Chapter IX

Knowledge Business Examples

In this chapter, we move from information technology performance to the performance of value configurations based on information technology. Value configurations are value chains, value shops, and value networks, as exemplified throughout this book. In this chapter, only value shops are exemplified, as the knowledge economy creates more and more value shops and fewer and fewer value chains. First, law firms are used as an example, where the law firm performance is linked to knowledge management systems over time. Next, police investigation units are used as an example, where the extent of investigation success is linked to knowledge management systems over time.

Dynamics of Law Firm Performance

Earlier in this book, law firms were briefly used as an example to illustrate the iterative dimension of the stages of growth model for knowledge management technology. Here, law firms are used to illustrate the interactions between information technology and business dynamics in law firm business.

A law firm can be understood as a social community specializing in the speed and efficiency in the creation and transfer of legal knowledge (Nahapiet & Ghoshal, 1998). Many law firms represent large corporate enterprises, organizations, or entrepreneurs with a need for continuous and specialized legal services that can only be supplied by a team of lawyers. The client is a customer of the firm, rather than a particular lawyer. According to Galanter and Palay (1991), relationships with clients tend to be enduring:

Firms represent large corporate enterprises, organizations, or entrepreneurs with a need for continuous (or recurrent) and specialized legal services that could be supplied only by a team of lawyers. The client " "belongs to" the firm, not to a particular lawyer. Relations with clients tend to be enduring. Such repeat clients are able to reap benefits from the continuity and economies of scale and scope enjoyed by the firm. (p. 5)

Lawyers as Knowledge Workers

Lawyers can be defined as knowledge workers. They are professionals who have gained knowledge through formal education (explicit) and through learning on the job (tacit). Often, there is some variation in the quality of their education and learning. The value of professionals' education tends to hold throughout their careers. For example, lawyers in Norway are asked whether they got the good grade of 'laud', even thirty years after graduation. Professionals' prestige (which is based partly on the institutions from which they obtained their education) is a valuable organizational resource because of the elite social networks that provide access to valuable external resources for the firm (Hitt, Bierman, Shumizu, & Kochhar, 2001).

After completing their advanced educational requirements, most professionals enter their careers as associates in law. In this role, they continue to learn and thus gain significant tacit knowledge through "learning by doing." Therefore, they largely bring explicit knowledge derived from formal education into their firms and build tacit knowledge through experience.

Most professional service firms use a partnership form of organization. In such a framework, those who are highly effective in using and applying knowledge are eventually rewarded with partner status, and thus own stakes in a firm. On their road to partnership, these professionals acquire considerable knowledge, much of which is tacit. Thus, by the time professionals

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