Improving Customer Participation in Knowledge Intensive Business Services

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Purpose: As business customers generally possess significant share of knowledge and resources necessary for creation of knowledge intensive business services, their participation is of utmost importance to create the services successfully. However, little is known about how to achieve superior customer participation. Hence, the purpose of this study is to empirically investigate how to improve customer participation in creation and implementation knowledge intensive business services.

Approach: This study used a multiple case study methodology. Empirical data have been collected from three dyadic cases, each case containing one service provider and one customer organization. With the help of NVivo 10 software, data has been analyzed through the stages of coding, categorization, comparison, and further analysis.

Findings: In this study, special attention has been paid not to focus only on one side, and bring the acts and behaviors of both the customer's and bring the service provider's under the spotlight. Empirical findings show that joint need assessment and solution design, extent of importance from the customer, elimination of customer's internal challenges, intensity from the service provider, appropriate value propositions and core offerings development, establishment of trust between the customer and the service provider, and understanding and respecting the business culture of each other play essential roles in improving customer participation.

Research implications: This study shows the limitations of existing knowledge on improving customer participation especially in business-to-business settings, and identifies different areas which require meaningful scientific contributions. Based on the findings, future research ideas are suggested.

Practical implications: For practitioners, the study offers concrete advice on how customer participation can be improved in different phases of creating services, especially in technical projects.

Originality/value: The study extends empirical understanding on customer participation, and proposes a framework of critical elements that should be included in creation of knowledge intensive business services to support customer participation.

Type of paper: Case study

Keywords: customer management, customer participation, knowledge intensive business services
1. INTRODUCTION

Service organizations that provide knowledge-based services to business customers play profound roles in contemporary economies (Miles, 2005). Commonly known as “knowledge intensive business services” (KIBS), their primary activity comprise of providing knowledge-intensive inputs to the business process of the customer organizations (Miles, 2005; Kuusisto and Viljamaa, 2004). They are one of the most rapidly growing sector in developed economies (Strambach, 2008), create jobs (Kuusisto and Viljamaa, 2004), make positive impact on other businesses (Miles, 2005), and are major source of innovation (Corrocher et al., 2009). The service activities of the KIBS are very complex in nature and are highly collaborative, as the customers hold a majority portion of the resources and information needed – both codified and tacit – to create the services (Bettencourt et al., 2002). Specialization, knowledge intensity and technical complexity are increasing in many industries, especially in knowledge intensive business services (KIBS) sector, leading services providers and customers become more reliant on each other’s knowledge and resources (Aariikka-Stenroos & Jaakkola, 2012). Hence, participation from the customer to develop, create and implement these services is highly important to create the services successfully. This study analyzes how participation from the customers can be improved in order to achieve superior outcomes.

The issues of customer participation, and its resulting outcomes, have received significant research attention over the years (Mustak et al., 2013; Auh et al. 2007; Bagozzi and Dholakia, 2006; Bitner et al., 1997; Bateson, 1983). However, majority portion of the studies have been performed in the context of individual customers, and business-to-business context have received very little attention. In fact, a systemic literature review on customer participation published by Mustak et al. (2013) shows that out of the 163 reviewed articles, only 9 studies have considered the business customers. And when attentions were paid to the business-to-business market(s), the main object of study was the human components – customers’ employees – whereas the other contributions from the customer, for example, knowledge and resources remained largely unexplored. Also, empirical studies on customer participation in b-2-b contexts are rare (this researcher could identify only one – by Bettencourt et al., 2002), and discussions and arguments persist mostly at conceptual level without much pragmatic evidences. In addition, most of these studies focus on “managing” customer participation, whether in reality, it can be significantly difficult for the service provider to control, and thus manage, the actions and activities of the customers.

Against this backdrop, and considering the importance of customer participation in KIBS, the purpose of this study is to empirically investigate how customer participation in creation of services can be improved. A multiple case study method has been adopted to delve deeper into the phenomenon. Empirical data have been collected from three dyadic cases. Each case contains one service provider and one customer organization. The collected data has been analyzed
through the stages of coding, categorization, comparison, and further analysis. NVivo 10 software has been used to assist the analysis process. Special attention has been paid not to focus only on the customer, and bring the service providers acts and behaviors under the spotlight, too. By doing so, the main challenges against customer participation are identified and applicable solutions are provided. Practitioners may also find the research helpful to manage customer participation better.

A review of the existing knowledge is presented in the next section, followed by description of the methodology adopted in this study. Next, the empirical results are presented to the reader. In the final section, different dimensions of this study are discussed. The final section also includes discussions on contributions and implications of this study, and possible opportunities for further research are discussed.

2. LITERATURE REVIEW

Knowledge intensive business services (KIBS) are distinctive type of service activities that are developed, produced, and performed based on specialized and professional knowledge, and are generally used in the business processes of customer organizations (Miles 2005; Bettencourt et al., 2002). The term was first introduced in 2005 by the European Commission in the NACE classification (An European Commission classification of economic activities) to specify a definite set of service activities. However, contemporary usage of this umbrella term denotes to most of the business-to-business services where the nature of the offering is complex, are generally performed by people with formal and specialized training and education, and the service activities are based on professional knowledge.

Business customers often use the services provided by the KIBS firms into various business processes with the objective of improving efficiency and effectiveness (Lapierre et al., 1999). For example, customer organizations purchase management consultancy services to solve strategic problems, R&D services to innovate new offerings and processes, or training and development services to improve the skills and capabilities of their human resources. In addition, some KIBS services are used due to legal requirements, such as services by external auditors to prepare the annual reports for the publicly listed companies.

Firms that provide KIBS services depend profoundly on knowledge or expertise related to specific (technical) disciplines or functional-domain (den Hertog, 2000). Therefore, the distinctive characteristics of these organizations lay in the knowledge intensity of their services. Accordingly, three principal features of KIBS firms can be identified: (a) their profound dependency on professional knowledge, (b) they either are themselves primary sources of information and knowledge or they use knowledge to (co)create services to support their clients’
business processes, and (c) they are of competitive importance and serve primarily to other businesses (Miles, 2005).

Existing research suggests that participation from the customers does not only result in superior services, but also a range of positive outcomes, including increased productivity (Lovelock & Young 1979), improved efficiency (Hsieh, Yen & Chin, 2004) and reduced costs (Fitzsimmons, 1985). In addition, the outcomes can include enhanced two-way communication (Kelly, Donnelly & Skinner, 1990; Mills & Moberg, 1982), higher customer satisfaction (Dabholkar 1990), greater repurchase and referrals (Cermak, File & Prince, 1994; File, Judd & Prince, 1992), improved perceived service quality (Raaij, Fred & Pruyn 1998; Dabholkar, P. A. 1996) and better multi-channel coordination (Plé, 2006). Customer participation also carries strategic importance for the firms, as when accumulated across clients, the combined implications of customer participations can create a unique and difficult to imitate capability for the service provider. This leads to strong and valuable competitive advantage in the long run (Tax, Colgate & Bowen 2006; Bettencourt, Ostrom, Brown & Roundtree 2002).

The substantial growths of KIBS’s overall influences on national economies have placed them top on the contemporary research agendas – especially as a context. KIBS providers are profoundly contingent on professional knowledge, i.e., knowledge or expertise related to a specific technical-discipline or functional-domain (den Hertog, 2000). KIBS customers can participate in creation of services multiple manner, for example, through partial or complete substitution of service employees, provision of information and knowledge, involvement in quality control, strategy design, as catalyst for other customers to participate, problem solving in professional fields, in specification of services, for enhanced customization, and in co-created service recovery (Bitner et al., 1997; Bettencourt, Ostrom; Brown, & Roundtree, 2002; Prahalad and Ramaswamy, 2004).

Research on improving customer participation can be traced back to the 1970s (Lovelock & Young, 1979). The published literatures can be categorized into three theoretical streams: (1) partial employee, (2) customer role, and (3) organizational socialization. The first stream envisages that through performing a portion of the service delivery functions and by contributing resources, customers adopt the role of firm’s partial employees. Hence, traditional management methods applied to the firm’s employees are transferrable to customers to manage their participation (Lengnick-Hall, 1996). In contrary, organizational socialization theory recommends introducing organizational norms, values and culture to the customers, and providing them with ‘realistic previews’ of their forthcoming service experience. These may lead customers to realize the significance of their contribution and induce them to participate (Kelley, Donnelly, & Skinner, 1990). The third stream of literature, grounded on ‘customer role theory’, acclaims that to support customer participation, firms should formulate specific roles for their customers that they could follow, and provide assistance to perform those roles pertinently (Bitner et al., 1997).


3. METHODOLOGY

In selecting of the most appropriate methodological approach for this study, this researcher’
starting point was to consider and evaluate the five approaches which are commonly applied in
business research: narrative research, phenomenology, grounded theory, ethnography, and case
study (Creswell, 2013). Each of these five approaches comes with specific opportunities and
challenges.

According to Yin (2012), the case study approach is relevant to study mainly in three situations.
First and foremost, as he suggests, the choice of a research method should be directly influenced
by the research questions that the study addresses. Accordingly, questions that should generate
descriptive answers, generally starting with “what” or “how”, can best be addressed by case
study methods. Second, when the study requires contextual details, the case study method favors
to collect empirical data in real-world settings, which are richer in nature compared to “derived
data”, i.e., responses collected through researcher’s instruments, for example, questionnaires in a
survey. Thirdly, in case of conducting evaluations, for instance as were used in U.S. Government
Accountability Office, the case study method is deemed suitable. As the empirical part of this
study seeks to answer “how to improve customer participation in knowledge intensive business
services”, it is expected to generate descriptive answers with deeper insight into the
phenomenon. Hence, case study method” is deemed as most appropriate for this study.

Explorative Study

However, as the study of customer participation in business-to-business settings are still very
much embryonic, it was decided that adopting a case study method is challenging, especially due
to lack of similar existing studies and guidelines. Hence, the researcher performed a small-scale
explorative study first. The method of qualitative explorative field study produces
understandings that are not determined in advance and yields outcomes that are applicable
beyond the immediate boundaries of the study (Mack, Woodsong, MacQueen, Guest and Namey,
2005).

For the explorative study, a total of six interviews from six knowledge intensive service provider
were conducted. The interviewees were selected based on convenience sampling. Each
interviews lasted for around one hour. The interviews were then transcribed and converted into
texts. The researcher then read the texts again and again to understand the phenomenon better.
This explorative study also helped the researcher in many other ways, including designing and
improving the interview guide for the case study, understanding the different modes and aspects
of customer participation in real-life business scenarios, and also helped to ask the right
questions and keep the conversation in track while performing the case studies.
Case Selection

As Yin (2012) suggests, the multiple case study approach is usually more difficult to execute than a single case design, but conducted properly, the results helps to generate better confidence in the findings. Hence, rather than depending on single case, this study opted for the multiple case study approach. Also, as usage of multiple cases allows “aiming to examine a complementary facet of the main research question”, multiple case study approach is adopted in this study to gain a multifaceted and holistic understanding regarding the topic under study.

The first criterion to select the cases was to make sure that each case contains at least one service provider and one customer organization. Next, multiple criterions were used to select diverse cases too cover different possibilities and scenarios which should be helpful to generalize the findings later. The criterions were as follows:

a. Both the customer and the service provider are willing to participate (Case 1)
b. Neither the customer nor the service provider are willing to participate (Case 2)
c. Both the customer and the service provider are unsure about participation (Case 3)

Multiple cases were identified first. Then, three cases were selected as “best fit” to the above mentioned criterions. In the first case, the customer is a large telecommunication company, and the service provider provides a range of services, including consultancy and testing of new software programs created by the customer. In the second case, the customer is a large public organization, and the service provider provides SAP based financial services and solutions. As of the third case, the customer is a large shipping company, and the service provider provides management and consultancy services to increase the customer’s cargo transportation efficiency and effectiveness.

Data Collection

For the main empirical part of this study, which applied a case study method, empirical data has been collected in multiple ways. The first and foremost instrument that has been used to collect data was the face-to-face interviews, which has been used because “[...] it is a highly flexible method, it can be used almost anywhere, and it is capable of producing data of great depth.” (King, 1994, p. 14). Also, the qualitative interviews allowed to see the research topic from the perspective of the interviewee, and to understand the underlying reasons behind the formation and development of that perspective (c.f. King, 1994).

A semi-structured interview guide was used to facilitate the interviews. It contained a detailed list of topics that the researcher was interested to explore. This semi-structured nature of the interview guide helped the researcher to collect data in relation to the purpose of the study and keep the discussions on track, yet permitted sufficient degree of flexibility to “gather” data (use a better word) which was not previously thought of. In addition to the interviews, company documents, internal records, archives, meeting minutes, and press releases have been collected
to gather further data. Also, it is important to note that Data has been collected from both the customer's and the supplier's side with the expectation that it will provide complementary information about the total scenario, and also help in data triangulation (c.f. Aarikka-Stenroos and Jaakkola, 2012).

**Data Analysis**

The data analysis started with transcription of the interviews, which resulted in around 300 pages of texts. Both the interviews from the explorative studies and the case studies were taken into consideration. After the transcriptions were complete, analysis of the texts progressed through four stages: coding and assignment of keywords, categorization, comparison within and among the categories, and further analyses and interpretation. Also, the analysis was done at two levels: intra-firm and inter-firm. Next, retrieved information from secondary sources were contextualized within the circumstances of their construction, and those were analyzed in the similar manner.

When coding, the researcher did not imposed the keywords. Rather, they were emerged from the data. Fifty seven keywords in total were generated as the study proceeded. After the coding was completed, the codes and their associated strips of texts were divided into categories according to their commonalities. This researcher then first analyzed and compared the within each category first to gain a deeper understanding of the phenomenon. Next, the categories are compared with each other to ensure that they are distinctive, and each category tells something new regarding the research question being addressed. The analysis was first performed at each case level, and then the cases were compared with each other to gain a comprehensive understanding of facilitation of customer participation. Findings from the analyses are presented in the next section.

4. RESULTS

The study demonstrates that improved customer participation in knowledge intensive business services results from the joint efforts between the service provider and the customer, and can be affected by actions and activities from both the parties. As per the empirical findings, seven groups of collaborative activities can improve customer participation:

(1) Joint need assessment and solution design,

(2) Extent of importance from the customer,
(3) Elimination of customer’s internal challenges,
(4) Intensity from the service provider,
(5) Appropriate value propositions and core offerings development,
(6) Establishment of trust between the customer and the service provider, and
(7) Understanding and respecting the business culture of each other.

Important to note here is according to our data, these activities do not take place in a sequential manner. Rather, they can be parallel and iterative; some activities may repeat multiple times, and some may completely not occur in certain situations.

According to the data, customer participation can be improved through joint need assessment and solution design between the service provider and the customer. It was identified in all three cases that KIBS customers sometimes try to identify their needs or improvement scopes by themselves and design possible solutions for them without involving the service providers. Similar to the earlier findings (Aarikka-Stenroos and Jaakkola, 2012), empirical data shows that especially the inexperienced customers lack the capabilities necessary for this. Subsequently, it leads to situations where customers cannot participate in creating the services, as the solely identified need and solution may not appropriately reveal the real needs and reflect customer capabilities. In contrary, joint need assessment and solution design increases the chances of successful customer participation. Not only it allows in depth analysis of customer needs, but also significantly increases the creation of services through applications of service provider’s specialist knowledge and experiences which eventually reflect the customer knowledge, skills and capabilities, and improves their participation.

Acquisition and implementation of knowledge-based services are often considered as projects by customers. These projects with knowledge intensive and substantially customized nature require high extent of attention from the customer. Data reveals that customers who assign sufficient degree of enormity to these projects; and their top management are involved; also participate profoundly compared to those who do not. This finding is in line with the earlier study of Bettencourt et al. (2002), who proposed ‘advocacy’ by a vital person in the customer organization as an important measure to facilitate co-production. Also in situations where service providers took successful initiative to help customers realize the importance of their participation, quality and magnitude of customer participation increased in the value creation processes.

This study reveals that several challenges inside the customer organization may hinder their participation. These are conflicting interests within customer organization, internal change resistance, and the not involving frontline employees in creating the services. New KIBS services may change in individual and or departmental duties, responsibilities, workloads, positions, and authorities in customer organization, leading to internal conflicts. The involved parties generally
try to maximize their own interests rather than emphasizing on the organizational concern, impeding customer participation. The internal challenges need to be addressed and solved mainly by the customers themselves. However, the service provider may also assist the customer in solving those problems through revealing appropriate information to conflicting parties and to top management, and through assisting in change management; without being considered as crossing the ‘limit of involvement’ in the customer organization. Also, from their technical and tacit knowledge to their peer group intra- and inter-organizational networks, customer’s frontline employees often are among the first who notice problems and improvement scopes in their firm. These employees also hold real life problem descriptions, are in direct contacts with the customer’s customers, can make accurate need assessments and provide feedbacks to develop the core offerings. Data exhibits that services designed to accommodate inputs from the customer’s end users expedite customer participation.

Analysis of the empirical data clearly discloses that some service providers did not put sufficient strategic emphasis on customer participation. This finding is a sharp contradiction against the earlier findings of this study. That is, when asked about specific activities and situations, all the service providers identified and pointed out the important contributions that customers make in the service creation process. Information collected from the secondary sources also reflects this. However, when asked about the overall significance of customer participation, some service providers did not explicitly recognize it as an important factor. Empirical data also shows that the service provider that unequivocally recognizes the importance of customer participation also took visible initiative to facilitate the same, and vice versa. Hence, specific and explicit recognition of the importance of customer participation leads to specific actions to achieve better participation from the customers, and plays a crucial role in improving the same.

Knowledge intensive business services are not self-sufficient service systems by themselves. It was found that they depend on number of other elements, for example, synergies with existing business processes, end-user familiarity, and aptness in customer and supplier network. Sometimes, services developed by the KIBS firms do not correspond with customers’ value creation processes due to several reasons, for instance, over emphasis on technology, too advanced value propositions, lack of assessment of customer’s capabilities, and deviations from actual needs. These lead to situations where the customers cannot participate. Appropriate assessment of customers’ capabilities and business processes and creating services accordingly help to eliminate these challenges, and facilitate participations from the customers. In addition, customer capability enhancement through knowledge transfer, training and education also helps them to participate.

Typical to business-to-business contexts, the service provider and the customer organizations often do not conduct business on transactional basis. Rather, in two out of the three cases (Case 1 and Case 3), the service provider and the customer organization are doing business with each other for several years. In both the cases, it was identified that the level of trust has a direct impact on the participation from the customer. Customers who trust their service providers are
more flexible to share confidential information with the service providers. These include information related to the market, business strategy, and market expansion and introduction of new products or services. The customers have also allowed access to the service provide to their information systems. In contrary, in case of Case B, the level of trust between the customer and the service provider has remained low, and the customer has been reluctant towards participation. Hence, establishment of trust can work a facilitator towards achieving participation from the business customers.

Understanding the organizational culture of each other, and showing appropriate respect to can improve customer participation in a high extent. As found in all three cases, the organizational culture of each company, both customer and service provider, can vary to a great extent. Empirical data shows that from the customer side, not understanding the culture of the service provider generates barrier against effective communication, and efficient knowledge and resource sharing. On the other hand, understanding and respecting the business culture of the service provider helps to comprehend and appreciate their business processes, and the customer can make better contribution in the service creation and delivery processes. Same is also true for the service provider. For example, in one of the cases, the service provider is situated in Finland, and their customer organization is based in Asia. After careful observation, the service provider understood that in Asian business culture, older people in the organization command more respect and authority, often irrespective of their position in organizational hierarchy. Hence, when co-creating the services, if people from the service provider organization behave in the similar manner, it was easier for them to convince the personnel in the customer organization to achieve better inputs from them.

5. DISCUSSIONS

Customer participation; customer’s active provision of inputs in creation of services; is of utmost importance to create and deliver high quality knowledge-based services, especially in business-to-business contexts. However, extant studies focus mainly on the consumer market, and participation from the business customers have remained a much under-studied area. In this study, through application of multiple case study methodology, the researcher investigates how participation from the customers can be improved further. Empirical data suggests that seven key actions can help towards the achievement of that goal, which are: joint need assessment and solution design, extent of importance from the customer, elimination of customer’s internal challenges, intensity from the service provider, appropriate value propositions and core offerings development, establishment of trust between the customer and the service provider, and understanding and respecting the business culture of each other.

As found in the study, improving customer participation is not a one-party-effort. Rather, it takes initiatives and actions from both the customer and the service provider. The reason behind this is
that the challenges against participation may reside in multiple places – within the customer organization, the service provider organization, or between the interfaces of these two. However, elimination of those challenges, and thus to facilitate the participation from the customer, involves both the customer and the service provider more often than not. This means that from the service provider’s side, they can make necessary changes inside their own organization to facilitate the participation from the customer, and also assist them to overcome challenges against participation inside the customer organization. On the other hand, the customer organizations should not only look at the service provider to facilitate their participation. Rather, they need to actively look at their own actions and activities, and take corrective actions against those problems that hinders their inputs.

Implications

Despite the relatively long research on customer participation, research in the context of business-to-business services remained scant, as they predominantly focus on consumer market. This study makes a contribution by studying customer participation in the business-to-business context. Also, not putting the focus solely on the service provider, and investigating both suppliers and customers’ actions and activities to improve customer participation, helps to understand the phenomenon better. From perspective of KIBS, it helps to re-comprehend the importance of customer participation. The study also shows the importance of trust between the customer and the service provider, and thus the overall relationship between them, in improving customer participation.

From a practical perspective, this study offers helpful guidelines to managers. It demonstrates that for successful customer participation, efforts are needed from both from the service provider’s and customer’s side. As for the service provider, the study can help their managers to understand the challenges they can face inside their own organization, and eliminate those challenges to facilitate better participation from the customer. In addition, service providers should actively engage with their customer to help them solving the challenges that the customer organization may face from inside their own organization against providing appropriate input in creation of the services. Similarly, managers from the customer organization should help the service provider in their effort to facilitate customer participation, and also take active initiative from their own side to provide appropriate inputs in creation and delivery of knowledge intensive business services.

Future research directions

While studying the improvement of customer participation, this study considers only the customer and the service provider, and the interactions between the two. However, other actors in their business networks may create significant effects, both positive and negative, on the
participation of the customer. Hence, future studies, which take a broader perspective, and bring the other actors under the spotlight will be helpful to understand the phenomenon better and develop more managerial guidelines. Further research are also needed to identify the exact knowledge and resources that customer contribute in creation of services.

6. REFERENCES


