scarce on the external market, thus making the technical knowledge distinguishing for Telco Consulting in relation to both Telco as well as its market (external) environment.

A second meaning attributed to the broad term competence concerned the knowledge of the market and the clients. Especially the more developed customer orientation and innovativeness of Telco Consulting was viewed as a distinguishing feature of the consulting unit in relation to the Telco group at large. Recurringly keywords like the following were mentioned as distinguishing features of Telco Consulting in relation to Telco:

Flexible, generalist, very competent ... Competent, flexible, customer-oriented ... Academic, a driving force, on the way to becoming more profit-oriented ... Competent, fast, flexible, full of ideas ... Younger,

faster, more attentive. [Answers to Q2: "Can you describe Telco Consulting in comparison with the rest of the Telco group?"]

The consultants of Telco Consulting regarded themselves as having a considerably better understanding of the business of their customers and their use of the Telco group's products than many of the employees within the product organization of Telco. One also regarded oneself as more flexible and innovative. The perceived identity of being competent both regarding technology and the market, in combination with a business focus on effectiveness rather than efficiency also implied a picture of troubleshooter. An anecdote illustrating how a manager perceived the benefits with Telco Consulting enforced this picture:

"Before I started at Telco Consulting, I spoke with a manager at Telco. This person didn't know exactly what Telco Consulting did, but did know that 'if no-one can do the job – you can turn to Telco Consulting.' This is something I've heard many times since then." [CEO, interview]

Thirdly, competence was referred to as the ability to deliver what had been promised, to stability, experience and quality in delivery. When asked to characterize Telco Consulting in relation to its external competitors, statements like the following were recurring:

Telco Consulting is older, more reliable, but a bit boring ... More mature, competent ... Less hyped up ... Better! ... Higher quality. [Answers to Q4: "Can you describe Telco Consulting in comparison with the competitors?"]

"Telco Consulting has efficient, well-educated staff. We are young and have both feet on the ground (not some faddish IT consulting firm). There is a high level of expertise and I'm proud to work here!" [Answer to Q1: "What is your picture of the company Telco Consulting?"]

This view of Telco Consulting's competence has to be understood against the background of the internet consulting industry which at the time of the study was booming, creating opportunities for many small and less experienced actors to test their luck on the internet consulting market - with varying results.

The above thus shows, how the identity of Telco Consulting is defined in terms of an all encompassing label - competence - which is given a number of different meanings in relation to different constituents. The dominating meaning of the term concerns the technical competence, which encompasses both the staff role of the organization directed towards the inside as well as the consultant role directed towards the outside of the Telco group. However, a closer look at the identity reveals other facets, which are more role specific. In relation to the Telco group, Telco Consulting regards itself as possessing customer orientation, as well as innovative and creative competencies, whereas the main competencies highlighted in relation to

the external market include procedural competence leading to stability and high quality. Beyond the integrating level of technical competence, the competence label thus also reflects the conflicting demands of the organization's dual roles. These conflicting demands become strongly highlighted in the second theme characterizing the identity of Telco Consulting.

3.3.2 Keyword 2 - indistinct

Blurred contours with no clear goals ... Very indistinct picture of what we should be doing ... An indistinct picture ... High energy but a bit rough around the edges ... A ship with no-one at the helm ... Sprawling ... Indistinct ... We lack identity and common, well-established goals ... Indistinct, weak identity ... Exceptionally competent and enthusiastic, but often no clear direction. [Answers to Q1: "What is your picture of the company Telco Consulting?"]

Many employees described the identity of Telco Consulting as "indistinct" and "blurred". People perceived the mission and profile of the organization as vague. In reflection of the employees' dual belonging and dual roles, the indistinctness concerned both the question of "who are we working for" and "what are we working with". Are we a part of the large Telco group and thus mainly aimed at supporting the parent company, or are we an independent consulting company aimed at competing on the "open" market?

This issue concerning the position and mission for Telco Consulting was perceived as a pressing one and was a recurring theme for internal debate ever since the establishment of the organization. The perceived indistinct situation with some focus on the internal role of supporting the parent company's business and some focus on the creation of an externally competitive consulting business was clearly not seen as viable. Rather a situation of choice was identified for Telco Consulting:

"If we're going to survive and prosper (which, of course, we are!!), Telco Consulting must either continue to work as a part of Telco, under the necessary conditions, or – better yet – adapt to the market and become a leader among similar competing consulting firms."

Bad scenario – we will be a business support unit in the TeleCom division. Good scenario – we will be a strong player in the market, and not overly reliant on Telco. We will either be completely independent of Telco or will have gained broader ownership. The important thing is that we create an external image of our own.

Either we will be closely fused with the business area or we will have become a separate company outside or owned by Telco. In order for this to happen, the forces within Telco Consulting must be given free rein.

[Answers to Q5: "How does Telco Consulting look like in three years time?"]

The choice identified by the consultants was between becoming more integrated with the parent company Telco and becoming more of an autonomous consulting organization oriented towards the external market. The preferences as to which position to choose were clear among the consultants - the more independent way was the more preferred and sometimes seen as the only way of survival:

In order to survive, we have to be permitted to play according to the same rules as our competitors, like having more freedom to sell directly to the end-customer. [Answer to Q5: "How does Telco Consulting look like in three years time?"]

The majority of consultants were confident about the future of Telco Consulting, a future that most often was presented as characterized by a more external orientation of the organization and looser bonds to the parent organization:

"In three years, Telco Consulting will work more independently directly for the end-customer. It will have an extensive customer contact network that generates additional sales. Our profits will be similar to the competitors', as will our personnel policy (i.e., salaries, benefits, international travel/presence at trade fairs, etc.). It'll be hip to work at Telco Consulting!" [Answer to Q5: "How does Telco Consulting look like in three years time?"]

Although "indistinctness" in terms of an unclear mission and goals were recurring in the consultants' descriptions of their organization, the above reveals a quite clear perception of the identity of Telco Consulting. This identity is clearly founded in the role of external and independent consultant. The bright future of the organization is seen in becoming more detached from the parent organization. This choice of perceived organizational identity is understandable given the prestige the IT consulting industry experienced during the late 90's. Being an IT consultant included an image of high wages, fringe benefits, etc (see above citation). The shortage of employees with the right educational background and work experience was constantly discussed in the media. The IT-consulting firms were described as the winners of the expertise whereas IT-departments in mature firms often were portrayed as having an exposed position in that respect. Consequently, the attractive image of IT-consultant was here contrasted against being "staff" in a large, bureaucratic, until recently state owned Telecom operator.

Against this background, the feeling of indistinctness represents a mismatch between the perceived organizational identity of the organization and the experienced organizational practice. Given an identity as “consultant” rather than “staff”, the single point of contact policy, the bureaucratic routines of the parent organization, the internal support assignments, etc. are perceived as frustrating as they violate the desired identity of the organization.

3.3.3 Keyword 3 - anonymous

Unknown, invisible ... No image ... Lack of external focus and recognition ... Not well enough known in- or outside of Telco ... Still too anonymous ... We are not visible enough in the market ... Not very well known to many who should know about us ... Blurry image ... Not known in the market ... Blurred contours ... No clear message to the market ... Vague and obscure image ... Not well enough known outside Telco ... We have to let people know who Telco Consulting is!!! [Answers to Q1: “What is your picture of the company Telco Consulting?”]

A third recurring theme in the organizational members’ description of Telco Consulting focused around being anonymous. There was a widespread feeling of being invisible and obscure in the marketplace. This feeling is the external reflection of the above described feeling of indistinctness.

Many people compared the own external communication with the competitors’ which at the time was powerful since the so-called *new economy* still was a booming hype and the competing firms were often portrayed and discussed by the media. In this comparison, the construed external image of Telco Consulting was weak and therefore primarily described as anonymous.

The construed image of Telco Consulting was to a large extent affected by the overall brand strategy of Telco, that marketed the entire group under the same brand which, within Telco, is commonly known as “one Telco”. This corporate communication of the parent organization was dominated by a consumer orientation, which was perceived as problematic by people at Telco Consulting. The business was perceived as different from the image projected by the parent organization. Seeing oneself in the business of management- and IT-consulting, Telco Consulting employees argued that the overall Telco communication did not have the right profile and that the parent organization concealed the specific image of the consulting unit:

Telco Consulting is a competent firm that is unknown in the market. It tends to ‘drown’ in Telco. [Answer to Q1: “What is your picture of the company Telco Consulting?”]

The single firm identity strategy had been strongly emphasized during the last two years. This was not a new strategy but there had been more loopholes earlier. Therefore, Telco Consulting often had stretched the guidelines of the parent organization, partly through a conscious effort to make the individuals in Telco Consulting carriers of the unit's own distinct consultant identity. One example of this were PR-activities which had been an important type of communication but now had to be approved by a PR-staff at the parent organization. This was now a root of much frustration. Firstly, PR activities were highly developed in many other IT consulting firms, which Telco Consulting compared itself with. Secondly, the group guidelines were perceived as strange in that strategically important contracts could not be communicated:

"I usually illustrate how ridiculous this can be with an example. At the group level, it has been decided that we are not to produce press releases on deals under a certain amount. [...]. We closed Sweden's biggest deal in contact centers this year and didn't get a single word of mention!"
[CEO, interview]

The decreased mandate for the own communications was perceived as an ambition to integrate Telco consulting more into the parent organization. At the same time, the business of Telco Consulting had developed more into the external-consulting role. This combination of hindered own communication and increased business autonomy caused frustration and many people asked for intensified marketing activities based on Telco Consulting's specific needs as a consulting unit:

In recent months, Telco Consulting has lost much of its own identity in Telco. This seems to be a conscious move, especially on the part of the business area management, for us to identify more closely with Telco than with Telco Consulting. I don't think this is good – especially in communications with customers outside Telco. Often customers don't see Telco Consulting's core business as connected to what "big Telco" is all about. Telco Consulting would benefit from having its own image in the market. A new logo with the Telco Consulting name would be good.
[Answer to Q1: "What is your picture of the company Telco Consulting?"]

Even though the anonymous construed image was most salient in the role of an external consulting unit it also related to the internal staff role. However, in this context the attribute "autonomous" was often interpreted as being small compared to the parent organization:

We are small and a lot of people don't know what we do or what Telco Consulting stands for. [Answer to Q2: "Can you describe Telco Consulting in comparison with the rest of the Telco group?"]

Tendencies to maintain a loose coupling to the parent organization also enforced the anonymity of the construed image of Telco Consulting within Telco. However, compared to the unwanted invisibility in the open market, caused by the parent organization's impediments, the low profile within Telco was partly perceived as on a voluntary basis. As an example, employees of Telco Consulting deliberately had a low profile or even gave up attending at some forums such as change programs. Managers, who were invited to take part in many forums often described these internal meetings as time-consuming and one person even compared them metaphorically with quicksand. The anonymous Telco-internal image was thus not regarded as equally problematic.

3.3.4 Identification with Telco Consulting

After this investigation into the perceived identity of Telco Consulting we now turn to the question of identification, which indicates the extent to which the consultants in Telco Consulting identify themselves with the organization. Identification is important, as it makes individuals act in accordance with the identity, creates loyalty towards the organization as well as further strengthens the identity of the group (Ashforth & Mael, 1989).

Looking at the characteristics of the above described identity, however, the odds for a high identification with Telco Consulting are limited. The antecedents of identification identified by Ashforth and Mael (1989, p. 24-25) are only present to a very limited extent. Only the antecedent "prestige" can be clearly identified as reflected in the focus on competence. The other antecedents distinct values/clear boundaries and salient outgroups are clearly not present given the identity characteristics indistinct and anonymous.

However, contrary to what might be expected based on the above, the identification measure based on Mael and Ashforth (1992) reflects a high identification of the Telco consulting consultants with their company. In response to the questions Q6-Q9 (see Appendix) the average score indicating identification with Telco Consulting (an index-variable based on the mean of Q6-Q9) was 3,77 on the applied 5 point scale ($SD=0,76$). A study by van Knippenberg and van Schie (2000) using the same identification scale shows similarly high levels of identification on a work group level within a local government ($M=3,60$, $SD=0,70$, $N=76$) and a university faculty ($M=3,49$, $SD=0,82$, $N=163$). However when extended to an entire organization, identification measures in van Knippenberg and van Schie's (2000) study drop considerably ($M=2,52$, $SD=0,73$ and $M=2,65$, $SD=0,80$ respectively). Considering the bigger size of Telco Consulting (279 employees) as compared to the work-groups in van Knippenberg and van Schie's study (2000), it can thus be concluded that the level of identification observed in Telco Consulting must be regarded as high. How this can be understood will be the focus of the following section.

4 Discussion – identity formation in boundary spanning organizations

The above description of the identity in Telco Consulting - a boundary spanning organization reveals a puzzling picture. On the one hand, the description of the organizational identity gives a frustrating impression. “Indistinct” and “anonymous” are two often recurring keywords. On the other hand, identification with Telco Consulting is high - counter to what would be suggested by social identity theory (see e.g. Ashforth & Mael, 1989) which emphasizes distinctness and the salience of outgroups as central for high identification. The identity of Telco Consulting thus warrants some further discussion. In this discussion, we will formulate a number of propositions concerning identity formation in boundary spanning organizations.

4.1 Handling multiple identities in boundary spanning organizations

Telco Consulting can be described as an organization having multiple identities based in different roles. These two identities were above described as the “staff identity” on the one hand and the “consulting identity” on the other hand. These two identities are not organizationally divided in the sense that certain parts of the organization represent one identity while others represent another. Rather, as all individuals act in both roles, they are exposed to both identities. The identity in Telco Consulting can thus be described as a holographic identity, which according to Albert and Whetten (1985) is a potentially problematic and conflictual identity constitution.

One way of dealing with this holographic dual identity in Telco Consulting is through constructing the identity around the general concept of “competence” (c.f. Reger et al., 1998, who describe the adoption of a meta-identity). This concept, as illustrated above, is central for the employees’ perception of their organization and makes it possible to integrate the two identities under one label. Competence is central both to the role as internal staff as well as as external consultant.

Proposition 1: Boundary spanners construct their identity around general concepts that can encompass the different identities.

However, a closer study of the interpretation of this broad concept revealed the multiple identities of Telco Consulting. Whereas technical competence was generally described as central, other aspects of competence were directly related to different roles. From a perspective of the staff role, the customer orientation and innovative capacity of the organization was highlighted. From the perspective of the external consultant role on the other hand, stability and long experience were highlighted as central aspects of competence (see table 2).

Table 2: Different meanings attached to "competent"

Meanings attached to the <i>staff identity</i>	Keyword	Meanings attached to the <i>external consultant identity</i>
Technical competence Customer orientation Innovativeness Creativeness	Competent	Technical competence Stability Experience Quality in delivery

Beyond the uniting interpretation of competence as technical competence, the different identities thus emphasize different and partly conflicting competencies, indicating the limitations of the use of broad concepts in order to integrate multiple identities.

These conflicts between the identities are clearly surfaced in Telco Consulting as reflected by the second keyword characterizing the Telco Consulting identity - "indistinct". Recurring in the Telco Consulting employees' perception of their organization was a feeling of unclarity as to the mission and goals of the organization - i.e. an indistinct identity. The two identities of Telco Consulting are clearly identified by the employees and viewed as incommensurable. Consequently, there is a strong pressure among employees towards a focusing on one of the identities.

Proposition 2: Holographic multiple identities in boundary spanning organizations create a pressure towards focusing.

This indicates, that holographic multiple identities represent an unstable situation that creates an internal pressure for focusing on one of the identities. However, the employees of Telco Consulting were not indifferent as to which identity. Rather there was a clear majority towards the external consultant identity - an identity that at the time of this study received large media coverage as part of the boom of the "new economy". Managers of IT consultancies perceived as competitors of Telco Consulting were celebrated as heroes in the business press and stories of IT consultants becoming millionaires through their stock options were frequent. It can thus be argued that the choice of identity was guided by the prestige of the respective identities. In this case, the external consultant identity was clearly prestigious, whereas the staff role identity in a former state monopoly had considerably less attractive value.

Proposition 3: Boundary spanning organizations focus on the most prestigious identity available.

This is in line with social identity theory which claims, that individuals tend to identify stronger with groups, which contribute to their members' self esteem (Dutton et al., 1994). Consequently, groups strive at creating and maintaining identities that support self-enhancement.

However, given the boundary spanning organizations' basic characteristic of mediating relationships between different constituents the organizational practice of these organizations cannot be focused in order to reflect the desired identity. Practice in boundary spanning organizations - by definition - entails multiple identities which all have to be enacted. Consequently there might be a constant gap between the desired organizational identity and practice reflected in what might be perceived as an identity crisis - i.e. an indistinct identity.

4.2 Image and identity

The above discussion has focused on the organizations perceived identity. However, as noted by e.g. Dutton and Dukerich et. al. (1991; 1994) identity and image cannot be treated in isolation from each other, as they represent two sides of the same coin. Identity influences image and image reproduces identity. A mismatch between image and identity is often perceived as a trigger to change - either of the identity or of the image (Gioia, Schultz, & Corley, 2000, p. 69)

Boundary spanning organizations as defined here in reflection of their multiple identities also have multiple images to relate to. In the case of Telco Consulting, two salient images can be identified mirroring the two identities. Firstly the image of the staff unit Telco Consulting within Telco and secondly the image of Telco Consulting as an external consulting organization.

Given the focus on the consulting identity identified above, the "consulting image" was perceived as the most important one as reflected in the third aspect of Telco Consulting's identity "anonymous". Telco Consulting's anonymity mainly reflected the perceived lack of knowledge of Telco Consulting on the IT consulting market. As Telco Consulting by company policies was hindered from actively communicating its own image on the market, the image it met was to a large extent the Telco image, which was viewed as misleading. The identity of the highly competent consulting company Telco Consulting, selling expert consulting services, was hard for the employees to match with the construed image of Telco as formerly state-owned telephony company offering highly standardized products and services. This construed image was perceived as negative by the employees of Telco Consulting:

Telco Consulting is anonymous. Do our competitors know we exist, that is – as Telco Consulting – and not just one big Telco? [Answer to Q1: "What is your picture of the company Telco Consulting?"]

Proposition 4: The discrepancy between the perceived identity and the construed image in boundary spanning organizations is a recurring source of conflict.

The employees of Telco Consulting thus felt a strong urge to bring the construed image in line with the perceived identity, which was reflected in repeated demands from all levels of the organization for Telco Consulting to get the right to carry out its own market communication and PR work. Telco Consulting's services as well as its markets were so different from Telco, it was argued, that Telco could not create the right image for Telco Consulting.

4.3 Understanding identification

Given the identified characteristics of the identity of Telco Consulting, especially the perceived indistinctness and the anonymous character of the identity, the high identification of the members of Telco Consulting with the organization is puzzling. However, the above discussion of the identity characteristics has given insights, which can contribute to our understanding of this puzzle.

According to Ashforth and Mael (1989) the antecedents of identification are the existence of distinct values and clear boundaries, prestige, as well as clear out-groups. However, the perceived reality of the consultants of Telco Consulting is to a large extent short of these characteristics. The perceived "indistinctness" of Telco Consulting reflects a lack of distinct values and clear boundaries. Similarly, the perceived anonymity reflects a lack of clearly identified and visible out-groups with whom one is compared and can compare with.

In contrast to this perceived identity, a desired identity is created, which provides the basis for a high identification. From the multiple identities one identity is chosen, thus creating the prerequisites for creating distinct values as well as clear borders towards the environment. Through this move, the staff identity is no longer a problem but rather becomes a resource in that it provides a clear out-group in relation to which to construct oneself as distinct and different (c.f. Ashforth & Mael, 1989; Dutton et al., 1994). Furthermore, as proposed above, the identity that is the most prestigious is chosen among the available multiple identities, further laying the ground for a high identification. The organization's inability to enforce this identity with a suitable image is against this background viewed as a large problem and something to be fought against - a legacy of the staff identity to be eliminated.

This thus indicates that identification in boundary spanning organizations is directed towards a desired identity rather than the perceived identity. Yet, some of the labels used to describe these types of identities might be the same, as "competence" in our case. These labels may act as the common core integrating the perceived and desired state (c.f. adaptive instability in Gioia et al., 2000). However, the discrepancy between the desired identity and the perceived identity will remain to a lesser or larger extent based on the specific situation of boundary spanning organizations. In the long run

there might therefore be a risk of increasing frustration linked to a perceived identity crisis in boundary spanning organizations.

5 Research implications

This study has focused on identity and identification in a complex, multi identity organization. The findings indicate that the patterns of identity formation and identification are complex. Research on multiple identities has sometimes questioned the viability of holographic multiple identities (see e.g. Reger et al., 1998). The results of this study show that there were strong pressures towards the resolution of ambiguities caused by the multiple identities. It thus seems, that organizations with holographic multiple identities tend towards a clear identity by focusing on one of the multiple identities as the desired identity. A number of propositions as to how this clear (as opposed to ambiguous) and desired identity is formed were also formulated. However, this paper builds upon a single case. The propositions formulated here are consequently tentative and have to be tested and elaborated on a broader sample of boundary spanning organizations.

The tendency of multi-identity, boundary spanning organizations to focus on a single identity also demands for further research in terms of strategies for managing multiple identities in this context. As argued by Pratt and Foreman (2000), multiple identities enable flexibility and adaptability of organizations, characteristics of great value for organizations in the postindustrial society. However these gains of multiple identities are not realized automatically. There is thus a need for further empirical studies as to which factors (managerial, structural, cultural, etc.) that enable the positive consequences of multiple identities and minimize the negative consequences such as paralyzation, passivization and conflict.

Finally, this study also indicates, that organizational identification might be high also in organizations in which there is a perceived lack of distinct values and clear out-groups - characteristics which are generally associated with high identification (see e.g. Ashforth & Mael, 1989). This study indicates that in situations like this, a desired identity is created, that allows for distinct values, clear boundaries as well as identifies salient out-groups.

6 Managerial implications

The above case indicates a need for the active management of multiple identities. If not explicitly addressed, the above case points towards a tendency of boundary spanning organizations to create identities which are single rather than multiple, thus impeding the successful achievement of the boundary spanning organization's multiple missions. By focusing increasingly on the external consulting role, the corporate consulting unit focused in this paper will increasingly distance itself from its staff role, thus making it increasingly difficult to support the parent company with knowledge and advice. Is it thus possible to create a viable identity in boundary spanning organizations, or do they represent inherently unstable makings?

Pratt & Foreman (2000) identify four types of managerial responses to multiple organizational identities, which can be revisited in the light of the above case. Based on the level of plurality and the level of synergy among multiple identities, managers can choose between compartmentalization (high plurality, low synergy) deletion (low plurality, low synergy), integration (low plurality, high synergy) and aggregation (high plurality, high synergy).

Compartmentalization includes strategies in which the plurality of identities is sustained, but the synergy is deliberately reduced through physical, spatial or symbolic separation of the identities. In the case of Telco Consulting, this strategy would mean e.g. organizationally separating the consultants working towards the external market from those working with internal clients. As the synergies between the internal and external roles of the corporate consulting unit in our case however to a large extent were derived from individual experience and competence, it is important that individuals enact both roles. A compartmentalization response is thus not seen as viable in this case

Deletion includes managerial responses reducing the plurality and synergy of multiple identities by eliminating all but one identity. These responses might be easy to implement in organizations with ideographic multiple identities, where units carrying some identities can be divested. However, when multiple identities are holographic, as in the case of Telco Consulting such a strategy is problematic since it might alienate one or more constituent groups. In addition, deletion is not an applicable management response for a corporate consulting unit defined as a boundary spanning organization. The business is designed for both external and internal use, and if only one identity is allowed to flourish, this specific characteristic is removed. However, the internal dynamics of identity formation in Telco consulting were pushing in this direction. The remaining two managerial responses focusing on the synergies between multiple identities thus become important as possible ways to counteract these developments.

Integration responses to multiple identities aim at fusing them into a distinct new whole. Such responses are typically observed when a new identity has to emerge because of a merger or an acquisition (Pratt & Foreman, 2000, p. 30). A potential cost of these integration responses is a reduction of flexibility in responding to multiple stakeholders and it might also be an impossible endeavor in practice (Reger et al., 1998).

Several integration strategies are available to managers. The most obvious one is to create a single new identity as a synthesis of the existing ones. Another form of integrated identity is the “two-faced” one. This “pseudo integration” or Janusian integration is created as two existing identities are closely joined. Both the above integration strategies might be an option for a consulting unit as Telco Consulting. However, given the fundamental differences between the external consulting identity

and the internal staff identity, both the creation of a synthesizing identity as well as a Janusian identity are hard to imagine. This leaves us with the aggregation strategy.

The *Aggregation* strategies consciously accept the existence of multiple organizational identities and aim at exploiting the synergies between them. In the case of the corporate consulting unit Telco Consulting, there were a number of such synergies between the staff identity and the consulting identity linked to both knowledge creation and transfer and organizational image. Acting inwards as staff and outwards as external consultants enabled central knowledge flows between the parent organization (Telco) and its environment (see also Sandberg & Werr, 2000). Furthermore, despite the desire of the Telco Consulting consultants to differentiate their image from Telco, some consultants also underlined the strengths of the Telco brand. Especially the dominating business around computer-telephony integration, which many customers associated with the telecom operator Telco, could utilize the integrated position within Telco and received many large external assignments through the market units.

Exploiting the synergies between different roles and their associated identities can according to Pratt and Foreman (2000, p. 34) be done in different ways. A first way concerns the creation of a *mediating myth* (Selznick, 1957). Management might here construct a myth or story, which highlights the synergy between identities. Such a strategy was tried in Telco Consulting a couple of years ago when Telco Consulting was a business unit “behind” the market units. The mediating myth launched was “Telco Consulting Creates Leverage”. This created legitimacy both for the consulting identity as well as for the staff identity. The consulting identity was seen as a way to support the parent organization and thereby the staff identity by creating the need for other products and services from Telco. In a recent reorganization however, Telco Consulting was transformed into a unit working directly with the external customers, thus reducing the power of the above integrating myth. Instead, the identity of the external consultant became more salient.

An alternative aggregation strategy proposed by Pratt and Foreman (ibid.) calls for *contextual identities* implying that organizations may manage multiple identities by organizing or prioritizing them based on the immediate situation or context. This is the strategy we perceive as most viable for a corporate consulting unit like Telco Consulting in our case. Based on proposition 2 above we argue that the boundary spanning character of these consulting units creates a pressure to focus the identity. The identity of the external consultant is perceived as more attractive. Consequently we suggest that this identity is emphasized as the dominating identity. However, for some situations the staff identity of Telco Consulting might become more important and could in these situations be emphasized. In order to enhance the attractiveness of this secondary staff identity managers should constantly legitimize the staff role and those internal assignments primarily related to this role. Based on the perceived identity of being competent, one potential base for legitimating the staff role would be by referring to its contribution to knowledge creation and extension. Firstly, the

internal assignments are important to attain technical competence in the technological forefront. Secondly, the market knowledge gained through external assignments can be extended internally through the staff role.

The management of boundary spanning organizations from an identity perspective is, as indicated by this study, a challenging as well as central task, especially in boundary spanning organizations involving knowledge intensive work. Work in knowledge intensive organizations is to a large extent subject to unobtrusive control, thus making identity an important way of directing and controlling organizational action (Alvesson, 1995). Against this background, the multiple identities of boundary spanning organizations have to be actively managed, calling for symbolic and rhetoric actions by management. A failure of management to address the identity issues in boundary spanning organizations creates a risk of paralyzing identity conflicts or an identity drift towards a single identity, undermining the essence of boundary spanning organizations, i.e. their ability to reflect and deal with the interests of different stakeholders.

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8 Appendix 1

Questions posed in the questionnaire

8.1 Qualitative part

Q1: What is your picture of the company Telco Consulting?

Q2: Can you describe Telco Consulting in comparison with the rest of the Telco group?

Q3: Can you state some of the competitors to Telco Consulting outside Telco?

Q4: Can you describe Telco Consulting in comparison with the competitors?

Q5: How does Telco Consulting look like in three years time?

8.2 Quantitative part

(To be answered on a 5 point scale. 1=strongly disagree 5=strongly agree)

Q6 : When somebody criticizes Telco Consulting it feels like a personal insult.

Q7 : I am very interested in what others think about Telco Consulting .

Q8 : When I speak about Telco Consulting, I usually say “we” rather than “they”.

Q9: Telco Consulting’s successes are my successes.

Q10: When somebody criticizes Telco it feels like a personal insult.

Q11: I am very interested in what others think about Telco.

Q12: When I speak about Telco I usually say “we” rather than “they”.

Q13: Telco’s successes are my successes.

8.3 Background questions

Age & Sex

Length of employment at Telco Consulting

Length of employment within the Telco group

Employed at which branch

Organization unit

Main assignment

Managing the Dual Identities of Corporate Consulting: A Study of a CEO's Rhetoric

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Managing the dual identities of corporate consulting: A study of a CEO's rhetoric

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Abstract

The management of multiple organizational identities is an important issue in contemporary organizations. However, relatively few researchers have examined how organizations and their leaders control or cope with this ambiguity. This paper contributes with an empirical description of a CEO's efforts to handle multiple identities. It is based on a case study of a corporate consulting unit with dual organizational identities – a staff identity and an external consultant identity.

The paper shows that the CEO's rhetoric focuses on creating an identity hierarchy, highlighting the identity of external consultant. The distinctiveness of this identity, in comparison to the parent organization, is emphasized by using the IT consulting industry as a prototype for self-categorization of Telco Consulting. In combination with the secondary staff identity, a loosely coupled relation to the parent organization is constructed. One conclusion that may be drawn from the study is that the two identities emerge in part through the effects of internal contrasting.

Keywords: Leadership, Rhetoric, Multiple organizational identities, Customer solutions, Corporate consulting

Introduction

Who are we and what is our task? These and similar questions circulated throughout Telco Consulting¹ in early 2000. A new business area for system integration – Telco Consulting's core business – had been planned for within the framework of a merger between the parent organization, Telco, and its competitor, Telecomp. Plans for the merger fell through in the fall of 1999, quashing the hopes of many employees for a new and exciting, and above all clearer, role for Telco Consulting. Instead of becoming its own separate business area, Telco Consulting would remain a part of the parent organization's traditional business operations.² The role of the corporate consulting unit was thereby unclear and activities were only loosely tied to other areas of Telco. This meant the identity of Telco Consulting was still perceived as ambiguous. Along with the confusion and frustration brought on by the failed merger, arose a severe identity crisis. The CEO and marketing director left the company at the end of 1999, adding to this crisis and further intensifying existential questions concerning the organization. Through a detailed empirical account, this paper shows how a new CEO handled the identity crisis from a rhetorical standpoint. It hereby contributes to the literature on management aspects of multiple organizational identities (Albert and Whetten, 1985; Cheney, 1991; Pratt and Foreman, 2000).

Crisis in organizations is often described as a breeding ground for increased interest in identity issues (i.e. Albert and Whetten, 1985). For Telco Consulting's part, however, the situation led to an identity crisis in the true sense of the word, due to the ambiguous mission of the organization. In order to offer customer-specific solutions, anchored in the capabilities of the parent organization and with a strong consultative component, Telco Consulting had to construct and nurture dual organizational identities. Firstly, they were expected to run their own external business and hereby develop *an external consultant identity*. Secondly, they also had to act as support staff to the parent organization through *a staff identity*.

According to Pratt and Foreman (2000), research on multiple identities, with respect to management aspects, is wanting. At the same time, rhetoric has often been described as an important way of handling existential questions about organizational identity (Cheney, 1991; Eccles et al., 1992; Pratt and Foreman, 2000), including the issues of purpose and meaning (Smircich and Morgan, 1982). Furthermore, communication has been described by numerous studies as the main task of managerial leaders (for example, Carlson, 1951; Mintzberg, 1973). Therefore, in connection with the arrival of the new CEO, a study that would center on the identity aspects of his rhetoric was initiated. This paper draws on that study and the purpose is to answer the following question:

How does the new CEO manage the identity crisis that stems from the ambiguous dual identities of the corporate consulting unit in his rhetoric?

The following section gives a background of the empirical phenomenon of corporate consulting as it relates to customer solutions businesses. A brief theoretical account of

¹ To protect the participants' confidentiality, pseudonyms have been used in the case study.

the concept of *organizational identity* is then presented. The importance of rhetoric in managing an organization’s identity is also described, followed by a detailed case description illustrating how the CEO, through his rhetoric, attempts to create an identity hierarchy, placing the external consultant identity in the foreground and the staff identity in the background. Finally, the results of the empirical study are interpreted and discussed based on a framework by Pratt & Foreman (2000).

The dual identities of corporate consulting

Because of the increasing service content in many organizations’ offerings (Normann, 2001), increased business complexity, privatization and outsourcing (Davies et al., 2001), there is growing interest in the strategies of the customer solutions provider (Hax and Wilde, 1999; Vandermerwe, 2000). The growing academic interest in customer solutions businesses has focused mainly on strategic aspects. Apart from consulting reports (for example, Cornet et al., 2000; Foote et al., 2001), studies on the internal consequences of moving towards a solutions business are lacking.

The customer-centric logic of a solutions business is often represented in a stand-alone consulting unit offering consulting services such as systems integration and business consulting (Cornet et al., 2000). In this paper, the term *corporate consulting* (Good, 1985) is used to designate this type of consulting unit. As organizational front-end units working with direct market relations and profit/loss responsibility, many corporate consultancies have a boundary-spanning organizational position (Foote et al., 2001; Sawhney and Parikh, 2001) that work with both internal and external clients. The corporate consulting unit must therefore shelter dual organizational identities (see Table 1).

Table 1: The dual identities of a corporate consulting unit

External consultant identity	Staff identity
Own independent business	Integrated unit
Loyal to client	Loyal to parent organization
Own distinctive image	Support parent organization image

As *external consultants*, these units are expected to act independently of the parent organization. Clients expect them to deliver the best possible solution, rather than the solution based on the parent organization’s technology. This implies expectations of policies and an image that is differentiated from that of the parent organization. The ability to act independently of the parent organization and interact directly with the customer is underlined as central here.

However, the consultants are seen by the parent organization as *staff* of the same organization. They are expected to see to the best of the parent organization rather than their own business, follow parent organization policies and project models, charge like a staff unit rather than an independent consulting company, and support

the parent organization's image construction. This also implies being knowledgeable about parent organization products and strategies in order to be able to support these in the best possible way.

Theoretical framework

Can an organization have an identity? Yes and no. Though direct agreement with the concept of *personal identity* does not exist, the concept of *organizational identity* can act as a metaphor in distinguishing and managing conceptions of an organization's characteristic features. The management of an organization's identity has been shown to be an important task for today's complex and ambiguous organizations (Berry, 1994; Cheney, 1991; Eccles et al., 1992; Normann, 2001). Most researchers who work with the concept of organizational identity take their point of departure in the work of Albert and Whetten (1985), in which organizational identity is looked at through the self-reflective question "Who are we?". Organizational identity thus captures the central elements of an organization's genuine character, and not just the espoused mission statement (cf. Denton, 2001). This can be summarized in three dimensions: what an organization perceives as the *central, distinctive and enduring characteristics* of the organization. The concept of organizational identity can, however, also take on a different meaning. The organizational variant of social identity theory (Ashforth and Mael, 1989) deals with *the feeling of social belonging* of organization members.

Us and them: organizational identity from a social perspective

This social perspective of organizational identity is based on individuals dividing themselves and others into social categories according to gender, age group, profession, group belonging, etc. The process of categorization gives rise to 'them', through systematic cognitive ordering of the social environment, and 'us', through one's perception of belonging to a certain category. Organizational identity is hereby defined as the perceived oneness between individuals and the organization. Ashforth and Mael (1989) write that social identities have a great influence on an individual's actions, contribute to a sense of community and cooperation, and help to strengthen an individual's identification with an organization. They also identify four factors that support this identification - salient out-groups, distinct values, prestige, and support for group formation.

A group is perceived as more homogenous when there are others to compare it to. In this way, *salient out-groups* contribute to strengthening the awareness of one's own group and the distinction between 'us' and 'them'. *Distinct values* help to differentiate one group in relation to these other groups. The more distinct these values – the stronger the identity. *Group prestige* is another factor that influences identification with an organization. High status leads to high identification with the group. *Support for group formation* is another potential key factor, and here Ashforth and Mael (1989) offer examples relating to interpersonal interaction, perceived similarity and common ground such as goals and past history.

Conscious management of the above factors, and thereby strengthening of employees' identification with their organization, is an important task for leaders, not least in

knowledge-intensive firms with ambiguous businesses (Alvesson, 1995). Rhetoric and symbolic actions are instrumental in this type of symbolic leadership (Pfeffer, 1981).

Managing multiple identities through rhetoric

Organizations are generally described in terms of a single specific identity. However, organizations in complex environments facing multiple stakeholders with conflicting interests often develop dual or multiple identities (Albert and Whetten, 1985; Pratt and Foreman, 2000). Examples of such organizations might be a church running a bank, a co-op, or a joint venture. In this case, it is a corporate consulting unit.

The consequences of multiple organizational identities are discussed by Pratt and Foreman (2000), who identify both advantages and disadvantages of the existence of multiple identities. Among the benefits of multiple identities they mention are increased adaptability and the ability to handle different stakeholders with conflicting demands. This often creates costs, however, in terms of paralyzation, passivization, and ongoing negotiation and conflict within the organization. Consequently, Pratt and Foreman argue that multiple identities can and should be managed, and they develop a framework for managerial responses to multiple organizational identities. They hereby use *identity plurality* – “how much plurality of identities is best for the organization and its members” – and *identity synergy* – “how much interaction and coordination between identities is possible or desirable” – to mark the dimensions for management decisions. Depending on how the dimensions combine, they make up responses of four types: *deletion* (low plurality, low synergy), *compartmentalization* (high plurality, low synergy), *integration* (low plurality, high synergy) and *aggregation* (high plurality, high synergy).

Communication has been described by numerous studies as the main task of managerial leaders (Carlson, 1951; Mintzberg, 1973). This is especially true for the management of meaning (Smircich and Morgan, 1982), as for example the handling of organizational identities. The members of an organization must be convinced of and feel a sense of security in the manager’s reasoning. Otherwise, they will not allow the leader to assume the role of ultimately responsible for sensemaking. Such management is thereby largely a matter of rhetoric (Cheney, 1991; Eccles et al., 1992; Müllern and Stein, 1999), not least in the management of multiple identities:

The nature of organizational rhetoric in the industrialized world in the late twentieth century is the management of multiple identities. (Cheney, 1991)

According to Pratt and Foreman (2000) research on multiple identities, with respect to management aspects, is wanting. The current paper contributes to this area by presenting such an analysis, focusing on the rhetoric of a CEO in a corporate consulting unit with dual identities.

Method and sources of data

The research study spans one year at Telco Consulting and concentrates on the leadership and rhetoric of the new CEO, who, for the purposes of this paper, has been called Max. The empirical data comprises for the most part Max’s company-wide information documents, all of which were distributed via the company’s intranet.

Among other things, the material includes six CEO letters from Max. These letters were not distributed with the same frequency in the fall as earlier in the year. Due to this, and the desire to capture Max's verbal rhetoric, three local meetings were studied in addition. A two-hour interview and a number of dialogues were used to collect examples of Max's interpretations of the changing Telco Consulting and his own leadership.

The author is a part-time employee of Telco Consulting and thus, at the time of the study, took part in the changes as a *self-ethnograph* (Alvesson, 1999). Therefore, his understanding of the program for change is also based on material from several other sources, including interviews, e-discussion groups, official company documents, and a questionnaire on Telco Consulting's identity (see Sandberg and Werr, 2002). In his role as practitioner, he enjoyed relatively free access to material and information, while at the same time working to distance himself from factors that could easily be taken for granted. This required a balance between closeness and closure (Alvesson, 1999).

The author's interest in the concept of organizational identity emerged from the empirical data as a tool for understanding the organizational complexities associated with the phenomenon of corporate consulting. The approach used was to study an individual case while striving to attain closeness to the corporate events. This is a recommended research design for studying management and change in organizational identity (Reger et al., 1998). The author made it a habit to document observations on an ongoing basis through the consistent and systemized use of a research database. In addition to forcing the author to adhere to a rigorous research process and methodology, using the database also enabled him to effectively integrate different methods, empirical data and his dual roles of practitioner and researcher.

Analysis of Max's rhetoric was aided by text analysis software. The material was coded according to the different organizational roles being addressed (staff unit and/or external consultancy), different aspects of identity and rhetorical dimensions. Working abductively (Alvesson and Sköldbberg, 1994), three themes, which are presented later in the paper, were then identified as central as they were repeatedly addressed and relatively distinctive.

“What we do for whom and why”: managing identities in Telco Consulting

“What do we do for whom and why?” was a rhetorical question often posed by Max. The question addresses aspects of the organization's identity, starting in the organization's task. The following section gives a description of Telco Consulting in the year 2000, after which the main characteristics of Max's rhetoric are described. Focus falls on three central themes identified in the empirical data. The first is how Max handled Telco Consulting's relation to the parent organization. The second theme is how belonging to the IT consulting industry was a common thread in Max's communications, and the third theme identified relates to the importance of Max as a symbol for the new Telco Consulting.

Background: A year with Telco Consulting

During the research study, carried out in the year 2000, Telco was a diversified corporate group in the field of telecommunications with over 10,000 employees. The consulting firm Telco Consulting employed approx. 300 and was involved in business consulting and systems integration, mainly through IT solutions based on computer-integrated telephony and Internet technology. Though a *subsidiary* in the legal sense of the word, for the purposes of this paper, Telco Consulting is referred to as a *corporate consulting unit*.

As a result of the organizational crisis described in the introduction, Max was asked to take over the position of CEO for Telco Consulting. The task given to Max was as follows:

The CEO of Telco Consulting AB shall lead and develop business activities into a visible, operative contact point/sales channel for the corporate market. Telco Consulting shall focus on solutions in Customer Relationship Management (CRM) and expand to become a market leader in the Nordic countries and to aid Telco efforts aimed at the international market. (CEO mission)

In this description can be discerned the two roles earlier noted for Telco Consulting. The unit should support the parent organization through becoming a marketing channel to the corporate market and contributing to the parent organization's international strategy, and it should focus on its own activities and strengthen its own market position. In addition, Telco Consulting was expected to carry on with internal assignments in business and product development in the parent organization, even though this was not explicitly stated in the CEO mission. The stressfulness of this dual role was reflected in an ongoing discussion within Telco Consulting concerning the mission and orientation of the organization.

Because of the abandoned fusion of Telco and Telecomp, there was great confusion in the beginning of the year as to Telco Consulting's organizational position and purpose. The organization continued to suffer from weak leadership, low profitability, and a turnover in staff that had been accelerating since the end of 1999. The company was vulnerable and its organizational identity was a central issue. By pointing to the breached fusion with Telecomp and the poor financial situation, Max later reconstructed January as a "deadlock". February introduced a sense of rejuvenation in the form of new management (Max), ideas and a new Telco Consulting. However, dissatisfaction was still high in the organization:

Our competent employees are leaving us one after the other! The management of Telco Consulting has its head in the sand. Where is the new CEO? Is this all he can do – write letters riddled with high-flown flummery? We need real action now! (Consultant addressing discussion forum, Telco Consulting intranet, 2000-03-15)

The second quarter was characterized by intensified efforts toward change and overall decisions were made and directions taken including the company's new vision, mission and organizational structure. During this time, the parent organization was listed on the stock market leading to more closely defined demands from Telco concerning profits.

In the third quarter, the new Telco Consulting was launched and a kick-off in August marked the beginning of a new era. Employee views and comments were collected via an intranet questionnaire the following week. Several people noted the transformation of management, and managers were described as open, well-prepared and working as a team.

Max held a series of local meetings in November to explain about the “new” Telco Consulting. The consulting unit’s financial standing was good and several important changes had been initiated. This included refining of the mission statement and vision, a new organizational structure, relocation of head office, official responsibility for crucial technological platforms, and its role as Telco’s own market channel for CRM business. By referring back to the crisis of the spring, Max reinforced the sense of change and progress. He often reverted to citing other consulting companies, especially Internet consultants, demonstratively noting that Telco Consulting had indeed developed in the opposite direction of Internet consulting firms who were experiencing dramatic changes for the worse. Many firms associated with the so-called *new economy* had declared bankruptcy and Internet consultants were laying people off.

Theme 1:

Being close but different – the relation to the parent organization

A central theme in Max’s rhetoric was Telco Consulting’s relation to the parent organization. The mission statement given to Max was important for him and often used to argue for the unit’s increased focus on CRM solutions. Even if the task was ambiguous, and could be interpreted as that of both staff unit and external consultancy, it was above all the latter that Max used as a starting point. Consequently, Max initiated the change program as an isolated project within Telco Consulting. Three months later, however, a major strategic change program was launched at the business area level. In the following citation, Max’s focus on an autonomous identity shines through as he was hurried by the changes in the organizational environment:

Telco Consulting's ability to successfully carry out changes lies in being permitted to implement changes with limited interference from others. It is now a matter of gaining momentum and getting there first. (Max, CEO letter 6, 2000-12-29).

The poor financial figures, a high turnover of staff and weak leadership made Telco Consulting a vulnerable unit in the larger change program, if the organization didn’t improve. Therefore, Max wanted to take a lead in the changing Telco. He continued to touch base with his manager, however, in order to retain his support. This strive for support is exemplified in the following quotation:

The change program deals to a large extent with knowing first what we should be best at – everything else is pointless. But coming up with new visions for a company like Telco Consulting, that belongs to a company group where few people know what we have to offer, must be given the time required. Before decisions can be made, our vision and goals must gain support. (Max, CEO letter 3, 2000-04-14)

This quote shows how Max regarded the parent organization as unable to grasp the business logic of Telco Consulting. However, being a consulting unit with a wide range of professional services, the business was genuinely fragmented. This made Telco Consulting's role in the parent organization hard to define, and it was often described with wordings such as "creating value for the owners" and "moving Telco into the new economy". Despite the increased autonomy, many internal assignments were still being done and Telco clients made up approximately half of the revenues. However, Max's communication seldom made specific mention of these efforts. He saw, instead, internal clients more as a part of Telco Consulting's own end-customer group. In cases where internal assignments did receive specific mention, it was often in connection with differences in opinion between Telco Consulting and the marketing unit responsible for the internal Telco customer.

A push for coordination with the parent organization was also pronounced with respect to external assignments. This was partly due to the autonomous role of Telco Consulting having increased through the expanded responsibility, including responsibility for two computer-based telephony platforms and the unit's new role as its own marketing channel to the corporate market. These changes had reduced the need for sequential and reciprocal relationships with other sub-units and the organizational position was increasingly managed by viewing the parent organization as a host environment for the consulting unit's own (unique) identity. Max emphasized the need for coordinating efforts toward the market, however, and in doing so stressed the importance of guaranteeing the interests of the parent organization.

The fact that coordination was to occur in this particular respect, and not more generally across the board, could, however, also be interpreted as Max's reinforcing the untethered role of the consulting unit. There were, after all, a number of restraining conditions in the parent organization that limited such independence. That is, the expressed ambition to offer the market a single point of contact, and the fact that marketing was to focus on the Telco brand. Thus, Telco Consulting's ability to strive toward a completely autonomous role was limited. Rhetorically speaking, the parent organization was handled by Max as a given outside limit. The examples illustrate what this meant with regard to adaptations required of the corporate consulting unit. The unit's relation with Telco in general could be described as asymmetrical, and there was not much discussion of what Telco Consulting was supposed to contribute in return.

Max's rhetoric emphasized the distinct values of Telco Consulting by using the parent organization as a basis for comparison. At the same time, the integrated organizational position of Telco Consulting demanded closeness and responsiveness. This loose coupling to the parent organization was also a challenging demand in choosing a new office location. With the support of the IT manager, Max succeeded in taking over the lease and setting up a head office in the lavish premises originally used for the work on the failed Telco-Telecomp fusion. As a working space, the location was rather unique, with an open office landscape in an older industrial building. Office functions thereby joined locations with other parts of Telco. Symbolically this created a good balance with the loose coupling to the parent organization – *being close but different*.

Theme 2:

Belonging to the IT consulting industry

In the spring of 2000, the new breed of Internet consultants showed incredible growth. Stock prices were pointing straight up and the media could not seem to get enough of them. Not least their leaders were highly visible – some with a pronounced ability to assume the high-profile role of visionary leader. The key word in their business was *growth* and, in many cases, profitability was negative. This did not seem to worry market investors or clients in the spring, however. In some shape or form, everyone wanted to be associated with the spreading success stories in the so-called *new economy*. The unprecedented success of the Internet consultants also led to extreme overheating of the labor market. Stories of fairy-tale salaries spread and employee loyalty was rather low.

A recurring theme in Max's communications was therefore the use of the IT consulting industry as a frame of reference for Telco Consulting's own identity. An external consulting identity was thereby constructed, and the relation to the parent organization was to a large degree defined as one of customer-supplier. This was especially apparent in Max's mention of Internet consultants, i.e. consulting firms closely associated with the *new economy*, which were often used for the sake of comparison, with both good and bad examples cited.

In order to make Telco Consulting a part of the IT consulting industry, the handling of these Internet consultants was thus a crucial yet problematic element in Max's rhetoric. At the same time as he wanted to encourage close identification, within Telco Consulting, by painting the picture of the "mighty" Internet consultants as the competition, he also had to distance himself from their obvious lack of attention to profitability and control. That is, the heightened responsibility of Telco Consulting with respect to its own business demanded a change in behavior. This required a sharper focus on business and customers for everyone involved, and Max motivated this with arguments like "the customer doesn't expect us to work for nothing" and "profitability is important."

In the fall of 2000, the IT bubble slowly began to lose air. Profit warning after profit warning was issued and the media started to draw attention to the problems of these earlier so exciting consulting firms. Clients began to pull back, adding to the crisis. The earlier so sought-after consultants were now being let go and, for many companies, the crisis was acute. Telco Consulting operations, however, were little affected by the crisis. Instead, Max used it to fuel his rhetoric, advantageously painting a picture of Internet consultants in the *new economy* as – at best – an ominous labor market that, in a few short months, had undergone dramatic change.

Max started to use Internet consulting firms as worst-case examples of poor profitability and argued that working with the latest technology was not viable without real customers. However, Telco Consulting's move toward a more market-oriented role with a greater number of external customers raised questions about internal Telco assignments. One example of this was a big new contract – a new customer management system for Telco's new customer services – that surfaced during the fall. Even though the buyer was internal, it was a big project in Telco Consulting's area of

business. Thus, at one local meeting, an employee questioned how the company would have time for its external customers with so much internal Telco business. Max replied:

The alternative is that someone else does it. It would be unfortunate if we let our competitors become suppliers to Telco. We have to do it, but finding new people will be easy! (Max, local meeting, 2000-11-24)

The solution was hereby described as an expansion of personnel. This ties back into Max's earlier description of the IT consulting industry's hard times and a tougher labor market for IT consultants. Even if Max's rhetoric mainly constructed an autonomous identity of Telco Consulting, the parent organization was still described as its territory when it came to Telco Consulting's core business – CRM solutions.

The identity of Telco Consulting was clearly founded in the role of external and independent consultant. Max's rhetoric was understandable given the prestigious image enjoyed by the IT consulting industry during the late 1990s, when being an IT consultant meant high wages, fringe benefits, etc. Consequently, the attractive image of IT consultant was contrasted here to that of "staff" of the large, bureaucratic – and until recently state-owned – telecom operator. In the expressed belonging to the IT consulting industry, which Max exploited in his rhetoric, the company differentiated itself more from the parent organization, thereby strengthening the distinctive features of its own (unique) identity as an external consulting firm.

Theme 3:

Max the symbol – captain of the crew

At the beginning of 2000, Telco Consulting leadership was at rock bottom. At the same time, its employees were exposed, through TV and the press, to the high-profile leaders of Internet consulting companies. Coupled with a deep identity crisis, this bred high expectations set on the new CEO. Hopes were strengthened when, in addition to having a brief career with Telco, the man intended to fill the job had a background as a submarine captain in the navy – implying that the ability to lead was his strong point. When Max took over as the new CEO, the organization therefore waited in suspense, harboring great expectations for its new leader. The hopeful anticipation then developed to a great extent into trust:

One problem is that everyone wants to hear everything from me. That is, there is too much onus on me and my ability as a person who can fix everything. It's flattering of course, but unfortunately not possible. I am not Superman, am no specialist, and am not extraordinarily great at any one thing. An exceptionally average person, that's all. In fact, I'm sorry to say there's nothing I've ever really been best at. That's the insight I've gained. (Max, interview, 2000-10-06)

In this quote Max describes the feeling of confidence that he believed the organization had in him. Even though he depicted his position as a tough job, Max was only too happy to assume the role of leader and liked to be in the center of things. In taking a highly symbolic and intensive approach, both in his formal and more spontaneous, informal communications, Max succeeded in waking an "us" feeling in the organization. Here, he took a personal stand on many issues, including his use of constructions such as "in my life..." etc., and his winning nature shone brightly:

I'm known for an expression at Telco, and also with my children and in my life in general, which is: 'It's not important to win – it's damn important' (Max, interview, 2000-10-06).

The very first CEO letter closed with this expression, whose wording also appeared in many other contexts. It was the phrase most closely associated with Max and his leadership. The employees also picked up the expression and began to use variations of it, for example “the employees aren’t important – they are damn important”.

Gardner and Avolio (1998) conclude that although leaders use inclusive terms such as “we”, “us” and “our” to promote the organization, these terms also serve as a subtle form of self-promotion, since the leader is after all assigned primary responsibility. Consequently, even when Max was talking about “us” or “we”, his own personality came through. In his seafaring metaphors, illustrated by the next quote, there was therefore little doubt who the real captain was, adding to the symbolism:

We have now gathered enough facts and can start thinking about how to bring the ship around. If we can just take command of the wheel ourselves – and not let ourselves be steered by negative expressions like 'it's not going to work' – our future will be bright. (Max, CEO letter 3, 2000-04-14)

In the search for catchy phrases, there was however a risk that the message might be perceived as out of context – as “empty words” or something that goes without saying. This was especially problematic in Max’s rhetoric of that first spring. Changes still only extended to collecting data and performing analyses. An organization seeking change expects more, and symbolic rhetoric did not fill the need – instrumental changes were also needed. When big changes did start to take place, Max’s rhetoric became more confident, building more and more on adding emotive meaning to the instrumental changes that he initiated. However, not everybody was convinced of the course that was staked out. Max later described such doubters as those who were not “onboard” from the beginning:

Within Telco Consulting this spring, there were what we, in the navy, used to call the ‘dock vultures’, standing there on the pier saying ‘it’ll never work,’ hoping for misfortune as you pull in to dock. Now we’ve shown them that we can turn a profit. (Max, local meeting, 2000-11-24)

In the local meetings held in the fall, Max shouldered the role of a self-assured and pleased CEO. In these meetings, as well as in a year-end summary that he published on the intranet at the end of 2000, Max emphasized the transformation of Telco Consulting. The doubting ‘dock vultures’ had been wrong and the immediate identity crisis was over, Max argued.

Max’s character was important in enhancing identification with the organization. He had a confident way about him, painting an inviting picture of the future, and had the capability of spreading enthusiasm among the people around him. Max’s entrepreneurial and winning nature served as a guarantee for the future and helped to raise self-esteem throughout the organization. In this way, he could be seen as a symbol for an autonomous identity. However, Max had been recruited internally from another of Telco’s companies and, in the beginning, was also oriented more towards integrating Telco Consulting with the parent organization. Max thus questioned the relatively widespread autonomous attitude in some parts of the organization, although

this changed gradually and his rhetoric became more concerned with distinguishing Telco Consulting in relation to the parent organization. Consequently, Max's character increasingly strengthened the external consultant identity.

Discussion

Based on the case description and the identity themes described above, the following discussion will elaborate further on how Max's rhetoric may be understood in terms of multiple identity management (Pratt and Foreman, 2000).

Emphasizing distinctiveness: the external consultant identity

Max's leadership and rhetoric were to a high degree characterized by the strive toward a more autonomous role for Telco Consulting, and it is the identity as an external consulting firm that was mainly constructed in his rhetoric. According to Ashforth and Mael (1989), antecedents of organizational identification are the existence of *salient out-groups, distinctive values, prestige, and support for group formation*. The construction of all these aspects can readily be observed in the themes described above.

Salience of out-group(s) is, according to Ashforth and Mael (1989), an antecedent of organizational identification. Two different out-groups were repeatedly referred to by Max in constructing an identity for Telco Consulting. These were the IT consulting industry and the parent organization Telco. The former was used by Max as a prototype for self-categorization of Telco Consulting (cf. Hogg and Terry, 2000). Through this creation of an external consultant identity, the staff identity became secondary. The parent organization was hereby used as a contrast to enhance the distinctiveness of the external consultant identity. This provided a clear out-group in relation to which the consulting unit could construct itself as distinct and different (cf. Ashforth and Mael, 1989; Dutton et al., 1994).

Telco Consulting's *distinctive values* were thus emphasized in comparison to the parent organization using the competitors in the IT consulting industry as a frame of reference. Max's rhetoric hereby focused on the external consultant identity and in creation of prerequisites for this distinctive identity he strove for a decreased interdependence of other sub-units (cf. Ashforth and Mael, 1989). Max's personality also worked to strengthen the distinctive external consultant identity, since several of the firms Telco Consulting compared itself to also had visible, visionary leaders.

The third antecedent to organizational identification is the *prestige of the group* (Ashforth and Mael, 1989). In terms of prestige, the relation between Max and the employees was important in that Max himself acted as a prestigious symbol for the new Telco Consulting. Furthermore, using the IT consulting industry as an important out-group, Max's rhetoric contributed to a feeling of status in the organization since in the spring of 2000 IT consulting firms were receiving a good deal of media coverage, emphasizing corporate success stories and the high growth of the industry. When many of these firms, especially the new Internet consulting firms, encountered severe problems toward the end of 2000, Max exploited this development by emphasizing the importance of economic profitability and lifting up Telco Consulting's profitability as

a good example, contrasting the shocking examples discussed in the media, thereby enhancing the perceived prestige of Telco Consulting.

Lastly, in order to *support group formation* (Ashforth and Mael, 1989) within Telco Consulting, Max used a lot of emotive rhetoric. The market was hereby viewed as a contest and Telco Consulting was described as a team that had to “dare to be best” in order to win. Formation of the group was metaphorically illustrated and supported in rhetoric such as “being in the same boat”. The symbolism was further enhanced by Max’s having been a submarine captain in the navy. Through his leadership, people willingly let him take the helm.

Max’s rhetoric thus created the prerequisites for high organizational identification with Telco Consulting. This was achieved through the focus on an external consultant identity (cf. Alvesson, 2000). Considering the ambiguity experienced by the organization in connection with the identity crisis in the beginning of 2000, the organization’s new and autonomous direction was applauded because it led to a simplification of the organization’s identity.

Nurturing responsiveness: the secondary staff identity

Even though Max’s rhetoric mainly contributed to an external consultant identity, the supporting role as a staff unit of Telco was not forgotten and often appeared as an intertwined, but secondary, part of his communication.

Max often used abstract wordings such as *value-creation* and *the new economy* when the supportive staff role of Telco Consulting was addressed. However, more practical issues about the corporate role were also a common part of his rhetoric. For example, Max recurrently emphasized the importance of following the parent organization’s policies in business support areas such as human resources and IT. These policies were, however, sometimes described as improper for Telco Consulting’s business. Using illustrative anecdotes, Max argued that the reason for this was the parent organization’s inability to understand the logic of the consulting business. Consequently, he emphasized why (and what) Telco Consulting had to teach the rest of the organization about its business.

Market relations were emphasized as representing an important yet problematic interdependence with other parts of Telco, particularly the market units. Here, Max argued that Telco Consulting had to become more sensitive to the rest of the organization. He also emphasized the amount of time and energy he himself put into “creating the prerequisites for us to co-operate with the market units.” His frequent references to meetings he had had with various executives in the parent organization, including other subsidiaries, also helped him to construct the staff identity of Telco Consulting.

Loose coupling of identities through identity hierarchy

Pratt and Foreman (2000) distinguish *identity plurality* and *identity synergy* as critical dimensions in identity management. How might Max’s rhetoric and identity management be understood in terms of these dimensions?

Using the IT consulting industry as a prototype, Max's rhetoric was geared to describing the organization as distinctive compared to the parent organization. The unit's identity as external consultant was thereby established as the primary identity, while its staff identity took up a position in the background. This plurality was thus an important prerequisite in that the secondary staff identity associated with the parent organization became a contrast to the consulting unit's primary identity. This contrast also made the organization's dual identities more salient. Consequently, even though the rhetoric focused on the external consultant identity, its combination with the latent staff identity meant that plurality was highlighted. This plurality of identity was however characterized by a complex and dialectical contrast in that the external consultant identity was, in effect, constructed as a *non-identity* to the staff identity.

In constructing the external consultant identity as a contrast to the staff identity, the compatibility between the two decreased. Firstly, because being an external consultant implied a somewhat neutral and arms-length stance. Secondly, the contrast also highlighted the differences in business logic. This made it harder to enforce identity synergy. However, practical and structural arrangements within Telco, not least in the relation to the market, forced Max to forge linkages between the identities in his rhetoric, thereby fostering identity synergy.

Max's way of managing the organization's dual identities can thus be characterized as an aggregation strategy since it was based on a combination of a high plurality and a high synergy (Pratt and Foreman, 2000). Moreover, because of the relatively intense focus on the external consultant identity, Max's approach might be described as the creation of an *identity hierarchy*. Through this, a loosely coupled relation (Orton and Weick, 1990; Weick, 1976), characterized by both distinctiveness (the external consultant identity) and responsiveness (the staff identity), was constructed.

Conclusions

The management of an organization's identity has been shown to be an important task for today's complex and ambiguous organizations (Berry, 1994; Cheney, 1991; Eccles et al., 1992; Normann, 2001). In the current article, the case of Telco Consulting illustrates how creation of an identity hierarchy can be one way to manage dual organizational identities. By bringing Telco Consulting's identity as an external consultant to the foreground, the CEO was able to create a distinctive organizational identity and thereby strengthen organizational identification with the unit. Together with the unit's secondary 'staff' identity, a loose coupling to the parent organization was also maintained.

The article contributes to the research on organizations with multiple identities and management thereof, built to a large extent on conceptual reasoning and the use of models, by offering an illustrative empirical case study. One conclusion that may be drawn from the study is that the different identities, in particular the primary identity of external consultant, emerge in part through the effects of internal contrasting. The interdependence of multiple organizational identities, and potential identity synergy between them, is therefore an area of interest for continued research.

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Corporate Consulting in Product Innovation: Overcoming the Barriers for Utilization

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Corporate consulting in product innovation: overcoming the barriers to utilization

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Keywords

Corporate consulting, Customer solutions, Innovation management, Knowledge filters

Abstract

Companies in the business-to-business segment increasingly try to expand their product offerings into customer solutions offerings. This often implies adding value through professional services such as systems integration and business consulting related to the parent organization's products. The addition of a consultative component to the product business both poses new challenges and provides new possibilities for the product organization's innovation processes. We argue that corporate consulting units provide a vital source of knowledge for organizations seeking to increase their innovation capacity by learning about and from their customers. The current paper discusses the knowledge created in such consulting business as well as the filters that hinder utilizing this knowledge in the innovation processes of the product-oriented organization.

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Introduction

"We offer customer solutions, not just products ..." is a common formulation in mission statements of many organizations today. It has become fashionable to declare oneself a solutions provider (Davies *et al.*, 2001; Foote *et al.*, 2001; Sharma and Molloy, 1999) but as with many other fashionable management concepts, the concept of "solutions provider" is widely misused, with many suppliers merely labeling bundles of standardized products or services "solutions". However, based on the increasing service content in many organizations' offerings (Normann, 2001), increased business complexity through privatization and outsourcing (Davies *et al.*, 2001) and the need for greater integration of technologies (Shepherd and Ahmed, 2000), there is also a growing interest in a genuine solutions strategy. This means moving the business focus from the products to the customer (Hax and Wilde, 1999; Vandermerwe, 2000).

In the business-to-business segment, the customer-centric logic of a solutions business is often represented in a stand-alone consulting business with a distinct identity (Cornet *et al.*, 2000). This consultative component (Sharma and Molloy, 1999), i.e. offering consulting services such as systems integration and business consulting, distinguishes a solutions business from a product-oriented business. Based on Good (1985), we use the term corporate consulting below to designate this type of consulting unit, which is further illustrated by two examples.

IBM is often cited as an illustration of a firm that has successfully transformed itself from a provider of hardware-based products to more software-based services (see for example Normann, 2001; Vandermerwe, 2000). The "new" IBM is built around the service organization IBM Global Services, a corporate consultancy in part, which accounts for approximately 40 per cent of IBM's total revenue. More importantly, the services provided, such as business consulting, IT-consulting and outsourcing, are seen as a

The authors are listed in alphabetical order indicating their equal contribution to the paper. They would like to express their gratitude to Tomas Hellström, Richard Normann, Bengt Stymne and Rami Shani for their valuable comments on earlier versions of this paper.



central mechanism for leveraging the technological capabilities of the parent organization. This is also true for PeopleSoft Consulting. As a part of the ERP/CRM software supplier PeopleSoft, the unit's 2,500 consultants handle software implementations, system optimizations, upgrades and other pre- and post-sales assignments. These services are closely tied to the parent organization's core business – the PeopleSoft Software package – and aim to turn the customer into a life-long client (Gregoire, 2001).

The customer-centric characteristic of a solutions business changes the conditions and strategies for managing innovation, from product innovation to customer-sourced innovation (Hax and Wilde, 1999), typically characterized by co-creation and customization (Cornet *et al.*, 2000). However, since customer solutions are an extension of their traditional offerings, which still have to be renewed and sold as stand-alone products, many organizations adopt a somewhat schizophrenic business logic (Berggren and Nacher, 2001). For these hybrid organizations (see e.g. Brown *et al.*, 2001) the solutions business should offer exceptional possibilities for customer-driven product innovation by enabling the application of innovation processes with anthropological characteristics (Berggren and Nacher, 2001). With a heavy emphasis on direct questions and observations drawn from the solutions business, these methods provide a deep understanding of unarticulated user needs to be applied in the product innovation processes.

As organizational front-end units working with direct market relations and profit/loss responsibility, many corporate consulting units have a boundary-spanning organizational position (Foote *et al.*, 2001; Sawhney and Parikh, 2001). In combination with their knowledge-intensive characteristic (compare with Alvesson, 1995; Starbuck, 1992), the corporate consulting unit has the potential to build an essential stock of customer-centric market knowledge. Their unique make-up also enables them to develop a deep understanding of the parent organization's products and the core capabilities they incorporate. Market knowledge and knowledge about the parent organization's products, services and incorporated core capabilities, could be

exchanged between the market and the product business through a mix of internal and external assignments. This "cross-pollination" (Bessant and Rush, 1995) gives the corporate consulting unit great potential to contribute to new product development (NPD) in the parent organization.

Growing academic interest in customer solutions businesses has focused mainly on strategic aspects. Apart from consulting reports (for example Cornet *et al.*, 2000; Foote *et al.*, 2001), studies on the internal consequences of moving towards a solution-based business are lacking, not least from an innovation management perspective (Shepherd and Ahmed, 2000 is a notable exception). This is a topic of practical importance, especially for corporations that, like IBM, embark on a path of mixed business – offering solutions and stand-alone products. The purpose of this paper is to contribute to this area of neglect, focusing on the consultative component of a solutions business and its interaction with the product business' innovation processes. More specifically, our aim is to identify the key factors that hinder the knowledge generated in consulting operations from being applied in the product business. This application of knowledge will be analyzed in the context of an IT consulting business, Telco Consulting[1], owned by Telco, a large corporation in the fast-moving telecom industry.

The paper is divided into three main parts. In the first part, we describe the case of Telco Consulting, focusing on knowledge created and extended through its consulting assignments. In the second, we analyze and discuss the knowledge extension from Telco Consulting. Three knowledge filters are identified as key barriers to the use of Telco Consulting's knowledge in the product business. The third part of the paper presents a summary of the findings and elaborates on the implications thereof for innovation management practice and research.

Methodology

The data underlying the following descriptions of the activities of Telco Consulting and the unit's interactions with the parent organization Telco are taken from a series of 13 semi-structured interviews with

personnel from both the consulting unit and the parent organization, Telco. The focus of these interviews was on the corporate role of Telco Consulting and its relations with other parts of Telco. Special attention was given to knowledge creation and extension in innovation processes in general and in NPD activities in particular. The interviews were transcribed and content analyzed using a text analysis software package (NVivo). Quotations presented in the case description are drawn directly from these interviews. The information gained through the interviews was supplemented by the observations and experience of one of the authors, who was a part-time employee of Telco Consulting during the period studied. This self-ethnographic approach (Alvesson, 1999) was thus another important source of information in the case study.

The case of Telco Consulting

The case of Telco Consulting focuses on the second half of the 1990s, during which the unit's organizational position in Telco can be described as semi-integrated, with half of its turnover coming from internal clients within the traditional Telco product business, and the other half from clients outside Telco. At that time, Telco Consulting had approximately 300 employees, of which a majority acted as IT- and business consultants. As a part of Telco, a large Nordic telecom operator with thousands of employees, the consulting unit's external home market consisted of Telco's largest customers.

The case description is structured such that we begin by describing new product development in Telco. Next, follows a description of the consulting services offered by Telco Consulting and how the consulting unit acquired knowledge of the customer through their assignments, and finally a description of how knowledge is extended to the product business.

New product development in Telco

Telco's product business was divided among several different units of which three types are especially important for this study: market units, product management units and product development units. The market units were divided on the basis of market segment, and each market unit was responsible for

marketing and sales for its particular segment. The product management units were responsible for overall planning, with a product manager in charge of each product group. NPD was purchased from the product development units, which used both their own resources as well as internal and external consultants.

After decades of development of infrastructure for tele- and datacommunications, Telco's NPD process was rigorous, with high standards for accessibility and stability. NPD procedures were therefore bureaucratized through a stage-gate process with extensive guiding principles regarding tollgates and documentation. The standard lead-time for new telecom services was over one year.

The services offered by Telco Consulting

Telco Consulting's mission was to act as Telco's consulting firm on the external market, offering business consulting and systems integration. Most projects were delivered as customer-specific turnkey solutions based on Complex Product Systems (CoPS) (Hobday, 1998) and included software-intensive elements such as computer telephony integration and Internet/intranet applications. Telco's product business provided parts of these solutions in the form of communications services.

Telco Consulting's assignments normally spanned several stages, covering strategic analysis, functional specifications, software development and systems integration. Implementation projects were sometimes followed by additional management support services in order to help the client to start using the installed functions.

Acquiring knowledge of the customers

In delivering these services, Telco Consulting had to expand the parent organization's contacts with its customers. Traditionally, Telco had maintained relations with the customer's IT- and telecom support functions. The consulting unit, however, needed access to management representatives from the client's business, since the solutions included applications that were highly customized and integrated into the client's processes and IT systems. This enabled project managers to build broad and deep personal networks with individuals in the client organizations.

In carrying out their projects, the consultants also acquired an understanding of their client's business. They learned about the client's role in the supply chain of its industry and the client's competitive advantages, as well as the types of solutions and offers needed to support these. They also learned about functional specialties (i.e. R&D, operations, marketing and sales) of the client's organization and/or industry. Information about the client's own customers, suppliers and partners also helped to give the consulting unit an overall picture of the client's industry. Through their deep involvement in client companies, the consultants also learned about the client's role as customer of Telco. This included learning how clients used Telco's products and services and about the gaps between what Telco offered and the specific needs of the clients.

The knowledge gained about the client was combined with technological knowledge to create new knowledge:

Our ability to integrate solutions is important.

First, we have the knowledge of the products and services. Then, we have a lot of contact with the customers, which forces us to be creative. In this way, we can see the synergies (Project manager at Telco Consulting).

Examples of such synergistic effects include development of the first Internet banking solutions in Sweden during the second half of the 1990s and, more recently, the development of a new type of call center solution enabling speech recognition and control. Table I summarizes the knowledge created within Telco Consulting.

Extending knowledge to the product business

The consultants were regarded as the troubleshooters of Telco and were continuously engaged in internal assignments

for different units and functions. Three important groups of internal clients for Telco Consulting were the market units, the product management units and the product development units, i.e. core actors in the innovation process at Telco.

The focus of Telco Consulting assignments in the market units, based on their combined knowledge on markets and technology, was generally that of supporting sales activities. Such assignments were however relatively rare, as the consultants were regarded by the salespeople with some skepticism. This skepticism can be traced back to three factors. First, Telco Consulting's direct contact with customers was often disliked by the salespeople, since this threatened the single point of contact strategy maintained by the market units. Second, the consultants were regarded as costly, so involving Telco Consulting was often avoided. There was a general feeling among the salespeople that the consultants' main objective was to maximize consulting hours rather than Telco sales. Third, account managers at times expressed fears that the advice of consultants could disrupt projected sales by enhancing the performance of the client's existing products, thus delaying the need for new equipment or making its purchase unnecessary altogether.

The second group of internal clients were the product development units. Telco Consulting was often given the assignment of supporting development projects in these units. These assignments mainly included technical specification and implementation of new products and services, in which the market knowledge of the consulting unit was appreciated:

Their close relationships with external clients are very important for us using them. Of course, they could have been 100 per cent external, but the internal assignments are crucial for us in order to get feedback from the market (Manager at Telco R&D).

Table I Knowledge created within Telco Consulting

Knowledge created

Market knowledge

Extension of networks with the client organization

Increased understanding of the client:

the client's business and strategy

the client's industry

the client's customers

Knowledge on the role of Telco's products

Gaps in functionality of Telco's products

Technical knowledge

Early use of new technology (within CTI, Internet/intranet, etc.)

Knowledge of external technical platforms

Understanding of limitations in product business' platforms and development tools

Understanding of customer's technical systems

Possibilities of bundling and systems integration

Telco Consulting also possessed critical technical knowledge derived from an early adoption strategy for new technologies. This knowledge was seldom regarded as relevant by the product development units, however, as it did not fit the large-scale telecom systems that were the focus of these units. The product development units' focus on products for a mass market, where stability and quality were regarded as central, also led to the application of an elaborate new NPD process resulting in lead-times that were considerably longer than those in Telco Consulting. Consequently, Telco Consulting and the product development units had very different views of the NPD process, leading to somewhat negative attitudes towards one another's ways of working. In relation to the product development units' NPD process, the consultants' pragmatic, customer-focused approach was often regarded as "quick and dirty".

The third main group of internal clients were the product management units. Although the relationship between Telco Consulting and the product business was in general somewhat strained, product managers repeatedly used the consultants for customer-driven development. With the support of Telco Consulting, external clients were invited in as pilot customers in the development of new products and services. Through these pilot projects, knowledge on market and technology was created, linked and evaluated. The product managers were pleased with the knowledge provided by the consulting unit in such projects. However, they also reported feeling abandoned when these projects were over. To secure a continuous stream of market input, they repeatedly purchased business development support.

On a more emotional level, the feelings between the consultants and different representatives of the product business were in general strained due to the role and power position of the consulting unit being perceived as a threat by the larger product business at Telco's core. One consultant, a former division manager at Telco Consulting, summarized the problem as follows:

It's hard not to be perceived as a threat by other units given our role and mission. We take their people, we take their technology and we take their customers. Then we come back as consultants and charge them (Former division manager, Telco Consulting).

It can be concluded that knowledge creation within the consulting unit was intensive, but that extension of this knowledge to the rest of the organization was neither conscious nor systematic, though the position and role of the unit represented a high potential for this.

Understanding the barriers to knowledge extension

The above case illustrates the potential of the corporate consulting unit to act as a source for generating knowledge vital to the innovation processes of the product business. However, the different units of the product business showed limited interest in the activities and knowledge of the consulting unit. Suspicion and ignorance of the other party's competence and motives governed the relationship between the consulting unit and the product business. Analysis of the impediments to knowledge extension is the focus of the following section.

Conflicting business logics

A central source of the strain in relationships between the consultants and the different parts of the product business were the differences that existed between the product-driven dominant logic (Normann, 1977; Prahalad and Bettis, 1986) and the consulting logic of the consulting unit (see Table II).

The respective organizational logics that underlie the consulting unit and the product business differ largely in both their perceived missions and the type of knowledge deemed necessary to achieve these missions. At the same time as these differences are beneficial in the sense that they both have their strengths, they are also problematic in that they impede knowledge extension between the logics, thereby also leveraging these strengths. Such organizational differences, and how they can hinder innovation, have earlier been described by Dougherty (1992) as interpretive barriers between different thought worlds. However, Dougherty deliberately limits her discussion to the cognitive aspects of the differences between the thought worlds of organizational units. The above case indicates a broader range of aspects, which leads us, in the following, to introduce the concept of knowledge filters. This concept covers three aspects of

Table II The differences in business logic

	Consulting business	Product business
Timeframe for planning	Short	Long
Perception of market	Unique clients	Homogeneous market
Operational focus	Flexibility, effectiveness, one off	Productivity, efficiency, repetition
Character of expertise	Integrative, generalist	Specialized, technical

knowledge extension – knowledge search, cognition and politics.

Knowledge filters a hinderance

Based on Ansoff (1984), we argue that there are three types of knowledge filters that can impede the flow of knowledge between organizations – the surveillance filter, the mentality filter and the power filter. The surveillance filter determines the direction and scope of the organization's information search behavior and thereby what knowledge is perceived as relevant and worthwhile to acquire. The mentality filter acts in favor of knowledge that matches the existing basic assumptions of the individual, as this knowledge is more readily accepted than knowledge that points in other directions. The third, the power filter, tends to filter out information that constitutes a threat to existing power structures and works in favor of knowledge that strengthens one's own position. In the following, these knowledge filters are applied as an analytical framework to help us understand the observed impediments to the application of Telco Consulting's knowledge in Telco's innovation processes. In doing this, we discuss Telco Consulting's relations with Telco's market units, product development units and product management units.

Market units defend their customer relationships

The flow of knowledge and expertise from the consulting unit to the market units was hampered by a number of factors relating to all of the three knowledge filters. Many people in the market units were not aware of Telco Consulting's knowledge, indicating a strong surveillance filter. Normally, salespeople found information on the products and services they sold in catalogues and databases on the intranet. These sources covered the standardized products and services of Telco. The more abstract services of Telco Consulting, however, were seldom visible in

these systems. Furthermore, the salespeople's incentives to engage in further investigation was limited since selling consulting services was regarded as time-consuming, and rendered less sales commission than standard products.

The mentality filter was also strong, owing to the differences in logic described above. Although Telco Consulting's professional services were repeatedly marketed by managers in the market units as an essential part of Telco's offer, people on the sales end still saw Telco as a provider of communications capacity and the necessary hardware that went with it. Consequently, customer needs and problems were often treated by adding capacity rather than by providing advisory services that could, for example, increase the utility of the client's existing technical solutions.

Beyond the mentality filter, the market units' resistance to the knowledge created in the corporate consulting unit could be understood in terms of power filter. For the people in the market units, Telco Consulting's close customer contact and market knowledge were perceived as a threat to their own official responsibility as the customer's sole contact point at Telco. Furthermore, as a typical project-based front-end unit (Davies and Brady, 2000), Telco Consulting had developed strong capabilities in tendering and bidding including pre-sale marketing activities. The market units' position as the single point of contact for the customer required them to mediate in these activities. However, the market units' limited experience of selling customer-specific solutions rather than products was a constant source of misunderstanding and conflict between the market units and Telco Consulting. The conflicts had a strong political dimension as they concerned the access to the critical resource – customers.

Rigorous NPD process suffocates knowledge extension

The knowledge flow between Telco Consulting and the product development units was also impeded by all three knowledge filters. The surveillance filter often caused the product business to regard the knowledge produced in Telco Consulting as irrelevant. Telco focused on large-scale development of standardized telecom services, making technical platforms the ultimate goal of the

NPD process. For the customer solutions developed by the consulting unit, on the other hand, the technical platforms, often purchased from external suppliers, were a means of solving the specific needs of individual customers. These external platforms were often hard to integrate with the technical systems of Telco. Consequently, Telco Consulting was not always viewed as a potential source of technical knowledge by the people in the product development units.

The typical thought world of the technical people (Dougherty, 1992) also meant that the people in product development focused on following a structured NPD process and technical policies. For them, the direct customer access of the consulting unit was not always seen as a resource, as it often generated a continuous flow of new and changing requirements on the product, something that hindered the product development units from meeting their internal targets.

The differences in logic not only activated the mentality filter, but also the power filter. People in product development often saw the technical knowledge of Telco Consulting, at times based on new platforms and technologies developed outside Telco, as a threat rather than a resource, since it was not compatible with the knowledge and expertise on which their current power position was based. As one manager in product development at Telco expressed it, "Telco Consulting might see ways to make our business their own."

An important resource for product managers

Whereas the extension of knowledge from the consulting unit to the market- and product development units was problematic due to the co-existence of the three knowledge filters, the relationship with product management was more positive. In this relation, only the surveillance filter was activated because the established processes of innovation in Telco did not recognize Telco Consulting as a potential source of customer knowledge or access point to deeper customer contacts, e.g. for lead user development (Von Hippel, 1986).

When product managers found consultants and/or assignments that matched the needs of the product business, the consulting services became highly valued. Being typical planning

people (Dougherty, 1992), the thought worlds of the product managers were dominated by conceptual thinking in terms of the linking of market and technology. With the support of the consulting unit, their abstract ideas could be turned into real projects because of the consultants' closeness to the market and integrative abilities. Neither the market knowledge nor the technological knowledge threatened the established knowledge of the product managers, but rather complemented it.

The consultants supported product managers not only in the process of making their ideas more concrete, but also in the process of generating ideas. In the consultants' external assignments, new functionality based on new high-technology components and platforms was often introduced. Through these customer-specific solutions, the product managers gained new ideas for future commoditized services in the intense linking of technology-market that characterizes the development of complex turnkey solutions (Bonacorsi *et al.*, 1999).

Consequently, Telco product managers were frequent internal clients of Telco Consulting. Assignments often focused on the front-end of innovation. In these early stages of the innovation process, the dominant logic of the consulting unit was not as incompatible with the product logic as it was in the later stages, where a more rigorous NPD process was followed. In the early phases of innovation, the differences in the technical platforms applied by the consultants as opposed to those applied by the product business were also less of a problem. In this phase, the conceptual ideas and the functionality perceived by the user were in focus.

The case of Telco Consulting thus shows that corporate consultants can act as knowledge brokers in the innovation process even without systematically established mechanisms that support the knowledge flows between the product business and the consulting unit. Hargadon (1998) has described knowledge brokers as external, acting between firms, or internal, acting between divisions. However, corporate consultancies could be described as a combination of the two, acting between the product business and its external environment.

Conclusions and implications

In this paper, we have explored the role of a corporate consulting unit in the innovation processes of what might be called a hybrid organization. The literature suggests that such organizations combine a product-centered logic, in which standard products for a mass market are provided, with a customer-centered logic that focuses on satisfying the specific needs of individual customers. The synergies between these two business logics are potentially strong, especially in innovation processes, where the customer-oriented consulting business can provide customer knowledge.

Based on a case study of the relations between Telco and Telco Consulting, a Swedish telecom operator and its consulting unit, we have argued that the unit responsible for systems integration and consulting is an important source of knowledge about customers in Telco's innovation processes. However, we also found that tapping into this source of knowledge was not unproblematic. Although the consulting unit supported product and market units through internal consulting assignments in product- and business development, knowledge transfer was strained by a number of knowledge filters – the surveillance filter, the mentality filter and the power filter.

The surveillance filter could be observed in the relation with the market units, product development, and to a certain degree also product management, and was due to a limited awareness of the consulting unit and its specific knowledge. The mentality filter could be observed mainly in relations with the market units and product development units, and was based on the differing logics between the consulting business and the product business. And lastly, the power filter was again most salient in the consulting unit's relations with the market units and product development units, in the form of a perceived threat of losing out to, or being taken advantage of, by the consulting unit (see Table III).

Managerial implications

Corporate consultancies represent a potentially powerful tool for organizations wanting to move from a product-driven logic towards a customer-driven logic without giving up their existing product business.

Through a mixture of external and internal assignments, corporate consulting units in this situation can act as knowledge brokers between the client organization and the innovation processes of the product business. This is a potentially important function yet often neglected since corporate consultancies are largely legitimized as ways of generating extra income and/or protecting the product business' technological core through competitive differentiation (Cornet *et al.*, 2000; Davies *et al.*, 2001). Realizing this potential requires that managers begin to view corporate consulting services as an integral part of the innovation process rather than a mere extension for customization, which is a common view in many product businesses (Nambisan, 2001).

The realization of the knowledge flows underlying these potential synergies is however not trivial. As has been shown by the case described above, achieving this synergy is impeded by a number of knowledge filters. Handling of the knowledge filters requires active management of the relation between the corporate consulting unit and the product business. This calls for mechanisms that coordinate the differing logics.

One approach to managing the surveillance filter might be to identify clearly the corporate consulting unit as a source of knowledge in the product- and business development of the product business. This is especially true for the early phases of innovation, often characterized as the "fuzzy front-end of new product development" (Zhang and Doll, 2001). Here, consulting services may be a way of decreasing some of the "fuzziness" by enabling customers to become involved in and share in the financing of the innovation process.

Overcoming the mentality filter requires building a mutual understanding of the other organization's business logic and practice. Dougherty (1992) suggests three intermediary processes for such thought world awareness: building on the unique insight from each thought world; developing collaborative mechanisms; and developing organizational context for collective action.

Tackling the power filter requires designing and adapting organizational governance structures that support rather than impede cooperation. This could be achieved by "success fees" for the corporate consulting unit's participation in NPD projects, a clear

Table III Knowledge filters observed in Telco

	Surveillance filter	Mentality filter	Power filter
Market units	Consulting services are perceived as abstract Limited information available in salespeople's information sources	Consultants' focus on selling hours is incompatible with a logic of selling products	Consultant's closeness to customer threatens the single point-of-contact position
Product development units	Consultant's technical knowledge perceived as irrelevant	Consulting services viewed as "quick and dirty" Consultant market knowledge perceived as a disturbance	Afraid of takeover by consulting unit Competing technical knowledge within consulting unit
Product management units	Consulting unit not formally recognized as a knowledge source in NPD process	—	—

statement of the respective units' responsibilities in terms of product responsibility vs consulting, etc. Based on our findings from this case study, we argue that product management units could serve as an effective mediator between the solutions business and the product business and that this role should be more formally recognized. However, closer integration of the consulting unit and the product business carries the risk of eliminating the specific characteristics of the consulting unit that made it valuable in the first place, i.e. its ability to create knowledge from and about the market. Therefore, integration of the consulting and product businesses must aim for both responsiveness and distinctiveness, thus requiring a loosely coupled relation (Orton and Weick, 1990; Weick, 1976).

Research implications

The above study sheds light on the innovation processes of hybrid organizations simultaneously pursuing a customer solutions business and a product-oriented business. The differences between the product-oriented logic dominant in the product business, and the consulting logic that prevails in the consulting unit, is identified as one of the main underlying causes of a number of knowledge filters hindering the transfer of consultants' knowledge to the product business. This indicates that future studies of innovation processes in hybrid organizations should be attentive to the character and effects of different business logics (compare with Nambisan, 2001). Further investigation of these logics in a large sample of organizations is motivated by this single case study.

Another aspect that should be addressed in further research is the complexity of the products offered by the parent organization. Consulting services are often offered as an extension of high-value, engineering and software-intensive capital goods, so-called Complex Product Systems (CoPS) (Hobday, 1998). We may find that suppliers of CoPS, such as the parent organizations of earlier mentioned IBM Global Services and PeopleSoft Consulting, find it less problematic to integrate the consulting business with the product business.

Finally, research should further investigate possible ways of managing the knowledge filters identified. This would include research on the structural relations between the consulting business and the product-oriented business, as well as incentive structures and management systems used to steer the corporate consulting operation.

Note

- 1 For purposes of confidentiality, pseudonyms are used in the paper.

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VCC and the Tailor-made Solution

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VCC and the Tailor-made Solution

Robert Sandberg

It was like opening a floodgate. The calls to Rail Travel Company's (RTC) new network-based customer service were pouring in. Telco had pulled off what many had not thought possible. They had delivered a customized solution that integrated telephony and data, and that connected RTC's telephone operators directly to one virtual telephone queue in the public telephone network. The only thing that remained was for Telco to industrialize the new network-based solution into a standard service – the Telco Virtual Call Center¹ (VCC) – and to market the service to as many other corporate customers as possible. But translating the specially tailored solution into a standard service for a broader market proved to be difficult.

Although the problem of multiple custom solutions is spoken of widely in the industry, relatively few researchers have studied or described the barriers to the process.² The aim of this chapter is to shed some light on the problematics by way of a detailed study of VCC.³ In the case study, we shall follow the entire development, from hatching of the original idea to finished product – a highly adaptable network-based service. This involves a journey with the customer, RTC, both as a *means*, in its contribution of valuable experience and being a demand-setting professional, and as an *end*, in that it is one of several conceivable customers of the finished product.

Offering customer solutions, rather than individual products, is a strategy expressed by many companies in the 1990s. Doing so, however, involves a painful adjustment that demands new approaches and decidedly customer-centric work methods. This means a shift in focus from product development, launch and sales, to delivering integrated solutions and peripheral services. For technology-intensive companies in business-to-business, this often involves adding consulting services to the established business. The introduction of this “consultative component”, however, yields new requirements and conditions for customer-driven product and service development. Through these consulting services, a company should be able to learn more about its customers' operations and needs. Is this indeed the case? And, if so, what are the barriers to this type of customer-driven product development? It is these questions the chapter aims to answer.

¹ By *call center* is meant an organizational unit in charge of a business' everyday telephone contacts, such as those with customers (mail order companies, telephone banking, etc.), patients (hospitals and other care facilities), or members (union organizations etc.).

² An exception worth reading is Nambisan (2001).

³ The case study is based on a retrospective study. The author was employed in one of the units involved (Telco Consulting) during the period described, but had no direct involvement with the happenings of VCC. As an employee of another division, however, he had a good vantage point from which to follow the project. The author's understanding and insider perspective was later complemented by in-depth interviews with 12 persons, from both Telco Consulting and other units, and through past documentation such as business plans, presentations, specifications and e-mail communications.

The case study describes the difficulties that arise when a consultative business logic is integrated with an industrial, product-oriented logic. The problems stem from different thought worlds, political tensions and separate needs for technical platforms. This places high demands on the leaders, who must have a command of both business logics.

Background

The Telco Group's investment in customer solutions

In 1995, Telco charted a new orientation for its activities. The new business vision went under the name of "Telco Vision 2001 Now" and was founded on a clear ambition to become a more complete supplier of telecommunications solutions. One way of getting closer to the customers and their business activities was to complement the basic network services offered by adding a greater number of advanced services of a more refined nature. By creating added value in the tele- and datacommunications networks, Telco's business relation with the customer could be developed and secured for the future. The Virtual Call Center project was one of the efforts initiated against the backdrop of this new business direction.

Offering customers specially tailored solutions, rather than marketing a standardized line of products, has become a popular business model in recent years,⁴ and an increasing number of companies are calling themselves "customer solutions suppliers". In practice, however, this often translates to a mere bundling of products into packages billed as one. Companies that take the new business model more seriously, however, do shift their product-centered focus to a decidedly more customer-oriented one, delivering unique solutions to each of their customers.

There are a number of key driving forces in the trend toward customer solutions. One of these is technical development, where an increase in technical complexity leads to higher customer uncertainty. Consequently, customers attempt to reduce this uncertainty by choosing suppliers who are able to provide total solutions rather than a host of different parts that have to be assembled by the customers themselves. At the same time, many manufacturing firms have seen the margins on their products drop during the 1990s. To compensate for this, companies have widened their scope and moved "up the value chain", i.e., taking over activities earlier performed by systems integrators or the customers themselves.⁵ There are also business-related aspects of the increasing complexity, such as a convergence of industries, deregulation and outsourcing. Part of the change can hereby be attributed to society's increasing demand and range of different services. Companies manage these changes by integrating larger systems and complementing products with associated services. This can mean computer suppliers who supply integrated IT solutions, or telecom operators who operate systems for electronic commerce.

⁴ Both researchers (Davies et al., 2001; Hax and Wilde, 1999) and management consultants (Foote et al., 2001; Sharma and Molloy, 1999) have recently noted the trend towards customer solutions.

⁵ See Wise & Baumgartner (1999).

At the same time as a new business model for customer solutions must be developed, however, the established product- and services business must also undergo rejuvenation. Telco serves as an example of a company that, during the 1990s, was faced with this type of challenge, when the organization was transformed from a national agency to a service company operating in a competitive market. VCC was started for the purpose of offering network-based call center solutions for areas such as customer services and central booking offices. Standardized telecom services (such as call-forwarding and mass calling) were also to be modernized and further developed.

The actors behind the development of VCC

Development of VCC (Virtual Call Center) involved above all three subsidiaries of the Telco Group: the large product division – Telco Products,⁶ the internal IT consulting unit that served as an extension of the product unit – Telco Software, and Telco Consulting, which had an even distribution of internal and external clients and which developed large parts of VCC. Other players with a part in the story are Telco Sales – Telco’s marketing company for big customers, and VCC’s first pilot customer – RTC, the Swedish railway travel company. See also figure below (Figure 1).

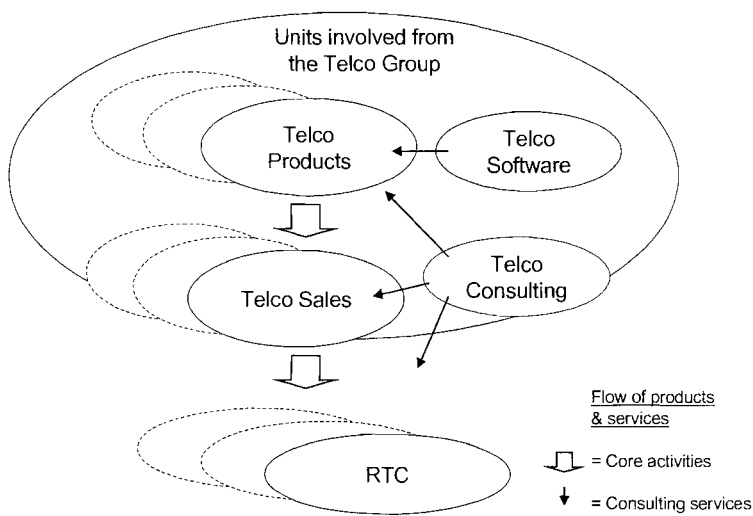


Figure 1: Actors involved in VCC

⁶ The names of the subsidiaries have been changed to protect their anonymity.

Telco Products – The core of Telco

Telco Products was one of Telco's product units in charge of both telecommunications- and datacommunications services. The business of Telco Products could therefore be described as the core business of Telco. The product unit had about 700 employees and was responsible for a large number of products and services for both private customers and businesses of all sizes. Sales were conducted through Telco's marketing companies, among others Telco Sales, which were divided up according to market segment.

Telco Products' activities were divided into two main parts, product management and product development. Product management was organized into different product groups led by product managers. The product groups had a buying function in product development projects, which were ordered from the product development unit. Product development also had as a principle the task of purchasing all of the technical development work from internal and external consulting firms, which meant that they themselves normally focussed on specification and project management.

Telco Software – Product development's internal consultants

Telco Software was an internal IT consulting unit with approx. 700 employees normally in charge of the technical development work in product development projects at Telco Products. Operations were therefore deeply integrated with the product unit and the consultants were well-versed in the Group's product development process and project model. Many Telco Software consultants worked in Telco Products premises and there were strong social ties both in development projects and among managers.

Telco Consulting – A combined internal-external consulting firm

In the middle of the 1990s, Telco Consulting was a commercial IT consulting unit with approx. 300 employees located at five offices across Sweden. The company carried out systems development and integration, and business consulting. Telco Consulting acted as a boundary-spanning unit within the parent organization, Telco, with clients both inside and outside the limits of the company group. The unit's assignment was to offer customers integrated solutions adapted to their unique needs and existing IT- and communications systems. This demanded a highly flexible organization that was able to assume many different roles, mostly externally but also internally. The fact that Telco Consulting had no direct product responsibility of its own for technical platforms led to their having close cooperation with other actors in the Group. A large portion of Telco Consulting's business thus involved consulting assignments in which the unit served as a development unit for, among others, Telco Products.

The development of VCC

The assignment and the uncertainties

In 1995, there arose in Telco Products an increased interest in the possibility of offering customers advanced telephony applications with the aid of the Intelligent

Network (IN). The new possibilities of IN technology would, for example, enable the administration of corporate customers telephone queues to take place in the telecom network instead of in their own PBXs⁷. However, the management of Telco Products⁸ had only a vague idea of what the market wanted. They saw the need for understanding the market and were able, by way of headhunting, to recruit a product manager⁹ from one of Telco's customers, a bank that had recently introduced a new call center.

Call centers often contain advanced systems solutions for administrating all incoming telephone calls, routing calls to agents with the proper expertise profile, as well as enabling automatic connection to supporting systems such as customer databases and ordering systems. Such solutions had earlier been based on equipment located at the company site, most often a combination of PBXs and various computers and data networks. Telco's idea was to use the new platform to offer call center solutions as a network-based service. This meant that customers would be able to lease an advanced service without the need for investing in their own equipment. From Telco's horizon, the ambition was to move the functions from customer-located equipment to the telephone network and in this way bind the customers even more tightly to Telco.

The new product manager took his appointment before there was any product, which was very unusual for Telco Products. His assignment comprised increasing the degree of refinement of Telco network services by developing and delivering functions for *call center solutions*. The vision for Telco Products' investment in the area of call centers was as follows:

Telco shall be the leading Call Center supplier/integrator on the Swedish/Nordic market, and have achieved an international position as a Call Center developer. (Call Center Business Plan for 1997-99)

There were both technical challenges, in implementing the new network-based call center service, and the question of what functions customers would want. The product manager had good insight into call center systems designed in the classical fashion, that is, those based on customer-located PBXs. However, the new technical platform yielded infinite possibilities, making it difficult to define a new type of conceptual solution where this logic could be integrated as network services.

The product manager wanted to come closer to the market to get help making all of the choices that had to be made based on the customer's needs and wishes for the new technology. In Telco, however, people were not accustomed to working this way – with the customer involved in the product development process.

⁷ PBX = Private Branch eXchange, a private telephone network used within an organization.

⁸ Although Telco Products was formally established in 1996, for reasons of simplicity, the preceding product organization is also referred to as such in the chapter.

⁹ Several product managers were later associated with VCC, but, unless otherwise specified, the reference throughout the chapter is to this original product manager.

Pilot project established with RTC

Entirely independently of Telco Products' plans to develop network-based call center services, one of Telco's biggest corporate customers, RTC, had begun to specify its needs for a new call center solution. The company was namely in the process of carrying out radical changes to its call center. RTC's wishes included integrating several geographically distant PBXs and introducing new functions to facilitate planning and management of its operations.

RTC needed a new solution

RTC had purchased all of its PBXs from Telco but it has previously been the railway network agency, Banverket, who was responsible for operations and maintenance. Together with Banverket, RTC had thus built up a great deal of technical knowledge. At the same time, RTC was interested in how telecom technology could help to change and further develop their activities. RTC was thus both knowledgeable and a demanding customer. In 1995, they began to experiment with new ways of working. Computer-integrated telephony, i.e., integration of the IT environment and the telephone network, was one of the needs that crystallized. RTC began a study of the market, but to its disappointment found that there was no supplier able to present solutions that met RTC's specific demands.

RTC would be forced to develop the new solutions itself, or enter upon a joint development project with a supplier in the field. At this time, the new IN (Intelligent Network) technical standard¹⁰ was also emerging, and knowledgeable technicians at RTC understood the new possibilities this technology could offer. Because RTC had a widely distributed solution due to the organization being spread across the country, they saw great possibilities in moving functionality from their own PBXs to the telephone network and thereby escape their dependency on geographical considerations. At the same time, the virtual centralization of their solution would enable better accessibility without RTC having to employ more agents. In order to develop a network-based call center solution, however, they had to work together with a network operator. This led to their contacting Telco Sales to find out what was happening in the area. Following an internal study, the marketing company responded that they were unable to supply anything that met the needs expressed by RTC.

Telco sought to strengthen its relation with RTC

Relations between Telco and RTC were already strained and the fact that Telco was unable to come up with a proposal for a solution did not help matters. Telco Sales therefore brought in a consultant from Telco Consulting to as "plaster" on the wound. As a business consultant to RTC, this person worked to support the cooperation between Telco and RTC and happened also to hear of a similar project that other colleagues at Telco Consulting had started. That project, in which Telco Products was

¹⁰ IN – Intelligent Network – was a new standard that enabled the telephone network to be expanded using intelligent nodes which in turn enabled the development of advanced services such as network-based telephone answering and mass calling services for telephone voting for TV etc.

the client, was putting the potential of IN technology into practice in the form of new types of products. What was being developed there seemed to agree with the needs of RTC.

Telco now had more information to offer RTC. Thus Telco Sales invited RTC to a demonstration of a network-based service. RTC's representatives were impressed:

Telco isn't just talking about it, they're already working on it. (Technician, RTC)

A new type of solution specified

Work to specify a solution for RTC began and Telco Consulting worked closely with the customer to design a solution that would both meet RTC's requirements and the implementation of which would be technically feasible. RTC agreed to a number of minor compromises in its requests, which were both detailed and demanding, but would basically be getting what they needed. RTC had nothing against being involved in Telco's product development as a pilot customer since it had been unable to find a finished solution to meet its needs. RTC was, in addition, already accustomed to working like this. The development of engines, for example, often took place with the input of RTC engine drivers.

In the extensive specification work that followed, Telco Consulting consultants and Telco Products' product management worked head-to-head with RTC. The distance between the marketing company and the technical development work thus grew.

The relation with RTC was bad and it was important that something be done, but it was mostly the companies behind Telco Sales that clinched the deal. (Manager, Telco Consulting)

Through its collaboration with RTC on the specifications, Telco Products had now gained a clear picture of the goal for the development of the network-based call center functions. RTC was a customer with a great deal of knowledge on Telco products and services. Along with its specific demands, this meant that RTC assumed the role of *lead-user*,¹¹ that is, a customer that, through its advanced use of products/services, assisting in its development.

Telco's plan for VCC crystallized

Telco saw the development work as a two-step process. The first step was the pilot solution for RTC, and the second, in part an overlapping step, was the industrialization of a standardized service that could be marketed to the corporate market. The *RTC project* was thereby seen as a part of the Capture Ideas- and Evaluate phases of Telco's product development process. The work that followed would include other activities of the development process, including the final phase, Industrialize, from which the project got its name, i.e., the *industrialization project*. The following figure illustrates the idea behind the two projects (Figure 2).

¹¹ Eric von Hippel (1986) suggests that the majority of new innovations come from lead users rather than from the supplier's own inventor workshop.

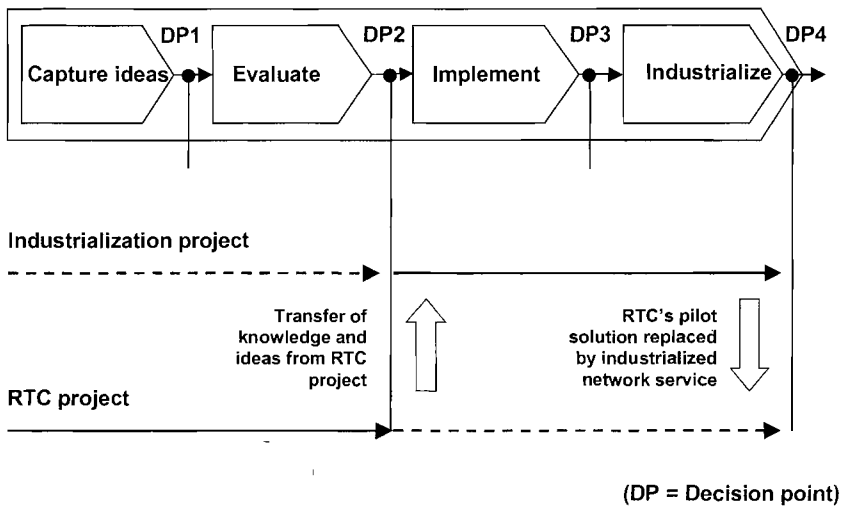


Figure 2: The idea behind the two development projects

Telco Consulting sent a quote for development of the entire RTC solution to Telco Products. They would be responsible for development costs and, when the system was taken into operation, would receive payment from RTC through traffic-related charges. The costs would be spread out over telephone traffic and would be billed by Telco Products on a running basis via Telco Sales. The pricing model thus changed Telco Consulting's assignment from that of external consultant for RTC to an internal project financed by the product unit. RTC was, on the other hand, an indirect end customer and in practice the recipient of the solution. The contact between Telco and RTC therefore came to flow through two parallel channels. Telco Consulting specified the functions and user interfaces directly with RTC and, with a slight delay, the financial discussions took place between RTC and the marketing company, backed by Telco Products.

This division into functional- and financial parts meant that Telco Consulting was given a central role without needing to take financial risks itself. The solutions specified always had a formal purchaser in the end. Customized special functions were paid for by RTC directly, and some of the costs were absorbed by the marketing company, but most were paid by Telco Products, who took the business risk with the function agreement. The diagram below illustrates the channels of contact (Figure 3).

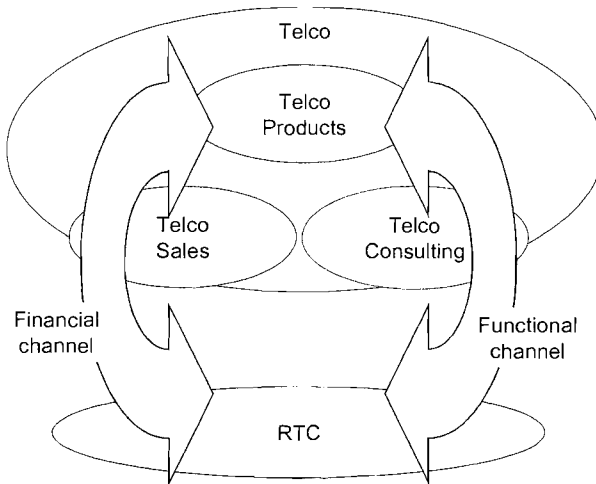


Figure 3: Division into a financial channel and a functional channel

Development in the RTC project

The RTC project began in early 1996. The development project involved consultants from Telco Consulting working closely with personnel from management and operations for RTC's call center as well as technicians from RTC's support sections for telephony and datacommunications. The technical solution was in many respects the first of its kind in the world, and new technology was developed and integrated to enable implementation of the new services.

For a project in Telco Consulting, the RTC project was unusually formalized. A consultant who in an earlier position had worked with systems development in the defense sector served as project manager. Even if the project was very well-run within Telco Consulting, it was carried out rather secretly and without obvious support in the product boards and other decision-making bodies that managed the project portfolio in Telco Products.

RTC was skunk work. It was put past the product board when it was too late - probably May 1996 - when 10 guys had already been working on it since January. We gradually got the OK to continue, but only got money for two weeks at a time all through the spring. (Manager, Telco Consulting)

As *skunk work*¹², the project was able to carry on without interruption even though the financing did have to be established bit by bit. However, problems arose with respect to the technical integration with the telephone network. At first, those responsible for

¹² By "skunk work" is meant work carried out behind closed doors, without the official support of company management. Research has shown that it is often out of such work forms that radical innovation evolves. See, e.g., Quinn (1985).

Telco's network, and for ensuring reliability and security, did not want to integrate RTC's unique functionality with the public network. In the end, however, in that the project did have the backing of upper management, among others the CEOs of Telco Sales and Telco Products, it did receive the required support.

Intensive knowledge development within the project

The development work meant that many new technical functions had to be developed. A number of technical functions were fairly general so were not dependent on RTC, the one setting the demands. This included, for example, the creation of a centralized voice response system and a virtual telephone queue in the telecom network. New statistics services connected to the telecom network and new methods of payment were also developed.

The core of VCC was to create a solution that could integrate the customers' and Telco's data networks with the telecom networks. This meant that RTC's technical systems environment became to a certain degree integrated with Telco's. It also meant that a number of different Telco networks would co-exist since the technical solution was dependent on the data- and telecom networks working parallel to each other. While the telephone traffic itself was handled in the telecom network, administration of accounts and customers etc. occurred namely in an administrative channel in the data network. Much of the technical development work therefore dealt with achieving parallelity between the two channels.

Other system functions, however, were based on RTC's specific needs. For example, RTC's representatives were involved in the development of functions and user interfaces for the telephone operators' PC applications. Their experience of running call centers was also a starting point for the design of statistics functions for telephone queue status and operator staffing, etc. In general, the consultants at Telco Consulting and Telco Products' product management learned a lot about call center operations and management from the RTC project:

Telco has learned how RTC's call center works: The philosophy of how you organize and man a call center to achieve high efficiency. How you can build soft parameters into the system, and what loss of operations means for us, from an economic standpoint. (Purchaser, RTC)

The knowledge development in the RTC project was intensive from the very beginning and was due, among other things, to the boundary-spanning position of Telco Consulting in the Telco Group. One of the reasons for this was Telco Consulting's original and traditional role – that of creating specially tailored solutions. Another was that many consultants served as project managers or investigators for Telco Products, that is to say on the purchasing side of both the platform project and customer solutions. A third factor was that, when the original industrialized platform did not materialize, the platform development ended up at Telco Consulting. The various roles played by Telco Consulting in practice constituted different types of consulting services that can basically be divided into business/operations development, project management and systems development (see Table 1 below).

Table 1: Telco Consulting's roles in VCC¹³

Type of service	Telco Consulting's three roles in VCC		
	<i>Customize RTC solution</i>	<i>Support for Telco Products' product management</i>	<i>Development of the industrialized platform</i>
<i>Business development</i>	Support for RTC's own business development	Support for business/product development Business support for working the market	-
<i>Project management</i>	Project management - development of RTC's solution	Project managers for business development/product management. Project managers for product development.	Project managers for development of the final industrialized platform.
<i>Systems development/integration</i>	Pilot solution Adaptation of platform to customer Custom add-ons	-	Help with original platform project. Development of the final industrialized platform.

A consultant could be busy setting demands for customized functions with managers at RTC one day, and helping with product planning at Telco Products the next. These individuals were central to the process since they served as knowledge brokers between RTC, developers at Telco Consulting, and other units within Telco, above all Telco Products' product management. Their role as brokers also led to their developing a valuable combination of market knowledge and technical knowledge, which was important in implementing the right functions and the innovative new pricing model and function agreements.

The transfer of knowledge to product management was extensive

The product manager was often seen spending time at Telco Consulting. He was very receptive to the ideas and knowledge represented by the RTC project. Telco Consulting's direct contacts with the customer thus yielded product management an effective channel to the market. The knowledge gained by the consultants was transferred to the product unit via internal means, such as business support and project management assignments etc.

¹³ In connection with moving the product responsibility to Telco Consulting, the company also took on the role of product manager. However, this was after the development work of the first industrialized solution was complete.

In the business support assignments carried out by Telco Consulting, the consultants had a designated responsibility to bring knowledge from the market back to Telco Products. This was done both via monthly reports as well as spontaneously when something of special interest had been noted. Telco Products' product management was of the opinion that things were working well, even if they also understood that Telco Consulting itself was doing most of the learning.

The RTC solution secured a three-year telephony agreement

When development was complete, a trial phase was entered, during which a number of minor technical problems could be ironed out. At the same time as the test operations were being carried out, a backup solution was also drawn up. Once the problems had been corrected, it was time to connect the new solution to the telecom network. This was a highly advanced and sensitive operation, and required more than one arduous start-up attempt before complete functionality was working satisfactorily. On the third try, the entire solution was up and running. All of RTC's incoming calls were routed directly from the telephone network to the new system. It was like opening a floodgate, and those responsible held their breath once again as calls began to pour in. Would there be sufficient capacity? Were there serious bugs left in the software? After a few hours of operation, they were able to let out a sigh of relief. The new solution was "chugging along" and RTC was a satisfied customer. As proof of this, Telco took home a three-year contract for services as well as for all telephony that RTC had previously purchased from Banverket. Through the VCC project, the Telco Group had thus won back responsibility for RTC's extensive telephony traffic.

Parallel industrialization project began

The pilot project with RTC was seen by many at Telco Products as a temporary solution without future prospects. The project's origins and strong ties to one particular customer were a concern to the product unit. One manager at Telco Consulting recalls the talk circulating at the time:

They went about it the wrong way! It came out of the market and we couldn't answer the usual questions like: "Is this an Ericsson standard? Can it be industrialized? Will it work on a large scale?" There was also the political truth: "We're supposed to buy things not make them." Despite this, there was a lot that Telco did itself. But if it was going to be done internally, it should be done right, i.e., in 100% accordance with the product development process. (Manager, Telco Consulting)

The industrialization project followed the established structure

In contrast to the RTC project, the industrialization project was managed as a traditional development project in Telco. The project began about two months after the RTC project and Telco Software was responsible for the technical development work. In Telco Products, they were accustomed to working according to the established structures and processes. This meant that established work methods were followed. The development process was managed according to the official product development process and project model.

A fundamental concept of the industrialization project was that the system should be made up of a standardized core, to which custom modules could be added. Development was very demanding and the need to create an open system architecture with plenty of room for possible customer adaptations was great. In addition to implementing the technical solution, organizational, administrative and business innovations were also required in order to make changes to processes and models for operations and billing etc.

Insufficient knowledge transfer from the RTC project

The idea was that the experience from the pilot project with RTC would be used in the industrialization in that some of the consultants from Telco Consulting would be included in the new project team. However, this transfer proved to be problematic for several reasons, the first of which was that consultants familiar with IN technology were in short supply because many projects had been initiated in the area of IN, not least within Telco Products. Another reason was that it was difficult to move resources from the ongoing RTC project without jeopardizing the time schedule there. A third reason was the large geographical distance between development projects. The RTC project was developed in Uppsala, in central Sweden, while the bulk of the industrialization project was developed in Malmö, in the south.

Because of the failing communication between the RTC project and the industrialization project, the two systems were developed with significantly different technical architectures. The biggest difference was how the IN standard was interpreted. In the RTC project, Telco Consulting had placed as much logic as possible outside IN to heighten the flexibility of the solution. In the industrialization project, on the other hand, they were careful to adhere to IN guidelines and thus chose another technical design.

Delays led to lowering the level of ambition

In December 1996, the industrialization project was approved at decision point two (DP2) of the product development process, meaning that specification of the service was considered complete and it could now be implemented. According to the schedule, the project would be complete the following summer. Telco had signed a general agreement¹⁴ with the Swedish State in which they guaranteed delivery of certain parts of the VCC system at that time at the latest.

RTC's solution was a highly advanced corporate solution that required computer-based workstations for the call center's agents. It was, however, far from the simple service for the mass market that VCC should have been according to Telco Product's original plan.

In order to handle both the advanced functionality (such as RTC's solution that included computer-integrated telephony) and a less complex telephony version, the industrialization project would build on a solution with modular functionality that

¹⁴ A so-called *Stattel* contract between the federal government and Telco.

could be added to. The possibility would exist, for example, to use regular phones as well as complete PC solutions for agents. However, the PC version would come in a later version of VCC. These extensive demands proved overwhelming for the project.

In the fall of 1997, the industrialization project was still not complete and, in an attempt to save the situation, a two-day crisis meeting was held in Nynäshamn with representatives from both of the development projects and Telco Products' product management. It was decided at this meeting that, among other things, the development of certain features of the industrialized platform would be discontinued.

An industrialized platform via carbon copy

The product manager at Telco Products wanted to launch VCC onto the market despite the fact that the industrialized service was not fully developed. It was something new and unique and was an important symbol of Telco's new vision. Even RTC helped in the marketing of VCC. They were proud of their new solution and wanted to see more customers using the VCC platform in order to secure their investment for the future.

VCC was a totally new concept for building call center solutions. This meant that many companies showed an interest in the system. The RTC solution was shown at trade shows etc., where the VCC booth was always well-visited. There was thus substantial and growing pressure from the market. This was important for product management and therefore discussions on VCC solutions were entered, parallel to the RTC project, with two more of Telco's corporate customers. Officially, it was the marketing company that handled the negotiations, but, in practice, it was mainly a consultant from Telco Consulting. This was an intrepid person who tirelessly sought out even more clients for the half-finished VCC under the mantle of a paid sales support consulting assignment for Telco Products.

The growing demand made it increasingly important to come up with an industrialized solution. The fact that the pilot project was repeated with several customers was, in itself, something that Telco Products accepted to begin with. As time went on, however, and the industrialization experienced delays, Telco Products' product management began to get worried. They did not want to end up with too many different custom solutions to develop and maintain in the future. The pressure from the market was therefore to be dealt with by coming up with a transitional solution where customers were only able to buy a pure *carbon copy* of the RTC solution, or of one of the other completed customer solutions. By re-using finished solutions, with the existing functionality and design, every individual customer's solution would not have to go through all of the stages of the product development process.

In order to come up with an industrialized technical solution quickly, it was also decided at the Nynäshamn meeting that an attempt would be made to buy an existing technical platform on the market. The desire to find such a platform was founded in the problems with the industrialization project, which had consumed a lot of resources. Even though, given time, the project would reach its goal, there was concern that the cost of future developments would be too high. An external consultant was brought in to carry out the analysis work. After close to a year of work and substantial cost, the

external alternatives had to be abandoned. It had namely proven that there was no external technical solution that used the signaling protocol that Telco Products management demanded. The desire to purchase an external platform, rather than develop one internally, therefore conflicted with the detailed technical specifications. What would they do now? The VCC project still needed an industrialized solution – in part for the existing customers who currently had six different variations of the RTC solution. It would be way too expensive to develop these more and to provide support for so many customized solutions. In addition, there was still a big interest in VCC from the market.

“We just couldn’t stop the train,” explained one consultant at Telco Consulting. With more big companies as VCC customers, product management felt obligated to continue with its own development. Therefore, in 1999, Telco Consulting received the assignment of also developing, a third attempt, the industrialized version of VCC. The assignment comprised creating an industrialized platform for the different customer solutions, and adding support processes such as administration, operations and billing to the product unit’s existing processes. Through its work on several different customer solutions, Telco Consulting had a good idea at this stage of what customers were looking for and what could be achieved in VCC from a technical standpoint. This knowledge turned out to be a key factor in the development of the industrialized platform. At the same time, the target group for VCC was redefined as big- and medium-sized customers, rather than small- and medium-sized as in the original plan. This made it possible to make the industrialized platform less extensive with respect to automated routines and connecting to various administrative systems for support and billing etc. In all, it meant that the development work for industrialization became manageable. On 11 April 2000, the new industrialized version of VCC was ready and the existing customers were gradually moved over to the new platform. The figure below (Figure 4) shows the development and phases of the VCC project that led to the final industrialization.

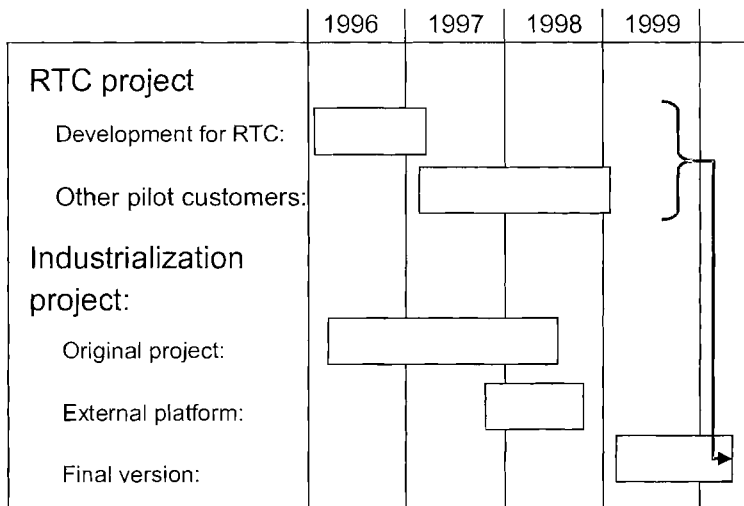


Figure 4: The VCC project time line

And then what happened?

The case of VCC deals above all with how VCC came about, starting from the initial ideas, the pilot solution for RTC, and the subsequent industrialization project. What happened after the final industrialization was complete, however, also has bearing on the analysis that follows. Thus, a few lines are given here to recap the most important events that followed the completion of development of the first industrialized version of VCC.

The RTC solution still “on track”

Today, RTC has one of Sweden’s biggest call centers, with its VCC solution handling over 10 million calls per year. They were happy with the system, which led to renegotiation of the contract between Telco and RTC at the end of 2000. However, RTC had concerns that Telco took its time with the industrialization and that marketing was not more extensive. The latter was a point of irritation for RTC since the further development of VCC could be at risk if there were not more customers to share new investments in the platform.

I don’t understand why Telco doesn’t market this more aggressively. I am disappointed, not just as a customer, but also because I feel like I have a part in the service’s existence.
(Purchasing representative, RTC)

The purchasing representative’s frustration over the weak marketing later led to his starting at Telco Consulting and becoming responsible for selling VCC. He is hereby again fully involved in the fate of VCC.

Product responsibility for VCC moved to Telco Consulting

During the period covered in the case study, Telco Consulting had extensive, if somewhat unclear, responsibility as Telco's systems integrator of customer solutions. Through VCC and more responsibility for other similar platforms, however, Telco Consulting underwent a change. The company increased its focus on what came to be known as "customer relation solutions". In the following years, 2000-2001, this focus continued. This meant that Telco Consulting increasingly became its own autonomous supplier of customer solutions, rather than Telco's consulting company, with an increasing need for its own technological platforms. Consequently, the responsibility for VCC was moved to Telco Consulting at the end of 2000.

On Friday, 15 December 2000, the decision was taken to move VCC from Telco Products to Telco Consulting. In connection with this decision, four persons currently working at Telco Products have been offered employment at Telco Consulting (Telco Consulting's intranet, 2000-12-18)

At this point, VCC had about 20 customers and annual revenues of tens of millions SEK. The transfer was carried out relatively painlessly and market expansion continued under the direction of Telco Consulting. Toward the end of 2000, the 'bubble' of the *new economy* burst, and the merry days of many an IT company came to an end. Despite this, VCC continued "on track" and in the imminent economic downturn, the pricing model (function agreement with running costs rather than a large initial investment) became an asset as the desire to invest fell.

Analysis: Product development through consulting services

Sometimes market surveys are just not enough. When the technology or the market is new or unknown, more intensive interaction with the customers is necessary. This is a claim made by, among others, Dorothy Leonard (1995), who calls this type of development *empathic design* and stresses the need for a deep understanding of the implicit needs of the customer. This demands a close and direct interaction with customers, which is characteristic of development of customer solutions.

Most people who have researched the development of customer solutions stress the distinction between this type of activity and large-scale industrial product activities.¹⁵ The following analysis will however investigate what happens when these types of activities are intertwined, as well as the effects they have on product development. The case studied is looked at with respect to three different dimensions:

1. cultural dimension – the thought worlds and business logics
2. political dimension – the politics involved in the development of VCC
3. technical dimension – an illustration of the importance of the technical platform

¹⁵ Examples of the contrasts (Davies et al., 2001; Foote et al., 2001; Hax and Wilde, 1999; Sharma and Molloy, 1999).

The aim is to use these three dimensions to illustrate how different attitudes and rationalities meet, and the consequences they have on the course of events in the case studied.

What we find is that the “consultative component”¹⁶, personified by Telco Consulting, had a central role in the RTC project, while at the same time the specific consulting logic also created problems in the meeting with the product logic of the established organization.

The cultural dimension: consulting logic vs. product logic

Dougherty (1992) has studied how different functions within a company work together in the development of new products. Dougherty claims that these functions act on the basis of different thought worlds and defines four different types of functions: technical people, field people, manufacturing people and planning people. Dougherty admits that if one observes the different functions from their surrounding environments her analysis coincides with the normal stereotypes:

Technical people never settle on a design, field people are short term, manufacturing people always say no, and planning people are conceptual. (Dougherty, 1992, p. 324)

However, if the analysis takes its point of departure in the respective thought world's own perspective, that is, from the inside out, we find that everyone is striving toward the same goal, a successful product. Nevertheless, each thought world focuses on different parts of the development.

In VCC, all of the above thought worlds were represented. Product development at Telco Products and the closely integrated activities within Telco Software fit the description of the *technical people* since their focus lay on product specifications, rather than on what the customer was going to do with VCC.¹⁷ On the other hand, many of Telco Consulting's consultants worked closely with the customers and, even if many of them were technicians, the special nature of the organization can be described as *field people* since the work occurred in close contact with the end customers, above all RTC. *Manufacturing people* can also be found. These were the people who at all costs did not want to let customer solutions into the distinctly operative environment. Because the production occurs for the most part through an automated service, however, the manufacturing people are relatively peripheral in this context. And finally, product management constitutes a good example of the *planning people*, with their focus on abstract concepts and plans. Through the different assignments of the consulting unit, however, product management worked more closely with the customers than they normally would.

The peripheral role of the manufacturing people combined with product management's contentment to maintain close relations with the customers through Telco Consulting, meant that two thought worlds came to dominate – that of the field people and that of the technical people. The thought worlds thereby stemmed from two different business

¹⁶ See Sharma & Molloy (1999).

¹⁷ Cf. Dougherty (1992).

logics – the consulting logic of the field people and the product logic of the technical people.

Volume manufacturing differs from the production of individual products, and the two have different business logics normally consisting of different sequences of activities. Volume production starts with development, after which comes production, and only then – when the product or service is complete – marketing and sales. In individual product manufacture, on the other hand, marketing and sales are introductory activities and, using specific customer wishes as a point of departure, development and production of the desired product or service then follow. Woodward (1965) suggests that the different business types give rise to different organizational forms. Individual product manufacture often takes on an organic structure, while the structure of volume production becomes more mechanistic.¹⁸

Within the framework of VCC, these two business logics, i.e., the product logic corresponding to volume manufacturing and the consulting logic which is comparable to individual product manufacture, met (see also Table 2 below).¹⁹ The *product logic* is personified above all by the product development side of Telco Products, along with the strongly associated internal consulting unit, Telco Software. The product logic meant that the main driving force was technical development, through which a relatively homogeneous market would be offered new products and services. The time horizon for planning was relatively long and the operative focus lay on efficiency – doing things right – with productivity and repeatability held up as a guiding light.

The second grouping was more oriented toward a *consulting logic* and was made up of Telco Consulting and the product manager, as well as a number of other supporters who felt the time had come to reform Telco Products' product development process. In the consulting logic, it was the unique requirements of the individual customer that drove the business, and the planning horizon was short. The idea was to satisfy the customer's needs, and the order book often contained only activities for the nearest quarter, which explains the constant focus on keeping the consultants busy for the immediate period, rather than making plans for years to come. Optimization of activities was primarily related to effectiveness – doing the right things.

The differing business logics and the differences touched on above meant that there were also at least two different schools of thought regarding what VCC was and how it should be managed. This, in turn, created a political arena where the two logics met.

¹⁸ Cf. Burns & Stalker (1961).

¹⁹ Nambisan (2001) identifies a similar distinction based on a study of a number of IT consulting firms that have "productified" their services. However, Nambisan divides his categories differently.

Table 2: Two different business logics

	Product logic	Consulting logic
Normal sequence of events	Development and production > Marketing and sales	Marketing and sales > Development and production
Organizational form	Mechanistic	Organic
Driving force	Technology push (toward a homogeneous market)	Market pull (from individual customers)
Planning horizon	Long-term	Short-term
Operative focus	Efficiency, productivity, repeatability	Effectiveness, flexibility, individuality

The political dimension: Small vs. big

The tension between the consulting logic and the product logic added to the existing two-part division within Telco Products, where a political polarization between the product managers and the development unit already existed. The two factions represented different thought worlds and the distance between them was, in addition, reinforced by the fact that the company's organization and management was very hierarchical.

Consulting logic, represented by Telco Consulting, fit well with the conceptual thought world that dominated in product management. Together, they represented a somewhat rebellious corner in comparison to the established structure, represented by Telco Products' product development and the integrated consulting unit, Telco Software.

As a small, deviant project in the established structure, the RTC project was carried out on the border of what was possible, both technologically- and organizationally speaking. The established product logic questioned the decision to invite a customer to be a part of the development process, and implementing customer-specific functions deep within the telecom network was also controversial. The product manager at Telco Products played a key role in VCC's even being developed at all.

The product manager was a lobbyist! He spent endless time lubricating the project the whole way. He was extremely important. Much of what was done bordered on what the process and organization was capable of, and the reason why it worked was probably all of his sweet-talking. He held talks and lunches left and right and made a conscious political effort. (Manager, Telco Consulting)

Later, the product manager used his political intuitiveness also in his conscious attempts to create market pressure on his own organization, which he felt was much too sluggish and introverted. The selling assignment outsourced to a consultant from Telco Consulting was a part of this.

As more companies were asked in as pilot customers, at the same time as the industrialization project was behind schedule, the responsibility for the technical platform became a pivotal issue. Telco Consulting had an overall responsibility in

VCC, as in its business in general, for integrating customer solutions – “IT for the customer”. At the same time, Telco Software was chiefly responsible for the technical development of Telco’s products and services, as well as underlying platforms, that is, the product range that was not customer-specific – “IT for the product”.

In VCC, drawing the line between the platform (Telco Software) and the customer solution (Telco Consulting) was difficult because the functionality integrated in Telco’s network was highly customer-specific. It was therefore unclear who would be responsible for VCC. With close integration between the end customer solutions and the industrialization project, Telco Consulting risked losing influence over the technical platform. They feared that this could very well happen since the internal consulting unit was already deeply integrated with Telco Products. Without a sound knowledge of the technical platform in VCC, even future customer assignments such as systems integration and customer adaptations would be threatened.

At Telco Consulting, we’ve viewed our involvement as an important complement to Telco Products. However, if we lose platform development like VCC to other units, we not only lose our internal assignments, but also our complementary services. (Marketing manager, Telco Consulting)

The transfer of knowledge and experience from RTC to the industrialization therefore began to suffer as a result of Telco Consulting’s wanting to keep the know-how within the RTC project. And though some consultants were made available to work on the industrialization project, the RTC project always received the highest priority. Therefore, in the rhetoric within Telco at this time, Telco Consulting attempted to tone down the generality of the RTC project and referred to it instead as an “end customer solution” for RTC.

Involvement in the industrialization project, however, was an important gesture to product management. It also provided good insight into the project. Telco Consulting found itself, in addition, in an expansion phase and rarely turned down assignments that fell within the right technical area and/or areas of application.

In summary, we can thus say that the established product logic dominated the political arena. The pilot project with RTC represented something new. In that the project, and other customer projects that followed, helped to develop deep relations with several important corporate customers, however, it was able to survive and undergo development despite its relatively small size. RTC and some of the other customers already had their pilot solution, so, even if it was viewed as “skunk work” or “quick and dirty work,” development could not be abandoned. At the same time, product management was forced, for political reasons, to support product development because they still represented the established structure whose ideas dominated.²⁰ The differences between the consulting logic and the product logic gave rise to political fall-out that continued at length and delayed the entire VCC project.

²⁰ Normann (1975) describes how companies often develop “truths” that are taken for granted in an organization. He calls this *dominating ideas*.

The technical dimension: The platform as a means or an end

The political struggle was largely related to responsibility for the technical platform. The platform held different functions for the different players, however, since their actions were based on different thought worlds and backgrounds.

For Telco Consulting, the technical platform was a *means* by which to meet the customer's specific needs. In the past, the consultants had worked with similar systems functions, although these were often implemented through a combination of customer-located hardware (computers and corporate PBXs, etc.) and advanced customized software.²¹ In the case of VCC, Telco Consulting had to come up with similar functionality in Telco's network. Just because the functions became network-based, however, did not mean that they were any less complex. It was sooner the opposite.

Development of the RTC solution was characterized by an adaptation to customer requirements. At the same time, integration into the telecom network must also work. This meant that the standardized, orthodox use of IN technology was limited in favor of a more pragmatic technical solution. Large parts of the systems logic were therefore placed in a server outside the more rigid IN in order to increase the degrees of freedom and facilitate the development work.

For Telco Products and Telco Software, the technical platform had another function. Here, it was more of an *end*, through which they built their business logic. They valued, to a larger degree, the possibilities for integrating the platform into their own technical architecture, for administrating it, and for making the billing process etc. easier. Telco Software was accustomed to developing and administrating standardized network services. VCC was not seen as an exception to this, and the industrialization project took place using coordination as a guide. The IN standard was thus strictly followed to ensure compatibility with other components in the network, as well as with the requirements and expectations of other functions in the company. Also, the original technical platform, the network-based ACD, was built in this way and it had been Telco Software who had developed parts of that technology from the beginning.

Due to the lack of a tie between the different development initiatives, the different methods of attack resulted in the pilot solution and the industrial platform not being compatible in terms of basic systems logic.

Summing up the knowledge transfer and its consequences

The development of VCC was successful in many respects. A unique network service with highly advanced functionality was created and several big corporate customers were attracted by the new possibilities it offered. As a whole, however, the development suffered from problematic transfer between the RTC project and the development of the industrialized platform. These problems delayed the development work and led to the industrialized solution not being compatible with the customers' pilot solutions. The problem stemmed from a failure to transfer knowledge between the development projects. The table below (Table 3) presents a brief summary of the

²¹ These solutions were examples of complex product systems (CoPS). See, e.g., Hobday (1998).

three dimensions and some of the reasons for the transfer of knowledge-related problems and consequences thereof.

Table 3: Summary of the dimensions

	RTC project	Industrialization project
Cultural dimension	Acting on basis of consulting/assignment logic. Thought world characterized by individual customer needs.	Acting on basis of product/planning logic. Thought world based on products for homogeneous market.
Political dimension	Is small entity, outside established structure. Product management is bridge to established organization. Challenges established structure. Has important customer relations.	Is part of and defends established structure. Has mandate to supply platforms. Does not have time to industrialize.
Technical dimension	Platform = means. Customer solutions = end. Not compatible with industrialization project's technology.	Platform = end. Customer solutions = means. Not compatible with RTC project's technology.
Consequences	Influence of Telco Consulting increased. Redefinition of VCC offering.	

Telco Consulting's increasing influence

The lack of knowledge transfer between the two development projects led to a lack of bonding in the connection between product management and Telco Consulting. The complex construction of VCC and the demands for customer adaptations left the product unit increasingly dependent on Telco Consulting – not least since the increasing number of customers pushed the demands, making it increasingly difficult for the industrialization, as more and more resources would be needed for the technical platform – the core of VCC. The problems with compatibility between the pilot solution and the industrialized solution, as well as the delay of the industrialization, amplified these problems even more.

Even though product management worked closely with Telco Consulting, they also felt that the consultants from Telco Consulting were being too greedy and that, due to the consulting relation, they were not taking their fair share of the financial responsibility for VCC.

I think they start the meter before they call me! (Product manager's successor)

The product unit wanted the consultants to cooperate more with them and view Telco Products as an internal partner rather than a client. There was also concern about the consultants' hidden agenda in internal discussions and negotiations. Their increasing dependency on Telco Consulting had led to an asymmetric relation, meaning that Telco Products felt trapped when it came to making decisions. One manager from product development at Telco Products expressed this as:

"We have no resources of our own for systems development. Telco Consulting might see ways to make our business their own." (Manager, Product Development, Telco Products)

The above statement illustrates the growing frustration in Telco Products of Telco Consulting's having taken over a bigger portion of VCC. This was in part due to their having important customer contacts and in part also to their having good insight into the technical solution. Telco Products' misgivings later turned out to be justified in that the responsibility for the product was transferred to Telco Consulting. Even before that, however, there were more people from Telco Consulting involved in VCC than there were from Telco Products.

The VCC offering is redefined

From the very beginning, Telco Consulting saw VCC as a means by which to create customer-adapted solutions that, in the eyes of the customer, were unique. The increasing influence of Telco Consulting therefore led to a change in direction for the VCC service. VCC increasingly became a platform for specially tailored solutions rather than a standardized service that generated traffic-related earnings. In the end, Telco Products was forced to give Telco Consulting the task of developing the industrialized solution. The direction taken thereby followed the existing customer solutions (including that of RTC), and the platform was designed with big customers as the primary target group, instead of small- and medium-sized customers as originally planned.

In redefining VCC as an advanced platform for creating solutions that customers view as unique, a transferring of the responsibility for the product over to Telco Consulting was natural. It is worth noting here that parts of the service continue to generate business for other parts of the Telco Group, not least the substantial telephone traffic in the parent company's network assured through these customer solutions.

A winding- yet educational journey

The case of VCC indicates that there is much knowledge created in connection with development of customer-unique solutions. The fact remains, however, that having many such solutions represents a great challenge since they involve combining product logic with consulting logic. This is illustrated in the chapter by the cultural dimension, political dimension and technical dimension. And though the goal was reached in the end, the analysis here demonstrates a number of areas of tension that led to the VCC project's journey being a winding one. What, then, can we learn from VCC?

The “consultative component” – a strength and a risk

The “consultative component”²² is a central part of developing customer solutions. In that the solutions are driven by customer demands, rather than the content of a catalogue of existing products, there exists great opportunities for knowledge development, both for suppliers and customers. In the case of VCC, this learning occurred for the most part within Telco Consulting, but knowledge was also transferred to product management.

Although consulting services can serve as an effective “glue” in the development of customer solutions, there are also risks involved in delegating parts of product development to consulting units. In the development of VCC, Telco Consulting’s great ability to adapt led to their taking over roles and responsibilities of other units. The increasingly deeper involvement of the consulting unit was necessary to secure the existing accounts, but it also led to a gradual erosion of the understanding and purchasing expertise of the product unit. Wenger (1998) claims that internal knowledge brokers can be highly effective in bridging various areas of mutual interest within an organization. He also suggests, however, that they risk gaining so much inherent power that, in the end, they form a strong community of their own and lose the ability to mediate knowledge. The role of Telco Consulting in VCC demonstrates this exact effect, where Telco Products increasing dependency on them in practice led to the consulting unit eating up Telco Products’ resources for the area like hungry offspring.

Development models for customer solutions

Even if customer solutions are developed on the basis of the unique demands of individual customers, it is still not possible to start all projects on a clean slate. Too much competitive strength requires platforms that yield repeatability or “economies of repetition”.²³ They must also enable and legitimize added professional services. The needs of the customer solutions business therefore often differ from those of the product business, whose technical platforms are built with another business logic in mind. The difference becomes especially evident when products (or services) are standardized and are to be mass-produced.

In the VCC project, the ambition was to integrate consulting services with an industrialized service. Unfortunately, there was no support for this in the product development model. It was difficult, for example, to involve the customers in the development process. The requirements for documentation and routines etc. were moreover built on developing mass-produced telecom services. This made the work with customer solutions more difficult and caused delays.

Even if the experience of customer-driven development came at a high cost, Telco Products nevertheless later chose to develop voice-activated telephony services in a similar manner, once again involving RTC as a pilot customer. In comparison to the

²² See Sharma & Molloy (1999).

²³ See Davies & Brady (2000).

VCC project, however, more weight was put on creating close relations between the Telco units involved in the development work, through, among other things, coordination of geographic location.

In order to create customer solutions, the consulting services should be seen as a loosely coupled- yet integrated part of the product business. By viewing them solely as a complement added for specific accounts, which is a common way of seeing things,²⁴ we miss out on opportunities to utilize the consulting business in product development. Offering customized solutions at the same time as supplying products therefore requires an understanding of both the established product logic and a new consulting logic. This requires leadership with a high focus on the interface between the business logics, rather than merely on the separate businesses themselves. This applies in terms of both 'soft' factors, such as thought worlds, identities and patterns of interaction, and 'hard' factors, such as a clear division of responsibilities in combination with procedures that facilitate internal cooperation.

²⁴ See Nambisan (2001).

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Paper V

The Three Challenges of Corporate Consulting

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¹ On the suggestion of the editor, Telco Consulting was renamed Scandtel Consulting in this article.

² Please note that the grey area on page 59 reflect artwork that has been intentionally removed. The substantive content of the article appears as originally published.

The **Three Challenges** of Corporate Consulting

Many managers in traditional product-oriented businesses are struggling to turn their companies into solutions-oriented ones, a strategy that is widely considered the route to success in the 21st century.¹ An effective first step in this direction can be to establish corporate consultancies — consulting units whose main purpose is to provide solutions based on the traditional business's products or expertise.² That is why computer companies such as IBM are moving toward integrated information-technology solutions, telecom-equipment manufacturers such as Nokia are providing turnkey network solutions, and the train and signaling manufacturer Alstom is offering "train availability."

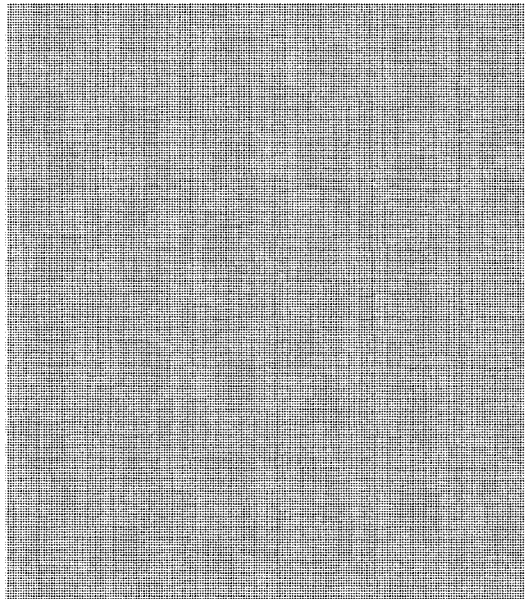
To make the transition to a solutions business, companies must develop new capabilities in consulting, systems integration, operational services and financing.³ They need to change organizational structures, strategies for recruitment and skills development, and performance measures. For some (Xerox attempting to become a supplier of "document solutions"; Hewlett-Packard struggling to integrate its broad range of products into customer solutions), making the transition all at once is problematic.⁴

Corporate consultancies can be a better alternative. Under names such as Ericsson Consulting, Shell Global Solutions and AT&T Professional Services, traditional product businesses now offer value-adding professional services. Some have been so successful they have outgrown their product businesses, indicating that creating corporate consultancies may be a first step toward complete reorientation of the organization. The new IBM was built around IBM Global Services, in part a corporate consultancy, which during the 1990s built the world's largest IT service operation. With the recent acquisition of PricewaterhouseCoopers

For many product-oriented companies, establishing a corporate consultancy can be a good first step toward a more solutions-based orientation. The challenge is to determine how similar the consulting unit should be to the parent company in identity, mission and structure.

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Consulting, IBM is also one of the world's largest business-consulting companies.

But even the intermediate step of corporate consulting presents daunting challenges. Three types stand out: the mission challenge, the identity challenge and the structure challenge. New research demonstrates that enterprises mastering those challenges not only strengthen their consultative component but also gain synergies with the product business. (See "About the Research.")

The challenges relate to how companies handle the similarity vs. the distinctiveness of the product business and the corporate-consulting unit. On the one hand, the corporate consultancy is designed to have an identity, culture and processes all its own. On the other hand, its purpose is to generate synergies with the prod-

uct business, which requires a certain degree of sameness. (See "Scandtel Consulting — Evolving in Ambiguity.")

The Mission Challenge

Embarking on a journey toward a solutions business by adding a consultative component requires a clear understanding of the corporate consultancy's mission in relation to the product business. The main rationale for the move is to exploit synergies between the traditional product business and the customer-driven consulting operation.⁵ That requires a balance between product-oriented and customer-oriented thinking.

However, even a successful balance is inherently unstable. The established product business seeks greater integration by imposing common procedures and policies on the consultancy; the consulting unit seeks growth through maximization of billable hours. The tug of war pushes the corporate consultancy either away from the product business or too far into it, making synergies difficult. A corporate consultancy that we call Scandtel Consulting typifies the instability caused by endlessly changing roles and internal debates about mission.

In defining a corporate consultancy's mission, managers may choose from four generic types of operation differentiated by their relation to the product business's value chain and key knowledge. These consultancies are: the *expert CC*, the *know-how CC*, the *spearhead CC* and the *integration CC*. (See "Four Types of Corporate Consultancy," p. 62.)

Expert Corporate Consultancies

Expert CCs exploit their professional knowledge by marketing it to external clients beyond the product business's primary value chain. ABB Financial Consulting, for example, offers consulting services such as balance-sheet management, risk management, and treasury and finance operations to organizations not necessarily within ABB's value chain. Other expert CCs include IT and technical-support units that provide external services, such as Porsche Engineering, which consults on automotive engineering. The Porsche services initially were launched to exploit free capacity, but today, external assignments are an important part of the company's business, both in terms of profit and broader technical expertise.

Know-How Corporate Consultancies

Know-how CCs act primarily as internal support units and mostly within research and development. Here the driving force is the company-specific knowledge; consultants act as knowledge brokers between different corporate units. Shell Global Solutions, established in 1996 as a demand-driven global consulting unit, represents this type of knowledge broker.⁶ Former support functions, such as product research, and technical and business services, were merged to create a unit that could compete with

About the Research

The article contains the results of a four-year, two-phase research project and draws on such sources as ethnographic data, a survey, formal interviews and various writings.

The first phase used an in-depth study of Scandtel Consulting to develop a preliminary understanding of the challenges involved in managing corporate consultancies for customer solutions. Considerable ethnographic data was accessible because one of the authors was a part-time Scandtel Consulting employee. The data included observations of informal dialogues with consultants and managers, internal meetings and workshops, formal and informal management communications, postings in electronic forums and more. Seventeen semistructured interviews and a survey concerning the perceived identity of Scandtel Consulting (141 respondents, a response rate of 50.1%) also were carried out among people within Scandtel Consulting.

In a second phase, the validity and generalizability of central management challenges found in the Scandtel Consulting case were elaborated upon and tested against data from a larger sample. Eleven interviews were conducted, mostly with CEOs and presidents of corporate consultancies. A workshop with executives of corporate consultancies on managing the challenges provided additional insights and validation. To broaden the empirical basis of the research further, 25 corporate consultancies and their parent organizations were studied through secondary material such as Web sites and scholarly literature.

Data analysis followed a grounded-theory approach (generating theory on the basis of detailed insights from fieldwork). Given the sparsity of research on the issues, case studies were considered a suitable way of building theory.

external consultants. The business focus is on internal customers' needs, but the group also serves Shell's joint ventures and other external clients.

Spearhead Corporate Consultancies

Spearhead CCs complement the product business in the external market with services that are only loosely tied to the product busi-

ness's value chain. They might be professional services that build on professional knowledge, such as analyses and advice. Ericsson Consulting (part of which was formerly Edgecom), a global consulting unit with about 260 employees and wholly owned by the Ericsson group, is a spearhead CC. Its services are oriented toward the telecom industry and build on consulting capabilities in business strategy and customer-relationship management (CRM).

Scandtel Consulting — Evolving in Ambiguity

Scandtel Consulting, a corporate-consulting unit, was founded in 1993 to concentrate subunits in IT management and software development from different parts of Scandtel, a Scandinavian telecom service provider.¹ It provided Scandtel with information-technology and business-development support. After two years, however, Scandtel changed the group's mission to focus more on value-adding services and customer solutions, a response to increased competition following telecom deregulation. Scandtel Consulting's mission shifted to providing business consulting and systems integration to complement Scandtel's products and communications services.

Today, Scandtel Consulting has 200 consultants and is a leading provider of customer-relationship-management and contact-center solutions in the Scandinavian countries. The parent company, however, has returned to its core business of being a telecom operator. Scandtel Consulting now has a mostly independent position in relation to the product business and has taken over critical solution-oriented technical platforms.

The group's evolution illustrates the potentially unstable mission and position of a corporate consultancy. Scandtel Consulting's relation to the product business was a recurring theme on the managerial agenda both within Scandtel Consulting and on a corporate level. The answers to "Who are we working for?" and "What are we working with?" varied over time, leading to frequent reorgani-

zations of Scandtel Consulting as well as changes to its position within Scandtel — without ever silencing the debate. Scandtel Consulting employees were continuously frustrated over what they perceived as their "unclear" and "anonymous" identity, and relations with the product business were strained.

The ambiguity of the mission, identity and organizational position originated in Scandtel Consulting's two roles: the role of internal staff unit and the role of *independent* consulting unit. Proponents of the former viewed Scandtel Consulting as a support unit that should have organizational alignment with the Scandtel sales organization, primary loyalty to Scandtel rather than to Scandtel Consulting (or external clients), submission to Scandtel rules and policies, and no direct contact with clients except through established Scandtel channels.

Proponents of the independent consulting role ascribed to Scandtel Consulting a growth and profitability agenda all its own. They saw Scandtel Consulting as a player among other independent consulting companies in the rapidly expanding IT and business-consulting market. That implied a focus on external assignments and an autonomous stance, with the freedom to make direct customer contacts, develop a distinct identity, and implement rules and policies adapted specifically to the needs of a flexible, expansive consulting business.

Ambiguities concerning the mission, identity and organizational position of Scandtel Consulting consumed management attention and became a recurring

source of conflict between the consultancy and the product business. The consultants were regarded as undermining the salespeople (because of their direct contact with customers) and as too costly. People hesitated to involve them in sales projects. Salespeople feared that consultants could disrupt projected sales by enhancing the performance of the client's current products rather than making clients buy new equipment.

Scandtel Consulting's conflicts with the product-development units resulted from different views on the development process. The consultants' pragmatic, customer-focused approach was regarded as "quick and dirty." And Scandtel's product-development people worried when the consultancy used new platforms and technologies developed outside Scandtel. As one Scandtel product-development manager put it, "Scandtel Consulting might see ways to make our business their own."

The potential of Scandtel Consulting to support the product business's strategy by integrating products into customer solutions was thus hampered by issues relating to the ambiguity of Scandtel Consulting's mission, identity and organizational position. The main challenges in establishing and managing corporate consultancies thus revolve around mission formulation, identity creation and organizational design.

1. A more detailed discussion of the Scandtel Consulting case may be found in R. Sandberg and A. Werr, "Corporate Consulting in Product Innovation: Overcoming the Barriers for Utilization," *European Journal of Innovation Management* 6, in press.

Integration Corporate Consultancies

Integration CCs also extend the product business, but unlike spearhead CCs' services, theirs are more integrated with the product business, relying primarily on company-specific knowledge. PeopleSoft Consulting is typical. A supplier of enterprise-resource planning (ERP) and CRM, PeopleSoft charges the unit's 2,500 consultants with handling software implementations, system optimizations, upgrades and other pre- and post-sales assignments. The services are closely tied to PeopleSoft's product and are geared to turning customers into lifelong clients.⁷

The four types of corporate consultancy are ideal types, the dimensions that distinguish them being continuous rather than rigid. Some consultancies switch types as their mission changes. (See "Corporate Consultancy Overview.") Scandtel Consulting, for example, started as a know-how CC, went through an integration-CC phase as the product business adopted a solutions strategy, and now operates as an independent spearhead CC.

The Identity Challenge

In order to offer customer-specific solutions with product-business capabilities and a strong consultative component, a corporate consultancy has to construct and nurture dual organizational identities — different ideas of both "who we are" and "what we do." In their interactions with clients, consultants are typically expected to have a *consultant identity*. In their interac-

tions with the product business, consultants are expected to have a *staff identity*.

A consultant identity implies an arm's-length relationship with the product business, as corporate consultants are expected to cater primarily to client interests. In contrast, a staff identity involves catering to the product business. It also suggests compliance with internal policies and project models, charging like a staff unit rather than as an independent consultancy, supporting the product business's image — and maintaining knowledge about and loyalty to company products and strategies.

Handling those parallel and conflicting identities is stressful for consultants and, when active management of the dual identity is lacking, a constant source of frustration. At Scandtel Consulting, for example, a survey elicited "indistinct" and "anonymous" as central characteristics of the organizational identity. It also revealed a widespread frustration among consultants over the consulting business's lack of clear direction and external image.

Actively managing the dual identities (and corresponding external images) is thus a central challenge in setting up and running the consultative component of a solutions business.⁸ Although the coexistence of different identities may lead to creative ideas, it requires leaders capable of dealing with such complex issues as conflicting knowledge and interaction patterns.

Successful companies manage multiple organizational identities through one of four strategies: compartmentalization (spatial or symbolic separation of identities), deletion (eliminating all but one identity), integration (fusing identities into a new whole) and aggregation (exploiting synergies among identities).⁹ The choice of strategy is dependent on two dimensions — *identity plurality* (how many different identities are best for an organization) and *identity synergy* (how much interaction among identities is desirable). The positions taken in relation to those dimensions differ according to the type of corporate consultancy. (See "Multiple-Identity Management According to Corporate-Consultancy Type," p. 64.) Different types apply different strategies for managing multiple identities and for handling the external image.

Expert CCs support the product business by exploiting professional knowledge. Their choice of strategy depends on the nature of the ties between the product business and the consultancy. If the key knowledge is tightly linked to the product business's core capabilities, as in the case of Porsche and automotive

Four Types of Corporate Consultancy

Product businesses aiming at a solutions strategy may develop different kinds of corporate consultancy, distinguished by their relation to the product business's value chain and their key knowledge.

ROLE IN VALUE CHAIN:

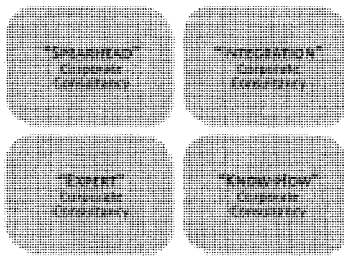
EXTENDING
The consulting services extend the value chain — as in the case of consultancies that integrate the product business's technical products or offer complementing services.

SUPPORTING
The consulting services support the product business's value chain — as in the case of consultancies that offer support in IT, finance or product development.

KEY KNOWLEDGE:

PROFESSIONAL
Professional knowledge is a combination of science, personal skills and experience. It is developed by exchanging professional experience in different situations.

COMPANY-SPECIFIC
Company-specific knowledge is unique knowledge of an individual organization that gives a competitive edge.



The four types of corporate consultancy — expert, know-how, spearhead and integration — are continuous rather than rigid. Some consultancies switch types as their mission changes.

engineering, then identity integration is the best strategy. Expert CCs also should act under the product business's brand to benefit from image spillover.

If, however, the key professional knowledge is only weakly related to the product business, as is the case with ABB Financial Consulting, identity compartmentalization is the appropriate strategy. Financial services are not part of ABB's core business, and identity synergies are limited. The two identities are best kept apart and a subbrand used.

Know-how CCs exploit company-specific knowledge in supporting the product business. Doing so requires close interaction with the product business, implying an identity-integration strategy that highlights the product business's identity in relation to the consulting one. Consultants in know-how CCs generally are recruited internally and continue working within already established networks. The muted consulting identity is therefore seldom perceived as a problem. Know-how CCs accumulate and

exploit their expertise by carrying out assignments in different parts of the product business, making them important internal-knowledge brokers.

Philips Centre for Industrial Technology is an example of a know-how CC. Its knowledge-brokering role makes it a better carrier of the product business's identity than Philips' product units, which work in widely differing areas. If a know-how CC operates externally, the clients generally value consultants' closeness to the product business more than their independence. Know-how CCs often become associated with the product company name.

Spearhead CCs exploit professional knowledge by providing services that extend the product business's value chain. Such services often include giving advice or carrying out analyses. That requires maintaining a distance from the product business in order to remain trustworthy. Therefore the consultancy brand will typically be distinguished from the parent company's brand,

Corporate Consultancy Overview

The research identified four generic types of corporate consultancy with different missions and associated rationales.

	Expert CCs	Know-How CCs	Spearhead CCs	Integration CCs
Mission	Reap external profit based on professional knowledge and through own value chain	Support the product business and other actors in its value chain	Offer unbundled professional services as extension to product business's role in value chain	Extend (adapt/integrate) product business's offerings through bundled services
Typical services	<ul style="list-style-type: none"> ■ Engineering ■ Human resource management ■ Financial consulting 	<ul style="list-style-type: none"> ■ Engineering ■ Supply-chain management ■ Organizational development 	<ul style="list-style-type: none"> ■ Purchase assistance and vendor assessment ■ Advice on technology, business and strategy ■ Business development 	<ul style="list-style-type: none"> ■ Systems integration (IT/technical) ■ Customer adaptations (of services and/or products)
Rationale	<ul style="list-style-type: none"> ■ Core-competence paradigm ■ Economy of scale on critical expertise ■ New revenue streams ■ Increased experience ■ Quality control of internal services 	<ul style="list-style-type: none"> ■ Core competence paradigm ■ Divisionalization ■ Consolidation of critical competencies ■ Internal knowledge brokering 	<ul style="list-style-type: none"> ■ Industry convergence ■ Complexity (business, technology and so on) ■ Better understanding of customer/industry ■ New markets 	<ul style="list-style-type: none"> ■ Coproduction ■ Servicification ■ One-stop-shopping ■ Core-business protection ■ Movement up the value chain ■ Better understanding of customer/industry
Examples	ABB Financial Consulting Porsche Engineering	Shell Global Solutions Philips Centre for Industrial Technology	IBM Business Consulting Services Ericsson Consulting	IBM Global Services PeopleSoft Consulting AT&T Professional Services

and an identity-compartmentalization strategy is best. That is especially true when a product business acquires a consulting unit accustomed to independence.

Even after the acquisition, acquirers may let consultancies operate under their old names. Ericsson, for example, only recently integrated Edgcom with Ericsson Business Consulting and renamed it Ericsson Consulting. And internally grown spearhead CCs may require active separation from the product business's dominant identity.

Integration CCs that combine strong synergies with a strong need for plurality pose the greatest challenge in managing multiple identities. Although their services are directed mainly toward an external market to extend the organization's value chain — which calls for independence — the key knowledge is company-specific, requiring some identification with the product business. The problem of simultaneous similarity and distinctiveness in relation to the product business is thus accentuated in integration CCs, which can neither pursue a separate consulting identity nor completely adopt the product business's identity. An internal compartmentalization strategy separating the consultants who work with external customers from those who work mainly with internal customers is also difficult, as one consultant may work with both types of assignments. At Scandtel Consulting, a consultant's engagement in both internal and external assignments

was an important enabler of knowledge flows between the product business and its environment.

An identity-aggregation strategy allows for the coexistence of multiple identities — perhaps through mediating myths such as Scandtel Consulting's slogan "Scandtel Consulting creates leverage," which acknowledges both the independent consulting identity and the consultancy's role of supporting the product business. Links among the identities may also be created through identity hierarchies. Scandtel Consulting's CEO constructed a hierarchy by emphasizing the distinctive external-consultant identity and downplaying the staff identity.¹⁰

The Structure Challenge

Central to the corporate consultancy's ability to manage multiple identities and to capture synergies with the product business is its structural position. The third managerial challenge involves deciding on the consultancy's organizational position, its access to clients and the freedom it should have in relation to the strategies and processes of the product business. At Scandtel Consulting, the struggle for a distinct identity was intertwined with discussions concerning the unit's right to access clients without going through the market units, to develop services based on product platforms other than Scandtel's, and to develop organizational routines for product development and the like that were different from those of Scandtel product units. Scandtel Consulting's various organizational positions — being a part of a product unit or a market unit, being independent — specified different prerequisites both for a distinct identity and for potential synergies.

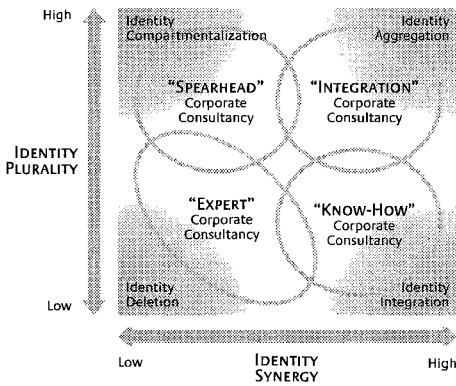
Management must decide how it wants the corporate consultancy to interface with product units and market units of the product business. Tight links imply a high degree of coordination of strategies and procedures; loose links imply less coordination and greater unit autonomy. Choosing the type of link is dependent on the synergies the corporate consultancy's operations might share with the respective market and product units. The higher the potential synergies, the greater the need for tight links. (See "Ways To Link Corporate Consultancies to Product Businesses.")

Expert CCs often start as internal support units. Then, if there is outside demand and excess capacity, they may offer their services externally, often to customers who differ from the product business's customers. Thus Porsche Engineering can offer automotive-engineering services to other car manufacturers. Expert CCs nurture their own customer networks and need a fairly independent position in relation to the market units of the product business.

An expert CC's relation to product units depends on the character of its expertise. If it is related to the central capabilities of the product units, as in the case of Porsche, the connection is

Multiple-Identity Management According to Corporate-Consultancy Type

Multiple identities of corporate consultancies must be managed. Depending on identity plurality and identity synergies with the product business, managers have four strategies (compartmentalization, aggregation, deletion and integration). Different strategies fit different types of corporate consultancies.



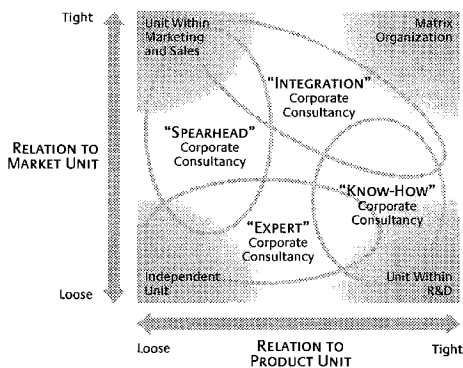
Tight links between the corporate consultancy and product-business units imply a high degree of coordination of strategies and procedures. Loose links imply greater autonomy.

tight, with the consulting unit pursuing the strategies and operations of the product units. Porsche Engineering also is tightly linked structurally to the product units. If the expert knowledge is not directly linked to the product units (ABB Financial Consulting), the links to the units are looser, enabling greater independence.

Know-how CCs' role supporting the product business's operations calls for close alignment with product units' strategies and processes. Shell Global Solutions, for example, emerged as a unit within R&D and only later became an independent Shell Group business. It continues to maintain tight links to R&D by exchanging product-unit and Shell Global Solutions personnel. The consultancy has developed important knowledge networks and acts as a hub for sharing technical experience and knowledge within Shell. It thus creates synergies for (and with) Shell's product units.

Ways To Link Corporate Consultancies to Product Businesses

Corporate consultancies may be tightly or loosely linked to market and product units, depending on their specific type. Tight links imply coordination of strategy and procedures; loose links allow for differences in those respects. Corporate consultancies may be organized as independent units, as units within marketing and sales or R&D, or as part of a matrix structure.



As in the case of expert CCs, the services of know-how CCs do not represent a natural extension of the product business's value chain and are partly aimed at customers other than the product business's customers. That reduces the need for tight relations to the market units.

Spearhead CCs extend the offerings of their product business by providing services such as vendor assessment and business-development support. That brings them into contact with management representatives of key customers of the product business. Spearhead CCs are thus capable of developing market knowledge and valuable market relations. But although they can be valuable for the market units, they tend to be on the customer's side, rather than on the product business's side and may be perceived as a threat.

Market units often strive for a tight coupling with the consulting business in order to exert control. Spearhead CCs, however, must project an aura of independence to gain credibility — for example, in vendor-assessment assignments — and therefore require looser coupling to both market and product units. Spearhead CCs typically need their own market channels, the freedom to go beyond product units' products, and flexibility in organizational routines. Consequently, as Scandtel Consulting developed from an integration CC into a spearhead CC, it changed its structural position from that of a market unit to a more independent role within Scandtel Holding, a division of autonomous businesses not directly linked to the core business of Scandtel.

Integration CCs, which offer services that leverage the product business's products and capabilities, thrive on close ties to both market and product units. Constant coordination of the corporate consultancy's strategies and operations with the overall strategies of the product business is critical, but when a product logic, rather than a solutions logic, is dominant, problems may arise. Unless there is a companywide understanding of the corporate consultancy's business, the tightly coupled integration CC will have trouble maintaining its distinctive ability to provide customer-centric solutions.

Leveraging the potential of an integration CC therefore requires tweaking the product business's dominant logic. It's the job of senior managers to establish mechanisms to help the corporate consultancy adapt to both the market and product units — and vice versa.¹¹ IBM successfully increased coordination by introducing a

matrix organization — considerably increasing the power of IBM Global Services and its ability to influence the strategic agenda of the product business. For Louis Gerstner, the former CEO who transformed IBM, services were the key to a company capable of delivering integrated customer solutions. As Gerstner put it, “Had the effort to build IBM Global Services failed, IBM — or at least my vision of IBM — would have failed with it.”¹²

Transitioning

For many organizations, especially in the business-to-business segment, the ability to offer customer solutions rather than products will be essential for long-term survival. Profits and growth potential increasingly originate in an ability to solve customers’ problems, at the same time as margins on standardized stand-alone products are shrinking. This is most obvious in industries providing complex product systems, such as telecom or IT. However, other industries will most probably follow this trend as their level of complexity increases because of such factors as industry migration and deregulation.

Although the establishment of a corporate consulting operation may be a smoother way of becoming a solutions provider than a complete reorientation of a company, companies must guard against isolating customer orientation to a specific part of the organization — the corporate consultancy — in order to enable the traditional product business to go on with “business as usual.” Leveraging the potential of a corporate consulting operation for customer solutions requires the management of simultaneous distinctiveness and mutual adaptation. Awareness of the corporate consultancy’s mission has to be created throughout the product business, and traditional power structures in favor of the established product business have to be broken up in order to increase the influence of customer-oriented elements.

For managers, engaging in a solutions strategy by establishing corporate consultancies means building a conflict into their organization, a conflict between a product-oriented logic and a customer-oriented one. This is a conflict that may not be resolved but needs to be managed on an ongoing basis. Conflict resolution as well as teamwork skills will thus be essential skills of the manager aiming at a solutions strategy by corporate consultancies.

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The Dual Role of the Insider Action Researcher

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¹ An earlier version of the paper was presented at the annual conference of the Academy of Management in Washington, 2001.

² The chapter is included without revisions (with the exception of anonymization of the Telco case and altered page numbers). Consequently, when references to "chapters" are made, these are cross-references to other parts of the book and not to this thesis.

THE DUAL ROLE OF THE INSIDER ACTION RESEARCHER

Jonas Roth, Robert Sandberg & Charlotta Svensson

Traditional management research tends to produce university-based knowledge that fails to be of practical value to industry (see Chapters 1 and 2 in this volume). Alternatively, different forms of academy-industry collaborations emerged that serve as important sources of scientific knowledge creation and economic value (Lawler III, Mohrman Jr, Mohrman, Ledford Jr, & Cummings, 1999; Rynes, Bartunek, & Daft, 2001). A variety of collaborative research schools of thoughts were reviewed in chapter 5 of this book. At the essence of such collaborative orientations one finds researchers and organizational members working together in search of solutions to practical problems and theory development. Consequently, a capacity for transforming academic knowledge into applications for resolving practitioners' problems, and/or using practitioners' problems and knowledge as a basis for theorizing, becomes essential.

The shift in the relationships between researcher and researched is one of the more profound differences between traditional and collaborative research (Lincoln, 2001). As the boundaries between the researcher and the researched are becoming blurry and the division of power and control is dissolved, new quality of relationships emerge. In this context, the process of creating actionable knowledge must take into account that the posture of detachment ('objectivity') has taken on a new shape and meaning, and thus needs to be addressed.

An emerging phenomenon in collaborative research is the dual role of the insider researcher. The purpose of this chapter is to explore how individuals, acting in the dual role of practitioner *and* researcher, can contribute to knowledge production in both the organizational setting and in the academy as an action researcher. For this purpose, the particularities of the dual role of the *Insider Action Researcher* (IAR) will be elaborated upon. An IAR is defined as a person conducting action research at an organization where he/she is also a permanent

member. To illustrate the dual role complexity and challenges, the authors describe three mini-cases where the authors have acted as IARs at the companies where they are employed. The aim is not to suggest a new model of action research or collaborative research. Rather, the emphasis is on roles and the possible benefits and challenges introduced by the dual role of the IAR.

Action Research and The Role of the Researcher

As we have seen in Chapter 5, collaborative research methodologies fulfil simultaneously the dual purpose of generating knowledge for academy and industry. Following Torbert (1999), action research was identified and discussed as one of the collaborative methodologies in which participation is a critical component. The view of the role of researcher and researched has gradually changed, and varies with the action research approaches. The role of the researched varies from subject to co-researcher, while the researcher role varies from being in charge of the research process to acting in collaboration with the practitioners (Shani & Pasmore, 1985; Chisholm & Elden, 1993). Lewin attributed the researcher a central role in the process, as the person with the initiative and precedence for interpreting data (Westlander, 1999). The SIAR-school (see Stymne, 1970 and Chapter 3 in this book) used an analogy with medical practice and suggested the term 'clinical organization research' for an advisor assisting the organization while systematically recording observations. The clinical perspective of field research emphasizes that the initiative lies with the client, where the researcher is asked to come in as a professional helper and expects the mutual extensive involvement of researcher and client (Schein, 1987; Schein, 2001). Bartunek and Louis (1996) describe a research process that involves a team of collaborating practitioners (insiders) and researchers (outsiders). The boundary between the role of researcher and researched has thus become blurred in collaborative research approaches (Lincoln, 2001).

Recently recognized approaches to inquiring into one's own organizational setting have been presented as self-ethnography (Alvesson, 1999) and action research from within (Coghlan, 2001; Coghlan & Brannick, 2001). The level of involvement with the studied organization is a common distinction between action research and ethnography. Gold (1958) describes different levels of participation within ethnography using the complete observer, the observer-as-participant, the participant-as-observer, and the complete

participant as the ideal forms. The researcher is supposed to *participate* in the actions, but often strives for marginal roles in the field settings (Freilich, 1970) in order to avoid ‘going native’.

Adler and Adler (1987) propose an additional category of involvement: *the membership role*. The advantage of this role is that the organizational members recognize the researcher as a fellow member participating in everyday practices. This forces the researcher to take on the same obligations and liabilities and to change behavior accordingly. Through his or her membership role, the researcher’s role repertoire expands, laying the foundation for richer experiences. The membership role can be peripheral, active or complete. As complete members, researchers fully immerse themselves as ‘natives’.

Simultaneously, the researcher has to sustain a research perspective and objectivity, implying “the ultimate existential dual role” (Adler & Adler, 1987, p 73).

A role can be described as a building block of a social system whose purpose is to inform the individual members about the requirements of the system (Katz & Kahn, 1978). Ashforth, Kreiner and Fugate (2000) argue that a role is associated with specific goals, values, beliefs, norms, interaction styles and timeframes. Consequently, a socially constructed *role-based identity* (Stryker, 1980) is attached to a given role. Individuals often have several, partly overlapping roles associated with multiple memberships of social systems. Individuals treat such multiple social domains as “slices of reality” with cognitively held *role boundaries* (Ashforth et al, 2000).

Ashforth et al (2000) proposed that role duality can be characterized on a continuum, ranging from *role segmentation* (high contrast in role-based identities and inflexible and impermeable role boundaries) to *role integration* (low contrast in role-based identities and flexible and permeable role boundaries). Within the at-work domain, role integration is common; for example, the middle manager’s dual role as both leader and follower. However, segmented role duality also appears within the at-work domain, e.g. boundary spanners who interact with different parties, with divergent and possibly conflicting goals (Adams, 1976). The IARs are viewed as such boundary spanners since they also act in the academic domain, which is partly intertwined with their work domain, as well as temporarily, spatially and physically.

An IAR is a complete participant (Gold, 1958), with a complete membership role (Adler & Adler, 1987) expected to last permanently. IARs conduct research in the setting where they act as practitioners, applying frames of reference from the setting where they act as researchers. Coghlan (2001) argues that while this role duality is one of the key elements in insider action research, it presents many challenges for the individual IAR. In the remaining part of the chapter, we will further explore the characteristics of this role duality and its effect on knowledge creation for theory and practice, as well as associated challenges for the IAR. We will in this regard be using the role-segmentation, role-integration continuum (Ashforth et al., 2000) for the analysis.

Three Empirical Cases Illustrating the Dual Role of the Insider Action Researcher

The following three cases are examples of action research projects involving an Insider Action Researcher (IAR). The participating companies are all R&D units of larger international groups. They operate in fast moving industrial environments and are characterized by a high academic level in their employees. The IARs were employed by the companies involved in the research projects, while doing Ph.D. studies in parallel and being connected to a research institute with senior tutors. In all three cases, the IARs had previous experience within the company in managerial positions, but had, since joining the research program, taken on more independent roles working with organizational development. Before the initiation of the research projects, the IARs prepared for and emerged into the researcher role through courses in research methodology and practical exercises.

METHOD

In order to describe the different cases, events and encounters have been recollected based on the respective researcher's notes, intermediate evaluations, and research database. These notes have been in the form of meeting minutes, progress reports, presentation charts, reflective commentaries by the IAR on specific events, and diaries. The cases have been compared using a cross-case analysis approach (Eisenhardt, 1989), and a matrix format was used to find and compare the main characteristics of the cases. The analyses have been developed in iterations with the help of external researchers, not only

‘outsiders’ within the respective action research project but also researchers who have not been directly involved in the projects.

CASE 1:

ENABLING KNOWLEDGE CREATION AND DISSEMINATION

“People don’t ask when they experience problems. They try to solve it on their own instead of asking for help”. “We don’t have the time to share what we know. Anyway, I doubt that anybody is interested in what we know.” These were common statements concerning knowledge creation and transfer at one of AstraZeneca's R&D sites in Sweden. AstraZeneca is a vertically integrated international pharmaceuticals company. At the Clinical R&D unit, with over 450 employees, many initiatives have previously been undertaken in order to disseminate experiences from ‘best practice’ clinical projects. Despite these efforts, the ability to create knowledge differs considerably from project to project. An action research project was started in order to identify problems and gain knowledge leading to the initiation of relevant initiatives for change.

Research Question and Process

In this case, the IAR’s interest in knowledge creation and knowledge sharing stems from frustration experienced as a project manager. Experiences was not captured or used at any other place than where it originated. The action research project sought answers to two major questions: Firstly, can AstraZeneca make use of its potential learning capabilities to enhance the creation, development and dissemination of actionable knowledge throughout the organization? Secondly, can a truly participative action research process lead to alternative initiatives for change and organizational experiments that will advance AstraZeneca's learning capabilities?

The action research project crossed established theoretical boundaries, where researchers from different disciplines jointly created new ‘temporary’ disciplines. For instance, the outsiders consisted of people with a background in psychology, economics and biology whereas the insiders consisted of project managers, medical specialists, project assistants and line managers. The action research project was based on the continuous involvement of practitioners and researchers, from problem formulation to making changes and manuscript writing. Data were collected from interviews, written documents and participative observations of day-to-day activities.

The Dual Role of the IAR

The IAR was the project manager of the action research project, facilitating the workshops where data collection methods, data sharing and data interpretation were discussed. The workshops were used primarily to share and validate the results with players from both the company and academy, as well as refine the results and obtain input on how to alter the research design or the initiatives for change. In addition, the level of analysis, as well as where to focus and initiate the action, emerged through this interactive research design.

The role of the IAR was changing throughout the research process, alternating between the role of a researcher and project manager. The insider/outsider team approach (Bartunek & Louis, 1996) helped all project members to reflect upon the process and knowledge gained. Balancing within the dual role was an emergent skill that the IAR became more proficient in doing as the project developed. In the beginning, the IAR was uncertain of his colleagues' expectations of him and his level of contribution to both the insider and outsider teams. One episode, early on in the research process, illustrates this uncertainty. The IAR was asked at a management team meeting to present the conclusions drawn thus far in the research process. The IAR felt the need to come up with something even though the data had not been fully reflected upon. In doing so, the IAR tried to legitimize the researcher role before it was mature in that setting, giving the opposite result.

Outcomes

The results of the research project produced a number of organizational experiments that have been initiated and are currently being led by action learning teams within the R&D unit at AstraZeneca. For example, one initiative is sharing clinical project knowledge, where appointed individuals within the organization function as knowledge brokers, facilitating knowledge transfer between clinical projects. This experiment adds value to the company by making knowledge explicit for project members as well as making knowledge sharable between projects. In addition, the experiment adds to the knowledge of assessment techniques regarding knowledge creation over organizational boundaries (Roth & Berg, 2001), as well as factors affecting knowledge creation in professional teams (Styhre, Roth, & Ingelgård, 2002).

The action research project changed a few basic assumptions at the company. For example, knowledge transfer should start at the most basic level, i.e. the education of junior members, rather than on the more complex organizational level of transferring best practice. Another example was finding time for knowledge creation. The primary focus should be on finding time for collective reflection rather than on designing sophisticated knowledge creating arenas. This led to experimentation centred on a comprehensive educational program with the aim of bridging knowledge from senior organizational members to junior ones using only internal personnel as a faculty in interactive learning seminars. One spin-off is networking and the setting up of meetings after the scheduled educational seminar where the need to gain more knowledge around one specific issue builds temporary micro-communities (von Krogh, Icjjo, & Nonaka, 2000).

The interactive educational program has added to the knowledge of organizational learning capabilities. Organizational learning capabilities must be dynamic in their character and, as such, provide the firm with competitive advantage (Ingelgård, Roth, Shani, & Styhre, 2002). In addition, the research effort at AstraZeneca has provided insights into the literature on knowledge management, where much literature is either over- or under-socialized in its view of knowledge. We argue that knowledge creation is a non-linear process occurring in complex multifaceted activities where a caring climate enables a sharing culture (Styhre, Roth, & Ingelgård, 2000; Styhre et al., 2002).

CASE 2:

THE MULTIPLE IDENTITY OF CORPORATE CONSULTING

"Who are we? What is our mission?" These were typical questions asked at corporate consulting unit Telco Consulting, a subsidiary of the Nordic telecom operator Telco, at the beginning of 2000. The consulting unit, with 300 employees, was having an identity crisis due to an unclear mission and a failed merger attempt. The identity of this consulting business was also blurred by the parent's identity, based on a product-oriented business. At this time, a new CEO was appointed at Telco Consulting who initiated a program of change led by advisors from an international management-consulting firm.

Research Question and Process

The IAR involved in this case had a research interest in the phenomenon *corporate consulting*, i.e. consulting services from non-traditional consulting organizations (Kubr, 1996). In his previous role as marketing director of Telco Consulting, the IAR had experienced leveraging of the intense knowledge creation in the consulting business to the parent organization as a problematic, but strategically important area. The IAR was now asked to participate in the program of change as an organizational member.

The IAR became the project manager of a subproject focusing on the organizational identity (Albert & Whetten, 1985) of the corporate consulting unit. This subproject was initiated as a result of the analysis made by the advisors, in which they had described the organizational culture and identity as unclear and problematic. It was also initiated as a result of the IAR's research interest, where a previous study had ascertained identity as an important factor in knowledge extension to the parent organization (Sandberg & Werr, 2000).

The Dual Role of the IAR

At the beginning of the change program, the IAR was primarily acting as a *self-ethnographer* (Alvesson, 1999). When the analysis of the advisors was presented and the organization became involved more actively, the role of the IAR shifted to include more interventions as the identity-project identified requirements for change and initiated the necessary actions.

The IAR found the dual role challenging. He had a lot of knowledge and many ideas to share in discussions related to his research topic. On these occasions, he became deeply involved in his practitioner role, which made it hard to simultaneously enact the role of a detached researcher. On the other hand, the practitioner role as subproject manager and the simultaneous role as an active action researcher were, to a great extent, overlapping. Therefore, field research was often divided between 'on-line' interventions and 'off-line' tasks such as taking notes and adding personal reflections. The IAR entered all the empirical data such as interventions, observations, interviews, documents and questionnaires into a database. This was also used for the administration of the study and helped the IAR to manage the process in a rigorous manner.

In addition to the specific identity-project, the IAR also intervened in other ways that could be explained by his dual role. One episode illustrating this was when Telco Consulting decided upon its new organizational structure. Here, the IAR drew on relevant theories with regard to organizing (Lawrencen & Lorsch, 1967), knowledge-intensive firms (Blackler, 1995; Starbuck, 1992) and empirical examples from similar consulting firms (Alvesson, 1995; Werr, Bryskhe, & Norén, 2000). Consequently, the need for a tight coupling between the sales people and the developers and consultants involved with the assignments was highlighted by the IAR and affected the chosen organization principle.

Outcomes

In the identity-project, the IAR contributed to the establishment of a new head office, to the formulation of the organization's preferred values and in the planning of the new marketing strategy. The study also adds to the organization in terms of a deeper understanding of the multiple identities of the business, explaining much of the ambiguity at Telco Consulting.

The dual role of the IAR was a vehicle for creating new knowledge. The theoretical contribution thus far is manifested in two papers. The first (Sandberg & Werr, 2001) addresses the blurring of firm boundaries and focuses on identity formation and identification within complex boundary spanning organizations. Telco Consulting is used in this regard as an empirical example. The company's clients reside both inside and outside the parent organization, leading to multiple organizational identities (Albert & Whetten, 1985) – a staff identity and an external consultant identity. It is concluded that these multiple identities represent an unstable arrangement striving towards a clear identity. Therefore, they have to be actively managed in order to sustain the multiple mission of the unit.

The second paper (Sandberg, 2001) gives a detailed empirical account of how the new CEO managed the emerged identity crisis. The paper shows that the CEO's rhetoric focused on creating an identity hierarchy (Pratt & Foreman, 2000, p 32), highlighting the external consultant identity using the IT consulting industry as a prototype for the unit's self-categorization (cf Hogg & Terry, 2000). The rhetoric is effective in bringing the organization's identity crisis to an end. There are, however, long-term risks with such a strategy, since the boundary

spanning ability may be reduced if there is too little rhetorical support for the (secondary) staff identity.

CASE 3:

TOWARD A MULTI-PROJECT MANAGEMENT MODEL

"We have to prioritize project X!" "But that indicates that – at least in part – project Y is prioritized as well, since project X is dependent on the results of project Y. And project Y is dependent on the results of project Z...." The third case is a description of an action research project at one product development unit within Ericsson. The unit, consisting of 1,050 employees in R&D, is responsible for developing products within the telecommunications system – a complex product system (Hobday, 2000) with highly integrated components and subsystems.

Research Question and Process

The IAR was working within a large-scale improvement program assisted by external management consultants. There was growing concern that this improvement program was not bringing the expected results while it was being perceived as not addressing the issues of importance to this unit. To investigate this, the IAR ran a series of workshops in the spring of 1999, involving functional managers, project managers, and process developers. The critical area of improvement was identified as related to the management of the overall project portfolio.

In parallel, the IAR was assigned a tutor in the research program. In cooperation with him, the research interest was defined: the concept of multi-project management was introduced. The IAR started discussing this concept at the company. The resulting research question was: How is the cluster of simultaneously and successively executed projects to be managed within the organizational unit?

The action research project was organized as an initiative for change involving the implementation of a new project planning and multi-project management methodology. This local initiative was legitimized as part of the large-scale improvement program. A pilot phase was started in October 1999. In March 2000, the management team decided to fully implement the new methodology.

Implementation was divided into three phases, each with a different focus: 1) methods and tools for planning and following up single

projects, 2) behavioral aspects within the multi-project management methodology, and 3) multi-project planning and control. These steps were continuously evaluated in interviews, informal discussions, questionnaires and meetings.

The Dual Role of the IAR

The role of the IAR changed during the process. Initially, the IAR was the implementation leader of a small change team consisting of one organizational member and three external consultants. After the decision to go for full implementation, the IAR stepped out of her leader role and became a member of the increased change team. Parallel to the process of change, the IAR analyzed the origins of the methodology and its theoretical assumptions. Gradually, the roles of practitioner and researcher became more integrated.

Together with her tutor, the IAR tested the internally developed conclusions and a distanced perspective was introduced into the analysis. Also, in formal seminars, paper evaluations, and other more informal occasions, different parts of the change process were discussed, tested and reflected upon with external researchers. Through this, the IAR was well prepared to question and revise the propositions provided by the external consultants involved.

The expectations of the company regarding the role duality of the IAR changed during the action research project. One example of this is an episode during a meeting between project office managers. The organization of product development assignments into a portfolio of projects was discussed. The IAR pointed to the power balance between the functional and the project organization as an important aspect to consider (see, for instance, Clark & Wheelwright, 1992; Larson & Gobeli, 1987). One of the participants commented after the meeting that this had only been possible for the IAR due to the expectations placed on her dual role, while introducing this political subject would be more sensitive for the other participants.

Outcomes

The organizational unit has today adapted the new project planning methodology used in every new product development project since May 2000. Instructions, methods and tools have been developed and refined. The immediate value introduced by this is the use of a common and structured method for planning and follow-up on all

projects. The action research project is, at present, in an overlap of the second and third phases described above.

The third phase has led to a reformulation of the research question: How is a preferred product portfolio to be realized through a project portfolio (cf Wheelwright & Clark, 1992), with the objective of reducing complex interactions (cf Thompson, 1967) between projects? The importance of managing input-output dependencies (De Maio, Verganti, & Corso, 1994) between projects was accentuated by applying the new project planning methodology. By following this action research project, it has been possible to gain deep empirical insights and to capture the complex nature of multi-project settings (Svensson & Engwall, 2001b).

One contribution within the field of project management is the thorough evaluation of the new project planning methodology in theory and practice. The main benefit of the new methodology has been identified as the management and visualization of uncertainty within projects (Svensson & Engwall, 2001a).

During the action research project, a phenomenon was observed regarding how organizations in turbulent environments manage the paradox between structured planning and the simultaneous need to deal with uncertainty. This phenomenon was studied and analyzed as a subproject, thus adding to the theoretical and practical understanding of how project planning implicitly assumes that the unplanned will be possible to manage on an *ad hoc* basis (Engwall & Svensson, 2000, 2001).

A SUMMARY OF THE CASES

The three cases are summarized in Table 7.1. In all three cases, it has been illustrated how the presence of the IAR in both domains - industry and academy - was of importance in connecting the research areas with the organizational issues. By being present, the opportunity was available for joint problem identification, joint knowledge creation, and joint action. For the IARs, this emerged as a dual role of practitioner and researcher. In the following section, we will analyze how this role duality was handled and how it affected the outcome of the action research effort.

Table 7.1 A Summary of the Three Projects

	Project 1: AstraZeneca	Project 2: Telco	Project 3: Ericsson
Contextual Factors	<p>An R&D unit of an international pharmaceuticals company</p> <p>Knowledge creation and dissemination identified as important success factors</p> <p>A sponsor was found within the company for the research project</p>	<p>A corporate consulting unit of a large Nordic telecom operator</p> <p>A failed merger attempt in the parent organization</p> <p>An identity crisis</p> <p>A new CEO initiated a program of change</p>	<p>A product development unit at an international telecom equipment supplier</p> <p>The multi-project environment was identified as a critical improvement area</p> <p>The opportunity to involve the IAR was recognized</p>
The Research Question and Process	<p>How to enhance knowledge creation and dissemination?</p> <p>Integrated insider/outsider team</p> <p>The research team members were involved as equals in all parts of the process of change</p> <p>Action research project initiated by the I/O team</p>	<p>How is the organizational identity constructed and managed?</p> <p>Segmented insider- and outsider-teams</p> <p>An AR study as a part of a larger program of change</p> <p>Initially observing participation</p>	<p>How is multiple development projects managed?</p> <p>Segmented insider- and outsider-teams</p> <p>An AR study as part of a larger program of change</p> <p>Identification of important issues for improvement</p> <p>The change team members were involved as equals in all parts of the process of change</p>
Outcomes of the Action Research Effort	<p>Mutual learning</p> <p>New concepts introduced</p> <p>Creation of an IAR role that became accepted both in academy and in industry</p> <p>Actions for change for knowledge creation and sharing</p> <p>Building on the theory of dynamic learning capabilities and the effects of care in professional teams</p>	<p>Mutual learning</p> <p>New concepts introduced</p> <p>A deeper understanding of multiple organizational identities</p> <p>Problematic corporate communication identified</p> <p>Contribution to the new marketing strategy</p> <p>A rich empirical description</p>	<p>Mutual learning</p> <p>New concepts introduced</p> <p>Routines developed for planning and monitoring the progress of projects</p> <p>Structuring development efforts into projects with respect to interdependencies</p> <p>Evaluation of a project planning methodology</p> <p>Assumption of the unplanned within project management</p>

BUILDING A BRIDGE BETWEEN INDUSTRY AND ACADEMY

In the cases described, the IARs were the architects of bridges established between the companies and the academy. However, the design of these bridges differed in each of the three cases. The action

research project at AstraZeneca was planned as a true insider/outsider team (Bartunek & Louis, 1996) where the research team, consisting of organizational members as well as academic researchers, was involved in every stage of the collaborative research process. The AstraZeneca IAR facilitated the interaction between the insiders and outsiders.

In the Telco and Ericsson cases, the insider and outsider teams worked more as separate teams, with the IAR operating in both. The insider team concentrated on action, evaluation of the situation, and the change of actions, while the outsider team was more concerned with analyzing data and the generalizability of the outcome. The outsider team consisted of researchers with similar research interests to the IAR. In this context, the IAR was a relative insider (cf Bartunek & Louis, 1996), having a parallel practitioner role, whereas the other academics were outsiders. In the insider team, the IAR was a relative outsider, using the parallel researcher role.

BROADENING THE BRIDGE

In a recent study (Schild & Hanberger, 2000), twelve Swedish alternative research schools were evaluated regarding knowledge transfer between industry and academy. One of the two sets of conclusions from the study relates to the industrial doctoral candidates' roles. The report concluded that the doctoral candidates embody the knowledge transfer and thus constitute an important link between industry and academy.

However, things are not optimal if knowledge creation is dependent on one specific individual. The challenge is to broaden the bridge for joint knowledge creation, exemplified in the cases with collaborative insider/outsider teams. The IAR played an important role in this joint team and knowledge development. Considering the knowledge created – aiming for Mode 2 knowledge production (Gibbons et al., 1994) – the people inhabiting the bridge became even more essential. In Mode 2 knowledge production, knowledge creation is highly dependent on everyone involved, but primarily on those spanning the boundaries between different organizations and environments, e.g. industry and academy. However, not all researchers within the team should aim for the IAR's role duality, as objectivity and reflexivity might be endangered. Our argument is that an IAR contributes extensively to bridging the gap between academy and industry and can facilitate the joint knowledge creation necessary for both settings.

STABILIZING THE BRIDGE THROUGH A SYMMETRICAL RELATIONSHIP

One of the features of the IAR's dual role is that it contributes to a symmetrical relationship between industry and academy, whereas the more traditional research is characterized by an asymmetrical relationship between the researcher and the studied context (see, for instance, Gibbons et al., 1994; Tranfield & Starkey, 1998). The IAR facilitates a relationship that is more characterized by true collaboration (cf Amabile et al., 2001; Gibbons et al., 1994), thus enabling Mode 2 knowledge production (Gibbons et al., 1994). In agreement with other scholars (Mohrman, Gibson, & Mohrman Jr, 2001; Rynes et al., 2001), we believe that good social relations, mutual empathy and common foundations are prerequisites for achieving substantial outcomes in cross-boundary knowledge creation. Creating a symmetrical relationship is therefore fundamental to joint knowledge creation and with that the creation of a stable bridge between academy and industry. This symmetry was facilitated by the IAR's dual role, with extensive knowledge of the company being studied and the research process.

The Balancing Act and Periodic Disengaging

Due to the iterative nature of the projects, the research process of entering, experiencing and disengaging from a membership, as described by Adler and Adler (1987), was not linear or discretely divided. Instead, the role duality periodically changed character between high segmentation and integration as the research projects progressed. During phases of high role segmentation, the IARs could step back and apply an outsider perspective (see figure 7-1).

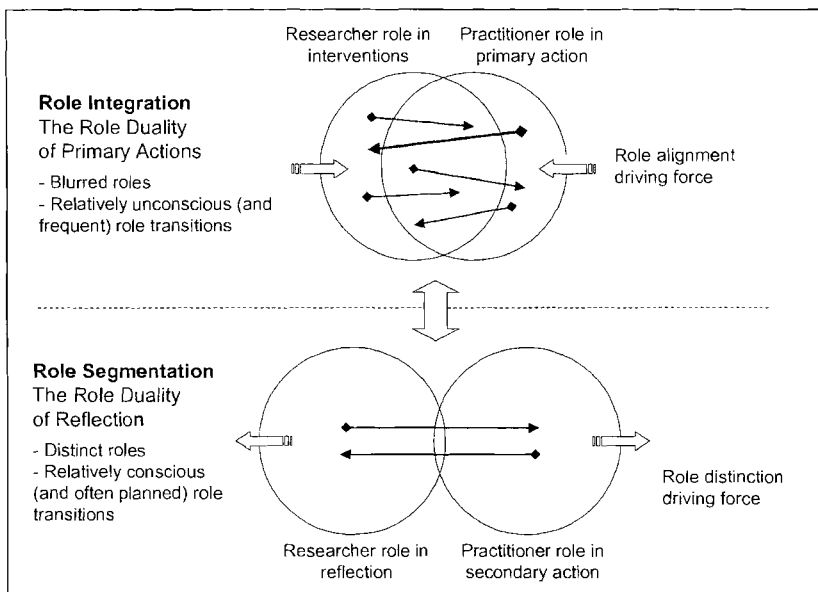


Figure 7.1 Balancing between an integrated and a segmented role duality

The IARs described in the three projects above were already real natives and needed to periodically step back and apply an outsider perspective. Detachment involved increasing the contrast of the role duality, rather than alternating between two roles. Even if they constantly experienced role transitions (Ashforth et al, 2000) between the roles of practitioner and researcher, it was during phases of high role segmentation that this was done consciously and reflectively.

One way to strengthen the outsider perspective was to temporarily disengage from the primary action. At times, it was possible for the IARs to disengage and adopt a more distant, reflecting researcher role. Role duality was segmented by dividing the week up physically between work at the company and work at the university. In this way, the IAR could focus more on reflecting, analysing and writing up his or her research.

Thus, the role of the IAR is complex and can be viewed on multiple dimensions of complexity: From the researcher role to the researched role, from primary role as a research to a primary role as a

practitioner, from blurred role to a distinct role, from the reflective role to the action role. The role duality is not easy to manage and at times can be viewed as a “near-schizophrenic state” (Adler & Adler, 1987). Yet, managing the role duality is likely to have a major impact on the creation of the new and relevant knowledge.

CONCLUSION

This chapter focused on the exploration of the IAR as a critical role in collaborative research. The nature of the IAR role, its complexity, duality and merit were highlighted. Three mini cases where the dual role of an IAR exemplifies a bridge for joint knowledge creation were described and examined. The IARs were strategically important to their companies, as well as to academy, in that they contributed to Mode 2 knowledge production (Gibbons et al., 1994). What this meant in terms of outcomes differed between the three cases since different research issues were in focus. The AstraZeneca case focused on knowledge creation and dissemination, the Telco case dealt with organizational identity, while the Ericsson case studied multi-project management. In each of the three case descriptions above, important results originating from the collaborative research projects were identified and discussed in terms of relevance to both practice and theory.

One of the main advantages of the IAR’s dual role – the intention of remaining a full-fledged member in the researched setting – is also one of its major challenges. Implicitly, we have presented in our discussion the hypothesis that the duality experienced by the IAR is harder to manage than the duality often involved in roles that operate mainly within *one* domain, i.e. academy *or* industry. Establishing the support mechanisms that allow the IAR to work through and manage the “near schizophrenic state” of the role is likely to be the key to sustaining true collaborative research in organizations. Beyond the lenses advanced in this chapter, the next two chapters in the book, Chapter 8 and 9 advance ‘jam sessions’ and ‘structural learning mechanisms’ that can enhance the ability of the IAR to sustain the needed balance.

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