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Inter-team coordination activities as a source of customer satisfaction

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ABSTRACT

This article reports the results of a micro-level study into firm resources. It involved a comparative qualitative study of the activities contributing to service delivery in two similar but differentially performing divisions, one perceived by customers to be a high quality provider, the other a lower quality provider. The results indicate that there were differences in the incidence of inter-team coordination activities and that effective inter-team coordination was a critical factor in delivering increased customer satisfaction. This suggests that these activities, by causing staff to interact across internal boundaries, may constitute a resource advantage. We propose that these activities are critical for both the coordination of service delivery activities and knowledge exchange, and that contextual factors may have an impact on these activities. The study makes a contribution to the resource-based view and strategy as practice literatures and illustrates how a practice-orientated approach can inform the resource-based view.

KEYWORDS

inter-team coordination ▪ performance ▪ resource-based view ▪ strategy as practice

In this article we report on a micro-level comparative study of the activities contributing to service delivery in two financial services organizations, one perceived by customers to be a high quality provider, the other a lower quality provider. The study involved comparative qualitative research in both

firms in order to understand the differences between the two organizations. We found that effective inter-team coordination was a critical factor in delivering increased customer satisfaction.

This empirical research makes a contribution to the strategy as practice literature (Balogun et al., 2003; Johnson et al., 2003; Regnér, 2003; Samra-Fredericks, 2003; Jarzabkowski, 2004, 2005; Whittington, 2004) and to the recent debate on the resource-based view (RBV) (Barney, 2001; Priem & Butler, 2001a, 2001b). Indeed our micro-level approach to understanding firm performance is a step toward responding to one of the key criticisms of the RBV, which is that it currently suffers from a high level of abstraction (Priem & Butler, 2001a). RBV research as it stands does little to inform managers about how they might manipulate key variables, whereas our research helped the organizations involved develop a deeper understanding of the activities that contribute to service delivery and hence it provided them insights into how services could be managed to achieve improved performance. This can also be seen as a contribution to the strategy as practice perspective, as our study reflects the real work of practitioners and our results have provided an example of what constitutes strategic competence (cf. the strategy as practice website). Our research also addresses some of the key questions in the strategy as practice agenda. We have attempted to link everyday activities of organizational life to strategic outcomes, that is, we have linked the 'micro' with the 'macro', and by operating within the RBV framework we have helped to connect the strategy as practice approach to more mainstream strategy literature.

The article is structured as follows. The first section outlines the reasons why we adopted a strategy as practice approach to our research into the RBV, and highlights the aims of the article. The second section describes the research setting, and methods we used. We then report the results, which indicate how and why inter-team coordination activities can be a source of superior customer satisfaction. We proceed by describing a fine-grained exploration of customer perceptions of service quality that we undertook which enabled us to connect the internal coordination processes with customer value. We then draw on the literature on inter-team coordination activities to reflect upon the findings. We conclude with a discussion of the impact of context on the incidence of inter-team coordination activities, a summary and suggestions for future research.

The resource-based view and strategy as practice

As we wished to examine situated, concrete activities (Whittington, 2003) and to examine how and why some activities could be linked to strategic

outcomes, the strategy as practice approach seemed an appropriate perspective to adopt. So our first aim was to address the strategy as practice concern over the gap between the *theory* of what people do and what is *actually* done in practice (Whittington, 2003). We also wished to respond to the call for comparative analysis, which may reveal more or less effective uses of practice within specific contexts (Jarzabkowski, 2004). Concentrating on what people *do* also explains why we have adopted such a perspective (Jarzabkowski et al., this issue), and in this study we are particularly interested in the situated practices of the individuals involved in service delivery (Jarzabkowski et al., this issue).

Our second aim was to provide an empirical example of how the strategy as practice approach might be linked to the resource-based view. A micro-level approach to understanding strategic outcomes is a step towards advancing the RBV. The arguments underlying the RBV are conceptually well developed, but there is a lack of empirical evidence supporting these theoretical developments. Moreover, a large proportion of RBV empirical work consists of quantitative studies with large sample sizes that are subject to statistical analysis (Shimizu & Armstrong, 2004). The results are often aggregated responses and the theory is developed via the inference of common trends. However, the RBV is essentially about firm differences. By arguing that sustainable competitive advantage derives from valuable, rare, difficult to imitate and imperfectly substitutable resources (Barney, 1991), the RBV highlights the role of strategically important but maybe subtle and detailed differences between competing firms (Whittington, 1996). It also highlights the need to isolate idiosyncratic sources of advantage (Rouse & Daellenbach, 1999) and recognizes that the value of a firm's resources can only be assessed in the firm's specific context (Barney, 2001) and as a result it can be understood that an all inclusive categorization of resources is unhelpful as valuable resources are likely to be found in the minutiae of organizations (Johnson et al., 2003). This suggests that micro-level activity-based research is particularly relevant to the RBV: the 'resource-based view will advance as it shifts towards a micro-perspective capable of capturing both details and activities' (Johnson et al., 2003: 7).

Mauri and Michaels (1998) argue that 'only fine-grained analysis of resource hierarchies at lower levels of aggregation can help managers identify the true sources of competitive advantage . . .strategy researchers should focus on differences and not similarities in resources' (p. 217). Consequently, we tried to design a study that allowed us to conduct fine-grained research into two differentially performing financial services organizations. Specifically, we looked at service delivery, identifying differences in the presence and performance of activities between the two organizations and exploring the differences in the environmental contexts that might affect the existence or

performance of activities. Like Blackler et al. (1999) and Jarzabkowski and Wilson (2002) we were interested in how firms' detailed practices impact performance, which is a step towards understanding organizing principles for effectiveness (Whittington, 2003). Our intention was to address the call for studies focused on the differences, rather than the similarities, between firms (Jarzabkowski, 2004; Whittington et al., 2004).

Our third aim was to explicitly establish a link between micro-processes (in this case, inter-team coordination activities) with macro-processes (customer satisfaction outcomes) (Johnson et al., 2003; Whittington et al., 2004). Via interviews with customers we developed an in-depth understanding of what they really valued and we were able to demonstrate links between inter-team coordination activities and customers' perceptions of value, rather than making assumptions based on, for example, managerial beliefs about what causes success with customers. In other words we drew connection between the 'inside' of the firm (the activities), and the 'outside', the strategic outcomes (customer satisfaction).

In this article we have used the broad definition of resources employed by Barney (1991). Thus a resource can be anything within the firm (assets, activities, etc.), and it could be a source of sustainable competitive advantage if it is simultaneously valuable, rare, inimitable, and non-substitutable (the VRIN criteria). Some authors make a distinction between resources and capabilities (Amit & Schoemaker, 1993; Brumagim, 1994; Hoopes et al., 2003). When such a distinction is made resources are usually seen as consisting of inputs into the production process, and capabilities as the processes by which the resources are utilized. In this sense, activities could be seen to be capabilities as they are about utilization, they are processes (Orlikowski, 2002). Considering that it is acknowledged that the 'value of a resource depends not on its existence but on its utilization' (Johnson et al., 2003: 7), that is, that activities are a source of value creation one could argue that many resources that will match the VRIN criteria could be described as activities.

The research setting

The fieldwork was undertaken in the financial services sector, but this sector per se was not the focus of interest. The motivating force was the chance to be able to explore, in detail, two seemingly similar but differentially performing divisions. Gronroos (1998) describes the delivery of a service as essentially the delivery of *processes* for consumption by the customer, as much as, or perhaps more than, the delivery of an *outcome* to the customer.

As financial services products become increasingly commoditized, service quality is becoming a key differentiator in this marketplace. A greater understanding of the idiosyncratic firm resources that contribute to service delivery and customer satisfaction should provide greater insight into how these resources may contribute to superior performance and how they might be managed more effectively. Similarly to Ray et al. (2004), our study did not concentrate on the divisions' overall performance but on a specific business outcome: customer satisfaction. We agree with their argument that attempting to link valuable resources to overall firm performance may not be the most useful way forward when working within the RBV. Indeed a specific resource may well be contributing to advantage but the value of the resource observable at the process level may not be reflected at the firm level because of the presence somewhere in the firm of sources of poorly performing activities. For this reason, Ray et al. (2004) argue that using the effectiveness of business processes (such as a manufacturing process or customer service) as the dependent variable may be more useful to test the resource-based view than the notion of firm performance.

This research was undertaken within two divisions, PI and ACE, of a large financial British public company (PLC in what follows) between September 2000 and June 2001. These businesses can be described as medium volume and variety (Johnston & Clark, 2001), characterized by relatively high personal contact, with relationship building considered important. As we will see below they are similar, but they are perceived by their customers to perform significantly differently: customers considered ACE to be a good performer, and PI a poor performer. Both divisions are of comparable size and deal with mortgage sales, processing and servicing to mortgage intermediary customers (Independent Financial Advisers and mortgage brokers). This is a significant market: mortgage sales via intermediaries account for 40 percent of the residential mortgage market in the UK. These two divisions were appropriate for our research because they operate in the same marketplace, target the same customer group of mortgage intermediaries and have many common customers. They also lend for essentially the same purpose: residential mortgages, with an increasing focus on 'specialized' lending (e.g. flexible mortgages, adverse credit, buy-to-let). They both report to the same PLC Director, and have similar performance targets. However, even though there are similarities at the 'macro-'strategic level, and they have similar systems, products and processes, they have different histories and operate independently. Our research premise was that in order to explain the differences in their performance, from a customer perspective, we would need to understand in detail the differences in the activities the business units perform.

PI and ACE operate primarily with telephone-based sales and servicing teams supported by small field sales teams. They deal with between 500 and 1000 mortgage intermediaries. The transaction for each mortgage application extends over a period of time, typically four to eight weeks, with a number of contacts between the lender and the customer during this period. The telephone-based service staff do not operate to scripts. Although there are clear criteria and processes for dealing with mortgage applications there is some discretion in decision-making and in how individuals conduct service interactions. Staff also get involved in elements of process improvement. Relationship building and consistent reliable service delivery are acknowledged as being important competences in this marketplace. The differences in organizational structure and the servicing process chains are described in Appendix 1.

PI was set up in 1992 as part of PLC and drew on managers and staff who had previously worked elsewhere in PLC. There have been a number of disruptive management changes in PI's history:

> When I took over [servicing] it was a real blame culture . . . as a result of the way Andy managed, I came in about 3 months after Andy left . . ., then when Mike left there was a real plummeting in morale, and then Clive came in. . .
>
> (Head of PI Servicing)

ACE was originally established by a US bank in 1975 to handle hire purchase and other credit finance. It was then sold in 1987 to an Irish Bank, which refocused it as a dedicated UK company servicing mortgage intermediaries. In 1997 this Irish Bank took over PLC and as a result ACE became part of PLC. Many staff stayed with ACE throughout these ownership changes. There have been management changes since the takeover, but these were mainly handled by promotion from within. The two Managing Directors since the takeover have been appointed from PLC, and ACE staff take great pride in the fact that they have 'gone native'; they have become 'ACEized' once they joined ACE. Following the Irish Bank takeover of PLC, PI and ACE were brought together to be managed within the PLC Lending Division. This meant that the financial results are aggregated in the PLC accounts but each business operates autonomously, with separate sales, servicing and marketing operations.[1]

Differences in performance

The customers (mortgage intermediaries) perceive ACE to be the superior service provider. This difference was identified through two sources: an

annual industry Service Award scheme, and commercial customer satisfaction research commissioned by PLC. From an intermediary's perspective, service usually means the process from initial contact about an application through to completion of a mortgage. At that point the intermediary has a satisfied end customer (in that they have a mortgage) and will receive their procuration fee from the lender (an important part of their income stream). This is the time of a mortgage's life when the greatest activity takes place and when the greatest servicing problems can occur; it is also when the intermediary is most 'exposed' to the end customer. Post completion tends to be uneventful and the intermediary rarely gets involved. Consequently, assessments of 'service' tend to focus on this application-to-completion process.

Each year *Financial Adviser*, a specialist magazine for financial intermediaries, awards service 'star' ratings to mortgage providers based on a survey of nearly 2000 intermediaries who are asked to assess 35 intermediary mortgage providers on the following four service categories: speed of processing, product knowledge, professionalism, and reliability and flexibility. In the 2000 survey, ACE achieved the highest rating, five stars, whereas PI achieved two star status.

A more detailed assessment of the relative performance of ACE and PI was commissioned by PLC and undertaken by NOP among existing customers of the various PLC businesses, which asked them a series of questions concerning their perceptions of the relevant PLC product/service offer. These customers were then asked the same questions of key competitors of which they had experience. This enabled PLC to calculate a competitor benchmarked customer satisfaction score. The PI and ACE research was undertaken in the same customer segments, and in many cases amongst the same customers (although the individual contacts varied). ACE achieved a higher satisfaction score than PI, which supported the *Financial Adviser* star ratings. The results from PLC's research undertaken during the summer of 2000 are shown below in Table 1.

PLC's research provided an insight into why customers perceive ACE and PI differently. It showed that the two suppliers are viewed as being more or less equal on product offering and promotion, the big differences coming in the area of service delivery, covered by the headings 'service', 'credit and risk' and 'people', where ACE scores significantly higher than PI in most categories. Interestingly, PI outperforms ACE in terms of product knowledge, but in all other servicing areas ACE outperforms PI.

Finally, it is worth noting that the perceptions of customers may translate into business growth. ACE achieved a 23 percent growth in the value of completions (of mortgages sold) between the financial years ending April 2000 and 2001, 5 percent above the target they were set by PLC of 18

Table 1 PLC commissioned customer research: customer perceptions of the product/service offer

Business		*PI*	*ACE*
	Overall Index	**70**	**86**
Consolidated overall categories:			
	Product	87	88
	Service	**67**	**88**
	Credit and risk	**59**	**87**
	People	**71**	**83**
	Promotion	83	88
Breakdown by categories:			
Product	Offers tailored products	88	87
	Offers a comprehensive product range	91	91
	Offers consistently competitive rates and charges	83	87
Service	**Offers a tailored service**	**68**	**90**
	Offers a hassle free service	**62**	**90**
	Makes decision quickly (when necessary)	**60**	**86**
	Uses new technology to improve their service to you	72	82
	Is easy to contact the right person to answer queries	**74**	**93**
Credit and risk	**Is clear and consistent on info it requires and processes to follow**	**65**	**83**
	Is flexible in its underwriting	**51**	**94**
	Has underwriters who facilitate the process	**58**	**90**
	Consistently deliver what they say they will	**62**	**83**
People	**Has staff who are good at building relationships with brokers**	**74**	**90**
	Staff handle all transactions in a competent way	**74**	**87**
	Staff understand and can explain the products	81	74
	Has a decision maker available who understands the local market	**56**	**80**
Promotion	Keeps you informed with timely and relevant communications	80	88
	Provides support for introducer's promotions	85	89

Source: PLC research 2000, undertaken by NOP.
Notes: Index calculated as follows: ACE and PI performance rated on scale of 1–6 on each question; competitors' performance rated on scale of 1–6 on each question, then consolidated; index = PI/ACE score divided by consolidated competitors score; competitive parity assumed at 100 (range 97–103); bold rows indicate significant differences in customers' perceptions of performance of PI and ACE (more than 10 index points).

percent. PI did not achieve its target growth of 18 percent. It would appear therefore that ACE's service delivery seems to be the 'differential ability' (Conner, 1994) that gives ACE advantage, in terms of customer satisfaction over PI.

Method: Surfacing the differences in service delivery activities

Having established that there was a performance difference in service delivery between ACE and PI, we then proceeded to explore in detail the activities in the divisions in order to try to establish the sources of these differences in customer satisfaction.

Our data collection and analysis focused on activities: *what* people do, and *how* they do what they do (Jarzabkowski, 2003; Johnson et al., 2003; Antonacopoulou & Dragonetti, 2005). We addressed organizational actions rather than decisions about what *should* happen (Mintzberg & Waters, 1985; Hendry, 2000). Thus we have used Orlikowski's (2002) definition: by activities we mean what people actually do.

Feldman and Pentland (2003) suggest that an organizational routine (the repeated, recognizable pattern of interdependent actions) can be decomposed into two components: the structure of the routines, that is, the abstract understanding of the routine and the actual performance of the routine. The former is referred to as the ostensive aspect of the routine, the latter the performative aspect (Feldman & Pentland, 2003). The performative aspect of the routine relates to know-how, it 'consists of specific actions, by specific people, in specific places and times. It is the routine *in practice*' (Feldman & Pentland, 2003: 101, emphasis added). Thus activities are concerned with these performative aspects.

We have used a 'matched-pair', comparative case study approach (Eisenhardt, 1989; Fitzgerald et al., 2002). We adopted inductive qualitative techniques to gather and analyse the data (Partington, 2000; Orlikowski, 2002). Taking an inductive approach means that we were primarily data driven (Vogt, 1993; Langley, 1999). We use the word primarily as it is generally accepted that it is almost impossible to operate from a 'blank slate' (Gill & Johnson, 2002). We wanted to capture the experience and interpretations of the informants, to remain open to emerging ideas (Gioia et al., 1994; Orlikowski, 2002) and to gain as thorough an understanding of our topic as possible. The case study approach was also suitable as it is 'the preferred approach when "how" and "why" questions are being posed, when the investigator has little control over events, and when the focus is on contemporary phenomenon within some real-life context' (Yin, 1994: 1). This choice was also guided by the fact that this study was exploratory in nature, as activities and how they can be linked to superior performance is an under-explored theme in both the resource-based view and in the strategy as practice field.

As recommended by Yin (1994) our case study inquiry relied on multiple data sources. We combined observations, interviews and archives

(Eisendhardt, 1989). This allowed us to triangulate our data. Two methods have been used in the triangulation process of the findings. First, the observations and perceptions were tested against the perceptions of the organizational members during, and subsequent to, data collection, and were found to be consistent with their views, and to make sense to them. Second, observations/interviews have been compared against documentary evidence.

In order to identify the activities involved in service delivery, and to uncover firm specific resources, we needed to be able to get into the detail of the two divisions (Rouse & Daellenbach, 1999; Ambrosini, 2003). Obviously, such an approach has drawbacks, notably in terms of empirical generalization (to the population), but to further our understanding of firm performance in attempting to isolate idiosyncratic resources and the need for fine-grained analysis (Collis, 1991), empirical generalization was not an aim, and richness of data from a case would serve the purpose of our research better than other methods. However, this concern with detail means that with our data we can aim for analytical generalization (Yin, 1994). Moreover, the overall investigative process does have generalized applicability, and provides a framework that could be used and developed by other researchers.

We adopted the following approach in selecting specific individuals for data collection. Initially, managers were interviewed, to get their perceptions of 'how things work' in their organization, to identify which of their direct reports should be involved, and to get their buy-in and acceptance of the research. Then the field researcher interviewed and observed a selected number of relevant team leaders: these were identified by their managers as being individuals who were likely to be cooperative and view the research as being a positive rather than a threatening experience. The team leaders were then asked to identify people in their teams that the researcher could sit alongside and observe/informally interview. They were asked to identify people who they considered to be more effective and less effective performers in order to find out 'what they do', so that the researcher could look for differences in their performance. The researcher then sat alongside the selected team members to observe their activity and informally interview them about their roles. The team members were not aware how they had been selected: they were told that the researcher was sitting randomly with individuals from various teams. All staff were advised of the presence of the researcher through memos from each division's head and they were guaranteed that all the data collected would be anonymous and confidential.

The main approach to data collection was a combination of unstructured interviewing, which we chose because it allows researchers to investigate behaviour without using any limiting a priori categorization (Fontana & Frey, 1994), and observation, in order to get, as far as possible,

the divisional members' perceptions of what they do and their work environment, rather than the researcher's perceptions (Sandberg, 2000). This follows Fontana and Frey (1994) who described unstructured interviewing as going together with participant observation as many of the data gathered through observation derive from informal interviewing.

Observation enabled immersion of the researcher in the divisions under study and hence facilitated the acquisition of context specific knowledge (Bryman, 1989). Thus we attempted to concentrate on one of the key aspects of the strategy as practice perspective; that is we examined situated, concrete activities (Whittington, 2003).

It also enabled a better understanding of the actual ways in which organizational members construct social realities by making sense of practical issues, including those that are so taken-for-granted that people are not likely to discuss them with others (Miller, 1997). It provided the opportunity to study behaviour first hand, witnessing the phenomena under study in action (Adler & Adler, 1994). This observer role was indirect, that is, not actively involved in work tasks with a formal work role, and the observations were known to be for research purposes (Bryman, 1989).

Thirty-one observation/interviewing sessions were completed, 20 in ACE and 11 in PI. On average, a 'session' lasted roughly three-quarters of a day. Some of the managerial staff sessions were unstructured interviews held away from the interviewee's workplace. However, all the sessions undertaken with team leaders and processing staff were conducted at their desks. These sessions involved sitting alongside the organizational members in the workplace whilst they were performing their job tasks, with the researcher observing their activity and asking them specific questions about the task in hand, and broader questions about how they do their job, etc. These were in effect conversations. All unstructured interviews and conversations were tape recorded and subsequently transcribed. During the observation, notes on the observed activity were written into a notebook in situ whilst the activity was being observed. When the interviews and conversations were being transcribed, the notebooks were consulted to clarify our understanding, the context, etc., or to expand on 'unspoken' aspects of the activity.

The two approaches of observation and unstructured interviews complemented each other and allowed us to get a broader perspective of 'what was happening' in these two divisions than we would have been able to achieve using a single method. To conclude, our research strategy was designed in a way that would enable us to demonstrate the 'trustworthiness' (i.e. the credibility, transferability, dependability and confirmability) of our inquiry (Lincoln & Guba, 1985). We built it through having prolonged and in situ observations, maintaining a detailed field journal, triangulating the

data by using multiple sources, incorporating 'member checks', that is, the participants reviewed our findings, and through maintaining a chain of evidence by providing throughout our article actual evidence of the study.

Data analysis

We coded the interview transcripts and observation notes thematically using a purpose built database (Filemaker Pro software, which is a flexible data-basing package). We used both positive instances of activities, and evidence that confirmed that certain activities do *not* occur. In other words as well as collecting data to 'find out what's there', we looked for confirming and disconfirming evidence of the presence of different types of activities ('do you tend to speak to Xxx?') as the data gathering process proceeded.

The data was analysed using thematic coding. Thematic coding involves identifying emergent classifications from the data (Miles & Huberman, 1994). Hence the coding scheme was developed initially from the perceptions of the field researcher during data collection and developed further when analysing the data. The unit of analysis was the activity and the analysis was conducted at the level of the individual, including both operational and managerial staff. The coding scheme was 'checked' in subsequent data gathering and in situ discussions to verify that it described the activities appropriately. The scheme comprised three categories: A: activity unit; B: activity focus; and C: repertoire of activities. These are not hierarchical categories; they represent three different ways of describing activities, three types of characteristics.

Category A: Activity unit

This category identified the processing unit where the activity took place. These were defined as follows:

Individual: this includes the individual working alone on a task (e.g. checking the details on a mortgage application against their personal checklist) and the individual interacting with a customer (e.g. follow-up call to customer enquiry).

Intra-team: these activities are interactions within the team. 'Team' is defined as the group of people with whom the individual feels most closely aligned. This has been derived from analysing the interviewees' use of the term 'team' and 'team members'. Team tends to relate to the smallest collective unit in both divisions.[2]

Inter-team: these are the interactions between teams. These include interactions between teams within a department (e.g. in ACE, interactions between Teams A, B, C, D and/or E in NBA) and interactions between teams in different departments (e.g. in PI, interactions between Business Development Team and Servicing Team E. Mids).

Managerial: these are the interactions between managers and the staff reporting to them, either as individuals or, as appropriate, at team, departmental or organizational level, and also between managers and other managers.

Category B: Activity focus

The data were also coded to identify what type of activity was being performed. As we started to examine the data in more detail we recognized that some activities were focused on undertaking the core processing task, which we labelled specialized activities, whilst others concerned relationships and the coordination of activities. As a result we decided to code our data according to the focus of the activities. These categories relate to Mintzberg's (1983) forms of task specialization, and coordination mechanisms.

Specialized: these are the technical activities involved in doing the job, that is, processing mortgage applications.

Coordination: these are the activities involved in managing internal and external relationships, linkages, etc. (relative to the individual, team and organization) and other environmental/process factors that enable the specialized technical activities to be performed.

Category C: Repertoire of activities

Finally, similarly to Orlikowski (2002) we clustered the individual instances of activities performed into a repertoire of activities carried out regularly in the divisions. The repertoires of activities were identified during data collection and data coding, and represent an aggregation of the activities identified. It encompasses a group of activities that contribute to an overall function. To return to the comment we made earlier about capability, each repertoire of activities can be understood as a capability (Collis, 1994) or, to use Orlikowski's (2002) term, a practice, or Johnson et al.'s (2003) term, a bundle of practices. Examples include: relationship building with customers, problem solving with customers, sharing information internally, negotiating/problem resolution internally, relationship building internally, formal internal communications, decision-making, motivation, performance

management, staff development, case handling, quality control, change/improvement, resource allocation, and business development/generation.

The thematic coding of the transcripts of the interviews and conversations and of the observation notes resulted in c. 950 coded activities. Some instances of activity in the transcripts or observation notes may have been coded more than one way, where they suggest more than one significance to an activity. For example, 'sharing information' may also be 'relationship building internally'. (An example of coded data can be found in Table 2.)

We then examined the activities present in PI and ACE, in order to identify similarities and differences. In addition, we studied documents about the organizations' history and their codified processes and systems. This enabled us to gain greater insight into the organizational context, to check on the validity of information gathered through other means and to better understand official policy on activities and processes versus more discretionary practice.

Table 2 Example of coded data

Organization	*ACE*
Activity unit	Inter-team
Activity focus	Coordination
Repertoire of activity	Relationship building internally
Activities	Training experience in other teams Moving teams – previous job experience Meeting informally Helping others when busy
Data from ACE	'They'll spend a day in the mortgage team, just to find out what they do, and they do part of training there.' 'We all dream of this in terms of service and sales all delivering at the same time, all understanding each other, working together, and it actually happened with Team E. Kevin's got promoted and we recruited some new people so there are now 3 people who look after Central London and what they've learnt and the way they do things is the way Kevin does things.' 'It's very friendly, everybody pulling together, if you ask any of these people, when they last met, did something with somebody in ACE outside of work, of their own volition, they'll be various reasons, not organized by me, they'll be a girls' pizza night out, they'll be going to keep fit together, we live a few roads apart and are having dinner together, all sorts of ideas, meeting in a pub on a Friday night, Sunday dinner . . .'

Findings

Specialized activities and managerial coordination activities

The results show that both organizations have similar specialized activities at each unit level (individual, intra-team and inter-team), and similar co-ordination activities at the managerial level (see Table 3 for examples). It is not surprising that ACE and PI should be similar in these respects as they both ultimately report to the same Credit and Risk department which sets the approved way of processing mortgage applications, and both sets of staff receive the same basic training. Furthermore, the external controls on mortgage lending (prescribed by the Council of Mortgage Lenders) also heavily influence the way ACE and PI can process mortgage applications. The results also suggest that management attention in both organizations is focused on coordination through direct supervision (Mintzberg, 1983). Considering the RBV argument, these results are again not surprising. These activities are likely to be codified and explicit, and hence, to a very large extent, can be transferred and understood within any organization. Prescribed activities do not match the valuable, rare, difficult to imitate and non-substitutable (VRIN) criteria and while they may well be a source of competitive parity (Barney, 1995), they are unlikely to be a source of advantage as they can be easily replicated by competitors. However, the *way* these activities are performed could possibly be a source of advantage, but there was no evidence to support this.

Intra-team coordination and individual coordination activities

The intra-team coordination activities are similar in both divisions (see Table 4), but there are some differences at the individual level. However, while we had high quality access we were not able to observe or interview each individual member and collect extensive data for the activities they each were performing. This means that we are not able to draw any conclusions about the individual performance of activities.

Inter-team coordination

The coordination mechanism afforded by the inter-team activities is primarily, although not exclusively, 'mutual adjustment'. Mintzberg (1979) explains that mutual adjustment achieves coordination of work by the process of informal communication. Frequent informal communication seems to enable the servicing chain to operate smoothly and achieve the

Table 3 Examples of specialized and managerial coordination activities

Activity unit	*Activity focus*	*Repertoire of activities*	*ACE activities*	*PI activities*
Individual	Specialized	Case administration	Receiving and logging cases Individual assumes case ownership Setting up case files Requesting additional information from customers	Receiving and logging cases Sorting cases to teams on receipt Setting up case files Requesting additional information from customers
Individual	Specialized	Case problem resolution	Requesting information Searching internal sources Going 'above and beyond', e.g. walking money to bank for completions	Requesting information Searching internal sources
Intra-team	Specialized	Case administration	Standard team processing process Checking case details within team	Standard team processing process Checking case details within team
Managerial	Specialized	Decision-making	Provide decision-making frameworks	Provide decision-making frameworks
Managerial	Specialized	Quality control	Random quality checks	Random quality checks
Managerial	Coordination	Internal communications	Agreeing and managing formal communications to direct reports	Agreeing and managing formal communications to direct reports
Managerial	Coordination	Change	Identifying improvements Getting buy in to change	Identifying improvements Getting buy in to change

Table 4 Examples of intra-team and individual coordination activities

Activity unit	*Activity focus*	*Repertoire of activities*	*ACE activities*	*PI activities*
Individual	Coordination	Change	Exposure to other environments Suggesting ideas Implementing changes	Exposure to other environments Suggesting ideas Implementing changes
Individual	Coordination	Performance self-management	Write own 'business plan' – set own objectives Benchmarking performance against formal performance measurement	Benchmarking performance against formal performance measurement
Individual	Coordination	Staff development	Working individually on case studies Developing own specialism	
Intra-team	Coordination	Problem solving internally	Discuss cases within team	Discuss cases within team
Intra-team	Coordination	Sharing information	Team meetings Informal sharing	Team meetings Informal sharing
Intra-team	Coordination	Performance management	Asking for team feedback on performance Giving feedback on performance Benchmark performance within team Coach/monitor junior team member Regular checking of workloads in team – taking on work	Benchmark performance within team Coach/monitor junior team member

desired outcome, that is, a completed mortgage for the end consumer and a satisfied mortgage intermediary.

The results show distinct differences in the incidence of inter-team coordination activities. They were present in several forms in ACE, and relatively underperformed in PI. For instance, ACE held cross-departmental workshops, and they 'visited' underwriters to force resolution (see Table 5). This suggests that ACE was likely to be more effective at coordinating inter-team interaction throughout the service chain. Many ACE managers acted as boundary spanners by looking beyond the boundary of their immediate team, and by encouraging greater inter-team interaction to deliver a higher quality service. In PI, the results suggest that managers focused on their immediate team. This could be their immediate peers or the team they directly supervise, rather than how their team and the teams of their peers interrelate. The senior management of both divisions concurred that this analysis fitted their perceptions of interactions across their organizations. In ACE the issue for them is 'how to make everyone talk to each other more'. In PI, the discussion of the findings prompted a realization with the Head of Servicing about what might be lacking in the division: she had been feeling increasingly frustrated that she had encouraged technical skills development, and greater 'teambuilding', but had still not seen the performance improvements she had anticipated. Following discussion of these results, she acknowledged that 'teambuilding' had tended to focus on the team leaders, or the separate servicing teams, and had not prompted greater inter-team interaction.

Given that the main difference in service delivery between the two organizations was the higher incidence of inter-team coordination activities in ACE, we can suggest that these activities are likely to be connected to higher quality levels of service delivery. This is similar to Garvin's (1988) study in air conditioning plants. He found that high quality performance stemmed from special organizational activities, rather than capital investment or the degree of automation of the facilities. We are suggesting that superior service quality may be driven more by service chain coordination than any differentiation in the specialist technical skills of the two divisions. In what follows we show how these results were corroborated when we explored in detail customer perceptions of service quality.

Linking inter-team coordination activities with customers' perceptions of value

In order to substantiate whether our suggestions, based on the interviews and observations were valid we interviewed some of ACE's customers to uncover in detail what they valued from mortgage lenders. Thanks to the research

commissioned by PLC we had an overview of the customer service factors (which we set out earlier, see Table 1), and we knew that ACE is well perceived by its customers and better perceived than its sister division PI. Our findings have also suggested that this may be due to the higher incidence of inter-team collaboration and coordination activities in ACE. However, the commissioned research does not provide a detailed understanding of what customers value. In our own customer research we wanted to understand in detail the elements of service that deliver greatest value to customers. In other words we wanted to try to link as accurately as possible the detailed activity differences we had surfaced, with customer perceptions of value and not simply assume that these activities mattered (Johnson et al., 2003). We wanted to avoid the trap of being over-absorbed in micro-activities to the extent that we ignored how the activities connect with the wider context (Whittington et al., 2004), notably here with customers and their perceptions of value.

We selected customers for interview to reflect variety in organization size (from one broker in a firm of accountants to over 20 brokers in a branch of a national firm), the number of lenders used (ranging from three to 40) and the size of mortgages handled (from average loans of £50,000 to £1 million mortgages). These customers reflected a cross section of ACE customers. These were all customers who were using ACE as one of their lenders at the time of the research, and they represented a range of customers from large national chains, to smaller independent operators with both national and local coverage. The interviews took place in October/November 2001.

We asked the following questions: in general what do you value from a lender? What makes a lender stand out from the rest? And specifically, what is it about the ACE service that you value? At the same time, ACE also commissioned a further round of commercial qualitative customer satisfaction research from a marketing research company with the objectives of ascertaining whether perceptions of ACE's service offering had changed since the previous research; evaluating ACE's relative standing by comparing customers' ratings with competitors and developing a greater understanding of intermediary servicing needs. The commissioned research enabled us to collect an additional source of evidence on customers' perceptions of what they value from a lender.

The elements that the customers value most are detailed below, but in summary the interviews revealed that the elements of the lender's offer that deliver greatest value to the intermediaries are those that: 1) enable the intermediaries to have satisfied end customers; 2) enable the intermediaries to 'look good' in the end customers' eyes, that is, the customers specifically associate the success of the transaction with the intermediary; and 3) elements

Table 5 Inter-team coordination activities at ACE and PI

Activity unit	*Activity focus*	*Repertoire of activities*	*ACE activities*	*PI activities*
Inter-team	Coordination	Relationship building internally	Social events Cross dept workshops and activities Regular 'Exchange' conversations Problem solving activities Sharing information activities Training experience in other teams Training activities Helping other teams when busy Moving teams – previous job experience Meeting informally Joint front against PLC Delivering on promises	Problem solving activities Sharing information activities Training activities Moving teams – previous job experience Meeting informally Communications between teams on 'exceptions' basis
		Problem solving internally	Ask questions Negotiating internally on behalf of broker Discussions to create common mindsets Identifying the 'right' broker for a case – 'the man who can' Understanding justification for decisions 'Visiting' underwriters to force resolution Providing 'expert' advice across teams	Understanding justification for decisions Joint Action Team – ad hoc, not regular meetings

(cont.)

Table 5 continued

Activity unit	*Activity focus*	*Repertoire of activities*	*ACE activities*	*PI activities*
		Sharing information	Communicating intelligence Exchange conversations Keeping scratchpad notes up-to-date Emails on client visits	Keeping scratchpad notes up-to-date Emails on client visits
		Change	HR communicate good team examples around organization Negotiating specifications for change with other teams, e.g. with IT	Specialist Quality Team to identify and manage improvements
		Performance management	Inter-team group pressure Reporting on consistent problems	Case sampling by Quality Team
		Motivational	Thanking other teams for special efforts	
		Staff development	Work experience in other teams	

that minimize the stress and hassle of the transaction. These were very similar across all the intermediaries interviewed, although the emphasis and balance altered, for example, 'problem solving' may mean speedy turnaround in some cases, or finding a product solution for a difficult case in others. The results are consistent with the original customer satisfaction research.

When intermediaries are considering lenders, decision-making appears to have two main stages. First, the lender has to get 'in the frame' by offering competitive rates and the right products (structure and terms) otherwise the intermediary will not consider them at all. These are 'must have' or order-qualifying factors that are essential for the intermediary to be able to offer the best deal to the end customer and to be able to demonstrate 'best advice'. Once a lender has passed the rate/product hurdle, service becomes critical in deciding between lenders. Intermediaries will tend not to use lenders offering very low rates but with poor service. The quality of service undoubtedly influences end customer perceptions of the intermediary and 'makes the difference'. Intermediaries want to have satisfied customers, and they want the end customers to associate the success with the intermediary in order to increase the propensity for referral and recommendation.

Intermediaries are paid fees by lenders, a commission paid on completion for an introduced mortgage. Despite a common perception amongst lenders that intermediaries are 'driven' by fees, they only tend to be of secondary consideration amongst intermediaries when they are placing business. Competitive fees are important for getting a lender 'in the frame', and if an intermediary is faced with two 'equal' lenders, the level of fee will sway their decision. However, a really high fee is not going to influence the buying decision if the rates, products and servicing are inadequate.

The factors identified by intermediaries that 'make the difference' form a complex web of inter-related concepts, with cross-over between areas, but the elements tend to fall into three main areas: 'Certainty', 'Honesty' and 'Problem solving'.

Certainty from a lender is comprised of a number of factors that enable an intermediary to say 'I know what to expect' and enables them to offer a high quality and fast service to end customers. Certainty is valuable to an intermediary because it reduces time and hassle when dealing with cases, it enables them to appear professional, and minimizes the risk that they will irritate and lose the end customer:

> If you're going to have to sit with a client for four hours running through all and sundry that's not necessary, or go to a lender which has got a well laid out, well documented, well thought through application form, you're going to go use them.
>
> (ACE Customer, Respondent A)

> We need to know upfront what information they need and not get any surprises.
>
> (ACE Customer, Respondent C)

Honesty delivers value to the intermediary because it supports certainty and enables the intermediary to manage the case and end customer effectively:

> They've got to keep us informed.
>
> (ACE Customer, Respondent C)

> No two people at the same level will have exactly the same degree of expertise or experience but what I need is when people don't know they say 'sorry I don't know', and they say ' I'm going to find out and come back to you'.
>
> (ACE Customer, Respondent F)

Timely 'problem solving' is where the intermediary delivers 'added value' to the end customer, and, therefore, is perceived as an area where lenders have to deliver well:

> It's important that someone takes ownership and that we can talk to a human being who can sort out problems.
>
> (ACE Customer, Respondent C)

> They need to understand the process . . .speed is important – it looks great to a client if you can get an instruction, instruct a valuation and get it all going quickly – the ability to turn it round quickly is very important.
>
> (ACE Customer, Respondent D)

The full service delivery chain is of course a complex mix of inputs, including tangible resources, systems, processes and other activities, including technical and coordination activities, and there is no single factor that causes performance. The objective of these interviews was to investigate whether the *inter-team coordination activities,* identified as being the area of greatest difference between the differentially performing organizations, can be related to the key elements of what customers value, that is, does the difference in activities appear to be linked with the differential performance of the two organizations in the eyes of the customers? To explore this, we examined each element identified as valuable by customers, and we have assessed the inter-team activities that are likely to contribute to or enable its delivery (see Table 6 for some examples). This suggests that various types of

Table 6 Repertoires of inter-team coordination activities likely to contribute to the delivery of what customers value[a]

Dimension of value	*Elements*	*Linked repertoires of inter-team coordination activities*	
		Direct	*Supporting*
'Certainty'	They are consistent in the way they interpret criteria across the organization	Problem solving internally Sharing information Staff development Performance monitoring	Relationship building Motivational
	They are consistent in the way they interpret criteria across time	Problem solving internally Sharing information Staff development Performance monitoring Change and innovation	Relationship building Motivational
	They are consistent in their servicing approach and attitude across the organization	Problem solving internally Sharing information Staff development Performance monitoring	Relationship building Motivational
	They are consistent in their servicing approach and attitude across time	Problem solving internally Sharing information Staff development Performance monitoring Change and innovation	Relationship building Motivational
	They are consistent in how flexible they are in interpreting criteria	Problem solving internally Sharing information Staff development Performance monitoring	Relationship building Motivational
	They keep me advised of criteria changes	*Inter-team coordination is not essential*	
	Communications are clear	Sharing information Staff development	Relationship building Motivational
'Honesty'	They do what they say they will	Problem solving internally Sharing information	Staff development Relationship building Motivational
	They give me bad news on servicing levels early	Problem solving internally Sharing information	Staff development Relationship building Motivational
	They give me bad news on cases early	Problem solving internally Sharing information	Staff development Relationship building Motivational
	They keep me advised of progress	Problem solving internally Sharing information	Staff development Relationship building Motivational
	If they don't know the answer they find out	Problem solving internally Sharing information Staff development	Relationship building Motivational

(cont.)

Table 6 continued

Dimension of value	*Elements*	*Linked repertoires of inter-team coordination activities*	
		Direct	*Supporting*
'Problem solving'	Everyone in the service chain is trained in and knows the servicing process (not just their 'bit')	Sharing information Staff development Change and innovation	Relationship building Motivational
	Speedy turnaround when necessary	Problem solving internally Sharing information Staff development Performance monitoring	Relationship building Motivational
	They can develop solutions to maximize successful sales	Problem solving internally Sharing information	Staff development Relationship building Motivational
	They can troubleshoot problem quickly	Problem solving internally Sharing information	Performance monitoring Staff development Relationship building Motivational

[a] The activities that constitute the repertoires can be found in Table 5.

inter-team coordination activities do contribute to virtually all dimensions identified as valuable by customers, the exception being 'They keep me advised of criteria changes', where this is an outbound communication from one part of the organization to customers.

Discussion

We have suggested that, in the context described, the firm resource of effective inter-team coordination is critical in delivering superior value to customers, by causing staff to interact across internal boundaries on a regular basis. However, we recognize we cannot link inter-team coordination directly to performance nor can we draw any definitive conclusions from single case examples; we can only gain more developed insights.

The study revealed that the presence of inter-team coordination activities was the main difference between ACE and PI and that specialized technical activities were very similar in both divisions. The process to administer a mortgage application at a basic level is broken down into component activities through standard processes and skills. This was performed similarly in both divisions. However, to ensure effective service delivery and the

provision of added value to customers an element of mutual adjustment appears to be required in addition to standard processes and skills, that is, inter-team coordination activities. In what follows we examine why inter-team coordination can be argued to be a critical component in delivering customer satisfaction. These activities have been argued to enable organizational effectiveness and to facilitate knowledge sharing, interpretation and innovation. Finally, before concluding we comment on the role that organizational context may potentially play in explaining the presence of these activities.

On the role of inter-team coordination

Schein (1994) argues that it is important to design organizations that promote inter-group collaboration, as he sees this as essential for organizational effectiveness. He follows in this vein Tushman and Scanlan (1981) who discussed the problems of intra-group focus versus inter-group interaction, explaining that the presence of boundaries between organizational units can be both positive, as it increases the efficiency of information processing within the unit, and negative as it raises barriers to information processing between the unit and the others.

Schein (1994) discusses the importance of encouraging communication in order to increase the frequency of interaction. Miller and Rice (1975) also emphasize the importance of inter-group transactions and describe the group dilemma as follows:

> on the one hand, safety lies in the preservation of its own boundary at all costs and the avoidance of transactions across it; on the other hand, survival depends upon the conduct of transactions with the environment and the risk of destruction.
>
> (p. 61)

These activities are not only key to inter-team interaction, but also they have been argued to have an effect on individual team effectiveness by increasing the levels of empowerment (Kirkman & Rosen, 1999).

It is also worth highlighting that inter-team coordination activities such as meeting informally, visiting underwriters, having regular conversations between teams, reporting on consistent problems (see Table 6) relate to architectural knowledge, knowledge concerned with the ways the organizational components are integrated and linked together into a coherent whole (Henderson & Clark, 1990). Architectural knowledge is embedded in formal and informal communication channels that are critical to the organization's task. Henderson and Clark's (1990) description of formal and informal

communication channels reflects the activities we identified (e.g. planned cross department workshop and informal meetings and social events). We would add that Balogun and Jenkins (2003) and Balogun and Johnson (2004, 2005) have highlighted the role that coordination and architectural knowledge play in organizational change, explaining that change comes, in part, from changing coordination activities and developing new architectural knowledge with the coordination activities also helping to make change 'happen' by enabling people across the organization to interact and develop new knowledge. This may be another element in understanding the difference in performance between the two divisions. Thanks to the more prominent presence of inter-team coordination ACE might have been more able to adapt to the changing environment.

We can also usefully cite Weick and Roberts' (1993) concepts of 'heedful interrelating' and the 'collective mind', when coordinating activities can appear to play a part in developing a 'collective mind' capable of reliable performance. Although obviously not as critical as aircraft carrier flight deck operations, the performance of a mortgage supplier is judged by its customers as much on its effectiveness as on its efficiency. These scholars explain that the 'collective mind' is a pattern of heedful interrelationships in a social system, and that the more heedful interrelations take place the fewer organizational errors happen. Coordination activities evidently have a role to play in managing this 'interrelating' and enabling people to develop shared fields. Perhaps it is the case that the inter-team coordination activities enable ACE to operate a more developed collective mind. They also comment that interpersonal skills are a necessity; this suggests that highly skilled 'technical' individuals (e.g. underwriters) are only truly effective if they also have relevant 'people' skills to coordinate activity.

We can also refer to the knowledge management and organizational learning literature to further understand why inter-team coordination can be a critical component. Tsoukas (1996) describes firms as distributed knowledge systems, where knowledge is not concentrated in a single mind, and he proposes that coordinated action, therefore, is dependent 'on those "lower down" finding more and more ways of getting connected and interrelating the knowledge each one has' (p. 22). This suggests that the management of coordination activities, particularly across the organization and between teams, is an important mechanism for transferring knowledge to ensure that the 'right' knowledge is in the 'right' place at the 'right' time.

The role of coordination activities in facilitating knowledge transfer is also well explored by Szulanski (1996) and Dixon (2000). Dixon (2000) suggests that coordination activities facilitate dynamic exchange and reduce resistance to re-use and Szulanski (1996) explains that 'stickiness' in best

practice transfer in the firm can be addressed by placing managerial attention on the learning capabilities of organizational units through fostering closer relationships between organizational units, and communicating practices.

So the literature suggests a number of ways in which coordination activities might be an important mechanism in enhancing organizational effectiveness and delivering value to customers, and our empirical research seems to add some evidence to this. From the empirical evidence and the literature we can suggest, as a summary, that inter-team coordination activities coordinate specialized activities, represent architectural knowledge and provide a mechanism for the development of shared knowledge, interpretation and innovation.

The potential role of organizational context

As Teece et al.'s (1997) framework of processes, position and paths indicates, or Jarzabkowski's (2004) argument that there is a constant interplay between micro- and macro-contexts, it is not possible to consider these coordination activities in isolation. Activities are situated: the environment and history of the firm undoubtedly influences the presence and performance of activities. Hence during the data gathering we noted the contextual differences between ACE and PI and we studied the heritage of the divisions. This has allowed us 'to illuminate contextual influences upon practice' (Jarzabkowski, 2004: 551). Here context refers to ACE and PI's situations and how these came about. We explain below how some differences in the histories of the divisions may help us understand some of the differences in performance. This understanding of context led us to conclude that there may be four key composite groups of influencing environmental factors that differ between the two researched organizations: 1) senior management attitude, organizational values, and customer ownership; 2) organizational structure and servicing processes; 3) physical environment; and 4) staff turnover, that may collectively explain to some extent the higher incidence of inter-team coordination within ACE. We consider each of them below.

The senior management attitude, organizational values, and customer ownership are strongly linked, and appear critical in terms of how the big 'strategic picture' is translated into action on the shop floor. In ACE, the senior management seem to be fully engaged, and have developed and articulated clear values, particularly around customer ownership. They have also engaged in activities to assist all organizational members to understand and work out how to turn the values into action by establishing clear 'behaviour standards', through, for example, conducting visioning/action workshops. Contrast this with PI, where there was a sense of a lack of senior management support, and

where there has not been a clearly articulated mission or set of values. By establishing a clear focus on, and understanding of, customer service, there appears a greater propensity to 'look over the team parapet' in ACE compared with PI. This can be related to Tsai's (2002) comment concerning the importance of the managerial climate in developing trust and cooperation and hence facilitating inter-team coordination.

The formal organizational structure in ACE appears to lead to greater alignment of, and encourages cooperation between, ACE members compared with PI, because all of the core functions are owned and controlled by ACE, which leads to the sense of being part of the same 'whole'. The servicing chain in ACE is shorter, simpler and less compartmentalized than PI, again encouraging greater inter-team interaction.

The physical environment of ACE has, historically, been more conducive than PI's, enabling organizational members to interact, and generally be aware of each other by 'seeing what's happening'. A recent move of PI to new premises was perceived by PI management to improve interaction and contact opportunities, although they acknowledged that the location of part of their team on a separate floor was a problem.

Finally, staff turnover has an effect on encouraging inter-team interaction. Staff tend to talk to people they know, friends from school or people they used to work with. Without some form of prescribed contact, in both organizations, people tended not to interact outside of their immediate team with people they do not know. In ACE, the 'exchange conversations' (regular meetings between sales and servicing staff) seem to provide the necessary prescribed vehicle to make contact with 'new' people. Once that initial contact has been made, there appears to be a 'snowball effect'; people will talk at other times, and will share other types of information. There has been relatively high staff stability in most parts of ACE, unlike PI. Obviously, in an environment where there is high staff turnover, these relationships are not sustained, and inter-team interaction appears to be inhibited.

These environmental differences are important to note as while our study suggests that inter-team coordination can be linked with the satisfactory delivery of service quality, the differences in inter-team coordination are probably influenced by a range of factors such as those described above. Hence we cannot claim that a high incidence of inter-team coordination is *the* cause of differential performance, the evidence simply indicates that enabling higher levels of inter-team coordination is a significant contributor to the delivery of superior performance in the case of ACE, and likely to be *a* causal factor.

In Figure 1, we have summarized the findings of the research. Reading from the right of the figure we summarize the clients' perceived value dimensions, and outcomes, then link these to the service experiences of

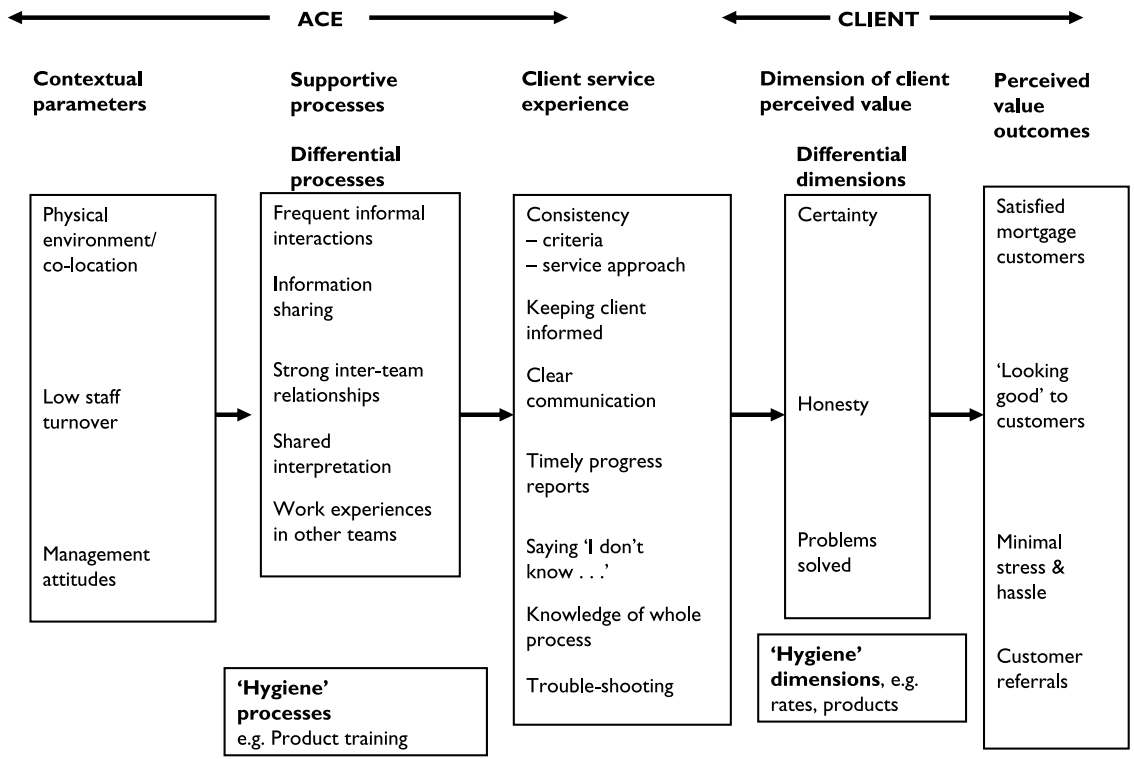

Figure 1 The service delivery process in ACE

clients, back through to the support processes in place to deliver those experiences, and the contextual parameters that appear, in turn, to support or underpin these processes. We have described the processes that give ACE advantage as 'differential processes' and these feed through to the clients' favourable service experiences and outcomes, for example, honest updates of the progress of the mortgage.

We have labelled common processes across both ACE and PI 'hygiene processes', which are essential to any mortgage service provision, for example, product training, and would not be a source of differential advantage. We have surmised that there are a number of contextual parameters, including location and management attitudes that support or enable the differential processes in ACE. For the client, the mortgage broker, the differential service experience (honesty, certainty, problem solving) leads to valued outcomes (satisfied customers, looking good, no stress, and customer referrals). 'Hygiene dimensions' of the service provision would include the products themselves, and the rates. These are likely to be imitable, and therefore common across competing firms.

The contextual variables explain to a certain extent why ACE evolved to have more effective coordination processes. These causes or antecedents also highlight that improving coordination in, say PI, may be difficult. There is a degree of path dependency involved in the development of these activities (Dierickx & Cool, 1989). Senior management attitudes will not be easy to change, nor will it be straightforward to inculcate a customer orientation. The stability of the staff groups concerned is important, which is affected by the rate of staff turnover, which, in turn is a function of a large number of other variables.

We know that these coordination activities are valuable as they impact on perceived service quality, which will affect the sales volumes of the firm. The nature of the causes of these activities suggest that they may be difficult to imitate. The inter-team coordination activities apparently embedded in the way that staff in ACE conduct themselves, suggest that these activities could be strong candidates to be classed as a valuable, rare, difficult to imitate and non-substitutable resource (Barney, 1991). However, one question remains: do these activities pass the VRIN criteria?

Valuable? We have established a connection between these activities and dimensions of customer value that seem to be offered by ACE, but not to anything like the same extent by PI. So we can say with a fair degree of confidence that these activities are valuable to customers, but we are not in any position to establish whether these resources generate *rents*. It is debatable whether any study could identify rents, and also be able to attribute these rents to a specific activity.

Rare? We are confident that these activities are not common across competing firms, insofar as at least one other firm (PI) does not appear to display them.

Inimitable? This criterion is not possible to establish at a point in time. All we can say is that our understanding of the history of ACE, summarized earlier, would suggest that imitating this activity might be difficult, given that it seems to be a situated activity, to rely on a configuration of circumstances and complementary resources including recruitment and retention capabilities, idiosyncratic managerial style, physical facilities and the unique history of ACE.

Non-substitutable? To determine the state of this criterion requires an understanding of the *use value* that the resource confers, not just in the process of service delivery, but in the perceptions of service quality perceived by customers. If some of the complexities of mortgage provision could be eliminated it may be possible to render the ability for effective inter-team coordination redundant. For example, if a mortgage provider could evolve a set of robust heuristics that could accommodate all possible variations in the mortgage, the property, the status of the borrower, etc., then it may be possible to deliver some aspects of 'service quality' to intermediaries instantly. We do not know this, so we cannot argue that the use value of the activity in question is non-substitutable.

The fine-grained study we have presented here can reveal activities that may be *candidates* for VRIN resource status. The 'valuable' criterion has to be operationalized, and in our case we chose to judge 'value' from a customer perspective. As we have argued, there was supporting evidence in the case of ACE to suggest that ACE outperformed PI in revenue growth and profitability, but we cannot be certain that customer perceptions of differential service quality are directly causally connected to these financial outcomes. They probably are linked, but that is as far as we can go in linking these micro-processes to firm performance. In this respect, we would argue that few, if any, prior RBV studies have been able to provide much more than statistical associations between some measures of firm disposition, and overall financial performance and our study is a step towards a better understanding of the activities within the firm that can be linked to strategic outcomes.

Conclusion

This research looked at two differentially performing divisions in terms of customer satisfaction and explored the differences in activities within these

two organizations, and, in particular, identified the unique characteristics of the 'good performer'. One key finding was the presence of effective inter-team coordination processes in the high performing division. We noted several contextual differences between these organizations that may affect the incidence of these inter-team coordination activities. These were: senior management attitude, organizational values, customer ownership, organizational structure and servicing processes, physical environment and staff turnover.

In our introduction we suggested that the strategy as practice approach could inform the resource-based view. RBV proponents argue that the value of a resource depends on its uniqueness, that resource differences may be subtle and detailed, that the value of a resource is context specific and depends on its utilization not its existence, and that the resource-based view suffers from a high level of abstraction. This implies that we need to isolate idiosyncratic sources of advantage rather than search for an all inclusive categorization of resources; we need fine-grained analysis and we need to go beneath macro-level processes to uncover what is happening inside the firm. In other words, we need to attend to micro-level phenomena in context. We carried out fine-grained empirical work focusing on activities, and we worked on linking the micro-processes with clear strategic outcomes, that is, customer satisfaction. We hope that by providing concrete examples of a valuable resource in context we have been helpful in progressing both the RBV, and the strategy as practice literature, by providing empirical research in the field. We have also highlighted some of the challenges researchers face in furthering the empirical testing of the RBV. So we have met the three aims of the research. We have described the detailed comparative case study research that enabled us to explore the activities of two divisions, which surfaced differences in *practices* and in *outcomes* between the two divisions. We have linked the SAP and the RBV agenda by showing how specific activities could be argued to be critical to strategic outcomes, and thus could be RBV resources. Finally, we have established a connection between inter-team coordination activities and customer satisfaction, hence demonstrating a link between 'micro-' processes and 'macro-' outcomes.

The strategy as practice agenda is concerned, inter alia, with activities that are consequential for the strategic outcomes, survival and competitive advantage of the firm (Johnson et al., 2003). In this study we have sought to identify activities that impact on competitive advantage. We have worked back from strategic outcomes, specifically the performance differentials between the two divisions, to examine *practices* that appear to be contributing to advantage. In terms of the strategy as practice conceptual framework developed by Jarzabkowski (2005), having identified performance outcome

differences between the divisions we then investigated *practice*, with a view to the surfacing of specific *practices* that contribute to advantage.

Positivistic methods have been widely employed in the strategy field to identify the causes of superior firm performance. Typically these studies have to operate at a high level of aggregation (Shimizu & Armstrong, 2004). Performance differences are often couched in financial terms, and these measures usually refer to the firm as a whole. Similarly, the causes of superior performance are typically identified through other aggregate variables (e.g. R&D spend as a proportion of sales), and inferences have to be made about the linkages between these proxy measures and high-level performance outcomes. In contrast in this study we have been able to establish plausible causal connections between specific practices and valuable customer experiences. Thus we have been able to operate at a level of granularity that most prior studies have not achieved. We believe this more micro-focus, one that is core to the strategy as practice approach, is essential in helping us to advance key concerns in the strategy field. As we have explained, we are interested in progressing the RBV through empirical work and through thoughtful theory development. Given that at the heart of RBV theorizing is an assumption that firms differ, and that these differences may be subtle and causally ambiguous, a SAP perspective, its focus on micro-processes and its links to strategic outcomes is entirely appropriate to furthering the RBV.

The study has had a direct impact on the PLC. The work we have reported here has been used to develop specific interventions to consolidate 'best practice' in ACE and to try to improve the performance of PI. More generally, we would suggest that the fine grained and careful investigative methods that were employed could be applied to help strategists in the identification of the sources of their firm's current advantage. By focusing on customer experiences and by tracking back inside the firm to identify the specific practices that make a difference to customers' perceptions of the value being delivered by the firm, valuable insights can result. At a minimum this should enable practitioners to protect these valuable practices; better still they may be able to leverage these (as occurred in PLC), and if it is possible to discern how these valuable practices came about, they may be able to create additional sources of value.

It is acknowledged that more RBV research needs to be conducted for the view to become a more 'useful perspective for strategic management research' (Priem & Butler, 2001a: 22) and that research needs to get inside the detailed processes of firms. Our research is only one contribution and it could be pursued further, for instance by looking at the types of dynamic capabilities needed to ensure that these coordination activities do not become core rigidities (Leonard-Barton, 1992) and notably we could look at the role

of managerial leadership in their development (Salvato, 2003). This latter suggestion could be combined with looking specifically at who the strategists are, how they develop and how they allow valuable activities to be enacted. Finally, another avenue for research would be to develop empirical research designed to not only to link specific micro-processes to business outcomes, but to then connect these intermediate outcomes to firm-level performance.

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Notes

1 One question that the readers may ask is why did PLC keep both divisions? When the research was carried out PLC wanted to keep the two divisions for a couple of years in order to learn what worked well or less well in each of them before taking any action. Moreover, despite the same product offering and customer base, PLC felt that the two divisions had a slightly different positioning in the marketplace and hence keeping two divisions was not a problem in the short term. The other reasons we could surmise is that PI was created by PLC whereas ACE was acquired by PLC and hence they were unwilling to 'kill it off' and as ACE was performing better than PI they were unwilling to be integrated with them.

2 In ACE a team is a Field Sales team (A, B or C, BDU, TMT) or an NBA (A, B, C, D or E), i.e. a non-'Sales' team. In PI a team is one of the Sales teams, Post Team, Quality Team, or one of the Servicing Teams E. Mids, W. Mids, NE/SW, NW, SE, London.

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Appendix 1: ACE and PI's servicing process chains

ACE is responsible for all servicing processes, from initial customer contact through to completion, and then post completion to redemption. In addition, ACE 'owns' virtually all the supporting functions. One exception is Finance, which reports to PLC Credit and Risk and Finance. In practice, though ACE's Head of Finance reports on a daily basis to ACE's MD. PI 'owns' only some core services, and is responsible for mortgage processing only from application to offer; post offer, the case is transferred to a centralized PLC completions department. PLC provide all support functions. The other major difference between ACE and PI concerns the underwriters: in ACE, the underwriters are part of ACE and an integrated part of the servicing teams. In PI, underwriters are located in the same place as PI, and work alongside the servicing teams, but they are not actually part of PI: they report directly into PLC Credit and Risk.

Servicing processes

ACE has a short servicing process chain, and owns all the processes. The mortgage application can come from the customer into ACE via one of the field sales teams, via its Business Development Unit (BDU) (phone contact and sales) or directly into one of the NBA (New Business Administration) teams. Each Team has responsibility for specific named brokers, so cases will be allocated on a pre-determined basis. The NBA Teams include underwriters, underwriting support, and completions staff. They deal with all aspects of underwriting and servicing from receipt of application through to completion. If intermediary customers have queries or problems whilst the application is being processed, they contact either the relevant NBA team directly, or their contact in Field Sales or BDU. Following the completion of a case, it passes to Post Completion administration for the 'rest of mortgage lifetime' servicing. Proactive relationship building with customers is undertaken primarily by the Field Sales and BDU staff.

PI has rather a different servicing 'map'. It is more fragmented, and PI does not own crucial underwriting and completions processes. The mortgage application tends to come from the customer into the PI Post Team. This Team is responsible for logging the case, setting up the computer scratchpad for the case, and obtaining the credit search information. They then put it in a pile for the underwriters. Any of the PI underwriters will pick up the case and do a 'Day 1' assessment, to decide whether or not they want the case. The underwriter will then pass the case to the relevant regional Servicing Team. The Servicing Team leader will allocate the case to an individual, who will then either progress the administration of the case, or decline the case by communicating by telephone and letter to the intermediary customer, depending on the underwriter's instructions. For acceptable cases, the servicing staff deal with case administration from 'Day 1' approval through to 'ready for offer'. The servicing teams pick up the underwriter's instruction from a scratchpad, and only tend to speak to them on an exception basis. Once the case is ready for offer, it is passed back to the original underwriter for final approval. If approved, the underwriter then sends out an offer, and the case is then passed to PLC Completions. Following completion, it passes to PLC Post Completion administration. If intermediary customers have queries or problems whilst the application is being processed, they contact the BEL (Broker Enquiry Line) Team, or in some cases their field sales person where they have strong relationships. The BEL Team's role is to field all enquiries and to stop, if possible, customers speaking to either the underwriters or the servicing teams, to enable them to undertake their task processing more efficiently. Where the BEL Team is unable to handle a query, they will pass a help request sheet to the relevant

Servicing Team, asking them to contact the customer directly. Proactive relationship building with customers is seen as the responsibility of the Field Sales staff.

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