Chapter 6
Managing Client Contacts of Small KIBS Companies:
Turning Technology Into Business

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ABSTRACT

This article investigates how small companies providing new-technology-based services (T-KIBS) manage their client contacts. Many KIBS companies have extensive and close contacts with their clients, to the extent that their services can actually be co-produced together with the clients. This study analyzes data from four empirical cases and provides new knowledge on the relevance, forms and consequences of managing client contacts. The data was collected through ethnographic field work and qualitative interviews with the owner-managers of four Finnish software service companies, which can also be called T-KIBS. The results show that although every company had its unique way of managing its client contacts, they all used their client contacts as a vehicle in turning technology into business.

INTRODUCTION

Knowledge intensive business services (KIBS) is a relatively new and inconsistent concept or framework in the field of management studies. Although specific definitions of KIBS vary (Muller & Doloreux, 2009), we can say that KIBS consists of two sub-concepts: *knowledge intensive*

and *business services*. The key content of these concepts is that much of the work done by these companies focuses on solving specific and unique problems, and that the companies have close relations with their clients (Muller & Zenker, 2001). Furthermore, intensive interaction between the service provider (often times a consultancy firm) and the client is a key aspect of doing business in

the KIBS context. Therefore, knowledgeable and demanding clients are a valuable asset to KIBS companies. Knowledgeable and demanding clients support the development of new ideas, solutions, and technologies by sharing their requirements, strategic insights, information and knowledge. Although interaction with clients is central in all KIBS companies, the relationships with the clients vary from less interactive and distant ones to more interactive and intimate ones (Bagdoniene & Jakstaite, 2008). Our study focuses on the varying forms of these relationships by examining how small companies providing knowledge intensive business services manage their client contacts.

Toivonen (2006) has listed the following industries as typical KIBS industries: IT services, R&D services, technical consultancy, legal, financial and management consultancy and marketing communications. The companies that we examine in this article represent the first category: IT services. A specific feature of the companies of our study is that they are led by women owner-managers. Services in general are often characterized as a female-typical area of the business life (Greene, 2003). Also in Finland, a vast majority of Finnish women-owned and women-led companies operate in the service businesses (Kyrö et al., 2002). IT services and KIBS companies do not, however, represent the mainstream of female-typical service companies. We have shown in our previous studies that, unlike many other women-led businesses, the women-led KIBS companies of our study are growth-oriented and pursue various kinds of success strategies (Eriksson et al., 2008a, 2008b). We have also concluded that the business context (KIBS, IT services) seems to be a strong defining factor in how the women-led companies of our study operate.

Client Contacts in KIBS Companies

Our choice to concentrate on client contacts is well-grounded based on the research results showing that a central reason for the long-established

growth trend of KIBS is the versatile and up-to-date expertise of these businesses, which, in turn, derives from their abundant client contacts (Toivonen, 2004). Knowledgeable and demanding clients are a valuable asset to the providers of knowledge intensive services. Close relations with the clients helps the service provider to develop new ideas, solutions and technologies that contribute to its' competitiveness in the market. The more the service provider is able to share strategic intelligence, information and knowledge with the client, the more capable it becomes in terms of acknowledgement and recognition of its client's needs (Bagdoniene & Jakstaite, 2008). Thus, clients and client relationships can be interpreted as highly valuable resources for the provider.

There are two main approaches that have been applied in the discussion about client contacts in KIBS. The main difference between the two is related to their underlying assumptions about the client – provider relationship and the question of how value is created in KIBS. The transactional approach which is based on giving (provider) and receiving (client) value has been the foundational construct in the discussions about client relationships for several decades (Bagozzi, 1975). One of the basic assumptions behind this line of reasoning is that the more the provider learns about the needs of the client, the more value it can provide for the client. For example, according to Dobrai and Farkas (2009) the existing client knowledge of the provider is relevant for a successful knowledge transfer because it has an impact on the expectation level of the client towards the KIBS.

Bagdiniene and Jakstaiete (2008, 223) applying Markham (2004) make a difference between four alternatives in the recognition of client needs and the activities of the provider. One possibility is that neither the client or the provider recognizes the needs of the client and, therefore, these needs remain unfilled. Another alternative and perhaps the easiest way for the provider to sell services is when the client recognizes the need and shows initiative. In the third case only the provider knows

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