Chapter 4.41
Knowledge Management in Professional Service Firms

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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 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 is 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.

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