



# Handelshøyskolen BI

## MAN 50241 Digitalisering, innovasjon og forretningsmodeller

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# Prosjektoppgave ved Handelshøyskolen BI

**- How strong is AvantGarde Search ability to innovate-**

And how can innovation capabilities defined by the methodology “scalable learning” affect the company's ability to innovate in a rapidly changing environment?

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## Executive Summary

Efficiency, Key Performance Indicators and incentives for performance, measured towards successfully solving assignments and contracts given by customers, leaves little time and interest for taking a step back and preparing for the future. This is the world of professional service providers. Billing hours to secure cash flow and increase salary is the main objective. In the long run this is a risk for not surviving the changing environment due to new technology and business models.

So how can we prepare for the future? Basically, we need a model for innovative activities and identify boundaries that restrict such activities. This will allow the company to remove the boundaries and prepare for the future demands of the industry or take the risk of staying comfortably numb and run business as usual. The model we aim to invent is based on what gives the most value to the customers, as we believe this is the key for success. This might not be the best option for the revenue in the short term, but it increases the chance of being in the lead when it comes to innovation in the industry and surviving in a changing business environment.

This paper interacts with several of the 10 questions in the program: Digitalization, innovation and business models. The most important one being “How to give innovation and digital transformation higher priority in the organisation”. We have also looked into “What types of innovation and business models can the organisation use to increase value” and “How can digitalization of multiple-sided platforms create value” and “How to create a stronger culture for changes and innovation”. Understanding the paradox of innovation culture, and the knowledge on how to create a good culture is desired but has not been attended to with a strong focus. This culminates into one important question “What companies become winners, and why” This paper will not select and focus on a particular question from the curriculum, other than we have identified them.

If one should identify a mechanism for this paper, it would be “By focusing on scaling learning instead of focusing on efficiency alone, innovation through strong interaction with customers and disciplined management can change and reinforce

the business model, given boundaries for doing so are removed” This is the mechanism we aim to say something about in this paper.

The foundation for innovating is “Scalable Learning” as introduced by Hagel III. This is a high-level of interaction with customers to create new business models based on what gives value to them. The paper aims at an industry, exemplified by a company in the recruitment industry, where main focus is efficiency, key performance indicators and little interaction with the customer to evaluate optional methodologies. The journey from a focus on efficiency to innovation through scalable learning is a process we have sought to solve through factors increasing the capability for innovation. We have been looking into: innovation culture, change orientation and co-creation as factors to prepare for how to deliver service by understanding the customer’s needs. Digital maturity and innovation strategy are factors chosen to enable the company to utilise technology to develop people’s capabilities. Those two factors, Understanding the customers’ needs and utilising technology is the foundation for scalable learning, where one drives new knowledge creation through practice by addressing challenges never found before. We also looked at the factor absorptive capacity, as we deemed this critical to validate if a company at all is capable of preparing and what the company needs for this journey.

Through these factors we aimed at creating a model that allows the organisation to be prepared for this journey. And we identified boundaries we believe are typical for the industry that needs to be addressed prior to allocating resources to do so. With those boundaries there is a risk one might not secure a successful outcome.

What we found is that the daily hunt for efficiency leaves no resources to allocate for innovation activities. Also, economic incentives restrict the interest of participating in such. Another boundary is absorptive capacity. In our case we found traces that implies weak absorptive capacity, and this implication prevented ideas from employees to surface. This could be connected to dominant logic, as discovered from the management side, but identifying dominant logic was not part of this paper. We suggest dominant logic should be included in every company's future work. We also found that the company in our paper was partly prepared, in

relation to the other factors, to go from scalable efficiency alone to scalable learning. It lacked the right resources, processes, plans and structure to do so. But this is considered a minor hindrance and can easily be established if the company decides to do so.

Through this work the authors have strengthened our view on the importance of creating value by involving the customers. It should be in everyone's interest to do so. And once this starts, the ones not adapting might not survive. This paper is in english, as Avantguard searches webpage. The reason for this is that the company highly value: diversity, inclusion and are preoccupied by today's globalisation of recruitment.

# 1. Introduction

In this paper we have chosen to look at the company Avantgarde Search` (AGS) ability to innovate and how can innovation capabilities defined by the methodology “scalable learning” affect the agile recruitment service company's ability to innovate in a rapidly changing environment?

We have been inspired by scalable learning as a methodology for innovation, adaptability, and speed in a rapid changing environment. Reason for selecting this subject is our interest in a branch of business where we have the impression that little innovation is happening; the recruitment industry. This is an industry where the main focus is monthly results and pipeline for work the next months, all measured through Key Performance Indicators. To our knowledge approaching innovation through scalable learning is not tested in the recruitment industry, but we will create a base for doing so and evaluate if it is realistic and achievable. And if not, what are the boundaries?

The motive for innovation is to create value for the whole value-chain, customers and stakeholders, by evaluating changes in the market and customer needs through interaction. Drivers for innovation have been identified and are: a changing environment, the need for technological advances and changing customers' needs (Goffin & Mitchell, 2017, s.49). This in correlation to two important factors in the Scalable Learning methodology: 1. Utilising technology to develop people's capabilities and 2. Learning to deliver service by understanding the customer's needs is the starting point for this paper

In a dynamic world, where innovation for many companies is a factor most likely affecting their business one way or the other, there are still other branches and service providers where the business model is traditional and with little initiatives or incentives for change. As a professional service provider, the service-providing company itself has a major impact on how the service is delivered to the clients. In the daily business with few visible threats, the focus might be solely on results and KPI's. The danger in being comfortably numb and feeling safe in the status

quo, might be when someone disrupts the industry. It will probably be a surprise for the established actors resulting in panic-made decisions for meeting the threat. This paper evaluates a methodology to kick-start innovation for the recruitment industry through customer-involvement. For this we include the mentioned expression: Scalable Learning from John Hagel III.

According to Hagel, businesses need to respond to vastly expanded competitor landscapes, fast changing marketplaces, evolving consumer demands and emerging technologies. Businesses are finding that they need to redefine excellence: top performance is now defined by innovation, adaptability, and speed. Hagel contends that the institutions with the greatest chance of succeeding in the future will be driven by scalable learning. If one takes scalable learning seriously, it does imply fundamental transformation of the business and everything from activities, and mindset to process metrics (Hagel & Brown, 2017). Scalable learning is all about learning how to deliver great service and products by understanding the needs of the customer through real-life experiments. We will evaluate if factors defined as important for innovation can contribute to elevate a company from result oriented only to scaling through learning in order to make a solid base for innovating the industry.

*“Scalable learning involves creating the infrastructure and incentives that will make everyone think about creating new value for the business, rather than on learning just enough to do the job at hand”*

-George Lawton

There are many examples regarding top-notch companies that in a heartbeat ceases to exist. Kodiak is one example that is often cited. In Norway one company heading for success was Norsk Data. Founded in 1976, only ten years later it held 3500 employees with several offices in Europe and in the US. There was a market change of technology and Norsk Data was too late to adapt. As a result, the company was wound up in 1992. (*Norsk Data*, n.d.). It's not only competition and innovation that calls for a change of strategy, business model and processes. The world of business is global and affected by factors one can't control. Like a financial crisis in China can impact companies anywhere in



the world and in any market. Another important factor is the increased expectation of sustainability and trend that challenges business models even faster (Jørgensen et al., 2019) One especially interesting factor in this paper is top management and when the entrepreneur is still heavily involved in the business daily operation and in the management team. Is the focus on results and efficiency too high to focus on innovation, adaptability, utilising technology and developing people's capabilities? If so, how can one mitigate this and get innovation and digital transformation prioritised on the organisation's agenda?

Among the authors of this paper, there is a strong belief, by experience, that an important key to success and growth of a company is people having the right mindset, attitude and openness to new ideas required to participate in the development-race. In everyday business we assume managers have the best intention for a company to grow and manage to stay in the market. But we believe that learning as a tool for scale up in the long run surpasses efficiency in the daily business. This belief is in many ways supported by Kane & Gerald C, in the book *Technology Fallacy* (Kane et al., 2019, c. 15) where authors claim that standards for maturity continue to change as technology continues to evolve, and even if a business has reached maturity as of today, changes that will come tomorrow will require further changes. John Hagels's *Scalable Learning* are to an extent supported by Teresa M. Amabile. Amabile opens her article "How To Kill Creativity" (Amabile, 2006) with suggesting measures for maximising efficiency and productivity unintentionally undermines creativity in a company. In Amabile's paper, creativity is a result of expertise (knowledge), creative thinking skills and motivation

The company chosen for this study is Avantgarde Search AS. One of the authors is a partner in the company and in the management team. The company is chosen as it has the right starting point. KPI's are essential, there is a huge focus on results, and incentives for employees and managers are based on successful deliveries to the company's customers.

This study will be of help to any company, organisation, public service or department that will position themselves for the future by utilising the most valuable asset they have: The people and the customers.

## **2. Background**

### ***2.1. Research question***

How strong is AvantGuard Search's ability to innovate, and how can innovation capabilities defined by the methodology "scalable learning" affect the company's ability to innovate in a rapidly changing environment?

Innovation is identified as crucial for the firm's sustainable competitiveness. By knowing what type of capabilities we need to innovate successfully we can utilise resources and capabilities to develop innovations in the form of new products, services and processes. Innovation capability is defined as a firm's ability to identify new ideas and transform them into new/improved service and processes. Innovation ability can be defined as the ability to turn resources into value. Value needs to be created for three parties; the consumer, for the provider and the firm. Sustained performance is achieved by aligning the organisation with shifting external environmental demands.

For this paper we have focused on interviews and analysis of company employees to get a better understanding of the company's innovation capabilities today and to look for a conclusion that will strengthen the company's innovative ability. Our expected outcome is to define a pathway for a company going from focusing on efficiency only to embracing scalable learning where growth will be secured by adding value to the clients through the ability to continuously transfer knowledge and ideas into better service, processes and systems and by this be a more attractive partner for any customer who requires valuable assistance in the recruitment process.

### ***2.2. The study object***

A relatively newcomer, Avantgarde Search, has had substantial growth over the last three years. Formed in 2013 under the name OG-S AS, it operated on a small

scale up until 2019. The product provided was mostly outplacement-services for the oil and gas industry during the oil-crisis. Then the company changed its name to Avantgarde Search, focused on recruitment-services and by organic growth the company hired 12 persons over the period up until December 21 in Oslo. There is also an office in Stavanger, but in this office the number of employees has been stable throughout the period since 2019. Financially, the company experienced a 300% growth in sales from 2020 till 2021. The company has little or no set values or established mission, other than being “The agile recruitment specialist” challenging the traditional recruitment industry and disrupting it by “tearing apart the long-winded and complex processes and building new and disruptive ways of securing the best talent ” (<https://avantgardesearch.no/>)

The business model has been stable and the existing model can be viewed as attachment 1. Avantgarde Search business model is aimed at getting recruitment assignments for staff positions within the technology industry, focusing on start-ups/scale-ups. That said, the portfolio also contains corporates like Canal Digital (now Allente) and Bertel O.Steen. Those customers are using Avantgarde Search due to reputation and/or network. Cash-flow is generated by an agreed percentage of the yearly salary for a person hired by the customer. 35% of the contract's value is invoiced at startup of the project. 65% is invoiced when a person is hired by our client. Avantgarde Search employee-salaries are a basic monthly salary and bonuses in percentage of the last month's closed assignments.

The recruitment industry is highly competitive where price is an important factor for getting assignments by customers. By Porter's definition: Porter's Five forces (Margretta & Porter, 2011. p 35) the clients have the high power of bargain - unless the company manages to highlight something unique in value creation for the customer “bargaining powers of buyers”. Reason is there is a high number of alternative suppliers, the buyers can get similar service from other providers, and it is low switching cost. The main focus has been on the daily operation, serving customers and onboarding new staffers. Onboarding includes incorporating the company's established policy and methodology. Nevertheless, the company has managed to stand out in the market and create a picture of being diverse. Talking about agile recruiting is one example of how the company has stood out.

Removing the traditional titles of “Head-hunter” is another. In the early beginning, the company made several articles in social media criticising its own industry for being too arrogant towards job seekers. This also added to the picture of a company thinking differently. Though not supported by solid data, one can say the visibility in media and online, in addition to a reputation of delivering to the clients, is the cause for organic growth for Avantgarde Search. Is this sustainable and will the same factors gain financial results in the future? Or is the former success reinforcing the company's beliefs that it's on the right track, neglecting any signs in the near future that needs to be dealt with? Looking at the history and previously mentioned company`s no longer in the market, the conclusion should be that an open mindset for the future makes a difference.

### ***2.3. Industry trend***

We have studied an industry, fairly considered traditional and where little innovation in business modelling has been seen up until now: The recruitment industry. Trends on the other hand, points to big changes in this industry also. The industry is moving fast towards automation, strategic planning and better integration with company objectives. According to recruiting analyst Josh Spilker and an article published on recruitment.com (<https://recruitment.com/future/future-of-recruiting>) there are five specific areas to look out for in relation to trends in the industry. First area being the emphasis on diversity. More than ever customers are focusing on diversity, equity, and inclusion. Second area is, modernised processes and change in the way candidates are interviewed as well as the use of talent assessment software and increased candidate insight. The ability to compare job seekers to benchmarked top performers in the company and increased efficiency after automating parts of the recruitment processes is changing the industry and competition. By rethinking the recruitment process one can be able to better adopt and continue better processes (as we have seen in the challenging years of the pandemic) with increased use of digital tools. The third area to look out for are career boards and referrals. Teams must now use a variety of channels and approaches to engage the best candidates. The fourth area to look out for is machine learning to fight bias, much like artificial intelligence assessments, machine learning finds people with profiles and

skills one may overlook. The last area to watch out for, and a very important one is global recruiting. Companies are now realising that they are not limited to local talent, they can hire from anywhere, which greatly increases the ability of sourcing the skills you need. Widening the recruiting means being able to pull from a vast pool of candidates to find exactly the right fit and can also affect pay scales. This is also the reason for the authors of this paper to study international trends. Josh Spilker further pronounces that the best recruitment teams are agile and adaptive, and recommends that one asks oneself: How can your team engage in these changes now? Is your team agile? and how can you experiment with your processes and methodologies to anticipate further changes?

### **3. Theory and expectations**

#### ***3.1. Scalable learning***

Scalable learning is best described in an article written with John Seely Brown as a co-author (Hagel III & Brown, 2017) as: Great Businesses Scale their Learning, Not Just Their Operations. According to the article, scalable learning is about learning how to deliver products and services by understanding the needs of the customer. (Hagel III & Brown, 2017, p. 4). Also, scalable learning utilises technology to develop people's capabilities. Moreover, in Kane's interview with Hagel for MIT Sloan Management Review, (Kane, n.d.) Hagel refers to learning as not a theoretical exercise or in a closed training room. It is about "Driving new knowledge creation through practice, by addressing challenges and business situations that have never been confronted before" (Kane, n.d., p. 5). Shifting the focus of scalable efficiency only to one of scalable learning also means leadership needs to shift.

Leadership in the future is not about having all the answers, it's being able to frame the right questions -where the leader is saying "I have no clue, but this is a really important question, and if we can figure this out, we would do amazing things" (Kane, n.d., p. 6). Nevertheless, John Hagel III uses this expression to an

extent. J. Hagel III has a background from McKinsey and Boston Consulting group before he co-founded Deloitte Centre for the Edge. His thoughts and ideas are, among other places, issued in an interview with Gerald C. Kane for MIT Sloan Management Review. (Kane, n.d.). Mr. Hagel states his experience is that executives complain they are prisoners in the everyday rush of demand for performance and economical results (Kane, n.d., p. 3). He follows up with “Nobody’s creative in a time of mounting pressure”. Hagel was also a speaker on the subject at the Work Rebooted conference in San Francisco February 2019. Therefore, he is the reference point for this paper when it comes to define what we include in the expression scalable learning.

Scalable efficiency is described in the article (Kane,n.d., p. 5) and is a good visualisation on how a company operates when the focus is growth through KIP’s and an effective operation. Scalable efficiency is driven by requirements for performance and results. When driven by scalable efficiency it is “the responsibility of the individuals to fit into the assigned tasks and roles required by the institution”. This creates a demand for conformity among the employees and customers. The same Kane that interviewed Mr. Hagel is among the authors of the book “The Technology Fallacy” (Kane et al., 2019). The book describes why organisations must focus on people and process, not technology, in response to digital disruption. The authors point out that 87% of the respondents of a survey anticipate digital technology will disrupt their industry, but only 44% are apparently preparing for it (Kane et al., 2019, p. 15). Several reasons are listed for why, but the most common reason seems to be too many competing priorities to deal with. This in reference to Hagel’s statement about scalable efficiency.

Also, the competency trap is a factor for challenges related to digital transformation. This is in literature caused by past success. (Kane et al., 2019, p. 18). Past success is also a factor in the literature of dominant logic that puts constraints on the ability to innovate, and we expect this to be a factor when it comes to absorptive capacity. Hagel highlights this point: If a company or an individual is on a path of success, it's hard to change course (Kane,n.d., p. 3). Further, this is in alignment with research performed by Teresa M. Amabile. In her article “How To Kill Creativity”, she states measures for maximising

efficiency and productivity unintentionally undermines creativity in a company. Amabile states that through her research, and also given as an outcome of the paper, it is an indication that an environment for creativity calls for conscious change in culture, the rewards can be great and the risk of not doing so is even greater (Amabile, 2006, p. 12). In her model, creativity is a result of three components: expertise, creative thinking, and motivation. The component in expertise is knowledge -technical, procedural, and intellectual.

Learning how to deliver products and services by understanding the needs of the customer and utilising technology to develop people's capabilities results in new knowledge. This knowledge challenges business situations that's not been challenged before. If one addresses those issues through practical solutions to further get new knowledge, one drives an operation through scalable learning and will increase its ability to innovate.

### *3.2. Six chosen factors of importance to scale learning*

To elevate from focusing on scalable efficiency only, to a company that scales their learning, some factors are chosen in our study and are based on theory and articles found relevant in our preliminary research. Those factors are:

Culture for innovation | Change orientation | Co-creation | Absorptive Capacity | Digital Maturity | Innovation Strategy |

These factors are chosen based on their relevance as important innovative capabilities and Hagels statement: scalable learning is about learning how to deliver products and services by understanding the needs of the customer, and: scalable learning utilises technology to develop people's capabilities (Hagel III & Brown, 2017, p. 4). Three of the factors are sorted under the ability of learning how to deliver products by **understanding the customer and its needs**: Culture for Innovation, Change Orientation and Co-creation. Further two factors are sorting under **utilising technology to develop people's capabilities**: Digital Maturity and Innovation Strategy. A sixth factor, Absorptive Capacity is

incorporated as we see this as an important factor for being innovative in the first place, as this is about **the ability to recognize and commercialise new valuable information.**

For our own research and study, the authors of this paper created a visual model called “Scalable path” to help us in the process toward the goal of better innovation ability. The model, figure 1, can be seen below.

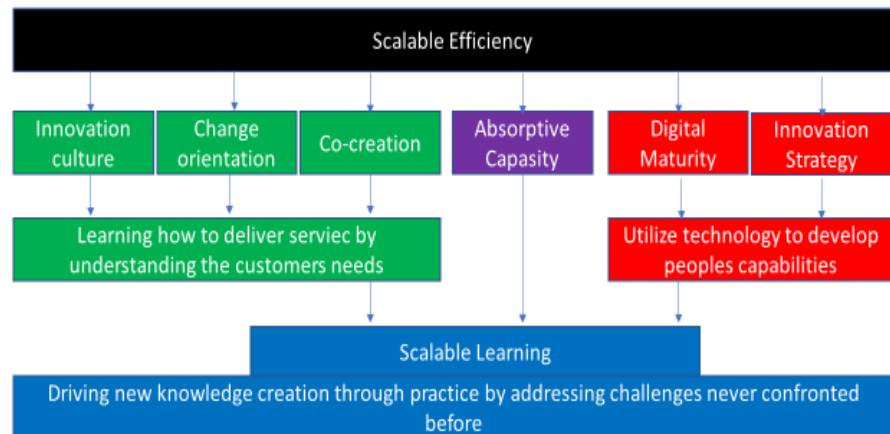


Figure 1: Model: Scalable path

### 3.2.1. Culture for Innovation (B)

Maintaining a strong focus on culture and company values is important in engaging employees and the business as a whole. Every company has a culture. So how does one facilitate a successful innovation culture? According to; Gary P. Pisano in the article: The hard truth about innovative cultures (Pisano, 2019), research on the matter supports that certain behaviours translate into better innovative performance. These behaviors are; tolerance for failure (but no-tolerance for incompetence), willingness to experiment (but, within certain time and budget limit), psychological safety (all levels should be learning from constructive criticism) and highly collaborative and nonhierarchical structures. Innovative cultures, according to Gary P. Pisano, often has contradictory



behaviour, is in need of very disciplined employees, and requires a flat line and interdependency throughout the whole organisation. Our study object has had great economical results in the last previous years. Keeping in mind and according to O'Reilly & Tushman's article the ambidextrous organisation; The more successful an organisation has been, the more institutionalised or ingrained norms values and stories, the greater the organisational complacency and arrogance in a relatively stable environment. Culture is a critical component of success and an effective way of controlling and coordinating people. Fixing culture is the most critical and difficult part of corporate transformation in a changing environment (O'Reilly et al., 2004, p.18). The article «How Innovative Is Your Company's Culture» (Rao & Weintraub, 2013) defines six blocks of an innovative culture: values, behaviours and climate. Three of the blocks are described as the “people-oriented determinants of innovative culture” (Rao & Weintraub, 2013, p. 3). This is described as the soft stuff with the greatest power to shape the culture. The other three blocks are resources, processes, and success. According to the article many company`s utilise those three as they are easy to measure. The article also points out the importance of a fearless workplace where people can take a risk required for innovation -if a climate and behaviour does not exist, there is no need for processes and resources.

There are many but some good mechanisms in these articles regarding innovation culture. If a business maps its innovation culture, gets an overview of its strengths, weaknesses, inconsistencies in a changing environment and creates a discipline for cultural innovation, requiring structure, commitment and strong leadership, while at the same time thinking two sided, both short and long term it will strengthen its ability for innovation.

### *3.2.2. Change orientation (C)*

According to Kane & Gerald in the book *Technology Fallacy*, businesses need to fundamentally change certain aspects of themselves in order to advance the qualities that are necessary for success in today's competitive environment. These changes are a response to a need to be different and the only solution is radical intervention to update the organisation's essential nature of a digital world (Kane

et al., 2019, s.226). At the same time as a big focus on digital transformation is all around us, one can easily get caught up in how important this transformation is. According to Stephen Androile in the article: Five myths about digital transformation, not all businesses, processes and business models require transformation and chances are; if a business already creates value the possibility of transformation is actually lower (Androile, 2017, p.20-22). It's not easy to orient oneself in a rapidly changing environment. Martin Schwirn describes this uncertainty well in his book: Small data, big disruption -how to spot signals of change and manage uncertainty. Uncertainty, he says, is the only certain feature in the future. Uncertainty is a reality that requires explicit acknowledgements and consideration. Only awareness provides guidance, so scan outside one's industry, embrace pretend topics and friction areas cause they can point to changes in the marketplace. He points out that awareness must be established early, one must leverage awareness gaps to the fullest because waiting can reduce your competitive advantage. Change orientation is according to Kane one of the three important skills for succeeding in a digital environment. (Kane et al., 2019, p. 122) Change orientation requires that leaders should be comfortable adapting in a changing environment, and for this an open-minded approach and an innovative mindset is vital (Kane et al., 2019, p. 103) and for this there should be a process for knowledge update. Knowledge can be through various channels, such as formal education, online programs or any given platform providing reliable knowledge about a subject of interest.

Change-orientation requires a lot more than looking ahead, dealing with emergencies and putting out fires. It requires constant awareness, being able to spot signals of change and manage uncertainty, adapt and transform at the right time. An important mechanism here is to scale learning and making sure relevant awareness and knowledge always is in place before change occurs, this will strengthen a company's ability to innovate.

### 3.2.3. *Co-creation (D)*

A Harvard review article called: Co-opting customer competence, describes co-creation as: opening the innovation process to a wide range of voices that would

normally not be involved (Prahalad & Ramaswamy, 2000). The authors describe co-creation as input from outside the business where one includes outsiders in the ideation and development process and that it lets businesses gather fresh ideas. Co-creation is not only limited to the outside of business but can also be in cooperation with prospective customers, employees, suppliers, competitors and industry influencers. The goal of co-creation, it says: is to approach issues from a new perspective and come away with better services, products and processes.

According to the article “Consumer Empowerment” (Chakor & Ouafae, 2020), co-creation is mainly the delegation of power to consumers to participate in the creation of business offers according to their expectations”. Further, in a paper “Customer co-creation in service-innovation” it is claimed that “communication with the customer is generally seen as a determinant of the success of a new service or product” (Gustafsson et al., 2012, p. 4) The study looks into four types of communication to evaluate if all types influence product and market success, and to what degree. The types of communication are grouped as frequency, direction, modality, and content.

Similarly to co-creation, open innovation which according to Chesbrough is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, is a corporate mindset that embraces external thinking and recognises that ideas are not exclusively generated internally within the company. According to Chesbrough in the article: Bringing open innovation to services (Chesbrough, 2011, p.87), the term open innovation also applies to service innovation, but open innovation works somewhat differently in service companies, because the customer's role is different from typical product businesses. Service is intangible in nature, so customers cannot often specify exactly what they want. Chesbrough specifies that it may be important for the customer to participate throughout the innovation process, because “tactic knowledge” can only emerge during the innovation process.

Innovation processes such as co-creation and open innovation will scale your learning and afford companies with innovative benefits to strengthen its innovation ability.

#### 3.2.4. *Absorptive Capacity (E)*

In today's fast changing world of innovation there is more than ever a need for picking up signals to catch up on changes that can affect a company's business. Coen and Levintahl argue their view in the article “Absorptive Capacity: A new perspective on learning and innovation”. They demonstrate that the ability to recognize the value of new, external information, adapt it and commercialise the value is critical to innovative capabilities. Their empirical analysis of R&D investment suggested that firms are in fact sensitive to the learning environment in which they operate. Absorptive capacity appears to be part of a firm's decision calculus in allocating resources for innovative activity (Cohen & Levinthal, 1990, p. 1). Also, one can argue that an organisation's absorptive capacity depends on the absorptive capacity of the individuals (Kane et al., 2019, p. 35).

One factor affecting Absorptive Capacity can be: Dominant Logic. The reason for this is if dominant logic creates a hinder for new ideas in the professional service providing business. By looking at an article by Petra Kugler; Approaching a data-dominant Logic (Kugler, 2020) we can get the basics for having an opinion regarding this. The article opens with a statement that the findings of a multi-stage study indicate that SME companies have an established mindset (dominant logic) that often prevents companies from translating data into innovative products, services and business models. Furthermore, the same article shows that for the companies involved in the study, the established way of thinking was the most critical factor that prevented computerised changes in the business model. The article emphasises that organisations lack an understanding of how data and the implementation of a data-driven approach can change business areas (Kugler, 2020, p. 17). Dominant Logic develops over time and is self-reinforcing upon success. This is well described in the article: Dominant Logic, Knowledge Creation and Managerial Choice. (Bettis et al., 2015, pp. 372–373). The article describes that with success, the mindset of top management becomes equal and strengthened over time. As success takes root, changes will be difficult. Increasingly, the dominant logic places restrictions on approaches related to problems, the conceptual framework used to make decisions and key functions for choosing solutions.

A very interesting article and study by Kostopolos, Papalexandris, Papachroni and Ioannou presented in the article: Absorptive Capacity, innovation and financial performance (Kostopoulos et al, 2011) demonstrates the value of absorptive capacity as a means of attaining superior innovation and financial performance and transform external knowledge inflows into performance gains. Our investigation supports that companies that consistently invest in assimilating and utilising external knowledge and improve their absorptive capacity do better in a rapidly changing market and will increase its ability to innovate.

### *3.2.5. Digital Maturity (F)*

The standards of maturity continue to change as technology continues to evolve. Even if an organisation has reached digital maturity today, future changes will undoubtedly require further changes. The book *Technology Fallacy* (Kane et al., 2019, c.15) describes a three-step process to increase digital maturity. The three-step process for increasing digital maturity involves doing a present situation analysis, figuring out what steps can be taken to become more digitally mature and preparation for digital maturity goals. One way to measure digital maturity is by looking at a company's digital investment plans (Kane et al., 2019, p. 91). Here two questions were asked; Is there a plan to increase the investment in digital business initiatives over the next 12-18 months, and have we spent enough time, energy, and resources to implement initiatives? Also, digital literacy is affecting digital maturity. It's vital to understand emerging trends and how it can bring value. It will also improve the decisions made as they are informed-based and research shows that there is a direct link from leaders' digital literacy to the organisation's digital maturity. (Kane et al., 2019, p. 102). But it's not only opportunities one needs to understand, threats are just as important.

Digital transformation means adapting an organisation's strategy and structure to capture opportunities enabled by digital technology (Furr and Shipilov, 2019) The challenge is to find the best way to serve needs using digital tools. The reality of digital transformation is more often about incremental bridging.

A growing insight and understanding of digital transformation will make the business more digital mature and increase a company's ability to innovate. Also increasing the level of digital maturity, defined by digital literacy and a digital investment plan, increases required innovation ability.

### *3.2.6. Innovation strategy (G)*

“Unless innovation induces potential customers to pay more, save them money, or provides some larger social benefits, it is not creating value” (Pisano, 2015, p. 6). This implies how important it is to have processes to control how a company performs innovation successfully, and a base for this is a strategy for innovation. The innovation strategy should be aligned with the business strategy and determine how one can create value for the customer and capitalise on it. The strategy can also prevent a conflict of interest regarding priorities (Pisano, 2015, p. 3,4).

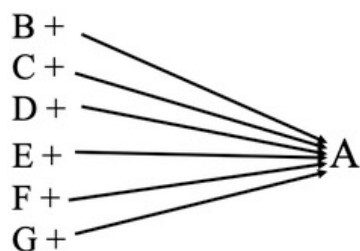
An innovation strategy should provide clarity about which trade offs are best for the company as a whole and is very useful for overcoming the barriers to the type of organisational change that innovation often requires. When creating an innovation strategy according to Pisano, you have a choice about how much to focus on technological innovation and how much to invest in business model innovation. An innovation landscape map can enable you to assess how potential innovation fits with the existing business model and technical capabilities can help with this decision (Pisano, 2015, p. 51-54). According to David J. Collins in the article: Why so many strategies fail (Collins, 2021), a comprehensive strategy today must include carefully coordinated choices regarding which business model has the highest potential to create value, which competitive business model has the highest potential to create value and which competitive position captures as much of these values as possible. Implementation processes need to constantly adapt to changing framework conditions while building the necessary capabilities to realise long term value. It's important then that top executives and boards develop an approach that integrates all of these elements, defining opportunities

and being able to see what demographic, political, technological, regulatory and environmental changes one can take advantage of.

One needs to be organised to be able to adapt to change and make sure one has the resources that support steps for the future. Top management needs to understand how strategic components are related, one needs to focus on the whole. An innovation strategy is the foundation for making the right choices towards capturing value on future innovations and a clearly expressed and known innovation strategy will be able to increase a company's innovation ability.

### ***3.3. Factors affect on AvantGarde Search innovation ability***

The effect of important factors for scalable learning: culture for innovation (B), change orientation (C), co-creation (D), absorptive capacity (E), digital maturity (F) and innovation strategy (G) all have a positive effect on a company's ability to innovate (A).



## **4. Methodology and approach**

### ***4.1. Methodology***

We aimed at finding information relevant to answer the question if innovation through scalable learning is realistic and achievable and to get a better understanding of the company's innovative capabilities. For this we performed interviews related to the described factors chosen to go from scalable efficiency only to scalable learning. We also aimed at finding boundaries and hinders.

The methodology is based on a qualitative method to extract impressions, meanings and views from the persons we interview.

It is important to highlight that one author of this paper is a partner in the company and has the role of COO and chairman of the board. Based on this first-hand knowledge regarding processes, plans and the daily operation, we focused the interview on the employees to find their opinions and views. Five interviews were performed which is 45% of the total employees at the time of interviewing. Among the employees there is a good selection of background and seniority. One is a team leader, one has only 6 months in the company. And they operate in various teams. Based on a flat organisation and strong business involvement from management to employees in a transparent environment, 45% of the employees are considered a solid base for the survey. By nature of the numbers of interviewed objects, it was not deemed relevant to group them.

A question guide is the basis for establishing the status at Avantgarde Search and to evaluate our expectations. The qualitative approach aims to get an in-depth understanding of the situation and how the employees perceive the company's approach towards factors related as important for operating within the ideas of a business focusing on scalable learning.

#### ***4.2. The factors and approach***

*Culture for innovation:* According to Pisano (Pisano, 2019) an innovative culture often has contradictory behaviour, is in need of very disciplined employees and requires a flat line and interdependency throughout the whole organisation. We ask the employees to describe the organisational structure, level of thrust, how failure is handled by management and how new ideas are received by management.

*Change orientation:* Questions are aimed to reveal if there is a process for knowledge update in the Company, including managers. We also ask questions to



find how adaptable management is to new ideas and changes. Lack of adaptability can be a sign of dominant logic.

*Co-Creation:* We ask questions regarding customer engagement, co-creation and what the company does to find new models or solutions for how to execute a recruitment process. This is to evaluate our expectations that such initiatives are not engaged by the Company. But if so, it is interesting to see how the employees communicate with our customers towards this subject. The types of communication are grouped as frequency, direction, modality, and content. We expect there is a low understanding of this among the employees, but it is important to know if there is such communication ongoing between employees and customers.

*Absorptive capacity:* As the expression is not commonly known, we avoid the word itself. Instead, we ask if the employees, on an individual level, keep themselves updated on new trends and technology, where they get the info and how. We also ask if the employees believe they are able to filter and understand what information is valuable, and if they feel comfortable that such info will be evaluated thoroughly by the management. It is also a point to evaluate if the employees believe management is capable of acting on valuable information.

*Digital Maturity:* One factor indicating digital Maturity is an actual investment plan. Also, digital literacy is affecting digital maturity. Hence, we ask questions to see if an investment plan exists and if employees themselves are aware of useful technology. In order to see if the employee understands opportunities and threats digitalization brings, we ask what impact the employees believe technology will have on the industry in the future. Behind these questions we aim to evaluate if the expected individual interest for digitalization is supported by management and established processes so it can prepare the Company for the future.

*Innovation Strategy:* Is there a process in place to control how the company successfully innovates? We believe it's not. But there could still be a general idea or informal strategy towards innovation. We ask if the employees are aware if an

innovation strategy exists, or if the principle of an innovation strategy exists in an informal way (Not written procedure).

We aimed to identify factors that hinders development. If the hinders are too high, it will be an organisational challenge. And to what extent an organisation wants to change in order to achieve this goal is up for discussion. To avoid bias and get as correct answers as possible, the partner of Avantgarde Search did not participate in the interviews. Also, it was highlighted to the employees that the answers will be kept anonymous to the partner. All interviews are performed by the same author and by video. Video was chosen due to geographic distance and efficiency reasons. The interviewer had never met any of the employees prior to the actual interview. Hence, there is no influence towards answers given by the interviewed. On average the interviews took one hour. All interviews are transcribed and systematised in an analysis to give a good overview of the data we collected and coded.

As a support for analysing the interviews we have also performed an innovation-audit. This audit is based on Keith and Mitchell`s book about Innovation Management (Goffin & Mitchell, 2017, p. 357). The questionnaire was answered by one person only, co-writer of this paper and partner in the company. The answer is given by first-hand knowledge of the daily operations, procedures and strategies. We aimed to interview the CEO, but his schedule did not allow for this during the timeframe we performed interviews. But we have enough management-information based on inside knowledge of the company.

In the early stages of this paper a Business Canvas was made (Osterwalder et al.,2010, p.14-51) based on the company`s existing model. This to get an overview of today`s value drivers and make it easier to identify the gap between today and a future desired situation. The Business model canvas can be found as attachment number 1.

## 5. Data Collection

### 5.1. Results

The following data was collected through interviews and coding of the answers. Results are grouped based on the relevant factors.

Culture for innovation:

The mechanism: If a business maps and strengthens its innovation culture, gets an overview of its strengths, weaknesses, inconsistencies in a changing environment and creates a discipline for cultural innovation, requiring structure, commitment and strong leadership, while at the same time thinks two sided, both short and long term, it will scale its learning, capacity and ability for innovation.

We aimed to analyse the culture for innovation by looking at the organisational structure. Also, level of trust is important as innovation culture requires interdependency throughout the organisation. Experimenting and tolerance for failure is vital and we also evaluated if this is exciting.

Our impression after the interviews is as follows: It seems the company has a flat structure but is in a period of rapid growth. This might be a challenging combination as it surfaces a lack of structure from the management side. This is noticed by the employees and affects trust, which is an important factor for culture for innovation. Overall, employees understand the need for more structure, and a lack of such creates an unbalance and contradicts company value. Nevertheless, it is room for making mistakes, and there is support from management and colleagues when situations arise. All in all, a very good tolerance for failure and a good amount of psychological safety is important for the culture. Also, there is openness in the company and ideas are well received. Great engagement and room for questioning management decisions. At the same time a willingness to experiment within company structure. As mentioned, the culture for innovation includes an element where lack of trust towards management exists, when it comes to structure. Nevertheless, this lack of trust seems to be related to the scale

up and caused by the rapid growth. Hence it seems not linked to trust when it comes to innovation, failure and discussions.

We got enough data to analyse the culture for innovation. As initiated early in this paper, we focused on the soft factors and found there is a climate and behaviour established so we can say a desire for innovation exists, but as seen by investigating other factors, processes and resources are not established. If a decision comes to focus on scalable learning, the company has the basis for making it realistic and achievable.

Change orientation:

Mechanism: A combination of seeking new knowledge and adaptability for changes within the company increases the ability to adapt to the market and find solutions the clients finds valuable

We aimed to reveal if there is a process for knowledge update in the Company, including among managers. We also ask questions to find how adaptable management is to new ideas and changes. Lack of adaptability can be a sign of dominant logic. The collected data strongly indicates there is focus on knowledge update. Regular meetings exist and also informal channels are used for updating each other. Management is involved in the day-to-day business and there is a high level of communication. By looking at the answers given one sees this opportunity is not taken advantage of to the extent where external knowledge is shared or discussed. -As one of the interviewed said, the focus is on results, not knowledge in general. During the sessions there is not a specific timeframe or focus on new industrial knowledge to be shared. One can also interpret from the answers that knowledge update is performed in meetings or informal discussions, but there is a lack of structure or process where employees are actively searching for new knowledge. Neither looking for new trends in the market.

When it comes to adaptability among managers regarding new ideas and changes, there seems to be an open minded and innovative mindset, but with restriction when it comes to changes. Three out of five felt the company was not always open for ideas or reacted slowly in discussing changes.

Co-creation:

Mechanism: Innovation processes such as co-creation and open innovation will scale your learning and afford companies with innovative benefits to sky rocket innovation ability.

As scalable learning is about understanding how to bring value to the customer, a good system for co-creation is valuable. Establishing this factor will contribute in making scalable learning realistic. The interviews clearly show that customers are engaged in participation in the recruitment process, but not in a structured way. It's by individual basis and different from client to client. Also communication varies in frequency, direction, movability and content. And it becomes clear that startups are more engaged and eager to co-create, compared to the traditional companies that are harder to work with. But so far, no proper co-creation has taken place. We aimed to find out more about customer engagement and what the company does in order to find new models or solutions. We also wanted to know how the communication was between the company and the clients regarding frequency, direction, modality and content.

Co-creation as the third factor is something that is, by coincidence, already started as some employees have individual focus on how to better work with the clients. Structuring co-creation by aiming at a group of start-ups/scale-ups will be an effective way according to the interviews. But all in all, the finding on this is that initiatives for co-creation exist, but are unstructured. And the initiative exists by coincidence, as there is no formal process and initiative to do so. Further finding is that structured co-creation should be focused on startups and scale-up companies to be effective and give results. Established companies will be more time-consuming to co-create with. Actual co-creation as per definition “the delegation of power to consumers to participate in the creation of business offers according to their expectations” is non-existing.

Co-creation takes place only on occasions where the customer initiates it by challenging our or the industry's methods. Structured communication initiated from the company towards clients when it comes to co-creation was limited to requests for a preferred selection-process towards candidates.

Absorptive Capacity:

Mechanism: the ability to recognize the value of new, external information, adapt it and commercialise the value, not hindered by dominant logic, is critical to innovative capabilities.

We aimed to see if absorptive capacity exists among the employees by trends- and technology updates. As absorptive capacity also must exist at management level, we investigated if employees felt managers would be able to recognize the value of new, external information, adapt it and commercialise it. We found a general and individual interest in new technology and ideas that can help the company. But a low score when it comes to recognising valuable information and presenting ideas for commercialization. Some employees seems to keep themselves updated on new signals and trends out of pure interest. They get the information from clients, videos, readings, newspapers, and courses/education. But a busy environment makes it hard to prioritise and structure the information. The employees find it difficult to filter relevant information, mostly due to the amount of information one gets on a daily basis. At the same time, there exists a mistrust as to if it is worth bringing new ideas to the table. As mentioned, we found there is an eagerness from the employers to keep updated and be alert to upcoming trends and signals. But from management there are two hinders: One is the impression of a lack of follow up from ideas, even if they come from management themselves. And there is an experience from one of the interview objects that management is split in two regarding new ideas from the employees. This could be a sign of dominant logic as a hinder of innovation.

To change focus from scalable efficiency only to scalable learning is a rather impacting decision for a company, and the initiative must come from or be supported by management. It is only achievable and realistic if management “demonstrate the ability to recognize the value of new, external information, adapt it and commercialise the value” (Cohen & Levinthal, 1990, p. 1). Hence it is a requirement to have management with a mindset related to absorptive capacity in order to achieve the transformation from scalable efficiency to scalable learning. We also found that dominant logic might affect the absorptive capacity negatively. Reason for this is the statement from interview of employee 2: When

asked if management will evaluate the employees idea, in which he answered; “Some in management are more welcoming to ideas and willing to evaluate”. Employee 5 states that good ideas tend to stop at management level.

To summarise the collected data, they indicate there is a low presence of absorptive capacity. Employees are looking for new trends but are unable to filter what information that can bring value, and there is a lack of trust when it comes to management follow-up.

Digital Maturity:

Mechanism: Increasing the level of digital maturity, defined by the digital investment plan and digital literacy, increases required innovation for future changes

We aimed at finding factors supporting digital maturity through investment plans, and digital literacy by awareness of useful technologies. Also, we evaluated the understanding of opportunities and threats technology brings. This in combination with support through plans and intensives.

Digital Maturity is important for scalable learning as it is partly based on utilising technology to develop people’s capabilities (Fig. 1).

Our data collected shows that no employees have heard of an investment plan for digital initiatives. Some are aware of an investment plan, but not specifically regarding digitalization. When it comes to digital literacy the interviewed employees have a good understanding of digitalization by keeping themselves updated and understanding emerging trends and threats. They seem interested in learning more and have experience that could benefit the company both with technology and understanding of creating value for the company. In general, the interviewed employees have an impression of the industry as very traditional and slow in change. But they see the benefits of change, impact in efficiency and more platform thinking in order to approach a bigger market and create better value for clients. There is a split among the interviewed where two do not foresee an impact caused by technology and three interview objects believe digitalisation will have a huge impact on the industry in the next few years.

We found the basis to be in place through knowledge and awareness and a good understanding that technology in general can add value to the industry. But maturity is not supported through formal plans, processes and budgets.

**Innovation Strategy:**

**Mechanism:** The innovation strategy is the foundation for making the right choices towards capturing value on future innovations.

We aimed to see if any processes are in place to control how the company can innovate successfully and make the right choices for capturing value. If no process is established, we investigate to what extent innovative initiatives exist.

Employees are not familiar with an innovation strategy but are aware there is an newly established innovation team working on development and further planning. Nevertheless, when asked about informal strategies or projects operating through the principles of an innovative strategy, they state there are many ideas, the principle exists but the lack of written plans or procedures is a hinder for further development. We have structured the collected data for the six factors established as important for achieving the target of operating based on scalable learning.

## ***5.2. Data Summary***

Data indicates each factor has the potential to improve, increase and contribute more efficiently, seen from an innovative perspective, to change the focus from scalable efficiency only to scalable learning. There is some basic activity in each factor. But lack of support, structure, formal procedures, and processes is a hinder.

The collected data is here summarised a table:



<b>Factor</b>	<b>Status</b>	<b>Needs implemented</b>
Culture for Innovation	Established in relation to “soft” factors. Further development needed	Process and resources
Change Orientation	Foundation established but further development needed	Focus, Structure and processes
Co-creation	Further development needed	Plan, structure, resources
Absorptive Capacity	Further development needed	Capabilities and trust towards management followup.
Digital Maturity	Further development needed	Plans, structure, management incentives
Innovation Strategy	Further development needed	Plan, structure, procedure

### ***5.3. Additional data: Scalable Learning***

To evaluate if there are other boundaries than increasing focus on the established factors, we also interviewed the employees on this subject. First, to see if any attempt has been performed to evaluate to a deeper extent what is a client's needs and what would really bring value for them, we found employees gather information in strategy meetings with the clients. Any valuable information is shared in internal training sessions. The employees also utilise technology they think can improve the results for the clients.

But all respondents see the benefit of more resources spent on understanding what increases the value for clients. We also asked what changes are necessary for the

company on the road from scalable efficiency to scalable learning. The view was clearly that the company strives for transformation, but sales and sales results are the most prioritised part of the company. Through the conversations we found it is difficult for the employees to prioritise differently, as bonus arrangements and other attention is made for sales targets only. The respondents stated that participating on tasks not related to reaching established goals is affecting the salary negatively. This calls for modern and equal incentives covering all types of work within the company. Something important one can extract from the survey is: there is intention for being innovative. Yes, the Company wants to be a market leader and is attracted by new technology. And yes, there is support for new ideas and training in innovation-related skills. But it is not thoroughly reflected in the overall policy of the company. No financial incentives are in place, it's not part of the business plan and no expectation to have revenues from innovative activities or initiatives.

## **6. Analysis and discussions**

Through interviews of the employees and through the knowledge of the company by a co-writer, we have gathered a good foundation to present today's status of the company related to scalable learning and co-creation. We also see Avantgarde Search as a valid example due to the scale-up status and the fact that the owners also work in the company on a daily basis and are included in the management team. By this the company represents a huge part of the SMB brand in the service providing industry. By not involving the co-owner of the company, also a co-writer of this paper, in the interview process, and also by keeping the answers anonymous, we have increased the validity of the collected data.

The findings show the company is focusing on growth through scalable results. Though we find initiatives that clearly show an intention and an idea that the company shall be innovative it is not enough for operating through the philosophy of scalable learning. Scalable learning involves creating the infrastructure and incentives that will make everyone think about creating new value for the business, rather than on learning just enough to do the job at hand. The lack of both infrastructure and incentives for learning new methods

and co-create with the customer is missing. Both reporting and economic incentives are based on the ongoing recruitment-missions and how to solve them. This increases the employee's salary and the revenue of the company. Hence, it is all about scalable results.

In this paper we focused on innovation through scalable learning and indicated too much focus on efficiency and KPI's can be a hindrance for required future innovations. One must foresee a healthy mix of scalable learning and a demand for efficiency in order for success. This could be a recommendation for future work. Also included in future work would be focusing on dominant logic in companies where the founders are involved in the daily business with management roles.

The result of our findings is that all of the factors require further development by implementing procedures, structure and resources. Procedures and structure are considered easy to implement. As for resources, we found this to affect the business strategy. Reason is that salaries and other incentives are based on keeping the customer happy in the short term. Hence, in a hectic environment, little or no realistic effort is performed on tasks that might benefit the company sometime in the future. Another result of our evaluation is the effect absorptive capacity can have. If the absorptive capacity is low it can be increased but it requires other means. Dominant Logic was early introduced as a possible obstacle for absorptive capacity in this study, and we found it to be realistic. But to establish this as a fact requires further investigations

Avantgarde Search is operating with a focus on scaling efficiency, where all incentives are related to results regarding sales and providing the service a client requests. Within the framework of figure 1, we see the following: by strengthening culture for innovation, increasing orientation and having a big focus on co-creation, one can learn how to deliver service by understanding the needs of the customer. Increased digital maturity and by implementing a transformative digital strategy one can make valuable decisions and utilise technology to develop people's capabilities.

But it all requires a strong presence of absorptive capacity and resources in the form of incentives to be able to innovate. With all this in place and structured a company should be able to drive new knowledge creation through practice by addressing challenges never confronted before. -Which is the premise for operating within the philosophy of scalable learning.

By this we can say yes to the initial question;

Is scalable learning achievable and realistic by focusing on the factors we have chosen?

We recommend further studies of the effect it has to use the methodology of scalable learning, through the investigated factors in a service-providing business. We have only established a theoretical model based on vital factors, signals, and theories.

## **7. Conclusions and recommendations**

### ***7.1. Research question conclusion***

In this paper we have sought to answer how strong AvantGuard Search's ability to innovate, and how innovation capabilities defined by the methodology "scalable learning" affect the company's ability to innovate in a rapidly changing environment.

Scalable learning is a dynamic process, a constant development of capabilities and ability within a business, in all parts of the firm's value chain and in co-creation with stakeholders. We have therefore found the methodology interesting, and consistent with the challenges of today's businesses. According to Hagel most new skills don't last in long times of rapid change, so people need to be continuously reskilled. People need to be passionate explorers in a working environment as well.

Scalable learning will only work when leaders believe value can be created by people at all levels of the organisation. Most leaders, like the management in AvantGarde Search, focus on costs from business as the means to keep peace with competitive threats. A better mindset for navigating the latest wave of technology and digitalization requires a mindset driven by curiosity and exploration. Scalable learning done well uses the right tools and technology to find and amplify skills and directly impact business performance.

According to Hagel, there are two main factors required to perform scalable learning. First is learning how to deliver service by understanding the customer's needs. We sought this accomplished through the factors **Innovation Culture**, **Change Orientation** and **Co-creation**. Second main factor is utilising technology to develop people's capabilities. This is sought to be accomplished through the factors **Digital Maturity** and an **innovation strategy**. We also introduced a sixth factor, **Absorptive Capacity**, as this is regarded as important for grasping onto new ideas in the first place.

Through interviews we found that the company operates with a strong focus on results and are scaling based on increased efficiency and economic results. Is it realistic to change focus and operate within the definitions related to scalable learning? We found two main obstacles preventing a focus on scalable learning that requires attention prior to starting the journey.

## ***7.2. Obstacles***

The first is in the nature of a service providing industry. And it is a hinder for the factor's co-creation and digital Maturity. The lack of dedicated resources in relation to money and time - if the budgets and salaries are based on the result employers deliver monthly by solving cases for clients, there is no incentive for spending time learning and innovating on ideas that might have an effect sometime in the future. Any such activities directly affect the employer's payment in a short-term perspective in a negative way. And it also affects the economic

results when management measures progress. Hence, it prevents the company from focusing on scalable learning to increase innovation ability.

The second obstacle must be evaluated by any company prior to introducing a roadmap for scalable learning. This factor is the absorptive capacity, including a focus on the level of absorptive capacity among the management. If this is not established, one needs to investigate why. In our study we found indications that dominant logic might be present at management level, and this prevented new ideas from being presented from employees to management. As stated earlier, absorptive capacity must be present from within the company. Absorptive capacity is not something that can be outsourced. And by this it is probably the hardest obstacle to overcome if it exists. Especially in a SME where founders of the company still are strongly represented in the management group. One topic affecting absorptive capacity is dominant logic, that creates a hinder for new ideas, as lightly indicated in this paper.

To take the leap from focusing on scalable efficiency only, to scalable learning, it is vital that absorptive capacity within the management exists. If this exists, one can introduce economic incentives strong enough for employees and management to prioritise activities not directly related to delivering service. Further, it is a question of incorporating processes, plans and structure. This way one can achieve and have an active culture for innovation, a change of orientation and be active when it comes to co-creation. Time and resources can be spent on learning how to deliver service by engaging and learning what the customers need. Incentives in place, plans and structure can also be established to utilise technology in order to develop people's capabilities.

### ***7.3. Recommendations***

Our recommendation for companies in the service providing industry is to increase focus on what brings value to the customers. In an increased technological environment new business strategies and possibilities can surface anytime, and one should not take the risk of believing your clients require the same solutions in the future. Understanding the customer is the key for delivering

the right service in the future with the best value for the client and for the value chain as a whole. More interaction and co-creation with the clients, will create new competitive knowledge.

That said there are obstacles that require more focus and recommendations: One is if there is a low absorptive capacity. Choen and Levinthal discuss various ways to strengthen this (Cohen & Levinthal, 1990, p. 9). The discussed options are internal development or buy it by hiring new personnel or contracting consultants. Another option is corporate acquisitions. Their view is that information is company-specific and the effectiveness of buying it is limited when the absorptive capacity is to be integrated with the company's process-innovation. They also state that a company engaging in little innovative activities will continue to devote little effort towards innovation, and one gets a self-reinforced cycle. If absorptive capacity is low one can invest to increase it. "The Technology Fallacy" (Kane et al., 2019) discusses how to increase the absorptive capacity. According to the book it is possible through:

- Diversity for increasing related knowledge.
- Provide skills for living in a digital world and extend the knowledge base
- Extend the company's knowledge base through new mechanisms
- Increase speed of internal information flow (Job-rotation?)
- Measures for a better interaction between the employees
- Help the employees understand "why"

Which possibility to choose is a leadership discussion each company must evaluate individually. Further we have not concluded in relation to whether dominant logic is a factor preventing a good level of absorptive capacity. This requires further investigation in the future. Another obstacle are resources for innovative activities. One can not expect the employees to participate in this in their free time, and each company should facilitate budgets and salaries in a way that gives resources for innovative activities not directly linked to the daily ongoing client operations.

We also recommend to balance efficiency with scalable learning. Our indication, by coding the interviews, is that Avantgarde has a close follow up on results and

KPI's through regular meetings. This secures the economic foundation for a company to exist. We foresee that spending resources on scalable learning might decrease the financial results in the short term, but it reduces the risk of falling behind on future development. Instead, it will increase the possibility to actively participate in the future development

#### ***7.4. Solution- Innovation Strategy***

Creating a capacity to innovate starts with strategy. According to Furseth & Cuthbertson (2016) and the book, *Innovation in an Advanced Consumer Society*. When creating an innovation strategy, AvantGuard Search has a choice on how much to focus on technological innovation and how much to invest in business model innovation. This matrix, which considers how a potential innovation fits with a company's existing business model and technical capabilities, can assist with that decision.

There are four essential tasks in creating and implementing an innovation strategy:

1. The first is to answer the question "How are we expecting innovation to create value for customers and for our company?" and then explain that to the organisation.
2. The second is to create a high-level plan for allocating resources to the different kinds of innovation.
3. The third is to manage trade-offs. Because every function will naturally want to serve its own interests, only senior leaders can make the choices that are best for the whole company.

The final challenge facing senior leadership is recognizing that innovation strategies must evolve. Any strategy represents a hypothesis that is tested against the unfolding realities of markets, technologies, regulations, and competitors. Just as product designs must evolve to stay competitive, so too must innovation strategies. Like the process of innovation itself, an innovation strategy involves continual experimentation, learning, and adaptation.



### ***7.5. Leading the innovation Journey***

It will be important that top management articulate an innovation strategy that stipulates how their firm's innovation efforts will support the overall business strategy. Fear of failure is an impediment to experimentation and innovation. Leaders must overcome this obstacle and create an environment that encourages genuine experimentation.

According to Kane important core leadership capabilities are :

1. Direction- providing vision and purpose
2. Business Judgement-making decisions in an uncertain context
3. Execution- empowering people to think differently.
4. Inspirational leadership- getting people to follow you
5. Innovation- creating the conditions for people to experiment.
6. Talent building - supporting continuous self-development.
7. Influence: Persuading and influencing stakeholders
8. Collaboration: Getting people to collaborate across boundaries.

Furseth & Cuthbertson (2016) SIT model and methodology is a good a great tool for top management to further plan and make the changes :

Do we have the financial assets to finance new services? Do we have the tangible assets to support new services, have we developed a culture to be able to deliver new services and have we created tangible resources to protect the new services?

When time comes to implement changes the company should test and revise, determine and evaluate, scale and create new markets of value. Sustainable value creation should be the ultimate goal for AvantGarde Search and all stakeholders.

### ***Reflections***

New value creation will take place through digital transformation, innovation culture and new business models. We have seen that good communication, participation processes and good collaboration are important keywords in processes of change. Creating awareness, understanding, acceptance and motivation is just something we have to get better at. Digital tools can streamline and enhance this.

Today we see the more than ever importance of anchoring strategies and business models in the organisation and understanding important issues, such as goal achievement and value creation. Scalable learning has been a great methodology to get acquainted with, because it is about people and scaling learning in a rapidly changing environment. Dynamic development of capabilities for dynamic ability means that maturation is always present, always getting better at creating and innovating to make us relevant and developing solutions that meet unmet customer needs, creating sustainable value for all parties.

People need to collaborate and interact, learn and meet computing power, software and automation to streamline learning with enthusiasm so we can become more efficient and competitive. Today we need more than ever a management and a culture that encourages trial and error so that businesses always are ready for the future.

Our initial question was; how strong is AvantGarde Search ability to innovate- And how can innovation capabilities defined by the methodology “scalable learning” affect the company's ability to innovate in a rapidly changing environment. We have analysed the ability through selected factors. But more importantly shed light on how one can use the factors to increase the innovation-capabilities through strong customer-involvement.

Avantgarde Search was our example for this paper, but we strongly believe this knowledge can be transferred to many companies in the service providing industry.

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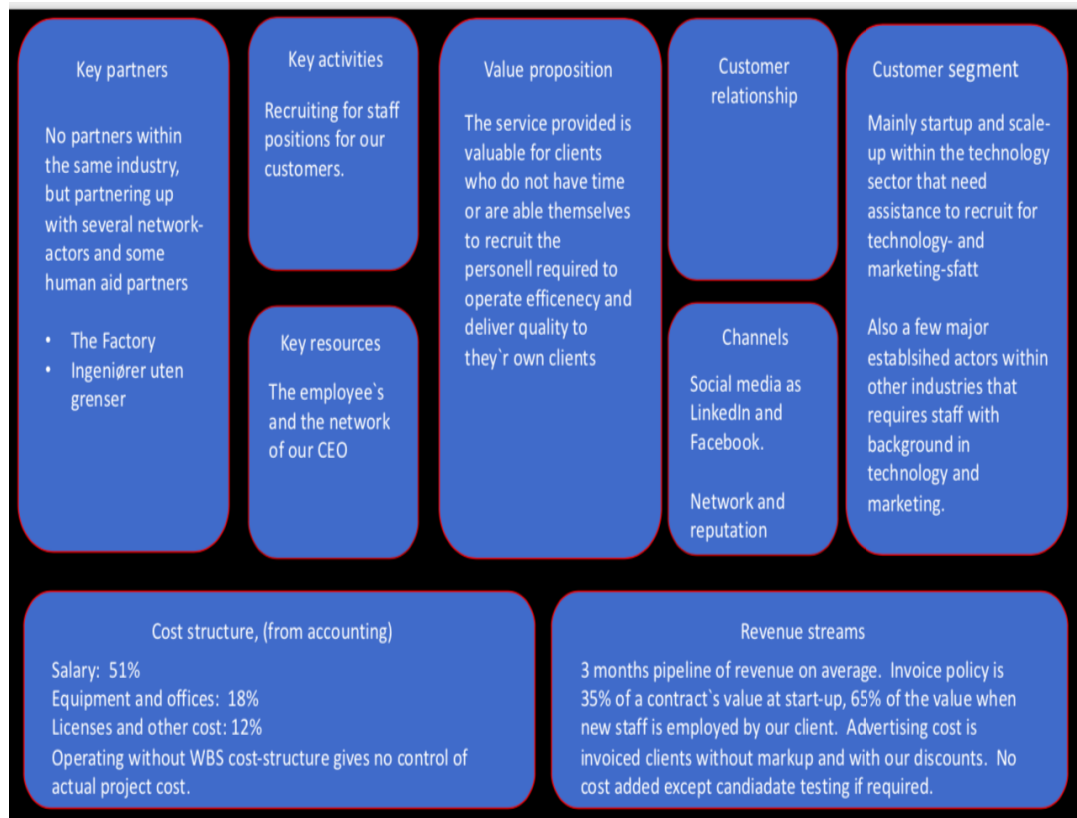
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## 8. Attachments

### *Attachement 1.*

#### AGS: Existing business model



### *Attachement 2.*

## **INTERVIEW GUIDE.**

**This interview guide is for employees and a manager at Avantgarde Search AS. As one of the authors of this paper is a partner in the company, the objects interviewed are as much as possible. The partner did not participate in the interviews other than during introduction.**

**The goal for the interview is to perform a qualitative examination of the company's six factors chosen to have an effect on the company's economical result through digital transformation and innovation.**

**The six factors are:**

**Culture for innovation | Change orientation | Co-creation | Absorptive Capacity | Digital Maturity | Innovation Strategy |.**

### **The Company's culture for innovation**

Can you tell us about the company's organisational structure? Is it hierarchic or flat, does everybody trust each other, also from the management side?

*Background: According to Pisano, an innovative culture often has contradictory behaviour, is in need of very disciplined employees and requires a flat line and interdependency throughout the whole organisation. It is also in accordance with Rao and Weintraub`s article where climate safety is a factor.*

Can you tell us about a time you did something wrong, how was it dealt with?

*Background: Important factors for innovative performance are tolerance for failure and psychological safety. This also correlates to the previous question where safety is important. (Rao and Weintraub)*

Have you ever brought a new idea on the table, and if so, how was the reaction?

*Background: Willingness to experiment within a certain time and budget is a factor within culture for innovation resulting in better innovative performance. Also, it falls under Rao and Weintraub`s behaviour factor as engaging for innovation.*

### **The Company's change orientation**

Is there a process for knowledge update for the company's management? This includes formal and informal channels from any platform providing reliable information.

*Background: According to Kane this is relevant to reveal how open minded a manager can be towards new ideas and innovation*

How open minded do you find management in the company? Do you find management to be adaptable to changes and ideas?

*Background: According to Kane, an open minded approach and innovative mindset is vital for a leader if a company needs to adapt and be innovative.*

### **The company's co-creation**

Have you, or do you know if anyone has engaged customers to participate in the creation of a new model or solutions regarding how to perform recruitment?

*Background: According to Chakor & Ouafae this is the core of co-creation. The customers should be empowered to participate and create solutions based on their expectations*

If yes, how would you describe the communication with the customers?

*Background: The study is looking into four types of communication to evaluate if all types have an effect on product and market success, and to what degree. The types of communication are grouped as frequency, direction, modality, and content.*

### **The company's absorptive capacity**

Note: Absorptive capacity is not a generally known expression, hence we ask questions avoiding the expression but at the same time meant to evaluate the ability to recognize the value of new, external information, adapt it and commercialise the value is critical to innovative capabilities.

Do you keep yourself updated on trends and new technology in the recruitment business, and if so, how and where do you get the information?

*Background: The ability to recognize new information is essential for the absorptive capacity. This question is to evaluate if the person is actively looking for new developments and trends. An organisation`s absorptive capacity also depends on the individuals.*

Do you believe you can filter and recognise what information is actually valuable, and do you have examples of valuable info you have introduced to the company?

*Background: New info is great, but the ability to recognize what information has a value is a key for absorptive capacity.*

Could you tell me about a situation where you created new business through new information? (Question to manager)



*Background: This question is to evaluate if there in recent times has been performed an innovative commercialization of new valuable info led by the manager of the company.*

If you recognise something you think could be of value, do you believe it will be evaluated thoroughly by management? (Question to employee)

*Background: To evaluate if new ideas and innovation is recognized by managers.*

Follow up question to last: If the candidate does not believe there is worth bringing new solutions to the table, can the person elaborate a bit about why.

*Background: To get an insight if there is an established idea that management is a bottleneck for innovation. Or if there are other reasons for not proceeding with new ideas.*

### **The Company's Digital Maturity**

Have you heard about an investment plan for digital initiatives (Question to employee)

*Background: An investment plan is one factor for measuring digital maturity in a company. This question is for employees to evaluate if an actual investment plan is known throughout the company.*

Is there an investment plan for digital initiatives? (Question to management)

*Background: With reference to the previous question, this is to establish if an investment plan is in place, reflecting the company's digital maturity.*

Can you tell me your understanding of digitalisation and if you are aware of technology that can benefit the business.

*Background: Digital literacy is affecting digital maturity. It's vital to understand emerging trends and how it can bring value to the company. Hence this question is aimed to get a picture of the general awareness towards digitalization*

What impact do you believe technology will have on the recruitment business over the next few years?

*Background: This question is to understand if the persons have an understanding of opportunities and threats that digitalization can have on the company and the industry.*

## **The Company's innovation strategy**

Are you familiar with an innovation strategy in the company?

*Background: First just to reveal if there is a known innovative strategy existing in the company?*

If no innovation strategy is established, do you believe the principles of a digital strategy are existing, as if it is there but not formally written down in a procedure?

*Background: Can an innovation strategy exist, unconsciously?*

## **Scalable Learning:**

Can you tell us what has been done to evaluate to a deeper extent what is the needs of a client and what would really bring value to a client, except for a new employee?

How have you utilised technology to develop your capability? If any, is this as an individual or did you get approval from management?

*Background: Utilising technology is one of the factors for scalable learning. Also, this question reveals if the initiative comes from the individual itself or if it is supported and approved by management.*

If one increases the resources spent on understanding a client and what brings value to them, together with utilizing technology to develop people's capability, can you elaborate a bit about what, positive, neutral or negative effect this would have on the company's results in the market?

*Background: This is for the individual to reflect on innovation and if it is believed within the company that by doing so, the company would improve the economical result through the innovation and digital transformation*

*Attachement 3.*

## **Interview analysis**

### *Summary of interviews: Avantgarde Search As*

#### **1. The company's culture for innovation**

**1.1. Can you tell us about the company's organisational structure? is it hierarchic or flat, does everybody trust each other, also from the management side?**

*Findings in summary: The company has a flat structure but is in a period of rapid growth. It seems as if management needs more control as the company evolves. This is noticed by employees and affects trust. Overall employees understand the need for more structure, but it also creates an unbalance and contradicts company values.*

<b>Attendant</b>	<b>Answer in essence</b>	<b>Interpretation</b>
<b>Employee 1</b>	<b>Overall, it's quite flat. It also gives an impression of being flat. The same goes with trust, there is a lot of trust, but not as much as the impression of an open, transparent environment the company is trying to create and gives an impression of.</b>	<b>Flat structure and a lot of trust, but changing to more structure in period of growth</b>
<b>Employee 2</b>	<b>In the beginning the company was very flat, with little structure and hierarchy. We call ourselves the: agile recruitment specialist, which demands us to be a little everywhere and capable of adopting and evolving dependent on the market. We notice a more controlled management in the last years with growth. This contradicts our values. Structure has also developed and been shaped according to growth both with marked and new employees.</b>	<b>Flat structure but changing to more controlled management in a period of growth.</b>

Employee 3	The company started out very flat, but growth demanded a bit of structure. Everyone has their responsibilities and one's opinions will be listened to. There is also a negative side to openness and sharing of ideas in the way that we become less effective. The management is good at filtering opinions. The company has an open attitude, and a good culture for opinions.	Flat structure and a lot of trust, but openness in a period of growth has its negative sides in the way that one becomes less effective.
Employee 4	The company's structure is flat, with delegated responsibilities, four teams with team leaders. Trust is good, within, but not always from all managers.	Flat structure, but not all management is willing to trust fully.
Employee 5	We have a flat structure, with responsibilities. There is a lot of freedom and will within the company. Now in a growth phase I think we need a bit of structure, but in general I feel we are all equal within the company	Flat structure and a lot of freedom and equality.
Manager		
Manager		

**1.2. Can you tell us about a time you did something wrong, how was it dealt with?**

*Findings in summary: There's room for making mistakes in the company, and support from others and management when situations arise. Very good tolerance for failure and a good amount of psychological safety.*

Attendant	Answer in essence	Interpretation
Employee 1	I have made mistakes, and this was always received with understanding and help. You will get support if it's needed.	Dealt with well and with understanding and support.

Employee 2	Yes, very often. It is received well from management. We are an agile and adaptive company, to be disruptive in a conservative industry requires testing.	Received well, sometimes with a talk and got on with it.
Employee 3	Yes, it happens, but is not afraid to tell and receive tip for improvement	Openness in making mistakes
Employee 4	Not yet. Company is not strict in that way, and often helps. Making mistakes is human	Room for making mistakes with an understanding that mistakes have composite reasons
Employee 5	I feel mistakes are handled well within the company	Handled well
Manager		
Manager		

### 1.3. Have you ever brought an idea on the table, and if so, how was the reaction?

*Findings in summary: There is openness in the company and ideas are well received. Great engagement and room for questioning decisions. Good willingness to experiment within company structure.*

Attendant	Answer in essence	Interpretation
Employee 1	Some ideas, but not that many yet. Its work in progress.	Just employed
Employee 2	Ideas are well received. Many ideas are also implemented. Ideas that contradict traditional processes are still a little harder to get through.	Ideas are in general well received
Employee 3	Ideas are well received by management, but also filtered by management. Management can also delegate you responsibility to develop ideas.	In general, they are well received.
Employee 4	We discusse a lot in plenum. Ideas are well received. I feel we can take a big part in decisions.	Well, received, and participation in decisions and implementation.

Employee 5	No new ideas but questioned things. This has been well received. Good dialog and respect within the company	Ideas and questions well received.
Manager		
Manager		

## 2. The companys change orientation

2.1. Is there a process for knowledge update for the company's management? This includes formal and informal channels from any platform providing reliable information.

*Findings in summary: Knowledge update for company management seems good. Updates are both done physically and through various channels, both formal and informal.*

Attendant	Answer in essence	Interpretation
Employee 1	We have monthly physical gatherings, going through progress, and in general good contact with management	Management is very much involved in day-to-day processes and information sharing
Employee 2	Management is good at updating everyone when there's something new. Informally we update each other.	Management is very much involved in day-to-day processes and information sharing
Employee 3	We have routines, mostly physical gatherings, monthly and on Fridays. We should get better at general updates on what we are all doing and not just result updates	Good routines, but in need for more knowledge updates in general, not just results.
Employee 4	I know updates vary depending on people. In general, good processes for update for the company's management, but a little chaotic	In general, good, but little structure.

Employee 5	I think updates are good, a lot of knowledge and information on both formal and informal channels.	Good knowledge update for the company's management.
Manager		
Manager		

**2.2. How open minded do you find management in the company? Do you find management to be adaptable to changes and ideas?**

*Findings in summary: The company has an open minded and innovative mindset but is not always adaptive for change.*

Attendant	Answer in essence	Interpretation
Employee 1	Both yes and no. I have experienced that change and ideas are talked about but not always welcome. One might be a bit scared of change. We talk more than we do. The company is not as traditional as the rest of the industry but is slow in change.	Open minded approach and innovative mindset, but slow in change/action.
Employee 2	Ideas are well received	Open for ideas
Employee 3	Both yes and no	Open for ideas and changes
Employee 4	Management is very open for ideas, but changes are not always followed up	Open minded approach and innovative mindset, but slow in change/action.
Employee 5	Management could have been better, we still have a lot of work to do here, ideas and changes are not always received well by management.	Open minded approach and innovative mindset, but not always open for change.
Manager		
Manager		

**3. The company's co-creation**

**3.1. Have you, or do you know if anyone has engaged customers to participate in the creation of a new model or solutions regarding how to perform recruitment?**

*Findings in summary: Engaging customers in participation of recruitment process is very important with every customer. This co-creation is tailored to individual processes, and different from client to client.*

<b>Attendant</b>	<b>Answer in essence</b>	<b>Interpretation</b>
<b>Employee 1</b>	<b>We are planning to do that but have not found time. I believe in engaging our customers. We are seen as the experts, they come to us, because we are experts, so I am excited to see how that goes.</b>	<b>Engaging customers is planned but have not found time.</b>
<b>Employee 2</b>	<b>We challenge our customers on co-creation, and always try to engage our customers in the process to get a more agile process.</b>	<b>Engaging customers is important in every job, and more common in AGS than more rigid and conservative recruiters.</b>
<b>Employee 3</b>	<b>We always work closely with and customise processes with clients.</b>	<b>Yes, with every client</b>
<b>Employee 4</b>	<b>No. We take our clients on Trello platform, there is a lot of cooperation in the processes.</b>	<b>A lot of engagement in processes, but not creation of established models or solutions.</b>
<b>Employee 5</b>	<b>We have no “locked process” . We always co-create recruitment processes with customers.</b>	<b>Recruitment process is co-created with every customer</b>
<b>Manager</b>		
<b>Manager</b>		



**3.2. How would you describe the communication with the customer? and any ideas of improvement?**

*Findings in summary: Communication with customers and clients vary in frequency, direction, modality, and content. Startups are more engaged and eager to co-create. Customers are both good and some older, traditional companies are harder to work with.*

*Ideas of improvement:*

- *More focus and work with Startups*
- *New ways of recruiting, easier process for candidate and more focus on customer branding*
- *Platform with candidates and chat possibilities and possibilities for creating match between candidate and employers.*
- *Stronger focus on diversity (Sustainable models)*

Attendant	Answer in essence	Interpretation
Employee 1	Clients are very engaged. I think startup companies would have a more positive attitude to co-creation than an older, more set company.	Engaged clients in cooperation. More co-creation with startup companies because they would be more positive to co-create.
Employee 2	Communication is very good. It is important to get the customer to understand that candidates aren't so happy with old ways of recruiting. The goal is that the candidate is left with a good impression, where candidate and employer branding is in focus.	Communication is good. More focus on new ways of recruiting, leave a good impression with the candidate and employers branding so clients can learn more.
Employee 3	Startup companies are more agile, while bigger companies are more traditional. We try to fit cooperation and communication with the client. A type of interactive app or platform where clients can leave information and find a match with clients could make processes easier and communication would be more effective and clear.	Startup companies are more agile. A platform for client and candidate for match and better communication (chat) would be more effective and clearer.
Employee 4	Communication is good. We are very focused on challenging our customers on diversity in the recruitment process, regarding where they are from and sex	Communication is good. More work and communication on employee diversity.

Employee 5	Communication varies, some clients are hard to work with and processes drags out, and others are easy. We both have a common goal, and when recruitment processes drag out in length, both parts lose time and money.	Communication varies, both good and slow and difficult clients.
Manager		
Manager		

#### 4. The company's absorptive capacity

4.1. Do you keep yourself updated on trends and new technology in the recruitment industry, and if so, how, and where do you get the information?

*Findings in summary: Employees seem to keep themselves updated, through client updates, reading, videos, newspapers, and courses/education. It also seems that a busy work environment and targets makes knowledge updating hard to prioritise.*

Attendant	Answer in essence	Interpretation
Employee 1	Not enough. I'm interested in parallels between businesses. Recruitment is very like sales.	A little. Look to sales updates and research
Employee 2	Yes, I try to be updated. Digitalization, tech language and what customers look for. People with higher education seem to be more interested in trends and research. We have budgets for use on gaining more knowledge related to our work.	Updated on trends and new tech and take advantage of the budget for use to gain skills.
Employee 3	We go through relevant papers and have a close relation to clients and get updates on what's hot or not. We are also encouraged to take courses and improve knowledge.	Read newspapers and knowledge and trends from clients.
Employee 4	I feel I keep myself updated. I watch YouTube, read research and Kode24.	Yes, read and watch videos.

Employee 5	I could have been better, but there's not enough time. Hard to prioritise, but I wish to get better. Get information from clients, but also from LinkedIn.	A little. Hard to prioritise
Manager		
Manager		

**4.2. Do you believe you can filter and recognize what information is valuable, and do you have examples of valuable info you have introduced to the company?**

*Findings in summary: Most employees find it hard to filter relevant information. The ability to filter out is difficult because of the amount of information one gets every day. The key to absorptive capacity is to recognize information that has a value.*

Attendant	Answer in essence	Interpretation
Employee 1	I keep an eye on information regarding sales, but I'm not good enough at recognizing valuable information in the recruitment industry.	A little
Employee 2	Yes. I believe I filter what is relevant and what is not	Manages filtering
Employee 3	Could be better, not very good at filtering relevant valuable information	A little
Employee 4	Both yes and no, I mostly look at sales and improving my skills in sales	A little
Employee 5	No, I don't think so. There is too much information.	No. Too much information
Manager		
Manager		

**4.3. Could you tell me about a situation where you created new business through new information  
(question to manager)**

*Findings in summary:*

<b>Attendant</b>	<b>Answer in essence</b>	<b>Interpretation</b>
<b>Manager</b>		
<b>Manager</b>		

**4.4. If you recognize something you think could be of value, do you believe it will be evaluated thoroughly by management?**

**And if the candidate does not believe there is worth bringing new solutions to the table, can the person elaborate a bit about why?**

*Findings in summary: new ideas and innovation are mostly recognized and evaluated by management. Management is split in two, encouraging and less trust. The same goes for believing there is worth in bringing new solutions to the table. It depends on who you share your idea with.*

<b>Attendant</b>	<b>Answer in essence</b>	<b>Interpretation</b>
<b>Employee 1</b>	<b>Yes, I think so</b>	<b>Yes</b>
<b>Employee 2</b>	<b>Yes, it will be evaluated. Some in management are more welcoming to ideas and willing to evaluate. Management is split in two regarding ideas and the evaluation of them. If ideas are not well received, I would appreciate feedback on why.</b>	<b>Management is split in two, where one part will evaluate and encourage. Not getting feedback and explanations on ideas and evaluation might contribute to less sharing.</b>

Employee 3	Yes, I think it will be evaluated quickly. Management takes it seriously, and give you trust to follow up. They often give feedback if pitch isn't suitable	Evaluated quickly, and feedback on the idea if it's not in line with strategy.
Employee 4	Yes, I think so	Yes
Employee 5	So far so good, I don't feel we are a 100% agile recruitment company yet. Have experienced good ideas from clients, but even if the ideas will be of value and the idea comes from management itself, it tends to stop, and not become action.	Ideas are evaluated by management, but not always followed up.
Manager		
Manager		

## 5. The company's digital maturity

### 5.1. Have you heard about an investment plan for digital initiatives? Is there an investment plan for digital initiatives?

*Findings in summary: No employees have heard of investment plans for digital initiative. Some are aware of an investment plan in the company, but not specifically for digital initiatives.*

Attendant	Answer in essence	Interpretation
Employee 1	No, I have not. Maybe being a traditional industry makes it a little difficult to imagine what needs digitised.	No
Employee 2	We have an investment plan, but not specifically for digital initiatives	No, only investment plan in general
Employee 3	No, I have not	No
Employee 4	No, I have not	No
Employee 5	No, I have not	No

Manager		
Manager		

**5.2. Can you tell me about your understanding of digitalization and if you are aware of technology that can benefit the business?**

*Findings in summary: Employees like to keep themselves updated and understand emerging trends and threats. They seem interested in learning more, and some have experience that could benefit the company, both with tech itself and the understanding of creating value for the company.*

Attendant	Answer in essence	Interpretation
Employee 1	I believe in automating more processes in the recruitment industry. Also believe in AI. We should get better at using AI for search. I understand tech but have little experience. I think there is a lot we can do with the use of tech to increase candidates' possibilities for taking on jobs.	Understands emerging trends
Employee 2	There is a lot of focus on agile recruitment and less on digitalization. I have Digital HR experience, and coding and have coded to automate the process of recruitment. Most knowledge is academic.	Understands and has experience from Digital HR and coding.
Employee 3	There is a lot of tech that works. I am not a fan of many apps, I prefer platform-thinking, making things more effective and spending more time on clients.	Understands, and sees the value in platform-thinking.
Employee 4	I grew up with tech. Don't feel I have very good knowledge, but I understand and keep myself updated.	Understand and keep updated

Employee 5	It's hard not to be interested today. Digitalization makes our day more effective. We can work anywhere, anytime, and we are not often in the office at the same time.	Understands. Sees the advantage for candidates to meet online, but also the importance of having physical meetings when necessary. A balance.
Manager		
Manager		

**5.3. What impact do you believe technology will have on the recruitment business over the next five years?**

*Findings in summary: Overall there is an impression of the industry as very traditional and slow in change. But many see the benefits of change, impact in efficiency, use of VR and more platform thinking, to make some tasks easier, approach a bigger market and create better value for clients.*

Attendant	Answer in essence	Interpretation
Employee 1	I don't think a lot will happen. This is an industry that won't change easily. Because the job is so focused on people it will be difficult to do big changes without it affecting human involvement, but many processes can take advantage of tech and digitalization.	Finding it hard to see big changes
Employee 2	A lot of recruitment companies now focus on data, mostly adverts and candidate contact. The industry is still slow, with old rigid processes. We keep ourselves updated on the systems we use today, but also see how competitors using tech attract attention.	Industry and company move slowly because one cannot see clearly yet the advantages and value.
Employee 3	We work closely with the tech industry, and I think a lot now will change. Technology also makes the market bigger; we have a lot to learn from IT, and also the use of VR.	Big impact, because of IT clients and needs. Also sees VR as a tool for future recruitment.

Employee 4	It will have a big impact. HR and recruitment are changing and becoming more effective with digital systems. AI is very interesting.	Big impact. HR is a in big change, and AI is exciting.
Employee 5	During covid I have not done one physical interview. Tech will have an impact on efficiency, but it will be important to find the right balance between physical and digital.	Impact on efficiency. It will still be important to find time to meet up physically.
Manager		
Manager		

## 6. The company's innovation strategy

### 6.1. Are you familiar with an innovation strategy in the company?

*Findings in summary: Employees are not familiar with an innovation strategy but are aware there is an innovation team working on development and further planning.*

Attendant	Answer in essence	Interpretation
Employee 1	If the company has a specific, I don't know about it. There is little structure in AGS, but it could be more than I see. There are no formal strategies, only the agile approach to work	Not familiar with innovation strategy or other plans.
Employee 2	We had a strategy workshop at the end of last year. The strategy is very emerging. We are still working on it but without a schedule and plan	No innovation strategy
Employee 3	We work on innovation trough projects, but there is no strategy. We have no plan on how we can take advantage of tech.	No innovation strategy
Employee 4	I believe the company has some sort of plan. There is a lot of talk on expansion, grooving organically. We work on developing better structures	Some sort of plan



Employee 5	Not that I know of. I know there is a innovation team	No, but company now has an innovation team
Manager		
Manager		

6.2. If no innovation strategy is established, do you believe the principles of a digital strategy are existing, as if it is there, but not formally written down in a procedure?

*Findings in summary: Innovation strategies exist in principle, but with no clear directions and structure. There is an innovation team in charge of work.*

Attendant	Answer in essence	Interpretation
Employee 1	There are nonwritten plans, without timeframes	Yes, principals exist
Employee 2	Yes, work in progress	Yes, principles exist
Employee 3	There are many ideas, but no plan. There is a general strategy and market plan. I think an innovation strategy would make development easier.	In principle
Employee 4	The principles are there, but without directions it gets a bit chaotic. Some is written down and some is informal.	In principle, but in need of clearer directions
Employee 5	In principle, but we need process structure to be able to follow up and act	In principle, but in need of better structure
Manager		
Manager		

## 7. Scalable learning

**7.1. Can you tell what has been done to evaluate to a deeper extent what is the needs of a client and what would really bring value to a client, except from a new employee?**

*Findings in summary: Employees gather information in startup meetings with clients, clients' expectations, and make reports. Experiences are shared internally in training sessions once a week, but data is not structured.*

<b>Attendant</b>	<b>Answer in essence</b>	<b>Interpretation</b>
<b>Employee 1</b>	We are now making a report at the end of the recruitment process. Through this work we get to evaluate, have talks and reflect on what one can get better at. It's easy to jump straight to a new client without reflections on learning.	Report on client cooperation and reflections for improvement.
<b>Employee 2</b>	We always have a startup meeting with clients. During the process we have weekly meetings and evaluations. We are all in charge of the documents and evaluations after the recruitment process. We also have training sessions internally where we share our experiences.	Candidate reports and sharing experiences internally weekly.
<b>Employee 3</b>	We try to establish a certain type of structure, but it is difficult because the clients are so different. We also set a type of standard that will benefit the customer and work hard to establish good cooperation.	Emerging structure with some standards that will benefit clients.
<b>Employee 4</b>	I'm not quite sure on the evaluation of customers, but we write a rapport and sign after finishing the assignment. We talk a lot with the client in the early stage of the recruitment process on expectations.	Report and evaluation after assignment.
<b>Employee 5</b>	Startup meetings, talk to and understand the customer	Meetings with client
<b>Manager</b>		
<b>Manager</b>		

**7.2. Have you utilised technology to develop your capability? If any, is this as an individual or did you get approval from management?**

*Findings in summary: All employees utilise tech to develop capability, mostly with approval from employer, but also on a small scale on their own initiative. In a few cases this has been shared internally and become effective tools.*

Attendant	Answer in essence	Interpretation
Employee 1	I like using different tools. There are certain programs I have good experience with, that I also would like to introduce to the company, not AI but add on programs.	Yes, both with and without approval
Employee 2	We work in LinkedIn, we also have a professional that provides us with training in algorithms.	Yes, with approval
Employee 3	Yes. We have a Kanban (software) standup every morning. This idea came from employers. I like it because of its structure.	Yes, idea from employer
Employee 4	I have mostly worked with technology used by the company	Company tools
Employee 5	Use LinkedIn and Slack, and a reference app approved by management	Company tools
Manager		
Manager		

**7.3. If one increases the resources spent on understanding a client and what brings value to them, together with utilising technology to develop people's capability, can you elaborate a bit about what, positive, neutral, or negative effect this would have on the company's result in the market?**

*Findings in summary: All respondents see the benefit on more resources spent on client value, only positive results in a better understanding of the client, and the fact that this will have good effect on both market, employees and candidates.*

Attendant	Answer in essence	Interpretation
Employee 1	Yes. I think more focus on the client's journey and improvements on the steps would be smart. What do they experience in these different steps, could we come up with extra services?	Increased resources spent on understanding clients would be positive for all parts and market.
Employee 2	We are thinking of using our clients in a co-creation process to become more disruptive. These last years have been the candidate's market, we and clients need to focus differently in marketing, employer branding and so on.	Yes, it will bring value, because of changes in the market. More focus on employer branding and marketing in a candidate's market.
Employee 3		
Employee 4	I think we should get better at meeting clients face to face and follow up with clients and candidates even better than we do today. I think that would have a positive effect	More focus on meeting clients and candidates face to face.
Employee 5	We have a lot of work to do here. We need to get better at evaluating the customer, and collect feedback from them	More feedback from clients and finding a way to structure this information
Manager		
Manager		

**8. What changes and incentives do you think is necessary for a company on the road from scalable efficiency to scalable learning**

*Findings in summary: Today the company is striving for transformation and has put together its own innovation group. Still sales and sales results are the most prioritised part of the company. The feedback describes difficulty in prioritising development and innovation because today's bonus arrangements and attention is made for sales targets. Work outside sales calls for modern and equal incentives for all types of work within the company.*

Attendant	Answer in essence	Interpretation

Employee 1	We work on bonus arrangements. Spending time on other things than recruitment process itself affects bonuses; this will affect our income	Bonus arrangement is a hindrance for service development.
Employee 2	Many employees are mostly focused on bonuses. I chose the company because it is an innovative company. The company is split between innovative and traditional recruitment and bonus arrangements. This contradicts the company's values. Making room for innovation without losing our bonuses is needed. Clever recruiters get the most attention, it will be important that all work is valued, given time, resources, and attention.	Bonus arrangement is a hindrance for service development.
Employee 3	Many incentives, including best team prizes for sales targets, but we need to look at rewards for innovation efforts as well.	Equal incentives for all types of work
Employee 4	One incentive in the company is individual development and training, there is a budget for that. When employees have too many tasks, employers must allocate time for individual development and training. I don't think money is a motivational factor for innovation. One must redefine the office. An innovative environment suitable for development is important. Employers have more power today and look to hybrid employment and valuable incentives.	Modern incentives
Employee 5		Bonus arrangements are a problem. We need to also see the value in development and innovation.
Manager		
Manager		