

SNF-report No. 16/08

Dynamic capabilities for the internationalization of services: *The AFF case*

by

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SNF Project No. 6308
Tools and Techniques for Global Leadership Development in Norwegian MNEs

The project is financed by The Research Council of Norway

INSTITUTE FOR RESEARCH IN ECONOMICS AND BUSINESS
ADMINISTRATION
Bergen, August 2008

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ISBN 978-82-491-0586-1 Trykt versjon
ISBN 978-82-491-0587-8 Elektronisk versjon
ISSN 0803-4036

Abstract

In order for professional service firms, more specifically management consultancies, to fulfill the needs of domestic client firms that have internationalized, the ability to meet new demands and provide new services becomes essential. The concept of dynamic capabilities addresses this issue by suggesting that the existence of intentional processes for resource reconfiguration can effectively equip a consultancy to change alongside its environment.

Our *Assessment of Dynamic Capabilities* framework will be presented as a tool for exploring the extent to which each of the three core dynamic capabilities as proposed by Døving and Gooderham (2008); heterogeneity of human capital, systems for change and reciprocal external alliances; exist within a consultancy. This thesis focuses on one specific management consultancy, the AFF (Administrative Research Institute), and discerns that its current internationalization challenges may be linked to insufficiencies in dynamic capabilities. However, this is not a definitive conclusion as limitations to the framework exist and further testing must ensue.

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Forward

Although this thesis is only one step towards uncovering the link between successful adaptation to a changing environment and the strong presence of dynamic capabilities, we hope that its contents will be useful for the AFF as it moves forward with the implementation of its strategic plans. It is also our hope that other professional service firms can benefit from the development of our *Assessment of Dynamic Capabilities* framework so as to better their chances for successful internationalization of services in the future.

We express our gratitude to Dr. Rune Rønning who has not only been an advisor for the writing of this thesis, but also our main contact person within the AFF; without his help and guidance we would not have had the opportunity to gain such a deep insight into the management consultancy. We also convey our appreciation to advisor Professor Paul N. Gooderham, of the Department of Strategy and Management at NHH, for his useful feedback and pertinent discussions as well as his close attention to the development of this thesis. Next, we thank each and every consultant at the AFF for either taking the time to talk with us extensively in the interview setting and/or to participate in our electronic questionnaire. Finally, we are grateful to SNF for providing us with a quiet office space for the construction of this paper.

Sincerely,

Jessica Hartenberger and Oscar Miguel Rivas Sandoval

Introduction

Phenomenon and Purpose

Professional service firms are defined best by the characteristics of the services they offer. Such professional services are knowledge intensive; involve a high degree of customization and personal judgment; require substantial client interaction; and are delivered within the constraints of professional rules of conduct (Løwendahl, 2005). Management consultancies are one such type of professional service firm; and as client companies are increasingly becoming more international, management consultancy firms are restructuring themselves in order to fare more successfully within the global business arena. The transition from operating as a national management consultancy to becoming an international one requires the ability to reconfigure resources and create new value; thus, dynamic capabilities become essential. The capacity for reconfiguration enables professional service firms to adapt to new demands and create new services thereby properly meeting the needs of previously domestic clients who have become multinational.

In order to further explore the possible link between dynamic capabilities and environmental adaptability, a case study will be conducted of one such management consultancy, the AFF (The Administrative Research Institute). To perform such an exploration, we have developed a framework for assessing the presence of relevant dynamic capabilities within professional service firms, more specifically management consultancies. Moreover, *the purpose of this thesis is to conduct an exploratory internal analysis of the AFF through an application of our developed framework which focuses on the firm's heterogeneity of human capital, existing systems for change and reciprocal external alliance relationships; in order to determine whether the consultancy possesses the core dynamic capabilities necessary for its strategy of internationalization.*

However, we must disclose that the application of our *Assessment of Dynamic Capabilities* framework is neither a definitive nor a succinct test of this issue, but an experimental beginning. In order to fully analyze the correlation between environmental adaptability and dynamic capabilities, our framework would have to be applied to many more professional management consultancies; firms that are struggling to adapt to changing environments and

those that are succeeding. If such testing indicates a link between deficiencies in dynamic capabilities and challenges adjusting to an international marketplace or a strong presence of dynamic capabilities and successful adaptation, our assumptions will further be strengthened.

Industry Conditions

As pioneers of leadership development in the Norwegian market since the 1950s, the AFF has offered consultancy services that seem to have been valuable, rare, and difficult to imitate up until recently; as indicated by the consultancy's recent decline in profits. We propose three possible explanations for the weakening of the AFF's once sustainable competitive advantage: 1) *a decrease in market demand*, 2) *a change in client scope*, and 3) *improvements of competitor services*.

The first explanation, a decline in the demand for consultancy services, is clearly not a reason for the current challenges of the AFF. For, it can be seen in the statistics [**Figure 1**] published by FEACO (The European Federation of Management Consultancies Associations) that the growth rate of the management consultancy market in Europe is steadily increasing.

Figure 1: Key Figures 2002-2005

	2002	2003	2004	2005
Market size	€ 46.5 bill.	€ 47.5 bill.	€ 48.5 bill.	€ 61.6 bill.
Growth rate	-2.0%	3.5%	3.7%	14.0%
Management consulting firms	57,000	58,000	60,000	53,500
Management consultants	300,000	310,000	315,000	565,000 (Total staff)
Key service lines	IT: 28.5% OM: 28.2% Strategy: 19.9% Outsourcing: 12.7% HR: 10.7%	IT: 28.1% OM: 26.9% Strategy: 17.4% Outsourcing: 17.4% HR: 10.2%	OM: 27.3% IT: 25.8% Outsourcing: 19.0% Strategy: 17.1% HR: 10.8%	Business Consulting: 42.5% Outsourcing: 20.9% Dvpt & Integration: 19.0% IT Consulting: 12.3% Other: 5.4%
Management consulting market (total turnover in € bill.)	UK: 13.6 Germany: 13.0 France: 6.2 Spain: 2.4 Italy: 2.2	UK: 14.8 Germany: 13.1 France: 5.6 Spain: 2.6 Italy: 2.0	UK: 14.2 Germany: 13.3 France: 5.9 Spain: 2.8 Netherlands: 2.0	<i>Business & IT Consulting:</i> Germany: 13.1 (total 19.7) UK: 9.2 (total 18) France: 3.3 (total 5.9) Spain: 1.6 (total 6.9) Italy: 1.3 (total 2.0)

Source: 2005-2006 Survey of the European Management Consultancy Market: FEACO, 2006, p. 5.

As illustrated, the market size increased from 46.5 billion Euros in 2002 to 61.6 billion Euros in 2005. Furthermore, a recent report released by FEACO (2007), indicates that the size of the European consultancy market is now worth an estimated 74 billion Euros; giving an average weighted increase of 10.7 %. Reportedly, Portugal was the only country that experienced a decline in growth rate. As a result of the increase in demand for consultancy services, a *war for talent* is occurring within the marketplace. So, it can be deducted that the market for consultancy services is flourishing, competitive and very much alive; therefore, the AFF's decline in profits cannot be attributed to a decrease in market demand.

It seems that the AFF's current challenges can most likely be accredited to the other two explanations. The AFF's niche, national market is expanding across Norwegian borders into Scandinavia and beyond as client firms broaden their scope to a more global reach. Also, competing consultancy firms appear to be supplying services similar to those of the AFF, only upgrading these offerings with a strong emphasis on international networks and capabilities. Therefore, when a global Norwegian company venturing abroad or an international firm expanding into Norway is searching for a consultancy firm, the AFF falls short in that its international experiences and competences are limited. As a result, the AFF has now found itself in a taxing situation: it must adapt to its changing environment and regain its competitive edge or continue to lose business to the competition.

Clearly, the nature of the industry is changing and the AFF can either retreat into the Norwegian public sector or accompany its client firms into the international arena. Consequently, the AFF has chosen the latter, and is now striving to internationalize. This conscious effort can be seen in the company's 2006-2008 strategy document which outlines the current internationalization plans of the firm. The AFF's strategic plans consist of following large national companies abroad and also providing services to multinational companies moving into Norway. However, like so many things, this strategic decision may be easier said than done. Therefore, this thesis is dedicated to discovering if the AFF's has the relevant dynamic capabilities needed to reconfigure its resource base for international endeavors.

A Topic of Interest

Comprehension of this thesis paper can benefit the reader in several ways. First, the dynamic nature of business environments and the associated demand for firms to be proficient in

adaptability is a very real, contemporary issue that is affecting many companies today. The percentage of foreign employment within the 30 largest manufacturing companies in Norway has increased from 6% in 1975 to 59% in 2000 (Gooderham, 2007; Hagen *et al.*, 2002). This illustrates the transition in the industry from domestic to international business; not only when looking at a firm's targeted market, but also its employee configuration. Gaining an awareness of this vital trend is useful for any individual involved within the industry and can help create an understanding of what is needed for success. Our analysis of the AFF will offer insight into this issue and provide suggestions and discussion points for the AFF and other professional service firms seeking to become more internationally oriented. Second, we aim to reveal the importance for firms to not simply rely on current resources, but to harbor and develop capabilities for change as well. As will be seen in the case of the AFF, this is an issue that can affect successful and well-established companies. Third, by introducing the *Assessment of Dynamic Capabilities* framework, although certain limitations and needs for further development exist, we hope to provide a tool for measuring the existence of dynamic capabilities within any professional service firm. Lastly, we envision this thesis paper as a launching pad for further studies into the area of dynamic capabilities and internationalization.

Structure of Thesis

Chapter One provides a brief description of the progression of strategic managerial thinking; from the industry-based perspective to the resource-based view to the concept of dynamic capabilities. Next, three key dynamic capabilities will be outlined, highlighting the focal areas for our exploratory internal analysis of the AFF. Finally, our *Assessment of Dynamic Capabilities* framework will be constructed by integrating additional theoretical elements and other components into the three core dynamic capabilities in an attempt to provide further detail and structure to the internal exploration of professional service firms, particularly the AFF.

Chapter Two presents the case of the AFF. By describing the company background, the role of the consultants, the current internationalization strategy and the AFF culture; a contextual foundation for our internal analysis of the consultancy will be supplied.

Chapter Three describes the methodology of our data collection and will establish a clear understanding of the qualitative and quantitative methods used to gather information and the reasoning behind these techniques.

Chapter Four contains our internal exploration of the AFF and will entail the application of the *Assessment of Dynamic Capabilities* framework to the consultancy. Throughout this analysis, we aim to discover the extent to which the AFF exhibits the dynamic capabilities necessary for the successful internationalization of services.

Chapter Five concludes the thesis with a summary of our findings, recommendations for the AFF in regards to the issue at hand, a discussion of the limitations of our framework and a presentation of ideas for further research and development.

Chapter One: The Concept of Dynamic Capabilities

Dynamic capabilities is a pivotal theoretical theme within this thesis and will serve as the governing concept for the development of our *Assessment of Dynamic Capabilities* framework. Scrutinizing the AFF under this structure will help assess the preparedness of the consultancy to reconfigure its existing resource base; moreover, creating new value and offering innovative services. To begin, a description of the development of strategic managerial thinking is compulsory for planting the seed from which dynamic capabilities has sprung.

The Evolution of Strategic Thinking

Over time, strategic thinking has evolved from the industry-based view to considerations including the resource-based view as well as the institutional-based view; and furthermore into today's quickly growing dynamic capabilities perspective.

Industry-based View

In the past, the industry-based perspective has been at the forefront of strategic management analysis. The industry-based view emerged in the 1930s from the branch of economics known as *industrial organization economics* which stimulated the creation of the *structure-conduct-performance model* (SCP), which states that the structural attributes of an industry as well as the conduct of a firm in response to this structure, determine the performance of that firm (Peng, 2006). This approach, established by Michel Porter's five forces framework (1980) consisting of: 1) the intensity of rivalry among competitors, 2) the threat of potential entry, 3) the bargaining power of suppliers, 4) the bargaining power of buyers, and 5) the threat of substitutes; essentially supports the idea that industry specific characteristics determine the performance of a firm.

Despite its broad acceptance, this perspective has been challenged in two ways (Peng, 2006). First, it fails to explain why some firms succeed in highly unattractive industries. One explanation is that the success of a firm must also be determined by firm specific resources, independent of industry conditions. As a result, the resource-based view emerged, changing the nature of strategic managerial thinking. Second, it is said that the industry-based view ig-

nones history and institutions; the rules and norms of a society that affect the development of a firm's strategy. The institutional-based view helps to bring these issues into consideration.

In addition, the industry-based view was created mainly in consideration of manufacturing companies; firms with well-designed, visible value chains in terms of certain specific value creating activities like logistics, operations, marketing, sales and supporting activities. Here, traditional economic assumptions apply reasonably well, for instance the relationship between scale and costs. In these firms, it is believed that the source of competitive advantage comes from core competences; defined as collective, tacit and difficult to copy (Løwendahl, 2005).

According to Løwendahl (2005), unlike manufacturing firms, the core competences of professional service firms reside mostly in the individuals, or human capital, of the firm. The danger in this is that these individuals are free to leave the company at any point in time; taking these unique competences along with them. In professional service firms, the main value creating activities are not integrated according to the traditional value chain, but reside in three core processes which consist of: selling a "credible promise", delivering on that promised and learning from the selling and delivery process (Løwendahl, Professional Service Firms, 2005).

As a note, it can be argued that the many elements of manufacturing firms (i.e. marketing, sales and research and development) are knowledge-based functions; meaning that, like professional service firms, core competences reside in the individuals and creative talent of these manufacturing firm divisions. Thus, in reality, manufacturing firms and professional service firms may not be so different in terms of human value.

Resource-based View

J. B. Barney, one of the most prominent contributors within the field of strategy (Nærland, 2008), will be called upon for a closer look into the resource-based view. He denotes that this perspective consists of two conditions; first, "firms within an industry (or group) may be heterogeneous with respect to the strategic resources they control" (Barney, 1991, p. 101) and second, "these resources may not be perfectly mobile across firms, and thus heterogeneity can be long lasting" (Barney, 1991, p. 101).

Barney also clarifies the meaning of a sustained competitive advantage. Firstly, the competitive environment of a firm not only consists of current competitors but potential competitors as well. Therefore, a lasting competitive advantage is achieved when the strategy implemented by the firm is not concurrently executed by existing or potential competitors (Barney, McWilliams, & Turk, 1989). Secondly, a sustained competitive advantage is not determined by a portion of calendar time, rather it is defined by the fact that current and potential competitors are unable to reproduce the unique strategy that makes the competitive advantage constant (Barney, 1991). Thirdly, the dynamic nature of an industry's structure can result in the devaluation of what was once a source of competitive advantage; rendering it no longer precious to a firm (Barney, 1991). When these unexpected shifts in a firm's environment occur, they can result in the nullification of a lasting competitive advantage making beneficial resources in one industry setting disadvantages in a new industry setting. However, it must be mentioned that "a sustained competitive advantage is *not* nullified through competing firms duplicating the benefits of that competitive advantage" (Barney, 1991, p. 103).

For Barney (1991), it is crucial to begin with the assumption that the resources of a firm may be heterogeneous and immobile so as to fully grasp the sources of sustained competitive advantage. Furthermore, in order to achieve a lasting competitive advantage, a firm's resources must be: 1) valuable, 2) rare, 3) imperfectly imitable, and 4) non-substitutable.

The resource-based view of strategic thinking implies that a sustainable competitive advantage is generated from the elements found within the firm. Companies are equipped with resources that enable them to achieve competitive advantages over the competition; these resources can be tangible as well as intangible. Tangible resources and capabilities are observable and easily quantified; whereas, intangible assets are difficult to observe and nearly impossible to specify (Peng, 2006). Furthermore, these resources can be classified into two broad categories: financial and intellectual capital. Even though financial capital is important for supporting the activities necessary to execute the firm's strategy, the resource-based view argues that it is the intellectual capital that can enable a company to generate a lasting competitive advantage.

Intellectual capital (Gooderham & Nordhaug, 2003) is composed of the following three elements:

1. *Organizational capital* which is related to the processes, methods and systems of the organization as well as its property rights. Corporate culture is included within this category.
2. *Social capital* which constitutes the reputation and relations of the company within its client base and market; this also includes relationships with suppliers, allies and partners.
3. *Human capital*, or the knowledge, skills and abilities of employees; including their energy and motivation.

Introducing Dynamic Capabilities

Eisenhardt and Martin (2000) argue that because the resource-based view proposes that a firm identify its strengths and weaknesses at a specific point in time, the framework may be adequate for firms within slow or moderate dynamic markets, but inadequate for those firms operating within fast moving industries. Thus, the resource-based view has failed to explain why some firms perform better than others in situations of rapid and unpredictable change (Eisenhardt & Martin, 2000). The dynamic capabilities theory seeks to answer this question.

Defining and Exemplifying Dynamic Capabilities

Teece, Pisano and Shuen (1997) define dynamic capabilities as “the ability to integrate, build and reconfigure internal and external competencies in order to adapt to rapidly changing environments” (p. 516). Dynamic capabilities are specific, strategic and organizational processes by which managers manipulate resources in order to produce new value creating activities. Thus, they constitute identifiable and systematic routines (Eisenhardt & Martin, 2000).

Eisenhardt and Martin (2000) allude to researchers within the field and provide several examples of such systematic routines. Among these examples is *new product development routines* in which managers combine different skills and competences to create new products and services to boost revenues (Clark & Fujimoto, 1991; Dougherty, 1992; Helfat & Raubitschek, 2000); *strategic decision making routines*, by which managers merge different

business, functional and personal expertise to make the necessary decisions for building the strategy of the firm (Eisenhardt, 1989; Fredrickson, 1984; Judge & Miller, 1991); **resource reconfiguration routines**, (Hansen, 1999; Hargadon & Sutton, 1997; Szulanski, 1996) which are used to duplicate, shift and recombine resources; **resource allocation routines** used to distribute scarce resources throughout the firm; **coevolving routines** in which managers consciously form collaborations between different areas of the firm to create new, synergistic resource-mixes (Eisenhardt & Galunic, 2000); **realignment routines** which entail rearranging the pairing of the firm and its resources to tap into changing market opportunities, (Eisenhardt & Brown, 1999); and **resource gaining routines** such as knowledge creation (Helfat, 1997; Henderson & Cockburn, 1994; Rosenkopf & Nerkar, 1999) and alliance/acquisition ventures which introduce and transfer new resources from external partners into the firm (Capron, Dussauge, & Mitchell, 1998; Gulati, 1999; Lane & Lubatkin, 1998; Powell, Koput, & Smith-Doerr, 1996; Ranft & Zeithaml, 1998; Zollo & Singh, 1998).

Dynamic capabilities include, but are not limited to these examples. It is important to mention that not all processes are part of the dynamic capabilities of a firm; because while there are processes that aim to enable firms to perform ongoing tasks or to maintain the status quo, the defining characteristic underpinning dynamic capabilities is that they facilitate change (Helfat, *et al.*, 2007).

In addition to the main characteristic of inducing change, another trait of these strategic and organizational processes is that, while they are idiosyncratic by nature, features proven to be effective are shared. In other words, there are certain characteristics associated with these processes that have become common across firms.

Also, dynamic capabilities show a particular pattern depending on whether they are utilized by firms operating within moderately dynamic markets or firms within intensely dynamic markets (Eisenhardt & Martin, 2000). In more stable markets, processes are predictable and contain linear steps where activities are outlined in an orderly fashion. In heavily dynamic markets, processes are simple consisting of few rules that specify the action boundaries of managers; they are mostly experiential and iterative processes. This simplicity is due to the fact that complicated processes are more difficult to alter in changing environments; therefore, straightforwardness is exactly what is needed in exceedingly dynamic market conditions.

It is important to mention that it is not dynamic capabilities in themselves, but the new competences which they generate, that constitute the source of competitive advantage (Eisenhardt & Martin, 2000). The key issue for a firm operating in a dynamic industry is to generate capabilities that allow the firm to continuously create new competences and therefore new advantages.

Three Core Dynamic Capabilities

With an understanding of the notion of dynamic capabilities, it is important to determine if a firm demonstrates such capabilities and furthermore if it has the potential to develop them. Døving and Gooderham (2008) have identified three key dynamic capabilities, that if present within a firm, can lead to a broader provision of services due to increased opportunities for integration, reconfiguration, combination and the creation of new value adding activities.

Heterogeneity of Human Capital

The first core dynamic capability is the *heterogeneity of human capital*; as employing people with different backgrounds and skills allows for a greater opportunity to blend different competences (Døving & Gooderham, 2008). For a firm to deliver a variety of services, it has to develop and accumulate the type of competences that create the potential for diversification. In general, it is believed that a more homogeneous human capital will narrow the scope of the services offered by a firm, while a more heterogeneous one will expand this scope. The diversity of human capital can be measured by evaluating the training, background, formal education, experiences and skills of the individuals within the firm.

Systems for Change

The second core dynamic capability is the *existence of systems that allow the firm to develop and reconfigure its competence base* in both a firm specific and an inimitable manner (Døving & Gooderham, 2008). These systems are enduring routines, strategic and organizational processes intended to facilitate new resource configuration. Furthermore, it is pivotal to have clearly defined policies and plans for the development of human resources, which allow for interactions that lead to the creation of new knowledge reconfigurations. These

processes are crucial because it is through such processes that dynamic capabilities are utilized; they are the means by which dynamic capabilities are developed and deployed (Helfat, *et al.*, 2007).

Reciprocal External Alliances

Finally, the third core dynamic capability is the *development and exploitation of inimitable relationships with partners and allies to gain access to external resources and capabilities* (Døving & Gooderham, 2008). The development of diverse external networks provides access to capabilities from a variety of resources. In professional service firms, the capacity to nurture external alliances for joint problem solving and service development with different business service providers constitutes a dynamic capability. There is a limit to the competences a firm can possess; therefore, it must leverage itself against the competences of third parties. There are two ways by which firms exploit these relationships: one is by offering complementary services in collaboration with these alliances and the other is by acquiring new competences from external partners.

Supplemental Theories

To further develop the importance of these three core dynamic capabilities, additional theoretical concepts as well as other components from the field have been called upon to provide a more thorough structure for the internal exploratory analysis of an individual firm. Thus, through the use of these additional elements, a framework for assessing the presence of the three core dynamic capabilities in a professional service firm will be constructed.

Relevant Competences

In order to examine the heterogeneity or diversity of the AFF's human capital, it is crucial to first gain an understanding of the definition of *competences*; then to identify which types of competences are relevant for change/internationalization; and finally to catalogue which of these competences are present within the consultancy.

According to White (1959), competences distinguish the capability of an individual to react to the demands of his or her environment. Nordhaug (1993) takes the definition a step further by relating it to work-related tasks and work performance, "the composite of human know-

ledge, skills, and aptitudes that may serve productive purposes in organizations” (p. 50). He further defines knowledge as “specific information about a subject or a field”; skill as “a special ability to perform work-related tasks”; and aptitudes as “natural talents that can be applied in work and form a basis for the development of knowledge and skills” (Nordhaug, 1993, p. 51).

From this, Nordhaug (1993) develops six types of competences [**Appendix 1**] based on three dimensions of idiosyncrasy: *task specificity* - the extent to which a competency is used to perform a narrow range of activities; *firm specificity* - the degree which a competency is used within a single firm; and *industry specificity* - the significance of the competency within one industry.

However, in order to conduct an analysis of a management consultancy in consideration of its preparedness for internationalization (in this case, the AFF), it is only deemed necessary to focus on those competences which prove low in task and firm idiosyncrasy and therefore enable a professional service firm to reconfigure its resource base; Nordhaug (1993) refers to these competences as *meta-competences* and *industry competences*.

Meta-competences constitute those competences that are non-specific in all senses and can be utilized in different tasks as well as transferred across firms and industries. According to Nordhaug (1993) “their importance lies in the fact that they represent a sort of genuinely basic or underlying infrastructural knowledge and skills that are broadly applicable and form a crucial foundation for work performance in general” (pp. 60-61). Essentially, many meta-competences are naturally engrained in an individual’s character and are thus nearly impossible to cultivate. The ability to cooperate, analytical skills, communication skills and the capacity to tolerate uncertainty are all examples of meta-competences. As Nordhaug (1993) mentions, “due to their broadly applicable nature, meta-competences are thus especially important in regard to the adaptability of firms. Because they are not specific to any particular context, they constitute a potential for facilitating organizational and strategic change” (pp. 60-61).

Industry competences are composed of those competences which are neither task nor firm particular but are highly idiosyncratic to one industry. These competences are mainly related to the familiarity of and experience within a particular industry. The individual’s capacity to

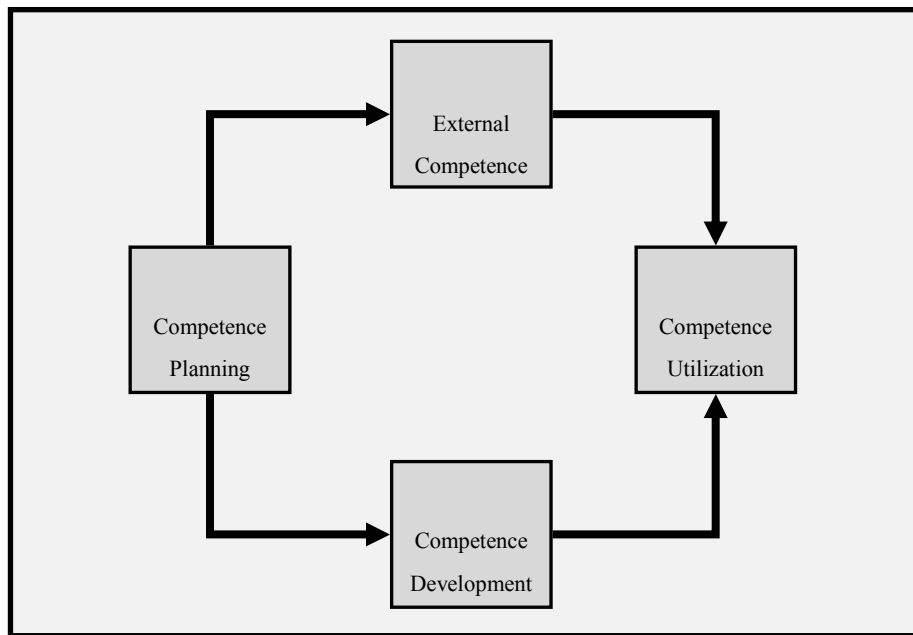
take general knowledge and interpret it within the context of the industry is the essence of such competences. Knowledge about the business history, industry structure and current developments within an industry are all examples of industry specific competences. According to Nordhaug (1993), “knowing the idiosyncrasies of the firm’s as well as the competitors’ repertoires of customer services may be valuable in guiding work behavior” (p. 64); especially in uncertain situations where consultants must spontaneously decide upon an action.

As can be seen, low task specificity is crucial because those competences that are not linked to current tasks have the potential to facilitate future tasks. Furthermore, low firm specificity is also paramount as those competences that apply to a broad spectrum of firms, allow for decisions to be made instantly when unknown situations occur. Furthermore, only those *meta-competences* and *industry competences* which prove useful for internationalization will be explored. This fine-tuning will allow for a much more specific and detailed analysis.

Nordhaug (1993) mentions that his competence classification may “be utilized in empirical studies of the relationship between firms’ competence bases or inventories and their capacity to manage necessary organizational transformation processes induced by changes in the external environment” (p. 70). Identifying and cataloguing a firm’s competence base through an assessment of pertinent meta-competences and industry competences can aid in revealing the capability of a firm to rearrange its human capital in a changing environment. Here, Nordhaug’s theory of competence typology clearly connects with the phenomenon of dynamic capabilities. For without exhibiting a diverse competence base of those competences necessary for successful change and adaptation, a firm is likely to fail in shifting with its market or industry. In addition, this inventory of needed competences can provide a basis for considering the diversity of and potential gaps of a consultancy’s human capital.

The Competence Chain

Because the key dynamic capability of existing systems for change is fairly broad in scope, it is important to develop a methodical way for a closer examination of the specific processes within the firm. Therefore, we call upon Nordhaug’s (1993) *The Competence Chain* [Figure 2] to facilitate our analysis of the particular systems in place within the AFF for competence planning, acquisition, development and utilization.

Figure 2: The Competence Chain

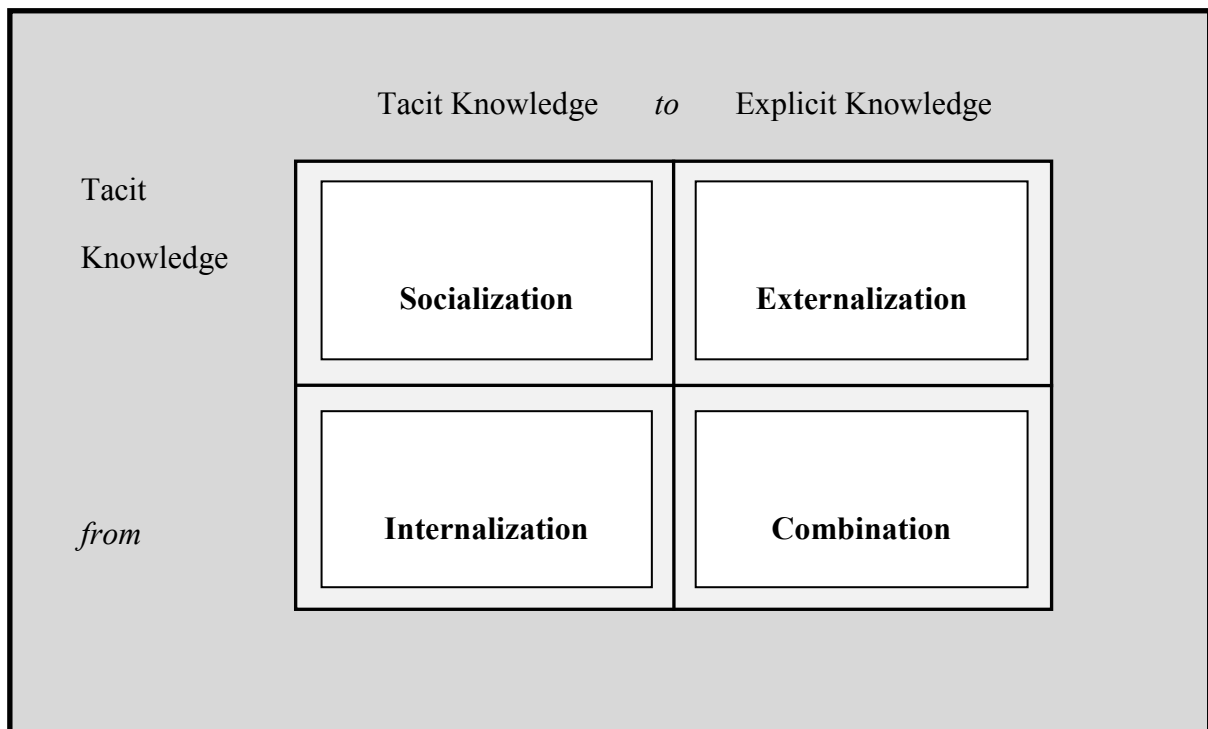
Source: *Human Capital in Organizations: Competence, Training, and Learning*; Nordhaug, 1993, p. 28.

In brief, *competence planning* includes the establishment of company goals and strategies with consideration of human competences. Competence gaps are identified, catalogued and actively sought to be filled during *competence acquisition*. Such acquisition is achieved through the recruitment of new personnel who exhibit the desired or needed competences; the hiring of external consultants with the specific competences required for certain problems; and the exploitation of interorganizational relationships with other firms within the industry in order to build diverse competences. *Competence development* is clearly correlated to learning, defined by Nordhaug (1993) as “processes that lead to changes in one or more of the following dimensions: knowledge, skills, attitudes, and other personality-related factors.” (p. 35). Cultivating and expanding competences is crucial to remain fresh and current. Lastly, *competence utilization* entails the short and long term configuration and organization of competences. Issues like transfer barriers, organizational design, involvement and motivation need to be addressed in this area of competence management. The benefits of a strong resource base can easily be negated if the links of the competence chain are weak or missing.

This theory supplements the dynamic capabilities framework well, due to the fact that more often than not, *competence development* is the main area of focus in companies that wish to increase efficiency, competitiveness, restructuring and economic growth (Nordhaug, 1993). Nordhaug (1993) stresses, “the danger in focusing exceedingly on the developmental aspect is that other, equally important, aspects of competence management are easily overlooked. In addition to being developed, competences must be planned, acquired, and utilized” (p. 27). Essentially, Nordhaug (1993) argues that learning structures within a firm, although highly important, should not be the sole concern; for, each stage of *The Competence Chain* must be considered in order to facilitate strategic competence management and establish a sense of wholeness regarding the general management of the firm.

Learning

Although learning should not be the only system in place for improving a firm’s resource base, the competence development portion of *The Competence Chain* (Nordhaug, 1993), it is a vital element. Therefore, the model of the *Four Modes of Knowledge Conversion* developed by Nonaka and Takeuchi (1995) [**Figure 3**] will be utilized to analyze the competence flow and transfer of knowledge among the employees of a firm. This model emphasizes the fact that knowledge is transferred through interactions among individuals and furthermore distinguishes between interactions comprised of different levels of explicit and tacit knowledge. Nonaka and Takeuchi (1995) draw on Polanyi’s (1966) distinction between these two types of knowledge; “tacit knowledge is personal, context-specific and therefore hard to formalize and communicate. Explicit or “codified” knowledge, on the other hand, refers to knowledge that is transmittable in formal, systematic language” (p. 59). The following matrix shows the four possible conversions:

Figure 3: *Four Modes of Knowledge Conversion*

Source: *The Knowledge-Creating Company*; Nonaka & Takeuchi, 1995, p.62.

Socialization: conversion from tacit knowledge to tacit knowledge. This includes the internalization of cultural norms, mental models and technical skills. Observation and imitation are two of the main activities used to “socialize”; and the competences created from this “socialization” are mainly, but not exclusively organizational specific and task non-specific (Gooderham & Nordhaug, 2003; Nonaka & Takeuchi, 1995).

Externalization: conversion from tacit knowledge to explicit knowledge. This occurs through dialogue by which individuals articulate their knowledge in a way that has explicit meaning for others; metaphors and analogies are frequently used (Gooderham & Nordhaug, 2003; Nonaka & Takeuchi, 1995).

Combination: conversion from explicit knowledge to explicit knowledge. This process occurs through interpretation and translation of information. In cumulative research it is common to create new concepts and knowledge through the synthesis of older scientific findings (Gooderham & Nordhaug, 2003; Nonaka & Takeuchi, 1995).

Internalization: conversion from explicit knowledge to tacit knowledge. This route is related to the practice of “learning by doing”. Many of the task specific competences are generated in this way; but the process is also in motion when shared experiences are transformed into collective, tacit mental models thus becoming part of the culture (Gooderham & Nordhaug, 2003; Nonaka & Takeuchi, 1995).

Nonaka and Takeuchi (1995) stress that this model, which classifies the ways in which knowledge can be shared in a firm, should be accompanied with the idea that the creation of knowledge “is a continuous and dynamic interaction between tacit and explicit knowledge” and furthermore “this interaction is shaped by shifts between different modes of knowledge conversion” (p. 70). Essentially, shared knowledge must become explicit for it to be utilized by the firm as a whole. Therefore, socialization which deals with tacit-to-tacit transfer must shift into externalization where tacit knowledge is made explicit. From there, explicit knowledge merges with other explicit knowledge in the combination mode; and finally that combined explicit knowledge is made tacit in the internalization stage signaling the knowledge has truly become embodied by the individual. This cycle continues indefinitely, broadening the knowledge base with each succession.

Bridging and Bonding

Through exploitation of the concept of social capital, more importantly considering the *bridging* and *bonding* views together, the capability and strength of a firm’s external alliances can begin to be assessed.

Ghoshal and Nahapiet (1998) define social capital as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” (p. 243). Social capital thus comprises the network of relationships within an organization and the assets that can be mobilized through these networks (Bourdieu, 1986; Burt, 1992). There are varying ideas and interpretations of the concept of social capital, but this definition fits best when determining the strength, utilization and reciprocity of external alliances.

Adler and Kwon (2002) seek to clarify the concept of social capital in their article entitled *Social Capital: Prospects for a New Concept*; two contrasting views emerge as a topic for discussion. First, the notion of *bridging* suggests that social capital is chiefly a resource that exists within the social network and links the central actor to other external actors. Thus, the actions and behavior of groups and individuals can be significantly affected by their indirect and direct connections to other actors in different social networks. Second, the idea of *bonding* centers on the relationships among individuals or groups within a certain assemblage, and more precisely the characteristics which grant cohesiveness and pursuit of common goals within this particular grouping. To summarize, *bridging* focuses on the connection of the firm to external organizations while *bonding* deals with the internal development of these established associations.

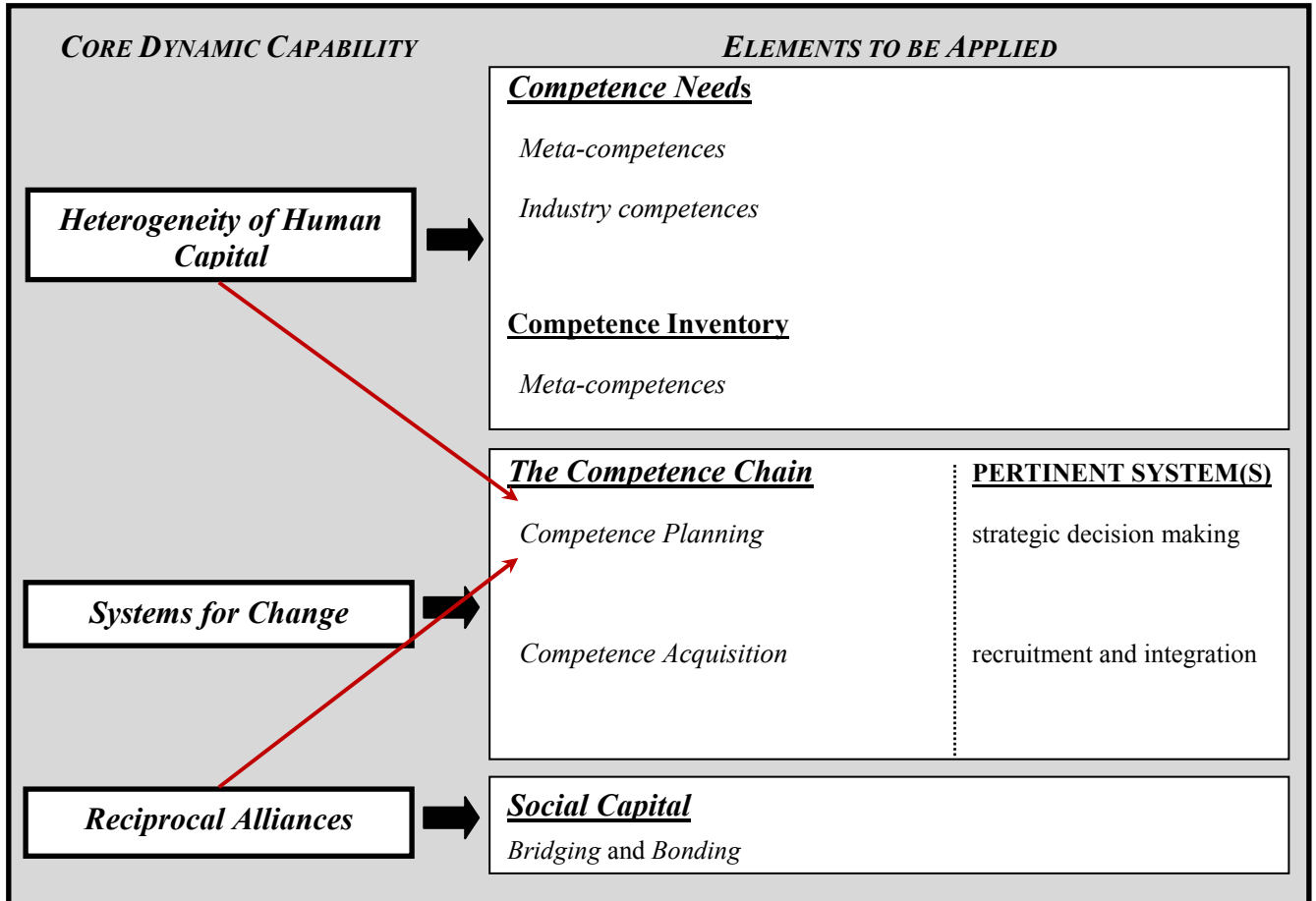
In their article, Adler and Kwon (2002) argue for a third perspective which considers a more neutral stance on the external/internal, *bridging/bonding* aspect. They argue that the difference between an external and an internal outlook is greatly dependent upon both perspective as well as the unit of analysis; for, “the relations between an employee and colleagues within a firm are external to employee but internal to the firm” (Adler & Kwon, 2002, p. 21). Also, they point out that the internal and external standpoints are not independent of one another: “the behavior of a collective actor such as a firm is influenced both by its external linkages to other firms and institutions and by the fabric of its internal linkages: its capacity for effective action is typically a function of both” (Adler & Kwon, 2002, p. 21). Therefore, both views should be considered concurrently.

Assessment of Dynamic Capabilities Framework

The concepts of *meta-competences* and *industry competences*; *The Competence Chain*; the *Four Modes of Knowledge Conversion*; and the social capital perspectives of *bridging* and *bonding* have been carefully selected to strengthen the concept of dynamic capabilities and have in this manner become the main building blocks of our *Assessment of Dynamic Capabilities* framework. We believe that our framework can provide a more thorough structure for conducting an internal exploration of the degree of dynamic capabilities present within a professional service firm, in this case, the AFF. In order to avoid confusion, a visual guide of our framework [Figure 4] will be provided below as well as a brief summary of how the

analysis of each of the three core dynamic capabilities will be conducted throughout this thesis.

Figure 4: Assessment of Dynamic Capabilities Framework



Heterogeneity of Human Capital

By first utilizing the concepts of *meta-competences* and *industry competences* to determine those competences deemed necessary by the AFF with regards to its strategy and associated goals for internationalization, the specific multinational competences needed for success will be identified. Similarly, the composition of the AFF's competence base will be inventoried through the examination of the firm's existing *meta-competences* and *industry competences* thus pointing out possible competency gaps and indicating the degree of diversity present within the human capital. Note, identifying future needs and comparing these to the current competence inventory overlaps with the *competence planning* link of *the competence chain*, as illustrated above by a red arrow; but because planning involves the system of strategic decision making, it will be discussed in the systems for change section of our analysis.

Lastly, the factors of nationality, individual background and professional experiences will be analyzed to further measure the heterogeneity of the AFF's human capital. So by applying these elements, the extent of heterogeneity within the consultancy, a vital dynamic capability, can be assessed.

Systems for Change

In order to determine if the AFF has the proper systems in place for change, this second core dynamic capability will be supplemented by Nordhaug's (1993) *The Competence Chain*. *Competence planning* will highlight the routines used by management for strategic decision making in relation to future competence needs. *Competence acquisition* will help assess the firm's systems for external recruitment and integration of needed competences. *Competence development* will examine the knowledge transfer processes present within the firm designed to augment competences. Furthermore, because this link of the chain centers on learning which is essential for strengthening a firm's human capital, Nonaka and Takeuchi's (1995) concept of the *Four Modes of Knowledge Conversion* will be called upon to classify the main ways in which the AFF consultants engage in learning thereby developing the competence base of the firm. Finally, *competence utilization* will be applied to assess the degree to which the systems at the AFF promote beneficial matching of competences for healthy project team configuration and new product development.

Reciprocal External Alliances

The third core dynamic capability, the development and exploitation of inimitable relationships with partners and allies, extends beyond the reach of our internal analysis. However, throughout our qualitative and quantitative data collection we have observed some interesting characteristics regarding this external element of the AFF. Therefore, we will touch upon the concepts of *bridging* and *bonding* with respect to the AFF's external relationships; to offer insight into the efficiency and usefulness of the firm's alliance partnerships. It is important to mention another possible overlap (as indicated by the red arrow above), the building of reciprocal alliances ties in with external competence acquisition as these external relationships are sources for acquiring new competences.

Now that our *Assessment of Dynamic Capabilities* framework has been illustrated and the plan for application has been outlined, the case of the AFF will now be presented so as to lay a contextual foundation for the exploratory analysis portion of this thesis.

Chapter Two: The AFF Case

A synopsis of the AFF background is essential so as to illustrate the long history and achievements of the firm and to illuminate the situation of the AFF today thereby providing a contextual foundation for the chosen case study of this thesis.

The Founding Father of the AFF

“Developing post-war Norway, its business and society through better leadership” (Official AFF Website) was the original mission of Rolf Waaler, founding father of the AFF. In 1950, Waaler was awarded a Fulbright grant to research Industrial Psychology and Human Relations at Harvard University. In that same year, Waaler became the first Norwegian professor of his field, at the Norwegian School of Economics and Business Administration (NHH) in Bergen, Norway (Newsletter for the Fulbright Alumni Association of Norway, 2000). Because of the general enthusiasm in Norway for rebuilding the country and furthermore the particular emphasis on the manager as a key resource for this reconstruction, Waaler, together with leading industrialists and companies, founded the AFF at NHH in 1952. The Solstrand program, the result of Waaler’s driving efforts, was the sole service offered by the AFF until the 1970s (Rønning, 2008).

The Solstrand Program

The Solstrand Program, “the most well-known program for executive leadership development in Norway” (Strand *et al.*, 2002, p. 4) which has been available longer than any other national leadership program has successfully been offered every year since its creation. Over the past 50 years, the AFF and the Solstrand Program have withstood many fluctuations in the national economy as well as developments in professional approaches (Strand *et al.*, 2002).

The eight-week, four session program (two weeks in April, in September, in January and in August) is designed to extract the leader from his or her organizational environment and place him or her into a rich learning community with individuals from a variety of industries and professional experiences (Strand *et al.*, 2002). “In AFF we do not see this work as education, and we do not see the clients as students in the ordinary sense. We call them *participants* and we think of ourselves as the providers of learning arenas and as consultants more

than teachers” (Rønning, 2005, p. 28). Among other valuable learning opportunities, “participants systematically work through their own experiences, creating a unique possibility for learning and gaining fresh perspectives through active listening and discussions with other managers” (Strand *et al.*, 2002, p. 8). The Solstrand Program has an alumni count of over 2,500 and an influential active network, proof of its strength and resonance in the Norwegian society.

The AFF Today

Today, the Solstrand Program represents a significant portion of the AFF’s product offering portfolio, but since the mid 1990s many other services have become pivotal in the success of the AFF. For instance, alongside the Solstrand Program there is another open leadership development program called the AFF Young Leaders which is designed to cultivate young managerial talent. Also, the AFF Mentoring Program offers personalized development plans for individuals by providing a reciprocal learning environment for both mentor and mentee.

The AFF also offers customized in-house programs for client companies, consisting of organizational consulting and leadership development programs. Organizational consulting programs are conducted with the objective of assisting in the development and implementation of performance improving projects within client organizations. Leadership development programs focus on strengthening leadership skills, utilizing leadership groups in a more effective manner and acquiring/developing new leaders. As a part of its practice, the AFF has developed the Nordic Leadership Alliance which consists of both domestic and international partners which further increases the breadth of knowledge and service offerings available to current and potential clients (Official AFF Website).

“The AFF was established on the basis of deep-seated humanitarian community awareness and with a task to contribute to and better the greater society. The AFF has, through its entire and lengthy history, been a bearer of the humanitarian tradition within the organization and leadership profession and fostered humanitarian values in all its work” (Strategi for AFF 2006, p. 1). Clearly, the AFF’s programs and practices stem from an ethical platform which promotes individual dignity and well-being; and a cultural platform which promotes social security, camaraderie and respect (Strategi for AFF, 2006).

Currently, the AFF is the major provider of leadership development programs in Norway. The Norwegian market can be characterized by the presence of smaller firms which position themselves in niche competences, flexibility and price; and big international consulting groups like Price Waterhouse Coopers and KPMG which are more business-oriented, but also have leadership development programs and work frequently with psychologists and other professionals in large integrated projects. While the AFF offers more individual, psychology-oriented programs, it is now facing an increasing demand for a more business oriented approach which has become a major challenge (Strategi for AFF, 2006).

According to the AFF, the company has a strong reputation among its clients and is perceived as professional and serious; however, the company is also considered to be very local with little innovation and originality.

Interesting Statistics

Company statistics made available to us illustrate that in the 1990s the AFF's profits were significantly higher than in the years after 2000. From 1997 to 2007, the consultancy's total turnover has steadily increased while the consultancy's total profits have shown a decreasing trend. This trend suggests that while the consultants of the AFF are continually performing and providing services, they either need to earn more money for the services rendered or explore the option of offering different, more profitable services.

From the yearly financial reports of the AFF, it can be seen that the open programs offered by the consultancy reap fairly steady profits; indicating that these programs are earning money while, in total, the other areas of business yield very little profit. Programs like Solstrand and the AFF Young Leaders are unique, strong programs which remain a competitive advantage for the firm; however, the in-house leadership development and organizational consulting programs seem to be declining in profitability. As a result, the recent economic situation of the AFF is decreasing and this is an issue that must be examined and addressed.

The Role of the AFF Consultant

An understanding of the role of the AFF consultant highlights the specific consultancy style of the AFF within its industry.

The role of the AFF consultant varies depending on the type of service offering the consultant is involved with at the time as well as his or her personal style. In terms of open-enrolment programs like Solstrand and the AFF Young Leaders, the programs are specifically designed to develop individual leadership; therefore, the consultant's purpose is to aid in this growth. In these open program settings, the consultants monitor and facilitate group processes by encouraging participants to share real experiences with the group. Through this sharing, various issues are brought to the forefront and are then used as examples which serve as starting points for development and learning. Thus, individual and collective reflection is a key tool as participants search to analyze their strengths and weaknesses as leaders and assess their actions within the field.

Because no two in-house programs are alike, consultants are faced with a wide variety of client issues. In terms of organizational consultancy, consultants either perform process or expert consultation depending on the style and preference of the individual consultant. According to Schein (1999), "process consultation is the key philosophical underpinning to organizational learning and development in that most of what the consultant does in helping organizations is based on the central assumption that *one can only help a human system to help itself*" (p. 1). In this sense, consultants act as co-explorers of alternatives, allowing the client to choose the best option for the issue at hand. The consultant essentially challenges the potential of the client through the use of questioning and by introducing new perspectives. Various client company materials are essential in this arena in order to give the consultant insight into the organization. The consultant will construct a picture of the issue, sketch the necessary processes or programs, and present the alternatives to the client. Conversely, some consultants may approach in-house programs with an expert consultation style, in this sense; the consultant is respected as a specialist in the field and teaches the company the appropriate solutions to challenges.

In-house leadership development programs focus on the leadership growth within individual firms. Consultants aid in synergizing the organization's employees, of varying status levels and from different areas of the company, through the identification of company goals and the definition of individual roles.

Each individual consultant distributes his or her time differently among the service offerings of the AFF and therefore tends to have his or her niche area(s). Some consultants focus on group work, some on individuals, some prefer leadership development and still some prefer an organizational approach. Amidst all of this variation, consultants must be ready for unpredictable issues and elements to emerge as processes involving different people will undoubtedly create different thoughts, problems and dilemmas. The role of the consultant is also flexible in that there is a freedom to provide services according to each consultant's personal values. Thus, clients with differing ethical standards can be refused. Concepts and theories provide frameworks for guiding the AFF consultants in their practices.

The AFF's Current Internationalization Strategy

Due to the fact that the existing strategy for internationalization at the AFF is a crucial element of this thesis, a careful description of the strategy will follow. First, an identification of the AFF's mission and vision statements will illustrate the mindset and goals of the company as seen by top management. Next, the strategy will be presented as described by the managing director of the AFF. Lastly, the activities that the consultancy considers necessary to successfully achieve its strategic goals as well as its objectives for improvement will be outlined.

The AFF Consultancy together with the AFF Foundation designed the strategy for the consulting group for the period of 2006 through 2008:

Mission and Vision Statements

Considering the current situation of the AFF, the board has outlined the mission and vision statements for the period 2006-2008 (Strategi for AFF, 2006). Both statements contribute to the current internationalization strategy of the AFF.

The mission statement, *leadership for a better society*, not only represents the firm's strong humanitarian tradition but it also intends to communicate the AFF's specific idea of leadership. For the AFF leadership must develop a productive work environment, embody a sense of social responsibility and master cultural diversity.

The vision statement (Strategi for AFF, 2006), *to be the preferred partner of leadership and organizational development in Scandinavia*, succinctly begins to reveal the international intentions of the firm. The AFF is strategizing to broaden its scope to include the Scandinavian market. Furthermore, a lasting partnership with the AFF promises to benefit the client in several ways. It will: (1) give lasting knowledge, (2) contribute to the mastering of complicated surroundings, demanding changes and big tasks (on the organizational, group, and individual leader levels) and (3) stimulate leadership to show caring toward staff members as well as social and physical environments.

The Current Strategy

In an interview, Bjørn Helge Gundersen (2008), the managing director of the AFF, describes the firm's current strategy as follows:

The AFF's strategy implies working relationships with the bigger Norwegian companies which have international operations. In order to achieve our goals the need to be perceived as relevant and international is an important factor. So, we need to have an operation which is international. We need the competences but also the brand - the stories to tell. Our strategy is mainly to build alliances with consultancies in specific regions in order to win projects and build a portfolio of projects together with our partners, which gives us learning, experience and stories...the cases.

The long-term goal is to be relevant in the regions where the Norwegian foreign investments are succeeding: Northern, Eastern and Western Europe. Also, it means attending to foreign companies coming to Norway, it goes both ways.

In order to succeed we need to be connected with major and well-known firms in the other countries - we need these alliances. This is in order to continue being the biggest national player.

The AFF places a great emphasis on being able to serve its national clients in international ventures and growth. The most important type of client for the AFF embodies at least one of the following characteristics: big in size, international, innovative, in the process of change and/or seeking a long standing working partnership. These types of companies are knowledge-based, have competent internal development environments and have great profit potential. In order to successfully meet these clients' needs the AFF has placed emphasis on the development of consultant competences as well as the establishment of alliances with international consultancy firms within the industry.

Strategic Goals

In order to better serve its clients and keep its reputation as a consultancy that creates deep partnerships with contextual understanding, the AFF has identified six fundamental areas where it must excel (Strategi for AFF, 2006):

1. Understanding client needs
2. Customization of delivery according to the client's challenges and needs for human resource development
3. Creation of the right alliance partners
4. Development of new methods and products
5. Maintaining client relations
6. Value-based and scientific-based negotiations and approaches to the profession and practices

The AFF possesses some special competences which are important in order to perform these activities better than its competitors. However, there are also many resources the AFF has yet to develop in order to achieve the goals outlined in its strategy. By conducting a self analysis the AFF has identified some areas for potential improvement. These areas encompass internal development and learning processes, brand building and relationship quality - which includes quality in delivery and client treatment.

The company has identified four strategic areas of development for the period of 2006-2008 (Strategi for AFF, 2006):

1. *Stronger client orientation*: implies, externally, understanding the context and culture of the client. Internally, it means developing project and consultant competences and improving sales systems and sales competences.
2. *Shift in visibility*: entails increasing the visibility of the AFF through the participation of its consultants in debates and in groups which generate knowledge like publication arenas. Media training and development of communication competences are also key in assuring that the AFF becomes more visible.

3. *Stronger networking*: means improving the use of the AFF's unique networks in the Norwegian market. This implies using the AFF Foundation to establish a common network administration by creating arenas to promote collaboration across and systematic communication within these networks.

4. *More innovation*: consists of creating efficient new product development processes; prioritizing professional development to continually improve the AFF knowledge base through internal learning and recruitment of competences; and supporting an innovative culture through reward systems with an emphasis on quality and inventive actions.

This chapter outlined the current strategy of the AFF so as to provide a point of reference for our internal analysis of the company with regards to whether or not the consultancy has the capacity to adapt to current demands and realize its strategic plan of internationalization.

The AFF Culture

Edgar H. Schein defines corporate culture as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaption and internal integration, that has worked well enough to be considered valid, and therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (2005, pp. 364-365). Initially company culture was a main part of our research, but as dynamic capabilities became the central topic of this thesis, culture faded as a focus. However, when examining our culture findings we must criticize our *Assessment of Dynamic Capabilities* framework and suggest that a future framework ought to include a cultural analysis. For it seems that a company's culture can either promote or undermine the development of dynamic capabilities. From our study of the AFF we gleaned the following:

Observable Characteristics

The AFF is portrayed as a scholarly and pedagogic organization composed of consultants with impressive educational backgrounds, academic achievements and life experiences. Among the consultants, psychology is noticeably the prominent field of expertise. From consultant commentary and our own personal observations, the AFF consultants spend a great

deal of time working outside the office which is structured in an open way with clusters of desks arranged in a communal working area with little to no walls or divides. Consultants dress in a casual business style and communicate in a language best described as: Norwegian, friendly and intellectual. Furthermore, the AFF seems to be highly project orientated, a task culture, as power lies within the individual expertise needed for specific projects and each individual has considerable control over his or her work (Handy, 1993). According to Handy (1993), control is challenging in task cultures; when the climate is agreeable top management can relax and focus on resource allocation decisions; however, when resources and people are scarce and need to be rationed, inner firm competition and politics emerge.

According to the consultants of the AFF, subcultures exist within the consultancy. Many consultants viewed these subcultures to be divided as follows:

The AFF Bergen

The AFF Bergen office is considered to be dominated by older, male, psychologists who have been with the company for many years and have strong internal networks and friendships. Open programs are strongly rooted here and the older AFF culture is apparent. Colleagues are unified as the office has had a large staff for a long time and a strong dedication to the subject matter exists. Finally, this office is deemed to have a more theoretical approach to issues and solutions.

The AFF Oslo

The AFF Oslo office consists of mixed ages where younger consultants are thought to balance the older consultants. The culture seems to be colored by the fact that this office works a great deal with head offices and municipalities. Several of the consultants have hailed from previous careers within the Norwegian military. Lastly, as a whole, this office is perceived to have a more human relation approach to issues and solutions.

The AFF Stavanger

The AFF Stavanger is a fairly new and growing office. The atmosphere is thought to be more inclusive as consultants spend more time working in the office. In addition, the con-

sultants in Stavanger seem to work together more frequently since the office is composed of fewer consultants.

Although these descriptions are based on the opinions of the AFF consultants themselves, we can be certain that some division based on location is indeed a factor of the consultancy's culture.

Guiding Philosophies

It is important to note the guiding ideologies and philosophies of the AFF. Because the AFF is a public foundation in addition to a consultancy, it personifies a humanitarian approach as the core of its company ideology. This historical and heritage-rooted philosophy dates back to World War II, the founding of the AFF, and is apparent in the AFF's mission statement today. This humanitarian way appears to be twofold as it is visible in both internal and external dealings. Externally, consultants are expected to listen carefully to and consider client needs rather than focus on economic remuneration; professionalism, honesty and quality are essential in building lasting client relationships. Internally, the personal development of each consultant is intended as a company priority and a mutual support system exists between some consultants.

In addition to the humanitarian aspect, another prevalent creed - with long historical roots - has become embedded within the AFF culture. We will refer to this unofficial, but ever-present doctrine as "The AFF Way". This is difficult to describe, especially as outsiders, because it is deep-seated and fairly implicit. From our perspective, there is a pressured expectation to excel and to achieve perfection. Therefore, there is constant pressure to acquire knowledge. Within this consultancy, experience signifies prestige and leads to a deeper and wider internal network. New consultants constantly have to prove themselves in order to gain trust and invitations to join project teams. There is also reliance upon proven products and techniques, there is always room for discussion and analysis, but it takes a great deal to change a proven company method or program. Essentially as long as a consultant is successful and profitable, his or her practice will most likely go unquestioned.

Schisms and Internal Politics

It seems that the AFF applies its system of beliefs in a somewhat idealistic fashion. Consultants are expected to act in accordance with these guidelines and doctrines, but there are some key internal dichotomies that suggest a degree of misalignment. Let us begin with the previously described humanitarian philosophy. Some ambivalence appears to exist among the AFF consultants regarding this approach. On the one hand, many of the consultants support and value the unique humanitarian element of the AFF, some even mentioned this principle as being one of the main reasons why they identify with the company. On the other hand, often times the fact that the AFF is a commercial organization appears to be underplayed. In today's business world many clients strive to achieve economic profitability and therefore some of the consultants would prefer to focus more on the client's organizational problems and business tasks rather than solely facilitating leadership development through rich processes. Looking internally, this human relations approach may not be as successful as it outwardly appears either, for many consultants allude to the internal politics of the AFF and that the constant demands of working overtime to achieve perfection do not suit consultants with extensive family lives, young children or other engagements outside of work. It is as if the AFF may be failing to execute a humanist and human relations approach within its walls.

While "The AFF Way" strives to develop consultants, it appears that the success of a consultant depends heavily upon his or her internal personal network within the firm. So, striving for perfection, enriching personal knowledge base and sticking to proven company methods does not necessarily assure the consultant participation in team projects and programs. It seems that the consultants who have deep experience and rich personal networks within the AFF get the most opportunities when it comes to project preference and project volume.

In conclusion, the AFF exhibits a culture deeply rooted in its historical humanitarian approach. The culture is project-oriented, stressing the importance of experience and expertise. There are sub-cultures based on office location and age. While some dichotomies lead to different sets of behavior and degree of internal politics, the consultants still seem to have goals which match the overall aims and principles of the AFF.

Chapter Three: Methodology

To assess the extent to which dynamic capabilities are present within the AFF, a wide range of data was utilized. We gathered qualitative data through semi-structured interviews with the hope of gaining insight into the internal components of the consultancy; and we collected quantitative information and used it in a qualitative manner by utilizing it to help explain and broaden our descriptive interview results. This chapter will further outline the structure of our research and the reasoning behind our methodology.

Qualitative research

Background Interviews

We began to familiarize ourselves with the AFF immediately by conducting four, 60-75 minute, *background interviews* throughout the period of February 18, 2008 to February 28, 2008. First, we began with Dr. Rune Rønning, one of our thesis advisors and our main company contact in order to learn about the history and background of the AFF. Next, we interviewed one chief learning officer to obtain information regarding the AFF's existing learning systems and consultant competency requirements. Then, we met with the director of international relations to grasp the current internationalization strategy of the AFF. Lastly, we sat with the managing director so as to acquire knowledge about current company goals as well as the strategic aims and visions of top management.

Consultant Interviews

According to Bogdan and Taylor (1984), "qualitative methodology refers in the broadest sense to research that creates descriptive data: people's own written or spoken words and observable behavior" (p. 5). Thus, the core portion of our case study was dedicated to obtaining qualitative data from a pool of AFF consultants by way of a *semi-structured interview* template [Appendix 2]. In order to collect pertinent and descriptive data surrounding the internal components of the AFF we thought it would be wise to get to know some of the AFF consultants first hand in order to gain insider insight. These interviews helped us obtain information regarding phenomena within the AFF that we could not directly be observe; in other words, the interviewees took on the role of the observer and became our eyes and ears

within the field (Bogdan & Taylor, 1984). For example, the current systems present within the consultancy (i.e. routines for sharing knowledge, project team arrangement), specifically the informal processes, were best understood by using open questions and carefully listening to the consultants. We gained rich details that would have been impossible to acquire by sifting through company documents or relying strictly upon quantitative methods.

Selection Criteria

So, 11 consultant interviewees were strategically selected out of the 51 actively working consultants as it was decided that 11 would be a representative sampling – close to 25%. We selected individuals based on: office location (Bergen, Stavanger or Oslo), educational background, length of employment with the AFF, age and gender; with the aim of scheduling a rich assortment of interviews. These interviews were conducted throughout the period of March 31, 2008 to April 7, 2008 and were designed to last approximately 90 minutes; we used a recording device to ensure that all details were successfully captured. The interviews were conducted in the consultants' respective offices to maintain a certain level of comfort, this also provided us with the opportunity to travel and observe the two AFF office locations outside of Bergen.

Interview Template Design

Company documents (i.e. the strategy plan, financial reports) and the four background interviews were drawn upon to assist in the structuring and development of our interview template. As a result, the construction of our semi-structured template was meticulously developed to explore and detail the internal elements of the AFF with a focus on corporate culture, individual competences and learning processes. A careful look at the copy of our interview template, provided in the Appendix [**Appendix 2**] of this paper reveals the pertinent issues in these various areas; furthermore, at the end of each question in bold font and within parenthesis, a note of what specific information we were hoping to extract can be found.

However, as time passed, we further altered and developed our aim to incorporate the concept of dynamic capabilities. We felt that this modification in our intended study would provide a much fuller and more meaningful internal analysis of the AFF. Unfortunately, it was

not until after all 11 consultant interviews were conducted when dynamic capabilities surfaced as the governing concept of our thesis paper. Meaning that although the semi-structured interviews yielded rich data surrounding the current systems at the AFF; gave some insight regarding external alliance building; and provided a great deal of consultant background information, we simply did not have enough data to properly analyze the issue of competences; one element needed for determining the heterogeneity of human capital. Therefore additional research was deemed necessary.

Quantitative research

Web-based Survey

Developing a short *web-based survey* had been a part of our plan from the beginning, due to the fact that our qualitative data was intentionally gathered from a diverse sampling of consultants and company-wide quantitative data was crucial to alleviate any biases. Furthermore, gaining quantitative information became especially important as we realized that more information regarding competences was essential partly due to the fact that it was difficult to inventory consultant competences through an open interview format and partly because at that time dynamic capabilities was not our focal framework. Therefore, we designed a web-based survey composed of 16 questions [**Appendix 3**] which was sent to all consultants within the AFF electronically on May 9, 2008 and had an original deadline of May 16, 2008 but due to a lack of responses the cut-off date was extended to May 29, 2008. Although 43 consultants responded to our survey, some of these responses were incomplete; however, we can safely conclude that 39 or 75% of the AFF consultants completed a majority of the survey questions, which was assumed to be a strong enough company representation.

Survey Design

The web-based questionnaire was designed based on the following needs: filling the gaps in our research; confirming and/or refuting our observations from the qualitative data collection; and providing numbers regarding the entire company so as to assure that our open interview sampling was indeed representative of the AFF. As can be seen in the Appendix [**Appendix 3**], a major portion of the questionnaire was designed to pull detailed information regarding international competences to enrich our analysis of the second core dynamic capa-

bilities. It was decided to utilize the quantitative questionnaire data in a qualitative fashion by using it to supplement our interview results thereby conserving the colorful nature of our findings and avoiding rigid graphs and charts. However, we must disclose that because the questionnaire responses were self-declared, a possibility for skewed data exists in the sense that some consultants may have overstated or understated their capabilities. Because this is one obvious danger of conducting surveys which elicit self-declared responses, perhaps a questionnaire can be designed in the future which extracts a more certain picture of individual consultants abilities and skill sets.

Chapter Four: Findings

In an attempt to summarize the AFF's capacity for reconfiguring its resource base, the three core dynamic capabilities, as presented by Døving and Gooderham (2008), will be explored. Through the utilization of our aforementioned *Assessment of Dynamic Capabilities* framework, we aim to discern the degree to which the AFF's embodies these key dynamic capabilities.

Heterogeneity of Human Capital

In order to take a closer look at the core dynamic capability of heterogeneity of human capital, the meta-competences and industry competences needed to fulfill the AFF's internationalization strategy will be identified. Next, the main multinational meta-competences and industry competences currently present within the AFF will be inventoried thereby identifying both competence diversity as well as possible competency gaps. Finally, the degree of heterogeneity within the AFF's human capital will be further analyzed by assessing the backgrounds and experiences of the AFF consultants. The results of this multi-tiered analysis will reveal the level of diversity within the AFF's human capital; indicating the strength of this crucial dynamic capability within the consultancy.

Competences Needed

First, we will refer back to the AFF's company strategy document (Strategi for AFF, 2006) to decipher which meta-competences and industry competences are essential for internationalization. The current internationalization strategy can be summarized as: creating working partnerships with large Norwegian companies that have international operations and to be present in countries where Norwegian foreign investments are succeeding; this also includes working with foreign companies expanding into Norway. The AFF emphasizes the building of alliances with consultancy firms in specific regions and countries as a means for gaining client projects and developing service offering portfolios. Six essential areas or goals were identified by the consultancy as being crucial for the realization of this strategy; thus, we will develop the various international competences needed to improve each area, below:

1. Understanding client needs

In the area of *meta-competences*, an understanding of foreign cultures is essential in truly recognizing the needs of the client. From a cultural perspective having knowledge of the small customs and details of the client's culture can be crucial for the AFF to gain insight into customer needs. Also, a few key *industry competences* are necessary in achieving this goal of client understanding. For one, an awareness of recent developments and changes within the industry, both at the national and international level will help the AFF respond to client problems more effectively. Also, according to Wickham (1999) an understanding of the client's markets as well as the ability to evaluate the development of these markets is paramount in interpreting client needs and choosing the correct course of action to provide fruitful solutions. Assessing the inner workings of the client's business combined with an understanding of the operations and objectives of the client's competitors will aid the AFF in successfully tending to national clients venturing abroad as well as international clients branching into Norway.

2. Customization of deliveries according to client's challenges and human resource development needs

Here, the internal drive for innovation and a creative spirit, both *meta-competences*, are bare essentials for customizing services to fit the needs of the client. Knowledge of foreign cultures is paramount as well as being comfortable with uncertain or ambiguous situations. When it comes to *industry competences*, those associated with understanding client needs (mentioned above) are central in order for a consultant or group of consultants to tailor programs accordingly; addressing the current business challenges and human resource development needs of the client.

3. Establishing the right alliance partners

As well as a cultural and linguistic understanding, both *meta-competences*, the AFF consultants must have the capability and willingness to cooperate in alliance partnerships within the industry. The ability to form such ventures is preceded by the *industry competency* of familiarity of key persons, networks and alliances within the industry (Nordhaug, 1993). Wickham (1999) also stresses the need to be able to function successfully as a member of a team.

4. New method and product development

In order for the AFF to constantly be modern and fresh when it comes to introducing new methods and products, consultants must harbor the *meta-competence* of an innovative spirit. Also, *industry competences* such as the knowledge of current methods and tools within the industry are crucial in determining how to innovate and make established methods unique to the AFF and to each client. In addition, the ability to work with international alliance partners within the industry is vital in order to offer stronger combined product offerings with a more global flavor.

5. Client relations

In order to ensure that client relations are being sustained, relationship-building skills; the ability to establish trust and rapport with clients; the talent of communicating ideas concisely and precisely with no confusion; and the ability to convince through verbal, written, and visual means are all important *meta-competences* (Wickham, 1999). In addition, the consultant should be able to define objectives and outcomes openly with the client in order to create a common understanding; this can be a challenge, especially when dealing with international clients.

6. Value-based and scientific-based negotiations and approaches to the profession and practices

Meta-competences like negotiation skills are essential in achieving this strategic goal, but negotiating successfully with a foreign client takes more than just basic negotiation skills; cultural and linguistic understanding is also vital here. *Industry competences* of a general nature like the knowledge of industry-wide practices and an understanding the operations and strategies of the national and international competition are paramount; with a clear understanding of industry-wide practices and competition, the firm can strive to add value and uniqueness to its negotiations and practices.

The key meta-competences and industry competences within each of the six above mentioned areas have been deduced from the consultancy's own strategy in order to provide a list of the multinational competences that should be present and varied within the AFF's human capital base. In our opinion, without these vital skills and aptitudes, augmenting service offerings to fulfill international client needs will be a challenge.

Competence Inventory

Now that a succinct list of the meta-competences and industry competences needed for the AFF's internationalization strategy have been determined, the next level of our analysis of the heterogeneity of human capital will involve the cataloguing of the actual meta-competences and industry competences present within the AFF; paying special attention to possible gaps as well as the degree of competence diversity.

Meta-competences

The following meta-competences have emerged as essential for internationalization and will therefore be the focus of our competence inventory: *international orientation* which entails the cultural and linguistic depth of the individual; *tolerance for uncertainty* which creates a sort of endurance in the individual for change, especially with regards to international relationships; *willingness to cooperate* which is essential for building relationships and alliances abroad; and international client *relationship-building skills* which are composed of trustworthiness and communication skills among others.

International Orientation

More than half of the 11 consultants interviewed reported being culturally and linguistically diverse; consisting of travels abroad, living abroad, spending a significant amount of time with individuals of another culture and exposure to various languages. However, this knowledge of other cultures and languages differs from one consultant to the next as each consultant has his or her own unique culture repertoire which when combined grants the AFF coverage of a vast range of cultures and countries. However, the depth of this experience must be called into question. For, experiencing a culture does not necessarily mean that a particular individual acquires enough knowledge and understanding to gain perception skills. In a lecture at Norges Handelshøyskole entitled "Competences in MNCs [Multinational Corporations]", Nordhaug (2007) deemed skills such as *understanding the motives behind the behaviors of other nationals* and *truly understanding why people from other cultures think and behave in certain ways* important for transnational endeavors. These types of in-depth abilities cannot possibly be acquired from a short vacation in another country and perhaps not even from living abroad for a stint of time. It is also important to note that the consultants interviewed were observed to be on opposite ends of the spectrum, with some being extremely diverse and others only minimally diverse. So: are the consultants at the AFF diver-

sified enough, culturally and linguistically, to give the AFF a strong, internationally-orientated identity?

To help answer this question we will turn to the results of our web-based survey; however, it is important to once again mention that all responses were self-declared; therefore, data could be skewed in the sense that consultants may have overstated or understated their personal abilities.

When asked to rank the strength of their cultural understanding of international clients (why people from other cultures behave the way they do), the 39 AFF consultant respondents were dispersed in the following way: six - *very strong*, 18 - *strong*, 11 - *in between*, four - *weak* and zero - *very weak*. These numbers suggest that general cultural understanding among the AFF consultants is decent; however, the fact that nearly 40% of the AFF's consultants are mediocre to weak in this skill set indicates possible competency gaps within the consultancy. However, the fairly even distribution of strong to weak cultural understanding signifies an element of diversity as well, but when striving to become international perhaps this is not a healthy type of diversity. Rather, the consultancy should aim for diversity of cultural understanding rather than variations in the level of depth.

The same consultants were asked to indicate their strength in understanding international clients' needs and providing relevant solutions. The range of the 39 respondents was self-declared to be as follows: zero - *very strong*, 15 - *strong*, 17 - *in between*, six - *weak* and one - *very weak*. The fact that over 50% of the consultants are self-reportedly not strong when it comes to meeting the needs of foreign clients reveals that the AFF has a considerable hole in one vital competence needed to adapt services to a more international market. Furthermore, when this skill of understanding client needs is broken down into more specific regions, these possible gaps become more obvious: 37 out of 42 (88%) consultants reported having a significant ability for understanding Norwegian client needs; 19 out of 33 (58%) European/North American client needs; 8 out of 24 (33%); non-European/international client needs.

Norwegian is the mother tongue of 36 of the 39 AFF consultant web survey respondents and another two are fluent, meaning they are able to successfully present in front of an audience in Norwegian. English is also strong within the AFF with 33 out of 40 respondents being

fluent and seven being intermediate (having enough knowledge to have a conversation). Danish, Swedish, German, French and Spanish seem to be the next popular languages, but exist within the company at mainly the intermediate and beginner skill level. This indicates a degree of linguistic diversity within the AFF with regard to the variety of languages; however, the fact that these additional languages are not spoken fluently could hamper their usefulness and applicability. For, intermediate and beginner skill levels in a language may not be enough to successfully deal with clients of these nationalities. Further diversification of the fluent linguistic skills within the consultancy would address this area of homogeneity and increase the AFF's international identity and ability to work with foreign clients.

Tolerance of Uncertainty

Being comfortable with ambiguity and uncertainty is essential in the case of the AFF. First, in order to fulfill the company's current internationalization strategy, many internal changes will take place and if the majority of the AFF consultants are comfortable with shifting situations then the task of internationalizing will mostly likely be smoother. On the other hand, if many consultants prefer things to remain steady and constant it will be more difficult to alter their way of thinking and current practices. Second, in dealing with international clients unexpected situations are bound to arise. Perhaps a significant portion of the members of the client firm struggle with the English language, a consultant who is comfortable in uncertain situations can simply cater his or her presentation to address this issue; whereas, a consultant who struggles in ambiguous situations may not successfully accomplish the task at hand. This being said: are the AFF consultants equipped for the move to an international market; are they comfortable when facing uncertain situations?

According to our web-based survey, seven of 38 respondents self-declared that they have a *very high tolerance for uncertainty*, 23 a *high tolerance*, eight fell *in between* and zero consultants indicated being *intolerant* or *very intolerant to uncertainty*. This indicates that the AFF consultants are, for the most part, comfortable under ambiguous circumstances which can provide for smoother transitions in situations of change. Of course, because these numbers were self-reported there is a chance of misrepresentation.

Willingness to Cooperate

It was mentioned by Nordhaug (2007) during his previously mentioned lecture that transnational relationship-building skills entail a sort of will or desire within the individual to build intercultural relationships. One consultant interviewee specifically indicated that he had no interest in pursuing international endeavors and intended to place all of his efforts towards developing the market on the west coast of Norway; it was his understanding that the AFF strongly communicated the targeting of this market. Another consultant mentioned that he was not convinced that the AFF's desire to move into the Scandinavian market would bring additional health and happiness to the firm; in his opinion the AFF could be proud and successful without this shift in strategy. A third consultant stated that the move toward internationalization was complete rubbish and that too much funding was being wasted on attempting to partner up with alliance firms. Now, the preferences and opinions of a handful of consultants does not necessarily represent the view point of the entire firm, but if a great number of consultants share this belief, then the internal disinterest in international endeavors could suffocate the AFF's current internationalization strategy. This poses the question: are the majority of AFF consultants content remaining nationally-oriented? Do they lack the desire to build intercultural bonds?

In consideration of this question, some results from our web-based survey prove pertinent. It appears that when asked to indicate a preference for the target market of the AFF, 41 consultant respondents answered in the following manner: three - *Norway*, 11 - *Scandinavia*, 17 - *Scandinavia and Northern Europe*, six - *Scandinavia and all of Europe*, 2 - *global* and 2 *other* (USA/Canada and global in congruence with alliance partners). These results reveal that contrary to our qualitative research, the AFF consultants are not necessarily nationally-oriented and in fact many seem to support some degree of internationalization. However, because of the self-declared nature of our questionnaire, thinking that internationalization is beneficial does not necessarily mean that one is oriented toward internationalization. Although the AFF consultants generally support an international market, maybe they are not personally equipped for such an endeavor.

Relationship-building Skills

Multinational relationship-building skills are crucial in creating and maintaining foreign client relationships. Building trust and rapport, presenting ideas clearly, and reaching a com-

mon understanding are all components of building successful relationships. Our quantitative survey was designed to extract information regarding these consultant relationship-building skills by region; Norway, Europe/North America and non-European/international. This detailed break-down will help to answer the question: are the AFF consultants well-versed in the skills and talents necessary for building foreign client relationships; can they bond with clients from a plethora of nations or are there certain limitations?

Assuming that a response of *very strong* or *strong* indicates significant possession of these skills, when it comes to Norwegian client relationship skills out of the 42 respondents, 93% can build trust and rapport, 74% can present ideas clearly, and 69% can negotiate and reach common understandings. Although only 33 consultants responded to the topic of European/North American client relationship skills, 82% can build trust and rapport, 58% can present ideas clearly, and 50% can negotiate and reach common understandings. Even fewer consultants responded to the area of non-European/international client relationship skills, out of 24: 50% can build trust and rapport, 38% can present ideas clearly, and 38% can negotiate and reach common understandings. Despite the fact that fewer and fewer consultants responded to each of the three regions, the percentages still indicate a declining rate of relationship building skills as the geographic reach broadens. When dealing mostly with Scandinavian or Western countries the AFF seems equipped to build strong client relationships; however, when looking at countries less like Norway, these skills begin to decrease. These results suggest that the AFF have may have some competency gaps to fill in order to service certain geographic regions. However, if different consultants possess the strengths in these various areas, a healthy degree of diversity could very well exist within the consultancy. For instance, if some consultants responded as being strong at building European/North American client relationships but weak at establishing non-European/international relationships and other consultants indicated being weak at building European/North American client relationships but strong at establishing non-European/international relationships, a healthy degree of heterogeneity could very well exist within the AFF. This would have to be tested in more detail to be certain.

Conclusion on Meta-competences

Even though many of the AFF consultants have diverse cultural experiences, a crucial meta-competency, the qualitative and quantitative data suggests that the AFF competence base, in

general, may not have a deep enough cultural understanding. Although a variety of languages were mentioned, fluency in languages other than Norwegian and English would further diversify the competence base. Consultant tolerance for ambiguous situations is fairly high, indicating that consultants will adjust fairly well to changes within the consultancy. Although, our qualitative data suggested that consultants were fairly close-minded to the idea of internationalization, the company-wide quantitative data suggests that this is not entirely the case as many consultants seem interested in international markets. Another potential disconnect can be seen in the fact that client relationship building skills are strong nationally, but dissipate when expanding past Europe/North America, this is an area where competence gaps exist and further efforts could be exerted to diversify. However, it must be mentioned that varying levels of these competences may not necessarily indicate gaps but rather diversification. As long as a healthy amount of consultants fall into each category, the consultancy can embody a successful amount of consultant diversification.

Industry Competences

Nordhaug (1993) distinguishes between meta-competences and industry competences by concluding that the former consist of the basic principles presented in strategic management literature; whereas, the latter entail the ability to analyze and evaluate specific competitive settings. For professional service firms, this industry understanding is crucial for consultants to handle dissimilar situations and interactions instantly without having to devote a great deal of time to researching conditions (Nordhaug, 1993); this knowledge should be constantly enhanced and updated. From our study, the noteworthy industry competence for internationalization entails *knowledge of the current industry happenings*, which includes recent developments and changes as well as industry-wide practices (i.e. methods and tools) and also an understanding of the competition.

Knowledge of current industry happenings

It seems that there is a general interest in maintaining industry knowledge at the AFF. This can be seen in the fact that AFF consultants seem to be constantly educating themselves with recent news, events and methods. Many of the older consultants are especially familiar with the history of the business and have knowledge of the industry structure. However, in order for the current company plans for expanding internationally to be realized, this knowledge

must include an understanding of the global industry. More specifically a grasp of popular industry practices, new developments as well as the strategies and operations of the competition. Thus posing the question: to what degree are the AFF consultants aware of international industry conditions?

Within our web survey, consultants were asked to rank their knowledge of foreign clients' markets, competitors and recent industry developments; 39 consultants responded in the following way: zero - *very strong*, seven - *strong*, 20 - *in between*, eight - *weak* and four - *very weak*. These quantitative figures propose a lack of international industry knowledge which could pose as a dangerous competency gap when servicing international clients. The fact that only 18% of the consultants exhibit a strong understanding of current industry happenings suggests that the AFF lacks diversity in this important industry competence.

Conclusion of Industry Competence

In terms of industry competences, there appears to be a potential gap among the AFF consultants in the area of international industry knowledge, with 82% of the consultants reportedly being mediocre to weak in this area.

Backgrounds and Professional Experiences

Now that the competences deemed necessary for attaining the AFF's current internationalization strategy have been considered and an assessment of the current competence base composition has been conducted, an analysis of consultant backgrounds: including nationality, education and experiences will be performed in order to further establish the degree of heterogeneity present within the AFF. It is important to not only consider the backgrounds of the consultants interviewed but the backgrounds of the entire consultant base at the AFF, due to the fact that we intentionally selected a diverse group of consultants for our qualitative research.

Nationality

The vast majority of the AFF consultants are Norwegian. Out of our 11 interviewees one has a father who is half Hungarian and another has a Persian mother and an Indian father. However, all of the 51 currently active consultants at the AFF are Norwegian nationals. This is

not surprising, as Norway is a fairly homogenous country and the AFF has supported a national focus throughout its long history of existence.

Educational Background

Out of the 11 consultants we interviewed, four have educational backgrounds in psychology. It also must be mentioned that one of the seven non-psychology consultants participated in further education in the field of psychology and yet another went on to receive her masters degree in organizational psychology, bringing our number up to six out of 11. It is also important to consider the statistics of the AFF as a whole, due to the fact that we selected a diverse group of consultants to research which could potentially cause a bias in our data. The company statistic matches our sample pool statistic well with roughly 50% (24 out of 51) of the actively working consultants at the AFF having all or part of their educational background in the field of psychology, which indicates a certain degree of homogeneity. However, considering that the AFF specializes in leadership development and focuses a great deal on the humanitarian tradition and the development of individuals, this rich psychological company background only seems natural. Also, just as some non-psychology consultants continued education in psychology, some of the psychology educated consultants pursued education in other areas as well, giving them a more diversified educational background, which in turn positively affects the heterogeneity of the AFF as a whole.

It is also important to mention that most of the AFF consultants have a master degree, a candidate degree (in between a master and a doctorate degree) or a doctorate degree. In their analysis of accounting practices, Døving and Gooderham (2008) point out that higher education could be evocative of an “ability to handle complex information, engage in boundary-spanning activities, and be more receptive to the adoption of innovations.” (p. 6). Despite the fact that their analysis compares bachelor degrees to authorized in-house training, the point is still relevant for the AFF; therefore, higher education may be considered a source of heterogeneity. When only considering educational background, the AFF does have elements of homogeneity when it comes to the dominant area of psychology; however, these psychology degrees can further be divided into clinical and organizational psychology, which clearly increases the diversity of perspectives and increases the heterogeneity of the company. Plus, the different levels of higher education present within the AFF could create some heterogeneity in the way in which information is processed and ideas are generated.

Professional Experience

Because we did not interview each and every consultant at the AFF, our data surrounding professional and life experiences is limited to the 11 consultants we got to know. Nonetheless, our data paints a colorful picture of how diverse professional experiences contribute to an assorted consultant portfolio at the AFF. One consultant was an officer in the military, moved on to become self-employed in a plethora of areas for many years, held various leadership positions and recently joined the AFF. This varied experience most definitely brings a splash of new perspective and knowledge to the firm. The next example is used deliberately to illustrate how similarities in background mixed with different professional experiences can result in two very unique individuals. Another consultant with a military background served in many different positions within the Norwegian army over a 19 year period, was involved in athletic training, eventually became self-employed working as a consultant for various national public sectors and is now with the AFF. Although these two consultants could, generally speaking, both be labeled as having military backgrounds, when professional experience is examined they turn out to be two very different people, contributing to the AFF in very different ways.

Now for a look at the professional experiences of two AFF consultants with psychology backgrounds: The first holds a degree in clinic psychology with an emphasis on organizational psychology subjects, spent some years at LEGO International, worked in the municipality with children, was a consultant in a small psychology-based consultancy firm and is now working for the AFF. This exposure to various other environments provided an understanding of government operations and bureaucracy as well as the workings of a small consultancy firm where the consultant was involved with the building of the practice. Another organizational psychology educated consultant also has experience with anthropology and Spanish, lived in Australia for two and a half years and England for two years giving a very different experience set compared to the other psychologist consultant example. The point is that when consultants are grouped according to educational background only, without consideration of additional educational endeavors or professional experiences it is easier to categorize the human capital as being homogeneous. However, with our closer look into these factors, the AFF appears to be heterogeneous in these aspects.

To conclude, the AFF is homogenous when it comes to nationality, while educational background appears homogenous on the surface; with a deeper examination the AFF consultants are actually fairly diverse. Heterogeneity can also be seen in the area of personal experience with consultants having very diverse past experiences.

Conclusion of Heterogeneity of Human Capital

Through the deployment of our *Assessment of Dynamic Capabilities* framework the heterogeneity of human capital has been analyzed. In terms of meta-competences and industry competences: cultural understanding appears to be diverse in terms of the types of cultures but perhaps homogenous in depth; linguistic skills are also varied when looking at number of languages but homogenous when fluency is assessed; international relationship building skills and knowledge of international industries have been determined as areas containing competence gaps, areas where more diversity is necessary to achieve a stronger heterogeneity of human capital. The AFF consultants, in general, do appear to have significant tolerance for uncertainty and a willingness to cooperate which are both beneficial skills necessary for internationalization. In terms of consultant backgrounds and professional experiences: the nationality of consultants is purely Norwegian thereby undoubtedly homogenous; however, diversity in professional experiences and education backgrounds grant the human capital a healthy level of heterogeneity. These findings indicate that while the AFF does currently have significant heterogeneity, some areas need attention in order to fill the identified gaps and further diversify the consultancy's resource base. In spite of the earmarked areas for improvement, the AFF has a considerable degree of heterogeneity of human capital.

Systems for Change

To explore the second core dynamic capability, existing systems consciously designed for competence base reconfiguration, we will utilize our *Assessment of Dynamic Capabilities* framework and draw upon *The Competence Chain* (Nordhaug, 1993). The first link of the chain is competence planning, here we will take a closer look at the current system in place for *strategic decision making*; which addresses issues related to the creation of the company strategy and corresponding goals as well as the identification of the competences needed to implement this strategy. The second link of the chain, competence acquisition, relates mainly to the consultancy's systems for seeking and attaining the desired competences. The

systems for *recruitment and integration of new consultants* will be evaluated in this section of the analysis. The third link of the chain, competence development, entails systems for *knowledge transfer* due to the fact that it attributes to the expansion and strengthening of the competence base. In regards to knowledge transfer, the *Four Modes of Knowledge Conversion* (Nonaka & Takeuchi, 1995) will be considered to help determine the ways by which tacit and explicit knowledge is exchanged between consultants. Finally, the fourth link of the chain, competence utilization includes the blending and matching of competences to complete projects and the innovation of new methods; here, we will assess the AFF's current systems for *project team configuration* and *new product development*. Through an examination of the pertinent systems earmarked within each of these pieces of the chain, those systems which constitute dynamic capabilities or have the potential to become dynamic capability will be identified.

Competence Planning

Strategic Decision Making

In order to secure the right clients and projects and to develop the competence base, the firm should first clarify its strategy and goals. For planning purposes, it is necessary to have *strategic decision making* routines by which managers use functional and personal expertise to make decisions for building the strategy of the firm (Eisenhardt & Martin, 2000). Strategic development of human resources consists of the detection of competence needs and active managing of long-term consultant learning according to the organization's strategy; the element of learning is the most crucial and often the one most overlooked (Hall, 1984; Nordhaug, 1993). According to Løwendahl (2005) "a strategic portfolio of clients and projects allows for additive improvements of the competence base, whereas without focus, project, competence development and recruitment are likely to be ad hoc" (p. 106). Much like Nordhaug's (1993) idea of *competence planning*, Løwendahl (2005) argues that seeking and securing the right clients and projects in a strategic manner is pivotal in assuring further development of a firm's resource base.

As previously discussed, the AFF has outlined its strategy for the period 2006-2008 which was established through the collaborative efforts of both the AFF Foundation and the AFF Consultancy board of directors. The designing of the strategy was based upon discussions

and a collective picture of both boards. In the document the consultancy consciously identifies its market, the type of clients it will serve, the main activities it must perform with excellence, the competences it needs to perform those activities and the areas in which it needs to improve upon in order to achieve its goals.

According to interviews with two former managing directors and a senior consultant; the process for building the strategy traditionally followed a bottom-up approach. The process began with plenary meetings where consultants worked in subgroups within departments related to open enrollment programs; in-house development programs and consulting; and goals and strategic development for companies. These meetings were connected to trips abroad, lasted approximately three days and consisted of outlining and discussing the main ideas of the company strategy. A document was generated from these meetings and was passed onto the managing director who in turn presented the ideas to the AFF board of directors for final approval. The whole process lasted for a period of six to nine months and was regarded as very inclusive and not very structured due to the fact that consultants had the chance to discuss a wide range of topics. Ideas were discussed but a detailed plan was not created as the managing director was responsible for making sense of the main proposals. This process was completed every three years and after this time period, the strategy was reviewed and updated for the next three years.

The most recent strategy formulation, the one referred to in this thesis, followed a more top-down approach. It began with a discussion held between both the AFF Foundation and the AFF Consultancy board of directors with the aid of an external facilitator. Then, it was passed over to the extended management team and the consultant teams who collected data and created recommendations within the four major strategic areas identified (*stronger client orientation, shift in visibility, stronger networking, and more innovation*). This information was handed to the managing director who condensed and refined this research. After this, the consultant teams along with a chief learning officer developed action plans and key performance indicators for each area; however, according to the managing director there has been little work done in these areas.

Regarding the planning for competence development, before the split of the AFF Consultancy from the AFF Foundation, the latter had a fund for development needs called *Jan-gard's Legat*. The aim of this fund was to ensure that competence development remained

independent of company results; in this way that competence development could be executed with a long term perspective. To gain access to the fund, typically, consultants would apply for funding to finance their development needs and the board of the *Jangard's Legat* fund would approve the applications. In other words, the individual consultants would take the initiative by identifying their development needs, indicating the programs that they were interested in participating in and then the board would decide which applicants to fund according to competences deemed relevant for the company.

Once the AFF Consultancy was established as a separate entity, a new fund was created. The managing director and the chairman of the board for this fund created guidelines for the approval of applications which were then approved by the board of the fund. Applications were reviewed by the two chief learning officers and then forwarded to the board according to these guidelines. The learning officer positions aim to ensure a link between the strategy and the development programs. It is important to mention that this fund is used for big programs that usually involve a sabbatical leave for the consultant. Smaller programs are funded within the company, and according to top management most of the development is funded within the budget of the AFF.

As can be seen, the AFF has a process for the design of its strategy, which has some room for unstructured discussions among the consultants. In the latest strategic development, the process changed to a more top-down approach which according to some interviewees has lessened the level of consultant participation. This may be due to the increased size of the company, which makes it difficult to gather all the consultants and incorporate all of their various opinions. This new approach has introduced the challenge of communicating the goals of the company to the rest of the employees and involving them in the efforts of achieving these goals.

Competence planning is done mostly through the personal initiative of the consultants who apply for external programs according to their own perceived needs and interests and is authorized by management based on what they consider to be the needs of the consultancy. The chief learning officers and team leaders also influence the process, but there is no real evidence suggesting that the competences areas identified in the strategy document have any influence when it comes to deciding which programs consultants should attend.

Competence Acquisition

Recruitment and Integration of New Consultants

Competence acquisition can be accomplished by recruiting new talent or by gaining access to the resources of external alliance partners.

By analyzing the AFF's recruitment process, we have observed that the recruitment of new consultants in general is impromptu and has more to do with maintaining numbers rather than filling competence gaps. Several consultants alluded to the fact that there is no formal recruitment system present at the AFF; staffing appears to be somewhat sporadic. This spontaneity was also detected during the course of our background interviews. The managing director of the AFF stated that he has been recruiting heavily since he started (acquiring eight consultants in 2006 and 12 consultants in 2007) he also mentioned that the market is intense making it expensive to find and recruit qualified individuals, the objective of filling holes in the competence base was never mentioned. The chief learning officer indicated that the main focus of recruitment tactics centers on hiring young Norwegian individuals straight from business school or university with pedagogic or psychology specializations. He expressed that language, one example of a crucial competence, has never been a focus. Another senior consultant mentioned that when the Stavanger office was being set up, the AFF approached possible recruits but other than this there have been no serious attempts at recruiting from masters programs, NHH for example.

So, in consideration of the acquisition portion of the competence chain; is the AFF recruiting new talent in a systematic manner? Is the consultancy acquiring individuals with the clear objective of filling competence gaps and better equipping the firm to realize its current strategy? According to our quantitative company-wide results, when asked if the recruitment process at the AFF is systemized out of the 39 consultant respondents; 36% *strongly disagreed*, 21% *disagreed*, 36% *fell in the middle*, 8% *agreed*, and 0% *strongly agreed*. This indicates that recruitment objectives are not consciously designed to fill competence gaps and increase competence strength in order to achieve firm strategies and goals.

Another method for filling competence gaps would be to diversify and develop the competence inventory through external relationships with other organizations within the industry. For the AFF, collaboration with other consultancy practices does not seem to entail recipro-

cal learning which in effect could strengthen and broaden the competence bases of both firms involved. It is our belief that the alliance partnerships of the AFF are not fully being utilized. This argument will be discussed further in the *Reciprocal External Alliance*, or the third key dynamic capabilities, portion of this chapter.

To compliment the recruitment process and ensure the successful acquisition of new talent the company needs a system for integrating new hires into the consultancy. There is a common opinion among consultants that the process for integrating new consultants into the AFF is poor. Some consultants do not seem to recognize the fact that there is a system for the integration of new hires, while others admit that the process is less systematic than expected. Some interviewees mentioned that in the past years some complaints were made stating that older consultants do not care about the young consultants leading them to eventually quit. Again, turning to the results of our web survey, when asked if there are systems in place for the integration of new consultants out of the 39 consultant respondents; 10% *strongly disagreed*, 41% *disagreed*, 33% fell *in the middle*, 13% *agreed*, and 3% *strongly agreed*. Because a great majority of the consultants, roughly 84% either disagreed or were unsure, it appears that either there is a lack of systems or these systems are not recognizable.

Bringing new consultants into the company is an important way to integrate and add new skills to the competence base of the organization. If done in a systematic way, it can provide an opportunity to integrate new resources and combine them with the existing resources of the firm thereby signifying a dynamic capability. But again this process of integration should be systematic as its effectiveness depends in part on the use of appropriate criteria for identifying and acquiring skills and aptitudes relevant to the implementation of the current strategy.

As we have mentioned the AFF has experienced some problems with integrating new people into the company in the past; but those who have been able to survive the first years at the consultancy mention that in order to successfully adapt to the AFF culture one has to, from the beginning, take the initiative and feel comfortable with the loose organization style and freedom granted. This requires consultants to be very proactive and strive toward their own development.

According to company documents made available to us, 21 consultants of 51 (41%) have been working at the AFF for less than three years, and 14 consultants (27%) have been working with the consultancy for more than ten years. Additionally in the last two years the company has recruited 20 new consultants, but it has only grown by eight. The high proportion of consultants with few years at the AFF is explained in part because of the recent new hires, but the lower total growth of the company in comparison to the number of new recruits indicates that many consultants fail to integrate within the company and decide to leave.

It was pointed out that there may be a mismatch between the new recruit's expectations during the recruitment process, where the introduction to the AFF culture actually begins. Perhaps management describes the work within the AFF in a different way from reality. This may cause frustration for new consultants when they discover how things actually are at the AFF. In an attempt to remedy this situation, the managing director mentioned the establishment of a system where new recruits conduct two interviews with current employees in order to gain insight into the realities of working at the AFF before they are hired. This was in response to some negative feedback received from the group hired in 2006. Although, this shows effort, it does not appear to be a formal system at this point in time.

Despite the lack of structure and clear systems, some consultants did identify some existing processes designed to introduce new people effectively into the AFF. One of these processes is the consultancy course which will be detailed in the following section on *knowledge transfer*. Also, the existence of a mentor or a supervisor helps integrate the newest consultants inside the company and helps to develop their careers. Finally, the team leader has some responsibility for ensuring that consultants develop their capabilities in order to deliver higher performance in the future.

In the end, the real integration of new consultants occurs within the consultant teams and while working in projects with others. Here, new consultants interact with more experienced consultants and learn "The AFF Way" of consulting; develop internal networks; and foster relationships which all contribute to their growth within the organization. Also, the semi-annual gatherings are important arenas for making contacts and meeting the rest of the consultants, especially those working in different offices.

Finally, there are some other instances that facilitate the integration of new people, like the administrative personnel, who are some of the oldest AFF employees and are well-versed in the ways of the company.

Competence Development

Knowledge Transfer

Knowledge transfer between consultants is one method for developing competences. A look into the formal and informal channels that move knowledge within the firm as well as the ways in which knowledge is converted will provide insight into the area of learning.

Formal systems

When examining the formal systems in place for knowledge sharing within the AFF it becomes apparent that processes by which consultants can benefit do exist, yet these formal processes do not seem to be the most important channels for sharing knowledge. In fact, after conducting the semi-structured interviews with the AFF consultants, a clear pattern emerged revealing that consultants rely mostly on informal processes to capture knowledge, learn and generate new ideas. In our quantitative survey, when asked if knowledge sharing is achieved mostly through informal means, out of the 39 consultant respondents: 39% *strongly agreed*, 44% *agreed*, 10% *fell in the middle*, 8% *disagreed*, and 0% *strongly disagreed*. This seems to be a natural characteristic in a professional service firm, where people are, for the most part, well-educated and have strong preferences and interests. In a company with an academic environment like the AFF, exchanging ideas in casual conversation seems to be a predominant means by which knowledge is shared.

However, before examining the informal systems at the AFF it is important to gain an understanding of the existing formal process established for knowledge sharing.

Consultant Teams

As a part of the formal structure, the AFF consultants are divided into consultant teams with a leader from the management team heading each consultant group. This structure exists mostly for organizational purposes and does not appear to have a particular function when it comes to project work. The main link between the consultants within each team is a monthly

meeting which provides a channel for consultants to share experiences and become acquainted with the current happenings in various projects with which they are not actively participating. Here, consultants are given the chance to discuss new trends, new concepts and elaborate upon possible new methods and practices. This is an example of how knowledge is transferred through what Nonaka and Takeuchi (1995) call *externalization*; consultants express personal ideas and experiences thereby making this tacit knowledge explicit to others.

Consultant team meetings are the most visible formal process within the AFF for learning. Yet, due to the nature of consultancy work, most of the consultants spend a great deal of time working outside the office which makes it difficult to gather all members of the team at these meetings. Therefore, consultant team meetings are not held strictly on a monthly basis causing the process to lose some of its relevance as a channel for sharing ideas, experiences and knowledge.

Consultancy Course

For new consultants, the AFF has designed a consultancy course, an introductory program focusing on teaching new hires the basics of “The AFF Way” as well as some general practices of consultancy. These new consultants gather three or four times a year as a follow-up procedure regarding their development within the organization. This is an excellent way for new consultants to become familiar with the AFF culture through *externalization*. However, the consultancy course is not a regular practice at the AFF, and has only really been utilized once in response to a large number of new recruits the firm hired in the past year or two. Therefore, the consultancy course can be categorized as more of an ad hoc program. In fact, some of the older AFF consultants do not seem to be aware that such a course even exists.

Learning Officers and Supervisors

There are a few more formal processes present with the AFF. The two learning officers play an important role in the training of new consultants and in the development of new programs as they are responsible for the quality of both. Another formal practice within the AFF is the assigning of a supervisor to each consultant. These mentors provide a role model figure to help new consultants enter into the AFF culture, and besides the explicit knowledge the consultants may gain, there is also an opportunity for consultants to observe these senior consultants and acquire knowledge in a more tacit way through observation, *socialization* ac-

According to Nonaka and Takeuchi (1995). Still, the true systematic nature of this coaching is unclear as it does not appear to be a strict formal system, leading us to believe that it is weak in supporting consultant development.

Both the consultancy course and the coaching from learning officers and supervisors are good formal ways to teach new consultants “The AFF Way”, but in terms of dynamic capabilities they do not represent clear systems for integration or reconfiguration of resources in order to create new value. Furthermore there is no evidence that these instances are aligned with or support the current strategy of internationalization.

Company Gatherings

The semi-annual company gatherings are the only formal meetings where all consultants from the company have the opportunity to meet and exchange ideas in one place. These gatherings help strengthen relationships among consultants as well as create and maintain a common culture. At these company-wide gatherings, through *externalization*, knowledge can be transferred among all the AFF employees. Since the AFF has three offices in different cities, it is not easy to have these meetings frequently, therefore despite the small size of the AFF the company gathering is held only twice a year. The discussions that occur at these gatherings represent an opportunity to generate new knowledge and also provide the chance to search for new resource configurations all depending on the intensity of these discussions. Still, the meetings are so infrequent that there is a danger these opportunities may fade out in the long term.

Project Archive

One of the most important capabilities service companies should harbor is the ability to learn from the experience of previous projects (Løwendahl, 2005). Despite the existence of the online project archive, most consultants consider there to be no formal system for ensuring learning from former projects at the AFF.

Within the project archive the consultants can refer to past projects and explore proven methods used in these past programs. Although all the consultants know of its existence, not everybody is keen on using it due to its unfriendly navigation features. However, at least one consultant mentioned this as his main source for acquiring information and knowledge. The

project archive is a perfect example of a system that helps the transferring of knowledge by *combination* (Nonaka & Takeuchi, 1995), and in fact management could encourage its use and take it one step further by formalizing it as a routine of knowledge replication; the copying, transferring and recombining of resources from previous projects. In this sense the use of the online project archive could constitute a dynamic capability; but still there are many improvements needed for this system to be a major source of knowledge reconfiguration.

Informal Systems

As mentioned before, informal systems appear to be the main channels through which AFF consultants share and transfer knowledge.

Project Teams

Working inside project teams is an informal process for knowledge transfer. Despite the fact that there is an official policy for staffing the projects, we consider this to be an informal system because although the teams are configured in order to provide services to clients, it is in the process of working together that consultants tend to interact and share ideas. As a result, project teams are perhaps the most important arena for consultants to interact and share insights, experiences and knowledge.

The knowledge conversion that occurs within the project teams can be labeled as *externalization*, because through dialogue the tacit knowledge of one consultant is articulated and made explicit to the others. It is important to mention that as long as project teams are composed mainly of consultants from the same office location, knowledge sharing will be limited to the consultants from this office. Geographic distance may cause a lack of interaction among AFF colleagues, and can therefore generate different cultural behaviors that hamper the transfer of knowledge through *externalization*. According to Gooderham and Nordhaug (2003) geographic distance, lack of direct interaction, lack of social context and different cultural behaviors represent some of the challenges for *externalization*.

Within these project teams, the process of *socialization* is also possible since consultants are able to observe how their peers think and solve issues. Also during the running of programs, experienced consultants can be an example to the more inexperienced consultants through observation of style, approach and attitude.

E-mail

The use of e-mail is mostly a process of *combination* where existing explicit knowledge is used in order to create new solutions to the challenges posed by client demands. The majority of consultants interviewed identified e-mail as a practical channel for accessing knowledge from their peers. When a consultant is faced with a problem or challenge, there is a trend of sending a company-wide e-mail asking for help. In return, the consultants usually receive answers and responses from colleagues who are familiar with the topic or have experience-rich suggestions. In this sense it seems that the consultants at the AFF tend to collaborate and are willing to share their expertise. Some consultants find this process very efficient, although unsolicited e-mails can flood inboxes when consultants e-mail often. Company-wide e-mails act as a sort of virtual dialogue that more or less constantly occurs among the AFF consultants.

Other Channels

Like e-mail, the telephone is a similar channel for accessing information and knowledge. Consultants find it easy to simply pick up the phone and call one another. However, in order to maximize this mechanism, consultants need to know which colleagues to contact for relevant pieces of information. Another way the AFF consultants share their knowledge is by writing and publishing articles; however, this only proves useful if the other consultants read such publications.

Conclusion of Knowledge Sharing Systems

Apparently casual dialogue among consultants is the preferred and most important method for sharing and creating new knowledge; whether face-to-face or electronically. Consultants at the AFF enjoy sitting down and spending time talking to and discussing issues with one another. Therefore, *externalization* appears to be the most significant way of converting knowledge within the AFF. In general, the AFF consultants have to proactively search for knowledge; for only by asking and seeking actively will they obtain and generate new knowledge. In this sense, it is critical for consultants to get to know one another in order to build good relationships with colleagues. Several of the AFF consultants alluded to this concept, reporting that it is crucial to identify who can provide the sought after knowledge, who is willing to share, and then it is simply a matter of asking. It is obvious that in order to

access knowledge, internal networking plays a fundamental role. But then again these are all informal processes; it must be stressed that dynamic capabilities consist of purposeful systems supported by top management which are consciously designed to create new knowledge (Helfat, et al., 2007).

Incentives for Knowledge Sharing

From an organizational perspective, knowledge sharing is encouraged and consultants understand that they are expected to share their knowledge. One of the consultants mentioned that the managing director of the AFF expects senior consultants to share their knowledge with younger, newer consultants. At the same time she mentioned that it is difficult to find the time to share knowledge and experiences.

There is no formal system in place for rewarding the sharing of knowledge at the AFF. Although it was mentioned that the seventh dimension of the bonus system recognizes the contribution of consultants to the creation of knowledge inside the organization, one of the consultants sarcastically replied that in order to be eligible for that part of the bonus the consultant would basically need to write a book.

Although there is no formal reward for sharing knowledge, consultants are motivated to share because they realize that it is a method for enhancing their reputation within the organization; other consultants may talk about their contributions and they may be recognized as having expertise or being knowledgeable in a particular field. In a professional service firm like the AFF it is very important for the consultants to develop contacts, a network inside the organization, especially as this seems to be the most effective way for being invited into new projects. By sharing ideas, consultants gain recognition and simultaneously foster their internal network.

Competence Utilization

Project Team Configuration

Eisenhardt and Martin (2000) mention that resource reconfiguration routines are one kind of dynamic capability by which the firm duplicates, shifts and recombines resources. With regard to this capability, project team configuration is one avenue for bringing a mix of skills together in order to generate new ideas and create new value. As long as project teams are

formed according to strategic goals, they can lead to new resource configurations that truly represent a competitive advantage.

When discussing the method for staffing project teams, consultants identified two general ways in which consultants are selected for particular projects. It was mentioned that officially, the team leaders or management team are responsible for the selection of consultant involvement in programs. Usually, a project team will include consultants from different consultant teams; the team leaders employ a set of criteria in order to select the most ideal candidates. These criteria include: experience, mix of skills required for the project, availability, client demands and the developmental needs of a particular consultant.

Even with the existence of this official method for project staffing, in practice project team configurations seem to stem from a very different process. When a consultant has a personal client project he or she will pick consultants according to his or her preference. A consultant may work on a client proposal, contract the client, and then approach his or her team leader requesting a team. From this perspective, the internal network of the consultants becomes very crucial, both in order to ask consultants to join a project and also to gain access to the projects of other consultants. Consultants mentioned that it is important to market one's self and to know the right people so as to join projects. In this way the criteria becomes: friends, network and availability of time - much different than the official criteria. When asked if project teams are selected and configured by top management out of the 39 consultant respondents, 5% *strongly agreed*, 31% *agreed*, 39% were *in the middle*, 23% *disagreed*, and 3% *strongly disagreed*. This supports our qualitative research findings that there is split nature to this process.

These two approaches are the main forces at work in the creation of project teams and sometimes they even create conflict. One of the consultant interviewees mentioned that the process is a battle between management team leaders and the project manager. Another consultant stated that there is a certain range of freedom for project managers, due to the fact that the management team seems to influence the configuration of teams with regard to mainly the bigger, more prestigious projects and programs.

The existence of two different approaches for staffing projects as well as the many political aspects involved in these processes makes some consultants, who regard the process as unpredictable, wonder how it all really works. It can be concluded that the second and more informal approach is an efficient way to group consultants with similar interests and understandings into projects. However, the trade off is that the opportunity to bring new consultants into projects in order to develop their competences is lost and the potential exploitation of heterogeneity is impaired. This approach does not consciously aim to mix different skill sets and knowledge; therefore, value is not created in a strategic way; competences are not purposefully deployed and arranged in relation to the AFF's strategic goals.

In regards to the AFF's project configuration system, we have discovered that despite the existence of a formal policy, in practice there is an informal process where personal networks and internal politics have a significant influence. When considering political dynamics, as outsiders, we have become increasingly aware of the presence of internal politics within the AFF. A consultant's expertise and experience define his or her prestige and certain cliques of consultants are present within the AFF, even new consultants are aware of the political dynamics within the firm. Some consultants do not feel completely respected or understood by their colleagues and/or managers. One consultant mentioned that it is virtually impossible to collaborate with and receive feedback and opinions of colleagues when he is outside certain private loyalties and relationships. This represents a barrier and prevents diversity in the area of consultant participation as well as motivation. Therefore, the internal groupings and politics within the AFF have a tendency to exclude other consultants which could actually prevent the firm from fully exploiting the diverse elements of its human capital.

New Product Development

One of the most cited and studied dynamic capabilities is new product development which consists of routines based on innovation through the combination of various skills and different backgrounds to create revenue producing products and services (Clark & Fujimoto, 1991; Dougherty, 1992; Helfat & Raubitschek, 2000). This system also relates to competence utilization in that encouraging the combination of different consultant thoughts can lead to beneficial, new ideas for the firm.

New product development routines at the AFF are mostly informal and sometimes the culture of the company does not support innovative ideas by showing a preference for proven and traditional methods. It is interesting to note that despite the strong presence of discussions and knowledge sharing within the AFF, some consultants mentioned feeling frustrated when attempting to promote new ideas and methods. For, even though consultants are eager to learn, it is difficult to sell innovative ideas at the AFF. There seems to be some resistance to trying and adopting methods that are outside the boundaries of the traditional “AFF Way”; resulting in a somewhat “old-fashioned” reputation for the firm due to its hesitancy to jump into new trends.

At the AFF, innovation processes are merely informal; innovation is the result of what consultants read and share. Innovative ideas can emerge from the dialogue among consultants and from their work within projects. When asked if there are systematic processes in place for innovation and new product development out of the 38 respondents, 0% *strongly agreed*, 11% *agreed*, 53% were *in the middle*, 21% *disagreed*, and 16% *strongly disagreed*. However, there does not seem to be much company encouragement to generate new services.

The AFF capabilities to innovate seem to be limited. Interviewees identified some sources for innovation: cooperation with academic institutions (mainly Norges Handelshøyskole), conferences with other colleagues and networks abroad. Also the learning officers have some responsibility for promoting innovation, but regardless of these activities, creation of new services is observably not carried out in a systematic or formal fashion. One consultant suggested that perhaps creating new technology would be too expensive and difficult for the AFF to do alone; instead the consultancy should try to exploit its alliances in order to generate new value in the form of new service offerings for clients. Furthermore, this should not only entail the merging of products designed by each side with a unified presentation to the client. It should be the result of a learning process between the AFF and its alliance partner. In this sense, it seems that there is much to do in relation with alliance building at the AFF; there is an opportunity to use the alliances as learning arenas, and not just as a means to get international clients by presenting complementary products.

When innovation occurs at the AFF, it is typically achieved through discussions among consultants where they exchange ideas and value may be created spontaneously. The issue here

is whether the AFF has a good mix of talent to add new perspectives to discussions in order to avoid being locked into the same way of thinking.

The lack of systematic processes for innovation has already been identified by the AFF management, and in fact is one of the four areas for development presented in the AFF strategy for the period 2006-2008. According to the AFF strategy (The AFF Consultancy and The AFF Foundation, 2006), the company should create a system for the development of new products; develop the consultants' competences; recruit new consultants with needed competences to enlarge the competence base and level of creativity; and create an innovation culture through reward systems centered on quality and innovation, supporting the trial of new methods.

Conclusion of Systems for Change

The existence of systems for the reconfiguration of resources was analyzed through an application of our *Assessment of Dynamic Capabilities* framework. As can be seen, informal systems at the AFF play a fundamental role in the process of reconfiguring the consultancy's competence base. Due to the nature of these systems, the ability to develop internal networks and use informal communication channels are the basis from which these processes find support making it crucial for the consultants to build good relations with their colleagues. This might explain why some consultants are willing to share their experiences and knowledge; it can be a source of recognition and can ensure participation in projects within the organization. In spite of the well-functioning nature of these systems, it is not likely that they will represent dynamic capabilities. Although informal systems are instrumental in exploiting and mixing different competences, they do not aim to achieve strategic goals in a conscious manner and may lead the company in an unintended or different direction.

Within the AFF there are some formal processes that have the potential to become dynamic capabilities, but still these processes do not represent the most important systems of the organization and they are utilized to a weak extent.

Reciprocal External Alliances

Finally, our *Assessment of Dynamic Capabilities* framework will be applied to analyze the third core dynamic capability, the development and exploitation of inimitable relationships with partners and allies. Social capital, the networks with external partners and the assets that can be mobilized through these networks, is a critical component that any company needs to develop in order to gain access to new resources that cannot be developed internally. Furthermore, the dimensions of *bridging* and *bonding* stress the importance of not only building external relationships but properly bonding them as well.

Bridging

First a look into the AFF's *bridging* capabilities; by investing in the construction of a network of external alliances, both the firm and its individuals can develop their social capital and in so doing gain advantages like exclusive access to information, power, and cohesion (Adler & Kwon, 2002). We have mentioned that the AFF has recently built a network, the Nordic Leadership Alliance, with other consultancies and academic institutions throughout Scandinavia and in Northern Europe. This alliance consists of the following four partners: Ashridge Business School in the United Kingdom; The Danish Center for Leadership; Mgruppen, the Swedish Management Group; and Norges Handelshøyskole, NHH. According to the AFF, these links or *bridges* have been established so as to “design and deliver organization wide development initiatives in an integrated approach” (Official AFF Website); essentially to develop joint service offerings. When looking into how the Nordic Alliance was formed, the AFF states, “our partnership is founded on the fact that we share common ideas about leadership and organizational development and that we have tested our ability to work together through a number of projects during the last years” (Official AFF Website). So it seems that the AFF's process for establishing these partnerships is based upon professional similarities as well as the ability to cooperate.

The desire to create these external bridges, to form cooperative ventures and alliances with other consultancies within the industry, seems to exude mostly from top management. We observed a great deal of criticism against the current push for alliance development within the AFF with the majority of the 11 interviewees arguing against such pursuits. This stance can be seen in the following consultant opinions from our qualitative research: not enough intercultural knowledge exists among the AFF consultants to sustain these relationships; the

AFF is only pretending it is multinational; AFF consultants have a national mindset; the AFF does not have nearly enough partnerships to be considered international; the AFF's market is Norwegian; and building alliances is the aspiration of the managing director not the consultants. Such strong reactions from over half of the consultants interviewed, indicates that the majority of the AFF consultants do not support the efforts to establish international alliance partners. In order for strong external networks and relationships to be established and utilized, the individual consultants themselves must be interested in the development of foreign connections and networking.

Furthermore, when consultants were asked to discuss their involvement in building the AFF's current alliances, eight out of the 11 said that they were not directly involved; the other three were involved in the establishment of the Swedish or Danish alliance partners. A few other consultants indicated that they were not invited to participate in the formation of alliances even though they were interested in such endeavors. These rather strong findings lead us to wonder: is there a general belief at the AFF that alliance partnerships are not worthwhile since few consultants engage in these alliance relationships or are consultants being deprived of the opportunity to become involved?

A look into our quantitative data addresses this question; when asked to indicate their interest in working with the AFF's partners; roughly 64% of the 39 consultants were interested in working with Ashridge Business School (UK), 74% with Norges Handelshøyskole (NHH), 67% with The Danish Center for Leadership and 48% with Mgruppen, the Swedish Management Group. In contrast to our qualitative findings, these numbers reveal a significant level of cooperativeness and interest in working with alliance partners, indicating that consultants do view partnerships to have some value. Perhaps the AFF needs to develop a clear system for involvement and exploitation.

It is interesting to note that some of the AFF consultants have their own international networks within the academic and consulting community. One consultant even mentioned that he has built quite a strong relationship with an American firm, but his efforts have not been recognized by the company and the connection has been overlooked. Consultant networks represent an opportunity for the AFF to increase its own network of partners in the future. The individual networks of the consultants have the potential to become AFF networks, and

in this way the company could establish bridges with other foreign companies and gain access to new resources.

Bonding

Now we will look into the *bonding* element of these relationships; by devoting time and efforts into the development of internal relations, a firm can strengthen its collective identity and enhance its capacity for group action (Adler & Kwon, 2002). This implies that rich bonding within external relationships can increase the knowledge and competence base of the firm; both of which are components of its identity.

The bridges of the Nordic Leadership Alliance have been built with a focus on increasing the international exposure of the AFF and enabling the firm to compete for the projects of both Norwegian companies with international operations and foreign companies operating in Norway, through joint offerings of complementary services. However, the reason for building external partnerships should not solely be to provide joint offerings, but also to develop competences through reciprocal learning. It is our belief that significant bonding can create greater opportunities for the sharing and transfer of knowledge between the AFF and its partners. So, the question still remains: how well are these alliances being exploited? In other words, now that bridges have been built, is bonding occurring within these relationships?

Regardless of the existence of such alliances, according to comments from the consultants interviewed, there is still a great deal of effort needed to increase the level of cooperation with alliance partners. It seems the links with potential partners exist but there is a lack of involvement. Some collaboration has occurred between the AFF and its partners, yet the cooperation does not seem to be consistent making the opportunity to bond minimal, resulting in a lack of reciprocal learning. It was relayed to us that in some instances partner involvement has been limited to the presentation of two separate proposals to the client at the same time. This is not a problem when the client is expecting to receive different services from the two companies, but when the intent is to present one unique package of services – such a split arrangement could cause the partnership to appear feeble and disconnected in the mind of the client.

Another example is the cooperation of the AFF with the academic institutions within the NHH group. The consultancy identifies this relationship as a unique competence, but in reality the history of this cooperation is almost non-existent as little bonding has occurred; this can be seen in the fact that the GOLD project, of which this thesis paper is a part of, seems to be the only significant collaboration between the AFF and NHH to date. Thus, this relationship can be considered more of a potential source of competence development rather than a current one.

When looking more closely at the nature of the consultants' involvement with partner firms, the quantitative data suggests that bonding is minimal. Ten out of 24 consultants indicated that they were or are currently involved with Ashridge Business School (UK). Furthermore, the nature of this involvement consists of; a shared customer, participation in a conference, participation in a coaching program, a joint tender and joint programs.

14 out of the 24 consultants are or have been involved with Norges Handelshøyskole (NHH). One consultant disclosed that this involvement was deep in all aspects of research, teaching, consulting and publishing. Others mentioned that this interaction involved the AFF open programs, the NHH conference, the AFF GOLD project, bidding and joint work.

12 out of the 24 respondents indicated involvement with The Danish Center for Leadership; activities such as: the introduction meeting, networks, meetings, leadership development programs, a course, project delivery and bidding.

Two out of the 24 consultants mentioned that they are or have been involved with Mgruppen, the Swedish Management Group through AFF open programs and bidding.

Our survey results suggest that consultant involvement is sporadic, mostly focused on offering joint services and is utilized only when the AFF needs more international expertise to win a client. It seems as if joint services are occurring but not regularly with few consultants participating. Now that these partnerships are established they must be fully exploited. A joint program or bidding can provide an opportunity for knowledge exchange; however, partner collaboration should be much more intense and occur more often for the collective body of AFF to learn and develop more fully.

The AFF not only has the opportunity to cultivate and bond with its current alliance partnerships in order to develop joint services, but also to learn and acquire knowledge from these partners. Especially with regard to the business culture of each respective country, in this way the international appeal of the AFF brand can be broadened. For these reasons, the AFF should strengthen the relationships, to create strong bonds with its partners; for this to happen the AFF must identify and collaborate with partners that truly share common goals and ways of thinking. Furthermore, consultant skills need to be well-suited for the building of effective relationships with partner firms. Also, the AFF should focus on relationships that will be evenly two-sided, for if one partner uses the other more often and this action is not reciprocated the relationship can become very one-sided and ineffective.

Conclusion of Reciprocal External Alliances

Bridging and bonding need to be considered mutually. So, while building external partnerships is important, without proper bonding of these relationships their full benefit may not be realized. The qualitative and quantitative data seems to indicate that the AFF is bridging relationships but not fully bonding these relationships to the point where major benefits are received. Still, our analysis of the AFF partner alliances is not conclusive. The scope of our study relates to the internal components of the consultancy and we mainly touch upon issues relating to internal processes and resources. We propose that an external analysis of the AFF be conducted to further explore the development and exploitation of the Nordic Leadership Alliance partners. In order to best determine the degree to which the AFF is exploiting the benefits from these alliances, it is necessary to carry out a further study of the company, its partners and other external factors. Questions should be considered like: how do these alliances help the AFF increase its range of its services; how reciprocal are these relationships, do the partners value each other equally; and are there proper systems in place between the partners for proper knowledge sharing and competence development?

Chapter Five: Conclusion

Referring back to our original purpose statement, the aim of this thesis paper was *to perform an exploratory internal analysis of the AFF in order to determine if the consultancy possesses the relevant dynamic capabilities for its strategy of internationalization*. So, in order to conclude whether or not the AFF has the dynamic capabilities to reshape its resources and enhance its scope of service offerings we focused on utilizing our *Assessment of Dynamic Capabilities* framework which seeks to analyze the existence of the three core dynamic capabilities; heterogeneity of human capital; the current systems in place for resource reconfiguration; and the utilization of external alliance partnerships within the industry. Under these considerations we conclude, recommend and discuss the following:

Internalization of the Current Strategy

It is important to discuss the degree to which the AFF consultants internalize the consultancy's current strategy before making our final conclusions and recommendations concerning the three conditions for dynamic capabilities. This is because throughout our qualitative information collection it became apparent that there may be discrepancies surrounding this issue.

Throughout our study of the AFF it became evident that the firm's strategy for internationalization is interpreted in a variety of ways by the consultants. While the individuals within the AFF seem to be aware of the international aims of the company, not all of them fully understand the associated strategic objectives. Moreover, some consultants seem to doubt the seriousness of the strategy and wonder whether it is indeed the best path for the AFF. For instance, some consultants showed a clear preference for the AFF to concentrate on the local market, mainly the public sector. Others described the vision of the company as being far-fetched and unrealistic. Yet, other consultants were adamant in contributing to the company efforts toward internationalization. The fact that there are several interpretations of the strategy and its importance reveals the lack of clear communication and definition between top management and the consultants. As long as the strategy remains unclear, aligning individual efforts in the same direction will prove difficult and implementing a strategic plan of action will be a challenge.

Thus far, international proceedings have been carried out by a specific team of consultants while the rest of the consultancy continues to work within in-house projects and open programs. It is as if the strategy of the firm is actually treated as one more project at the AFF rather than a governing course of action. This approach has prevented many AFF consultants from taking part in the strategy and feeling a sense of ownership in relation to this effort. For the AFF's strategy to be successful it is vital to gain involvement and commitment from all consultants, so that the company can access the competences best suited for the achievement of its goals.

Before any serious attempt to implement the strategy, management has to make sure that the consultants understand the components and implications of the strategy; the details surrounding the plan of action; and the expected role of each consultant under this strategy. Also, it is important to clarify the geographic scope for internationalization and the kind of client firms the AFF is hoping to serve. These actions will assure that the emergent strategy corresponds with the one intended by top management.

Heterogeneity of Human Capital

The human capital of the AFF was analyzed in terms of the international competences necessary for the broadening of service offerings and execution of the current strategy. Also, an inventory of the competences currently present within the consultancy was established to help indicate potential gaps as well as the degree of competence diversity. Diversity seemed to exist in several of the meta-competences analyzed, but was lacking in industry competences. The examination of the heterogeneity of the AFF's human capital continued with a look into consultant backgrounds and professional experiences and revealed that the human resource base does indeed have solid indications of heterogeneity.

The AFF has some competences already in place; however, the further development of international competences is needed: meta-competences like the cultural awareness of foreign countries, linguistic fluency, understanding the needs of international clients and the capability to cooperate with foreign partners; and industry-competences such as knowledge of key persons and allies in the international arena. While these gaps can be closed through the acquisition and development of relevant competences, currently the AFF does not use a systematic processes to acquire such resources or to develop the competences needed for the

company strategy; proving a lack of competence management. Apparently, the main objective of recruitment is to maintain a certain number of consultants which fails to address the competence requirements and needs for internationalization.

In terms of nationality, the AFF can most definitely be labeled as homogeneous, due to both the nature of Norwegian society which tends to be very homogeneous and the traditional local market focus of the AFF. However, heterogeneity with regards to professional experiences and academic backgrounds can be seen in the fact that consultants come from different industries and fields. Most of the consultants have academic backgrounds within the psychology field, and even though this could indicate homogeneity, the fact that some of the consultants specialize in clinical psychology and others in organizational psychology adds an element of diversity. Additionally, the consultancy possesses people with various educational backgrounds; economics, business, social work and theology to name a few. The fact that psychology is the dominant field among consultants seems to be a response to the nature of the consulting services that the AFF provides (services with a focus on individual development). To summarize, regarding academic backgrounds and professional experience the AFF has a balanced degree of heterogeneity.

In light of these findings, we believe that the AFF must find ways to fill the gaps found in its competence base; increase the international competences of its consultants; and continue to foster diversity within the area of competences as well as professional and academic backgrounds, while simultaneously increasing the range of nationalities within the company.

Recommendations

Because recruitment does not follow an objective clearly connected to the strategy, we suggest that the AFF strive to fill the competence gaps between the competences currently needed to facilitate the execution of the strategy and the competences currently in possession. The recruitment process should be treated as a strategic tool, purposefully designed to search for and obtain the competences which are considered necessary according to strategic guidelines.

In order to increase the heterogeneity of multinational competences, the AFF could utilize its recruitment process to diversify the nationality of its consultant base according to the regions where the firm intends to operate. By increasing the numbers and types of nationalities, the company could enhance its knowledge about the relevant business environments and cultures where it aims to provide services. For example, the AFF could turn to local universities, especially in Oslo and Bergen where international programs are apparent and diverse student bodies exist. Using Norwegian academic institutions as a source for recruitment would also ensure that the new, foreign consultants have some experience with the local culture and society of Norway.

Another method for increasing competence diversity would be to take full advantage of the current projects dealing with international issues in order to expose Norwegian consultants to the global industry. Foreign projects should be viewed as opportunities to develop international experience; although this will undoubtedly constitute a long learning process, with time it will give the AFF a more modern and international reputation.

A third way to increase this international knowledge is by sending consultants abroad for short to medium periods of time to work with a foreign partner consultancy. The AFF could take advantage of its external alliances by engaging in a sort of *consultant swap*, an exchange program where foreign consultants would participate with AFF consultants in projects in Norway, and AFF consultants would participate in projects abroad in collaboration with partner firm consultants. Although an exchange program of this nature would require a great deal of planning, trust and interaction with alliance partner firms, it could enhance these external relationships while simultaneously diversifying the multinational competences of the consultants. Consultants would, of course, need to be willing to participate, whether working abroad for a stint of time or willingly welcoming a foreign partner consultant into an AFF project. Perhaps those consultants who are unable to move abroad for a couple of months could commit to the latter.

Finally, the company could encourage using English as the firm language, to help create an international environment within the consultancy. This of course would be a long process which would become more necessary as the AFF engages in more international assignments. There are benefits to switching to the English language: AFF consultants would quickly become even more comfortable offering services in English; it would allow for smoother inte-

gration of new foreign recruits; it would broaden recruitment options; and it would give the AFF a more international, modern image. Some drawbacks exist due to the fact that a great deal of company documents and research materials are published in Norwegian and many local clients would undoubtedly prefer to use Norwegian during meetings and tenders. However, once the painstaking transition to English is complete, several of these disadvantages would most likely disappear.

In summation, the AFF must take appropriate measures to acquire and manage its competence base in accordance with strategic needs and identified holes in its competence base.

Systems for Change

The current systems and routines for change at the AFF were analyzed through an examination of five areas: strategic decision making, recruitment and integration of new consultants, knowledge transfer, project team configuration, and new product development. This was done in order to determine if the various systems within the AFF constitute a source for developing and deploying dynamic capabilities.

From the internal analysis it has been determined that, in general, informal systems as opposed to formal systems compose the major channels for consultant learning and exploitation. Therefore, the potential of these systems to generate dynamic capabilities is limited. In general these informal systems are not consciously designed to reconfigure resources and create value, but still there are some formal systems that could be improved upon to play a more important role in competence development. Moreover, there are several opportunities for the AFF to create conscious and strategic systems that generate the capabilities necessary for the realization of its internationalization strategy.

Strategic Decision Making

The first link of the competence chain is competence planning, here systems for strategic decision making are necessary. In designing its strategy, the AFF follows a fairly formal process that first involves the board of directors and top management of the consultancy, and then entails the participation of the rest of the employees. Traditionally, this process has followed a bottom-up approach, but the most recent strategy was developed in more of a top-

down fashion which in a way diminished consultant participation. The process is carried out every three years as the AFF strategy is reviewed and updated in order to be in line with current trends and market needs. In general, the AFF has a formal strategic decision making system in place for strategy design.

When it comes to competence planning it seems that the AFF allocates a great amount of resources on development, and while there are some common programs which all consultants must attend, the majority of development initiatives come from the individual consultants themselves. Management decides whether or not a consultant should attend a specific program based on certain criteria in line with strategic needs, but still the consultant is the one who proposes his or her plan for development. Despite the significant amount of resources devoted to the growth of consultants, it seems that development planning is weak within the AFF.

Recommendations

The AFF can take advantage of the strategy that has been formulated in order to design development plans for its consultants in general and for the new consultants in particular. Management could play a more proactive role within the company to choose the kind of training its consultants need and look for the relevant programs outside of the AFF or design its own training programs.

Finally, since the company recently altered its approach for reviewing and creating the strategy, it is important to assure good communication of company goals to the rest of the organization and encourage the involvement of the consultants to achieve these goals.

Recruitment and Integration of New Consultants

There is virtually a group consensus within the AFF that the systems for recruiting and integrating new consultants into the consultancy are very poor. Recruitment has been sporadic, and does not seem to consider the competence gaps of the consultancy. According to one chief learning officer, recently the target group for recruitment has been young Norwegians recently graduated from business school or with pedagogic and psychology specializations. The integration of a new consultant essentially depends on his or her ability to find his or her

own way within the company as well as the luck of being considered to participate in a project at the onset.

The lack of a systematic integration processes at the AFF follows the lack of a conscious and focused recruitment process. In general the whole competence acquisition process shows deficiencies and is not aligned with the strategic goals of the AFF. Additionally, there seems to be a mismatch between the recruit's expectations of the job and the reality of life at the AFF; this creates some frustration among these new recruits.

Recommendations

The recruitment and integration of new consultants is another important resource gaining routine. In order to improve the recruiting process and the initial program for new hires, the AFF could outline a detailed *introductory plan* for its new consultants. This would develop and provide a path for all new consultants so that they would feel comfortable and understand what exactly is expected of them during their first weeks and months at the AFF; in this way, uncertainty, anxiety and frustration can be reduced. Overall this type of introductory program could have a positive effect on the recently high rate of turnover.

We suggest that the AFF heavily involve new consultants from the beginning. Perhaps by creating a *project shadowing* system where new consultants are assigned to projects as observers. This would provide them with the opportunity to learn the process of how programs are developed and conducted within the AFF. After this experience, they could be incorporated into another project but with much more responsibility. Here, the issue arises that some new consultants may already have a great deal of consultancy experience; however, shadowing one project from start to finish will still provide him or her with knowledge concerning "The AFF Way" and after this observation period surely he or she would be ready to take on full responsibility.

At the same time, the AFF should establish a *development plan* for new consultants aimed at developing the skills and knowledge required to support the firm's strategy. In this development plan, all new hires should be assigned to a supervisor who will guide them through this process. Currently, the AFF has a supervisor program, but the frequency and support of mentorship within this system is weak; while some consultants may have the luck of having a

great mentor, others could be left practically unguided. The consultant development process would begin with the supervisor getting to know the consultant and his or her portfolio of knowledge, competences and experiences. From there, an individually catered plan would be created targeting the development goals of that particular consultant. These plans would be regularly updated as the consultant grows in knowledge. As a result, the AFF could use these individual development plans, which would essentially profile the consultant, as tools for selecting diverse project team configurations.

Knowledge Transfer

In relation to knowledge transfer, we mentioned that the main processes for sharing knowledge involve casual dialogue thereby making knowledge of colleagues and internal networks critical for efficient functioning of these systems. It must be noted that these processes were not intentionally designed to address the consultancy's strategic objectives.

In the area of knowledge transfer, it has been deduced that the AFF lacks systems for competence development. At the AFF knowledge and learning should be continuous and furthermore designed to gather the specific skills needed for strategic implementation. In addition, internal politics exist within the AFF which prevent some consultants from fully participating in learning processes and knowledge sharing.

Recommendations

The AFF could establish resource gaining routines related to knowledge creation and learning. One such process for facilitate learning at the AFF is the online project archive; however, it needs to be overhauled and made more user friendly so that more consultants will utilize it and with greater frequency. This is one way of assuring that knowledge from past projects is shared. Moreover, the AFF could establish systems with its alliance partners to share experiences from their firm's projects; this would facilitate the transfer of international project knowledge. The AFF could strive to make arrangements with its partners to access their project archives, obviously in exchange for sharing its own archive. Now, this is an ambitious agreement to say the least, since proprietary knowledge is one of the main assets of any company, but the idea is to be able to learn from the external project experiences of partners as well the consultancy's own internal experiences. In order for such collaboration

to be possible, it is critical to establish fitting alliance partnerships and furthermore to work intensively at building trust and rapport within these relationships.

Furthermore, when designing these conscious systems for knowledge sharing, the AFF should strive to achieve continuous and effective knowledge conversion as stressed by Nonaka and Takeuchi (1995). The consultancy should consider the importance of the continuous cycle of the four knowledge conversion types. Incorporating this spiral effect into learning systems will help assure deep knowledge transfer within the AFF. This can be accomplished by ensuring that *socialization* opportunities become available by way of observation and imitation (i.e. within the project team setting, supervisory roles); plenty of opportunities for healthy dialogue exist that allow for *externalization*; *combination* through further interpretation of information occurs; and knowledge has truly become tacit through *internalization*. This cycle strengthens the chance for one consultant's tacit knowledge to become explicit for and eventually tacit within another consultant.

Project Team Configuration

It can be concluded that project team configuration is intended to be organized through a formal policy that follows a specific set of criteria, but in actuality a great deal of project member selection occurs by way of internal networks and politics. When this informal process influences the configuration of project teams it may disregard the opportunity for mixing the different international competences that exist within the company, thus undermining competence utilization. Furthermore, the project team configurations may not support the strategic aims of the AFF. Project teams have been determined to be the best channel for consultants to share their competences with and learn from one another; therefore, the configuration of these teams should take into consideration the competence development needs of the consultancy.

Recommendations

Resource reconfiguration should be a strategic decision, and in this sense project team configuration should seek to allocate consultants according to strategic needs. In this way, the practice of forming and arranging project teams could become a dynamic capability. For this reason, we recommend that the AFF formalize its project team configuration practice; estab-

lish mechanisms to avoid the inner politics and networks undermining the potential of these configurations; and consider a set of criteria aligned with the strategy when choosing team members. Some criteria we propose to be considered are:

- International/national mindset: strive to mix consultants with international attitudes with those more nationally oriented. Along these lines, combine consultants who have deep national knowledge with those more internationally knowledgeable.
- Experience: achieve a healthy mixture of experienced consultants and new consultants, this will ensure that experience is exploited and learning is achieved.
- Competence diversity: create a project team which includes a mix of consultants with different and relevant competences to facilitate the generation of new ideas and solutions for the client firm.
- Location: strive to integrate a mix of consultant from the AFF's three different offices to encourage bonding between geographic locations.
- Development needs: add consultants who need to develop knowledge/experience regarding the topic of the project.

To summarize, project teams should be the area where the AFF applies and mixes its competence base in order to generate value; therefore, it is paramount to deploy the right skills and knowledge in accordance to the company strategy. Additionally, every project should be viewed as an opportunity to learn and acquire experience; this is a critical factor for any professional service firm.

New Product Development

New product development at the AFF occurs in a very casual, spontaneous way; new value is created through the interactions and discussions of the consultants or through the individual research and interests of each consultant. No real system seems to exist for the generation of innovative service offerings, although this does not mean that the AFF fails to create new ideas. The fact that innovation is done through informal channels and networks allows for flexibility and creativity, but there is a risk that the AFF is not fully taking advantage of the plethora of ideas and different ways of thinking among its consultants. Since many consult-

ants tend to work with peers whom they share a common understanding this could hinder the possibility of diverse consultants coming together to create something new.

Even though informal innovation occurs, the culture of the company sometimes does not support or promote new product development. At the current point in time, the AFF does not possess dynamic capabilities for innovation.

Recommendations

The AFF already has identified innovation as an area for improvement within its strategy. However, we encourage the company to create an environment for new product development. The objective should be to systematically encourage efforts related to new product development. One way to do this would be to reward innovative efforts and target specific goals for innovation. Within the key performance indicators of the company there must be markers that measure the creation of new concepts, and more concretely, the creation of new services. These indicators should be monitored constantly throughout the year and consultants should be rewarded accordingly.

Perhaps the AFF can develop a type of *innovation application* where a consultant or group of consultants can document and submit the details surrounding a new concept or service offering. Over time, if this new method is accepted and incorporated into the company practice those who were involved will receive remuneration. This would motivate consultants to strive towards sharing creative ideas and would provide them with a formal system where innovative ideas could possibly come to fruition. These new ideas could also be presented at regular company-wide exhibitions to increase awareness of recent thoughts and spawn further innovation. However, in order for this system to be successful, the AFF must be open-minded and welcoming to new ideas.

Reciprocal Alliances

The analysis of the alliances at the AFF is not conclusive since our research focused on internal competences and systems. A further analysis will be needed to determine how effective these alliances are in aiding the AFF in reaching its strategic goals.

However, within our study, we found that the AFF does not seem to fully exploit its relationships with alliance partners. The AFF has been making efforts to build a network of alliances in the nearest markets where it intends to expand its operations, but the efforts seem to only consist of presenting joint offerings, in other words, complementary services. The AFF should strive to present unique, innovative offerings in collaboration with its partners. The current purpose of these alliances is to help create an international image of the AFF, and creating stronger bonds with these alliances can only make the AFF's international reputation more noteworthy. Alliance building is a resource gaining routine, and in this sense these alliances should also be a source of new competences acquisition for the AFF.

Recommendations

In brief, we recommend that the AFF focus on finding and building alliances with partner firms that it can commingle with to offer services of a unique, innovative nature; pick consultancies that undoubtedly will be a good match in terms of size, philosophies, goals and trust to ensure the relationship contains strong bonds; and finally, use the alliances to gain knowledge and competences. The AFF should strive for reciprocal partners, those foreign consultancies and academic institutions that want to learn from the AFF just as much as the AFF wants to learn from them. The key to a partnership is that the relationship flows both ways; thus by fully utilizing the bridge that was built between the two firms a true bond can be established.

Discussion of Framework

The application of the *Assessment of Dynamic Capabilities* framework has been instrumental in exploring the degree to which the AFF possesses the dynamic capabilities needed to re-configure its resources and create new value thereby better preparing itself to execute its international strategy. The framework helps to address the question of whether or not a con-

sultancy has an adequate degree of heterogeneity, formal systems in place for change and the right alliances to acquire external resources. It must be mentioned that we are under the assumption that strength in these three core dynamic capabilities will place the consultancy in a better position to face new demands that arise from a changing environment.

As we conducted our analysis centering on this theme of intentional systems, other interesting and unintended trends emerged that seem to play an important role within the main systems of the AFF; factors that may very well enable or constrain the creation of dynamic capabilities. Thus, the limitations of our framework became apparent as interesting findings emerged from our interviews with the AFF consultants. So, even though most of our data slotted well within our framework, we became aware of additional elements that were not incorporated into the framework that may very well influence the preparedness of a consultancy to adapt and evolve as its market changes.

Two particular limitations became evident and require more detailed attention: the first of these is the consultancy's culture. As mentioned, the AFF consultants work mostly within a task culture. It has become evident that perhaps the constant cycle of providing services and achieving turnover has blinded the consultancy from realizing that even with great amounts of turnover profits can dip if services are not changed or improved upon. When profits are good, striving for large quantities of turnover is ideal; however, there seems to be little value in eagerly obtaining turnover when profitability is poor. The split nature of a task culture results in various sub groupings consisting of people who share common views and often work on projects together; furthermore, these sub groupings may represent subcultures which display particular ways of working and topics of interests. A strong, cohesive culture may be the atmosphere needed to cultivate dynamic capabilities within a consultancy; which calls into question whether or not the AFF's culture has been constraining possible dynamic capabilities and/or if it will in fact enable the development of dynamic capabilities in the future. Therefore, we firmly believe that a deep cultural analysis would strengthen the impact and usefulness of our *Assessment of Dynamic Capabilities* framework.

The second limitation pertains to the management consultancy's internal social capital. Internal social capital consists of the personal networks of the consultants within the consultancy and the resources that can be accessed through these relationships. Informal systems at the AFF play an important role in the generation of ideas and knowledge sharing, and these

processes, if done in a conscious way and if in accordance with the strategic aims of the consultancy could support the creation of dynamic capabilities. The strength of internal social capital could determine the effectiveness and breadth of informal systems. Therefore, we believe that a thorough analysis of the internal social capital channels and relationships within the AFF would further indicate the capability of informal systems to supplement or even become dynamic capabilities.

For these reasons, in the future, further improvements of the *Assessment of Dynamic Capabilities* framework could include an assessment of corporate culture and an examination of internal social capital; as both seem to be important factors that may influence the creation and sustainability of dynamic capabilities.

Final Remarks

Through our internal analysis of the case of the AFF we have signified the importance of dynamic capabilities as enablers for resource reconfiguration and value creation for any consultancy who aims to move from a local business environment to the international arena. As can be seen, the AFF is currently lacking some important elements of the three core dynamic capabilities that would allow any firm to reconfigure its resources in new ways and offer services different from those traditionally offered. Therefore, the current decline in profits that the AFF is experiencing may in fact be a result of this lack in dynamic capabilities.

For a company to be well-prepared for international expansion there are some key areas that must be systematically aligned with the firm's strategy. In order to improve its position in relation to its new international environment, the AFF must: maintain the healthy levels of educational, experiential, and various competence diversity within its talent base, but strive to fill any competency gaps that may be hindering its international capabilities; implement routines that purposefully support the strategy or possibly develop informal systems into more conscious and formal routines; and bridge the necessary outside alliances for acquiring external resources and providing joint service offerings as well as fully bonding and solidifying these partnerships.

Before all this can be done, the company must clarify what is meant by internationalization to make certain that all consultants understand and internalize this strategy. It constantly comes back to the notion that human capital, current systems and external alliance partners must all be developed in accordance to the consultancy's current strategy.

As the AFF takes further action to enhance its position for the future expansion of operations, it is deemed necessary to perform further studies to better assess the potential success of the company abroad. Areas for future research include the external analysis of alliance networks, the competition and the client market. A careful external analysis will indicate the best way for the consultancy to pursue its current strategy. Also, further development and improvements must be made to our *Assessment of Dynamic Capabilities* framework to ensure a more detailed analysis and more thorough results. Additionally, further testing of our framework is critical to strengthen its relevance; both within professional service firms that are succeeding in international expansion as well as those that are struggling or failing. To note, it would be interesting to examine Right Management, one of the AFF's main competitors, through the lens of our framework. For, with more than 300 global service locations in over 50 countries, Right Management claims success as being "the world's leading global provider of integrated consulting solutions across the employment lifecycle." (Right Management Inc., 2008). The results of such studies would further prove or refute the link between dynamic capabilities and environmental adaptability and provide valuable information regarding the usefulness of our experimental *Assessment of Dynamic Capabilities* framework.

Appendix

Appendix 1: A Competence Typology

		FIRM SPECIFICITY		
		LOW		HIGH
TASK SPECIFICITY		INDUSTRY SPECIFICITY		
		LOW	HIGH	
LOW	I Meta Competencies	II Industry Competencies	III Intraorganizational Competencies	
HIGH	IV Standard Technical Competencies	V Technical Trade Competencies	VI Unique Competencies	

Source: *Human Capital in Organizations: Competence, Training, and Learning*; Nordhaug, 1993, p. 58.

Appendix 2: Semi-structured open interview template

Name: _____

Date: _____

ROLE (15 minutes)

What is your role at the AFF? Describe what you do/how you work.

- Duration at the AFF:
- Educational background:
 - How is this useful in your work as a consultant?
- Professional goals (**goal alignment**):
- Professional values/principles (**corporate culture – values**):
 - Elaborate on how they fit with the AFF:

How would you describe your consultancy work?

What do you enjoy most about consultancy work? Why are you a consultant? (**motivation**)

What is it that makes you identify with the AFF? (**inner feelings**)

In general, what are your feelings about/toward the AFF? Explain. (**inner feelings**)

Is this the way you have always felt? Explain.

THE AFF (15 minutes)

The AFF mission and vision are as follows:

Mission: Leadership for a better society

Vision: To be the preferred partner of leadership - and organizational development in Scandinavia.

Please briefly elaborate on your understanding of these statements. **(goal alignment)**

In your opinion, are these statements talked about, shared, incorporated in daily processes? **(goal alignment)**

In your opinion, what is the AFF's current strategy, and associated goals? **(internalization)**

Please give a short description of the **corporate culture** at the AFF.

What is your interpretation of the AFF's main values/principles/ideals?

COMPETENCES (25 minutes)

In your opinion, what are the skills/capabilities that the AFF embodies, as a whole, which differentiates it from other consultancy firms? **(group competence)**

What are the skills and knowledge that you contribute to the AFF? **(individual competence)**

What skills/knowledge do you hope to gain or improve upon? **(expose possible gaps)**

- Sales skills
- Project management skills
- Delivery, presentation skills
- Technological skills
- Analysis (client's competition and industry) skills
- Relationship-building skills

- Language skills
- Individual innovation (new trends/methods/techniques) skills

Have you worked on international assignments at the AFF? If so, please elaborate. **(international orientation)**

- Experience with other cultures?
- Lived abroad?
- Place(s) and duration(s)

Have you been involved in the forming of alliances within the industry? If so, explain how. **(relation competence)**

In working with the AFF have you built a personal network of consultants/partners/experts outside of the AFF? If so, how do you go about building these relationships?

Do you have international connections? Elaborate. **(international orientation/relationships)**

KNOWLEDGE TRANSFER (25 minutes)

What systems, processes, routines are in place for learning at the AFF? **(formal systems/routines)**

- Knowledge/experience shared among consultants? **(knowledge transfer)**
- Knowledge captured from previous projects?
- Your personal knowledge shared with others at AFF?
- Ways in which you have acquired knowledge within AFF?
- Rewarded for sharing knowledge? If so, describe?

Which colleagues do you tend to interact with frequently (professionally or otherwise)? Can you name a few.

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What are the reasons why you have relationships with these colleagues as opposed to other colleagues within the AFF?

Structure

Network ties (access, timing, referrals) channels for information

Network configurations (density, connectivity, hierarchy)

Appropriable organization

Cognitive

Codes and language

Values and understanding

Shared narratives

Relational

Trust

Norms (standards, customs)

Obligation and experience

Identification

OTHER PROCESSES (10 minutes)

Could you briefly share your opinion/views on the reward system at the AFF. (**support knowledge transfer?**)

What systems/structures exist in order to integrate new consultants into the AFF? (**new competence integration**)

How are project teams designed at the AFF? Is there a specific process? (**competence matching, mobilization**)

Does the AFF have systems for acquiring and developing new methods/techniques? (**innovation**)

Appendix 3: Web-based survey

Hello AFF consultants,

We are Jessica Hartenberger and Oscar Rivas Sandoval, two Master of International Business students at NHH. This semester we are writing our masters thesis in collaboration with the GOLD project at the AFF, under the supervision of Rune Rønning. Our thesis project involves looking into the AFF's resources for implementing its current strategy for internationalization. We conducted open interviews with 11 of the AFF consultants in March to collect data for this research project.

Now, we are hoping all of you will take a few minutes to fill out this 16 question web survey in order to help us obtain company-wide quantitative data. We will use the results of this survey to gain information about the company as a whole and also to verify the conclusions and hypotheses we have reached thus far.

Your feedback will be anonymous- we only ask that you indicate your office location and how long you have been employed at the AFF.

Thank you for your time!

With Best Regards,
Jessica Hartenberger and Oscar Rivas Sandoval

Office: _____

Years of employment at AFF: _____

1a. Rank your strength in the following Norwegian client relationship skills: (1 = very weak, 5 = very strong)

Building trust and rapport	1	2	3	4	5
Presenting ideas clearly	1	2	3	4	5
Negotiating and reaching common understandings	1	2	3	4	5
Presenting your expert opinion	1	2	3	4	5
Understanding client needs	1	2	3	4	5
Identifying/working with processes within the client's organization	1	2	3	4	5

1b. Rank your strength in the following European/North American client relationship skills: (1 = very weak, 5 = very strong)

Building trust and rapport	1	2	3	4	5
Presenting ideas clearly	1	2	3	4	5
Negotiating and reaching common understandings	1	2	3	4	5
Presenting your expert opinion	1	2	3	4	5
Understanding client needs	1	2	3	4	5
Identifying/working with processes within the client's organization	1	2	3	4	5

1c. Rank your strength in the following non-European international client relationship skills: (1 = very weak, 5 = very strong)

Building trust and rapport	1	2	3	4	5
Presenting ideas clearly	1	2	3	4	5
Negotiating and reaching common understandings	1	2	3	4	5
Presenting your expert opinion	1	2	3	4	5
Understanding client needs	1	2	3	4	5
Identifying/working with processes within the client's organization	1	2	3	4	5

2. Rank your strength in the following consulting skills (1 = very weak, 5 = very strong):

Project management skills	1	2	3	4	5
Sales/bidding skills	1	2	3	4	5
Delivery and presentation skills	1	2	3	4	5
Technological skills	1	2	3	4	5
Analysis skills	1	2	3	4	5
Communication skills	1	2	3	4	5

3. Rank your strength in the following international/cultural skills: (1 = very weak, 5 = very strong):

Understanding the culture of an international client (why they behave the way they do)
 1 2 3 4 5

Knowledge of the client's market, competitors, and recent developments within the client's industry
 1 2 3 4 5

Understanding international clients' needs and providing relevant solutions
 1 2 3 4 5

4. Fill in the chart below, indicating the language(s) you can speak and your comfort level in each language:

	Languages	Beginner	Intermediate	Fluent	Mother tongue
		(basic phrases)	(enough knowledge to have a conversation)	(ability to present successfully in front of an audience)	
1					
2					
3					
4					
5					

5. Indicate below, by circling only one number, your tolerance of uncertainty in general (1=very low and 5 = very high):

1 2 3 4 5

6. Professionally, state your preference for the following ways of working (1 = not preferred, 5 = greatly preferred):

Sticking to proven methods	1	2	3	4	5
Modifying existing methods to fit a specific situation	1	2	3	4	5
Combining proven methods with brand new methods	1	2	3	4	5
Creating completely new methods, tailored to each situation	1	2	3	4	5

7. What word(s) would you use to describe the AFF tradition of consultancy?

8. Do you identify with what is described as “the humanitarian tradition” at the AFF? (rank below):

1	2	3	4	5
(NOT AT ALL)	(A LITTLE)	(SOME)	(VERY MUCH)	(COMPLETELY)

9a. How important is it for the AFF to have an organizational approach when dealing with clients? (rank below):

1	2	3	4	5
(NOT IMPORTANT)		(OF SOME IMPORTANCE)		(VERY IMPORTANT)

9b. How important is it for the AFF to have a business/economic focus when dealing with clients? (rank below):

1	2	3	4	5
(NOT IMPORTANT)		(OF SOME IMPORTANCE)		(VERY IMPORTANT)

9. In your opinion, which market should the AFF target?

- Norway
- Scandinavia
- Scandinavia and northern Europe
- Scandinavia and all of Europe
- Global
- Other _____

11. Please indicate which of the AFF’s alliance partners (Nordic Leadership Alliance) you are currently working with or have worked with in the past. Also, please briefly mention your involvement with that partner in the space provided.

- Ashridge Business School (UK)
- Norges Handelshøyskole (NHH)
- The Danish Center for Leadership
- Mgruppen, the Swedish Management Group

12. Please indicate your interest in cooperating with the following partners of the AFF (1 = not interested in working with the partner, 5 = very interested in working with the partner):

Ashridge Business School (UK)	1	2	3	4	5
Norges Handelshøyskole (NHH)	1	2	3	4	5
The Danish Center for Leadership	1	2	3	4	5
Mgruppen, the Swedish Management Group	1	2	3	4	5

13a. How many international assignments have you participated in during the last 3 years:

- None
- 1-3
- 3-5
- More than 5

13b. Please indicate the successfulness of these projects (1 = not successful at all, 5 = very successful)

1 2 3 4 5

13c. If some or all of these projects were not successful please briefly explain why in the space provided.

14. Indicate which of the AFF's product offerings you take part in:

- The Solstrand Program
- AFF Young Leaders
- Mentor programs
- In-house organizational consulting
- In-house leadership development

15a. Indicate which of the following you participate in OUTSIDE THE AFF (also rank the frequency 1 = not very often, 5 = very often):

- | | | | | | |
|---|---|---|---|---|---|
| <input type="checkbox"/> Membership in groups and/or networks | 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> Public debates or forums | 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> Conferences or trade shows | 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> Publication of personal articles in various public periodicals | 1 | 2 | 3 | 4 | 5 |

15b. Indicate which of the following you participate in OUTSIDE OF NORWAY (also rank the frequency 1 = not very often, 5 = very often):

- | | | | | | |
|---|---|---|---|---|---|
| <input type="checkbox"/> Membership in groups and/or networks | 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> Public debates or forums | 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> Conferences or trade shows | 1 | 2 | 3 | 4 | 5 |
| <input type="checkbox"/> Publication of personal articles in various public periodicals | 1 | 2 | 3 | 4 | 5 |

16. Signify whether you agree or disagree with the following statements about the AFF (1 = disagree strongly, 5 = agree strongly):

- | | | | | | |
|--|---|---|---|---|---|
| a) The recruitment process is systemized. | 1 | 2 | 3 | 4 | 5 |
| b) There are systems in place for the integration of new consultants. | 1 | 2 | 3 | 4 | 5 |
| c) Project teams are selected and configured by top management. | 1 | 2 | 3 | 4 | 5 |
| d) There are systematic processes in place for innovation and new product development. | 1 | 2 | 3 | 4 | 5 |
| e) Knowledge sharing is achieved mostly by informal means. | 1 | 2 | 3 | 4 | 5 |

THANK YOU FOR YOUR TIME!

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