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Fear of exploitation and fear of contamination: Impediments to knowledge transfer in mergers between professional service firms

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ABSTRACT Previous studies of knowledge transfer have identified a variety of impediments that derive from the knowledge base and the organizational context. However such explanations do not take account of the central role that individuals play in the knowledge transfer process, specifically in articulating and legitimizing the knowledge base and in shaping and interpreting the organizational context. This article examines the merger process as experienced within six accounting and consulting firms. It finds that professionals resist knowledge transfer when they perceive that the merging firms differ fundamentally in terms of the quality of their external image and the form of their knowledge base. Whilst professionals may attribute their resistance to commercial and objective concerns, their responses are also governed by highly personal and subjective factors. This study identifies this complex combination of factors as the twin fears of exploitation and contamination.

KEYWORDS knowledge transfer ▪ professional service firms (PSFs) ▪ mergers and acquisitions

I think their consulting practice is awful and their people are just awful. We are one of the leading change management consultants,

> with an extremely classy, sexy reputation. I just feel tainted by having anything to do with them. In theory there are lots of synergies from knowledge sharing but, in practice, I am ashamed to work with them.
>
> (Change management consultant describing his merger partner colleagues)

> On one occasion at the client's office I had to physically restrain one of my team from hitting a consultant from the other firm. We were supposed to be delivering an integrated project but the strategy consultants had systematically denigrated everything that my operations guys were doing . . . They assumed they knew how to do the things that we did. It made us feel as though our skills were cheap and worthless. They said our work was just grease monkey work.
>
> (Operations management consultant describing his merger partner colleagues)

Why do individuals resist knowledge transfer in the context of mergers[1] between professional service firms (PSFs)? Numerous studies have highlighted the organizational and knowledge-based factors impeding knowledge transfer at an inter-firm and intra-firm level. Some of the impediments identified in previous studies can be categorized as characteristics of knowledge. For example, tacit knowledge is inherently difficult to transfer because it cannot be fully articulated through written and verbal communication but must be learned through experience (Nelson & Winter, 1982; Nonaka & Takeuchi, 1995; Polanyi, 1966). Transferring embedded knowledge is also problematic because such knowledge is highly context-specific and resides in an organization's interrelated systems of physical, human and organizational capital (Brown & Duguid, 1991; Kogut & Zander, 1992; Reed & DeFillippi, 1990). Differences in the content of the knowledge base may also lead to problems; for example Cohen and Levinthal (1990) have argued that an organization's receptivity to new sources of knowledge (or 'absorptive capacity') is largely a function of its prior related knowledge.

Other impediments to knowledge transfer can be categorized as characteristics of the organization. In large and complex organizations, the lack of an appropriate knowledge management infrastructure will pose problems (Sveiby, 1997; von Krogh et al., 2000). Where technologically based knowledge management systems do exist, their effectiveness will depend upon an appropriate combination of individual incentives and cultural norms of trust and co-operation (Amit & Schoemaker, 1993; Morris & Empson, 1998; Starbuck, 1992). Without trust the 'internal market' for knowledge will not function effectively because individuals cannot be sure that they will be rewarded appropriately for sharing their knowledge (Davenport & Prusak, 1998; Nahapiet & Ghoshal, 1998; Teece et al., 1997).

Whilst interesting and relevant, none of these factors associated with the characteristics of knowledge and organizations seem sufficient to explain the extreme reactions identified at the start of this article. This article will argue that, in order to develop a fuller understanding of how impediments to knowledge transfer arise, it is important to recognize the role that individuals play in the knowledge transfer process, specifically in articulating and legitimizing the knowledge base and in shaping and interpreting the organizational context.

The appropriate level of analysis at which to examine organizational knowledge has long been a source of contention. Whilst the management literature on knowledge management abounds with references to organizations transferring knowledge capabilities, renewing knowledge bases and measuring knowledge assets (e.g. Huseman & Goodman, 1999; Prahalad & Hamel, 1990; Scott, 1998), this approach has been criticized for offering a reductivist and reified perspective on both knowledge and organizations (Blackler, 1995; Spender, 1996; Tsoukas, 1996). Some writers argue that knowledge can only reside at the individual level because cognition is the preserve of individuals and cannot be extricated from that context (e.g. Huber, 1991). Writers on organizational learning, however, argue that the agglomeration and institutionalization of individuals' separate skill sets give rise to organizational routines which can persist independently of the individuals within the organization (Nelson & Winter, 1982; Senge, 1990).

This article argues that the organizational and knowledge-based impediments identified earlier can only be fully understood by reference to the individual level of analysis. Barriers to transferring tacit knowledge reflect barriers to inter-personal communications. An organization's 'absorptive capacity' is determined by individual level constraints as, ultimately, organizational level learning must be translated into learning by individuals within the organization. The effectiveness of knowledge management systems and the operation of the internal market for knowledge is predicated on the existence of trust between individuals. In order to develop a better understanding of inter-firm knowledge transfer, it is therefore necessary to understand how the actions and reactions of individuals both shape and are shaped by the nature of the organization's knowledge base and the organizational context as a whole.

PSF mergers provide a fruitful context in which to study individual responses to knowledge transfer as knowledge represents the primary asset of these organizations and mergers provide an opportunity to gain access to new sources of knowledge. This article begins by examining the form of knowledge that exists in PSFs and looks to the merger literature for insights into the impediments that are likely to arise in the context of PSFs. It then describes the design of an inductive study into six accounting and consulting firms engaged in the merger process. It identifies the firms' merger objectives and the problems that arose from their staff's attempts to transfer technical knowledge. Having discussed the additional problems that arise when clients are introduced into these interactions, the article concludes by returning to the original research question – why do individuals resist knowledge transfer in the context of mergers between PSFs? – and discusses the implications for knowledge management in general.

Knowledge in PSFs

The primary activity of a PSF is the application of specialist technical knowledge to the creation of customized solutions to clients' problems (Lowendahl, 2000; Maister, 1993; Mills et al., 1983). In this activity, PSFs rely upon two main forms of knowledge: technical knowledge and client knowledge.

The technical knowledge of a PSF encompasses sectoral, organizational and individual forms of knowledge. Sectoral knowledge is generic, is widely shared by all firms in a specific sector, and may be formally codified through the syllabus of professional exams. Organizational knowledge is firm-specific and consists of distinctive products and processes which have been developed and disseminated within a firm, either through formalized systems or through ad hoc methods of apprenticeship and socialization. Individual technical knowledge is proprietary to each professional and is derived from his or her previous work experience, education and unique mix of client assignments (Abbott, 1988; Alvesson, 1993; Freidson, 1986; Greenwood et al., 1990; Wilensky, 1964). In time, elements of this individual technical knowledge may become collective, as professionals utilize formal and informal methods of knowledge dissemination. However, individuals constantly develop and replenish their personal stock of knowledge through their ongoing client engagements (Morris, 2001).

Client knowledge may also be categorized into three broad categories: a general understanding of a particular industry; detailed knowledge of a specific client firm; and personal knowledge of key individuals within the client firm. This kind of relationship-based knowledge is particularly valuable for PSFs as a professional service cannot be inspected in advance and is created through interaction with the client after the initial purchase decision has been made (Darby & Karni, 1973; Maister, 1993). A detailed understanding and trust between the individual professional and client is therefore an essential pre-condition for a successful sales and delivery process (Johnson, 1972; Winch & Schneider, 1993). During a prolonged client relationship, a range of professionals at varying levels of seniority may come into contact with individuals in the client firm. Whilst one professional may remain the key relationship manager, over time the depth and breadth of client knowledge increases and becomes more widely distributed throughout the PSF as individual knowledge becomes collective.

Knowledge transfer in PSF mergers

Mergers are frequently represented as a means by which firms can gain access to new sources of knowledge (e.g. Barney, 1996; Haspeslagh & Jemison, 1991; Penrose, 1959). Developing knowledge 'organically' is costly, both in terms of time and resources, and success cannot be guaranteed. By contrast, mergers provide firms with the opportunity to gain access to a pre-existing knowledge base of proven value. The challenge for managers of merging PSFs is to convert the opportunity for knowledge transfer into a reality.

An individual professional's technical knowledge and client knowledge is his or her primary source of value to the firm (Alvesson, 1993; Lowendahl, 2000). Codifying and sharing this knowledge disseminates its value throughout the firm and potentially diminishes the power it confers on the individual (Scott, 1998; Sveiby, 1997). As a result, an individual may resist the firm's attempts to establish 'property rights' over his or her knowledge (Morris, 2001). As shown later, it can be inferred that this knowledge-hoarding may increase in the context of a merger.

The announcement of a merger creates a highly stressful environment of uncertainty, fear and distrust (Cartwright & Cooper, 1992; Mirvis & Marks, 1992). Even if redundancies are not planned, individuals in both the acquired and the acquiring firms may fear loss of status and changes to their established work norms (Hunt et al, 1987; Schweiger & Denisi, 1991). They may react by resisting senior management's initiatives to encourage co-operation between the combining firms and may ultimately resign (Buono & Bowditch, 1989; Levinson, 1970). These extensively researched negative reactions are likely to be particularly problematic when knowledge transfer is an explicit merger objective. Knowledge transfer is above all an inter-personal process. Whilst codified knowledge may be shared relatively easily, the experiences and insights required to interpret and apply this knowledge reside within individuals. Individuals cannot be compelled to share this knowledge with others but can only do so willingly. Managers of merging PSFs are therefore highly constrained in their ability to bring about knowledge transfer.

From existing research it can therefore be inferred that, in the uncertain and insecure post-merger environment, professionals are likely to guard their knowledge jealously and be reluctant to share it with their new colleagues. This proposition can be derived from an analysis of various separate bodies of literature on PSFs, knowledge transfer, and mergers and acquisitions. However, to date there have been no detailed studies of knowledge transfer in the context of mergers between PSFs. The limited number of studies on mergers between PSFs have not focused explicitly on knowledge transfer (Ashkanasky & Holmes, 1995; Greenwood et al., 1994). More generally, empirical research on knowledge transfer in other forms of organizations has tended to consist of large sample surveys (Hansen et al., 1999; Nayar, 1993; Ranft, 1997; Szulanski, 1996) which have not been designed to capture the complexity of the inter-personal dynamics involved in the knowledge transfer process.

The current study has sought, therefore, to develop a deeper and more subtle understanding of the process of knowledge transfer through inductive, in-depth, longitudinal field studies in the context of merging PSFs. The broader theme of the post-merger integration process in these firms has been described and analysed in detail elsewhere (Empson, 2000). The current study focuses on explaining the extremely negative reactions reported by professionals at the start of this article by addressing the specific research question: *Why do individuals resist knowledge transfer in the context of mergers between PSFs*?

Research design

A multi-site, multi-phase, multi-source case-based methodology was adopted to satisfy the following conditions. First, it enabled the researcher to develop an in-depth understanding of the complexities of the merger process in a specific organization. Second, it made it possible to gather longitudinal data as the merger process evolved. Third, it enabled the researcher to triangulate data. Finally, it made it possible to combine multiple levels of analysis within the firms.

Multi-site

Three cases (i.e. six firms) were selected in order to maximize variability with a view to generating contrasting results. The cases varied according to the following criteria (see Table 1):

- profession: two accounting firms and four management consulting firms
- size: from 18 to 4200 professional staff in the UK
- transaction: one merger and two acquisitions
- governance: three partnerships and three incorporated companies

The differences in the profession and size of firms were particularly pertinent to the issue of knowledge transfer. Whereas established professions (such as accounting) possess a formally codified and examinable body of professional knowledge, in emergent professions (such as management consulting), knowledge is less formally defined (Wilensky, 1964). In terms of size, whereas small firms rely upon informal ad hoc methods of sharing knowledge among staff, larger organizations tend to develop more formal systems for codification and dissemination in order to operate an efficiently leveraged organizational structure (Maister, 1993).

Multi-phase

Previous merger studies (Ashkanasky & Holmes, 1995; Buono & Bowditch, 1989) suggest that most of the change occurs within two years of closure, that is the moment at which the final legal agreement is signed. However, the integration process may continue for several years afterwards (Levinson, 1970; Walter, 1985). In order to develop a detailed understanding of the early stages of the integration process in the context of a higher level longer term perspective, a bifurcated research design was adopted, combining longitudinal and retrospective studies (see Table 2). In the longitudinal studies, data collection began during the first year and concluded during the third year post closure. In the retrospective study, data collection occurred primarily during the fourth year, but continued into the sixth year post closure.

Multi-source

Multiple data collection techniques were employed to maximize opportunities for validating data through triangulation (see Table 2). Consistent with the inductive nature of the research, semi-structured interviews formed the basis of the study, supplemented by data collected through archival analysis. The researcher conducted 177 semi-structured interviews in total. A total of 92 people were interviewed with the majority of interviewees in the longitudinal studies being interviewed at least twice. Interviews lasted 90 minutes on average. On completion of each round of interviews in each firm, the

Table 1 Details of case studies

	Sea/Land		*Hill/Valley*		*Sun/Moon*	
	Sea	*Land*	*Hill*	*Valley*	*Sun*	*Moon*
Selection criteria						
Profession	Strategy consulting	Operations consulting	Human resource consulting	Change management consulting	Accounting	Accounting
Transaction	Merger Both firms acquired and then merged by parent company		Acquisition Hill acquired Valley		Acquisition Sun acquired Moon	
Governance	Partnership	Incorporated	Incorporated	Incorporated	Partnership	Partnership
Study	Retrospective		Longitudinal		Longitudinal	
Size of firms						
Staff (UK)	83 total 55 profs	92 total 79 profs	75 total 50 profs	27 total 18 profs	4200 profs	1400 profs
Fee income (UK)	UK £10m	UK £15m	UK £7.5m	UK £3.9m	UK £430m	UK £70m
Offices (UK)	1	1	1	1	10	7

Table 2 Scale and timetable of fieldwork

		Sea/Land		Hill/Valley		Sun/Moon	
		Sea	Land	Hill	Valley	Sun	Moon
Scale	*Total*						
Professionals in offices studied		55	79	50	18	4200	1400
Interviews conducted	177	9	9	33	28	50	48
Individuals interviewed	92	7	8	15	13	23	26
Archives consulted	162	30		79		53	
Meetings observed	8	Not applicable		5		3	
Timetable							
Commenced		4 years post closure		During 1st yr post closure		During 1st yr post closure	
Completed		6 years post closure		3 years post closure		3 years post closure	

researcher developed coding frames to reflect the emerging themes and then coded the interview data accordingly using QSR NUD.IST software. Interview data were analysed in conjunction with the data gathered from the archives and observation, with a view to identifying key themes and inconsistencies. Once each round of preliminary analysis was completed, the findings were reported to key informants to test the validity of the analysis and key themes were identified for exploration in subsequent stages of the research.

Merger objectives

In the Sea/Land consulting case, the primary stated intention of the merger instigators was to create an ‘integrated service offering’, which combined the strategy formulation capabilities of Sea with the operational improvement skills of Land. In the Hill/Valley consulting case, the primary stated objective of the senior managers was to develop a comprehensive range of ‘people-related services’, where the technical human resource management services offered by Hill could be sold within the context of the Valley’s change management offering. By contrast in the Sun/Moon accounting case there was less opportunity to create value from transferring technical knowledge, particularly in the audit practice, as all firms in this sector shared a common body of highly codified knowledge. Instead the emphasis was on gaining access to new client relationships. The managing partners of both Sun and Moon sought to strengthen their firms' relative standing in the audit industry by combining existing audit client lists to achieve a critical mass of audit clients.

In all of these cases the primary objective of the merger was to gain access either to the technical knowledge or client relationships of the merger partner firm. In none of these cases were cost-saving redundancies an objective. Whereas some of the merger-related anxiety identified in previous studies can be attributed to fear of job losses in either of the combining firms, this concern was not widespread in any of the firms in the current study. Alternative explanations must therefore be sought for the problems that arose.

Problems arising from attempts to transfer technical knowledge

Sun/Moon interviewees reported that the knowledge transfer process was relatively unproblematic. Both firms possessed an extensive codified knowledge base, backed up by procedures for articulating and disseminating knowledge. Immediately following the acquisition, a task force was established to consider points of difference in the audit manuals, identify best practice and create a standardized set of procedures. In most cases, the Sun manuals were adopted as the firm-wide standard but some of Moon's methodologies were adapted and adopted. While some staff were inconvenienced by having to learn new audit procedures, they did not report any major objections to these changes.

Within Sun's personal and corporate tax practices there was greater scope for knowledge transfer. In the corporate tax practice, considerable emphasis was given to the development of technically innovative products. New products were developed by a partner 'think tank' and then disseminated throughout the practice via a computerized database to which all corporate tax staff were encouraged to contribute. Following the acquisition, Moon staff were simply given passwords to this database and were encouraged to make use of it. Once again, interviewees reported that this process was relatively unproblematic. In the personal tax practice, Sun interviewees reported that they derived considerable benefit from access to the expertise of Moon's larger and more established team of personal tax consultants. As Moon did not maintain a computerized database of technical knowledge, much of the knowledge transfer took place through informal mentoring relationships, where junior Sun staff were assigned to highly experienced Moon managers.

There are various possible explanations for the relative ease of knowledge transfer within Sun/Moon. First, the knowledge to be transferred already existed in a codified form. As it had already been articulated and depersonalized, the problems typically associated with transferring tacit knowledge did not apply. Second, procedures for knowledge sharing and dissemination were already in place. The cultural norms and incentive structures that had been designed to facilitate intra-firm knowledge transfer also encouraged inter-firm knowledge transfer. Third, the knowledge bases of both firms were broadly similar in terms of content, which minimized the problems of ‘absorptive capacity’ typically associated with transferring context-specific knowledge. These three firm-specific factors existed within the context of a profession that required all members to be trained in an extensive and codified common body of technical knowledge.

By contrast, the consultants at Sea/Land and Hill/Valley did not share a common body of industry-standard knowledge. At the same time, both the *form* and the *content* of the knowledge bases of the combining firms differed substantially. In both cases individual consultants were highly resistant to attempts to transfer knowledge.

Sea/Land interviewees reported that the knowledge base of the operations consultants in Land already existed in a highly codified form, with detailed procedures for managing projects and designing specific consulting interventions. All staff received formal training in these procedures and were taught the Land ‘language’ which they were required to use with clients and with each other. For example problems were always called ‘issues’ and were expressed in positive rather than negative terms, such as ‘I wish I knew how to . . .’. As one Land interviewee explained:

> In Land, there were some brilliant guys at the top, with a huge pyramid under them of guys who didn’t ask too many questions . . . Land codified its skills because it knew the skills gap between the top and the bottom of the organization was so great.
>
> (Manager, Land)

By contrast, interviewees in the strategy consulting firm, Sea, reported that the knowledge base was predominantly tacit and proprietary to individuals. Whilst the majority of staff possessed a common knowledge of strategy models acquired through their MBA training, the expertise of each consultant differed according to his or her previous career and unique set of past projects. Interviewees reported that knowledge was transferred according to an informal apprenticeship model and there were no established procedures for articulating and disseminating knowledge.

> Sea made very little investment in codifying skills and there was no incentive for an individual to do so. Your value to the organization was derived from your skills. If you codified them, you diminished your personal value.
>
> (Manager, Sea)

Similarly, in Hill/Valley there were fundamental differences in both the form and content of the combining firms' knowledge bases. As one change management consultant at Valley explained:

> We set about transforming our clients' mindsets. There is a kind of magic to what we do with our clients . . . I can't really explain it to you . . . I certainly can't codify it and put it in a manual.
>
> (Consultant, Valley)

Some human resource management consultants at Hill also undertook change management projects, but this 'soft end' of HR consulting (as Hill interviewees often described it) represented only a small proportion of their overall business. The majority of revenue was generated by the 'hard', highly analytical remuneration and job evaluation consulting. According to interviewees, much of this work was relatively routinized, with standardized reports often being produced for multiple clients. Nevertheless, very little time or money was invested in establishing codified procedures. In Winter's (1987) terminology it was 'articulable' but not yet articulated, except in some areas where limited codification had been achieved.

> For some services, such as executive compensation, we have some established methods . . . but for other activities, such as competency profiling . . . we have never got round to it.
>
> (UK Managing Director, Hill)

In Sea/Land and Hill/Valley the senior managers did not develop detailed integration plans and made little attempt to introduce formalized procedures for knowledge sharing. Instead the senior managers encouraged consultants from the combining firms to seek out opportunities to co-operate and to develop 'integrated projects'. They did not define what they meant by 'integrated' projects, beyond the fact that they would involve consultants working alongside each other to offer an extended and interconnected range of services to new and existing clients. By implication, this would require consultants to share technical knowledge with each other in order to explore market opportunities and to present a convincing image of an 'integrated' service to potential clients. However, this process quickly gave rise to considerable problems. Some consultants who made contact with their new colleagues reported very negative experiences. Others chose to avoid their new colleagues altogether. The following comments indicate the extent of the resistance to knowledge sharing throughout both Sea/Land and Hill/Valley.

> *Sea/Land*
> Some Sea people were saying 'The Land people can't understand what I do but anyone can do what they do'.
>
> (Manager, Sea)
>
> We viewed the Sea consultants as intellectual butterflies. What exactly was it that they were doing with their clients?
>
> (Manager, Land)
>
> There was a core of people in Land who were uncomfortable about all these business school types from Sea who didn't seem to understand what was going on in the real world.
>
> (Manager, Land)
>
> *Hill/Valley*
> There are three or four key players in Hill UK. The rest are just a load of techies. We look upon ourselves as strategic architects. The Hill guys are more like plumbers.
>
> (Consultant, Valley)
>
> I come back from integrated project meetings swearing. There are serious questions about who is giving the intellectual lead and what is the intellectual capacity of the Hill people.
>
> (Consultant, Valley)
>
> People at Hill say it is like the emperor's new clothes. Valley's change management offering is just a hologram. It is all smoke and mirrors.
>
> (Consultant, Hill)

How can these attitudes be explained? Differences in the *content* of the knowledge bases provide a partial explanation. It is relatively easy to augment existing knowledge but much harder to learn entirely new skills. This would help to explain why the accountants at Sun/Moon encountered few problems when integrating their knowledge bases, whereas the strategy and operations consultants at Sea/Land and the change management and human resource consultants at Hill/Valley experienced considerable difficulties. This lack of 'absorptive capacity' can explain why consultants found it difficult to transfer knowledge but it does not explain why they resisted it so strongly. A fuller explanation may be derived from understanding how perceived differences in the *form* as well as the content of the knowledge bases influenced individuals' reaction to the process of knowledge transfer.

In both the Sea/Land and Hill/Valley cases, the way in which knowledge was conceptualized in the combining firms differed fundamentally. Whereas interviewees in Sea and Valley emphasized the inherently tacit nature of their knowledge, interviewees in Land and Hill emphasized the more routinized and codified aspects of their knowledge. The comments reported earlier suggest that consultants in Sea and Valley assumed that the codified knowledge of their new colleagues in Land and Hill was simplistic and unsophisticated. At the same time the consultants from Land and Hill appear not to have recognized the legitimacy of the tacit knowledge of their new colleagues in Sea and Valley, dismissing it as insubstantial or unreal. It could be argued that the consultants at Sea/Land and Hill/Valley were unwilling to enter the 'internal market' for knowledge because they did not recognize the value of each other's knowledge. Knowledge transfer could not proceed on the basis of reciprocity because the consultants perceived their own knowledge to be more valuable than that of their new colleagues.

For the purposes of the current study this phenomenon has been termed a *fear of exploitation*. This term reflects the extreme anxiety that individuals appear to experience under the highly stressful conditions of a merger when they perceive that they are being asked to give away valuable knowledge whilst being offered little of value in return. It can be argued that the so-called fear of exploitation is no more than a rational response to information asymmetries. However, an economic-based analysis implies that information asymmetries can be evaluated in an objective and commercial manner, whereas the current study emphasizes the subjective and very personal manner in which individuals evaluate each other's claims to knowledge. This study, therefore, highlights the need to understand the context within which individuals evaluate and legitimize each other's claims to knowledge and the effect that this can have on the functioning of the internal market for knowledge.

Problems arising from contact with each other's clients

So far this article has focused on the internal dynamics of transferring technical knowledge between the firms, identifying the likelihood of individual resistance and offering explanations for it. By introducing the client into the inter-firm dynamics, the process becomes more complex. In order to develop an integrated service offering, or simply in order to cross-sell existing services, professionals need to share knowledge about their clients. They need to identify specific clients who may be interested in their services and to discuss how best to approach them. The current study found that individual professionals were highly resistant to transferring this type of client knowledge, but not for quite the same reasons that they resisted technical knowledge transfer.

Resistance to sharing technical knowledge focused on differing perceptions about the value of each other's knowledge base. In contrast, resistance to sharing client knowledge focused on differences in the perceived corporate image of the combining firms. Alvesson (1993) has emphasized the extent to which a client's perception of the quality of a professional service is inextricably associated with the image presented by the PSF and the individual professional. A high quality, 'upmarket' corporate image will help to build trust between clients and professionals and will make it easier for the firm to charge higher fees. The image of the firm is based on a complex set of factors, including deliberate marketing efforts, cumulative 'word of mouth', and the personal images of the individuals within the firm. In each case in the current study, staff in one of the firms perceived their firm's image to be superior to that of their merger partner.

In the Sea/Land case the strategy consultants at Sea perceived themselves as being more 'upmarket' than the operations consultants at Land. Figures 1 and 2 represent cartoons which managers in both firms developed at a team-building workshop in order to express perceived differences in each other. The cartoons have been annotated with comments made by consultants at the workshop. The Land consultant in Figure 1 is portrayed as middle-aged, badly dressed, performing routinized operations process consulting at a client's office, and only capable of communicating in the prescribed Land 'language'. By contrast, the Sea consultant in Figure 2 is portrayed by Land consultants as an inexperienced yuppie, performing highly analytical and seemingly intellectual work from the security of his comfortable office.

Similar discrepancies were observed in the Hill/Valley case. Staff in Valley described the external image of their firm as 'innovative' and 'classy'. They complained that staff at Hill were 'dreary' and 'lacking in polish'. These perceived differences in corporate image were manifested in the different buildings that the two firms occupied. Valley was based in an elegant 18th century townhouse in London, close to the Houses of Parliament and Buckingham Palace and overlooking St James's Park. By contrast,

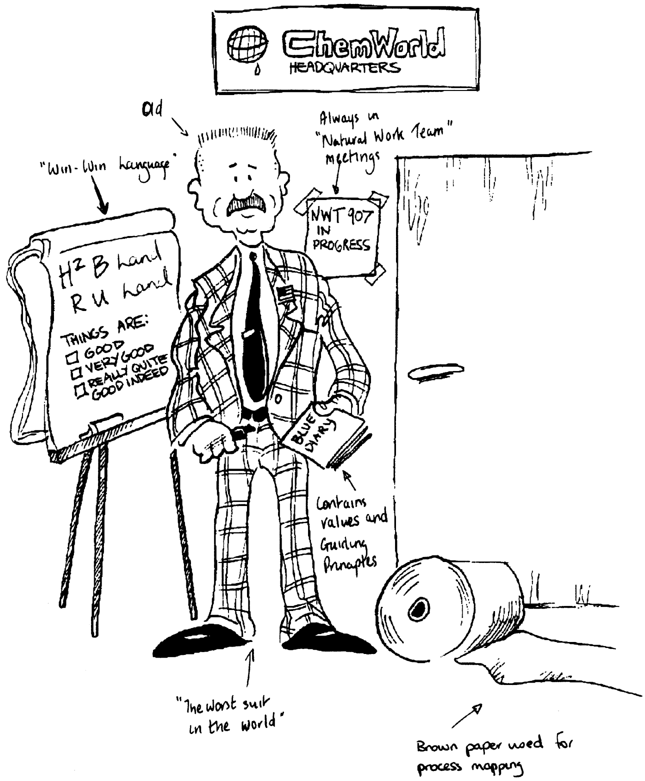

Figure 1 A 'typical' Land manager as seen by the Sea managers

Hill's London office was in an unrefurbished 1970s office block, shared with other firms, located close to London's main mass-market shopping district.

In the Sun/Moon case, the accountants at Sun perceived their image to be 'young', 'dynamic', 'successful', 'the brightest and the best'. One interviewee described Sun's corporate image as 'like a tiger, sleek and strong, and rather threatening'. By contrast, Moon staff used more modest language when referring to themselves:

> The average intellectual content of any of us is not enormous, but we are solid and polite . . . we are jolly nice people and we know how to use a knife and fork.
>
> (Partner, Moon)

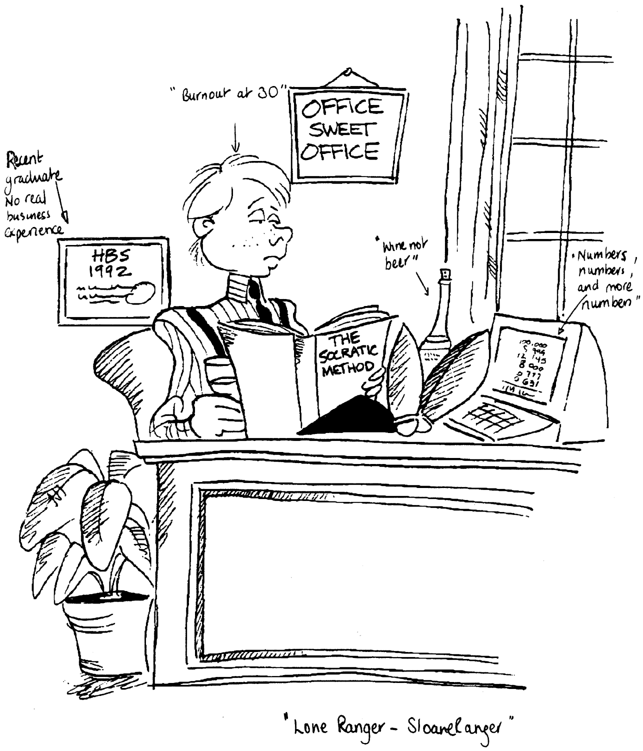

Figure 2 A 'typical' Sea manager as seen by the Land managers

Moon staff were keen to adopt the brand image, but staff at Sun were anxious about this development.

> We are concerned about the impact they may have on our brand image. When they walk through the door they don't look the way that clients are expecting a Sun partner to look. They are older and dress differently. They aren't stupid. They can do good work for clients. But they don't look right.
>
> (Partner, Sun)

In the Sun/Moon case this concern did not cause serious problems, as client-sharing was not a major objective. However, in the context of Sea/Land and Hill/Valley, where consultants were expected to share knowledge about clients, consultants in the supposedly more 'upmarket' firms of Sea and Valley expressed considerable resistance.

> Some Sea people are saying – who are these hairy arsed guys? Is my reputation as an elite strategy consultant going to be sullied by contact with these labourers?
>
> (Manager, Sea)

> Land is the McDonalds of Consulting . . . what are my clients going to make of them?
>
> (Manager, Sea)

> We (have) an extremely classy, sexy reputation. I just feel tainted by having anything to do with (Hill).
>
> (Consultant, Valley – quoted more fully at start of article)

> We've had to convert our logo to conform with Hill's. Our previous logo was classy. The new one is naff, brassy, it lacks style, it's unimaginative and uncreative . . . it makes us look like a firm that manufactures recycled lavatory paper.
>
> (Consultant, Valley)

The commercial logic behind these extreme reactions appears clear; association with a 'downmarket' colleague may have a direct impact on the fee rate a professional is able to command. At an individual level Alvesson (1993) has shown how the personal image of a professional is integral to the clients' perceived value of the service he or she is offering. At an organizational level, Nayar (1993) has highlighted the costs associated with 'image contamination' in the context of experience and credence-based services. Professionals therefore risk diminishing the perceived value of their service offering if they allow their image to be called into question by association with apparently 'downmarket' colleagues. The reaction of the professionals in the current study can, therefore, be called a *fear of contamination*. However, this explanation is not sufficient in the context of the current study; in both Sea/Land and Hill/Valley, the fee rates of the combining firms and the salaries paid to the professionals were broadly similar. This suggests that a full explanation may lie beyond purely commercial considerations.

Various writers, such as Albert and Whetten (1985) and Hatch and Schulz (1998) have highlighted the close relationship that can exist between organizational identity and an individual's self-concept. Changes to that organizational identity, for example as a result of a merger, can prove highly threatening at an individual level (Ashforth & Mael, 1996; Dutton et al., 1994). The problem may be particularly acute in PSFs because the images of the firm and the individual professional are so closely associated with the client's perception of the quality of the service. Consequently, while professionals may articulate their fear of contamination in terms of the negative impact on clients' perceptions, their concerns may also derive from a more fundamental anxiety about their sense of self worth. Alvesson (2001) argues that:

> . . . despite the comparatively high status of knowledge workers, their self esteem is particularly difficult to safeguard in an ambiguous and fluid world . . . (as the) unpredictable, relationship-dependent and fluctuating character of this kind of work makes it difficult to accomplish and sustain a stable, steady, growing feeling of competence and respect. (this issue)

In this context, therefore, visiting a client with an 'inappropriate' colleague potentially threatens an individual's self image, as well as his or her potential fee income. The fear of contamination can only be fully explained by bringing together both the individual and the organizational level of analysis. As with the fear of exploitation, the fear of contamination combines objective and commercial concerns with highly subjective and personal considerations.

Summary and conclusions

Previous studies have emphasized how the characteristics of the knowledge base and the organizational context can either facilitate or impede the knowledge transfer process. This article has argued that such perspectives present only a partial explanation. In order to develop a richer and more subtle understanding of how impediments to knowledge transfer can arise, it is necessary to understand the role that individuals play in the knowledge transfer process, in articulating and legitimizing the knowledge base and in shaping and interpreting the organizational context.

The current study found that, in the context of PSF mergers, individuals will resist knowledge transfer when they perceive fundamental differences in the form of the knowledge base and the organizational image of the combining firms. These perceived differences give rise to what has been termed the twin fears of exploitation and contamination. The twin fears can be attributed to a complex combination of factors which encompass both organizational and individual, commercial and personal, and objective and subjective factors. These twin fears can be understood in terms of two alternative perspectives on knowledge in organizations, that of 'knowledge as an asset' and 'knowing as a process' (see Introduction to this Special Issue for a detailed description of these alternative perspectives, Empson, 2001).

The fear of exploitation appears to support the economics-based perspective on knowledge as an asset, with its emphasis on the internal market as a mechanism for knowledge transmission. In the stressful post-merger environment, individuals will only share their technical knowledge with their new colleagues if they value the knowledge they are offered in return. This perspective implies that individuals evaluate the costs and benefits associated with exchanging knowledge with their merger partner colleagues in a highly objective and commercial manner.

However, the current study suggests that such assumptions are somewhat simplistic. Whilst professionals may cite apparently objective, commercial, organizational concerns to justify their resistance to knowledge transfer, their anxiety may also reflect highly subjective, personal, individual concerns. Such behaviours are best understood in the context of the 'knowing as a process' perspective on knowledge transfer, where knowledge is constructed, disseminated and legitimated through an ongoing process of interaction among individuals.

The study demonstrates that perceptions of the relative value of knowledge are determined by *differences* in the form rather than simply the form or content of the knowledge as has been assumed in previous studies. Individuals with a predominantly tacit knowledge base placed less value on the codified knowledge of their new colleagues; this is consistent with the belief that tacit knowledge represents a more important source of competitive advantage (Grant & Spender, 1996; Nonaka & Takeuchi, 1995). More surprising is the finding that individuals with the relatively codified knowledge base also placed little value on the tacit knowledge of their new colleagues. This emphasizes the extent to which the value and legitimacy of knowledge within organizations are shaped by highly subjective considerations.

As with the fear of exploitation, the fear of contamination combines both objective–commercial–organizational factors with subjective–personal–individual factors. The fear of contamination stems from the perceived differences in the quality of the image of the combining firms, with professionals from the supposedly 'upmarket' firms being unwilling to share client knowledge and client relationships with their new colleagues from the supposedly 'downmarket' firms. This behaviour can be justified objectively from a commercial and organizational perspective. Association with an inappropriate colleague may give rise to brand contamination and have a deleterious effect on fee rates. But the intensity of the negative response appears to derive from more subjective, personal, and individual concerns.

The current study suggests that a professional's personal image both shapes and is shaped by the corporate image of his or her employing organization. As a result, an apparently innocuous request from a new colleague to meet an existing client may represent a threat to a professional's self image. This suggests that the 'knowledge as an asset' perspective will yield only limited insight into transfers of client-based knowledge. To understand the complex set of factors which govern an individual's reactions to attempts to transfer such knowledge, it is important to understand the 'process of knowing' by which such knowledge comes to be constructed and legitimated within organizations, and how the individual both shapes and is shaped by this process.

This study has important implications both at a managerial and theoretical level. For managers of merging PSFs, it emphasizes the need to be cautious about the opportunities to create value from transferring technical and client knowledge between combining firms. It highlights the importance of understanding differences in both the form and content of the firm's knowledge bases, as well as the pre-existing mechanisms for sharing knowledge within firms. It also emphasizes the need to look beyond differences in the client bases to understand the differences in how clients perceive the merging firms and how the professionals within the firms wish to perceive themselves. Analysing the extent of these differences requires considerable introspection on the part of both firms, as well as considerable insight into the potential merger partner.

At a theoretical level, the study raises various questions which pose interesting issues for future research. Can the relative ease of knowledge transfer between the accounting firms, compared to the consulting firms in the current study, be attributed entirely to the fact that their knowledge bases were similar and highly codified? Perhaps some of the difficulties experienced by the consulting firms reflect the fact that they are members of an emergent profession, without an established and externally legitimized sectoral knowledge base. In this context, perceived image may be all the more important in order to establish and maintain claims to legitimacy. Attempts to transfer knowledge between firms in any emergent profession may always be problematic, regardless of the underlying differences in the form and content of the knowledge base and in the differences the firms seek to project in the market place. More generally, the study raises important questions about the relationship between the form of knowledge and external image of PSFs. To what extent will attempts to increase leverage through codification inevitably drive the PSF's image downmarket? Is this tension easier to resolve in established professions than emergent professions? All of these issues represent intriguing topics for future research.

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Notes

1 The single term 'merger' is used here to represent both mergers and acquisitions, consistent with the practice in PSFs. Both terms are used in this article when seeking to distinguish between these forms of transactions.

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