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ABSORPTIVE CAPACITY: A CASE STUDY OF SALES CAPABILITY DEVELOPMENT IN A NON-PROFIT ORGANIZATION

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Abstract
The purpose of this research was to find out how individual salesperson’s ability to recognize and acquire knowledge is utilized in the organization through absorptive capacity in order to develop sales capability. First, the work aims to clarify how individual salespeople recognize external knowledge. Second, the work provides insight into how the knowledge is assimilated, transformed and exploited within the subunit and how it is shared between different subunits of the organization in Finland. And third, the work aims to identify how different organizational factors influence on the knowledge recognition, acquisition and transformation and exploitation. The used methodology for the thesis is an exploratory case study and the used method is semi-structured interview. The target of the study is a team, which operates in a non-profit organization in Finland.

First the case study suggests that leadership may switch the individual motivation from self-centered motivation to develop individual skills into motivation to develop team. The human resource management tools did seem to create motivation and ability towards sales work and they contribute to the capability development as well. However, this finding may suggest that in future research leadership could be studied within the context of capability development through absorptive capacity.

Second, the pattern, according to which the sales people were able to recognize development needs of the sales capability, to search and recognize the knowledge within the environment, the ability to bring the knowledge into the team for open discussion and participate on the decision making is central in the absorptive capacity. This pattern contributes to the operational capability development through the principles of absorptive capacity and the case illustrates the role of individual salespeople in it. In further research this kind of pattern could be researched more probably through researches where the researcher would be taking notes in the social integration mechanism in order to gain further knowledge regarding to the different stages of absorptive capacity.

Third the knowledge sharing practices within the sales capability development were impeded by the organizations strategy. This suggests that the misalignment between the organizational strategy and sales capability development may cause thus reduce absorptive capacity.

The results from the case provide direction for future research in sales capability development through absorptive capacity and they can be used in organizations when developing sales capability. Even though the non-profit business is significantly different from for-profit business, the general way how absorptive capacity functions does not differ that much. When it comes to the generalizability of the results, it has to be remembered that this was a single case study in a non-profit organization taking strongly individual perspective, and thus it does not create a holistic picture of the absorptive capacity or the sales capability development within the organization. However, the results do support the future research by providing insight into how absorptive capacity can be used in development of sales capability.

Keywords
Dynamic capability, Operational capability
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1 INTRODUCTION

Individual people have a critical role being in the interface between the company and the external environment (Cohen & Levinthal 1990). For many customers in business to business sector, salesman is regarded as the face of the firm and salesman has the most prolonged relationship with the customer (Javalgi, Kenneth & Cavusgil 2014).

Absorptive capacity was first profoundly described by Cohen and Levinthal (1990), and in general absorptive capacity refers to the ability to use external knowledge within the organization (Koza & Lewin 1998). Past research has pointed out that: absorptive capacity is important factor in innovation process (Cohen & Levinthal 1990), in creation and sustenance of competitive advantage and it is a capability for an organization to address rapidly changing environments (Zachra & George 2002).

From theoretical point of view, absorptive capacity locates between learning, innovation, managerial cognition, knowledge based view of the firm, dynamic capabilities and coevolution (Volberda, Foss & Lyles 2010). Absorptive capacity can be seen both as organizational level and as individual level construct (Cohen & Levinthal 1990, Duchek, 2013). In fact Cohen & Levinthal (1990: 131) state “an organization’s absorptive capacity will depend on the absorptive capacities of individual members.” Despite this notion, research in absorptive capacity has focused on organizational level and defined absorptive capacity as an organizational level construct, leaving individual level research on absorptive capacity rather un-researched phenomena (Ter Wal et al 2011; Ojo, Raman, Chong & Chong 2013; Duchek 2013; Volberda 2010; Tortoriello 2015)

Individuals standing in the interface between the organization and the customers have a crucial role in organizations absorptive capacity and the role requires individual’s skill in recognizing the relevant knowledge. This knowledge can be used in research and development and in building sales capability. Cohen & Levinthal (1990) state that while some factors in absorptive capacity are individual, some factors are distinctly organizational. This is why the research takes into account not only individual’s competencies to bring the knowledge into the organization, but it also considers organizational factors that affect the absorption of the knowledge.
2 RESEARCH QUESTION

Research question is “how individual salesperson’s ability to recognize and acquire knowledge is utilized in the organization through absorptive capacity in order to develop sales capability”.

SQ.1. how do individual salespeople recognize external knowledge?

SQ.2. how is the knowledge assimilated, transformed and exploited within the subunit and how it is shared between different subunits of the organization in Finland.

SQ.3. how do different organizational factors influence on knowledge recognition, acquisition and transformation and exploitation.
3 RESEARCH DESIGN

The purpose of this chapter is to describe the research design and to explain the reasons why certain choices in research design have been made. This chapter discusses philosophical assumptions, methodology, data collection methods, and data analysis strategy.

3.1 Philosophical assumptions

There exists variety of different defined philosophical positions (e.g. positivism, realism, interpretivism (Saunders et al 2012: 134 – 137), post-positivism, critical realism, constructionism, hermeneutics, post-modernism, poststructuralism (Eriksson & Kovalainen 2008). The philosophical assumption defines the way the world is perceived in the research, and the chosen philosophical assumption is important, since it later on determines the use of methodology, method and strategies for data analysis (Saunders et al 2012: 128). In this research, interpretivism is chosen as the guiding research philosophy.

According to Myers (2013: 39), social constructions, such as language, consciousness, shared meanings and instruments, which are constructed through interactions between people, are the basic assumption of interpretative research. According to Saunders et al (2012: 137) interpretative researcher places himself or herself on the position of the research subject to see and understand the world from his or her point of view. This way the researcher can gain insight understanding, as Myers state, the complexity of human sense making and understand the phenomena through the meanings the individual describes.

In interpretative research the constructs are interpretations of the individuals, which means the interpretations are always subjective. Also the interpretations that the researcher makes, are subjective interpretations made based on subjective interpretations. This is called double hermeneutics. Interpretative research aims to understand the meanings, which the individuals describe, in the context. (Myers 2013: 39)
Eriksson and Kovalainen (2008: 12) state, that ontology and epistemology, among others, are central concepts in research philosophy. According to Eriksson and Kovalainen (2008: 14) epistemology explains the nature of knowledge that can exist and which kinds of sources the knowledge can be obtained from and which kinds of limitations the knowledge has. According to Eriksson and Kovalainen (2008: 13) ontology refers to existence, through assessing what does exist in the world (e.g. objectivism / subjectivism), and how they relate to each other (e.g. independent / dependent). Eriksson and Kovalainen (2008: 13) state that in subjectivism it is the perceptions and experiences of individuals that construct the reality. Eriksson and Kovalainen continue that the perceptions and experiences of individuals differ from person to person and change over time and context.

Ontology in interpretivism is subjective, which unlike objectivism, allows to study people as individual subjects with perceptions and experiences. Epistemology in is interested in understanding the world from individuals’ perspective through the meanings and interpretations which are constructed through interactions between individuals. The philosophy is bound by double hermeneutics; according to which researcher interprets subject’s interpretations. Thus, because the research question calls for understanding the phenomena from the point of view of the research subjects, interpretative research philosophy is chosen.

3.2 Methodology

Methodology refers to the organizing principles which define the way the research is conducted (Eriksson & Kovalainen 2008: 15-16). In this research, explorative case study is chosen as a research methodology. Yin (2014: 16) defines a case study as “an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context especially when the boundaries between phenomenon and context are not clearly evident.”

Unlike in regular case study, explorative case study does not consider propositions and hypotheses (Sterb 2010: 372). Instead of propositions and hypotheses explorative case study strives from a well-developed purpose statement (Yin 2014: 30). After developing purpose and research questions, the researcher draws boundaries to the
case, by selecting the units of analysis, which refers to the “object” to be researched, whether it be for example an individual, relationship, or group (Yin 2014: ). Because of its nature case study as a research methodology allows to gain holistic understanding in a complex phenomenon (Remenyi et al 1998: 162).

A distinction can be made between intensive (which focuses on one individual) and extensive (which focuses on issues and studies them using individuals as research instruments) case studies (Eriksson & Kovalainen 2008: 119–124). Eriksson & Kovalainen (2008) state that in extensive case study the objective of the study is not the case itself, but instead the interest is in investigating, elaborating and explaining a phenomenon.

Because case study research has open ended nature, it suits very well the interpretative research philosophy, and thus for the research question, because the aim of the study is to understand absorptive capacity from individual point of view. Because absorptive capacity is rather complex phenomena with limited research made on team level, case study provides a good foundation to research absorptive capacity in a understandable way. The aim in this study is to use the individuals in a team as instruments to understand the context in terms of absorptive capacity.

Other plausible research methodologies would be ethnographic research, in which researcher does in-depth a field study by involving him / herself into the organization and gathering various data (Myers 2013: 92) and grounded theory, which aims to develop a theory based on gathered data (Myers 2013: 104 - 105). Ethnography was not chosen, because of the limitations in access to the case company. Grounded theory was not chosen, because absorptive capacity is not a new phenomenon.
4 RESEARCH STRUCTURE

In the chapter 5 and 6, the thesis goes through previous literature of absorptive capacity. Chapter 5 provides definition for the absorptive capacity, that is used in this research and chapter 6 discusses first prior related and external knowledge in absorptive capacity, second recognizing the value of the external knowledge, third the process dimension of absorptive capacity, which consists of acquisition of knowledge, assimilation and transformation of knowledge and exploitation of the knowledge, fourth combinative capabilities in absorptive capacity and fifth individual ability and motivation.

Chapter 7 presents absorptive capability as a dynamic capability in relation to operational capabilities, chapter 8 presents a definition for sales capability, and chapter 9 presents general differences between non-profit organization and for profit organization.

Chapter 10 presents methods and strategy for the data analysis, which were used in this research, and chapter 11 begins the empirical part of this presentation, which continues all the way till chapter 14. Chapter 15 presents the conclusions of this thesis, chapter 16 discusses managerial implications and chapter 17 discusses limitations of the research.
5 ABSORPTIVE CAPACITY

Ever since Cohen & Levinthal (1990) introduced the topic of absorptive capacity, it has been developed by numerous authors, and in two decades later Volberda et al (2010) conducted a bibliometric analysis of absorptive capacity consisting of 1213 publications on the topic. Obviously the research on absorptive capacity has obtained various perspectives on the topic. Simply typing in 2016 to google scholar “absorptive capacity”, and narrowing results consisting only titles and setting the year of publication of Cohen & Levinthal (1990) seminal article to show all results since then produces 2460 results. Of course the search includes not only peer-reviewed articles, but books, theses and other material published as well, but it reflects the popularity and great interest towards the topic of absorptive capacity.

Just to give perspective, absorptive capacity has been studied in variety of contexts such as internationalization (e.g. Autio et al 2000; Clercq 2012; Domurath & Patzelt 2015), international performance (e.g. Wu & Voss 2015), born globals (e.g. Park & Rhee 2012), strategic alliances (e.g. Mowery et al 1996; Koza & Lewin 1998; Lane & Lubatkin 1998; Shenkar & Li 1999; Lane et al 2001; Dhanaraj et al 2004; Schildt et al 2012), interorganizational competitive advantage (e.g. Dyer & Singh 1998), network perspective (e.g. Peters & Johnston 2009; Nätti et al 2014), and Internal knowledge transfer (e.g. Szulanski 1996; Tsai 2001; Minbaeva et al 2003; Lyengar et al 2015). Also learning in customer supplier relationship has been studied (e.g. Nagati & Rebolledo 2012).

Volberda et al (2010) state that the majority of the research on absorptive capacity has focused on tangible outcomes of absorptive capacity, the literature has neglected organizational design and individual level antecedents and the mechanisms how absorptive capacity emerges from the actions and interactions of individual, organizational and inter-organizational level are unclear. Lack of individual level research has been recognized by multiple of authors (e.g. Volberda et al 2010; Ojo et al 2013; Duchek 2013; Tortoriello 2015). As Cohen & Levinthal (1990) state, fundamentally organizational absorptive capacity is dependent on individuals’ absorptive capacity, in more specific, individuals’ absorptive capacity who stand in the interface between company and external environment or between subunits.
Absorptive capacity is a multidimensional construct and in order to understand what the term absorptive capacity means, this section aims to clarify the definition through previous literature in absorptive capacity process. Absorptive capacity was first described by Cohen & Levinthal (1990) in their seminal article. Cohen & Levinthal (1990: 128) define absorptive capacity as “ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends.” According to Cohen & Levinthal (1990) the purpose of absorptive capacity is to increase the innovative performance of a company in uncertain environment. Cohen & Levinthal (1990) summarize that absorptive capacity is path dependent function of prior related knowledge and knowledge sources which leads to innovative performance through process of knowledge recognition, assimilation and application.

Later on Zahra and George (2002) described absorptive capability as dynamic capability through which organization adapts to the external environment. Zahra & George (2002: 186) re-conceptualize absorptive capacity as “a set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organizational capability.” Zahra & George (2002) changed the first dimension of absorptive capacity “recognize” into “acquire.” and the final dimension “apply” into “exploitation”. Zahra and George (2002) also divides absorptive capacity into potential absorptive capacity (PACAP), which refers to opportunities that are created through knowledge acquisition and assimilation, and to realized absorptive capacity (RACAP), which refers taking action on the opportunities through transformation and exploitation.

Todorova & Durisin (2007) re-conceptualize absorptive capacity as process through which “firms recognize the value, acquire, transform or assimilate, and exploit knowledge.” Todorova & Durisin (2007) thus reintroduce “recognizing the value”, but fails to provide distinction between “recognizing the value” and “acquiring knowledge”, and as well challenges Zahra & Georges (2002) division into potential and realized absorptive capacity by stating that knowledge assimilation and transformation, are actually alternative processes to each other.

Lane et al (2006) state that absorptive capacity is a funnel that allows a broad search for company relevant information. According to Lane et al (2006) in addition to
research and development, the role of absorptive capacity is to prepare the company for the future. Lane et al (2006: 856) redefine absorptive capacity as “… a firm’s ability to utilize externally held knowledge through three sequential processes: (1) recognizing and understanding potentially valuable new knowledge outside the firm through exploratory learning, (2) assimilating valuable new knowledge through transformative learning, and (3) using the assimilated knowledge to create new knowledge and commercial outputs through exploitative learning.”

However, to emphasize the individual role in absorptive capacity, Kallio (2012) stated that individuals are responsible for the recognition of absorptive capacity and knowledge acquisition is an activity, which occurs in the interface of individual and the organization. According to Kallio (2012) the individual has to bring the knowledge to the organization and the organization may facilitate the acquisition by providing channels. Because the knowledge acquisition can be seen as a beginning for the knowledge assimilation and transformation, knowledge acquisition is coupled with knowledge assimilation and transformation.

The definition according to which knowledge acquisition is grouped together with knowledge assimilation and transformation is not against the definitions provided by Cohen & Levintal (1990), Zahra & George (2002), Lane et al (2006) or Todorova & Durisin (2007). The definition simply emphasizes the role of an individual and acquisition as a link between the knowledge recognition and assimilation and transformation. In fact it clarifies the role of acquiring the knowledge in the process, which was left rather unclear in Todorova & Durisin (2007) reconceptualization.

Moreover, the decision of Lane et al (2006) to couple assimilation and transformation not against Zahra & George (2002) definition, which groups acquisition and assimilation into PACAP and transformation and exploitation into RACAP, it rather makes it simpler where assimilation and transformation are considered as one construct, which functions as a link between knowledge recognition and knowledge exploitation. The definition as well supports the notion that Todorva & Durisin (2007) made, that assimilation and transformation are alternative processes to each other and takes place simultaneously in transformative learning process.
Thus in this research absorptive capacity is understood as organization’s ability to utilize external knowledge through (1) recognizing the value of relevant knowledge, (2) acquiring, assimilating and transforming the knowledge, and (3) ultimately exploiting the knowledge.

In order to understand what is meant by absorptive capacity, three commonly used overlapping terms should be clarified. Capability, capacity and competence, these three overlapping terms cause much unnecessary confusion in research of dynamic capabilities (Vincent 2008) and absorptive capacity research where the terms are often used interchangeably.

According to Oxford Dictionaries (2015) capacity refers to “the ability or power to do or understand something.” According to Vincent (2008: 1) Capacity “is the power to hold, receive or accommodate. Capacity is really about ‘amount’ or ‘volume’”. Thus absorptive capacity refers to the power or ability of an individual or an organization to acquire, assimilate and exploit external information. Since capacity refers to amount or volume, it is possible to discuss of different levels of absorptive capacity. For example “high absorptive capacity” and “low absorptive capacity”.

According to Oxford Dictionaries (2015) “capability” refers to “the power or ability to do something” and “competence” to “the ability to do something successfully.” The difference between capability and competence according to Oxford Dictionaries (2015) seems almost nonexistent.

However Day (1994: 38), define that capabilities are “complex bundles of skills and accumulated knowledge, exercised through organizational processes, that enable firms to coordinate activities and make use of their assets.” Vincent (2008) describes capability as a deployable collaborative process where individuals can apply and exploit their competences.

in order to achieve a particular end.” Additionally Vincent (2008: 1) proposes that “Competence is a quality or state of being functionally adequate or having sufficient knowledge, strength and skill. Competence is another word for an individual’s know-how or skill”.

Thus absorptive capacity is an organizational dynamic capability (Zahra & Geroge 2002), which constitutes of individual and group competencies. In comparison to other organizational capabilities, absorptive capacity according to Camison & Fores (2010) aims to refine, expand and perfect the current existing capabilities. Thus absorptive capacity is a dynamic capability that aims to develop organizational capabilities, including itself.
6  PROCESS DIMENSION OF ABSORPTIVE CAPACITY

The central part of absorptive capacity is the process dimension, around which everything else is built, as it can be seen from the definitions of absorptive capacity. The process dimension consists of (1) recognizing the value of the knowledge and acquisition of the knowledge, (2) assimilation of the external knowledge and transformation of the external knowledge and (3) exploitation of the knowledge. This chapter presents the process dimension of absorptive capacity.

March (1991: 71) states that exploration of new possibilities consists of terms such as “search, variation, risk taking, experimentation, play, flexibility, discovery, innovation” and exploitation consists of things as “refinement, choice, production, efficiency, selection, implementation, execution.” The process of exploration calls for PACAP and process of exploitation calls for RACAP.

6.1  Prior related knowledge and external knowledge

As stated before, prior knowledge and external knowledge through knowledge sources are antecedents of absorptive capacity (Cohen & Levinthal 1990; Zahra & George 2002; Todorova & Durisin 2007). According to Nonaka & Krogh (2009:635) knowledge can be divided into tacit knowledge, which is “…unarticulated and tied to the senses, movement skills, physical experiences, intuition or implicit rules of thumb”, and explicit knowledge, which “…uttered and captured in drawings and writing.” Thus tacit knowledge is for example expertise of an individual person and explicit knowledge is something that can be summarized in manuals.

The knowledge can originate within the organizations’ boundaries, or then it can originate from outside the company (Cohen & Levinthal 1990). Knowledge sources can be, for example, relationships with buyers and suppliers, company’s own research and development, competitor spillovers, knowledge that originates outside the industry (Cohen & Levinthal 1990), acquisitions, purchasing, licensing and inter-organizational relationships (Zahra & George 2002).
Prior related knowledge consists of related expertise and already accumulated knowledge, on top of which company builds new knowledge is the reason why absorptive capacity is path dependent (Cohen & Levinthal 1990). Organizations tend to seek complementary knowledge from the same areas they have prior knowledge (Shenkar & Li 1999). Prior knowledge influences on locus of the information search (Zahra & George 2002).

Research on absorptive capacity originates from research and development field, but has been later on associated with different kind of knowledge and knowledge outputs (Lane et al 2006). External knowledge can be differentiated in technological knowledge and market knowledge (Lichtenthaler 2009). Similarly outputs of absorptive capacity can be differentiated in commercial outputs (products, services and patents), and knowledge outputs (general, scientific, technical and organizational) (Lane et al 2006).

As a summary, the organization builds its capabilities through absorptive capacity. The capabilities exist in the organization in form of related expertise and accumulated knowledge which can be both tacit and explicit. The external knowledge can be any form of knowledge the organization recognizes valuable in order to generate commercial outputs and/or knowledge outputs.

6.2 Recognizing the value of new external knowledge and acquiring the knowledge

First part of the process dimension, recognizing the value of new external knowledge, refers to the sources of knowledge and organizations sensitivity towards the changes in the organizations environment (Zahra & George 2002). The first dimension of absorptive capacity refers to the organizations ability to locate, identify, value and acquire knowledge that is considered to be relevant and critical to the organizations operations (Camison & Fores 2010). The ability to recognize the relevant external knowledge should not be taken for granted, since valuing the knowledge is not an automatic and objective process which has to be fostered within the organization (Todorova & Durisin 2007). Knowledge recognition is ultimately the responsibility of individual members in the organization (Kallio et al 2012)
In order to absorb knowledge into company the individuals have to possess competences from their own fields, they have to be familiar with the idiosyncratic needs of the firm, they have to be familiar with organizational routines, and they have to know complementary capabilities and to have external relationships. To some degree such information has to co-exist in the same mind, and much of such knowledge is tacit, so it can only be learned through experience. (Cohen & Levinthal 1990)

Failure in recognizing the relevant external knowledge may occur because of prior knowledge, rigid organizational capabilities and path dependent managerial cognition, which may lead the individuals overlooking the value of the knowledge (Todorova & Durisin 2007). Organizations strategy has a central role in defining the scope of knowledge search and determining which knowledge is considered as valuable information (Lane et al 2006). Eventually the strategy and the scope for knowledge search determines the individual’s engagement in exploratory learning behavior (Martinkenaite & Breunig 2016). The organization can communicate the vision and thus define the location for knowledge search for the individuals through good leadership (Kallio 2012).

As a summary, recognizing and acquiring the relevant knowledge into the organization is responsibility of individual members of the organization. The knowledge recognition is defined by the strategy of the organization and prior-related knowledge, path dependent managerial logics and rigid capabilities may be the reasons why the organization fails to lose its sensitivity towards the external environment and fail to recognize the relevant knowledge which might be critical to its operations.

As said before, the knowledge recognition is the responsibility of individual members in the organization and it emphasizes the role of an individual in the interface of the organization and the external environment. However the knowledge has little value, if it is held solely by the individual. In the next chapter the process of how individual is able to bring the knowledge to the organization and how the knowledge is processed in the organization is discussed.
6.3 Acquiring the knowledge to the organization, Assimilation and transformation, and exploitation of the knowledge

This section discusses the knowledge acquisition, assimilation and transformation and exploitation of the knowledge. As the previous part was about the individual responsibility recognize the relevant knowledge within the external environment, this section discusses more of organizational processes regarding to the knowledge absorption.

6.3.1 Acquisition of the knowledge

Individuals have a role both of being a receptor for new (external) knowledge, as described before, and being a gatekeeper for the new (external) knowledge (Cohen & Levinthal 1990). The knowledge has to be acquired within the organization in order the knowledge can be assimilated and transformed, and exploited. The individual brings the knowledge to the organizations awareness and the organization may facilitate the acquisition of knowledge by providing channels and arenas for knowledge sharing (Kallio 2012). In order to bring the knowledge to the organization, the individual has to translate external knowledge to the organizations language and culture so that other members of the organization can see and understand the value of the knowledge (Ter Wal et al 2011)

In practice, the channels and arenas for knowledge sharing may be formal or informal, online or offline channels where people are able to share their ideas (e.g. meetings, events, intranet and social media).

6.3.2 Assimilation & Transformation of the knowledge

Assimilation and transformation consist of processes through which new acquired knowledge is combined with the already existing prior knowledge and how it is distributed to different parts of the organization (Lane et al (2006). Camison & Fores (2010: 709) describe assimilation as processes and routines, which allows the new external information and knowledge “…to be analyzed, processed, interpreted, understood, internalized and classified.” Camison & Fores (2010) describe
transformation as organizational capacity through which routines to combine previous knowledge and assimilated new knowledge are developed. Todorova & Durisin (2007) on other hand describe assimilation and transformation processes being alternative processes to each other.

Effective assimilation of knowledge requires effective communication, and effective communication requires shared knowledge, which refers to any kind knowledge as which is shared within the group. On other hand high level of shared knowledge may lead to not-invented-here syndrome, because the knowledge structures of the people are too similar. Diversity of background on other hand allows making linkages between different knowledge and increases the likelihood that absorbed knowledge is related to pre-existing knowledge. (Cohen & Levinthal (1990)

In order to communicate effectively in the organization, the organization has to arrange arenas for the social engagement to occur. These arenas are called social integration mechanisms which facilitate the information sharing within the organization (Zahra & George 2002; Kallio & Bergenholtz 2011). Similarly to the knowledge acquisition, the assimilation and transformation may occur on practical level in informal or formal, online and offline channels where employees are able to interact. Also coordination, systems and socialization capabilities effect on the transformative learning in the organization, because they are capabilities which effect on the abilities and motivation of the individuals (Martinkenaite and Breunig 2016), but they will be discussed later on as an own section.

As summary, through assimilation and transformation the organization interprets and assesses based on the already possessed knowledge the potential opportunities that the new knowledge may provide. Such assessment is done by the individuals and it takes place through the social mechanisms which allow the socialization occur within the organization. In practical level such mechanism may be for example team meetings that take place either physically or virtually. It has to be noted, that in the phase of knowledge assimilation and transformation the knowledge is simply discussed and potential opportunities evaluated. The next section, exploitation of the knowledge, is more focused on the decisions to utilize the knowledge.
6.3.3 Exploitation of the knowledge

Exploitation is organizational capability, which permit organizations to apply the transformed knowledge into the operations and routines of the organization (Camison & Fores 2010) and to build new and enhance old capabilities (Zahra & George 2002) in order to create competitive advantage for the organization (Fosfuri & Tribó 2008).

The strategy of the organization and the combinative capabilities affect to the organizations capacity to apply the knowledge to commercial ends (Martinkenaite & Breunig 2016). The outputs of absorptive capacity can be described as commercial outputs (products, services and patents), and knowledge outputs (general, scientific, technical and organizational) (Lane et al 2006). The process of exploitation can be done through unsystematic process and systematic process, which allow sustainability of the exploitation process (Zahra & George 2002).

As a summary, in the exploitation phase, the organization decides to enhance its capabilities based on the knowledge it has in the previous stage assimilated and transformed. Strategy and combinative capabilities affect into the exploitation phase, by defining which kind of capability development the organization should commit, after all capability development is path dependent on nature.

In practical level the exploitation takes place in the social integration mechanisms, as does the assimilation and transformation of the knowledge. However, logically thinking in the organization, the group that makes the decision to engage in capability development might not be the same group that was assimilating and transforming the knowledge or even the individual who recognized and brought the knowledge into the organization, might not be participating on the decision making. The process of how the acquisition of the knowledge, assimilation and transformation of the knowledge and exploitation of the knowledge takes place, and people it involves, might be dependent on the size of the organization and on which scale and level capability development is taking place.
6.4 Combinative capabilities:

Combinative capabilities affect into the process of assimilation and transformation of the knowledge and exploitation of the knowledge (Martinkenaite & Breunig 2016). Combinative capabilities refer to capabilities that influence on generating new applications of the knowledge through combining previous and new knowledge (Kogut & Zander 1992). Combinative capabilities can be seen as consisting of three capabilities; system capabilities, coordination capabilities and socialization capabilities (Van den Bosch et al 1999).

System capabilities are management defined written documents and formal systems to communicate explicit knowledge and to influence on the behavior of the organizations members through rules, procedures, instructions and communications (e.g. formal language, codes, working manuals and information systems) which enable individuals to exchange and combine explicit knowledge. (Van den Bosch et al 1999)

Coordination capabilities are capabilities that enable coordination and information exchange through training, job rotation, natural liaison devices and participation on decision making. Through training individuals can be guided to work in desired ways, job rotation enhances understanding of different tasks, liaison roles enhance mutual adjustment and communication between individuals and units and subordinates ability to participate on decision making enhance knowledge sharing. (Van den Bosch et al 1999)

Centralization of decision making affects negatively on both explorative and exploitative learning (Jansen et al 2005). In relation to the centralization of the decision making, increasing the top-down knowledge inflow and decreasing the horizontal knowledge flows increase the likelihood that the managers focus on exploitative activities and neglect the exploration activities, while enabling bottom up knowledge flow increase the likelihood that managers contribute to exploratory activities (Mom et al 2007). When it comes to the liaison roles, managers can influence on the absorptive capacity of the organization by providing information to the potential knowledge adopters, and it is reported to be most influential when the knowledge
adopter has little knowledge about the new practice and has knowledge about the related topics (Lenox and King 2004).

Informal coordination capabilities such as connectedness are more important than formal coordination mechanisms when considering exploratory and exploitative innovation, because dense connections between individuals between units enhance exploratory and exploitative innovation (Jansen et al. 2005). Use of communities of practice to enhance moving from potential absorptive capacity to realized absorptive capacity in organizations through creating a communication channel which includes people from different units, functions and hierarchical levels (Kallio & Bergenholtz 2011).

Socialization capabilities in organization refer to the capability of producing and attractive shared ideology within the organization, which occurs as shared beliefs, values, common language and strong sense of appropriate behavior, which create social integrity that can be stronger than systems and coordination capabilities (Vanden Bosch et al. 1999). Strong socialization capabilities can lead to the not-invented-here syndrome, which Cohen and Levinthal (1990) mentioned creating blindness towards ideas coming from external environment, when the backgrounds of the individuals are too similar.

As a summary, system capabilities, coordination capabilities and socialization capabilities influence on the knowledge assimilation and the knowledge exploitation. The combinative capabilities influence on individuals ability and motivation to assimilate the knowledge (Martinkenaite & Breunig 2016). System capabilities are formal rules, which influence on the behavior of individuals. Coordination capabilities refers to mechanisms such as training, liaison roles and participation to the decision making. Socialization capabilities are related on the values and the culture of the organization. When considering this particular research the most interesting topic is the coordination capabilities, since it is related into the coordinated social processes within the organization that effects on individuals ability and the motivation to influence in the organization.
6.5 Individual ability and motivation

An important internal factor for absorptive capacity are the characteristics of firm member’s mental models that drive the creativity of recognition, assimilation and application of knowledge (Lane et al 2006). Individuals with entrepreneurial mindset search actively for the new ideas from the external environment and it is not always clearly seen how the new external knowledge builds up with the already possessed knowledge and that is why the organization needs individual “assimilators” in order to connect the new external knowledge and the prior knowledge (Ter Wal et al 2011).

Ability and motivation is required from the individuals in order to transfer knowledge within the organization (Minbaeva et al 2003). Similarly Martinkenaite & Breunig (2016) state that the abilities and motivation have a central role in assimilation, transformation and exploitation of the knowledge. Human resource management practices such as performance appraisal and training influence on employee’s abilities, and compensation systems, promotion and internal communication enhance employee’s motivation.

Individuals who focus their efforts in both, recognizing the knowledge and assimilation of the knowledge or assimilation of the knowledge and exploitation of the knowledge leads to enhanced individual’s innovation performance. This may be, because assimilation provides more targeted external knowledge exploration and more clearly stated value in application. The highest innovation performance can be seen, when individuals engage in all three activities simultaneously. (Ter Wal et al 2011).

Individuals who are able to span structural holes in the internal knowledge-sharing network are more likely the individuals generating innovations. People with knowledge brokerage position have ability to access to diverse internal knowledge pools, which facilitates identifying the areas where the knowledge can be utilized. As well the people with knowledge brokerage position are experienced with diversity of knowledge, which facilitates their recognition of the potential of the external knowledge. (Tortoriello 2015)
As a summary it can be said that the individual motivation and ability are in central role in knowledge recognition, acquisition, assimilation and transformation and exploitation. The entrepreneurial mindset of an individual can be seen as the combination of the motivation and ability of an individual to contribute to the knowledge searching activities, assimilation and transformation and exploitation. However, as discussed previously it might be that the individual might not be the same person, who brought the information into the organization, than the one who is assimilating and transforming and making decisions about the exploitation of the information. It might be that the size of the organization and the scale and level of the capability development that influences where the process takes place. This is why Tortoriello (2015) notion regarding to the knowledge brokering position is as well important. In larger organizations or in organization wide capability development it is logical to assume that the knowledge brokering position of an individual is very important. As Ter Wal et al (2011) pointed out that the individual who contributes to all three activities simultaneously, it might require such position from individual who is able to cross hierarchical and intra-organizational boundaries. On other hand, when it comes to the smaller scale development the individuals contribution to all three activities simultaneously might be far more easy.
7 OPERATIONAL CAPABILITY

This section aims to clarify how operational capability is related to absorptive capacity. This calls for distinction between dynamic capability and operational capability. Dynamic capabilities are defined as “…the firm’s ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments.” (Teece et al 1997). This means through dynamic capabilities organization is able to build other capabilities. From strategic point of view, strategic changes are difficult and costly, they can be built only through incremental development and it requires a strategic decision of choosing among and committing to long term paths (Teece et al 1997). This notion positions dynamic capabilities into higher organizational capabilities.

Operational capability refers to on-going activities carried out in the organization through utilizing the same techniques in the same scale to deliver existing product or service to the same customer segment (Helfat & Winter 2011). It has to be noted, that the distinction between dynamic capabilities and operational capabilities is not without problems, because incremental changes are occurring within the capabilities constantly in some extent (Helfat & Winter 2011). Here the operational capability is seen as a capability through which organization runs its daily operations to accomplish its goals.

Absorptive capacity is an organizational dynamic capability which influences on the ability to build other organizational capabilities (e.g. marketing and distribution) (Zahra & George 2002). The construct of absorptive capacity is used to understand the development of operational sales capability in the case organization. The sales capability is described in the following chapter in more detail.
8 SALES CAPABILITY

This section aims to provide brief overview on organizational sales capability through previous literature. “Sales” in general is defined by Viio (2011) as “set of activities and events primarily conducted by seller’s sales force during relationship initiation aiming at business engagement with the prospective buyer”. In broader sense organizations sales capability can be understood consisting of personal selling capability and sales force management capabilities (Guenzi et al 2016). Personal selling capability consists of salesmanship (e.g. adaptability, consultative selling, negotiation and questioning, salesperson cues and communication style), interpersonal skills (e.g. listening, empathy, optimism, and perceptive observation) and technical skills (customer knowledge, client evaluation cues, buyer/seller relationship management and competitive information) (Rentz et al 2002).

Sales force management capabilities are aimed to improve personal selling capabilities and it consist of salesforce structuring capabilities, talent management capabilities and customer targeting capabilities. Salesforce structuring capabilities refer to structuring the salesforce (e.g. clear roles and responsibilities, amount of salespeople and which products are assigned to sales people). Talent management capability refers from resource-based perspective to applying the knowledge of its members to current operations. Acquisition, development and retention of the sales people are central on improving personal selling capability. The customer targeting capability refers to segmentation and prioritization of customers. Salespeople who are able to understand customer needs better are better able to make value propositions. (Guenzi et al 2016)

Sales function can be roughly divided into new customer account acquisition and managing existing customer accounts (Seth & Sharma 2008). The recent change in marketing literature from goods dominant logic to the service dominant logic has shifted the sales literature towards relationship orientation (Viio 2011). Customer relationship orientation is defined by Balakrishnan (2006: 9) as “the ability of an organization to develop, maintain and build a relationship with the customer (end and intermediate) through which the organization achieves its business goals, ensures its survival and also builds itself through its resources, by fostering relevant relationships with its stakeholders”.

Important notion in Balakrishnan (2006) definition is the notion that the organization “also builds itself through resources”. Not only the selling organization seeks to survive and achieve its business goals, but the organization seeks to develop through utilizing its resources. Kallio and Bergenholtz (2011) and Javalegi et al (2014) emphasize the salespeople having an important role between the company and customers. This notion emphasizes a salespersons’ ability to recognize the value of the knowledge in the interface of the organization and the external environment.
9 NON-PROFIT ORGANIZATION

In this section main differences between non-profit organizations and for-profit organizations are presented. Non-profit organizations differ from for-profit organization at least in five areas, which are organizational culture, human resources, importance of the mission, collaborative rather than competitive approaches and complexity of customers (Oster 1995 via Laider-Kylander & Simonin 2009).

Non-profit organizations are mission driven organizations and they may not have profit objective as for-profit businesses tend to have (Laider-Kylander & Simonin 2009). This does not mean the non-profit organizations do not have pressure for monetary efficiency in their operations, but it means that the non-profit organizations do not share the pressure to maximize the value of the share, instead it focuses on causing social impact with the resources it possesses.

The reason for working in the non-profit organizations is not necessary money based, but many times the individual intrinsic motivation to work towards the mission of the organization is the main reason for working (Laider-Kylander & Simonin 2009).

Non-profit organizations tend to have decentralized organizational structures and low control by the headquarters, which allow individual autonomy, flexibility and empowerment within the organizational culture. On other hand implementing organization-wide decisions may be difficult in non-profit organization. (Laider-Kylander & Simonin 2009)

The major differences between non-profit organizations and for-profit organizations that were presented here, such as low control by headquarters, individual autonomy, flexibility and empowerment, focus on mission rather than on monetary goals and mission driven workforce may cause difficulties in non-profit organizations to run operations that are strategically aligned throughout the organization.
10 METHODS AND STRATEGY FOR DATA ANALYSIS

10.1 Methods for data collection

The data is collected in this research through interviews. When contemplating the nature of the interviews, interviews can be structured, semi-structured or unstructured/in-depth interviews (Saunders et al 2012: 374).

In unstructured interviews questions are open ended in nature (Mayers 2013: 122), and interviews are informal, which enables the interviewee to talk openly about events, behavior and beliefs regarding to the topic (Saunders et al 2012). Unstructured interviews require ability to improvise from the researcher since the questions are open (Mayers 2013: 122), and following a new line of thought requires further questions.

In comparison to unstructured interviews, structured interviews are often made with positivist question in mind (Eriksson & Kovalainen 1998: 81) and they are based on predetermined and standardized sets of questions (Saunders et al 2012 - 374). The role of the researcher becomes very minimal in structured interviews, since interviewing does not require improvising (Mayers 2013: 122).

Finally semi-structured interviews locate somewhere in between standardized and unstructured interviews. The preparation for the interview is done through preparing outlines for the interview of the issues and themes to go through in the interview, and the questions may change between interviews (Eriksson & Kovalainen 1998: 82).

Semi-structured interview technique is chosen, because the aim in the research is to get the interviewee to explain the phenomenon from their point of view. As stated previously semi-structured interview technique is loose enough allow new lines of thoughts emerge within the interview process. The plausible new lines of thought are important in order to understand the richness of the phenomena. Since the phenomena is very theory based, unstructured research method does not come in question. In order to understand theoretical phenomena in practice, there has to be certain level of structure to the interview based on the theory, and in order to capture the richness of
the lines of thought of the interviewee, open questions which provide open ended answers have to be used. This is why semi-structured interviews is selected.

10.2 Strategy for data analysis

Strategy for data analysis refers to guiding principles in data analysis. The data analysis in this case research has its roots in the absorptive capacity process in the literature. The data was analyzed in three stages. First stage of the data analysis is creating preliminary categories based on the previous literature on absorptive capacity, which provides the direction for the data analysis. On the second stage, the data is categorized based on the pre-defined categories, and during the process of data analysis new categories are added, based on the emerging themes that stand out from the research data and preliminary categories are dropped out, if there is no support in the data for the category. The ability to add new categories in the data analysis creates flexibility towards emerging themes. On the third stage the emergent categories are reflected again with the previous literature in order to give names for these themes.
11 EMPIRICAL STUDY: CASE NON-PROFIT ORGANIZATION

The case organization is a branch office of an international non-profit organization. The case focuses on a single sales team which operated in a local branch office in time period from 1.9.2014 – 31.12.2014 and after with changes in the team 1.1.2015 – 31.5.2015. The team is working on purely voluntary basis, without any form of compensation. During 1.9.2015 – 31.12.2014 the sales team was a cross cultural team which consists of 4 people: a team leader (Finn), 2 salesmen (Nigerian and Finn) and a saleswoman (Finn) and during 1.1.2015 – 31.5.2015 the team consists of 2 different team leaders (Nigerian and Finn) and 4 salesmen (Nepalese, Iraqi and Finn). This team is monitored by a national sales coordinator on national level. The task of the sales force is to sell a system for local companies. For this case salesman (Finn), saleswoman (Finn), sales team leader (Finn) and national sales coordinator (Indian) are interviewed. Two interviews were conducted physically and two interviews were conducted through Skype. Average length of an interview is 1 hour and 12 minutes. The salesman and saleswoman began their sales work in the organization in the fall 2014. The team leader had previous experience about sales in the organization since spring 2014. The national sales coordinator had experience within the organization since 2011. Three of the interviews were conducted in Finnish and one of them was conducted in English. The quotes from the interviews are translated in English, when the interviews are in Finnish. The interviews were conducted during 18.1.2016 and 25.1.2016. It has to be noted, that the researcher was in managerial role in the local office in 1.9.2014 – 31.12.2014, but the sales team was very autonomous in their ways of working and decision making.

11.1 Structure of the case

The case goes first through individual abilities and motivation, which is relates to the salesforce management capability. Second it goes through salesperson’s ability to recognize the knowledge within the environment, which is related to the personal selling capability. Third the case goes through the knowledge acquisition, assimilation and transformation and exploitation, which refers to the knowledge sharing practices both on team level and between subunits of the organization in Finland.
Following chapters begins with brief introduction to the topic, after which it aims to describe the phenomena in the case organization. The chapters end with brief summary of the subject, which reflects the topic into the literature of absorptive capacity.

11.2 The roles of the people

The team leader educated the sales people to the sales work. The team leader also was responsible for arranging weekly meetings, setting the goals, tracking and overseeing the sales team. (Team leader)

The national sales coordinator worked in collaboration with the local sales teams and helped to educate the members, tracked the results and reported the results to the international level. (National sales coordinator)

The salesman’s and the saleswoman’s task was to make a market research of the potential customers. After prospecting the salesforce contacted the companies to organize a sales meeting for sales presentation. (Salesman & Saleswoman).

11.3 The purpose of the team

According to the salesman the sales of the system had been paused for several years in the area and had been restarted only recently again. No previous sales contacts existed which means the selling was mainly new customer acquisition and creating contacts to potential customers. The purpose of the team was to sell a system to the customer organizations.
12 SALESFORCE MOTIVATION AND ABILITIES

This section goes through the motivation and abilities of the salespeople. Abilities and motivation of individuals have gained some attention in the previous literature of absorptive capacity. Lane et al (2006) states that individual mental models influence on individuals ability assess the value of external knowledge, Martinkenaite and Breunig (2015) state that ability and motivation have a role in knowledge recognition and knowledge assimilation. When it comes to the ability and motivation, performance appraisal and training influence on employee’s abilities, and compensation systems, promotion and internal communication enhance employee’s motivation (Minbaeva et al 2003).

In the interview, the salespeople were asked their personal motivation for working in the organization. The answers pointed out that the main motivation for the salespeople was to gain practical experience from the field of sales.

"Yes I did have totally self-centered will to develop myself and to be the best in what I do… (The things that motivate) are the experiences and the skills and knowledge what I can get from the organization… Numbers motivate me quite much and sales results; concrete things… I did not keep good-case practices as secrets, or tried to hide if I failed in something, but on the other hand I did not do any extra teamwork… Because I have never been any kind of a team player, so it took for a while before I started to think (development) also from the team perspective…” (Saleswoman)

“…I wanted to write in my CV (the name of the organization)… Also I wanted to work in a multicultural team… and I wanted to meet new people… But the main motivation for (doing the sales work) was probably the experience and CV. “ (Salesman)

“Well simply what I studied in university in class rooms, I did not see how it was going to be beneficial for me. But when I joined (the case organization) and when I started doing things by myself, I could immediately see, that I could use these skills in practice and in the future life. So what I learned in the case organization was like better than university degree for me, and that’s why I continued…” (National sales coordinator)

It seems that the main motivation for the members in the organization was related on development of individual skills. The team leader pointed out also the social goals of the non-profit organization as main motivation to work. Since the main motivation was
related on personal skill development, it is natural that the case organization had a system for performance appraisal.

“…in sales, it’s good to give points for example to the smaller activities; to smaller successes. And who ever had like a lot of smaller successes in the end would probably make the sale. So I would like reward everyone in terms of points. Ok you’ve done a meeting: 2 points. You’ve done a meeting: 2 points. Points, points, points. I collected and in the end… recognized [the sales people] in the internal group or in the conference.” (National sales coordinator)

Because the motives for working in the organization were not based on monetary compensation, but instead they were based on the development of actual skills and gaining experience from the field. The motives of the people support the performance appraisal system, which recognizes the people who work hard to achieve goals and personal development. Also the team leader was described as goal oriented person (Team leader, Salesman). This might have functioned as a motivational basis especially for the saleswoman, who says that she was motivated by concrete things such as numbers and sales results. Thus, the performance appraisal system seems to be the appropriate form to motivate people in this particular case organization.

When considering the performance appraisal, promotion, training and internal communication system from perspective of absorptive capacity, they do not clearly include absorptive capacity. As the national coordinator explained when asked about the motivation of the members towards organizational development:

“I never directly specified that this is a way to develop the organization. I mean I never told them directly. So I cannot expect motivation towards developing the organization. Maybe it was but I never asked them. So, maybe.” (National sales coordinator)

However the saleswoman’s started at some point thinking more also about the development of the team and taking more responsibility of the team success (saleswoman).

”The team leader had big influence on me and inspired me as well to do sales, develop sales skills and to be the best in it… (I thought) It would be cool to be able to influence on someone else in that way, that you give experiences of
success… Then I realized I can do it by doing more teamwork with my team instead of doing everything alone.” (Saleswoman)

It seems that the leadership was on central role in the saleswoman’s shift from self-centered motivation to develop individual skills into the motivation to take responsibility and develop the whole sales team.

However, according to the sales woman the work motivation varied greatly between individuals, which created frustration and problems in communication and teamwork between those who wanted to work hard and those who want to work less. This might have aroused due to cultural differences within the team. The saleswoman also said that later, when she was a team leader it was hard to motivate and encourage the salespeople who had different cultural backgrounds to contact the managers of the organization.

As stated previously, promotion opportunities influence on employee motivation. Considering that the team leader started to work in the organization in spring 2014, in the fall 2014 he was leading the local sales team and in spring 2015 he was leading the local office (Team leader). The new salespeople started to work in the fall 2014 in the organization (Salesman & Saleswoman) and in spring 2015 one of them became the team leader of the local sales team (Team leader). It seems the people did move forward in the organization relatively fast, which might have affected the motivation of the people to work harder in order to get into more challenging experiences. However, it does not stand out from the interviews directly.

In addition to the motivation, in order to work in the organization, the salespeople needed education. As it was stated before, the salespeople were relatively new to sales work. The team leader introduced the salespeople into the sales work.

The salesman described sales work rather tacit knowledge, which cannot be learned through manuals.

”(Sales meetings) are somewhat more lessons in life than lessons learned through books… (By doing it) you can see how it is, it is hard to describe. (Salesman)
The training was done through formal and informal process. First the sales process was described in form of a spoken overview and after that the team leader incrementally participated the salesforce in daily sales activities. In the beginning team leader was supporting the salespeople in making contacts with the companies and took the salespeople into the meetings with him, later the salespeople were able to work by their selves. (Team leader)

Thus it might be that the supportive style used by the team leader contributed to the fast learning of the sales work, which was described to be relatively tacit knowledge according to the salesman. Also the education, which the team leader used was a really good example of a coordination mechanism through which he was able to show desired example which the salespeople then would follow.

### 12.1 Discussion

Minbaeva et al (2003) stated that the compensation system, opportunities to get promoted and internal communication affect to the motivation of people and training and performance evaluation affect the abilities of the people. The things Minbaeva et al (2003) pointed out are human resource management tools, and thus they refer from sales capability point of view to the sales force management capabilities more specifically in talent management capabilities such as how to educate and motivate people. The ability and motivation was strongly interconnected in the case organization. From the ability point of view, the training was organized through incremental participation and from motivation perspective, the performance evaluation worked as motivational tool. It can be seen that they fulfill one another, since the individual motivation to work in the organization was mainly related on skill development and gaining experience. As stated in the chapter 9, the people in non-profit organizations are more intrinsically motivated rather than motivated by monetary compensation, and this case provides no exception.

The shift in the motivation of saleswoman stands out from the case. Her motivation shifted from self-centered skill development into taking more responsibility of the
whole sales team because of the inspiring leadership of the team leader. This suggests, that the leadership has influence on the motivation and perhaps abilities of the people as well.
This chapter aims to explain which kind of idiosyncratic needs of the organization the salespeople were able to recognize and which kind of knowledge the salespeople were looking for and from which kind of sources the knowledge originated.

As previously stated, recognizing the knowledge within the organizations environment is responsibility of individual people (Kallio 2012). Salespeople generally possess rich knowledge about customers (Kallio and Bergenholtz 2011). This highlights the importance of the role of the individuals in the interface between the organization and the customer. When asked about the importance of the interface function, the team leader says:

"For sure it is important. You cannot get otherwise information or anything if you don’t have active interaction with the customer. The salesman is the most important link (between the company and customers).” (Team leader)

Even though the interface function is considered as important, it does not automatically mean that the salespeople in the interface are able to recognize the knowledge and bring the information in to the organization in order to influence on the system or in the sales capabilities in general. When asked about the individual salespersons abilities to influence into the organizational processes: the team leader answered:

"I think that exactly is the problem. Salespeople are considered more as money making machines and then the information that comes from (the customers) has no effect in the organizations processes, instead the processes are predefined, which is not very customer oriented activity… (In the case organization) processed are really fixed. If one wants to change processes (in the case organization) you have to get into a relatively high leadership position in order to do so… But it is understandable, because the (voluntary) employee turnover is so high, that the processes have to be extremely clear. It is sort of mixed blessing.” (Team leader)

The national sales coordinator also shed some light on the reasons why the processes are so fixed in the organization. The organization has placed the research and development of the system in the highest level of the organization; international level. The national sales coordinator reasoned:
“For the members, like people who are working in the grassroots, for them it is very difficult to see the big picture what is happening… And that’s why we go to bigger picture, we are able to customize so that you can take in to account a lot of fields... And ultimately the efficiency increases when customization and product development are on the higher level of the organization.” (National sales coordinator)

(In international level they get) feedback from the current partners and the potential partners but they may or may not go through (local branch office or national office). They might directly contact those companies… In terms of for example, if I am a member, and I learned something from a company, then what I learned, may not be able to go (to the international level). So that is the bottom up knowledge gap for sure.” (National sales coordinator)

Because the process of the service is fixed and the decision making in the research and developed is centralized on the top of the organization, there is very little room for individual salesperson to develop the process. Thus the attention in knowledge recognition shifts from the research and development knowledge to recognizing other kinds of knowledge, which aim to develop sales capability, more specifically personal sales capability.

### 13.1 Customer contacts

When asked from the salesman, about the knowledge need in order to develop the organization, the salesman said that the organizational development was not high on the priority list. However he was able to identify the need for the customer contacts:

”(the sales function) was just rebooted (after a long time in our office), so that’s why we did not have old (customer) contacts at all. So in that sense it can be understood as organizational development, when we are doing this kind of grass root level work in the beginning. I understood that getting the customer contacts was probably the most important thing now.” (Salesman)

Thus the work was mainly new customer account acquisition. In order to create customer contacts, the salesforce had to make a market research within the area (Salesman). The saleswoman described the sources of the knowledge in order to prospect potential customers and to eventually create customer contacts.
“The information regarding to the execution of sales work was relatively easy to get, such as phone numbers and so on. All companies have them in their websites.” (Saleswoman)

The knowledge the saleswoman described was explicit knowledge, which is easy to get and easy to store in the customer relationship management system. Additionally the saleswoman described the usefulness of networking events and social media in the market research:

“Other entrepreneurs (networking events) and Twitter. Because all entrepreneurs follow each other there, so the ones that think internationally most probably follow other who think in similar way, and maybe focus on similar things in their companies. I just picked an entrepreneur there and saw what he is following… (The information) was extremely useful, because I did not have any kind of ready data base, so you had to search everything by yourself and it was a place where you were able to get the information easily and rapidly.” (Saleswoman)

”Sometimes (the customers) even said, that ’contact this company and this person’, sometimes they even gave email address and phone number and told me to mention some specific things when contacting.” (Saleswoman)

The salespeople understood the current situation of the organization and understood, what the organization needs. It seems that the knowledge for new customer acquisition was relatively easy to get. The most important sources for the knowledge were company websites, networking events, social media and other customers. The knowledge is explicit knowledge in nature, so it is easy to acquire and it is easy to store in the customer relationship management system of the organization.

The saleswoman says that the information gathered through social media was invaluable for the sales work because companies tell everything that the salesperson needs to know in company’s LinkedIn site. Additionally according to saleswoman, sometimes it was beneficial to check the contact person’s personal interests in the social media in order to know what kind of things the sales person should can bring up to build rapport.
When it comes to the customer specific information, the team leader says that the aim of the salespersons was to figure out the specific needs of the customer. According to the salesman it was important to engage the customer into discussion and thoroughly understand what the customer needs.

“So they tell you about the product, and how is the product doing in the market. And if you ask more questions, they will tell you what the scope of the product is… when the funding going to come. Those questions you can use to design your sales pitch and see when is the perfect time to sell to the company.” (National sales coordinator)

It seems that more customer specific knowledge, which relate to the customer specific needs was gathered by the salesman in the company meetings.

### 13.2 Sales competencies

Because the salespeople were new to the sales work, they had to learn how to make sales, which refers to general knowledge about personal sales. Previously the salesman pointed out, that the knowledge related to sales meetings is more tacit knowledge, than something that can be read from books. The sales woman pointed out that she was trying to find relevant manuals for the sales work.

”… I read in the internet general sales guides and tips, and pondered how they could be applied. Then I discussed as well with the start-up entrepreneurs, how they see, this kind of (system) should be sold and to who. But you had to use a lot of time to gain such information… The guides (that I found) were more or less full of repetition of obvious things… They were not useful.” (Saleswoman)

The salesman’s point might explain, why there were no beneficial sales manuals. It might that the nature of the sales knowledge is more tacit than explicit, so it cannot be learned so easily by reading but needs also experience. When asked the salespeople, which were the best sources for the knowledge regarding to sales, they pointed out the internal sources as most important sources.

”(The team leader) was practically sort of a mentor for us. The methods how he had done them, that were the methods he found most useful (he taught us). (Salesman)
From the internal sources, the team leader, who had previous experience about sales, was seen the most important source for the sales knowledge. Surprisingly the saleswoman also pointed out the customers being a good external knowledge source.

"Well you got (sales knowledge) really much in customer meetings, which was surprising. Probably they thought that she’s a young woman and a student, so we can give tips, which was really good… But I did think that this might not be the case in (for profit) business meetings… Yes, they were beneficial, but sometimes the advices were controversial… I believe it was much due to non-profit status of the organization, and then the fact that I am student and probably as well that I am a woman.” (Sales woman)

It might be that the non-profit status of the organization and, in this specific case, the fact that the salesperson was a student and also a woman, contributed to the helpfulness of the customers when it comes to the general sales knowledge. Thus it might be that this would not be the case in for-profit business meetings.

13.3 Summary and discussion

As Todorova & Durisin (2007) points out, already possessed knowledge, rigid capabilities and path dependent managerial cognition may be the causes of failure in recognizing the relevant knowledge and Jansen et al (2005) pointed out that centralization of decision making affects negatively on explorative innovation. This is evident in the organization since the NSC of the organization says that the service development is centralized in the highest level of the organization. The centralization of the system development and thus rigid processes in the organization influence on the ability to recognize the relevant knowledge within the local environment. However, it should be remembered that this reflects the reality only on the local level and not on the entire organization.

As Camison & Fores (2010) summarized, knowledge recognition refers into ability to locate, identify, value and acquire knowledge that is critical to its operations. In order to understand which knowledge is critical to its operations, individuals have to understand the current situation of the organization. In this case the salespeople did not have long experience from sales or working in the organization, but they were able to recognize the need of the local office in terms of sales capability development. This might be due to the proper training. The salespeople were able to identify the
idiosyncratic needs of the organization to develop customer contacts, to develop the customer service and to develop sales competencies.

When it comes to the development of sales capability, the knowledge within the case contributed to the personal selling capability of the salespeople. More specifically into the sales process, which is described by Moncrief & Marshall (2005) as prospecting, pre-approach, approach, overcoming objections, close and follow-up. Market research and developing contacts enhanced competencies to prospect the customers through different channels and to prepare and approaching the customer. Understanding the customer specific needs and sales knowledge development on other hand may have enhanced the capabilities to overcome the objections and closing the sale.
14 ACQUISITION, ASSIMILATION AND TRANSFORMATION AND EXPLOITATION OF THE KNOWLEDGE

This chapter describes which kinds of methods the case organization has to facilitate the knowledge acquisition and which kinds of social integration mechanisms the organization has for assimilating and transformation of the knowledge. According to Kallio (2012), social integration mechanisms refer to the arenas where knowledge acquisition, assimilation and transformation and exploitation are done. The social integration mechanisms are first discussed on team level, and then on national level. The purpose of the team level social integration mechanisms is to bring the knowledge to the awareness of the sales team, and on national level the purpose of the social integration mechanisms is to bring the knowledge to the awareness of the other local offices and national managers.

14.1 Team level

This section aims to identify the processes and routines that were used in the case organization to bring the knowledge in the sales team. According to the interview, the sales team had meetings on weekly basis.

"We gathered together once a week. We went through what we had done last week. If everything went well, it was good, we set objectives for the next week. If it did not go well, we figured out what went wrong, and what has to be improved for next week… This continued on weekly basis all the time.” (Team leader)

It seems that the weekly meetings were check-ups on the performance of the sales team. The weekly meetings were quick (Saleswoman). The purposes of the weekly meeting was tracking the goal achievement, setting goals for the next week, providing support and sharing ideas (Team leader). If the weekly goals were not fulfilled, the team leader could intervene and provide support needed (Team leader).

"In practice the most important communication took place in the weekly meetings. (Weekly meetings) was for the communication, so that we discuss, build up team spirit that we really are a team, because we have a weekly meeting. Then if one had to ask something in between, or if you needed help, then in
practice, it was Facebook or WhatsApp. So very informal communication channels.” (Salesman)

This points out that the main discussion arena, where the issues were brought up in table was the weekly meetings, and the online communication channels were mainly supporting the communication in between the meetings. Facebook and WhatsApp were chosen as online channels, because they were flexible and fast channels (Team leader).

Not only was the weekly meeting for weekly check and setting the objectives, but also it functioned as an arena where knowledge could be shared between the team members.

”…always when we were able and had some insights, we shared them with everyone else. We wanted that the team performs well.” (Salesman)

This suggests that the team was discussing about the knowledge that enhances the sales capability within the team. When asked about the relationships between the team members, the salesman responded that:

”I guess it’s not incorrect, if I say that we were friends practically. There were no obligations towards others, it could be said that we were doing the same job and had fun… When we had the meetings, half of the time we spoke about the agenda and the other half we discussed off topic. (The team leader) was our boss. He was not anyhow strict, but every week we reported him what we had done and we had our objectives.” (Salesman)

The atmosphere of the case team was rather informal and the relationships between the salespeople were more friends than colleagues. This might have affected the information sharing behavior within the team in such way that the salespeople were able to discuss openly about development ideas and maybe participate on the decision making. The information sharing on team level was described to be easy, because the weekly meeting was for that purpose (Salesman)

When asked from the team leader, whether he feels that the relevant information came to the team, he responded:
"For sure the information came to (the local office). The salespeople were so close to (the local office), so at least I feel that the information came there.” (Team leader)

Here are few examples of how the sales people were able to bring information into the team and ultimately change the way the sales team was functioning.

"The team leader was very goal oriented, he wanted results and sales, which I don’t consider being wrong approach at all. I remember that I began to explain them, that it is good that we are selling… But because we are in so beginning, that we do not have many contacts, so it is also important that we promote ourselves (to all kinds of customers)... and hope that we somehow are able to make the message spread about (the case organization).” (Salesman)

Second example was provided by the team leader who says that one salesperson got feedback from the local companies to change the payment system in a way that would suit much better them and most probably all other companies as well. Third example was provided by the saleswoman:

"There was a customer relationship management tool, which we had used already before, but not very actively. Some people updated information there if they remembered and some people did not use it at all... Then I realized, when I was contacting the companies, that the most rational thing I can do is that I make accurate notes about what we have been discussing about, such as what they liked in our (solution) and which things they considered as weaknesses in our (solution)... Then later on I wrote there some ideas for the next meetings, which might solve the problem and so on... In our subunit other people started to write accurate notes as well.... (Sales woman)

These examples show that there were also development issues discussed in the team meetings and the team members were able to participate on the decision making within the team. The ideas that the salespeople were able to bring to the organization ultimately affected the local offices sales capability.

14.2 Discussion

As Cohen & Levinthal (1990) state, effective assimilation requires effective communication. The communication in the case organization in local level was frequent, and it was done through formal weekly meetings and in online channels. On team level, the fact that such arena existed, where team members were able to share
their knowledge, seemed to enhance the information sharing between the members. Additionally it might be that the informal atmosphere of the team meetings, and the relationships between the co-workers which were described more as friends rather than colleagues probably affected on the sharing the development ideas. Also the team leader was reported not to be strict, which might have influenced on the ability of the team members to contribute to the decision making. The small size of the team might have affected on the easiness of information sharing as well.

### 14.3 Between subunits

Both of the salespeople stated that they had the best results in the whole Finland, when it comes to the system sales.

"I think we had the best sales practices, mostly because of the team leader.”
(Salesman)

"I feel that the way we worked was so different from others and everyone knew that… We had the best results in the whole country.” (Saleswoman)

This would suggest, that the knowledge regarding to sales capability within the subunit is relevant knowledge that should be shared to the other subunits as well. Despite the possible relevance of the knowledge possessed by the subunit, the information was not efficiently distributed to the other units. The team leader was asked how the knowledge is shared on the national level, he replied:

"In national level, we have conferences and such things where we share information… But the process is not very standardized, so I am not sure whether the information ever stayed anywhere. Hard to say.”(Team leader)

According to the national sales coordinator, members of the organization were encouraged to share their experiences with other people in national conferences, but the members were not proactively engaging to the knowledge sharing practices. When it comes to other channels for information sharing the national sales coordinator said that:
“All of them had an access to the same CRM system. So they could see what the other (offices) were doing. In terms of communication, between (the offices)… they had like common Facebook and WhatsApp group. But (the knowledge sharing) was not very proactively done between the offices.” (National sales coordinator)

So when it comes to the communication between the local offices, the main channel seems to be the conferences and additionally there were online tools for knowledge sharing. The members from the local offices however were not proactively participating on the knowledge sharing behaviors.

"We were not in contact with other teams from other offices. I don’t know whether there would have been any kind of obstacles for that… I guess we could have sent for example email, if we could organize a meeting for idea sharing for example through Skype. I believe we could have done that, there were no obstacles for that, but we just did not do it… Probably the obstacle was that, we had to ask if we wanted to have some information for example about other teams… There were no platforms through which the information would come to us.” (Salesman)

So it might be that the sales people were expecting that such knowledge sharing sessions would have been organized by the leaders. When it comes to the proactivity it might be that the people in the local offices did not look for information within the organization, because they did not feel that it was necessary. When it comes to the knowledge sharing in the conferences, saleswoman told about her experiences:

"There was only one 45 minutes meeting about sales work. After that we did not speak anything about sales work. During the whole weekend it was the only one.” (Saleswoman)

"Once I was asked to tell others how (sales work) is done. But I did not get the feeling that it was interesting for them, I don’t know whether it was because they thought their own practices are better or are they just not interested. I told about it to approximately 10 people. I did not for example tell it to their team leaders, because they were not present. I did not feel that I had shared the information with anyone who would have actually put the idea forward also in their office.” (Saleswoman)

So it seems that the knowledge sharing practices were poor within the conference, when it comes to the system sales. The time reserved for the system sales seem to have been very brief in the conference. The saleswoman said that the people she was telling
about her experiences within sales were new to the organization and sales work as well. It might have been, that the people did not possess such knowledge about the sales work that they would have been able to recognize the value of the knowledge and it might have been more beneficial to approach the leaders of the organization.

14.4 Possible problems preventing the knowledge flow in between subunits

As it was stated previously, the members were not proactively participating on the knowledge sharing practices in the organization, they could have organized online meetings, but they did not choose to, conference had only 45 minutes section for the system sales and the audience was mainly new people. This section aims to clarify the possible causes related to the sharing the information in national level. The saleswoman and the team leader were asked why they think that the knowledge sharing practices are on so low level, when it comes to the system sales.

"In the national level it might be that the (system selling) is something that no-one focuses. I don’t even know if any office has it anymore. If it is done, it is done in unorganized manner. (Saleswoman)

"It tells about the strategy (of the case organization). The system sales is shut down in the local offices and the focus is more in business to customer and business to government… When the system sales is not encouraged, it means that the national level is not very much interested in what they might get from the companies. In the national level, there is one person responsible for the system sales, and it has certain value what he/she brings to the national level. But the information that is brought from the local offices is not seen very important. There are no processes for the collection of knowledge… and in practice it is not collected at all. (Team leader)

Both, the team leader and the saleswoman said that the system sales is not part of the national focus anymore. The strategy of the organization focuses on other areas and it limits the support for the local sales teams. Thus the local sales teams are doing system sales in rather unorganized manners.

14.5 Discussion

There clearly is a lack in effective communication between the local offices which would aim to improve the sales capabilities of other offices, which is caused by the
organizational strategy. The findings from the case supports Lane et al (2006) notion that firms strategy determines the location of knowledge search and defines which knowledge should be assimilated. The sales team locally was developing its sales capabilities well, the individuals were motivated, working towards the capability development and the team was considered to be the best team in terms of results. However the lack of strategic focus is evident in the knowledge sharing efforts between the local offices. Online knowledge sharing sessions were not arranged and in conference the time dedicated for system sales was 45 minutes and there were only new members present. Of course there is room for other plausible explanations which might have been for example geographical distances between the offices and the possibility that the knowledge sharing was done in some different way. It has to be noted that these experiences were just from the perspective of one subunit and it does not provide a holistic picture regarding to the case organization. For example the national sales coordinator’s managerial liaison role between the subunits was not part of the research.

It also might be that the distinct characteristics of non-profit organization described in chapter 9 are evident here. It is common for non-profit organizations have decentralized decision making systems and it might be that the subunits are rather autonomous in their capability development decisions and are not always aligned with the organizational strategy.
CONCLUSIONS AND TOPICS FOR FUTURE RESEARCH

Despite the notion that the individual people have a critical role between the company and the external environment, the literature in absorptive capacity has neglected individual level antecedents and the mechanisms how absorptive capacity emerges from the actions and interactions of individual, organizational and inter organizational level are unclear (Volberda et al 2010). The previous literature in absorptive capacity has focused on organizational level and has neglected the role of an individual salesperson in absorptive capacity (Ter wal et al, Ojo, et al 2013; Ducheck 2013; Volberda 2010; Tortoriello 2015).

The purpose of this thesis was to find out how the organization can utilize absorptive capacity in developing the sales capability of an organization. More specifically, how the individual salesperson is able to recognize the knowledge in the interface between the organization and the customer, how the information can be acquired to the organization and how it can be assimilated and transformed and exploited within the team and between subunits. Additionally the purpose of the research was to identify which kind of organizational factors influence on the acquisition, assimilation and transformation and exploitation of the knowledge.

As Kallio (2012) stated the responsibility to recognize the relevant knowledge between the organization and the customer is considered to be individual salespersons. The empirical part began to explore the individual salespersons motivation an ability to engage in the knowledge recognition. Minbaeva et al (2003) stated that the ability and motivation is present in knowledge transfer between subunits and human resource management systems such as training and performance appraisal affect to individual’s abilities and compensation, internal communication and promotion opportunities affect to individuals motivation.

Within this case, it seemed like the training affected individual ability to do the sales work and the performance appraisal system created motivation to succeed and achieve targets, which contributes to the capability development as well. Minbaeva et al (2003) does not however state, that which kind of training and motivation systems contribute to knowledge sharing behaviors. In the case the saleswoman’s motivation changed
from self-centered skill development into motivation to develop also the team. The shift occurred through inspiring leadership. The human resource management systems, might have created a basis basis. This suggests that one plausible topic for future research in absorptive capacity could be how leadership affect into absorptive capacity and capability development. Additionally it should be researched that which kind of human resource management systems contribute to capability development, more specifically, how the absorptive capability can be built in the human resource management system.

After the individual abilities and motivation the attention in the case shifted into knowledge recognition, more specifically on the possible sources and identified organizational development needs. As Cohen & Levinthal (1990) state, the ability to absorb knowledge into the organization, among everything else, knowledge of the idiosyncratic needs of the organization. The recognized need for the knowledge became apparent in the discussion with the salesman, as he said the most important thing was at the moment customer contacts. In addition to the customer contacts and customer needs the salespeople had to find also knowledge which is related to sales. The customer knowledge was explicit knowledge in nature and sales knowledge was more tacit knowledge in nature.

The research also considered the sources for the knowledge. This knowledge developed the sales capability of the organization, since the salespeople brought the knowledge into the organization, customer knowledge was stored into the customer relationship management system and the knowledge in general was discussed in the sales meetings. This pattern that the sales people were able to recognize the knowledge needs of the organization, were able to search and recognize relevant knowledge within the environment, were able to bring the knowledge into the organization for open discussion and effect on the decision making is central for absorptive capacity and in this pattern it can be seen that the sales capability is developing through the process of absorptive capacity.

The pattern derives from Kallio (2012) notion that knowledge recognition is individual responsibility and that the knowledge has to be acquired in the organization through certain kind of arena provided. Also it derives from Cohen & Levinthal (1990)
statement that the individual has to understand idiosyncratic needs of the organization and from Van den Bosch et al (1999) statement that participation on decision making is a coordination capability which is an antecedent of absorptive capacity. In the future research it would be good to study this kind of pattern more on operational level, to gain further insight into the absorptive capacity on individual level and on a team level. Perhaps the knowledge acquisition, assimilation and transformation and exploitation could be researched through a research where the research would be taking notes about stages of absorptive capacity.

Last, but not least, the knowledge sharing practices were researched between subunits of the organization, and it turned out that channels for knowledge sharing did exist physically and virtually, but the members of the organization were not sharing the information proactively. The team leader and the saleswoman said that the organizations strategy is focused in other functions instead of system sales. This suggests that the organizations strategy and the capability develop were not aligned, and that is why the capability development did not occur on organizational level. Similarly as Lane et al (2006) stated that organizations strategy defines the location of knowledge search and decides which information should be assimilated, this suggests that the organizational strategy may impede the capability development, if they are not aligned.
16 MANAGERIAL IMPLICATIONS

For managerial implications this study focuses the attention in an organization to the bottom-up knowledge flow, and the importance of individual sales people in the interface of the organization and the customers in order to build the sales capability of a subunit.

The sales capability consists of personal selling capabilities and sales force management capabilities. From the personal selling capabilities perspective, the individuals should be aware of the development needs and the objectives of the organization, so they can locate the knowledge search better. From sales force management capabilities, the individual salespeople gain important knowledge from the customers which can be utilized to build the sales capability in the organization through bringing the knowledge to the organization and allowing free knowledge and idea sharing and participation on decision making in the sales team.

This emphasizes the role of knowledge management in sales force management capabilities, which should be adapted to the routines to the salesforce, such as weekly meetings and other social encounters. The implementation of absorptive capacity in salesforce management capabilities emphasizes the implementation of such routines in talent management capabilities of the salesforce. Absorptive capacity should be inbuilt in the talent management capabilities of the salesforce in order to create the sufficient abilities for knowledge recognition and knowledge sharing and to create motivation for the salespeople to commit to the practices that aim towards sales capability development.

When it comes to the organizational strategy and sales capability development, the capability development should be aligned with the whole organizational strategy. If the capability development is not aligned with the organizational strategy, it might be that the capability development does not gain the support from the rest of the organization that the capability development requires.
17 LIMITATIONS OF THE RESEARCH.

First limitation is provided by the scope of the research. When it comes to the knowledge sharing between the subunits, the research does not provide a holistic view of the knowledge sharing processes of the whole organization, instead it focuses describing the knowledge sharing practices within the organization from the point of view of a single subunit of the organization. For more holistic view, the research could have focused on researching the processes of multiple subunits and include the liaison role of the national sales coordinator, but it might have changed the perspective of the research from individual point of view into more organizational view.

Second limitation of the research is due to the chosen methodology. In order to examine the process dimension of absorptive capacity, especially in such small team as in the case organization, it is not so easy to make distinctions between the knowledge acquisition, assimilation and transformation and exploitation based on the interviews. In order to research these different stages in detail, a researcher has to be present in the social situations where the acquisition, assimilation and transformation and exploitation takes place. In such small group the whole process might take place in one meeting.
REFERENCES


Appendix 1

Interview themes:

Job description

Personal backgrounds

Motivation for working in the organization

Preparation for the sales work

What kind of knowledge was needed?

Ability to bring the knowledge to the organization from the customers

Possible sources for the knowledge

Team meetings and communication platforms in local and national level

Experiences of knowledge sharing

A story when you influenced on or changed something in the sales team