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Psychological Contract and Knowledge Management Mediated by Cultural Dynamics

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Abstract: Contact centres represents critical component in the value chain through their differentiating role in service delivery. The vitality is assessed in terms of performance and global service quality that is brought into sharp focus if the centre is outsourced because of the impact of the strategic behaviour of the principal and its relation with its agents. The association of employees with the brand in outsourced operation is not as effective as in captive operations partly because communications from principal to agent are attenuated. Emotional connectivity, diagnostic skill set, requirement gathering, and knowledge are some of the most sensitive qualities required in agents working in the contact centres. These characteristics differ in an in-house and outsourced operation which further reflects the psychological contract between service providers and employees. In addition, the employees are unlikely to achieve any rewards and are unable to offer any commitments to the customer in an outsourced operation because of cost obvious reasons and hence, the "psychological contract" is breached. One of the consequences of this breach is on knowledge management. The knowledge of an employee regarding the products and services attrite with that employee's attrition. Employees' then have little interest towards customer service and organizational welfare, which impacts on the customer centric goals of the principal. We argue that the psychological contract between the employer and an employee has positive influence on Knowledge Diffusion, which further contributes to the overall organizational effectiveness. This paper aims to investigate, as a pilot study, the elements of organisational culture and secondly its role in the diffusion of knowledge in contact centres, in-house and outsourced. We demonstrate how by deploying a blend of qualitative methods, it is possible to perceive the effect of each element of the cultural web on diffusion. Finally we propose a hypothesis of the role that Power Distance can play, as a proxy for the Psychological Contract to leverage knowledge diffusion.

Keywords: Knowledge Diffusion, Power Distance, Contact Centres, Cultural web, Force Field, Psychological Contract.

1. Background

In the era of globalization, contact centres have been appreciated in abundance, holding a critical service delivery value for businesses worldwide. It possesses a high value in markets such as telecommunications, utilities, and entertainment, where the appreciation of products and its servicing are interweaved towards the success of the service provider. However, they are depreciated in terms of the operations management and the culture it perpetuates since the genesis of its kind. Ramesh and Kasturi (2006:138) have quoted various keywords used to describe contact centres in the past, some of which are, "Taylorism", "mental assembly lines", "emotional labour", "blue-collar work" and define the scientific management approaches deployed in contact centres. Of all, "Taylorism" is the most interesting theory that mirrors contact centre operations to no less than production units in the past (Taylor and Bain, 1999). Peaucelle (2000) upgraded this theory to "Post-Taylorism" that includes quality and flexibility as additional objectives to the traditional "Taylorism", proposed by F. W. Taylor in 1972. Almost every contact centre reflect a Post-Taylorian behaviour till date, however sustains the bureaucracy in the environment.

With this, we aim to assess contact centres on the folds of knowledge management. Contact centres are considered to be an area of high information exchange where employees act as knowledge receptors internally, and knowledge dispensers to the customers. However, the mechanism of knowledge processing and management is highly faded in the 'Post-Taylorian' environments, whereas the preliminary motives of contact centres still reflect information delivery as their purpose of existence (Houlihan, 2002). The fostering of knowledge in an organization is highly dependent on the organizational culture and the individuals' behaviour within that culture. Both of the attributes mould the psychological contract of employees with their super-ordinates in a particular setting. As defined by Rousseau (1995), "*Psychological Contracts are beliefs that individual hold regarding the terms and conditions of the reciprocal exchange between themselves and the employer*". This implies that the high levels of reciprocity and fulfilment of commitments at both the sides, that is employer and employee, indicates positive psychological contracts between the two parties. However, psychological

contracts are characterised by socio-exchange theory (Blau, 1964) and norms of reciprocity (Gouldner, 1960) which further determines the build of psychological contract. It is also suggested by Rousseau (2004) that organizations that desire to inculcate knowledge sharing practices and learning within the organization must *"formulate psychological contracts that establish trust between the parties and promote employee obligations to share knowledge"*.

Another aspect of this paper is to explore the cultural factors in contact centres that influences the individual's behaviour and hence, the overall epistemic environment in question. This is done by a ethnographic analysis of two contact centres, one being in-house and the other outsourced. The aim of this research is to identify a construct between Psychological Contract and Knowledge Sharing considering the domain specific cultural dynamics, by examining the impact each element of the Cultural web (Johnson, 1992) would have on diffusion. A force field diagram is used as a vehicle for this analysis.

From this empirical work we suggest that knowledge management in this domain is affected by specific power distance (Hofstede, 1980) that resides in the organisation. However, to fully appreciate the effect of power distance on organisational effectiveness, it is necessary to consider that power distance will be attenuated or amplified by organisational culture. Using this concept as a proxy for the psychological contract, we show the dependence of knowledge management on such forces.

2. Knowledge Management

The process of learning and managing knowledge in an organization has been of keen interest to the researchers for a while now. Scholars and Practitioners have conceptualized many theories and models that aids us in organizing the learning and accumulating the knowledge of it. Triggered by an exponential development in Information Technology, firms have begun *"to realize the shift from the resource economy of controlling land, machines, factories, raw materials and labour forces to the knowledge economy of creating business value through the utilization of intangible knowledge"* (Yeh, Lai, and Ho, 2006).

However, Knowledge Management has been misunderstood by emphasizing Information Technology over other dimensions that enables effective Knowledge Management in any organization. A firm may manage knowledge strategically to acquire, create, store, share, diffuse, develop, and deploy knowledge by individuals and groups (Demarest, 1997); (Rowley, 2001); (Soliman and Spooner, 2000) or it may just embrace technology oriented databases that consolidates 'know-what' activities. What Knowledge Management means to a company is highly specific to the perspective of individuals towards Knowledge within that company. Knowledge Management can be defined in many ways, and surprisingly, each of them may be righteously concrete to the contextual considerations of the sector where it is to be applied. In our case, we adopt the definition of Ruggles (1998) which is as follows:
"KM is an approach to adding or creating value by more actively leveraging the know-how, experience, and judgement resident within, and, in many cases, outside of the organization".

Yeh, Lai and, Ho (2006) identifies four key knowledge management enablers, namely, Corporate Culture, People, Information Technology and, Strategy and Leadership, that have an interrelationship and that all the enablers are dependent on each other so as to contribute to the overall Organizational effectiveness in terms of Knowledge Management. People are at the core to knowledge creation and sharing in any organization and that builds the preliminary foundation of learning process. Information Technology facilitates the sharing and storing of knowledge whereas Corporate Culture inculcates the roots of knowledge sharing and learning in an organization, which is further governed by the strategic and leadership motives of the 'apex' in the organization. We further synthesize this as a Gear representation (See Figure 1).

Figure 1 underpins that if organizational or corporate culture refers to shared assumptions, values, and norms (Schein, 1985), then it is the leadership that has those assumptions and values dispensed to the people in that organization. Information Technology drives the Corporate Culture from a KM perspective, which further enables people to leverage the Knowledge Management effectively. However, people are closest drivers to Knowledge Management.

It has been deduced that Knowledge Management in contact centres are at low levels, because of the drive for efficiency and productivity within the operational culture. Whilst Blackler et al. (1993), points out the shift of contact centres' from 'routine' to 'knowledge' based orientation, managers still

emphasize on efficiency and productivity targets (Singh, 2000) that erodes employee well being, as a result of continuous surveillance by management over employees (Wallace et al., 2000). As a result, they are prone to traditional quantity versus quality dilemma, thus diminishing the 'service climate' (Little and Dean, 2006) or service culture in contact centres. Knowledge becomes a passive component in contact centres, and hence, the learning process, which is critical for better customer service. This demands an inquiry in today's contact centres, where the sole purpose of customer service operations to deliver information is lost.

Figure 1: Synthesis of Knowledge Management Enablers in Organization.

3. Psychological Contract

A Psychological contract comprises subjective beliefs regarding an exchange of time and consequently commitment to an employer in return for remuneration. *"It refers to the unwritten elements of the exchange relationship between an employee and the organization and includes an employee's beliefs about the organization's obligations toward him or her"* (Rousseau, 1995)*.* In other words, it is the employer-employee relationship governed by the social exchange and norms of reciprocity (Conway & Briner, 2005).

Contact Centres have prescribed work roles which are critical to the success of service delivery and are characterised by the level of commitment, which may not be explicitly mentioned but is expected out of employee. In terms of psychological contract, the obligations of the employee include but areas not limited to: diligent discharge of duties; honesty; loyalty. The remuneration includes: money wages; security; fair treatment; and possible career advancement (Rousseau 1995). The success or failure of organization meeting its obligations towards employees is influential in engaging employees towards organizational effectiveness. The meeting of obligations on both sides has a positive impact on employees' attitude towards their operational and strategic contribution and more importantly, the zeal to add value to the offerings to the customer, which Blancero, Johnson, and Lakshman (1995) terms as "Organizational Citizenship Behaviour (OCB)".

However, scientific management, along with bureaucracy triggers "Taylorization" of work, as inferred by Taylor and Bain (1999), which further enforces stress on employees and diminishes control over job (Taylor et al., 2003). The principles of Taylorization of "white-collar information work" (Russell, 2008) continue to this day in some call centres characterised by explicit set procedures, where little or no discretion is given to the agent.

It is also argued that *"Employee satisfaction is an important factor in determining service quality"* (Zeithaml et al., 1990), which means successful psychological contract between employer and an employee. It implies that a three tier relationship exists between employer, employee and customer (Blancero, Johnson, and Lakshman, 1995). The psychological contract between employer and employee has a proportionate influence on the psychological contract between employee and customers. This can be deduced further from Organ (1990) who suggested that, "employees who perceive a good faith relationship with their employer are more likely to "go the extra mile" in providing customer service", thereby fulfilling the customer satisfaction, which is key to successful service delivery. However, what happens when the contracts are breached? When the employer breaks the

trust and relationship unknowingly or knowingly, counter-productive work behaviour is observed (Jensen et *al.,* 2009:555). It is our contention that this is where the psychological contact impacts knowledge management.

4. Research Methodology

This research is exploratory and qualitative in nature. Einstein (1879-1955) once said, *"Not everything that can be counted counts, and not everything that counts can be counted".* Clearly, there are some research areas where success is probable through qualitative approaches. Bryman (1984) leverages qualitative over quantitative research by claiming that, the former distinguishes itself from the latter, by its basic feature to allow the observer to view the social world 'from the point of view of the actor' (For example, phenomenological approach that takes the actor's lived experience as data for further analysis). It focuses on the understanding or *Verstehen* of the phenomenon (Taylor and Bogdan, 1984), which is challenging in Quantitative approach, because of its coherency with confined experimental design and analysis that focuses more on 'social facts' than 'reality' (Firestone, 1987).

The objective is to examine the contact centre environment from a cultural perspective and identify the factors that distinguish an outsourced operation from in-house operations. This study emerges from a recent phenomenological inquiry conducted by Parikh and Walton (2011) on 'Firm Z', an in-house contact centre, which consolidated the lived experiences of working in outsourced contact centres before and what motivated them to develop what Firm Z is now from an operational and cultural perspective. During this study, it was essential to identify the social facts that restrict the middle line managers and strategic apex to improvise the culture so as to attenuate the traditional scientific orientation of contact centres. However, the previous study had just emphasised that *there are* problems. The cause of the problems and symptoms may be specific, which in our case, is contextual to Knowledge Management and hence, the rationale to deviate from phenomenological inquiry. With our previous research using phenomenology (Husserl and Gibson, 1962), it was interesting to know that the participants were willing to share their lived experience. However, to understand the dynamic role of culture, one has to be a part of it. With our combined experience of working in contact centres, it was realized that it was arguably appropriate to take an ethnographic stance.

The primary researcher holds over five years of cross-national experience as a practitioner in customer service operations. Also, the co-author of this paper holds a customer service experience in the early 1980s. It has been observed by both, that contact centres have emerged by leaps and bounds in the way they operate and high levels of scientific management. This has, however, begun to change in in-house centres, considering that many contact centres are being called back in countries like the United Kingdom, because of inconsistency in the focus on service climate by the service providers. Considering this, this study may be defined as *'retrospective ethnography'* partly.

Also, in this case, *"Contextual Inquiry"*, works best to explore as to what values does individuals hold and what attributes they have, which are quite implicit in daily operational activities, They hold critical set of beliefs and attitudes towards an organization and their expectations. The observations reflect obligations and expectations of employees towards their employer, which further depict the response of employer. The best characteristic of contextual inquiry is that it concentrates on *"learning than testing"* which is ultimate aim of this research (Pink et al., 2010).

5. Research Setting and Data Collection

Data Collection in an ethnographic study, with a qualitative dimension to it, is complex because of large sample size and predefining numbers in cross cultural studies confines the variety of data that may emerge. Firm X is an outsourced contact centre offering customer services for telecom products such as, mobile phones, broadband, and home phones. The operations hold around 400 employees distributed among customer services, sales and customer retention department. This contact centre, as compared with literature, is a pure example of 'Post-Taylorism' or scientific management, where employees are monitored and surveillance is high in terms of performance measurement. Bureaucracy prevails in the environment and high power structures detach the middle line from operating core. The employer believes in 'sacrificial human resource strategy' to manage the efficiency/service conflict (Wallace et al., 2000:178). The pressure on employees at job is highly apparent and ambitions diminished, displaying burn out effects (Aksin et al., 2007).

On the other side, Firm Z is a differentiated in-house contact centre operation that believes in employee well-being as their key competency to successful service delivery. In contrast to Firm X, Firm Z takes pride in displaying a climate of service quality as the preliminary objective, above the number driven targets. The structure is flat spanning a total of 500 employees including customer service agents, team leaders, operation managers, training leaders and the head of operations. This centre aims at diversifying the traditional scientific approach to management. For example, they do not aim at achieving targets like Average Handling Time, After Call Time, Hold Time and, outbound calling time of employees. Communication is encouraged at intra and inter-team level.

To test the hypothesis, we propose a comparative approach and aim to analyse the characteristics of two organizations. Firm X was an outsourced operation; firm Z was a *hosted* contact centre. Both firms were located in the UK. Data was collected from focus groups conducted for earlier (Parikh and Walton 2011), as well as observations collected using reverse ethnography (Bryman, 1988).

With phenomenology, the experience of individuals at middle line and strategic apex were recorded and transcribed. The results were quite evident in accordance with the cultural difference observed in two kinds of operational strategy. Therefore, cultural dynamics the cultural web was used (Johnson 1992). Further, power distance in contact centres governs the retaliation of psychological contracts between the employer and employee and hence, power distance is a vector to measure the cultural impact on the effectiveness of positive psychological contracts aiding in Knowledge Diffusion.

Thereafter, the elements from the cultural web were extracted and incorporated in a force field diagram on the abscissa axis. The ordinate was the degree of diffusion. Each element was coded and graded as promoting knowledge diffusion, restraining or neutral. In addition each force was given a magnitude of 1, 2 or 3 reflecting the strength of the force. They are of course vectors.

6. Findings and Analysis

The findings of the inquiry are presented in the Table 1 below, which is a cultural analysis of Firm X and Firm Z. The observations made in two contact centres are categorized under seven attributes for each of them.

Table I: Cultural Analysis of Firm X (Outsourced) and Firm Z (In-House).

Attributes	Cultural Characteristics of Firm X	Cultural Characteristics of Firm Z
Stories: Told by members of the organisation to each other, to outsiders, to new recruits and so on, embed the present in its organisational history and flag up important events and personalities, as well as deviations from the norm.	▪ 'Hire and Fire' strategy (XS1). ▪ All Work No Play (XS2). ▪ Efficiency is the key to Rewards (XS3).	▪ Internal Job Marketing encouraged (ZS1). ▪ Work Hard, Play Harder (ZS2). ▪ Customer Satisfaction is the key (ZS3).
Rituals: "The way we do things around here" and signal what is especially valued.	▪ Performance based Rewards (XR1). ▪ Social Communities are diminished (XR2).	▪ Customer Satisfaction based Rewards (ZR1). ▪ Prime example of Communities of Practice (ZR2).
Control Systems: Measurements and reward systems that monitor.	▪ Post-Taylorism/Scientific Management (XC1). ▪ Very rare Organizational Citizenship Behaviour (OCB) (XC2).	▪ Non-Taylorian Environment (ZC1). ▪ People are brand ambassadors (ZC2).

Attributes	Cultural Characteristics of Firm X	Cultural Characteristics of Firm Z
Organizational Culture: The more informal ways in which the organisations work are likely to reflect power structures and, again, and delineateimportant relationships.	▪ Machine/Hierarchical (XO1). ▪ Supplier-Vendor relationship (XO2).	▪ Professional Bureaucratic/Flat (ZO1). ▪ Customer Relationship Strategy (ZO2).
Power Structure: Associated with the key constructs of the paradigm. The most powerful managerial groupings are likely to be the ones most associated with core assumptions and beliefs about what is important.	▪ Power is transactional and apparent (XP1). ▪ Command and Control (XP2).	▪ Power is relational (ZP1). ▪ High degree of freedom observed (ZP2).
Symbols: Aspects of organisations such as logos, offices, cars and titles; or the type of language and terminology commonly used: these symbols representation of the nature of the organisation.	▪ No Symbolic Value of Service Provider (XSY1). ▪ Ambiguous Brand Reputation (XSY2).	▪ Symbolic Value highlights Values in employees (ZSY1). ▪ Brand unites People (ZSY2).
Paradigm: Set of assumptions about the organisation which is held in common and taken for granted in the organisation.	**High Power Distance**	**Low Power Distance**

The activities in a contact centre are a service business not a product business. This is true even if, as a consequence of the interaction, some hardware is sold. But the reason for the interaction is the *service* that the agent provides. This is why, for example it is possible to buy books, electronic devices and other items without operator intervention. Amazon is a prime exemplar of a product based business.

This paper argues that in contact centres, two of the principal determinants of knowledge diffusion are power distance and the psychological contract. Therefore, it is essential to develop a construct between the Psychological Contract and Knowledge Diffusion with Power Distance mediating the influence in a domain specific culture. Cultural characteristics, structures, and behaviour of individuals within a particular environment contribute to the formulation of Psychological Contract between two parties, namely an employee and an employer. The way people behave in a certain work culture and respond to their superiors in organization is very relative and challenging to identify those behaviours in a cross-cultural context.

Ultimately, Culture, as defined by Hoebel (1960), *"is the integral sum total of learned behavioural traits, which are manifested and shared by members of a society"*. This implies that when Rousseau (1995) defines Psychological Contracts as "mental models", "individual beliefs" or "schemata", these are emergence from what we broadly term as "Culture", or a setting in which those objects and facts are available so as to form mental models, beliefs or, relationship between the objects and facts. In our case, such cultural perceptions build different types of psychological contracts (Please refer Figure 2), that further define the organizational structure and power structure attributes in any setting. An organization may leverage or restrict information exchange and it may be an unknown intention to fall into one of the three or multiple categories of psychological contract at any given time or situation.

Transactional Model
▪ Mass production approach. ▪ Maximize volume and minimize cost. ▪ Brief interactions on the call. ▪ No relationship building between employee and customer.
Relational Model
▪ Flexible approach. ▪ High Commitment towards service quality. ▪ Specialized skills environment. ▪ Customer relationship management strategy.
Hybrid/Balanced Model
▪ Moderate levels of commitment and service quality. ▪ Balanced customer relationship. ▪ Moderate Scientific Management. ▪ Balance of skills and Emotional Intelligence.

Figure 2: Types of Psychological Contract proposed by Strandberg and Dalin (2010).

Whether it is the culture that influences the psychological contract or it is the type of psychological contract that defines the culture has always been debatable. Moreover neither of the arguments may be proven incorrect. In Figure 2, there are three types psychological contracts described, that can be formulated between an employer and an employee. The degree of cultural influence on each type of formulation has never been vectored in the past, which is the aim of this paper. The two extreme types, namely, Transactional and Relational Psychological Contract, are easier to be described and formulated. However, the third type, that is, the Hybrid/Balanced Psychological Contract is fuzzy. To give this a cultural dimension, we propose the application of Power Distance, conceptualized by Hofstede (1980). According to him, "*Power Distance is a measure of the interpersonal power or influence between the boss and subordinate as perceived by the less powerful of the two*". Power Distance indirectly refers to the relationship between a supervisor and an employee. It may seems contradictory to use Power Distance as a cultural dimension for Psychological Contract, as the former may just define the relationship between the two individuals, where as Psychological Contract refers to employer-employee relationship. However, this forms an argument as, for employee his boss is the face of an employer. Also, we compare the characteristics of the two extreme types of Psychological contract to the Power-Distance features.
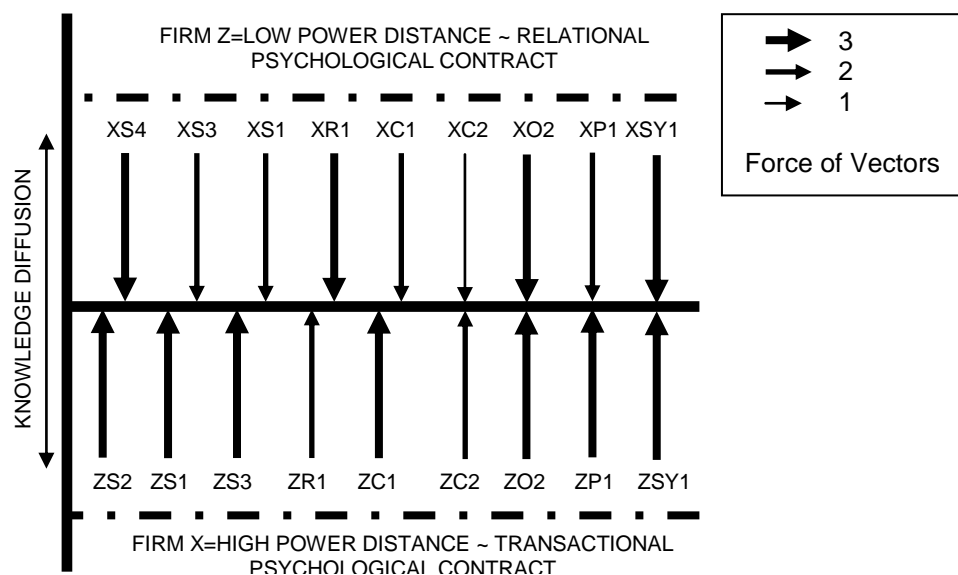

Figure 3: Influence of Cultural Forces on Psychological Contract.

Figure 3 consolidates the three dimensions into consideration. Firstly, the cultural factors represented in Table I have been labelled for convenience so as to feed them into the Force Field Diagram (Figure 3) proposed by Lewin (1951).The effect of each identified force has been categorised as promoting

restraining or neutral on its effect on knowledge diffusion from such analysis suitable elements form the cultural web could be optimised by the managers of the systems. These forces have been given weights, from the analysis. The force may have different weight in any other contact centre and hence, Figure 3 is case specific.

Also, it is interesting to see that certain forces are in binary opposition, which may cancel each other. Positive forces, being greater in sum than Restraining forces, shift the equilibrium higher, implying that Knowledge diffusion is higher in Firm Z. Such preliminary analysis will enable us to prepare instrument for deep down research, which is the next goal of this research. It is easy to criticize the value of this analysis; however, it is also a challenge to quantify culture. Also, culture is very difficult to mediate, which is why Hofstede's (1980) work has stood the test of time. The national characteristics have remained remarkably invariant over decades since his work was begun.

In contact centres, where Power Distance is high, employees have limited communication with their superiors and with their customers because of scientific management of performance, and a cost reductionist strategy is deployed. The employees have limited discretion and decision-making power on job, and hence, employees feel detached from the organization as a whole. However, where Power Distance is low, the relationship between employee and his boss is quite lucid and transparent. Superiors encourage participation of employees and are offered higher degrees of freedom with an intention to groom the subordinates for growth and development. Employees, on the other side, feel for the organization and express concern towards the satisfaction of the customer and 'going extra mile' for customer (Mead, 1998:36).

With this, it is also inferred that Power Distance influences Knowledge Sharing in contact centres. Bollinger and Smith (2001) suggest that for effective Knowledge Sharing, there should be a level of trust and commitment from the employee, which is a result of an effective communication and transparency between employer and employee. A higher degree of command and control, which is observed in a High Power Distance setting, restricts communication and hence, inhibits Knowledge Sharing. Also, as proposed by Khatri (2009), in a high power distance setting, job specializations implies routine work and narrowing of skills, which decreases dependency on employees and hence, commitment is not expected. However, this cracks the loyalty of an employee towards the employer and ultimately, the relation in high Power Distance environment is that of economic exchange than socio-exchange and therefore, diminished participation in Knowledge Management. With the above interpretations and analysis, we propose the following:

Proposition 1a: A High Power Distance setting contact centre aims to formulate a Transactional Psychological Contract.

Proposition 1b: A Transactional Psychological Contract inhibits Knowledge Sharing in contact centres.

Proposition 2a: A Low Power Distance setting contact centre aims to formulate a Relational Psychological Contract.

Proposition 2b: A Relational Psychological Contract leverages Knowledge Sharing in contact centres.

As stated, contact centres may exhibit transaction or relational psychological contracts with employees. However, a very low profile power structure may undermine the need to control and manage the centre. Jobs at contact centre are more of independent working jobs, where agents may restrain from handling a certain volume of calls that may achieve an optimum productivity. Also, disciplinary issues emerge if employees are free to behave in 'their own way'. This negates a relational psychological contract between agents and the firm. A transactional contract diminishes knowledge diffusion and hence, the strategic apex is recommended to embrace a balanced psychological contract embedding moderate levels of commitment and expectations towards organizational welfare.

7. Conclusion and Further Research

We hypothesise and conclude that if the managers adjust the level of power distance they can influence the rate of knowledge diffusion and the power distance is defined by the sum of many cultural characteristics that are closely interlinked with psychological contract and knowledge diffusion. This study allowed a simpler but more direct instrument to be developed and deployed. As the drive for value and customer satisfaction becomes a feature of modern service provision, the need

to realise the benefits that knowledge assets can provide, becomes more urgent. Contact centres are emerging as examples of information intensive environments that will require sophisticated knowledge management. The may be a tension between the achievement of the *individual* of the agent and the *collective* performance of the centre. This is because of reward mechanisms that may cause knowledge hoarding strategies at the individual level at the expense of the achievement of corporate objectives. This problem is not confined to contact centres but it may the first articulation of this barrier in a widespread commercial barrier.

As technology advances more and more, the less intensive applications will be automated. The services that remain will be furnished by systems that exhibit high levels of knowledge management, with agents connected to many heterogeneous networks. Intellectual capital has been defined as being the sum of structural capital and human capital. Human capital is enhanced by learning and exposure to new and novel ways of problem solving. Reward mechanisms therefore need to be put in place so that employees who develop intellectual capital see a tangible benefit. This process may be more complicated than it might appear. There will be some employees that enable individual and group learning, but do not reap the direct benefits of greater sales. In a similar way, new ways of addressing customer concerns may be developed, but the individual may not gain directly. This contribution to knowledge in action has to be taken seriously. At the present time the valuation of knowledge assets is far from clear. Yet the contribution of knowledge in action to collective action and corporate success has been demonstrated.

With the above findings, it was realized that cultural aspects of organization should be aligned closely with that of the customers that the firm seeks to serve. The propositions may be used to quantify the degree of power distance that influences knowledge diffusion, using traditional instruments like questionnaires and surveys. As culture is specific, so is Power Distance, which is why we suggest that a *Domain Specific Power Distance* instrument be prepared. The challenge remains though as to how to identify the factors drive or restrain the organizational effectiveness. The identification of exactly what requirements of the customers really are in a knowledge based economy is a question that still remains unanswered.

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