



***THE UTOPIA OF COMMUNITIES: AN  
ETHNOGRAPHIC ACCOUNT OF THE RISE AND FALL  
OF BUSINESS COMMUNITIES***

**Theme:** The Social Processes of OL and KM

**Brohm, Rene**

Vrije Universiteit Amsterdam

**Huysman, Marleen**

Vrije Universiteit Amsterdam

**Contact author:** Brohm, Rene  
Vrije Universiteit Amsterdam

**E-mail:** RBROHM@FEWEB.VU.NL

## Introduction

The term community of practice was coined to refer to the community that acts as a living curriculum for the apprentice (Lave and Wenger 1991). After that researchers started to see these communities everywhere, even when no formal apprenticeship system existed. The notion of community was quickly adopted in the world of business predominantly because of the positive connotation the concept offers. In fact it is still extremely hard to find opponents to the concept.

After a decade of enthusiasm towards CoP's role in promoting organizational learning, it might be time to become more critical about this mutual relationship. In fact, we believe that much of this enthusiasm is based on a utopian view of CoP's as being romantic units of consensus, collectivism and harmony. This communitarian view is at least problematic when used within strategic business environments in which political and economic motives are dominant.

A possible reason why this communitarian perspective has not yet been confronted with serious criticism might be the lack of in-depth long-term studies on business communities. Although various well-known ethnographic studies on communities do exist, its evolution within business environment over years has to our knowledge not given serious research attention. This paper can be seen as a first attempt to fill this gap. In this paper we present a longitudinal detailed study of communities within a Dutch consultancy firm. These communities evolved around a shared interest in knowledge and practice. They started out as harmonious groups of consultants that over time either dissolved or evolved into competitive business teams. We followed this rise and fall of communities over a period of 2 years time. Because of its detailed nature of the research presented in this paper study, we will be able to illustrate the role of political and business economic forces that are usually ignored in community studies. Illustrating these dynamics might question the relevance of the communitarian view within strategic businesses.

This paper is organized as follows. First we discuss the literature on communities of practice. We will identify several key characteristics of CoP's that also renders its optimistic and romantic flavour. This literature review is also needed to ensure that the social groups that we will focus on in the case study, can indeed be labeled as communities. Subsequently, the story of the rise and fall of communities at the Dutch consultancy firm C-Nox is told. The presentation of the story is broken down into three episodes and comments as to keep the connection with the topic of communities alive. We will end the paper with some reflections on the topic of communities in – developing - business environments.

## The Concept of Communities of Practice

Communities are well-known for their focus on expressions of a collective sense of learning, reciprocity and commitment towards each other. Sociologists and political scientists have studied communities for decades. The community subject has revived in these disciplines in the 1990s by the work of Etzioni (Etzioni 1993, 1995) and Putnam (1993). The community concept was studied not just from an 'objective' sociological perspective but also to provide the American society with a normative, organizational vehicle for revitalizing democracy. Advocates of this community view, known as the communitarians, protest against the decline of social trust, the loss of

civic engagement, and seek to shore up the moral, social, and political foundations of society (Etzioni 1995). This emphasis on unity and collectivism is in line with the communitarian perspective that surrounds the CoP discussion. From a communitarian perspective, it is the community instead of the individual or organization that structures action and provides the key frame of reference. The perspective argues that ‘we know what we know through our relationships with others in the community’ (Etzioni 1993). The communitarian perspective also stresses the need to take social responsibility to support the community instead of striving to satisfy individual needs only. It is specifically this latter aspect of the communitarian view that can be seen as characteristic for the present CoP debate in which CoP’s are seen as the prime social structures. Through CoP’s collective learning takes place as it is in communities where voluntaristic forms of collectivism occur (see e.g. Wenger 1999, Botkin 1999), Brown and Duguid 1991).

Wenger is perhaps the most cited author when it comes to the present discussion on CoP’s in organizations. A community of practice (CoP) is a group of practitioners “informally bound together by shared expertise and passion for a joint enterprise” (Etzioni 1995). A community of practice—as differentiated from other kinds of communities and groups—manifests coherence among three dimensions of its practice: a joint enterprise, the mutual engagement of its members, and a shared repertoire of resources (Wenger, 1999). The enduring nature of the joint enterprise distinguishes a community of practice from teams or taskforces, which focus on specific and/or temporary problems. Members collectively refine their practice—their competence in a particular enterprise—as they interact with each other in support of that enterprise they all perceive as worthwhile. In developing common solutions to mutual problems, community members develop a repertoire of tools, techniques, and language, thus building a community history as well as acquiring particular value systems, ways of talking and ways of doing things.

CoP’s can be seen as the latest wave in an ongoing evolution of organizational structures (Wenger, 2000; Lesser 2000). In the age-old traditional functional organization, concentration of expertise was (and still is) under hierarchical control. In the decennia after World War II, and in specific during the seventies, the multi-divisional organization was seen as the answer to the ever-expanding functional organization. Business units were introduced as an organizational structure alternative to the functional division. A decade later, project-based organization entered the organizational landscape. Project teams were designed in order to be closer to the market. Since the mid-nineties, knowledge based organizations overshadow the project-based organization, at least that is what popular business press tells us. Communities of practice instead of teams are the dominant structure of the organization, also coined as communities of communities (Brown & Duguid, 1991). Communities of practice differ notably from conventional units of organization, such as teams or work groups (see table 1 for some characteristics of communities compared to teams). Group theory in general (Hackman 1990) perceives groups in an organization, as canonical, bounded entities that are sanctioned and organized by that organization and its tasks. In contrast, communities of practice are “often non-canonical and not recognized by the organization” (Brown & Duguid, 1991).

Table 1. Some characteristics of communities in comparison to teams (McDermott 1999)

Teams	Communities
Driven by deliverables	Driven by value
Shared goals and results	Shared interest or practice
Value defined	Value discovered/evolved
Value in result delivered	Value in ongoing process
Defined by task	Defined by knowledge
Interdependent tasks	Interdependent knowledge
Clear boundaries	Permeable boundaries
Develops through a workplan	Develops organically
Everyone contributes	Variable contributions
Managed through objectives and workplan	Managed by making decisions

The distinction between CoP and other conventional units of organizations such as teams is important not only for characterizing the evolutionary step in the development of organizational structures, it also highlights a change in thinking about the fundamentals of organizational sub-units.

With the recognition of CoP's as an important organizational structure the emphasis has changed from work and production to knowledge sharing and collective learning. It is often assumed that CoP's are the best unit for collective learning because their very existence is based on mutual engagement and shared interest. According to e.g. Wenger (1998) this collective win-win situation makes CoP's the most suitable unit for collective learning. In CoP's knowledge sharing as a collective process rather than a sum total of individual processes. A community is based on shared activities and a shared need for knowledge (Star 1992). Studies of the daily work practices of, among others, system analysts (Ciborra 1994), maintenance engineers (Orr 1996), midwives (Jordan 1989), flight crews and ground staff (Weick 1993), indicate that within such communities collaborative forms of working and learning coincide with each other. From this perspective it follows that learning is an unavoidable aspect of participating in community life.

Central to the notion of a CoP is its role in facilitating learning and identity formation as part of the normal course of accomplishing work (Brown & Duguid 1991; Lave 1991; Wenger 1998). This distinguishes a CoP from an interest group or social group. Members' shared undertaking exposes them to similar problems, but through discussion and interaction they discover each other's past solutions. The idea of legitimate peripheral participation (Lave and Wenger, 1991) indicates that the tacit process of becoming a member takes a lot of effort. Becoming a member involves learning the tacit expectations that have to be met. These expectations constitute social processes that allow a social system (such as a community) to neglect events or deal with these events on its own terms.

Another key characteristic of CoP's is its self-organizing nature. Self-organization means that a social system is able to adapt and learn and as such evolve over time without constraints from an authority. This informal emergent nature of CoP's also differs from the more formal and structured nature of other sub-units. CoP's have re-introduced the importance of the informal organization. However, as will be discussed later, unlike previous attention to informal organizations, the attention is a-political and harmonious.

## C-Nox; a case of the rise and fall of communities

We describe the C-NOX<sup>1</sup> case in three episodes and treat it in three comments. The episodes are: C-NOX as a startup, C-NOX as an overly complex organization, and C-NOX as an ASP. These episodes also reflect the rise and fall of communities at C-Nox. During the first episodes, social groups were formed around communities. These groups were considered as the pillars of the company, supported by a small internal organization and a very limited Intranet. During the second episode, these communities were confronted with political and economic struggles and consequently were pushed to the periphery of the business scene. They were replaced by project teams, and a growing internal organization that developed to deliver an Intranet product. This episode tells of a dual organizational strategy: leveraging consultancy services and entering a new market with their Intranet product. This strategy can be understood as transitional to become a product service strategy in the third episode, where consultancy becomes supportive to Internet product services.

The startup episode describes C-NOX as a virtual organization, starting up in the Spring of 1998, growing from 10 till about 50 people. This virtual organization is characterized by a self-developed Intranet and a strong narrative instigated by the CEO on a 'network of professionals', that are autonomous and self-organizing. In the business parlor of today, these self-organized, autonomous groups would most certainly have been labeled 'communities of practice' or just 'communities'. In the story presented here, we refer to these communities as social groups or competency groups to respect the actual language that was used in the company. The first episode ends with C-NOX on the verge of bankruptcy, the downfall of the CEO, and the (first) termination of all communities.

The second episode starts with a renewed try at communities, in April 1999, growing from 50 to 100 people. The communities are created around 'more practical' business propositions. The Intranet and the organization around it, developed its own momentum, as the CTO pushed for the intranet platform to become a medium for intranet services. The second episode ends with C-NOX running again out of money. The Intranet development and the organization around it resulted in an investment of almost 1 million Euro, while consultancy delivered hardly any profit.

The third episode starts with the acclamation of C-NOX as the 'first true ASP' in the Netherlands in January 2000, growing to a maximum of 200 people. In short the ASP strategy entailed a continuation of the Intranet platform at the cost of consultancy. The management team ordered the communities of practice to change their focus from developing consultancy practices to developing ASP services. In the third episode we focus on one particular community in C-NOX, i.e. EDM, and how its members cope with this sudden change, struggling to gain autonomy from the management team.

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<sup>1</sup> C-NOX is a Dutch consultancy firm, and as such a short introduction to Dutch particularities maybe in place. Creating or reinforcing hierarchical differences in Dutch culture is understood as problematic; issuing an explicit order is violating the Dutch value for consensus. Several non-Europeans that were interviewed have noticed a strong value for equality, commonality, and consensus in Dutch organizational cultures. And indeed, they may be right. For example: Dutch children sometimes hesitate to tell that their father is a top-manager, in fear of being called a boaster. We can bring up many other examples that indicate these values. For instance, one interviewee typified the Dutch educational as aiming for a high level of mediocrity. As an example he gave the (for him astonishing) fact that even a Dutch bus-driver frequently speaks two foreign languages.

There is little data on how communities develop over time. With our data we want to show more precisely how communities are embedded in the economical and political networks in the organization. The data on C-NOX consists of transcripts of meetings over a period of more than two years, interviews conducted over one and a half year, reports that were created by C-NOX consultants, and reports that were created on C-NOX by external consultants. A part of the data is based on historical research, and is thereby limited to the perceptions of the people of a previous time. Another part comes from ethnographical research. The analysis is based on several forms of triangulation. Not only has the data that came from several sources been compared. Also a fellow researcher was involved and our conclusions have been weighed against his conclusions. This data is part of a larger research on five different IT-startups. The data on the other start-ups will only play a marginal role, but is used to argue that the case we present here is not so exceptional in some respects.

### ***C-NOX as a start-up***

In the spring of 1998, five men founded C-NOX, a Dutch IT consultancy firm . The demand for IT-consultancy at the time was high, as both the millennium problem , and the Euro-conversions created extra demand on the market for IT-services. In short: IT-business was booming, Nina Brink had not pulled her stunt with Worldonline - announcing a series of stock exchange scandals, and there were no signs yet that the IT bubble would burst.

Employees were recruited from September 1998 on, mainly through the network of the five founders. One of the founders who later became the CEO was able to attract newcomers with his believe that; C-Nox was not about ‘body shopping’, it was not a traditional ‘hour-factory’ that would only focus on the number of accountable hours. In contrast, C-NOX would support the ‘Intelligent Enterprise’, by means of a combination of technology and services directed to strategy and organizational design.

Around the end of 1998 the management team (MT) identified three competency groups that focused on three different expertises: knowledge technologies (KT), human performance (HP) or management consultancy (MC). The MT defined the HP-group as a bridge between MC and KT. The MT asked the different groups to give concrete meaning to the overall vision in the form of ‘business propositions’. The meaning of ‘business propositions’ was associated with a combination of technology, services, and market orientation on the one hand, and sometimes to specific competencies and IT (half-) products on the other side. Because the development of such propositions or plans required a lot of professional expertise, they were developed by the competency groups and implemented on customer’s site by C-Nox’ project teams. C-NOX was thus organized in competency groups, developing knowledge, and project teams creating revenues. The relationship between the two was thus defined: project teams consisted of teams of consultants who implemented the business propositions for customers.

The attractive story of the CEO worked, in the sense that in a tight labor market, IT-specialists were attracted to C-NOX and signed up as employees. They became so committed that many bought C-NOX shares. Moreover the CEO was able to convince the other founders to invest in hiring ‘senior consultants’ to guide the creation of business propositions. In the last place, but not in the least, the story functioned to attract investments from venture capitalists (VC’s)

The groups started working on business propositions that would translate the abstract term “supporting the intelligent enterprise” to services that would create revenues. In the business

plan for 1999 one of the goals was to “sell three propositions” per competency group. . Several senior consultants were recruited as responsible to guide the competency groups in creating business propositions. Around December 1998 - January 1999 these consultants came in at partner positions or just below.

C-NOX was about thirty people in the beginning of 1999, there was a home office that contained the minimum of services. Employees worked at home or at the customer’s location. There was little hierarchy, C-NOX was, as the CEO named it, a ‘network of professionals’. This network was supported by an Intranet system that was developed under the CTO. Members were strongly autonomous. Their wage was related to the revenues they created. And as long as they were 60% ‘billable’ (meaning that 60% of the working hours could be billed to customers) they were home free.

From November 1998 cash flow problems started, due to limited revenues from consultants, investments in the Intranet, increasing salary costs both for consultants and a growing internal organization. Around March 1999 the call for revenues from venture capitalists had become so strong that the creation of business propositions was brought to a halt. C-NOX was beginning to face bankruptcy, the competency groups were aborted and every consultant should focus on one thing: to be 100% ‘billable’. Many consultants claimed that C-NOX management had abandoned its ideals and that C-NOX had become exactly the ‘hour-factory’ that the management had always distanced itself from. The stress on money created a number of conflicts both between employees and between MT-members. Most non-technical consultants delivered too little revenues and were labeled as ‘not billable’ by technical consultants and the CTO. ‘Not-billable’ became associated in the conflicts with endangering C-NOX, prioritization of inflated ego’s and lack of competency. On their turn the MC-competency group criticized the KT-group as putting no effort in creating business propositions and having a lack of vision. This group of consultants described themselves as idealists. The HP-group could not avoid the conflict by refusing to take position. The members of the HP-group were excluded by the MC-group deemed as unreliable. At the same time they were deemed as ‘nonsense consultants’ by the KT-group due to their interest in organizational consultancy, and by being ‘not billable’. The atmosphere of C-NOX was ruined by many cases of gossip, finger-pointing, insults, and people explicitly ignoring each other. Several people described these few months as the worst period in C-NOX. The board of investors criticized the CEO for having appointed consultants that did not create revenues. The management team blew up into pieces, the senior consultants were demoted out of management team positions, and the CEO was put on the development of Base Virtual by the board of investors. Besides the senior consultants, a substantial part (about 30%) of the consultants started to apply for other jobs.

### **Comment on episode 1**

In our comments we confront our data on the groups in C-NOX with the mainstream ideas in COP-literature. The case may not unproblematically fit the mainstream definitions. The question is: does that mean that the case should be discarded, or are the definitions problematic? Or is it neither and should we understand these definitions as Weber’s ideal types, from which we can see the differences and

similarities? The reason to compare these groups to CoP's is that at the least they have similarities, and the groups are not fitting the standard definitions of project teams, self-organizing teams, or business units either. In any case, we do not want to pretend that the case fits the definition without any problem, but do think that the comparison is worthwhile.

The reason to compare the C-NOX-groups and CoP's is of the similarity of a shared practice that members collectively developed. The identity of the CoP was defined in terms of shared knowledge. But most importantly, the CoP developed organically. Membership was an individual choice. There was no authoritative power exercised on what the business propositions should entail. Furthermore the groups were distinct from commercial activities that only could take place in project teams. The knowledge processes of the CoP were thus not reduced to internal organizational processes, nor to customer services.

In order to contextualize the development of the communities of practice we summarize the developments in the following table.

Time	Event
May 1998	Five people found C-NOX
August	The later CEO propagates the consultancy vision where strategic, organizational and technological development should be implemented together in organizations.
November 1998	The formation of communities: competency groups around Knowledge Technologies, Human Performance and Management Consultancy
January 1999	Top consultants are hired, and come in on partner level or just below
March	C-NOX is in financial problems. The MT puts consultants under strong pressure to become 'billable'. Communities come to a virtual stop.
April-June	30% of consultants leave C-NOX.

The inspiring IT-vision has been a recurrent theme not only in C-NOX but also in all other four IT-companies that have been researched (and will be discussed elsewhere (Brohm, 2004). In all cases there was a discourse in the form of a vision that was reaching out to a more meaningful, interesting world, instigated through an adaptation of new technology, or new development methods.

In all cases the management used this discourse to attract new employees, and when money was needed also to attract venture capitalists. Surprisingly, in all cases we have seen that employees used the same discourse to criticize contemporary management interventions as inconsistent with the 'overall vision', just as in C-NOX. Moreover the 'vision' turned out to be a ready to hand instrument to use in conflicts.

The moment C-NOX came under financial pressure, the existence of the communities is at stake. No doubt, fanned by financial stakes, conflicts become heated. There is a strong dividing line between the technical consultants and the organizational consultants. Not only do they belong to different communities, the salaries of quite some organizational consultants is much higher, and their lease car obviously more expensive, than that of the technical consultants. In this conflict the 'vision' becomes instrumental in dividing the two groups. Where the organizational consultants view themselves as idealists that keep to the vision, the technical consultants adhere to a new value for 'billability' and 'no-nonsense'.



This story alerted us to the potential ideological effects that the community of practice narrative can have. As the conglomerate of meanings of the ‘original vision’ is so similar to that of the community of practice concept it is not hard to imagine similar effects. Thus a ‘community of practice’-narrative that seduces VC’s in buying-in and employees in signing-up. Conflicts that make people divide their organization into ‘true CoP’s’ and ‘false CoP’s’, between people adhering to the ‘CoP-nonsense story’ and ‘practical people’.

In the first episode, CoP’s appeared in its conceptually most unproblematic form. As will follow in the next episode, there was agreement among the consultants and MT-members that this form of communities failed. However the underlying value for intellectual freedom and organic development is not released and the people in C-NOX give a new try at communities.

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### ***C-NOX collapsing under complexity: Another try at communities***

From April 1999 to January 2000, a series of company meetings took place, a meeting for all the consultants in C-NOX. Apart from the communication of strategy, business results, and current affairs, the meeting also involved a training that the MC-group would initiate three times a year. For these meetings the MC-group hired external process facilitators, who were often related to universities in the UK and the Netherlands.

The first meeting in this series was introductory, and functioned to restore a ‘group’ feel after all the conflicts that had taken place and had disoriented employees. Shortly after, the second meeting took place. The focus of this second meeting was on creating business propositions and the interdependencies between the three competency groups. At the end of the two-day meeting the groups presented their business propositions. The external facilitators responded with posing ‘nasty questions’. After the CEO had presented the business proposition of the group he had joined, the comment of the external consultants was: “nice story, but what in heaven’s name are you selling, what can you offer us that we can buy?”. The CEO was not able to respond. Several consultants reported this as an eye-opener to them and their colleagues, who had previously looked up to the CEO.

While the facilitators criticized most propositions as ‘too vague’, they evaluated the business propositions of the KT group as ‘workable’. It was ironic that the people who were despised as uninteresting by the MC-group had the best proposition, according to the facilitators the MC-group had invited.

The KT group was ‘ahead’ of the other groups. Whereas the KT group had already made strategic decisions concerning e.g. their products, markets, and methodology, and could present actual experience with it, the other two groups were still in debate about these fundamental issues. decisions, such as . what methodology to use, what service to deliver to what market, and the role and choice of technologies.

As a result and to act more effectively, the MT proposed to abandon the former competency groups and create four new groups gathered around four business themes. Individuals could choose a group (a BP-group) to whom they felt they belonged the most.. The MT decided that the groups were to deal with customer relationship management, flexible distance

learning, electronic document management, or electronic business. The KT-group was almost in its entirety transferred to the electronic document management group. The HP-group became the flexible distance learning group (FDL). The MC-group became the enterprise relationship management group (ERM). The other new BP-group, E-business, came to consist mostly of new employees and was led by a manager previously involved with the management of the Intranet development.

The rationale of the MT was that a business proposition should entail all aspects from the three competencies (technology, management, and human performance) while in practice there were barriers between the three competency groups that barred such a synergy. Furthermore both management and many consultants concluded on hindsight that their former competency groups had failed. Despite the fact that the HP- and MC-groups had had at least two months almost full-time dedicated to business propositions, they had not been able to produce something satisfying and described it as a frustrating process.

Not surprisingly, considering the nature of the former conflicts, the BP-groups became only slightly more mingled than the competency groups. Changes in composition arose mainly through newcomers and the fact that between March and June a considerable amount of people had left due to the conflicts.

The role of the Intranet in the organization, dramatically changed. The MT decided that the Intranet had to become a product, and the underlying technology a platform to sell Intranet services. C-NOX split up in a consultancy part and a product organization. The MT decided to let the consultancy branch keep the name C-NOX, and to give the internet product-delivery organization the name 'Base Virtual'. Many C-NOX consultants did not think that Base Virtual was ready to deliver Internet services and the announcement was greeted with cynicism. As status, credibility, and job security became inextricably linked with 'billability', the consultants mainly focussed on their functioning in project teams. Except for the ERM group. This group, in the absence of sufficient projects, kept functioning as a community and kept working on its business proposition. The EDM-group, under the influence of the first two company meetings, became more inclined to adopt organizational aspects in software implementation.

The composition of the MT was severely changed. By the end of the year the MT consisted of the previous CEO and CTO, one other founding father, a partner and a newly hired CFO. The partners who had defended the 'intelligent enterprise' had either left or stayed in invisible places in the company.

At the end of the year money was running out due to the investments in Base Virtual, and C-NOX attempted to receive further financing. Around December 1999, there were no business propositions, the consultancy part had only created a small profit (about 70k €) only covering their own salaries. Base Virtual could not deliver hosting services but had grown tremendously nonetheless. As a result it had created a loss of about 900k €.

In short: money was running out, and C-NOX' solution was to convince investors to invest in C-NOX. For this an accountancy firm was hired to create, as is custom, a 'memo of

investment’. The firm’s reply was that C-NOX could be understood as an ‘ASP’. As an investment tactic this idea was attractive. The rule of thumb in the world of investors, as a consultant put it, was that “a consultancy company is valued one and a half times its turnover, while an ASP is valued 30 times its turnover”. ‘Application Service Provider’ became the new name for what was formerly known as the Internet Services’ and the Intranet product.

**Comment on episode 2**

Despite the fact that new themes were ‘ordered’ by the MT, we still want to confront this case with the concept ‘communities’ as the themes were still very broad. Membership was quite easily changed, and there was freedom to fill in the theme. There was a strong distinction in project teams working at the customer, serving customer’s needs and the business proposition groups that were involved with developing knowledge that the project teams could implement.

The groups organized half-social, half-work meetings, with very little traditional structure, usually at pubs, restaurants or at home. The shared practice of the groups was the development of business plans. There was no traditional hierarchy, no planned developments, no direct reporting to management or customers. As such there was no direct pressure to reduce the processes of development of knowledge and value in the groups to customer-economical efforts or to formal organizational processes.

In short we summarize the essential events that had an important impact on the communities:

April 1999	C-NOX creates enough revenues to break even. The second company meeting takes place, business proposition groups are created, the CEO is exposed.
April / May	The formation of business propositions groups: Customer Relationship Management, Flexible Distance Learning, Electronic Document Management, E-Business.
August	The activities of the BP-groups have come to a virtual stop. Employees focus on their role in project teams.
December	C-NOX has created 2.5M € turnover, against 70k € profit. The 900k investment in Base Virtual is not included in these figures.
December	The MT regroupes: all senior consultants that would guide the business propositions have left the company.
December	Accountancy firm proposes a new identity for C-NOX to the MT: C-NOX as an ASP.

The experience and cancellation of the competency and business proposition groups had been a frustrating experience for C-NOX-members. The frustration led to a story that was told between MT-members and consultants that the communities in both episodes failed. Concerning the ‘competency groups’ of episode one, the story was that there had been too little synergy between the communities to create business propositions. The communities were created around competencies, while the need to create new practices in the form of business propositions, according to the original vision requires all three competencies. The story on the failure of the communities of episode two, focussed on the moment of cancellation. To a lot of the consultants the cancellation had been too early, and the focus on billability unjust. To the MT, the consultants had had their chance and missed out. At the same time the activities in both types of communities were not typified both by MT and consultants in lines such

as ‘just theoretical activity’ to ‘mental masturbation’ to show the distance to actual business practice. Our conclusion is that the communities became too far detached from the current practices, so that the link to everyday reality had become too cumbersome. From the first two episodes we learn that all-in-all the communities had had at least four months full-time, spread out over a year, at creating any business proposition. Looking at the comments of the external consultants at the second CX-meeting, some of the proposals to customers, and the presentations of the third CX-meeting, it is fairly reasonable to state that they failed. Furthermore the groups did not have any resilience. The MT could cancel them with only a few individuals uttering some protests.

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### ***C-NOX as an ASP***

In January 2000 the third company meeting took place, with the theme to look back on 1999 and create directions for 2000. Two MT-members presented the results of 1999, announced that C-NOX had received new financial resources, and the amount of turnover that the MT demanded from the consultants. The MT stated that in the future, C-NOX would act and position itself as an ASP. There would be a radio advertisement campaign in the first months of 2000 announcing C-NOX as the first ASP in the Netherlands. In the MT’s strategy consultancy was to deliver ASP-services. At the end of the first day it became apparent that this strategy was not collectively shared. Many reactions breathed resignation and cynicism. Some consultants expressed that idealism had lost from the quest for money, that C-NOX went back to being a straightforward, technology-driven, IT-consulting company. An external process facilitator was hired to facilitate a change of mindset. The MT wanted to have the consultants understand that their jobs would change from consulting to delivering ASP-services. The facilitator basically informed the consultants about ASP-developments in the USA and had the consultants reflect what that could mean for their own jobs, by means of exercises. The next day the MT asked the four BP-groups to present a new business proposition in reaction to this change of strategy.

The MT-members did not participate in the BP groups, and chose to criticize the new business propositions alongside the facilitator. The critique was very polite, yet very fundamental. The researcher (RB) got the impression that no consultant took any pride in their presentation. The ERM-group was kept in suspense by the supplier of the technology they had selected. It did not take much speculation to understand that the supplier wanted to go for the ASP-market itself, and the critique was that the strategy of the ERM-group made them much too dependent on that particular supplier.

The FDL-group was successful in linking its business proposition to ASP, however they had no potential customers. Moreover, in the discussions that followed, it became apparent that Base Virtual had not matured enough to support any customers. The EDM-group presented a business proposition, incorporating old C-NOX values of holistic consulting. After an uneasy silence, the MT-members attacked their proposition as being too vague. The e-business group was too new to really come up with something,

and almost no members were present. None of the business propositions were viable, the business propositions lacked basics, such as a realistic market, content, even supplies.

### **The EDM-group**

The EDM-group was appointed a new group leader in November 1999. The previous group leader pulled out of the group, focussing on his function of CTO. The new group leader had not been present at the preparation and presentation of the business proposition of the EDM-group. However in his brief visit to the company meeting the group leader had requested the facilitator to take a role in building this new group, informing about the characteristics of the 'new economy' and developing group strategy. For this they decided to create monthly group meetings. During the group-meetings the members defined business propositions, research interests, their need for particular competencies, etc. On the basis of these meetings new members were hired, training was selected for members (and by members). Furthermore on basis of the agreements made in the group meetings consultants could limit their time at a customer's site to develop the propositions and do research.

The first group meetings were attended also by the CTO. In February the first group meeting, facilitated by the external advisor, took place. Two junior EDM-members had prepared - with the group leader in the background - a text that was a first concept for a business proposition. It incorporated the old C-NOX approach: technology – change management – strategy. The business proposition entailed a 'holistic' approach that C-NOX would provide to its customers. In a three-step rocket a project team would deliver knowledge technology for its customers, implement the technology in the customer organization and guiding organizational changes, and finally position the company within the 'new economy'. The 'new economy' was a term that was not defined, but it had to do with the wider implications of IT on companies and their environments.

The meeting did create support for this strategy. However it lacked a proper translation to everyday practice. When the facilitator asked to make such a strategy concrete in an example (a tulip planter), the group members were not able to do that. However in exploring the question, an understanding arose of the complexities involving such a service. The question then became for what kind of customers, in which sector would you be able to supply an answer. Would the group suffice to provide such a service? It became apparent that the group lacked the numbers and also some of the competencies to provide such a service.

In March 2000 the second group meeting took place. The discussion started with a very practical problem. The group leader communicated the insight that the ASP-strategy of C-NOX would on the long term redefine the practice of consultancy as it was now. He described the transition as consulting becoming 'a sales machine', 'a department to wrap up the commodity products in gift-paper'. He posited this as opposite to a 'network of professionals' that developed and implemented business propositions. In the discussion that followed, the group members became worried about a devaluation of their job contents. They

understood that necessary training and research was no longer granted, and administrative support from C-NOX severely limited.

While the first meeting was started by the group leader as a discussion on the EDM-group identity, and the second simply as a problem registration, the second meeting had a much stronger impact on the forming of a group identity than the first meeting had. In the second meeting a strong distinction was constructed between C-NOX and the EDM-group. The EDM-group adhered to a value for qualitatively, independent, consultancy, as opposed to C-NOX' definition of consultancy: a limited form of consultancy supportive to delivering ASP-services and sales activities.

As soon as a demarcation between C-NOX and the EDM-group was constructed an entirely new relationship started. The EDM-group started to reinterpret the stories of the MT and negotiate with the MT on the meanings of organizational terms.

For instance the term 'business unit', had played an important role in previous C-NOX' ideologies. However the MT changed the meaning of 'business unit', to imply a business structure that made the former BP-groups responsible for the management of ASP development. With this the MT hoped to solve leadership problems in the internal organization around ASP. In the EDM-group the term 'business unit' got redefined to indicate autonomy of the EDM-group, building on the more original meaning in the previous C-NOX ideologies.

All of a sudden the person who was first understood as the previous group leader that was still involved with the group, became a representative of the MT, by the question of the group leader "can we become a business unit?" The presence of the CTO was used to negotiate as a group with the MT, an act that had no precedence. On the meeting the CTO and the group agreed that there should be an explicit commitment of both the MT and the EDM group as to what targets the group should make and what should happen to the surplus. The rough agreement was that the group should create a revenue based on 70% billability.

Shortly after the second meeting group leader took up his role as a representative of the EDM group and started to negotiate for a commitment of the entire MT to these targets for the year 2000. The MT seemed not too keen on this action. They probably understood that such a commitment was a very effective way to keep them from intervening within the group. Moreover no ASP targets were mentioned, by which the EDM group placed itself outside the ASP-strategy.

In the third and fourth EDM-meeting the group developed from their separate disciplines (technology, organizational training, and strategy), a weighed understanding of what the ASP-strategy would mean to them. The members became skeptical to the ASP-strategy, they thought it was very problematic with respect to the focus of their group, and actually as problematic for the entire company. They reinterpreted the MT-request for ASP-products as a way to validate the development of their business propositions. These business propositions instigated research, training, and the development of products, or half-fabricates.

Although the relation between the EDM-group and the MT changed from appreciation to strive and back, the EDM-group was able to create a fair level of autonomy, while at the same time having an impact on the rest of C-NOX. In June the MT asked the other groups to become business unit with the EDM-group as an example. From that time on the MT organized monthly sessions with all the business units, in order to check the achievements of each group. For the MT the organization in business units reduced their organizational complexity.

Over 2000 the MT adapted their strategy again, changed organizational models, changed members in the MT, and created a tremendous amount of turbulence in C-NOX. The EDM-group was not only able to limit the turbulence within the group and went the direction that they had agreed upon with the MT, at the end of 2000, the EDM-group had been the only part in the company that had been economically successful. Being less than 15% of the entire company, they had created 60% of the company revenues. Moreover, the group had developed several business-propositions that were sold to customers in projects.

Around January 2001 new venture capital was needed. The VC's stipulated amongst others a new CEO. In March, the new CEO canceled all groups, in the idea of streamlining C-NOX into an ASP. This had devastating effects. Consultants were leaving, and revenues dropped as hardly any ASP-revenues were created. Four months later the CEO was fired.

### Comment on episode 3

The previous comments started with the confrontation of the case with the CoP-concept. In this comment the confrontation is more problematic, but also more interesting. The confrontation between the case and the CoP-concept, is a culmination of the different attempts at creating a CoP that results in a critical comment on the CoP-concept. In order to show this we start by emphasizing the autonomy of the EDM-group, relating that to the organizational embedding the EDM-group chooses, highlighting the differences with the other groups and than draw conclusions with respect to the conceptualization of CoP's.

The following series of events show the problems that C-NOX had with performing as an ASP.

January 2000	The third company meeting takes place. The MT announces the ASP strategy a radio campaign positing C-NOX as the first ASP in the Netherlands costing about 300k €. The business proposition groups should focus on developing ASP services.
March	The EDM-group starts negotiations with the MT, in order to establish autonomy.
April	The commercial and sales department expand.
June	The MT propagates the business unit model as the model for all other groups.
December	The EDM group creates 60% of C-NOX's revenues, having the size of less than 15% of C-NOX. ASP services have hardly delivered revenues.
January 2001	Base Virtual is more or less operational, and can at least support 'pilots' i.e. try-outs for companies.
Februari	A new CEO is installed, as a result of the negotiations on new

	funding.
March	The new CEO cancels all groups, and combines all former consultants into one group called 'services'. This group has as a task to take up sales and customizing activities to support the hosting activities.
March-April	Many of the EDM consultants leave, or start applying for other jobs.
July / August	The turnover has decreased dramatically and the just appointed CEO is fired.

The EDM-group distanced itself from the ASP-strategy. They came up with a rich and well-informed counter-position against the ASP strategy, all the more because it was an interdisciplinary group. Their standpoint was that an ASP-strategy was hardly useful in the market of document management systems, and that Base Virtual was not ready too deliver the required support and technology. The EDM-group's position was undoubtedly informed by the technical consultants, who had their contacts in Base Virtual. This was a strong and threatening move against the MT and the MT's adherence to the ASP-strategy. The irony is that in forming their resistance the EDM-group members used many concepts from the ideology that the MT had started out with.

The EDM-group's position is supported by the fact that it took one more year, since the start of the radio campaign, to have Base Virtual more or less operational. Moreover, as far as our data reaches (August, 2001) there has hardly been any revenues from the ASP-services. The most obvious argument for the EDM-group is that the EDM-group forming less than 15% of the entire company created 60% of C-NOX' turnover over the year 2000.

However more interesting than the question whether the EDM-group was right in doubting the ASP-strategy, is the question how they were able to defend their autonomous position, that was threatening to the MT's strategy, for over a year.

As described in the first and second comment the MT could cancel the previous groups quite easily. There were no direct consequences that the MT found problematic. In the case of the EDM-group the price of cancellation was much higher. Cancellation of the EDM-group implied a loss of commitment of members to financial revenues, a level of revenues that no other group attained by far.

This was a price the MT was not willing to pay, until a new CEO without such considerations canceled the EDM-group. As the new CEO was forced upon the MT by the board of investors, it may well have been a trap of the MT for the new CEO.

Three months after the new CEO cancelled the EDM-group, the board of investors fired the CEO. This intervention was related to the worsened financial position of C-NOX. Shortly after the EDM-group was raised once more. Apparently the MT-members regretted the cancellation of the EDM-group, and had not failed to notice their economical power.

The previous comments we started with discussing the similarities of the groups to CoP's.

Clearly the EDM-group was not a project team. However it created a facade to the MT as if the EDM-group created revenues, while only the consultants in the project teams created revenues.

The group becomes thereby much stronger linked to the formal organization. This brings us to the question whether the comparison of the EDM-group with a business



unit structure is not more appropriate. For this we need to go into the motivation underlying the creation of the facade.

The only reason to calculate these revenues on the account of the EDM-group was to be able to limit the efforts of consultants at particular customers to free those consultants to support the knowledge and value developments of the EDM-group. The deal was simple to the MT: when the members create as a whole the agreed amount of revenues, the surplus can be invested in the development of and services for the group. For the MT it decreased the complexity of their managerial world by the commitment of the members of the group to organizational targets, and at the same time members were rewarded in terms of possibilities for intellectual and professional development and reflection on their everyday practice.

The main reason to organize the EDM-group in this way was thus too facilitate learning and identity formation as part of the normal course of accomplishing work (Brown & Duguid 1991; Lave 1991; Wenger 1998). The way the EDM-group created an identity was in terms of how they related to C-NOX, the success they had in their daily practices, and their aims for the future. The EDM-group facilitated learning by limiting the time they spent on customer's sites to create an environment where they could reflect on their daily practices, enhance their current practices and develop new practices. An important reason for their success, we think, was that the EDM-group devoted a considerable amount of time to describe and then enact their environments.

This brings us to two new issues for the community of practice literature.. Our first issue is the question: how crucial is autonomy for CoP's? When autonomy is important CoP's should not be a 'present' from management to employees. For presents can be taken away when the costs become too high. CoP's need to establish autonomy as part of a tradeoff. The EDM-group gained intellectual autonomy at the price of giving long-term commitments to decrease organizational complexity for management. Autonomy implies that there are no longer broad, organizational visions, for CoP's may very well develop a diversity of insights. In the case of C-NOX the course of the EDM-group has introduced a multiplicity of organizational strategies.

Our second issue is, whether a CoP should make a considerable effort in understanding their environments as part of their development of practices. A CoP should then not be limited to exchanging narratives on a particular practice, but is actively participating in the organizational, and economical embedding of their practices. In that case a CoP should be interdisciplinary.

## **Discussion**

A red line in the case is the need for CoP's to deal with their political and economical embedding. It might well be that this type of embeddedness is crucial to sustain alive over a longer period of time. Surprisingly, while embeddedness of social networks has been mentioned by various authors (e.g. Uzzi (1997), Granovetter (1985)) literature seems to ignore political and economic embeddedness of CoP's. To make our point more clear, we will first summarize the case in terms of its strategic business changes.

The case discussed the rise of communities consisting of consultants gathered together based on a shared interest in a particular competency. From this informal division of competency, three 'competency groups' were created that acted as CoP: a community of consultants interested in Human Performance, a community of consultants mainly interested in Knowledge Technology and a community of Management Consultants. As is usually the case with communities in businesses (Dougherty 2001) the structure

of the firm can be characterized as a matrix. Consultants had dual responsibilities. While being held accountable for their performance within project teams, they were also asked to actively contribute knowledge in one of the three communities. This duality of roles was mainly inspired by the founders adhering to rather holistic beliefs. C-Nox needed to be different from existing consultancy firms. Their basic belief was that success can only be derived through (intellectual) freedom. Unfortunately, the company could not make sufficient profits. The Management Team decided to restructure the company: communities based on competencies were changed into communities that were more aligned to the company's strategic business. Communities were created around business themes, such as electronic document management, e-business, customer relationship management, and e-learning. Management increasingly faced the problem of keeping their promise not to act as a billing machine and enforce projects on the consultants. Consultants complained about the change in atmosphere and the strategic business goals C-Nox was adopting. The change into business communities did not result in a change in profit. The only way for the MT to seduce potential venture capitalists into investing was to become an 'ASP'. All communities dissolved except for one: the Electronic Document Management group. Looking at the evolution of this community in detail and in comparison with the other communities, we can say that its success merely depended on its ability to adapt to the political and economic changes within the company. All other communities were too narcissistic in their self-organizing autonomous evolution to make the necessary changes and handle the ever-changing business strategies. A large contrast between the competency and business proposition group on the one hand and the EDM-group on the other is the struggle for autonomy in the EDM-group. Their knowledge developed into a critical understanding of C-NOX's ASP strategy. While the EDM-group concerned itself with reflecting on the needs of their customers, their professional experiences and the relation to C-NOX, the other groups were thinking of an abstract customer or market. Moreover, the EDM-group involved their contacts by probing their potential interest in the business proposition the EDM-group was developing.

Another difference was that the EDM-group was much more interdisciplinary than the other communities. In a business context there is a need to develop practices that are interdisciplinary. It might well be that the predominance of professional communities in the literature, like e.g. Xerox-repairmen, midwives, etc, has blind us for the fact that most business practices presuppose interdisciplinary knowledge (Sole 2002)

The interdisciplinarity of the EDM-group together with their interests in their concrete environments added to the autonomy and resilience of the group by being able to deal with changes in C-NOX' strategy and its business environment on its own terms. As we noted in the first two comments the first communities were simply cancelled the moment C-NOX ran out of money. Maybe communities are products of an economic prosperous business era. Introducing communities may be seen as a luxurious activity that should be abandoned the moment companies need to cut back. The EDM-group was different in this respect. It simulated a turnover and profit and thereby claimed an economical and organizational value, so that it could define a surplus and use that for developing business practices.

As mentioned in the comment on episode three, EDM can still be characterized according to the definitions given by e.g. Wenger (1999). As such, the case provides an example of a COP that is embedded in its strategic business environment and that is able to not only keep aligned with its environment but also is able to enact it.

Consequently, the EDM case provides an addition to the literature on COP's in that it sheds light on conditions needed for communities within environments characterized by continuously changing economic and political forces.

The concept of tacit knowledge of Polanyi (Polanyi, 1966) is often used in organizational literature, though only rarely in a CoP-context. The tacit dimension to knowledge implies that people have their own idioms (Polanyi, 1962: 112-3) that enable them to make sense of their impressions and remembrances. The implication of the tacit dimension on a social level, is thus multiplicity (Brohm, 1999; Brohm, 2000; Brohm, 2002; Sanders, 1988) instead of consensus (like Nonaka (Nonaka, 1991; Nonaka, 1994; Nonaka & Takeuchi, 1995) and his followers interpret the tacit dimension on a social level). The different perspectives are however not necessarily an obstacle to order (Polanyi & Prosch, 1975: 207-8). But, it does imply that such order is fragile, and continuously at odds with a personal tacitness. The tensions between the personal and the social may rip up a social system, but otherwise will function as the motor for development (Polanyi & Prosch, 1975: 208), as new meanings will develop through conflicts.

In the C-NOX case there were several instances of arguments both within the groups and between the EDM-group and the MT. Concerning the latter there was an explicit battle for meaning: such as the meaning of consultancy and business units. The meanings in C-NOX did thus not become automatically adapted in the EDM-group. Rather the EDM-group had the ability to transform meanings such as 'business unit' and 'consultancy' and bounce them back upon C-NOX. But the battle for meaning was also hidden. Under a seemingly shallow acceptance of the ASP strategy, the compromise was used to further the business propositions, subjects that were of economical and intellectual interest to the group.

Consequently, we would argue for a critical evaluation of the community of practice value for permeable boundaries and a conflict perspective on communities in general.

However a neglect of the economical and political context can only lead to false pretenses. In the last episode of the case story we showed a group (EDM) with CoP characteristics that had power, was resilient to adapt to the environment, and played a part in defining the overall organization. With this we would like to introduce a different image of a CoP. CoP's can be initiated, even in an authoritative manner, but then a true CoP will fight for its ability to define the organization and its environment on its own terms. A open forum for intellectual activity is not something to be given, but something to gain. In our case the tradeoff was autonomy against a commitment to some organizational goals. There is no warrant where the implications of intellectual activity will stop, but obviously the CoP will enact the environment and thereby the organization it is part of. A company that consists of powerful CoP's will face a battle of meanings. We think this is an attractive option. Just as in our case the strategy of the entire company becomes much more informed, and more diverse.

In line with this observation, the case also provides an example of an organizations evolving from an entrepreneurial into a more hierarchical setting. This transition has been considered an almost universal path of development (e.g. (Baum and Sigh (1994)). Until so far however, the literature on organizational development and organizational evolution has not incorporated the literature on COP's. It might well be that COPs as described by Lave and Wenger, and Brown and Duguid are most suitable for organizations in their pioneer stage. The moment organizations grow

older, they try to cut back on redundancy, mainly as a result of the need to adapt to strategic environments (Mintzberg 1989). Again, more longitudinal indepth research on communities in business environments to understand what is needed for COP's to successfully survive this organizational development process.

By introducing C-NOX, we think we have illustrated that the literature on communities of practice exaggerates and even romanticizes the intellectual freedom in communities of practice. By doing this, it also denies the situatedness of knowledge. This is all the more ironical as the situatedness, embeddedness, tacitness of knowledge is presupposed in the CoP-literature. As our case showed it could therefore even be harmful in too many aspects not to address the political and economical situatedness of communities of practice.

The self-organizing, autonomous nature of CoP is generally welcomed as a necessary open forum for collective learning and innovation (Brown & Duguid, 1991). However, this case tells us that in the long run, self-organization might lead to path dependency and a lack of economic and political embeddedness. The case tells us that it was only that only interdisciplinary communities that are embedded in the business context seem to be able to sustain and even become successful.

With the present academic and practitioners' attention to the concept of CoP, the informal structure of the organization has received renewed attention. Although the informal organization has returned to the surface, its functionality to the organization has changed. The first attention to informal organization was more on informal social groups that were sometimes even more permanent and powerful than the formal organization (Roethlisberger 1939) (E.g. informal leaders may become more important to the group than its formal manager and informal groups may exercise more power in decision making than formal structures. It is striking to note that with the introduction of the concept of CoP, the renewed attention to the informal organization seemed to have lost the emphasis on power and conflict coalitions. In contrast, the focus on social learning provides a harmonious picture of CoP. CoP's are informally constituted self-organizing systems, that share the capacity to create and use organizational knowledge through informal learning and mutual engagement (Wenger, 1998). As people work together, they not only learn from doing, they develop a shared sense of what has to happen to get the job done. They develop a common way of thinking and talking about their work. Eventually they come to share a sort of mutual identity - a single understanding of who they are and what their relationship to the larger organization is.

In general, while the whole concept of CoP's, provides groundbreaking new avenues for organizations and organizational theory, the concept, similar to most grown ups, have matured into a biased, one dimensional phenomenon. We hope this paper will stimulate discussion about this overly romantic identity and stimulate reflection on the – often implicit - communitarian perspective of communities. Would it not be time - given also the present economic downturns - to look at communities from a more critical point of view? We still support the benefits of communities as social units of people informally grouped together by a shared need for knowledge and practice. However, to remain a community, awareness, adaptation and creation of conflict should be part of the picture.

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