



*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

*No endorsement of AgEcon Search or its fundraising activities by the author(s) of the following work or their employer(s) is intended or implied.*

## **KNOWLEDGE-INTENSIVE BUSINESS SERVICES: A BRIEF OVERVIEW \***

KATALIN DOBRAI, PH.D.,  
FERENC FARKAS, PH.D.

Faculty of Business and Economics  
University of Pecs, Hungary

**JEL Classifications:** L84

**Key words:** Knowledge-intensive business services (KIBS), client organization, client knowledge.

**Abstract:** In the last decade of the 20<sup>th</sup> century knowledge has gained importance in the economy. This led to the emergence of knowledge-based activities: knowledge-intensive organizations, and particularly knowledge-intensive services. These organizations function as external knowledge sources for other organizations. Their performance depends largely on professional knowledge. Since their performance has an impact on the success of their clients, it is important to look at those factors which influence the knowledge transfer between service provider and client organization. Based on theory and empirical research, the paper addresses the specific aspects of knowledge transfer from knowledge-intensive business service organizations to client organizations.

ISSN: 1804-0527 (online) 1804-0519 (print)

PP.15-17

### **Introduction: The emergence of the knowledge-intensive sector**

In the last decade of the 20<sup>th</sup> century knowledge has gained importance in the economy. The declining importance of labour- and capital-intensive activities led to the emergence of knowledge-based activities: knowledge-intensive organizations, and especially knowledge-intensive services.

The growth of knowledge-based services is an important factor in all sectors of economies (Dobrai and Farkas, 2008), but most of all it can be observed in the business sector activities. Knowledge-intensive business services (KIBS) are businesses which provide service to other organizations when those need solutions requiring a special kind of knowledge they themselves do not have (Toivonen, 2004; Miles, 2005). KIBS include a variety of services such as auditing, engineering, or IT services, HR-management, accounting, legal, R&D services, and consulting (Hertog, 2000; Toivonen, 2004; Miles, 2005). Their main task is the creation and utilization of knowledge. The expansion of the KIBS sector is a result of the growth of other sectors which use the services of knowledge-intensive companies, the increasing demand for special forms of knowledge, technologies, and regulations; and also consequence of growing internationalization, globalization, and the trends in the labor market, the growing competition and growing concentration in the KIBS sectors and also of other factors (Miles, 2005; EMCC, 2005; Toivonen, 2004). Not only theoretical literature but also empirical research underpin the fact that KIBS are critical to the success of modern economies (Hertog, 2000; Bettencourt et al., 2002; Toivonen, 2004; Miles 2005; Farkas and Kühnel, 2002; Dobrai and Farkas, 2007, Makó et al., 2009). Although the public sector and the non-profit sector offer competing services to the public (Dobrai and Farkas, 2008) there is still a trend of expansion in this sector.

This is why the paper - based on theory and empirical research - gives a brief overview about KIBS organizations. It examines the factors which influence the success of the creation of client knowledge. First we give a short description of the main features of KIBS.

### **Characteristics of knowledge-intensive organizations**

The performance of KIBS is to a large extent result of using professional knowledge. People with high qualification carry out activities of intellectual nature. The importance of knowledge-intensive services in innovation is recognized both by the EU (EMCC, 2005) and the OECD (OECD, 2006), which have supported KIBS projects themselves. KIBS play a threefold role in innovation processes: they can be a source of innovation, but they also can facilitate innovation or be carriers of innovation.

Certain characteristics of the KIBS-sector organizations differentiate them from other services. We have to mention the intensive use of knowledge, larger growth rates compared to other sectors, unique market relations, a high degree of expert knowledge and professionalism in their service, self-regulation, special ways of value-creation, engagement in innovation, and the creation of knowledge in co-operation with the client organization – which we will now discuss.

### **Impact of client focus on knowledge processes**

The performance of KIBS has an impact on the success of their clients. Since it is not possible to provide quality service without a good cooperation between service provider and client organization (Hertog, 2000; Bettencourt et al., 2002; Skjolsvik et al., 2007), it is important, that KIBS always concentrate on the needs of the client organizations, and work together with them on the development of new services or products, or on the further improvement of existing ones.

In this co-operation, the client organization helps the KIBS organization gain a better picture of the client's needs, and

\* Work on this paper was supported by the Hungarian Science Foundation (OTKA). Project Nr. 78233

improve quality of the service. It also can contribute to the success of the co-operation if it is committed to the common goal, shows personal dedication to the project success and overtakes individual responsibilities, and also facilitates an effective information exchange with the KIBS organization; it is understanding and tolerant towards problems rising during the process, respects the suggestions of the partner, and monitors the progress of the project (Bettencourt et al., 2002). In this cooperation, not only the client's knowledge base changes but also that of the KIBS provider. This is why we can say that the growth of client focus, and the many changes which take place in the relationships between service provider and client, are good learning possibilities for both organizations.

As discussed above, knowledge-intensive services present the co-creation of knowledge between professionals and their clients (Hertog, 2000; Skjolsvik, 2007), and this process has its impact on both organizations.

### **Factors influencing knowledge transfer**

Because of the increasing client focus in the services and the requirements of higher quality standards we need to seek factors which affect the creation of the client knowledge. In this respect, we find it necessary to focus on certain aspects of knowledge communication since it plays a crucial role in knowledge processes: knowledge is transferred to the client in a communication process. Thus, we focus on the (hard and soft) factors which influence the processes of knowledge acquisition, knowledge development and knowledge sharing as main knowledge communication processes.

- a. To the hard factors belong factors which build the framework for the operation of organizations, such as legal regulations (Lowendahl, 2001). Service quality depends on meeting both national and international standards, fulfilling professional norms (Dobrai and Farkas, 2007). Market situation, the trends both on the supply and the demand side can influence how KIBS deliver services to their clients (regionally or internationally operating KIBS vs. local providers).

Knowledge sharing can also be influenced by the technological background of the organizations, such as knowledge repositories the use of which increases the pace at which explicit knowledge is transferred. What the possibilities are in obtaining external knowledge is also determined by the age, size and profile of the client organizations, the costs connected with the assignment, the complexity level, the size of assignments of the company, and also its location. The urgency of a project for the client organization increases motivation and responsibility of the participants, this way time as framework for the co-production process also positively affects the learning process.

- b. The soft aspects include different issues connected to people; they are broad and rather strategic, and rather process- than goal-oriented. Since people play an important role in knowledge transfer, it is very important to find the right participants for knowledge transfer: it is

relevant who represents the KIBS in the client organization, and which cultural background these people have (cultural fit is beneficial). The experts from the KIBS need to have certain characteristics (e.g. empathy) if they want to be accepted by those concerned with the success of the project. This is why KIBS try to focus in the staffing policy not only on the technical capabilities and skills of the experts but also on their other competencies such as relationship building, trust building and capability to teamwork. The existing client knowledge is relevant for a successful knowledge transfer because it has an impact on the expectation level of the client towards the KIBS. If the client company has more knowledge in the field it is more likely to set higher expectations.

### **Conclusion**

Knowledge-intensive services are external professional knowledge sources for other organizations. Permanent changes, permanent challenges affect their future development. Because of the increasing client focus in the service sector and because of the growing demands for higher quality; the specific features of knowledge transfer from KIBS organizations to client organizations also the factors which influence the knowledge creating process need to be analyzed. Thus, KIBS organizations have to concentrate their strategy upon improving professionalism in their services; and on the needs of their clients in order to provide high quality service.

### **References**

- Bettencourt, L., Ostrom, A., Brown, S., Roundtree, R., 2002. "Client co-production in knowledge-intensive business services", *California Management Review*, Vol. 44, No. 4, pp. 10-128.
- Dobrai, K., Farkas, F., 2008. "Knowledge-based organizations: Examining knowledge processes in public-serving nonprofit organizations", *International Journal of Knowledge, Culture and Change Management*, Vol. 8, No. 2, pp. 9-22.
- Dobrai, K., Farkas, F., 2009. „Knowledge creation in the co-operation between knowledge-intensive business services and client organizations - A theoretical approach”, *Advances In Management*, (India), Vol. 2, No. 6, pp. 7-12.
- Dobrai, K., Farkas, F., 2007. "Professional service organizations meeting the challenges of a changing business environment", *International Journal of Knowledge, Culture and Change Management* (Australia), Vol. 7, No. 3, pp. 73-84
- EMCC, 2005. "Sector Futures. The KIBS Sector", *European Monitoring Centre on Change*. [www.eurofound.europa.eu/emcc/content/source/eu06028a.html?p1=ef\\_publication&p2=nul1](http://www.eurofound.europa.eu/emcc/content/source/eu06028a.html?p1=ef_publication&p2=nul1). (accessed: March 7, 2007).
- Farkas, F., Kühnel, S., 2002. „Knowledge transfer within a professional service firm", *Organizacija*, Vol. 35, No. 1, pp. 43-48.
- Hertog, P., 2000. "Knowledge-Intensive Business Services as Co-Producers of Innovation", *International Journal of Innovation Management*, Vol. 1, No. 4, pp. 491-528.

- Lowendahl, B., Revang, O., Fosstenlokken, S., 2001. "Knowledge and value creation in professional service firms: a framework for analysis", *Human Relations*, Vol. 54, No. 7, pp. 911-931.
- Makó, Cs., Csizmadia, P., Illéssy, M., Iwasaki, I., Szanyi, M., 2009. "Organizational innovation in the manufacturing sector and the knowledge intensive business services", Hungary-Japan Joint Research Project.
- Miles, I., 2005. "Knowledge-intensive business services: prospects and policies", *foresight*, Vol. 7, No. 6, pp. 39-63.
- OECD, 2006. Innovation and knowledge-intensive service activities, <http://www.oecd.org/dataoecd/44/14/36274476.pdf>. (accessed: March 16, 2007).
- Skjolsvik, T., Lowendahl, B., Kvalshaugen, R., Fosstenlokken, S., 2007. "Strategies for client co-production and knowledge development", *California Management Review*, Vol. 49, No. 3, pp. 110-128.
- Toivonen, M., 2004. Expertise as business. Long-term development and future prospects of knowledge-intensive business services (KIBS), Dissertation, Helsinki University of Technology. [www.tut.fi/units/tuta/tita/tip/Haataja\\_ISPIM2005.pdf](http://www.tut.fi/units/tuta/tita/tip/Haataja_ISPIM2005.pdf) (accessed: March 5, 2007).