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Knowledge Management

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The role of customer perspective in organizational renewal.

A comparative case study of knowledge-intensive business  
services.

**Examiners:**

Professor Hanna-Kaisa Ellonen

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Confidential until 15.6.2015

## ABSTRACT

Author:	Anna Uimonen
Title:	The role of customer perspective in organizational renewal. A comparative case study of knowledge-intensive business services.
Faculty:	LUT, School of Business
Major:	Knowledge management
Year:	2013
Master's Thesis:	Lappeenranta University of Technology 101 pages, 2 figures, 14 tables, 1 appendix
Examiners:	Professor Hanna-Kaisa Ellonen Professor Paavo Ritala
Keywords:	Organizational renewal, customer orientation

The objective of this thesis was to study organizational renewal from the customer orientation perspective. Customer orientation is divided into customer relationship management and customer knowledge, which both are important components of customer related organizational renewal capabilities.

The study was conducted in knowledge intensive business service firms, which are required to renew their strategy, operations and processes constantly in order to gain and sustain competitive advantage. In the empirical research, two companies were studied, both offering services to their customers. The analysis was done in two phases; first each case was analyzed individually and then the cases were compared in a cross-case analysis.

The most important finding was that customer orientation is considered important but it is not being utilized for organizational renewal in full capacity.

## TIIVISTELMÄ

Tekijä:	Anna Uimonen
Opinnäytteen nimi:	Asiakasnäkökulman rooli organisaation uudistumisessa. Vertaileva tapaustutkimus osaamisintensiivisiä liike-elämän palveluita tuottavista yrityksistä.
Tiedekunta:	Kauppateieteellinen tiedekunta
Pääaine:	Tietojohtaminen
Vuosi:	2013
Pro gradu -tutkielma:	Lappeenrannan teknillinen yliopisto 101 sivua, 2 kuviota, 14 taulukkoa, 1 liite
Tarkastajat:	professori Hanna-Kaisa Ellonen professori Paavo Ritala
Hakusanat:	organisaation uudistuminen, asiakasorientaatio

Tämän pro gradu – tutkielman tarkoituksena oli tutkia organisaation uudistumista asiakasorientaation näkökulmasta. Asiakas-orientaatio voidaan jakaa asiakassuhteen hallintaan ja asiakas-tietämykseen, jotka ovat tärkeitä organisaation uudistumiskyvyn tekijöitä.

Tutkimus toteutettiin osaamisintensiivisiä liike-elämän palveluita tuottavissa yrityksissä, joissa organisaatioiden on jatkuvasti uudistettava strategiaansa, operatiivista toimintaansa sekä prosessejaan saavuttaakseen ja säilyttääkseen pysyvää kilpailuetua. Empiirisessä osiossa tarkasteltiin kahta yritystä, jotka tarjoavat palveluja asiakkailleen. Analyysi tehtiin kahdella tasolla, ensiksi tarkastelemalla kutakin tapausta erikseen, jonka jälkeen vertailemalla tapauksia keskenään.

Tärkein tutkimustulos oli havainto siitä, että asiakasorientaatiota pidetään tärkeänä, mutta sitä ei hyödynnetä täysimääräisesti organisaation uudistumisessa.

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## **1 INTRODUCTION**

This study examines customer orientation as an element in organizational renewal in organizations offering knowledge intensive business services.

### **1.1 BACKGROUND OF THE STUDY**

Knowledge-based view of a firm (KBV) considers knowledge as the firm's principal resource for gaining and sustaining competitive advantage (Pöyhönen, 2008). In KBV, knowledge is the main resource emerging in dynamic, continuous processes and practices within individuals as well as in organizations and systems. Knowledge-based view is based on the resource-based view (RBV), which considers resources as the most important for a firm. In RBV, knowledge is considered to be objective, static and easily transferrable.

It has been argued, that organizations are a collection of individuals whose shared knowledge forms the organization's knowledge (Walsh & Ungson, 1991: 61). Spender (1996a: 69) presents the organization as a system to which the individuals contribute to with their individual knowledge when in the work context, taking into consideration the organization level consequences, and thus considering themselves as being part of an organizational system or a collective mind. According to Spender (1996a: 64), organizational knowledge is more and more about the practice of acting knowledgeably rather than discrete and transferable pieces of understanding added to existing knowledge. Understanding how knowledge is attached to and part of ongoing processes of the organization is vital, and how knowledge resources are being utilized as connecting the individuals' knowledge with that of the organization, is important. Additionally, knowledge is said to be implanted in the organizational culture and identity, as collective knowledge, thus used

both consciously and unconsciously by employees in routines and practices. (Alavi & Leidner, 2001; Kogut & Zander, 1996; Spender, 1996a; Spender, 1996b.)

Collective knowledge includes cognitive, affective, symbolic and cultural attributes, as well as the practices, such as behaviors, rituals and organizational routines (Spender, 1996a: 73). Spender further explains "while a firm comprises of both individuals with conscious and automatic knowledge, learning and memory capabilities, and a set of definable objectified resources, its most strategically important feature is its body of collective knowledge" (Spender, 1996a: 75). It is not enough to have talented and knowledgeable individuals working for the company's best, but how the employees work together and create new knowledge, how their work tasks are interjoined and how they integrate to formulate the organizational knowledge as a whole is important. (Pöyhönen, 2004; Alavi & Leidner, 2001).

Although interaction within the organization is easier than between organizations (Spender, 1996; Grant, 1996), the communication between firms and their customers is essential. Companies should understand how and to what direction to develop their companies and focus in distinguishing the long-term strategy-view rather than concentrating merely on the products and services offered to customers at the moment, in order to be the fore-runners in the future. (Cuganesan, 2005; Junell & Stähle, 2011) The firms able to develop new knowledge base and renew themselves through strategic learning and innovation are the ones to survive in the ever challenging, accelerated globalization with emerging new technology. (Pöyhönen, 2005; Junell & Stähle, 2011; Lönnqvist, 2009.)

Organizational renewal means the firm's capability to change; to deliver new products, renew processes and views and to adapt to external changes by changing the perspective to competition, strategy, structure and decision processes through learning and innovation, as a continuous process. (Pöyhönen, 2005; Kianto, 2008; Lester & Parnell, 2002).

Customer orientation is reflected in the organization's attitudes and practices towards customers. In customer oriented organizations both the individuals' and organization's actions and behavior are shown as one; representing the organization. Customer orientation puts the customer advantage as priority, but does not delete nor diminish the other stakeholders, such as the owners, employees and managers, advantage. Thus customer orientation is about working together with the customer, in a co-existing, mutually beneficial relationship. In relationship marketing, the premise for existence and co-operation is that firms in a business relationship both deliver and gain value. (Grönroos & Helle, 2012; Halliday, 2000; Deshpandé et al, 1993)

As Vandermerwe (2004, 26) states, firms should start a systematic process through which they can change their priorities, behavior and systems in order to activate towards customer orientation. It is important to find a common renewal model for customers and organizations when both are aiming at a mutually beneficial long-term relationship. Knowledge-based view and understanding knowledge processes can help firms to identify the capability factors relating to customer orientation needed for renewal. According to Pöyhönen (2004), "the objective of knowledge management is to help people and organizations to find, share and use information, enhance knowledge creation, and master renewal and innovativeness."

Considering customer orientation from the renewal perspective does not mean solely renewing the organization on customer's terms, but rather building on those capabilities and enhancing their quality, which constitute organizational renewal capabilities while having a strong and deep consideration of the customer. Especially, the capabilities required for relationship management and customer knowledge are to be developed.

Customer relationship management (CRM) has been taken in many occasions the meaning of implementing new technology and tools. The kind of knowledge and relationship, which is needed for building close co-operative and partnering relationships with customers need to be in-depth

and integrated, thus requiring more than just technology. According to Parvatiyar & Seth (2001), “customer relationship management is a comprehensive strategy and process of acquiring, retaining and partnering with selected customers”.

In addition to a well-managed customer relationship, customer knowledge is essential in understanding the customers’ needs thoroughly. Even if companies realize they cannot operate without their customers, they rarely take the full benefit from customer knowledge. It is through customer interaction where the empathy, emotional commitments, and reactions between the customer and vendor are revealed, and also knowledge, for example, of the organization’s service defects are communicated, to both parties. (Allen et al, 1998: 166).

It is critical to define the kind of customer knowledge, its content and quality, which is relevant for business operations and new opportunities. This knowledge includes such as future requirements and needs, key persons and their internal and external connections and relations to customers’ partners, their processes, practices, ways of working and management style, culture and structures. The kind of knowledge relevant at that certain moment is gained in the formal and informal meetings between the individuals and customer representatives. Customers’ and organization representatives’ close interaction is conducted by individual employees, who function as the customer knowledge recipients and integrators, and by whom the information from the customer is acquired, leveraged and integrated to that of the organization; in order to formulate the collective knowledge-base for a customer-oriented organization. (Parvatiyar & Sheth, 2001.)

Organizations form the structure, culture and framework for knowledge creation, transfer and integration both within the organization and in the customer relationship when member of the organization, employees, interact directly with customers. This structure and its practices and competences require constant update and development, along with the surrounding environment and its conditions. In order for the company to

gain sustainable advantage in the fierce competition, it must renew itself as a continuous process. Customers are an essential source for organizational renewal of which customer orientated firms can take advantage of. Market and customer orientation perspective give firms the strategic direction for development and renewal of the required capabilities; relationship management and customer knowledge. These capabilities can be used as a tool for deeper customer relationships and beneficial business encounters, inventions and creation of new markets.

Organizational renewal capability has received increasing attention in the scientific research. There are several classifications presented and measurement instruments available. Customer orientation perspective can be extracted from the existing literature as one of the elements in organizational renewal capabilities, and is connected closely with the others, namely strategy and strategic competence, learning culture and orientation, leadership and decision-making style, situation and exploiting time, managing knowledge internally and externally, connectivity and relationship management. Yet it requires a comprehensive analysis of its importance as a capability on its own relating closely and enhancing the organizational renewal capabilities in general. (Junell & Ståhle, 2011; Kianto, 2008; Lönnqvist, Kianto & Sillanpää, 2009; Parvatiyar & Sheth, 2001; Pöyhönen, 2004; Pöyhönen, 2005; Santos & Garcia, 2007; Sparrow & Ringland, 2010.)

Many organizations are unaware of the kind of changes needed in their organization's activities, operations, processes or attitudes in order for them to be more customer oriented (Deshpandé, 1993; García-Murillo & Annabi, 2002). It is essential to consider customer orientation an important element in renewal activities and point the renewal actions to the strategically right direction.

Knowledge-intensive business services are labor-intensive, require real-time knowledge work, are highly dependent on tacit knowledge, and also on organizational and individual skills, and capabilities. The characteristics identified by Kianto et al (2010, 306) for service-oriented companies are

the close interaction between the supplier and the customer in co-producing the services, the simultaneity of production and consumption, and the multi-faceted nature of the knowledge created and exchanged. Additionally, the combination of knowledge into useful systems, knowledge exchange as processes and experience points, the impossibility of storing knowledge, the exploitation of ICT and its transparency, and finally, intangibility. (Kianto et al, 2010.) The complexity and all-encompassing nature of these human delivered services, which require in-depth expertise, understanding the whole environment of customer and their other vendors, including their power relationships whilst having a solution-oriented and positive attitude directed towards the customer is the reason why services are targeted in this study.

The firms participating in this study are service providers in the knowledge intensive business services field operating in Finland and internationally. The firms were selected to the study as they are good examples of constantly increased and updated knowledge as the basis of their business, and are similar in their offering and customer-base. Their customers include both public and private companies, mainly large firms. In the service industry, the solutions are created and developed at a tremendous pace for complex business environments. The services delivered include services based on technical solutions and consultancy services which both can be tailored to customers and mass-produced. The managers and experts are dealing with multitude of complexity in existing service environments and development projects. They must master both deep expert knowledge of their subject matter and well-honed customer service skills. Both companies serve large-size customers, where relationships are formed at many levels in the organization, and the success of the service delivery is dependent on high quality services, and smooth and competent relationship management between both parties including other partners in the network. Timely, accurate and efficient integration of knowledge is essential for all in the co-existing relationship. Information flow itself is vast and complex, and received from multiple

sources to be managed and combined into reasonable solutions and profitable outcomes. Service-oriented firms focus more on intellectual capital creation than product-oriented companies. They also possess more human and renewal capital, and protect intellectual capital more strongly (Kianto et al, 2010, 305). In order to stay in the competition, service-oriented firms, their individual specialists and account teams must focus on their customers, create lasting relationships, develop solutions with the thorough understanding of their customers' environments, and have relevant and timely customer knowledge readily available.

As I have now outlined the background of the research, the theoretical and managerial contributions can be explained. The study provides empirical evidence of the importance of customer orientation as an element in organizational renewal. Secondly, the study will make an effort to enhance the existing research by suggesting factors relating to customer orientation to be considered as amendments in measuring organizational renewal capability.

The managerial contribution is the review and definition of factors having an effect to customer orientation, namely customer relationship and customer knowledge, which the firms can further develop and utilize as basis for organizational renewal. This will enable further development of customer oriented services and functions, and thus help the companies remain customer oriented and competitive.

## **1.2 THE OBJECTIVES AND THE RESEARCH PROBLEMS OF THE STUDY**

In qualitative research the purpose is to search yet unknown realities or to explain the unrevealed connections of different phenomena (Hirsjärvi et al, 1997). The main objective of the study is to bring an enhanced understanding of customer orientation as one important source for organizational renewal, and to understand how a firm can further define customer relationship management and customer knowledge related

capabilities in order to develop its organizational renewal capability. The purpose is to gather rich and illuminative material, which enable a more descriptive research method and gives the possibility to document pivotal, yet interesting features of the phenomena. (Koskinen et al, 2005). In order to understand the content and effect of customer orientation from the organizational renewal perspective, it must be studied empirically in knowledge-intensive business service-oriented companies.

The objective of the theoretical part is to review the existing research literature of organizational renewal from the perspective of strategic management. Secondly, customer orientation related research literature is examined. The objective is to identify those customer orientation factors meaningful to organizational renewal and analyze their connection to organizational renewal capabilities. The attempt is to divide customer orientation into meaningful portions which enable the analysis of their meaning and quality as elements in organizational renewal capabilities. The theoretical review evaluates the prior research and clarified terminology about organizational renewal capabilities and customer orientation; relationship management and customer knowledge. The research framework is constructed from the theoretical framework.

The research is focused on the service-industry, specifically to knowledge-intensive business services where many of the end solutions offered to customers are dependent on the individual, although in the role of being part of an organization. The focus into one single industry limits the possibility of the phenomena being different from an industry to another. A case study is appropriate as it forces to view firms comprehensively, bring specificity into the analysis and understand complex phenomena (Koskinen et al, 2005, 156). The focus is to develop a thorough understanding of customer orientation in firms as an element in organizational renewal capability. A comparative case study is chosen as it gives stronger foundation for the analysis and allows the researcher to concentrate more deeply (Koskinen et al, 2005, 162). Thus the format of

the study is a comparative case study, giving the opportunity to compare two different cases.

The main research question of this study is: “What is the role of customer orientation in organizational renewal?” Four sub-questions specify the main question, and answers to them form a comprehensive conception of the subject. The research questions are presented in Table 1 below.

Table 1: Research questions

<b>RESEARCH QUESTIONS</b>			
What is the role of customer orientation in organizational renewal?			
How do organizational renewal capabilities relate to customer relationship management?	How can customer knowledge be characterized?	How are customer relationships managed in the renewal context?	How does the organization gather knowledge from its customers?

The sub-questions give the opportunity to understand the concept of customer orientation as an element in organizational renewal thoroughly, and by answering the questions I gather the empirical evidence of customer relationship management and customer knowledge from both cases. By answering the questions ‘How organizational renewal capabilities relate to customer relationship management?’ and ‘How can customer knowledge be characterized?’ I build a strong theoretical foundation from the literature review for empirical analysis. The questions are answered by evaluating earlier research and defining the terminology used in the literature. Using the previous research as a foundation, I build a concept of characteristics of customer relationship management and customer knowledge to be used in the empirical part of this study.

I choose suitable terminology for my empirical investigation and classified them. The questions 'How are customer relationships managed in the renewal context?' and 'How does organization gather knowledge from its customers?' are answered by gathering applicable empirical material about knowledge-intensive business service-oriented companies' customer relationship management and customer knowledge, and analyzing it against the theoretical background of the study.

The question 'What is the role of customer orientation in organizational renewal?' is answered by analyzing the empirical material and the theoretical background of the study in a one-time period and building a comprehensive picture of the factors.

Two cases are selected from the service industry, and the empirical data of the study is collected in theme interviews. The analysis is conducted using qualitative research methods. The theme questions are formulated on the basis of the theoretical framework and the analysis is reflected against it. The phenomena is studied initially to understand each case individually and then to find patterns amongst them through a cross-case analysis.

### **1.3 EXCLUSIONS AND LEVEL OF ANALYSIS OF THE STUDY**

The study concentrated in the knowledge-intensive business services where the service delivery perspective is assumed. The study focused on the vendor perspective, where the company in question is in the position of offering and delivering services to customers. Generalizations to other industries should be made with care.

The study is conducted as a one-time study reflecting the current status from the present to past within one-year timespan. Future plans were included when they proved relevant for the study.

Customer orientation is studied as an element in organizational renewal capability, and furthermore to enhance the understanding and to identify those renewal capabilities which are related to customer orientation. Organizational renewal capabilities are reviewed in the existing literature from the customer orientation viewpoint.

Although organizational renewal capabilities can be measured in many ways, it was not the purpose to measure them in this study but rather to investigate whether customer orientation, customer relationship management and customer knowledge should have a more important role as elements of organizational renewal.

#### **1.4 STRUCTURE OF THE THESIS**

The study consists of eight main chapters: *Introduction, Knowledge-based view and organizational renewal capabilities, Customer orientation, Customer oriented organizational renewal capabilities, Research methods and data, Findings, Discussion and Conclusion*. The structure of the thesis is presented in Figure 1. below.

The theoretical framework and the literature review in this Master's Thesis are presented in the chapters '*Knowledge-based view and organizational renewal capabilities*', '*Customer orientation*', and '*Customer oriented organizational renewal capabilities*'. In these sections I introduce the previous studies and mirror them against each other in order to build the research framework for the empirical study. The research framework is presented at the end of chapter '*Customer oriented organizational renewal capabilities*'.

The selected methods are presented in Chapter 5 '*Research methods and data*'. The research steps are explained in detail to allow the reader to understand the reasoning. The chosen methods, data collection and analysis are described thoroughly.

The empirical findings are presented in Chapter 6. First the individual cases are analyzed in terms of their customer relationship management and customer knowledge -characteristics. Then the cases are compared against each other in the section of cross-case analysis.

The Chapter 7 contains the discussion and the findings, which are explained with the theoretical framework. Here the distinguished themes and patterns reflecting to previous studies are revealed.

In the final chapter, the conclusions are presented and topics for further analysis suggested. Also, limitations of this study are described. The managerial suggestions are presented as to show, how customer orientation could be utilized in the companies and how to benefit from it in enhancing organizational renewal capability.



Figure 1: Structure of the thesis

## **2 KNOWLEDGE-BASED VIEW AND ORGANIZATIONAL RENEWAL CAPABILITIES**

### **2.1 KNOWLEDGE-BASED VIEW**

The knowledge-based view (KBV) is well defined approach in knowledge management emphasizing knowledge as the most strategically critical resource of the firm and source of economic profit. It has increasingly raised interest by many researchers but the consensus has yet to be reached for theory formulation. (Grant, 1996, 110; Grant & Spender, 1996; Spender, 1996b, 45).

KBV differs from the resource-based view (RBV) by the definition of knowledge resources and their transferability. RBV views the firm as consisting “unique bundle of idiosyncratic resources and capabilities“, according to Grant (1996, 110). Management’s main task is to create value by optimizing the use and development of the existing resources. In KBV, as being grounded in RBV, knowledge is understood as a more complex and dynamic resource, and specifically related to processes by which it is created, transferred, applied, and integrated with the knowledge of other employees in order to create sustainable competitive advantage for the firm. In KBV, knowledge develops dynamically through the interaction of the individuals in an organization and between organizations. (Grant, 1996, 110; Spender, 1996b, 59.) In other words, purely having knowledge resources in the firm is not as valuable as is the ability to use and combine individual knowledge with organizational knowledge in the firm. It is the symbiosis of knowledge and resources in the organizational setting which enable the firm to create competitive advantage (Grant & Spender, 1996, 6.)

The theoretical background for KBV can be established in the economics and organization theory, including the differences thereof; “economics assuming the rational actors’ self-interest while behavioral analysis

explaining the actors' bounded rationality and value premises" (Grant & Spender, 1996, 6).

## **2.2 ORGANIZATIONAL KNOWLEDGE AND PROCESSES**

There are different views within the research literature of whether knowledge resides solely in the individual and organizations are merely collections of rational individuals targeting to a common goal; or if organizations have knowledge independently of the individuals, embedded in the culture and processes.

Knowledge, by Spender's (1996a, 64) definition, is not about truth, or 'justified true belief', but rather related to the action of the knowledge-creating individual and the 'practice of intervening knowledgeably and purposefully in the world'. This same applies to organizations, as "knowledge-integrating institutions" they exist and operate for the purpose of creating value by facilitating the application of knowledge in a mutually beneficial relationship by their employees and customers (Grant, 1996, 112; Grönroos & Helle, 2012, 344).

Spender (1996a) continues to claim it is crucial to understand the organizational processes through which firms' access and utilize the knowledge possessed by their members. In the following chapters I will define and analyze the concepts of individual and organizational knowledge in more detail.

Individuals have acquired accumulated knowledge through experience, and on the other hand, they use rational thinking in order to make conscious, rational choices, based on learning and understanding. Experience is often related to tacit knowledge. It is more intuitive or sub-conscious type of knowledge, difficult or even impossible to be expressed verbally or in writing, but is reflected in the individual's actions. Explicit knowledge refers to knowledge which is known to the individual in his

conscious mind, and which can be expressed written or verbally. (Nonaka 1995; Spender, 1996a, 67.)

Nonaka (1995) focuses on the individual's tacit knowledge as the origin of all knowledge. According to him, firms aiming to succeed in the competition should focus on the individuals' intuition and hunches, and "make those subjective insights available to all in the organization", as creating new knowledge is not only processing objective data. Additionally, the knowledge one has deteriorates unless renewed in a continuous process, which requires deliberate enhancement processes of new knowledge creation, learning and innovation. The processes relating to knowledge creation, transfer and integration are further defined and explained in the following chapter in relation to organizational knowledge.

Organizational knowledge has been given many interpretations by the scientists, such as organizational memory, organizational learning, and organizational culture, for example. Spender (1996a, 69) argues that organizational knowledge is not the summation of individual capabilities, but rather the collective which invites the individual to contribute, represent and be subordinate to the system of the firm, meanwhile being attentive of the consequences for all in the organization.

According to Spender (1996a, 66), organizational knowledge, learning and memory form interdependency on which the holistic organizational system is built, and which cannot be separately analyzed. Organizational memory exists in operational practices and routines, or in various artifacts, structures, or in the architecture of the firm. Organizational culture can be defined as the knowledge storage reflecting the tacit knowledge of the organization; the way of acting as expected, as is habitual and traditional, and approved. Once knowledge is expressed or mediated through common, shared work routines, over a period of time, the organization learns and the existing routines and culture are changed. And vice versa, when management succeeds in implementing new cultural features in the organization, the culture is adapted by the individuals thus becoming knowledge of the individuals (Spender, 1996a; Spender, 1996b).

Organizations, however, may create behaviors which cannot be explained nor are accounted to individuals, such as crowd behavior. In crowd behavior, the collection of people seem to have a collective mind, and do things without being able to understand the reason. It is the collective mind, where Spender (1996a, 69) approves the definition of organizational knowledge “laying in between rather than within the participating individuals”. The individual who participate in applying, transferring, and integrating knowledge in the organizational context is strongly influenced by the organization, its strategy, operations and culture. One has to be able to communicate with others and understand the particular context of activity, when generating new knowledge to be utilized in a meaningful way. (Grant, 1996, 112; Pöyhönen, 2004, 32.)

Thus, individual and organizational knowledge are both present in each socialized individual's thinking, learning and remembering processes, and therefore mixed in the organization where domination of one may change over the period of time. It is important for a firm to own, preserve and enhance its knowledge resources and processes for sustained competitive advantage, as organizational knowledge is of utmost importance and the most strategically significant kind of knowledge.

However, in the dynamic business environment, static resources age fast. The processes of how knowledge is created, transferred, applied and integrated in an organization and how individuals can contribute to the growth of collective knowledge becomes the source of competitive edge. (Spender, 1996a, 73; Spender, 1996b, 52; Nonaka, 1991). As knowledge has become the most important factor in firms strategically, the related processes of creation, retaining, transferring and integrating knowledge should be understood thoroughly. Considering the dynamic nature of knowledge, the interaction between the individual and organizational should be viewed as a process (Spender, 1996b, 54) within the firm.

The role of the individual is only meaningful when it is considered as co-existing with the organization, Grant (1996, 53) suggests. Individual's learning should always be considered as the individual being an active agent in the organization, which shapes his rational thinking. In this context, knowledge processes are viewed from the organizational perspective, wherein the individual being actively involved and motivated in the organization. Additionally, as the firm is to be viewed as an activity system with some autonomy and self-regulating capabilities, knowledge is to be understood as a competent goal-oriented activity rather than a static entity (Spender, 1996b, 57). By this definition, being knowledgeable, and the act of knowing is viewed from the perspective of contributing to the fulfillment of the strategic intentions of the firm.

As Nonaka et al (2006) describe, the creation of knowledge as a process is based on the individual being both the object and the subject in that process. Creation of knowledge, or knowledge conversion, is defined as a process where one acquires "new context; a new view of the world and new knowledge, and simultaneously overcomes his boundaries and constraints imposed by past learning and information". In the interaction with others, sharing the tacit and explicit knowledge, individuals can enhance their learning potential in the existing situation and in a problem solving situation later, benefit from it.

In knowledge creation, it is important to define common space more specifically. A common space is described as a knowledge creation enabler, meaning more than the physical environment; the strong and positive relationships and atmosphere between members in the organization which has an effect on the members' willingness of sharing or transferring knowledge (Zárraga & Bonache, 2005). Therefore, organizations have the possibility to influence on one's knowledge creation by supporting in the creation of common spaces for individuals.

Knowledge transfer or flow within the firm and between firms is an important ability for a firm to develop its knowledge resources and processes, and further maximize earnings (Grant & Spender, 1996). Knowledge transfer can be described as the process by which one organizational unit “is affected by the experience of another” (Argote & Ingram, 2000, 151) explicitly or implicitly.

Tacit knowledge, as described earlier, is not easily expressed, hence more difficult to transfer in an organization. Individuals are most powerful in transferring knowledge when moved to a new unit, where they are able to transfer both explicit and tacit knowledge. In addition to moving knowledge assets, such as individuals, tools and tasks, transfer may be accomplished by modifying the existing resources through training and communication. However, it is easier to transfer knowledge within the organization than between organizations, which poses a difficulty when creating inter-organizational relationships with customers. (Argote & Ingram, 2000; Kianto, 2008.)

The third process defined in this study is knowledge integration, which to some extent combines knowledge creation with knowledge transfer process. Where knowledge creation fulfills the individuals existing knowledge base with new ideas and content, and converses that new knowledge with organizational knowledge to new collective knowledge, knowledge transfer is transferring that new, already formulated and understood knowledge to new organizational units or customers, for example. Integration of knowledge, according to Grant (1996b, 114) is more efficient than mere transferring knowledge. Whereas transferring knowledge means more or less transferring all which is known, integration concentrates only to the necessary parts of knowledge, thus minimizing knowledge transfer by cross-learning from the organizational members. Grant (1996b, 114-115) offers four mechanisms for integrating specialist knowledge: rules and directives to give direct regulations and standardize communication between members, sequencing to organize tasks in the manner where minimum amount of specialist knowledge is shared,

routines to form the complex patterns between individuals, and group problem solving and decision making in meetings, which require the highest amount of personal time. Grant (1996, 115) also underlines the importance of common knowledge to exist for the individual's stocks of knowledge to be integrated with that of the others. Common knowledge means those elements which are commonly known to all members of the organization, such as language, symbolic communication, commonality of specialized knowledge, shared meanings and recognition of individual knowledge domains.

I have now explained the organizational knowledge processes; knowledge creation, transfer and integration, where the individual's role is merged to that of the organization. Next, I will define organizational renewal capabilities and strategic renewal, and continue thereof to explain organizational renewal capability in more detail.

### **2.3 ORGANIZATIONAL RENEWAL CAPABILITIES**

Organizational capabilities or competences are defined as the realization of the knowledge related processes in the firm. Grant (1996, 116) describes organizational capability as the result of the individual's knowledge integration and the firms' ability to implement and coordinate that knowledge in team-based, complex activities. Competence, in similar notion, as defined by Prahalad & Hamel, (1990, 82), refer to the collective learning in relation to coordination and integration of the skills of the individuals.

Furthermore, organizational capabilities are based on collective knowledge and presented in the activities, social encounters and interaction of those belonging to the organization whilst acting out of the interest towards that common entity. When the organization acts in unity towards the planned strategy, a positive outcome can be expected. Organizational capability does not exist without its members, who actually

are the creative property in the process of developing these so called 'system level capabilities'. The most strategically important feature of the firm is its body of collective knowledge, the capability which is formed from the conscious and sub-conscious knowledge of individuals, their learning and memory capabilities with a set of objectified resources. (Spender, 1996a, 75.)

Organizations are forced to evaluate their strategy and operations, capabilities and competencies continuously in order to know their abilities and understand them in comparison to those of competitors. The capability to continuously innovate and renew has become a prerequisite for firms' survival strategy in the global and turbulent environment. In the following chapters, I will review the renewal capabilities in more detail. Strategic renewal will be first explained as it defines the background and purpose for the renewal efforts.

Strategic renewal relates to the firm's long-term expectations and is critical in its success or failure. The uncertainty of understanding the factors or attributes which affect a firm's long-term prospects forces the executives and managers to evaluate all factors which have the potential to have an effect in a substantial way. The ability to develop and renew the organization is based on the assessment of the firm's status quo and on the evaluation of the surrounding environment, which often is global, radically changing in multiple directions simultaneously. Strategic renewal includes *the process*, both the change process and the readiness to change as a continuing process, *the content*, as the refreshment or replacement of the attributes and capabilities of an organization, and *the outcome*, shown as the increase of profitability, market share and long-term customer commitment. The renewal capability must be flexible, of high quality, efficient and timed right. Additionally, it must encompass the whole organization in its functional, operational and strategic entity. The organization must drive the change; effectively create new markets by innovating new services with fearless attitude. Strategic renewal connects

the firm closely to the external environment. The firm cannot look at its renewal capability solely from internal perspective but must involve its partners, customers and other stakeholders. Especially important is to have a sensitive and strong customer orientation as the foundation. ((Agarwal & Helfat, 2003; Brown & Eisenhardt, 1998; Eisenhardt, 1998, 786; Kianto, 2008, 70; Pöyhönen, 2004; Santos & Garcia, 2006.)

**This study focuses on the content; those organizational renewal capabilities related to customer orientation which facilitate and enhance customer knowledge acquisition and leveraging to the organization through knowledge creation, transfer and integration processes and the active and purposeful customer relationship management.**

In the following sections organizational renewal capabilities are reviewed based on the existing literature.

Organizational renewal capability has been approached from many scientific disciplines, but is lacking a theoretically accepted consensus for its concise definition. As knowledge has been defined to be the most important source of competitive advantage in the knowledge-based view of firms, it offers the theoretical background for renewal capability. The existing literature on organizational renewal capabilities distinguishes several characteristics, which can either contribute to organizational renewal capabilities or, if left unattended or forgotten, may hinder firms' success.

Lester & Parnell (2002, 60) have identified two types of renewal, turnaround or revitalization, as possibilities for firms. Turnaround, based on strong authority, changes the organizational basic configuration, whereas revitalization or renewal is the outcome of the organization's ability to readjust and realign its situation, structure, decision making style and strategy. Situation is the general state of affairs, such as the size, age, and number of owners, influence of customers on decisions, and the

heterogeneity and/or hostility of its environment. Structure involves information processing procedures, decentralization of authority and departmental differentiation. Decision-making style refers to the firm's administrative personality. Strategy is the firm's relation to the environment, where "a firm can choose to be a prospector, analyzer, defender or reactor". Organizations renew themselves by altering proactively one or more of these factors. Their view presents the strategic choice model, where "organizational renewal is seen as a dynamic process subject to both managerial action and environmental force."

Kianto (2008) has identified six themes of organizational renewal capability, which enable firms to produce learning and innovation outcomes and measure them; strategic competence, connectivity, exploiting time, learning orientation, leadership, and managing knowledge. Strategic competence refers to the vision, basic task, identity and general steering principles of the organization. Connectivity is the structure and quality of social relationship within and across the organizational boundaries. Exploiting time reflects situational awareness and ability to make timely decisions, and having an internally orchestrated rhythm for changes. Learning orientation reflects the employees' attitudes towards creativity and learning. Leadership includes the leader's management skills of managing innovation processes and building enabling conditions for learning and innovation. Managing knowledge is the organization's systematic practices and tools for storing information and sharing knowledge. Firms' renewal is focused on new products, processes and insights, making it possible to adapt to external changes and create change from within the organization.

Jarrat (2009) combines the evolutionary economic theory with strategic behavior theory in his study of organizational preconditions supporting relationship management capability renewal. She identified both learning culture and structural dimensions to have a relation to relationship management capability renewal. Learning culture is reflected in learning orientation through constructs of commitment to learning, shared

vision/purpose and open-mindedness. Structure refers to flexible organizational structures which encourage sharing and collaboration across boundaries within the organization and across the supply chain. Relationship management capability is described as a higher-order capability incorporating a functional and integrative capability (Jarrat, 2009, 365).

The different renewal aspects defined by the researchers above and reviewed in this study are presented in Table 2 below. The table summarizes the concepts and definitions presented by the researches introduced in the above chapters.

Table 2: Organizational renewal capabilities summary

<b>ORGANIZATIONAL RENEWAL CAPABILITIES</b>		
<b>Strategy and strategic competence</b>	Lester & Parnell (2002) Strategy <ul style="list-style-type: none"> <li>• innovative</li> <li>• growth-oriented</li> </ul>	Kianto (2008) Strategic competence <ul style="list-style-type: none"> <li>• ability to create proactive visions and strategies</li> <li>• enable focused development</li> <li>• leave room for emergent evolution and flexibility</li> <li>• sense opportunities and weak signals</li> <li>• strong customer-orientation</li> </ul>
<b>Connectivity and relationship management</b>	Jarrett (2009) Relationship management <ul style="list-style-type: none"> <li>• organizational culture: innovation, flexibility, communication, consultation, moral integrity values</li> <li>• relationship management capability facilitating relationship knowledge acquisition and application</li> </ul>	Kianto (2008) Connectivity <ul style="list-style-type: none"> <li>• the structure and quality of social relationships within and across organizational boundaries</li> <li>• collaboration capabilities</li> <li>• ability to locate relevant information sources and persons</li> </ul>
<b>Managing knowledge externally and internally</b>	Lester & Parnell (2002) Structure <ul style="list-style-type: none"> <li>• information processing procedures</li> <li>• decentralization of authority</li> <li>• departmental differentiation</li> </ul>	Kianto (2008) Managing knowledge <ul style="list-style-type: none"> <li>• systematic practices and tools for information storage and knowledge sharing,</li> <li>• assessment of intellectual capital</li> <li>• recognize development needs</li> <li>• conscious knowledge vision and strategy</li> <li>• proactively collect information from customers, partners, research institutions</li> </ul>
<b>Situation and exploiting time</b>	Lester & Parnell (2002) Situation <ul style="list-style-type: none"> <li>• general state of affairs of the organization</li> <li>• influence of customers on decisions</li> <li>• env. heterogeneity: competitive tactics, customer's tastes, product lines, channels of distribution</li> <li>• env. hostility: price, product, technological and distribution competition, regulations, labor or raw materials shortage, unfavorable demographic trends</li> </ul>	Kianto (2008) Exploiting time <ul style="list-style-type: none"> <li>• master timing</li> <li>• sensitivity to temporal issues</li> <li>• situational awareness</li> <li>• ability to make timely decisions</li> <li>• internally orchestrated rhythm for conducting changes</li> </ul>

<b>Learning culture and orientation</b>	Jarratt (2009) Learning culture and structure <ul style="list-style-type: none"> <li>• learning from own and others' experiences and past history</li> <li>• transferring knowledge</li> <li>• commitment, shared vision/purpose, open-mindedness</li> <li>• flexible structures to encourage sharing and collaboration</li> </ul>	Kianto (2008) Learning orientation <ul style="list-style-type: none"> <li>• attitude towards creativity and learning</li> <li>• support and enablement by organizational structures and processes</li> <li>• exposure to differentiating views</li> <li>• reflexivity and challenging of existing mental models and operations</li> </ul>
<b>Decision-making style and leadership</b>	Lester & Parnell (2002) Decision-making style <ul style="list-style-type: none"> <li>• developing to be more participative and decentralized</li> <li>• risk-taking capability, proactiveness, innovation, futurity</li> </ul>	Kianto (2008) Leadership skills <ul style="list-style-type: none"> <li>• to manage structured and ordered innovation processes</li> <li>• to enhance creativity and learning through building enabling conditions</li> <li>• empowerment and supportive leaderships</li> </ul>

All of the renewal capabilities defined above relate to external environment and are influenced by customers' in some extent. However, there are four themes, situation and exploiting time, learning culture and orientation, connectivity and relationship management and managing knowledge both externally and internally, which require and are chosen for deeper analysis in building the connection between renewal capabilities and customer orientation. First, customer orientation is defined in the following sections. Afterwards, customer orientation related renewal capabilities are discussed in more detail.

### 3 CUSTOMER ORIENTATION

Customer intimacy, customer focus, customer-driven, and customer-facing organization are, for example, the terms used in the existing literature when discussing the attitudes and behavior, structure and culture, processes and practices of organizations' orientation towards its customers.

Customer intimacy has been recognized to be the unique manner in which customers are managed, and reflecting how the suppliers' development of the service and product offering is conducted. Customer intimate organizations, who maintain customer closeness as their key competence, concentrate in listening to their customers and building long-term, well reactive relations to their customers. Customer intimate strategy's main factor is considering the customer in the company's strategic and operational center, including both the organizational culture and processes of acquisition and sharing knowledge. (Cuganesan, 2005:53; Osarenkhoe, 2008, 170; Allen et al, 1998; Gubman, 1995.)

Customer focus based on Allen et al (1998, 157) is defined as "individual's beliefs about the value of the direct customer contact to his/her own work and performance". In customer interaction, empathy, emotional commitment and reactions of both parties are expressed, and the missing product or service components, for example, are revealed. In the organizational level, deep customer focus means more than new technologies, products and services. It means attitudes and practices of which the company is proud of, and by which the company can make itself indispensable to the customer. These are expressed by the customer service staff, in the customer processes, organizational culture, and through the top management's commitment. These elements are also considered the support structures of a customer –focused firm. (Allen et al, 1998, 166; Halliday, 2002, 137; Millman & Wilson, 1999, 36; Vandermerwe, 2004.)

Customer orientation can be understood as a comprehensive concept of the entire organization, which is reflected in the organization's attitudes and practices towards customers through the individuals' interactions and relations with customers. In this sense, it encompasses both the customer intimacy and customer focus. In a wide perspective, organizational structures, using time, and the potential and capability to make decisions to modify services for customers are related to how customer service and co-operation are arranged, managed and coordinated, thus being part of the overall customer orientation. Customer orientation combines the individuals' and organizations' actions and behavior, and through them the orientation of the whole organization presents itself in unison towards the customer. (Halliday, 2000; Parvatiyar & Sheth, 2001.)

On the other hand, barriers to customer orientation can be found from the organization's culture and its dynamics (Halliday, 2000). According to her study, organization's culture reflects the values and beliefs of the organization which are embedded into the individual, and provides the 'norms of behavior in the organization'. When the general attitudes are negative, the motivation of the individual employee is directed elsewhere.

Deshpandé et al (1993) define customer orientation to "include the belief which put customers' advantage as priority but without deleting the other stakeholders like owners, managers or employees advantage... as it is not enough to focus on customer needs". This definition is used in this study as it reflects the coexistence of the firm with its customers. A firm's existence in the marketplace depends on its capabilities to create and maintain well defined and functional relations, communication channels and practices with its customers where information and knowledge flow openly between customer and the organization. The cognitive organizational theory views managerial information processing central and sees organizations as knowledge systems. This perspective of the organization as an information processing 'factory' is valuable for understanding the knowledge processes from customer orientation perspective. (Deshpandé & Webster, 1989; Deshpandé, 1993, 24).

The capabilities related to customer orientation, such as relationship and customer knowledge management can be considered essential in organizational renewal, as they enable the organizations development to be directed in the right direction and with the correct substance; and yet they require actions from the involved parties, the providing organization and the customer.

Relationship marketing approach views that both, supplier and customer are in a business relationship for the purpose of creating a win-win situation and benefits for both. The dynamic, continuously changing and unsecure business environment along with ever growing demands may increase the company's willingness to engage in collaborative relationship development even more. The co-operation is at its best and may lead to increased productivity for both parties, when both parties invest in the development of the relationship (Grönroos & Helle, 2012, 345).

Customer relationship management requires coordination and continuous nurturing, and capabilities from both, the individuals in the 'front line' and the customer. The concept is explained in more detail in the next paragraph. Customer knowledge management is then evaluated in the following paragraph. The Table 3 below the concepts of customer orientation, customer relationship management and customer knowledge are summarized.

Table 3: Summary of customer orientation concepts

<b>CUSTOMER ORIENTATION</b>	
Deshpandé et al (1993):The belief which put customers' advantage as priority but without deleting the other stakeholders like owners, managers or employees advantage... as it is not enough to focus on customer needs.	
<b>CUSTOMER RELATIONSHIP MANAGEMENT</b>	<b>CUSTOMER KNOWLEDGE</b>
Parvatiyar & Sheth (2001): Comprehensive strategy and process of acquiring, retaining and partnering with selected customers to create superior value for the company and the customer.	Garcia-Murillo & Annabi (2002): Content of knowledge, the context in which it is presented, and channels through which it flows in to the organization.

### 3.1 CUSTOMER RELATIONSHIP MANAGEMENT

Customer orientation is often considered as a synonym for market orientation or marketing orientation. There are contradicting definitions of the term whether it can induce success or failure. Slater & Narver (1998) identify them as two different management philosophies; the customer-led versus the market-oriented business. When firms are customer-led, they tend to satisfy the customers' needs or expressed wants in search of short-term revenues. When firms look at only short-term benefits, or are self-centered, they may create solutions which are not lasting, fail to see the customer as individuals (Day, 2003, 80), and are not promoting organizational learning.

Market-oriented firms look at a longer term relationship with customers at a deeper level. This means understanding the customer's expressed requirements and latent needs in order to innovate new services and products. The full commitment to customers requires assessing the available market information in the means of understanding the customer knowledge and the potential of their competitors in a close relationship. In market-orientation, both the traditional market research techniques are used in combination with personal interviews and discussions, which then are combined effectively in order to evaluate customer's needs and promote learning in their own organization. For example, customers are observed when they use the services in their normal routines, and by having close relationships with the 'lead users', who are the fore-runners with advanced needs and who can help the organization to develop superior services and solutions. (Slater & Narver, 1998.)

Although customer-led and market-oriented firms have much in common, as they both aim for profits as reward for customer orientation, which in turn creates a satisfied customer (Deshpandé et al, 1993), they both respond to different kinds of business environments. Customer-led firms work better in relatively stable markets, whereas market-oriented firms are more suitable for dynamic and turbulent markets. In fast-changing

markets, it is essential to conduct market experiments, learn from them and adjust the services based on the new knowledge. Innovative offerings and “unserved markets are catalyst for organizational renewal in the market-oriented business”. (Slater & Narver, 1998.)

In the long-term customer orientation, the target is in anticipation of customer’s needs even better and at a deeper level than customers themselves do, and to “generate new value-creating capabilities based on that knowledge“(Day, 2003). This creates the requirement for high quality and well-structured management of customer relations. To achieve that, a closer one-to-one customer interaction with the organization is required. (Cuganesan, 2005, 52; Kaplan & Norton, 2000, 172).

According to Slater & Narver (1998, 1004), “market orientation consists of norms for behavior that guide the business in learning quickly and responding in an entrepreneurial manner to deliver superior customer value.” The acquisition of tacit knowledge gained through the personal relationships and interaction between the customer representative and the organization’s specialist is vital for customer orientation related capabilities to be developed in the organization. As the necessary, relevant and available knowledge from the individuals, who are in close interaction with the customer, is acquired, it can be combined to the collective knowledge of the whole organization by the intermediation of the individual. (Cuganesan, 2005, 53; Day, 2003, 79). Thus, the combination of the high-quality customer relationship management in individual and organizational level are required, including the relevant customer knowledge, for organizational renewal, as to give the content, purpose and direction for organizational renewal which will enable the organization to understand and enhance the kind of competencies required.

First, customer relationship management must be defined, after which the relating capabilities can be analyzed. Many companies are implementing tools and techniques when adopting customer-centric strategies in their effort to improve customer relations. The kind of knowledge which is needed when building close co-operative and partnering relationships with

customers need to be in-depth and integrated. For this reason, relying on technology is not enough. Hence, the definition of customer relationship management is following that of Parvatiyar & Sheth's (2001); it is a "comprehensive strategy and process of acquiring, retaining and partnering with selected customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value". This definition includes both the marketing view and the relationship view, and is therefore aligned with the Deshpandé et al (1993) definition of customer orientation.

At the individual level, customer relationship management is more than having timely information about customers' requirements and knowledge of customer behavior and preferences. A close one-to-one relationship with a customer involves a tight emotional and social bond, which itself creates the need for maintaining and nourishing the relationship. In most cases, at least in large size companies' customer relations, the account team creates the relationship with the customer's team of persons responsible for services. In the team, individual relationships are formed alongside the team acting in unison with the corresponding customer team. Additionally, relationships are created in specialist assignments, where one person alone represents the organization to the customer. Certainly, in large business relations, there may be many single individuals stationed in multiple locations of the customer. Regardless of whether the individual works on his own or is assigned to the account team, personal qualities and motivation have an impact.

Parvatiyar & Sheth (2001) have identified the components relevant for customer relationship management and the governance process, which are described in Table 4. These include both individual and organizational level elements, such as role specification, common bonds, planning process, process alignment, employee motivation and monitoring process. Effective customer relationship management takes all these factors into

consideration and builds upon these in creating superior relationship capability with its customers. Managing the customer relationship is the responsibility of both; the individual and the organization. Altogether, the involvement in the whole organization must be genuine, as acting from self-interest creates a barrier to achieving the benefits of the truly customer-oriented organization. (Millman & Wilson, 1999; Parvatiyar & Sheth, 2001)

Table 4: Customer relationship management components

<b>CUSTOMER RELATIONSHIP MANAGEMENT COMPONENTS</b> Parvatiyar & Sheth (2001)	
Role specification	<ul style="list-style-type: none"> <li>• The role of individuals or teams in managing the relationship and related activities.</li> <li>• Clarify the nature of resources and empowerment needed by the individuals or teams.</li> </ul>
Communication	<ul style="list-style-type: none"> <li>• Communication necessary in relationship development; fostering trust, providing information and knowledge needed</li> <li>• Establishing communication channels for enhancing relationships</li> <li>• Intra-company communication is as important as communication with customers</li> </ul>
Common bonds	<ul style="list-style-type: none"> <li>• Conscious effort to create common bonds; social, value, reputation and structural; created through interactions with customers</li> </ul>
Planning process	<ul style="list-style-type: none"> <li>• Involving customers in planning; customer relationship and governance processes</li> <li>• Necessary for cooperation and collaboration</li> </ul>
Process alignment	<ul style="list-style-type: none"> <li>• Operational process(es) alignment between the company and its customers</li> </ul>
Employee motivation	<ul style="list-style-type: none"> <li>• Positive climate and organization</li> <li>• Training employees to interact with customers, to work in teams and to manage relationship expectations</li> <li>• Building incentives, rewards, and compensation systems to support building stronger relationship bonds and customer commitment.</li> <li>• Institutionalizing the relationships</li> </ul>
Monitoring process	<ul style="list-style-type: none"> <li>• Periodic evaluations of goals and results, initiating changes in relationship structure, design or the governance processes</li> <li>• Measuring relationship satisfaction; governance and results achieved in the relationship</li> </ul>

Developing a customer-related capability is similar in many ways with that of creating a market-driven organization. It requires efficient communication and coordination across the cross-functional teams in the organization including personnel from all customer-facing departments and also those not in direct customer contact. Also, it requires understanding of what customers want from the closer relationship. The collective mind-set and attitudes are essential in developing the organization as a whole. When the cultural aspects are successfully altered, they may create an obstacle for competitors to observe and understand, and thus form a competitive advantage for the firm (Day, 2003; Slater & Narver, 1998, 1004; Parvatiyar & Sheth, 2001, 18).

### **3.2 CUSTOMER KNOWLEDGE**

A strategy-focused organization is efficient in translating the strategy to operational terms, aligning the organization to the strategy and in making the strategy be visible in everyone's day job, according to Norton and Kaplan (2000, 2001). In order to accomplish that, acquiring, transferring and integration of customer knowledge into the organization, and between the organizational units and individuals are necessary. Well-functioning and managed processes are essential for utilizing customer knowledge efficiently and benefiting from it.

Information and knowledge gained, managed and shared from customers and relationships can be a valuable competitive tool in helping the organization better understand its customers' needs and requirements, for innovating products and services (Treacy & Wiersema, 1997). Customer knowledge and the management of that knowledge are important in addition to the skills related to customer relationships, and will eventually be shown as customer commitment and loyalty (Garcia-Murillo & Annabi, 2002), and help the organization in focusing renewal efforts correctly (Pöyhönen, 2005).

There are many sources for customer knowledge, such as the traditional customer satisfaction surveys and trend analyses constructed by various market research companies or by the organization. Customer data can be collected from customer interactions in the customer service centers by monitoring phone calls, gathering data automatically from information systems, or by making automated web-based surveys once a service call has been resolved or delivered, or by the combination of all of these. (Garcia-Murillo & Annabi, 2002.)

Here, the emphasis is on the deeper level of customer knowledge than is expressly available by market surveys or automated inquiries. The interest of this study is in the kind of knowledge, which is gathered by individuals in their interaction with the customer while working on their normal jobs in a close relationship with the customer either on individual assignments or as part of an account team. That knowledge includes a deeper understanding of the customer's environment in its entirety, the possible development activities, who's connected to whom and how best to reach them, who are they connected to, and what is important for a decision maker and when (Nash & Duvall, 2005). As Garcia-Murillo & Annabi argue (2002, 875), personal interaction leads to a richer content and gives not only the data and information, but also the explanations and reasons for decisions made. In order to anticipate for future needs, understanding how the customer business environment will change is critical.

The knowledge which is more tacit in nature may be gained through interpersonal relationships with customers (Cuganesan, 2005, 53) as it is easier to ask questions and share knowledge in person. Additionally, information about the relationship itself is valuable (Day, 2003, 80). Also, situation related context not openly expressed is interesting, such which is not necessarily tacit but rather business critical and private in nature, which can be withdrawn from the symbolic and non-verbal communication while working together closely. The approach in customer knowledge management in this study aims to understand the content of such knowledge, the context in which it is presented, and channels through

which it flows in to the organization. (Garcia-Murillo & Annabi, 2002.) In creating the foundation for the contents of customer knowledge, I took the García-Murillo & Annabi's (2002, 876) framework of a firm's knowledge as a basis for the deeper analysis. This is presented in the Figure 2 below.

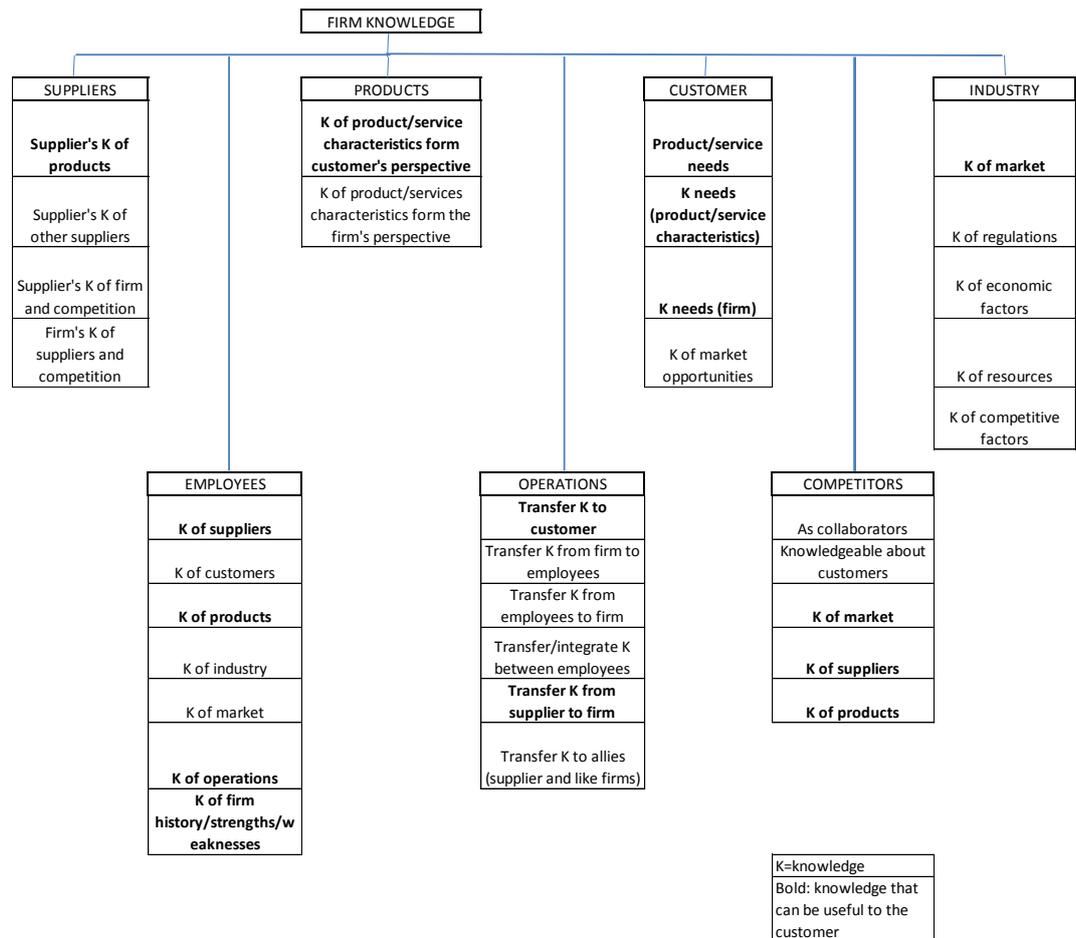


Figure 2: Knowledge of the firm

The components are divided into seven themes; suppliers, products, customer, industry, employees, operations, and competitors. Each of these contains several interrelated sub-topics. These sub-topics reflect the deeper knowledge which goes beyond the kind of easily extracted or available, such as third or fourth level suppliers in the supply chain, or about competitors and their knowledge of customers. Knowledge related to customer strategies, history, activities and business problems has also been mentioned as important in earlier academic literature. (Cuganesan,

2005, 55; Day, 2003, 79; Garcia-Murillo & Annabi, 2002, 875; Maier & Remus, 2002; Niven, 2002; Treacy & Wiersema, 1997.)

The content of the knowledge is important to both parties as they seek a mutually beneficial business engagement from the relationship. Benefits to customer and the firm delivering the services are obvious; the interaction reveals knowledge of which both participants can learn from and where both can also deliver information neither asked for. The firm learns of its customer and partners, the customer learns from the firm, and of the firm's other customers and best practices through the transfer and integration of knowledge in the firm invisible to the customer but which is relayed to them through the firm's representative. Both benefit from the sharing experience which effects positively on the mutual relationship and on the business engagement. (Garcia-Murillo & Annabi, 2002.) A summary of customer knowledge discussed earlier in the literature is presented in Table 5 below.

Table 5: Summary of customer knowledge content

<b>CUSTOMER KNOWLEDGE</b>	
Treacy & Wiersema (1997)	<ul style="list-style-type: none"> <li>• Knowledge of customer's broader underlying problems</li> <li>• Knowledge of how customers can achieve success</li> </ul>
García-Murillo & Annabi (2002)	<ul style="list-style-type: none"> <li>• Knowledge of customer's market and market opportunities</li> <li>• Knowledge of customer's product needs and their characteristics</li> <li>• Knowledge of customer's suppliers and products</li> <li>• Knowledge of the firm (delivering services to customer) and its operations</li> <li>• Knowledge of firm (delivering services to customer)</li> <li>• history, strengths, weaknesses</li> </ul>
Maier & Remus (2002)	<ul style="list-style-type: none"> <li>• Knowledge of customers, their needs, preferences, businesses</li> <li>• Knowledge of customer's reactions to actions taken by the organization</li> </ul>
Niven (2002)	<ul style="list-style-type: none"> <li>• Knowledge of customer's products</li> </ul>
Day (2003)	<ul style="list-style-type: none"> <li>• Information about customers that is in-depth and relevant</li> <li>• Knowledge of customer's history, activity, requirements and problems</li> </ul>
Vandermerwe (2004)	<ul style="list-style-type: none"> <li>• Knowledge of customer feedback</li> </ul>
Cuganesan (2005)	<ul style="list-style-type: none"> <li>• Knowledge of customer's long-term strategy and intentions</li> <li>• Knowledge of customer's future product and service needs</li> <li>• Knowledge of customer's customer's position and challenges faced in their industry</li> </ul>

Knowledge and learning in the mutual knowledge exchange relationship with the customer can lead to changes in the organization, which will improve services and products, processes, behavior and culture. When the relationships with customers develop further, changes may also be expected from the customer-side. The firm will be more willing to make changes and renew their capabilities when they have more and better quality customer knowledge and thus understand the customer's needs and position more thoroughly. Certainly, the firm is also in anticipation of achieving better customer loyalty and retention. (Garcia-Murillo & Annabi, 2002, 883). In this study, however, the interest is in the customer relationship and customer knowledge and the qualities of the related capabilities, which are considered meaningful for organizational renewal.

In the following chapter, customer orientation is linked to organizational renewal capabilities based on the earlier presented literature.

## **4 CUSTOMER ORIENTED ORGANIZATIONAL RENEWAL CAPABILITIES**

Having reviewed the organizational renewal capabilities based on the existing literature, there are several elements where customer orientation is distinguished and analyzed. Customer orientation can be considered a relevant perspective in all the reviewed organizational renewal themes; strategy and strategic competence, connectivity and relationship management, managing both internal and external knowledge, learning culture and orientation, leadership and decision making style, and situation and exploiting time. However, there seem to be stronger connection between customer orientation and four identified organizational renewal elements, which are defined in the following chapter in more detail.

Lester & Parnell (2002) identified customer's influence on decisions in the situation element which connects customer perspective closely to the organization's ability to adjust and realign itself. Here, situation is reflecting the overall status and environment of the organization in the context of the surrounding business environment. Situation by Kianto's (2008) definition is connected to exploiting time, which reflects situational awareness and ability to make timely decisions, including having a rhythm for changes in the organization. The awareness and the ability to make timely decisions are in customer oriented view reflections of increased customer knowledge distributed through well-managed customer relationship process to the organization, which enable the organization to base its decisions on customer oriented view and effectively with the correct timing. According to this interpretation, customers have an influence on the organization's renewal, on the decisions made in the organization with regard to the critical timing.

The study of Jarratt (2009) focused on the effects of learning culture and structural dimensions having a relation to relationship management capability renewal. Learning culture is defined as learning orientation and

visible in commitment to learning, shared vision and purpose and open-mindedness. Kianto (2008) also defined learning orientation as a theme in the organizational renewal context reflecting employees' attitudes towards creativity and learning. Customer orientation has been defined as a comprehensive concept reflecting the whole organizations attitudes and practices toward customers through the individuals' interaction and relations with customers, wherein the individual employee's attitudes are of utmost importance (Halliday, 2000). Therefore, learning orientation and culture as organizational renewal capabilities can be closely connected to customer orientation.

In addition, Jarrat (2009) introduced structural dimensions to have a connection to relationship management capability renewal. Structure in this context refers to flexible organizational structures, which encourage sharing and collaboration across boundaries internally in the organization and externally with partners. Kianto (2008) has defined structure and the quality of the social relationships within and across the organizational boundaries in the connectivity-theme of the organizational renewal context. Both identify the importance of quality when discussing structures; in the flexibility of organizational structures, and the quality of social relationships. When considering the market-oriented firms, Slater & Narver (1998) distinguish the importance of close relationships with customers as being important in being able to understand customer's requirements thoroughly. High quality in managing customer relationships based on one-to-one customer interaction is discussed by Cuganesan (2005) and Kaplan & Norton (2000). It can be determined, customer orientation and relationship management are closely and strongly connected. However, it is evident, relationship management in itself is not sufficient, but requires quality to be considered as an important characteristic.

Kianto (2008) defines managing knowledge as the organization's systematic practices and tools for storing information and sharing knowledge. García-Murillo & Annabi (2002) identified the meaning of customer knowledge and the management of that knowledge as important

in addition to the skills related to customer relationships, which closely connects customer knowledge and the related management skills to organizational renewal. It can be concluded, customer knowledge and management of that knowledge is vital for organizational renewal, and cannot be discussed without the connection to the customer relationship management.

Thus it can be determined; based on the former studies customer orientation has an important and strong connection to renewal capabilities. Here, yet there are altogether six domains identified in the organizational renewal context, four of them seem to raise more interest within the earlier research; learning culture and orientation, situation and exploiting time, connectivity and relationship management and managing both external and internal knowledge. The other two domains, strategy and strategic competence and leadership and decision making style are important in creating the foundation for the existence of the firm and the essence of its culture. They can be considered vital in the organizational renewal capability and customer orientation perspective in giving the strategic direction to the firm and its renewal efforts and in ensuring these are efficiently executed, yet when investigating the employee level phenomena may have less emphasis.

The aim in this study is to analyze which customer orientation views or factors, and their related quality attributes or characteristics are eminent in organizations and what is the role of customer orientation in organizational renewal. The research framework of customer orientation and the above identified connections to organizational renewal are presented in Table 6 below. In the customer orientation domain, the focus of the study specifically is to analyze customer relationship management and customer knowledge, and their connection to organizational renewal.

Table 6: Research framework

<b>CUSTOMER ORIENTED ORGANIZATIONAL RENEWAL CAPABILITIES</b>	
CUSTOMER RELATIONSHIP MANAGEMENT	<ul style="list-style-type: none"> <li>• SITUATION AND EXPLOITING TIME</li> <li>• LEARNING CULTURE AND ORIENTATION</li> <li>• CONNECTIVITY AND RELATIONSHIP MANAGEMENT</li> </ul>
CUSTOMER KNOWLEDGE	<ul style="list-style-type: none"> <li>• MANAGING KNOWLEDGE EXTERNALLY AND INTERNALLY</li> </ul>

In the next chapter the research methods and data collection will be presented for the empirical research.

## 5 RESEARCH METHODS AND DATA

The empirical research was carried out in knowledge-intensive business services industry in Finland. The choice of the sector, and choosing only one sector, was made both based on the interest of the researcher and also to limit the possibility of having diverse phenomena in different industries. The scope of the study included two cases, and where the services delivered consist of intangible services and tangible solutions, to form the offered and delivered entity. The chosen business units are approximately of similar size measured in the amount of personnel in each organization. Case study method was chosen as appropriate for the empirical enquiry where the purpose was to investigate a contemporary phenomenon in its real-life context, when the boundaries between the phenomenon and the context are not clearly evident (Yin, 1994, 13).

A deductive approach was chosen for this master's thesis, in which the strong theoretical foundation with the research questions determined the methodology. The analysis was based on organizational level renewal capabilities, wherein customer orientation was chosen as the angle for examination. In the domain of customer orientation, the focus is on customer relationship management and managing knowledge. A good theoretical background will give a strong foundation to support the empirical research of the phenomena and help in designing sound case studies, both in single and multiple-case research. Inductive research methods may, vice versa, reduce the comparability in a multiple-case research due to the design and hypothesis creation, and development alongside the research process. (Koskinen et al, 2005).

Customer orientation was analyzed through customer relationship management and customer knowledge within the framework of organizational renewal capabilities in a one-time study for each case individually. The cases were then compared against each other and a cross-case analysis was performed.

## 5.1 COMPARATIVE CASE STUDY STRATEGY

The target of this master's thesis was to study phenomena not studied before from this viewpoint. A case study is appropriate as it forces to view firms comprehensively, brings specificity into the analysis and understanding of complex phenomena (Koskinen et al, 2005, 156). The focus was to develop a thorough understanding of customer orientation in firms as the element of organizational renewal capability. In case studies, statistical generalizations should not be targeted, rather the cases should be viewed as individual experimental topics, or multiple experiments in multiple-case study, respectively, where analytic generalizations are used in comparing the empirical results against the theoretical background. (Yin, 1994).

A comparative case study was chosen for the purpose of giving a stronger foundation for the analysis and allowing the researcher to concentrate more deeply (Koskinen et al, 2005, 162). Thus multiple cases were selected. Both cases are first studied individually, after which they are compared in a cross-case analysis in order to find common themes and patterns as well as differentiating features or qualities.

The qualitative method was used in this study, as it prefers naturally created materials. The purpose was to gather rich and illuminative material, which enable a more descriptive research method and give the possibility to document pivotal, yet interesting features of the phenomena. (Koskinen et al, 2005). Qualitative study offers certain flexibility in choosing and even adding the cases where appropriate (Yin, 1994). Quantitative and measurable hypothesis could not be formed due to the difficulty of defining the exact terms and relationships in the beginning of the study. Hence, I chose a qualitative study as appropriate for the study.

## 5.2 DATA COLLECTION

Data collection was organized by interviewing the selected personnel, both specialists and managers, in person. The interviews were loosely structured theme interviews with a general structure inviting the interviewee to natural conversation yet forming a structure for the discussion. As Koskinen et al explain (2005, 14), in theme interviews, the interviewee is allowed to answer with their own words and give meanings to the topics reflecting his way of thinking. Follow-up questions were made afterwards to certain interviewees to clarify their previous answers. Interview themes are enclosed in Appendix 1.

The specialist and managers were interviewed using the same themes but the viewpoint varied according to their position. One challenge in qualitative research is reactivity; meaning the participants are responding to the interview questions as they think they should, either to please the researcher, their own supervisor or for other reasons. The reason could be that the participants don't trust the interviewer, or think answering truthfully might harm them or their organization. (Koskinen et al, 2005, 54.) In order to avoid this challenge, I encouraged the interviewees to elaborate more on the topics which interested them or of which they had more experience or strong feelings about thus creating an atmosphere where they could feel their opinions count and make a difference.

The questions covered the three main themes; *customer relationship management*; the interviewees' role in it and the related activities within their position and role, *customer knowledge*; the topics openly discussed and not discussed, the means to gather, transfer and integrate knowledge both internally and externally, and finally the perception of *customer orientation* in the organization generally. The interviewees were encouraged to consider the whole organization when answering, not only themselves as individuals. When sensing resentment towards the topic, it was left out and other areas were emphasized instead. According to Yin (1994), it is important that the interviewees should be allowed not to

disclose information should they not be willing to. Additionally, I diminished this obstacle by taking the confidentiality requirements seriously, and informing the participants of the confidentiality of the research including themselves, their organization and their customers (Koskinen et al, 2005, 54).

Interviewees were selected by the case companies, and both managers and specialists were targeted equally. The number of interviews was aimed at five for each case, of which all were requested to represent the same organizational unit in the company. The number of interviews was agreed in advance with the companies, although more could have been arranged had the data not fulfilled the requirement of saturation. According to Yin (1994), when the empirical data is not producing any new information, it can be considered saturated meaning the data collection can be completed. Finally, a total of 10 interviews were conducted, 5 of each company, as was targeted. The amount of transcribed text was 75 pages in total. In the Table 7, the summary of interviews and text transcripts are presented.

Table 7: Case interviews

Case company	Number of interviews	Total textual dataset
Company Blue	5	44
Company Red	5	31

The interviews were recorded, for all except one, where the tape recorder was not available. In that case the interview was typed out in a transcript during the interview session. The audio files were listened to afterwards in two sessions and written out as transcripts by the author. The transcripts were text files, and were used to formulate database files for further analysis.

The researcher can use only one source of evidence, but when possible using multiple sources, or triangulation, is recommended. Using secondary

sources would create more convincing and accurate findings. (Yin, 1994.) In this case study there was no secondary data available due to the strict confidentiality clauses and trade secrecy related to the firms' processes and practices. Thus secondary evidence was not gathered. Control could be exercised in collecting the empirical evidence due to the author's prior experience of both companies.

The data will be saved in the Lappeenranta University of Technology. Every interviewee was told of the study's purpose and given the opportunity to be interviewed anonymously. As the research is a Master's Thesis, it is a public document after two years from the date of the acceptance. As mentioned above, the names of the firms, their customers and interviewees are not revealed.

### **5.3 DATA ANALYSIS**

An important characteristic is to have the research deliver a clear analysis, which can be discussed and reflected against the earlier research and theoretical framework (Koskinen et al, 2005, 229). With this in mind, the data analysis was conducted in two phases. As Eisenhardt (1989) presents; in the within-case, the idea is to become familiar with one case as stand-alone entity prior generalizations are made across multiple cases. According to this analogy, the cases were first studied as single cases and then compared against each other searching to find similarities and differences. The cases were analyzed in a one-time timeframe and the interviewees were asked to consider the phenomena in customer projects or assignments within the past year. Some relevant future plans and development efforts were also included as they either were already on-going or planned to be implemented during the coming months. After the single-case analysis, the cross-case analysis was performed. The purpose of the cross-case analysis was to find similarities and differences

between the cases, by which I could describe patterns, themes and relationships shared by the cases.

The risk of reaching false conclusions can be mitigated by creating sub-categories of the main topics and by looking for within-group similarities and differences as well (Eisenhardt, 1989). Before the actual analysis, the evidence from each case was divided into sub-groups based on main categorization. The framework created by Parvatiyar & Sheth (2001) was used as a basis for customer relationship management categorization. Customer knowledge was based on García-Murillo & Annabi's (2002) categorization of knowledge components and the other researcher's classifications as defined in Table 5. The identified sub-groups were then re-listed as to point out the most important findings which were then highlighted. Additionally, dimensions and measures related to the quality of each element were defined where possible and evaluated in order to reach a better understanding of the meaning of each element. Once the initial analysis was conducted, the most meaningful elements and the identified qualities were taken to further analysis.

The cases were then compared against each other in a cross-case analysis. The most important findings of each case and related quality features, if any were identified, were analyzed together. The similarities were identified and the common patterns examined. The classification framework based on the theoretical background assisted in the interpretation of the findings. (Yin, 1994).

#### **5.4 RELIABILITY AND VALIDITY**

Reliability is demonstrated in the saturation of information received from the interviewees. When many interviewees tell similar things, it can be considered that a sufficient level of saturation is reached. Also, reliability can be increased by allowing another researcher to perform the study by reproduction. Conducting a case study in the manner where an auditor or

a fellow researcher could repeat the exact procedures and arrive at similar result is a good guideline. (Yin, 1994.) In this study, the research framework and the study questions are presented, thus giving the opportunity for a fellow researcher to reproduce the study. Additionally, the research process is described in detail and thus enabling the reader to follow the logic of reasoning.

The quality of the study is also measured by construct validity and external validity of the research (Yin, 1994). Construct validity was ensured by having the study reviewed by the key persons of each company in its draft form. The research framework was formulated based on the literary review and the themes for the interviews were based on the framework created. The theme questions allowed for in-depth material collection, and the analysis was performed in reflection of the theoretical framework. The analysis was then deliberated in the discussion chapter.

## **6 FINDINGS**

In this section the findings are presented from the single case as a stand-alone entity, after which follows the cross-case analysis presentation. Customer relationship management practices and customer knowledge contents and related practices for each case are reported. Cases in this research were given names “Blue” and “Red”.

For finding answers to research questions ‘how are customer relationships managed in this context’ and ‘how the organization gathers knowledge from its customers’, each case is presented first individually and then in the cross-case analysis. These questions are answered by the single case analyses. Both the answers to the sub-questions and the cross-case analysis will answer to the main research question ‘What is the role of customer orientation in organizational renewal?’

Due to the confidentiality requirements, detailed descriptions of the cases are not possible to be made.

### **6.1 ORGANIZATION “BLUE”**

Blue is a service provider with several solutions and related services. The selected services are targeted to mid and large size customers. The organization is divided into business areas and teams. The company has experienced a merger two years ago which still is reflected in some answers of those interviewed.

#### **6.1.1 BLUE’S CUSTOMER RELATIONSHIP MANAGEMENT**

Service provider Blue is in contact with its customers mostly in meetings and events; presenting offers and proposals of solutions and consulting

services in sales meetings, negotiating contracts, delivering project or technical reports and presentations, helping customers in their problems, planning and implementing research and development projects, designing new solutions and services together with customers, and in seminars and events. Most of the staff meets customers only in meetings held at the customer premises, and only one of the interviewees had a permanent workplace at the customer's office. The meetings are usually informal, except to those where the agenda has been agreed in advance, such as a project meeting or a technical service delivery report presentation.

The relationship with customers depends on the customer; whether the meeting is a sales call to a new customer or whether it is a visit to an old or existing customer where the participants know each other. Sometimes when the customer is visited for the first time or more rarely, the relations were described as a bit awkward in the beginning but warmed up once the technical specialists were given the opportunity to share ideas and discuss in the "customer's language". Also, if the customer had invited the meeting, thus having a predetermined interest in Blue's offering, or it was merely question of trying to raise the interest of a new potential customer, made a difference. When placing a new sales call to a customer as to present the offering without the customer having familiarized themselves in the Blue's offering, the meeting atmosphere was described being strange and difficult.

Sometimes the customer also wanted to have less co-operation meetings, as they felt Blue's staff to be too sales-oriented. As one consultant stated;

*"...normally they have clear requirements, but sometimes we wonder why we were invited. "*

Closer relationships were formed when the employee had worked for a longer period with the same customer, thus being able to develop a trustful relationship with very open communication.

*“Sometimes when there is a deep, trusting relationship with the customer and they describe their objectives but not exactly the steps to get there, we have an opportunity to start building the solution together with them in order to reach that objective.”*

*“We always listen to the customer closely, and ask questions and try to help...semi-actively, not pushing. Then I will communicate the requests to our organization, and by asking I always find someone who knows more of the subject.”*

The management strategy for customer relationship management included a newly formed account team function which aimed to improve customer satisfaction, quality of customer service and overall service quality and to help sales staff. The team is also responsible for deliveries and later possibly the model will include gratification models based on the achieved results. Customer meetings were prepared in advance, at least to some extent if not in detail in the past, whereas lately due to the new account team model, the preparations for the bigger cases had improved both in quality and employee commitment.

*“I am highly motivated in working on this big sales case, as I’m responsible for it, of course, while sharing that responsibility with the sales lead...”*

There were some confusion of whether customer relationship management activities were included in the employees’ role, but nevertheless all participated in the relationship management to certain extent.

*“I don’t really do anything related to customer relationship management; it is usually handled by the sales person and account manager”.*

*“Relationship management happens most often when I meet with customers and bring some new information of our services or of some technology, what they had asked for...”*

The way of conducting oneself with customers was considered important. The consultants were informed about subtle behavior and ways of working

with customers with instructions of what to discuss and what not. Neither written instructions, nor longer training-sessions were available.

*“First of all, we listen what the customer’s problem is, ask questions, and try to help, when there is the need. This is done semi-actively, not by pushing, but maybe more with co-operation trying to find solutions and ways to work together. The ultimate goal is for the customer being able to be more productive and work better”.*

Learning orientation and attitude were based on individual interests and on the mutually agreed training plans created together with the human resources team. The employees considered themselves as professional experts, who are not in dire need of training and who rely on their specialist skills. Some expressed communication and presentations skills which could be enhanced, or interest in project management practices and models.

*“This work doesn’t necessarily require any further training, as these are so special cases each... you just have to check how it is done with the customer and what the customer needs are..”*

Blue’s quality requirements for customer relationship management were derived from customer satisfaction measurements and the consultant’s professional capability, including both the technical and behavioral competence, such as a positive and helpful attitude and sensitivity towards the customer. Quality was measured in customer satisfaction surveys, which included both the service, personal and professional quality measures. Also team meetings were regarded as quality indicators.

### **6.1.2 BLUE’S CUSTOMER KNOWLEDGE**

The knowledge received from the customer includes knowledge and information of the customer’s needs and requirements as well as challenges in their business systems and operations. Information related to Blue’s offering and solutions formed the most part of the content.

*“The best way to transfer and share knowledge is by the persons who know the product; and consultants normally know how to implement it, after which we can tell how long it takes, and what it requires.”*

*“It is very clear what we need. We are the specialists ourselves, thus we must also tell the customer certain things, and then ask colleagues or find elsewhere, from internet, or other.”*

Additionally potential service or technology development trends in longer term were discussed. Competitor information was mainly not of interest, as the company considers itself to be a forerunner, and the strategy is to be ahead of others. Information about customer organization was interesting as well as of customer’s internal decisions.

The information and knowledge of which Blue’s organization would be interested in were related to projects, subcontractors, agreements, key persons, whether customers have interest and can invest on their services.

*“We are interested in the decision makers' names in the customer organization, and we try to find names when working in projects and continuing services, as we could have our offering widened in our customer base. From customers we could, overall, have more information.”*

*“Sometimes they tell also internal things not meant for my ears, so I’d say we have very trusting and open relationship. Information from other areas of the organization is received beyond that project itself.”*

There are topics which are not discussed or revealed to the service provider such as the customer position in the market, their strengths and factors related to competitive advantage. Also sometimes business and operations related topics are not openly discussed.

*“The benefits related to their business processes or related and required objectives of a system would be needed but we cannot usually get them. This is new to customers also, they haven’t usually thought about them. “*

*“Sometimes customers try to get an offer, but without telling us directly what they want. We had this one customer, who wouldn't tell us anything, only that they are*

*interested in our solution. They told us to find information from the internet. Now we have offered based on our limited understanding and knowledge.”*

The reasons for not sharing knowledge and information openly were related to the scope of the project in question, whether there are agreements protecting the information and its disclosure, trade secrecy, or willingness to reveal the kind of problems the customers have. Also, customers want to secure competitor information from being revealed to Blue's organization.

Within the Blue's organization, many information systems existed but were not used for information sharing. Some were outdated, or employees didn't have access to, had corrupted data, or were not used consistently. Information and knowledge were mostly shared in meetings or in one-on-one discussions.

*“We had some time ago also knowledge sharing sessions but they didn't attract many participants. Our supervisor wanted to encourage positive feeling and excitement for the whole company beyond our own team structure.”*

*“The customer knowledge depends whether it is my customer or not, but normally I will go to discuss with the sales person. Once a week, we have a meeting with the account team internally, where we go through matters and write a memo, which is sent to all managers. Information sharing works well. I don't know if it works with others [teams].“*

When delivering customer information, such as a new sales lead, to the organization, there are contradictory opinions. The flexibility of the organization is weak; sharing and collaboration is based on the individual's social relationships with others.

*“I have a channel where to deliver customer knowledge, but I feel it is a bit of a "black hole", so it feels not to do it unless it benefits my own project.“*

*“So, I don't know what has been offered to other customers besides asking and digging out, and we are not actively told neither what has been offered.“*

*“I intend to share all which is relevant to the person, by going to talk to that person or his supervisor, or the sales lead, or my manager.”*

The quality requirements related to customer knowledge are not explicitly stated for all employees. There are some content related requirements which are stated in the balanced score card, such as the amount of research and development projects started in co-operation with the customers, and technical requirements which are built-in features based on the technical expertise.

Also the direct customer feedback will indicate whether the satisfactory quality is delivered to the customer. In the internal account team meetings quality is measured and reviewed weekly even if there are no specific requirements for it.

*“We don't have any quality requirements, depends on what we will do, for example in the service area. I know what we need to know, and if not, then I usually ask, but I don't have any specifications.”*

*“Yes, we will follow-up and report once a week to our account team, where I have an excel file where I input the customer status and customer satisfaction. If the customer has a server broken on our desk, we must of course be concerned.”*

A summary of the customer knowledge identified in Blue as to the ease of gathering or the availability of the knowledge is presented in the Table 8. below. The classification to YES reflects the knowledge is easily available and can be gathered. The classification to NO means, the knowledge is not available and cannot be gathered. The classification to WANTS reflects the companies' willingness to gain the knowledge, but when they can rarely have access to, or to the kind of knowledge which is only indirectly available.

Table 8: Blue's customer knowledge

CUSTOMER KNOWLEDGE	Case Blue
Knowledge of customer's broader underlying problems	NO/WANTS
Knowledge of how customers can achieve success	NO/WANTS
Knowledge of customer's products	NO
Knowledge of market and market opportunities	NO
Knowledge of product needs and their characteristics	YES
Knowledge of suppliers and products	YES
Knowledge of the firm and its operations	NO
Knowledge of firm history, strengths, weaknesses	NO
Information about customers that is in-depth and relevant	NO/WANTS
Knowledge of customer's history, activity, requirements and problems	YES/WANTS
Knowledge of customer feedback	YES
Knowledge of customer's long-term strategy and intentions	NO/WANTS
Knowledge of customer's future product and service needs	YES/WANTS
Knowledge of customer's customer's position and challenges faced in their industry	NO

### 6.1.3 SUMMARY OF BLUE'S CUSTOMER ORIENTATION

In Blue's organization customer orientation was considered very important and measured by the executives in the governance model continuously. Customer orientation was interpreted as reflecting the satisfactory level of customer satisfaction, the attitude towards customers and as representation of the customer in the organization. Also, some criticism was presented as not all solutions were treated equally in the sales process, and thus customers were treated differently depending on their interest in the Blue's offering.

*“We are customer oriented, it is shown in that we emphasize customer satisfaction questionnaires; they are very important and it is not approved if we receive a score under 4. If we are, the sales person must clear the situation and make sure the problem is corrected.”*

*“And when we are in the consulting business, when you are a consultant, you must remember, you represent the customer in this firm, you don't represent your own company.”*

*“We are customer oriented in some parts; but not in all. I wish we could sell all our offering when going to meet a customer, so the whole understanding of the customer business could be better. “*

Overall, the Blue organization considered its customer orientation positive which was reflected in good customer relationship management and sharing of customer knowledge.

The individual level capabilities, such as communication, interaction, team work, and managing relationships and expectations reflected the kind of capacity on which the skills could be further enhanced. The role of the employee in the customer relationship management structure or practices was not clear to all, but didn't seem to be a considerable deficiency, as their actions reflected customer oriented view, anyhow. Motivational issues could be solved once the new gratification models are implemented, thus increasing the focus even more towards customers.

On the organizational level, there were more challenges. The roles of the newly formed account team structure and its communication channels internally had not yet been stabilized. The problems seemed to be more in the information sharing between the account teams, than within the one team. Also the new model was not communicated to customers, which could create confusion in cases where the contact persons were changed.

Customer knowledge was shared and received to reasonable amounts, except for certain exceptions when the customer didn't want to share the information. Overall, more information could be gathered of the customer's organization and business, especially related to the IT systems and

business environment. Also, knowledge processes were informal and based on individual effort, not on any systematic processes or IT systems and databases.

Organizational renewal activities related to customers were identified, and one consultant described accordingly:

*"We always aim at changing our ways of working if it is feasible, for example, we were asked to develop our reporting, which we then did. Or if they [customer] want to have a certain person in a meeting, we will try to arrange for it".*

Thus it can be concluded; the Blue organization is oriented towards the customer with its current customer relationship management and customer knowledge related capabilities.

Blue's customer relationships management capabilities and customer knowledge are summarized in Table 9 below. The classifications are intended to give a general overview of the quality of each component in case Blue. The classification to STRONG reflects the component is eminent in the organization and presented in the actions of individuals. The classification to MODERATE means, the component exists to some extent, but not presented in actions or only moderately. The classification to WEAK reflects the company's non-existing or only weakly existing attitude or capability in the component in question.

Table 9: Summary of Blue's customer orientation

		Case Blue	Classification
<b>CUSTOMER RELATIONSHIP MANAGEMENT</b>	Role specification	Roles were clear in the internal account teams, but not within the organization as a whole nor within the customer relationship. Only sales persons were considered to have a role in customer relationship management. Account teams are cross-organizational teams, increasing flexibility and knowledge sharing.	WEAK
	Communication	Communication was open and trusting in long relationships with customers but sometimes difficult in new relationship and also within the organization, where based on individual effort and personal relationships. Employees were motivated to share knowledge when rewarding to oneself. Account team function encourages team work.	MODERATE
	Common bonds	Common bonds were developed in long customer relationships and deep in mutually planned development projects. Personal relations were informal, and formal only when required. Internally, social bonds existed mostly within own team, less to others. There was no conscious effort shown to build common bonds with customers in daily interactions with customers.	MODERATE
	Employee motivation	The climate in the organization seemed positive and enthusiastic, although based on individual experts efforts and expertise. There were some motivational issues emergent in roles and responsibilities, and further clarification needed. There were no training on how to interact with customers, but some instructions were given. More motivating incentives were planned, but not yet implemented. The account team function was institutionalized internally, but not public for customers.	MODERATE
	Planning process	Planning is based on case-by-case needs; project scope and content. Customers participate by demanding a certain governance model. Customer influence was clearly visible.	STRONG
	Process alignment	Informal, nearly non-existent. Process enhancement on-going.	WEAK
	Monitoring process	Monitoring process included measuring customer satisfaction, balanced score card (executive team), and account team meetings.	STRONG
<b>CUSTOMER KNOWLEDGE</b>	Content	Project/sales related mostly, key persons and decision making styles sometimes. Customers share mainly strictly relevant information, future requirements and business problems/systems are not readily available.	MODERATE
	Knowledge processes	Not standardized, based on individual effort. Account team structure has improved sharing within the team.	WEAK
	Knowledge databases & systems	Available, not accessible to all, not used	WEAK
<b>CUSTOMER ORIENTATION</b>	Organizational customer orientation	Customer oriented teams work closely with customers, represent customers towards own organization even if customer relationship management responsibilities/activities are not clear. All consider themselves customer oriented as individuals, but recognize the need for improvement as an organization.	MODERATE

## 6.2 ORGANIZATION “RED”

Red is a service provider with several solutions and related services. The selected services are targeted to mid- and large size customers. The organization is divided into business units and teams. The company has grown from a national company to an international corporate within the past decade, has faced many mergers and acquired companies in the process the last being approximately a year ago.

### 6.2.1 RED’S CUSTOMER RELATIONSHIP MANAGEMENT

Service provider Red is in contact with its customers in project delivery, consultancy assignments, sales and offering related meetings and negotiations. The meetings in most cases have an official agenda, according to which the topics are arranged, even if the discussion is open and atmosphere friendly. In a longer project, the relationship has time to evolve and reach a comfortable level of acquaintance. The meetings are usually held at customer premises, and all persons interviewed were located otherwise in their own office.

The meetings are normally with the customer’s responsible service team, and the topics are mainly related to the project or assignment at hand. The level of formality will depend also on the customer’s participants, whether there are lawyers or third party representatives present.

*“Typically I will have a presentation or hold a workshop, and the situation is the kind where I am the controlling party, and the responding party, the customer, will ask questions.”*

*“When there is a longer project, the relationship has had time to evolve. It [relations] is very good, even if the customer has complains, whether they are for*

*real or for nothing. Then I am trying not to get upset, just try to handle things in a friendly way, and all has gone well, when you just control yourself”.*

Training sessions for customer relationship management didn't exist at the moment, but there had been some training in the past. Learning of new controls and practices was based on self-learning by videos and a web-based tool. The attitude towards learning reflected willingness but was also considered to accumulate through experience. As one interviewed responded when asked if he had interest in training;

*“...not really, I think the most training comes through experience...but I think of it being not a bad idea to have some sales training...”*

The management strategy for customer relationship management is represented by mandating a strict satisfaction limit for customer satisfaction surveys and issuing a dress code to the staff. New processes for enhancing business opportunities for prospect customers are being implemented, as well as control for project reporting and sales offers through internal reviews are tightened.

In practice, all customer meetings are prepared in advance. Meetings are documented in memos or email correspondence and sometimes also analyzed afterwards. The instructions of how to conduct a meeting, or to manage the relationship, are neither written nor explicitly spelled out, but arise from the general understanding of the criticality and demands of the situation present. It can be determined, that certain flexibility exists in organizing ones tasks and sharing knowledge. The requirements for more rigid control come from the established protocols and processes, and of the customer projects themselves, which require shared knowledge in order for a solution to be formulated.

*“We prepare all meetings in one way or another, and there is a certain way of working, but it is not necessary, not demanded by the directors, it is more to find the best solution for the case”.*

*“...of course in certain single cases, in some problem case, or in a financial matter, we negotiate internally on how to present that to customer”.*

Red's quality requirements for customer relationship management were related to customer satisfaction, to which a new level of satisfaction had been determined. Also project delivery related reporting procedures and document templates had recently been implemented adding control and requiring the organization to deliver better quality. Requirements were also derived from certain partnership programs, wherein a certain quality is ensured and mandated by having the experts to certify for certain technology, for example, in order to maintain the approved certification status for the organization. Additionally, quality requirements are built-in to all consultant work, of which the final evaluation is made by the customer even if there are no explicit written instructions or measurements done.

*"Yes, in my work there are certain requirements, which are difficult to put into words as to how to discuss with customers, or to communicate with them....but if there are any instructions, they are normally like to 'keep our promises' and such that we must prepare for customer meetings"*

*"...all should understand the importance, as it looks good to the customer if things are handled on time, promises are kept and the amount of communication is sufficient and open..."*

*"The people are situated so in the organization, as to their capability to communicate... typically different tasks have different requirements, and somehow it just goes that way that certain people who can communicate with the customers are put into a certain role, or can get to that role."*

In Red's organization consultants should have agility and be physically close to customers, at least in the beginning of the assignment. Consulting done remotely is not really a solution. Also a deep level of knowledge is required in one's area of expertise as well as the ability to deliver new ideas. The person should be straight forward and honest in his communication and have solid performance in meetings and behavioral routines, such as being on time, keeping promises etc. Overall, customer relationship management seemed to be profoundly embedded into the organizations mindset and actions.

*“The boundary between customer relationship management and normal project work with customer is not clear, nevertheless as all work can be considered customer relationship management.”*

*“Customer relationship management has changed during the years in a way that our organization has changed from a small product -oriented organization or units concentrated in production into those where we have customer relationship management through account management.”*

### **6.2.2 RED’S CUSTOMER KNOWLEDGE**

Customer knowledge in Red’s organization consists mainly of project status and technical matters, information about the customer organization and key personnel, schedule, and finances. Normally the information flows freely between the customer and the service provider.

*“...well in the meetings we discuss a lot or almost entirely of the matters relating to the project, really difficult to say if there is any other customer related knowledge, besides the technical, or financial, or schedule-related.”*

*“It relates to the project, what is discussed in the steering group meetings. The kind of direct information can be received right away.”*

The information not directly available to Red’s organization is information about future projects or other on-going projects which may have an effect to the project delivery in question, feedback regarding project personnel or deficiencies in the delivery, or matters concerning their own business.

*“I would like to know of future projects at the earliest possible stage, so that we could be prepared for resourcing the project”.*

*“It would be better to get that kind of feedback [related to the project not performing] directly, because I will get it anyhow, even if it comes via some other persons.”*

*“the service responsible(s) and business units don't talk amongst themselves, so in trying to justify a solution by business reasons is difficult ... so if they are looking for a bandage, when the leg is broken, it is a kind of a problem. And it is a very interesting challenge to tell someone that you have not thought this as a whole entity”.*

The topics not discussed in front of the service provider are related to the competitive position of the service provider, internal conflicts, organizational changes, or innovations and R&D renewal efforts.

*“In the certain type of projects often, if they are very critical, then we may find out there is another agenda than going forward together. Many times we notice customers don't tell everything. This will complicate things even more.”*

In the Red's organization there are certain information systems, and even if they are accessible, they are used infrequently. Only in big sales cases, there is a strict protocol to be followed and data is input into the sales system. Mostly, personal communication via one-to-one or team meetings, email and phone conversations took place in sharing customer information. Account teams exist but there aren't any regularly scheduled meetings. The information and knowledge sharing is based on the activity of the individuals both in delivering and gathering the information. Motivation for sharing information, for example potential sales leads, can be low when there is no reward to be expected.

*“We have file shares and electronic workplaces, which I think are scary, and when I lose the link from my favorites, there is no way I can navigate myself back. There is no thread or path from where to find them, and thus I think they are dangerous.”*

Quality requirements for customer knowledge are not clearly stated, except for the sales cases and project status reports. There were some changes being implemented in this area, and some were still coming.

*“We have recognized the importance of the document management, and we may even have a meeting of the development actions this or next week. But we agree it has been overlooked, and which we had to stop but it has now started again.”*

A summary of the customer knowledge identified in Red as to the ease of gathering or the availability of the knowledge is presented in the Table 10 below. The classification to YES reflects the knowledge is easily available and can be gathered. The classification to NO means, the knowledge is not available and cannot be gathered. The classification to WANTS reflects the companies' willingness to gain the knowledge, but when they can rarely have access to, or to the kind of knowledge which is only indirectly available.

Table 10: Red's customer knowledge

CUSTOMER KNOWLEDGE	Case Red
Knowledge of customer's broader underlying problems	NO/WANTS
Knowledge of how customers can achieve success	NO/WANTS
Knowledge of customer's products	NO/WANTS
Knowledge of market and market opportunities	NO
Knowledge of product needs and their characteristics	YES
Knowledge of suppliers and products	YES
Knowledge of the firm and its operations	NO/WANTS
Knowledge of firm history, strengths, weaknesses	NO
Information about customers that is in-depth and relevant	NO/WANTS
Knowledge of customer's history, activity, requirements and problems	NO/WANTS
Knowledge of customer feedback	YES
Knowledge of customer's long-term strategy and intentions	NO/WANTS
Knowledge of customer's future product and service needs	NO
Knowledge of customer's customer's position and challenges faced in their industry	NO

### 6.2.3 SUMMARY OF RED'S CUSTOMER ORIENTATION

In Red's organization, customer orientation was presented with mixed feelings. Overall, the interviewees' considered the organization customer oriented but with some exceptions.

*"We cannot be called customer oriented as compared to those service organizations which are closer to customer, and thus more easily customer oriented. We have many people who don't necessarily see or be in direct contact with customers and consider their own team's efficiency, cost efficiency and quality, as their focus..."*

*"We have a divided situation, when some teams are working as unified as possible, then they work at their most efficient way, and that side of organization is naturally more inwardly oriented, meaning customer -orientation is not number-one."*

*"...not really, part of the staff are to some extent customer oriented, but the rest of the organization to my understanding is turned towards our own organization, and not even willing to discuss with the customer. Throughout the organization, we are not customer oriented."*

Customer orientation was strongly based on the account team model and those teams and individuals who work closely with the customer. The main effort of customer orientation was visible in the sales phase, whereas not in the continuing services phase, or so called 'harvest-phase' to that extent. There was room for improvement identified.

*"Account team-model gives the foundation for knowledge sharing improvement initiatives; harvest-phase customer orientation does not exist, as the emphasis is clearly on the sales phase."*

Some activities for improving the production-related lack of customer orientation had already been planned. All the directors of the teams also which had not been fully customer-oriented had to participate in customer calls, or sales meetings, and thus be more active in the customer interface

for the first time in history as a required and measure activity. The general atmosphere was also considered as becoming more customer attentive, as certain requirements had already been implemented and more was expected to be announced soon.

*“It feels that the recent communication materials contain topics more related to customer and it is emphasized, and it [customer orientation] will become more in the ways of working.”*

*“We have named our entire internal unit’s director’s group members to be participating in the sales call-group, which was originally meant solely for sales roles. We are there [close to customers] with sales and service managers, and we have the objective to be there and be seen for customers...”*

The Red organization’s customer orientation shared mixed attitudes. On the other hand, the customer relationship management was built in the attitudes of the individuals and teams. It was presented in their day-to-day activities and behavior. Sharing customer knowledge was positively viewed but based mostly on individual effort, except for the part where more strict controls and systems were in place and used regularly. In the big sales cases and project delivery status reports, information and knowledge were required to be input into a centralized information system according to a process with definite quality requirements.

The individual level capabilities were based on high motivation of highly skilled consultants, who know what is expected and know how to deliver it. Capabilities, such as communication, interaction, team work and managing relationships and expectations were not explicitly stated but implicitly existing. The role of the employee in the customer relationship management was obvious without the need for clarification. Motivational issues related to bonuses or incentives not distributed equally, was only a concern of one interviewee.

On the organizational level, there were more conflicting issues. The account teams form an important frontline towards the customer, but were acting without a formal or expressed communication channel towards the

rest of the organization or vice versa, from the organization to them. The biggest concern in the organization had to do with some teams' lack of customer orientation. There were some understandable explanations given for the phenomena, as those teams must consider efficiency and quality from their perspective. Although, there were some actions already planned for improving the customer orientation in those areas.

Customer knowledge was shared and received in adequate amounts and relevant content, except for certain exceptions when the customer didn't want to share the information. Overall, customer information related to the future projects and customer business as a whole could be improved.

Organizational renewal activities related to customers were mostly coming as directives, controls or improvement programs. Development efforts had been done in the past, and also throughout the years, and even if they sometimes had been discontinued or put on hold, the development efforts will always be continued.

*"As long as I remember, whenever something is being developed or tried to develop, it is the first thing there is (to develop customer orientation). They have to do with our production -related problems, problem management and incident management, customer communication in crisis and that sort of things. Also other [development efforts] have been directed to customers."*

It can be concluded that the Red organization is partially oriented towards the customer as shown in its customer relationship management and customer knowledge related capabilities and overall perception of customer orientation. These capabilities are continuously being developed by both the organizational initiatives and by external technology-related certification requirements.

Red's customer relationships management capabilities and customer knowledge are summarized in Table 11 below. The classifications are intended to give a general overview of the quality of each component in case Red. The classification to STRONG reflects the component is eminent in the organization and presented in the actions of individuals.

The classification to MODERATE means, the component exists to some extent, but not presented in actions or only moderately. The classification to WEAK reflects the company's non-existing or only weakly existing attitude or capability in the component in question.

Table 11: Red's customer orientation

		Case Red	Classification
<b>CUSTOMER RELATIONSHIP MANAGEMENT</b>	Role specification	Roles of employees are clear and based on both competence and experience. Teams work together when preparing for meetings, and in sales and solution creation. Business units and team structures are in place, although account teams are not visibly functional in relation to the other organization. Flexibility based on individual effort, as well as sharing across boundaries.	STRONG
	Communication	Communication with customers is mostly formal in project status and steering group meetings even if relations are informal. Customers are sometimes not willing to enter into direct dialogue when performance issues occur. Intracompany communication is based on individual effort, except where controlled and systems/processes were required.	MODERATE
	Common bonds	Open and trusting in long customer relationships but more controlled in new relationships. Based on professional attitude and pride of expertise. Bond creation is conscious in solution presentations, consultation and project governance.	STRONG
	Employee motivation	The overall climate in the organization seemed positive and quality-oriented, although in some areas based on individual experts efforts and expertise. Only one interviewee expressed motivational issues related to incentive models. There had been some training on how to interact with customers, but mostly relationship management had been self-learned through experience and was based on individual's qualities. The account team function was functioning in customer-interface.	STRONG
	Planning process	Planning processes were controlled internally within the sales, financial and project related processes. Customers were involved in projects and solution-building.	STRONG
	Process alignment	Governance related processes were aligned with customers. Sales and project status were strictly controlled, otherwise based on individual effort and common practices.	STRONG
	Monitoring process	Monitoring evident in sales and project delivery through strong internal controls, and customer satisfaction measured externally.	STRONG
<b>CUSTOMER KNOWLEDGE</b>	Content	Project, technical, sales, customer organizations key persons, schedule and finances. Future projects, other on-going projects, and customer internal business information not available. Moderate interest towards other knowledge, such as customer organization, key contacts etc.	MODERATE
	Knowledge processes	Only sales and project status related controlled, other based on individual effort. No structured knowledge sharing between the teams.	MODERATE
	Knowledge databases & systems	Available and accessible, not used regularly	WEAK
<b>CUSTOMER ORIENTATION</b>	Organizational customer orientation	Project, sales and account teams consider themselves customer oriented, but not the whole organization. Development initiatives already started for improving the situation. Customer influence visible through process controls, not directly from customers.	MODERATE

### 6.3 CROSS-CASE ANALYSIS

In the previous chapters each case has been analyzed individually. This chapter will describe the analysis defining their similarities and differences. Common patterns are presented where existing. The summary of both cases relationships management capabilities and customer knowledge are summarized in Table 12 below.

Table 12: Summary of capabilities in cases

	SUMMARY	Case Blue	Case Red
CUSTOMER RELATIONSHIP MANAGEMENT	Role specification	WEAK	STRONG
	Communication	MODERATE	MODERATE
	Common bonds	MODERATE	STRONG
	Employee motivation	MODERATE	STRONG
	Planning process	STRONG	STRONG
	Process alignment	WEAK	STRONG
	Monitoring process	STRONG	STRONG
CUSTOMER KNOWLEDGE	Content	MODERATE	MODERATE
	Knowledge processes	WEAK	MODERATE
	Knowledge databases & systems	WEAK	WEAK
CUSTOMER ORIENTATION	Organizational customer orientation	MODERATE	MODERATE

#### 6.3.1 CUSTOMER RELATIONSHIP MANAGEMENT IN CASES

Customer relationship management in both cases had the strong evidence in planning and monitoring processes. Communication was reflected as moderate in both cases. The most variation was in role specification and process alignment, where Blue showed only weak level and Red instead a strong level. Milder difference was analyzed in common bonds and employee motivation, where Blue presented moderate and Red again, strong levels.

Planning processes were both strongly evidenced in both cases, even if planning processes were based more on need in the Blue organization and were more controlled in the Red organization. Planning together with the customer reflected the practical level customer orientation, as the Blue organization had joint research and development projects with their customers. Red organization had for example formal governance processes agreed wherein information and knowledge flowed freely.

Monitoring process was based on measuring customer satisfaction and team meetings, where customer status was reviewed and analyzed. In the Blue organization balanced score cards were used in the executive teams whereas in the Red organization, there were additional monitoring related to sales cases and project status reporting.

In communication both companies trust mostly on person-to-person communication and knowledge sharing between individuals. In most cases information and knowledge was shared in team or one-to-one meetings, and the responsibility of receiving and of delivering information was based on individual effort. In both cases, neither communication related instructions nor training was offered to employees.

In Blue organization, common bonds were developed in long customer relationships and deep in mutually planned development projects. Personal relations were informal, and formal only when required. There was no conscious effort shown to build common bonds with customers in daily interactions with customers. Internally, common bonds were established through the account team structure. Internally, social bonds existed mostly within own team, less to others. In Red organization, open and trusting relationships were formed in long-term projects with customers, and relations were more controlled in new relationships. Red organization identified common bonds in the professional attitude and prided themselves in the competence and expertise of the individuals thus creating a strong internal culture.

Employee motivation in Blue was at moderate level, even if the climate in the organization seemed positive and enthusiastic; it was based on individual experts' efforts and expertise. Motivational issues were emergent, especially in relation to roles and responsibilities. Also, incentives had been lowered throughout the past years. Motivation was diminished also due to lack of internal communication. In Red, employee motivation was high and the overall climate in the organization seemed positive and quality-oriented. A sense of pride related to the individuals' expertise and quality of delivery was reflected in the interviewee's answers.

In both cases, the longer the customer relationship, the closer and trustful relationships were reported. Although, in Blue organization, new relationships were more difficult in the beginning phases, but became more comfortable once the technical persons were able to discuss matters in the "customer language" or in technical terms. This would require, however, that there were technical persons available in the meeting from the customer side. Role specification internally was clear in the account teams, but not within the organization as a whole, nor within the customer relationship. Only sales persons were considered to have a role in customer relationship management. It is obvious that the Blue organization had not developed common practices in this area, even if there were efforts taken into that direction. Account teams were cross-organizational teams, increasing flexibility and knowledge sharing.

In Red organization, new relationships were more controlled sales presentations or negotiations where team effort was clearly more visible. Managing relationships were strictly controlled in Red organization due to the sales and project processes formal reporting requirements and to the common practices developed throughout the years. Specific relationship behavior related training was not offered nor was it asked for from the employees. Employees in both companies were confident in their skills relating to customer relationship management, and only vague interest

was shown towards training. Learning attitude was moderate and based on need only as employees felt they learn through experience.

In the same manner, process alignment was more informal in Blue, and more controlled in Red, where the sales and project processes had strict requirements. As mentioned above, team work was more clearly shown in the more controlled sales and project work in Red organization. This could indicate also closer process alignment between Red and its customers. In Blue, the account team structure was fairly new but already had promising effects on mutual objective setting and thus affecting positively the team work within that team. This could also effect on a closer process alignment with customers, although only reflecting the sales phase. Other than the account teams, the Blue organization relied mostly on individual based work, where it was the responsibility of the individual to find the information and knowledge the best to their ability thus reflecting a more customer tailored processes than of the whole organization.

### **6.3.2 CUSTOMER KNOWLEDGE IN CASES**

Customer knowledge in both companies reflected similar types of contents. Mostly the customer knowledge related to the projects or sales cases at hand with the technical and customer organization related topics. Getting all required information and knowledge had more differences. Both cases were interested in customer's in-depth and relevant knowledge, history, activities, requirements and problems. Also customers' future business needs and requirements, long-term intentions and strategy would have been interesting for both.

When considering the customer knowledge categories presented in the theory section of this study, the customer's requirements for knowledge included mostly information of products or services and their characteristics and best practices. Customers were not interested in the knowledge of the firm or its market opportunities. The firm's requirements

for customers included mostly the activities and operations related knowledge, business problems, key persons and their connections and their decision making styles. When in close relationship, the knowledge could be gathered. Mostly, knowledge could be gathered of those topics closely related to the project on hand, whereas other projects, business problems, areas for development or key persons were not discussed.

A summary of the customer knowledge as to the ease of gathering or the availability of the knowledge is presented in the Table 13 below. The classification to YES reflects the knowledge is easily available and can be gathered. The classification to NO means, the knowledge is not available and cannot be gathered. The classification to WANTS reflects the companies' willingness to gain the knowledge, but can rarely have access to that, or the knowledge is only indirectly available.

Table 13: Summary of customer knowledge

CUSTOMER KNOWLEDGE	Case Blue	Case Red
Knowledge of customer's broader underlying problems	NO/WANTS	NO/WANTS
Knowledge of how customers can achieve success	NO/WANTS	NO/WANTS
Knowledge of customer's products	NO	NO/WANTS
Knowledge of market and market opportunities	NO	NO
Knowledge of product needs and their characteristics	YES	YES
Knowledge of suppliers and products	NO	YES
Knowledge of the firm and its operations	NO	NO/WANTS
Knowledge of firm history, strengths, weaknesses	NO	NO
Information about customers that is in-depth and relevant	NO/WANTS	NO/WANTS
Knowledge of customer's history, activity, requirements and problems	NO/WANTS	NO/WANTS
Knowledge of customer feedback	YES	YES
Knowledge of customer's long-term strategy and intentions	NO/WANTS	NO/WANTS
Knowledge of customer's future product and service needs	YES/WANTS	NO
Knowledge of customer's customer's position and challenges faced in their industry	NO	NO

Knowledge processes were not standardized in either company, except for the Red organization where sales and project status related processes were controlled all throughout from the executive level to all employees. All other knowledge processes were based on individual effort and the individual's willingness to share and distribute information.

Knowledge from the customer was received in meetings, as there were informal events rarely with customers. It is interesting that the companies are not investing in the knowledge sharing, as it is recognized that the relationships are close and trustful in longer relationships, thus creating a potential channel for deeper knowledge exchange in the long projects. Here also more in-depth knowledge could be gathered via informal knowledge exchange of the closely connected individuals.

Knowledge databases and systems were available in both companies, but not used regularly either due to them being non-accessible or not being efficient. Both company's interviewees agreed there are more customer knowledge could, would and should be collected, and that there are many opportunities for that. Interestingly, neither company has made any efforts to gather customer knowledge as a conscious decision, nor are there channels nor processes for knowledge distribution and exchange in the organization.

### **6.3.3 SUMMARY OF CUSTOMER ORIENTATION IN CASES**

Customer orientation was seen as a required and existing capability of those in close contact with the customer in both companies.

Customer orientation was a clearly distinguished characteristic in Blue organization, where many interviewees emphasized their positive attitude and behavior towards customer facing teams and functions, representing the organization towards the customer. Thus customer orientation could be considered an organizational capability. Customer orientation was

considered important and nothing was actually performed or delivered without the customer in mind. The company measured customer satisfaction and used balanced score cards as the executive steering group measurements. The importance of customer satisfaction measures had been emphasized recently and higher limits had been set. If the score received was below the limit, actions were required to be taken. Improvement in sales performance and scope were indicated by one interviewee, thus enabling an improved visibility towards customer organization, business and overall understanding of the customer.

In Red organization customer orientation received mixed feelings, although those in close contact with customers were all considered customer-oriented by nature. The front-line representatives of the organization felt they are strongly customer oriented by their attitude and behavior, and that the company would not exist without that mindset. There were teams which were not considered customer oriented, not in their attitudes or behavior, but rather resented the customer interface. Even if no representatives from the respective teams were interviewed, this viewpoint was somewhat strongly presented and had an effect on the interviewees' activities; thus making it noteworthy to be pointed out. Needless to say, this observation should require a more in-depth analysis with interviews targeted to the teams in question.

Customer orientation perspective is an element of organizational renewal capability in both companies. In Blue company, situational awareness and the ability to make timely decisions are shown as customers participate in service development projects and there are recent changes undertaken related to increasing the capabilities enhancing customer relationship management and sharing customer knowledge. The newly formed account team structure was considered as positive change and had already encouraged all in the organization, as it had helped the sales persons and consultants in understanding the customers' needs better and eased the preparation of offers and sales proposals to customers. Customer influence is eminent in enhancing both co-existing relationships

of mutual development projects and account teams, even if the former is an on-going mutual activity, and the latter merely internal function by which customer orientation is increased. In the Red company, customer influence can be seen more indirectly through the corporate initiatives in mandating stricter customer relationship practices and demanding higher quality project and sales deliveries. Also, process development was on-going as had been throughout the years. Certainly these efforts reflect situational awareness and are based on making timely decisions, but as they are indirectly linked to the customers being served, their meaning and effect to individual employees' behavior and attitude may prove less effective. Overall, situational awareness and exploiting time can be considered highly important in both cases.

Learning culture and orientation as reflected in attitudes and commitment to learning was viewed in similar way in both cases. Attitudes towards learning were moderate, as all experts considered they have learned and will continue to learn through experience, which is the most relevant type in this industry. Mandatory self-learning sessions had also interested employees only moderately in the Red organization even if expert knowledge was kept at high level and required continuous certifications. In Blue organization, attitudes towards learning reflected the limited possibilities which the company offered, even if it is up to the individual to learn when one considers it essential for one's career. In the Blue organization, shared vision and purpose was not as clearly visible as in the Red organization. The Blue organization had still some negative attitudes towards their earlier merger, whereas the Red organization had undergone so many mergers in the past, and had gotten used to constant renewal and changes. Learning culture can thus be deemed to exist but its importance seemed less valuable in Blue, where it is considered weak. In Red organization, the sense of expertise reflected both higher individual level orientation towards learning due to which it is considered strong.

Sharing and collaboration across the team boundaries and externally was based on individual effort in both cases. In Blue organization, the new

account team structure had already proven successful in improving knowledge sharing within the same team. In the Red organization, sharing knowledge happened mostly in project or sales team meetings, or based on individual activity and interest. The quality of social relationships eased the knowledge exchange, and some effort was taken in maintaining good relations throughout to ease communication at personal level. Flexibility of organizational structure was more visible in the Blue organization, where it was presented in the manner the consultants could call upon help from others should they need it. In the Red organization, the organization was more rigid and process-oriented. Overall, relationship management in both companies was a built-in function or operation, and as relating to customer orientation was considered important, but no interest was shown in developing the flexibility or improving the social relationships. Either the relationship management is considered functioning well and efficiently, without the need for improvement, or the enhancement of this capability was considered to be automatically received through the on-going development initiatives. It is interesting, however, that in both companies customer satisfaction with indicators related to relationships were measured with strict quality classifications, but the relationship management itself was not measured individually nor consciously developed or enhanced. Thus this capability's importance is considered moderate in the cases. However, in the future, once the new directors of production teams start making sales calls and meeting customers, there may be needs for relationship management and its importance will be increased to a new level.

Managing knowledge was considered weakly important in both companies. Sharing customer knowledge was considered important as such in both companies, and both aimed at getting as much knowledge as was able to get, but without always succeeding in it. Managing that knowledge was based on individual effort, even when in both cases, there were many systems available. Systematic practices and tools for sharing knowledge were not used commonly, as the organization trusted in the

individuals both gathering, sharing and integrating knowledge amongst them. Only certain processes in sales and project deliveries had strict controlled processes and tools being used in the Red company. It is obvious, customer knowledge and sharing that knowledge is crucial for both companies, thus the implementation of a better structure via practical processes and tools should improve in the knowledge distribution. It may harm the companies' business should they not distribute information and knowledge openly and timely, as the business and operations are dependent on that. Overall, the importance of managing knowledge is considered weak as it seemed the companies are only performing at the minimum level in order to survive but are not concentrated on defining meaningful and relevant customer knowledge, they are not acquiring customer knowledge continuously, nor are they actively seeking to improve customer knowledge related processes and tools. The tools and information systems available are poorly utilized, even in cases when they exist and are available to users.

A summary of the customer orientated organizational renewal capabilities with the importance analyzed through customer orientation and customer knowledge are presented in the Table14 below.

Table 14: Summary of customer oriented organizational renewal capabilities

<b>CUSTOMER ORIENTED ORGANIZATIONAL RENEWAL CAPABILITIES</b>		
<b>CUSTOMER ORIENTATION &amp; CUSTOMER KNOWLEDGE</b>	<b>BLUE</b>	<b>RED</b>
Situation and exploiting time	STRONG	STRONG
Learning culture and orientation	WEAK	STRONG
Connectivity and relationship management	MODERATE	MODERATE
Managing knowledge externally and internally	WEAK	WEAK

## **7 DISCUSSION**

The findings presented in the previous chapters are explained in detail in the following chapters. First, I will make observations about customer orientation.

In the end, I will relate the results of this study to the discussion of knowledge-based view. Also, topics of interest for further studies will be introduced.

### **7.1 CUSTOMER ORIENTATION AS AN ORGANIZATIONAL RENEWAL CAPABILITY**

Customer orientation has been identified as an element connected to the organizational renewal capability in the findings of this study. The importance is recognized but it is not leveraged nor practiced in the organizations in its full capacity.

Customer relationship management is considered strongly important in situational and exploiting time and moderately important in connectivity and relationship management. In learning culture and orientation, the cases had more variance, whereas one was weak in its importance and the other strong. Both cases showed weak interest in managing knowledge externally and internally.

In areas where importance was considered strong, emphasis on individual capabilities came through. Organizational culture is defined as the way of acting as expected, as is habitual and traditional, and approved. (Spender, 1996a). Against this theoretical notion, it can be understood that individuals are not acting on their own, as such, but rather according to the

expected practices and traditions common and approved in the organization. The empirical evidence suggested similarly, that capable individuals are selected to positions and roles according to their recognized competence and ability to work in customer-facing role confidently and professionally. Considering this, it is only natural the individuals are given the responsibility of acting independently and should they not fulfill those embedded requirements or competence levels, would their roles be changed. As long as the individual's role is coexisting with that of the organization, it is considered meaningful (Grant, 1996, 53). Individuals considered themselves operating for the benefit of the organization and referred to themselves as the representatives or agents of the organization. However, there are individuals, who were acting out of self-interest and considering whether any benefits are available to them in completing a certain task or delivering a piece of information. Certainly, in companies where the organization is dependent on experts working independently in the customer interface, the individuals' interests towards the rewarding mechanisms and work satisfaction must also be considered. Rewarding mechanisms can be difficult to change, and everybody cannot be pleased even if rewarding is solely based on individual efforts, but work satisfaction can be increased more easily in many ways. Nonaka et al (2006) suggest enabling knowledge creation by creating strong and positive relationships between the members in the organization, which has an effect on the employees' willingness to share knowledge. Developing the relationships between the employees in the organization in addition to developing those between the customers' key persons and the organizations customer-facing employees is therefore to be considered essential.

Consistent development of skills and competences for individual or team level customer relationship management does not exist. In service-oriented companies, the close interaction between the vendor and the customer in co-producing the services has been identified as an important character (Kianto, 2010, 306). It can well be that the companies are

considering themselves in the role of service delivery organizations, and not so much in the co-producing role, where both, the customer and the service vendor should act and operate together in order to deliver the mutually agreed and optimal end-solution (Grönroos & Helle, 2012). On the other hand, as the certain competent employees are selected to the customer-facing role, it is self-imposed that these individuals are capable of representing the organization, and thus continuous enhancement of customer relationship management capabilities is not essential.

Organizational level capability in maintaining the customer-vendor relationship is the responsibility of the account teams. The teams are concentrating mostly in creating a presentable solutions and presentations of both, status reports and consultative presentations to customers. The development of the account team, and their particular members, in terms of their customer relationship management abilities, or more specifically, the communication skills, interaction, team work, or managing relationships and expectations, are based on the individual's self-learning or given instructions. There is no assurance that the individual capability development supports the team level objectives required. Only organizational level or higher-level control existed when the individual requested for approval of the training plan. Firstly, this had created a situation, where the individuals' competence was enhanced in areas not useful for that particular position. Secondly, there were no controls or guidance to ensure the competence required for customer relationship management related abilities was enhanced. Thirdly, the quality of the capabilities enhance could not be guaranteed. The learning process was more sub-conscious in nature, in which the employee enhances his own expertise and learns "on the job" while performing his daily duties when working in closely with the account team and the customer. The learning attitude of the employees was somewhat presented, but not overly expressed. It seems the employees feel confident in their areas of expertise and as long as they are not required to exceed their comfort zones to new unexplored areas, there is not an expressed need to learn

more. When the organization is performing according to the required level, there may not emphasize in this area. Also, the continuous flow of masses of information may have caused the employees' to create a barrier to receiving any more or to hinder the gathering of new knowledge, as it is already up to the limit one can comprehend.

Customer knowledge transfer and integration processes are controlled in the sales and delivery phases. The reporting controls are strict only for the type of content relevant for the success of sales case or on-going project. This knowledge is expressed openly in most cases. The kind of deep customer knowledge related to the customer's business strategy, market position, internal processes and systems, key persons and their decision making styles, organization, attitudes and personal behaviors are not paid attention to, nor shared from the customers. When available they are noted for, but not actively sought for. The need for this in-depth knowledge exists and its importance is recognized, but yet no actions are taken for the creation of this kind of capability in the organization. Sharing of knowledge depends on the individuals' needs and willingness to share and integrate. Organizational knowledge is more about acting knowledgeably, than discrete and transferable pieces of understanding to existing knowledge (Spender, 1996a, 64). Although it is easy to understand that in a hectic, constantly changing environment, when employees have only limited amount of time for each task and there are more tasks than one has the capability or time to perform, that right timing is of essence. Thus, acting knowledgeably also in transferring the right piece of information at the right time is more valuable than delivering all possible bits of data, information and knowledge to all possible recipients. The employees have learned through the evolution of their employment to know what is important and when, thus it may seem sharing and collaboration does not exist in meaningful amounts nor is guided by quality requirements, but is so fine-tuned and minimized in that specific industry, thus only the most necessary knowledge is shared and integrated.

Efficient transfer of knowledge requires also understanding of the collective knowledge, the cognitive, affective, symbolic and culture, as well as the practices, behaviors, rituals and organizational routines, of the organization (Spender, 1996a, 73). This understanding assists in making the decisions of when knowledge transfer is relevant and valuable but may also prevent it, if the organizational members do not appreciate the knowledge or cannot process it efficiently. This can be one reason why the deep, in-depth customer knowledge is not gathered, nor integrated. Should an individual receive new understanding of the customer's behavior, emotional commitment and reactions, or organizational changes, without knowing where to transfer it or how to process that information with the organization, this new knowledge is left without attention. Even in the case, where the individual recognizes its importance, it may be left at that person's individual knowledge and not necessarily integrated to the organization's common knowledge, nor actively collected.

Companies could benefit from deep customer knowledge and increase their understanding of how and to what direction they should be developing their processes and services in a long-term. (Cuganesan, 2005; Junell & Ståhle, 2011.) Although, executives and directors of the companies are closely aware of the situation and are able to make timely decisions, which can be seen in both cases, they are continuously gathering new knowledge of customers and following closely general market conditions. Thus, it can be argued, that more knowledge from their customers directly could be gathered and be beneficial, should the topic be addressed more closely, and relevant processes and practices developed. When understanding the customers' businesses better, the requirements towards the services and processes can be understood more clearly, thus renewal efforts can be completed more efficiently, which helps creating a more committed customer service towards the customer, and further enhance customer commitment and mutually beneficial relationship.

Organizational renewal in changing or refreshing the organizational processes, services and strategy through learning and innovation, requires customer participation. This creates requirements for continuous processes through which to develop the capabilities of customer relationship management and definite requirements for the content of the customer knowledge and related processes. Firms should develop systematic processes through which they can change their priorities, behavior and systems in order to perform actively towards their customers. (Vandermerwe, 2004, 26.) This renewal effort should be considered as co-renewal with customers, creating close co-operative and partnering relationships with customers, which are in-depth and integrated, and thus require more than just technology (Parvatiyar & Seth, 2001). Even if the companies are not paying great attention to the customer relating capabilities at the moment, the benefits can be gained only after renewal efforts are realized. Prior that, it may be difficult to demonstrate the true potential gained from the creation of sustainable and lasting customer relationships which may deliver successful business opportunities, which again have the potential to improve the company's position in the turbulent market.

## **7.2 THE QUESTIONS FOR FUTURE**

Customer orientation is nevertheless one key element in organizational renewal capability, and thus should receive more attention in companies. A concern, which this study has presented, was the lack of utilization of the existing customer knowledge in the companies' activities and renewal efforts. It became clear the most emphasis was in the sales phase, where both companies gave their most powerful presence in the customer meetings. The continuing services, after closing the sales, were left almost unattended, except for the project delivery and related controls. The full potential for harvesting the customer knowledge during the service phase was not leveraged. Firms should consider this opportunity of managing

external knowledge and situation/exploiting time –related capabilities when they already are closely working with the customer, sometimes even in the customer premises, on how to best and fullest to gain access to the relevant information and knowledge of customers' organization, decision makers, decision making styles and behaviors, and create the knowledge-base on which the potential to mutual growth can be established.

Another interesting factor relates to the same factor, managing external knowledge in a systematic way. Neither of the companies used their existing knowledge sharing systems, but relied on the basic communication tools such as email and phone, and personal communication, only. An interesting research could be done in comparing the customer orientation related capabilities in companies where information systems were used.

Organizational renewal capability can be measured in many ways, as there are existing measurements developed already. As many organizations are unaware of the kind of changes needed in their processes or attitudes in order for them to be more customer oriented (Deshpandé, 1993; García-Murillo & Annabi, 2002), measuring specifically customer orientation related components could help companies in identifying and targeting their development efforts correctly. Thus a stronger presence for customer orientation should be developed to the measurements by adding key performance indexes relating to customer relationship and customer knowledge.

## 8 CONCLUSION

The objective of this study was to examine customer orientation as an element in organizational renewal capability. The main research question was 'What is the role of customer orientation in organizational renewal?' The interest in this question came from the organizational renewal capability approach, where customer orientation was positioned as a component in the relationship management-theme but not studied separately as an entity of its own. Customer orientation was divided into customer relationship management and customer knowledge, which formed the two main components of analysis. Four sub-questions were formulated to help the main research question.

The first sub-question was 'How do organizational renewal capabilities relate to customer relationship management?' The question was answered in theory section where organizational renewal capabilities were identified and defined based on the existing knowledge management literature relating to the knowledge related processes, organizational competences and capabilities of the firm. Organizational renewal was defined from the strategic renewal perspective and further broken down to six main themes; strategy and strategic competence, learning culture and orientation, leadership and decision-making style, situation and exploiting time, managing knowledge externally and internally, connectivity and finally, relationship management. (Lester & Parnell, 2002; Kianto, 2008; Jarrat, 2009). Customer orientation was divided into customer relationship management and customer knowledge. Customer relationship management capabilities were further classified divided into components according to the framework of Parvatiyar & Sheth (2001). These components; role specification, communication, common bonds, planning process, process alignment, employee motivation, and monitoring process can be deemed essential in renewing an organization's customer-facing competences. These components are also similar in their content with the more general definition of organizational renewal capabilities, thus it

can be concluded customer orientation is a vital element of renewal capability.

The second sub-question 'How can customer knowledge be characterized' was also answered in theoretical framework. Customer knowledge was first defined by the seven categories based on García-Murillo & Annabi (2002) classification. The elements defined to formulate a firm's knowledge included knowledge related to suppliers, employees, products/services, operations, customer, competitors and the industry. These elements were complemented by earlier academic literature (e.g. Cuganesan, 2005, 55; Day, 2003, 79; Garcia-Murillo & Annabi, 2002, 875; Maier & Remus, 2002; Niven, 2002; Treacy & Wiersema, 1997). Customer knowledge can be considered essential in the co-existing relationship with customers, as through high quality customer knowledge the improvement of capabilities can be correctly targeted.

The third sub-question 'How are customer relationships managed in the organizational renewal context?' The question was answered by means of empirical study analysis. The customer relationship management in the cases studied had similarities in their deep trust in the individual employees who work in customer-facing positions. Customer relationship management was based on individual efforts and interests, as embedded quality or feature of the employee representing the organization towards the customer. Customer relationship management at the employee level was neither consciously developed as a capability, nor was its full potential realized in the strategic renewal efforts of the companies. It was considered more as a function of necessity, not as an opportunity for identifying the direction for renewal. Both companies were unanimous in recognizing the importance of customer orientation.

The fourth sub-question 'How does the organization gather knowledge from its customers?' was answered in the empirical study analysis. Most knowledge is gathered in meetings with customers. Other means of conscious knowledge gathering, or processes and tools, even if they exist and are available for users, are generally not used. Both companies

recognized there could be more potentially beneficial knowledge and information gained from their customers, both effecting performance positively and eventually in improved business opportunities. Both companies agreed more knowledge can and should be gathered and shared between them and their customers.

The main research question of 'What is the role of customer orientation in organizational renewal?' could be answered by the means of the above sub-questions. Customer orientation as the combination of customer relationship management and customer knowledge is an important element in organizational renewal. The empirical evidence suggested customer relationship management is relatively often based on individual efforts and interests. There was no development efforts considered necessary for developing the flexibility of the organizations or quality of customer relationship management. The employees' attitudes towards learning were moderate or strong. Situational related awareness, ability to make timely decisions and customer's influence was important and visible in the actions in both cases. These factors combined, it can be stated customer relationship management was considered highly important in situation related and only moderately important in connectivity and relationship management, and moderate or strong in learning culture and orientation –related organizational renewal capabilities.

Customer knowledge is closely connected to customer relationship management and thus an integral part of organizational renewal capabilities. When analyzing managing knowledge in all the content, processes and tools perspectives, knowledge gathered from customers is mostly task-related, and tools and processes are used only when mandated for certain processes only. Thus managing knowledge can be considered weak in its importance organizational renewal capability as based on the empirical evidence.

The main research question is answered in detail in the findings chapter where the summary of the findings are reflected against the theoretical background. In increasing the quality of the efforts and initiatives taken

towards a closer relationship building and knowledge sharing, positive development could be realized in improved business performance and profitability. On the other hand, business opportunities are not realized to their full potential due to lack of concentration and common practices in customer relationships management and customer knowledge.

In considering the title of this master's thesis, customer orientation is an interesting phenomenon in relation to organizational renewal capabilities, which is strengthened in the empirical research. It seems that customer orientation should be considered as an important source of organizational renewal capability enhancement, as its meaning in giving strategic direction to all development initiatives can be established.

### **8.1 THEORETICAL AND MANAGERIAL CONTRIBUTION**

The theoretical contribution of the study is to provide empirical evidence of customer orientation as an important element in organizational renewal. This was discovered when analyzing the empirical research material and increasing the understanding of the overall perceptions of the companies' towards customer orientation. The second objective of contributing to the existing research was accumulated by both the empirical analysis and the cross-case analysis. Customer orientation is evidently present in four organizational renewal domains; situation and exploiting time, learning culture and orientation, connectivity and relationship management, and managing knowledge externally and internally. Strategy and strategic competence and decision-making style and leadership were considered important, but were excluded from the empirical analysis due to the perspective of analysis emphasizing the employee level.

This perspective of customer orientation through customer relationship management and customer knowledge had not been analyzed in academic research previously. The study by Allen et al (1998), for example, reflected customer focus as an applicable path to organizational

vitality, and concentrated on the customer contact as the main observation point, but without reflecting customer knowledge as meaningful. Kianto (2008) focused on measuring organizational renewal capability in which customer orientation is included in some extent in several themes measured, but not as its own separate entity, nor did her study recognize the importance of customer knowledge and its content. This study aimed to shed light both to renewal capabilities, those which can be considered customer oriented, or customer-driven in a long-term, strategic perspective; and to the meaning and contents of customer knowledge as an essential part of customer orientation and customer relationship management, thus delivering a more in-depth content to the customer related renewal capabilities. Additionally, an effort was made to distinguish relevant quality attributes or characteristics to both, the customer relationship management and customer knowledge. When measuring renewal capabilities in organizations, the suggestion is to increase the importance of customer orientation where it can be considered meaningful and give a more in-depth perspective of the company's position with its customers. Furthermore, this study can assist in the exploration of new, yet promising academic and practical research questions.

The managerial contribution was to increase the understanding of customer orientation and visualize the potential gained when investing in customer relationship management and customer knowledge. The increased understanding in the importance of customer orientation will enable further development of customer oriented services, and thus help the companies remain competitive and customer oriented. The study has pointed out the features and qualities of customer orientation, and in some instances, the lack of them, from which the firms can drive future development activities. Both companies were customer oriented in many ways and had identified the importance of customer orientation. In practice, there were not well defined procedures, except for the sales and project phases, where customer orientation was truly practiced. The major deficiencies in customer orientation related to managing knowledge and

customer relationship management, as there were no definite and formalized processes in place for sharing customer knowledge throughout the customer lifecycle nor were there efforts taken to manage customer relationships in a deeper level. As these two elements, customer relationship management and customer knowledge are closely and strongly connected, both should be developed simultaneously, emphasizing both content and quality.

Considering customer relationship management practices and processes to be developed, companies could concentrate on two important processes; customer business development and building partnering relationships with customers (Parvatiyar & Seth, 2001). In addition to the framework presented earlier in this study, Parvatiyar & Seth offer a comprehensive process framework in their study for customer relationship management which starts from defining the purpose of engaging in CRM, selecting customer partners for appropriate CRM programs and developing programs for relationship engagement with the customer. They present also the governance process and relevant measurements to assess the success of both the success of the CRM process and the results of it. Here the concentration is on creating customer-specific governance models or tailoring the model according to the consensus reached.

Secondly, as has been identified, the role of the individual is crucial in customer-facing activities. Allen et al (1998) emphasized the individual level contact with customers. Accordingly, companies could take the individual employee as the central point of focus in developing their customer-facing capabilities. Encouraging employees to both gather certain customer-relating knowledge, the kind accumulated effortlessly while working with the customer, and to share it through a mutually agreed channel or information system, could easily generate a meaningful and continuously updated database of valuable knowledge. Rewarding employees for active knowledge transfer and integration would improve performance even if non-monetary incentives were used. Measuring the

knowledge gained and sharing of valuable knowledge would give the needed visibility and enable further rewarding schemes to be developed. Maier & Remus (2002, 109) discussed process-oriented knowledge management strategy in their study and identified the role of 'knowledge broker' as an example for an individual to manage those processes. Knowledge broker could be the solution for institutionalizing the role of those in close interaction with customers. Assigning a meaningful role with specified tasks and rewarding mechanisms could prove to be successful in ensuring meaningful knowledge is gathered and transferred through high quality customer relationship management skills. When a role like that is defined and assigned, the content and quality related to allocated tasks and responsibilities are formalized, and furthermore, they can be more easily measured and enhanced. Support and commitment from the executives and directors is necessary as in all development efforts.

It can be argued, that once a close and trustful relationship is gained with customer, it is easier to have access to information. Through a defined role in the customer relationship encounters, the benefits of social interaction may also be easier to achieve. The positive and open relationships with customers were proven in this study to deliver more and better quality knowledge of customer, thus emphasizing the individual's role in the customer relationship. Knowledge broker could be the means to deliver that content and quality, thus enabling enhancement of renewal capabilities and help gaining sustainable advantage in competition for businesses.

## **8.2 LIMITATIONS AND FUTURE STUDIES**

The limitations of this study are that the data was collected from one industry thus generalizing the findings into another industry should be made with care. An interesting research could be made from another industry where customer orientation has a meaningful relation to

organizational renewal and where information systems were in place and used for storing and sharing customer knowledge.

The data of this research was collected by qualitative methods and from only two cases. Even though this study alone delivered interesting findings about customer orientation in relation to organizational renewal capabilities, a larger sample might provide a more comprehensive view of the phenomenon. Also, adding the customer-side to the research might give more understanding of the phenomena, especially in those renewal capabilities and initiatives planned and co-delivered in customer-vendor partnerships.

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## Appendixes

### Attachment 1 Interview themes

1. Personal information
  - a. Position and content of work (during the past year)
  - b. Duration of employment, duration and nature of customer work
  - c. How many customers at your responsibility/work with (during the past year)?
  - d. How many contact persons from the customer you generally are in contact with?
2. Customer relationship management
  - a. Work with customers
  - b. Kind of relationship
  - c. Current situation
  - d. Participation, involvement
  - e. Management strategies
  - f. Changes or development relating to relations or management
  - g. Quality requirements of personnel
  - h. Training
  - i. Customers' wishes for relationship management / feedback
  - j. Customer's potential revenue (Qentinel offering or other)
3. Customer knowledge
  - a. Topics of information & knowledge
  - b. Importance
  - c. Lack of information, if any
  - d. Topics not discussed
  - e. Channels
  - f. Topics disclosed
  - g. Quality requirements
  - h. Changes, development actions
4. Customer orientation
  - a. Importance
  - b. Actions
  - c. Implementation