European Forum for Studies of Policies for Research and Innovation

2013 EU-SPRI FORUM CONFERENCE
MANAGEMENT OF INNOVATION POLICIES

Proceedings of the 2013 EU-SPRI Forum Conference
Madrid 10-12 April 2013
ISBN 978-84-695-7408-9 ORAL PRESENTATION

Title

Innovation in KIBS: Is there a need for a renewed perspective?

Authors

Oihana Basilio, Dpto. Estructura Económica y Economía del Desarrollo, Facultad de Ciencias Económicas y Empresariales, Juan de Toledo 31, 2, Bajo B, San Lorenzo de el Escorial 28020, Madrid, Spain.
E-mail: oihana.basilio@uam.es

Paloma Sánchez, Dpto. Estructura Económica y Economía del Desarrollo, Facultad de Ciencias Económicas y Empresariales, Universidad Autónoma de Madrid, Francisco Tomás y Valiente, 5, 28049 Madrid, Spain.
E-mail: mpaloma.sanchez@uam.es

Keywords

KIBS, organization, R&D.

UAM-Accenture Chair

Institute of innovation and knowledge management

Approach

Services are playing an even more important role nowadays and innovation is at their core. Over the last decade, research on innovation in services has moved away from the idea that services where a laggard in terms of innovativeness, comparing them to manufacturing (Tether et al., 2006; Miles, 2005), emphasizing that there is not a unique service pattern of innovation (Corrocher et al., 2009). However, this research has been mostly focused on co-creation of innovation with customers and on ad-hoc innovation within projects (Gadrey and Gallouj, 1998; Möller et al., 2008), while the existence of specific permanent units for innovation within service companies has been overlooked (Sundbo, 1997) or treated as a residual feature or a legacy of their history (Miles, 2005). In fact, the organizational aspects of innovation have not been adequately addressed and some authors have stated that "*service firms have not been good at organizing the innovation process in a formalized and systematic way and learning from the process*" (Sundbo and Gallouj, 2000: 18).

Even though conventional R&D management structures seam not to be the general trend, there is also evidence of services' activity in R&D (Miles, 2007) even though the definition of this activity has a wider scope than the Frascati definition, including for example research in social sciences and humanities (Djellal et al. 2003).

Objectives

This paper challenges the idea that innovation and knowledge in services are produced basically ad-hoc and in interaction with clients, showing that knowledge intensive services do have specific R&D and innovation units. The objectives are twofold: 1) To analyze the organization of innovation activities in knowledge intensive business services (KIBS) and 2) To question the characteristics of R&D activities in services. Looking at the literature on R&D organization in manufacturing, we wonder whether the characteristics of the R&D and innovation activities in services mirror the ones in manufacturing.

Summarizing, the general questions our research aims to answer are the following: How is knowledge created and distributed in service firms? Or in other words, are knowledge intensive services different from technology-intensive manufacturing?

Methodology

Typically, the analysis of R&D organization in manufacturing has been based on in-depth case studies of large multinational companies, using diverse research methods for data collection, including documentary analysis, in-depth interviews and detailed questionnaires (e.g. Kuemmerle, 1997; Zedtwitz and Gassman, 2002; DeSanctis et al., 2002). Similarly, innovation in services has also been extensively based on case studies, for example analyzing organization of innovation in services (Sundbo, 1997), specificities of project-based firms (Blindenbach-Driessen and ven den Ende, 2006), or corporate culture (Lyons et al. 2007). Following their example, we have based our analysis in single in-depth case study of a large multinational service company. We have chosen a consultancy company, as this represents the archetype of knowledge intensive business services (KIBS). The company has more than 200,000 employees worldwide and provides different kinds of business services to over 1,000 clients in more than 50 countries. In 2011, the company generated net revenues over US$25 billion.

Mapping the whole R&D and innovation infrastructure of such a large company would require much time and resources and, hence, falls outside of the objectives of this paper. As a consequence, the paper concisely analyses the global R&D and innovation structure and provide a more detailed view of the initiatives and units of one of the geographical divisions of the company, the Spanish subsidiary.

As in the mentioned research in manufacturing, we have collected data through different means. In fact, we have had access to the company and to specific informants with whom we have been able to discuss different issues of the research frequently. After a documentary analysis, we have conducted different rounds of interviews following the snowball sampling selection process (Biernacki and Waldorf, 1981) and capitalizing the results from previous

interviews to the next, in a learning process. Over a period of two years (from May 2010 to June 2012), we interviewed a total of 39 employees of different areas and management levels, both at the global and local level (i.e. Spanish subsidiary).

Results

Results of the analysis show that the analyzed company has a specific infrastructure of R&D and innovation, with different units that mirror the units found in manufacturing R&D. In fact, we find a mixed model of R&D (DeSanctis and Glass, 2002), with some units conducting more basic R&D with an operational and corporate orientation, and many other units conducting R&D adapted to the needs of the business units. In fact, we have also found R&D and innovation units that respond to local or country needs, with functions that mirror literature on innovation management regarding the importance of bottom-up idea generation, creativity and absorptive capacity (Adams et al., 2006; Ramus, 2001), and responsiveness to local needs.

On the other hand, our analysis has evidenced the existence of specific units in in the company that respond to the specificities of KIBS and are not found in the R&D organization in manufacturing. The role of these specific units is the diffusion and implementation of the tools and services developed in the basic and industry-focused R&D units, adjusting these to the specific needs of clients through new developments that aim at customization. Hence, these units respond to the characteristics of services highlighted in traditional literature, that is, the need of co-creation with clients (Möller et al. 2008).

Interest for innovation policy development

The results of this research evidence the need to reconsider the traditional and generally accepted understanding of innovation in knowledge intensive business services. In fact, considering the recent creation of many of the different R&D and innovation units, we believe that this infrastructure is still in the making and our findings reflect recent changes in large knowledge intensive business companies. Being aware of these developments seams essential for innovation policy development, even more taking into consideration the increasing role that services play in current society.

Literature

Adams, R., J. Bessant and R. Phelps (2006). Innovation management measurement: A review, *International Journal of Management Reviews* 8 (1): pp.21-47.

Biernacki, P. and D. Waldorf (1981). Snowball Sampling: Problems and Techniques of Chain Referral Sampling, *Sociological Methods & Research* 10, pp. 141-163

Blindenbach-Driessen, F. and J. van den Ende (2006). Innovation in project-based firms: The context dependency of success factors, *Research Policy* 35, pp. 545-561.

Corrocher, N., L. Cusmano, and A. Morrison (2009). Modes of innovation in knowledge-intensive business services evidence from Lombardy, Journal of Evolutionary Economics 19 (2), pp. 173-196

DeSanctis, G. and Glass, J. T, and Ensing, I. M. (2002), Organizational designs for R&D, *Academy of Management Executive*, Vol. 16, No. 3

Djellal, F. D. Francoz, C. Galloj, F. Galloj and Y. Jacquin (2003). Revising the definition of research and development in the light of the specificities of services, Science and Public Policy, 30 (6), pp. 415-429.

Gadrey, J. and F. Gallouj (1998). The provider-customer interface in business and professional services, *The Service Industries Journal* 18 (2), pp. 1-15

Kuemmerle, W. (1997). Building effective R&D capabilities abroad, *Harvard Business Review*

Miles, I. (2005). Knowledge intensive business services: Prospects and policies, *Foresight* 7 (6), pp. 39-63.

Miles, I. (2007). Research and development (R&D) beyond manufacturing: The strange case of services R&D, *R&D Management* 37(3), pp. 249-268

Möller, K., R. Rajala and M. Westerlund (2008). Service innovation myopia?. A new recipe for client-provider value creation, *California Management Review* 50 (3), pp.31-48

Ramus, C.A. (2001). Organizational support for employees: Encouraging creative ideas for environmental sustainability, *California Management Review* 43 (3)

Sundbo, J. (1997). Management of innovation in services, *The Service Industries Journal* 17(3), pp. 432-455

Sundbo, J. and F. Gallouj (2000). Innovation as a loosely coupled system in services, *International Journal of Services, Technology and Management* 1(1), pp.15-36.

Tether, B., S. Metcalfe, A. Tajar (2006). Innovation in services: Through the looking glass of innovation studies, *DTI Occasional paper*, Advanced Institute of Management Research, pp. 1-38.

Zedtwitz, M. and O. Gassmann (2002). Market versus technology drive in R&D internationzliation: Four different patterns of managing research and development, Research Policy 31, pp. 569-588.