

Knowledge Management in Professional Service Firms

Dieter Fink

Edith Cowan University, Australia

Georg Disterer

Hannover University of Applied Sciences and Arts, Germany

INTRODUCTION

For professional service firms, such as consultants, accountants, lawyers, architects, and engineers, knowledge is a capacity to act. Knowledge can be used to take action and to serve the client. As market pressures increase, so does the demand for securing and exploiting knowledge for the firm. In addition, a shortage of high-potential professional service providers has increased the ‘war for talent’ in which firms compete in employing the most talented professionals. These situations are exacerbated by the decrease in lifelong loyalty, a traditional value within professional groups, and the departure and retirement of professionals, often the most experienced ones.

For professional service firms, the main assets are intellectual, not physical, and they have to seek new ways to leverage their professional intellect. It is therefore not surprising that the emergence of technology-enabled knowledge management (KM) has attracted much attention from those firms. The special relevancy of KM to professional service firms is clear: “...in professional services, we are selling the expertise of our people” (Townley, 2002, p. 4; see also Chait, 1999; Foy, 1999). If knowledge is the ‘product’ or the dominant ingredient, it is worth it to manage that asset, and to establish and manage systematically the acquisition, synthesis, and sharing of insights and experiences. Indeed consultants are seen as the earliest and most successful adopters of KM (Simmons, 2004; Terrett, 1998; Skyrme, 1999).

The core business of these firms is to provide highly developed knowledge-based services grounded on the existence of intellectual assets. “Thus, it makes sense that managing those assets effectively is now looked at as a vital aspect of maintaining competitiveness” (Davis, 1998, p. 11). Intellectual assets exist in various forms, and their exploitation is only restricted by the capacity and readiness of humans to do so. Quinn, Anderson, and Finkelstein (1996) observed:

The capacity to manage human intellect—and to convert it into useful products and services—is fast becoming the critical executive skill of the age. As a result, there has

been a flurry of interest in intellectual capital, creativity, innovation, and the learning organization, but surprisingly little attention has been given to managing professional intellect. (p. 71)

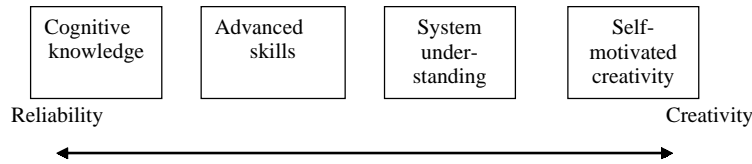
BACKGROUND: PROFESSIONAL KNOWLEDGE

Much debate has taken place in recent years on what constitutes knowledge and knowledge management. In this respect comprehensive analyses is provided of this topic by researchers such as Drucker (1988), Swan, Scarborough et al. (1999), Tidd and Driver (2001), and Schultze and Leidner (2002). However, far less has been written about the nature of professional knowledge. Some understanding can be gained by examining the levels at which it operates. According to Quinn et al. (1996), professional knowledge operates at four levels as follows:

- **Cognitive knowledge (know-what):** This is the basic mastery of a discipline that professionals achieve through education and training.
- **Advanced skills (know-how):** This is the ability to apply cognitive knowledge into effective execution in a complex real world.
- **Systems understanding (know-why):** The deep knowledge of cause-and-effect relationships underlying a discipline, expressed as highly trained intuition.
- **Self-motivated creativity (care-why):** This is the will, motivation, and adaptability for success, enabling renewal of knowledge in the face of today’s rapid changes.

To perform their knowledge work, professionals in the first instance acquire cognitive knowledge (know-what) by undergoing education. To advance their knowledge, to reach the know-why stage, they enter into a period of training in a professional firm, usually in the form of articles of clerkship, under the supervision of an experienced professional. As further knowledge is gained, they

Figure 1. Professional knowledge and value



are able to demonstrate systems understanding (know-why) and self-motivated creativity (care-why). For professionals, the value of knowledge increases markedly as they move up the knowledge scale from cognitive knowledge to self-motivated creativity. Figure 1 shows the various forms of professional knowledge on a scale.

Evans and Volery (2000) defined the nature of services being able to be offered by professional service providers as intelligence, consulting, counseling, relationship networking, education, and training.

- **Intelligence:** The provision of quality information to sharpen, improve, or support the ‘cleverness’ of clients in situations such as decision making. Professional knowledge is required to structure and present the information so that it has optimum utility for clients.
- **Consulting:** The customization of information to satisfy the particular circumstances of a client. Consulting requires the ability to apply and transfer a high level of professional knowledge to the client.
- **Counseling:** Acting as mentor to the client, the service provider works with the client to structure, identify, and recommend appropriate approaches to the client’s problems. High levels of professional experience, knowledge, and motivation are required and provide a good example of a ‘care-why’ knowledge type.
- **Relationship networking:** The ability of the service provider to bring clients into contact with other clients or parties that may have the potential to provide them with business benefits. At these meetings, exchanges take place in the form of information, ideas, experiences, and so forth.

- **Education and training:** Similar to counseling but in a more formal and structured setting, the service provider imparts knowledge, information, and skills to clients.

To understand the nature of professional services, they should be compared with the nature of products. This was done by Alexander and Hordes (2003) as reflected in Table 1.

It can be deduced that professional knowledge services are intangible in nature in that they do not have the physical dimensions and components of products. It is therefore not usually possible for a client to see, touch, or feel the professional service he or she is about to receive. Furthermore, the production and consumption of services occurs simultaneously. Usually this requires the service provider and client to be present during the conveying of the service. A further characteristic makes professional knowledge services heterogeneous—that is, neither homogenous nor of a standardized quality. The context in which services are demanded and delivered constantly change.

KNOWLEDGE MANAGEMENT

According to a well-recognized paper by Hansen, Nohria, and Tierney (1999), professional service firms employ two very different KM strategies. The authors used the consulting business as an example, but pointed out that the approach can be generalized across all professional service firms. According to them, some professional service firms concentrate on the codifiable knowledge of their employees and try to capture, store, and reuse it. In the

Table 1. Distinction between products and services

Dimension	Product	Service
Production	Built	Performed
Production Costs	Uniformity	Uniqueness
Involvement	Rarely	Usually
Quality Control	Compare output to specification	Compare expectation to experience
Poor Quality Procedure	Recall	Apologize and atone
Moral and Skill Level	Important	Vital

6 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage:

www.igi-global.com/chapter/knowledge-management-professional-service-firms/16975

Related Content

The Role of Government in the Commercialization of Indigenous Knowledge-Based Businesses in South Africa: Opportunities and Challenges

Mpho Gift Makgamatha (2025). *Revaluation and Preservation of Indigenous Knowledge Systems in Modern Society* (pp. 407-424).

www.irma-international.org/chapter/the-role-of-government-in-the-commercialization-of-indigenous-knowledge-based-businesses-in-south-africa/379119

Knowledge Sharing between Enterprises of the Same Group

Nuno Carvalho and Isabel Gomes (2017). *International Journal of Knowledge Management* (pp. 34-52).

www.irma-international.org/article/knowledge-sharing-between-enterprises-of-the-same-group/181289

The Role of Expected Reciprocity in Knowledge Sharing

Megan L. Endres and Sanjib Chowdhury (2013). *International Journal of Knowledge Management* (pp. 1-19).

www.irma-international.org/article/the-role-of-expected-reciprocity-in-knowledge-sharing/83609

Toward a Knowledge Management Strategic Framework in the Arab Region

Minwir Al-Shammari (2008). *International Journal of Knowledge Management* (pp. 44-63).

www.irma-international.org/article/toward-knowledge-management-strategic-framework/2732

Transformer-Based Vision-CNC Fusion for Real-Time Error Compensation and Adaptive Optimization in Intelligent Machining Systems

Zengbin Li (2025). *International Journal of Knowledge Management* (pp. 1-18).

www.irma-international.org/article/transformer-based-vision-cnc-fusion-for-real-time-error-compensation-and-adaptive-optimization-in-intelligent-machining-systems/382385