KIBS Providers and Customers: Innovations through Mutual Learning

Dr Marina Doroshenko

Main Topics of KIBS Studies

- Monitoring of scale, scope and performance.
- Specifics of KIBS production and outsourcing.
- Consumption and co-production of KIBS.
- Interaction between providers and customers at micro level
- Innovation potential of KIBS sector.
- Spatial dimension of KIBS Sector. New
- Public procurement of KIBS. New

Empirical Study of KIBS in Russia

Typical Annual Scope:

	Number of firms	*%*
Marketing services	62	9.5
Services in advertising	71	10.9
Auditing services	65	10.0
IT-services	64	9.8
Engineering services	62	9.5
Recruitment services	61	9.3
Business design	70	10.7
Property development services	70	10.7
Financial advice services	70	10.7
Legal advice services	58	8.9
Total	653	100.0

Methods:

1. **Semi-structured interviews and/or focus groups with experts**
2. **Structured interviews with KIBS providers**
3. **Structured interviews with app. 700 KIBS consuming firms in 2007 and 2010**

KIBS Sector in Russia: The Origins

Russian KIBS providers started their activities under:	Total	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Planned economy (before 1992)	**10.9**	9.1	5.3	11.1	16.1	3.5	14.0	11.1	12.9	11.8	14.8
Emerging market economy (1992-97)	**22.8**	23.4	15.8	39.7	26.8	7.0	16.0	37.0	29.0	19.6	11.5
The first crisis and public default (1998-2000)	**15.6**	9.1	14.0	17.5	16.1	21.1	20.0	11.1	11.3	17.6	21.3
Boom period and maturing market relations(2001-07)	**42.0**	42.9	54.4	27.0	33.9	61.4	40.0	38.9	32.3	43.1	47.5
Current recession (after 2008)	**8.7**	15.6	10.5	4.8	7.1	7.0	10.0	1.9	14.5	7.8	4.9

The current contribution of the KIBS sector to Russian GDP is estimated at 5 per cent

Evidence of Knowledge-Intensity: Education of Staff in KIBS Industries

Per cent	Total	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Two higher educations or MBA degree	**10.2**	5.7	9.7	9.9	10.5	7.7	17.2	11.3	17.8	8.2	5.8
Profile higher education[1]	**46.7**	26.5	42.4	58.3	53.0	38.4	47.6	46.2	72.9	45.6	40.6
Non-profile higher education[2]	**30.8**	45.3	39.5	21.3	27.5	45.6	21.0	30.3	6.8	29.0	38.1
Secondary and vocational secondary education	**12.1**	22.4	8.4	10.6	9.0	6.7	14.3	12.2	2.5	17.2	14.4

[1] Higher education directly relevant for the specialised area of the given industrial sector.

[2] Higher education obtained in an area of specialisation different from the area of the given sector.

Evidence of Knowledge-Intensity: Value Added in KIBS Industries

Value added in KIBS sector as a per cent of total revenue	**Total**	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Value added, per cent	**77.2**	74.2	70.7	81.8	79.2	82.4	74.1	73.3	77.8	79.9	80.1

Evidence of Knowledge-Intensity: Customisation of KIBS Production

The structure of KIBS production

Per cent	**Total**	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Standard	**47.0**	45.7	36.5	60.4	59.7	40.3	47.1	59.2	50.1	48.3	23.4
Bespoke	**53.0**	54.3	63.5	39.6	40.3	59.7	52.9	40.8	49.9	51.7	76.6

Innovative Activities in KIBS Sector

Sales of innovative outputs as a per cent of total sales	**2008**	2009	**2010**
Mining and quarrying	3.0	2.7	2.7
Manufacturing	6.6	6.1	6.7
high tech	8.3	9.1	11.2
medium high tech	13.7	12.9	12.5
medium low tech	4.3	3.7	4.5
low tech	3.9	4.3	4.5
Electricity, gas and water supply	0.6	1.5	0.7
Services	3.3	3.2	4.0
KIBS	**9.2**	**15.1**	**19.9**

Enterprises engaged in innovation as a per cent of all enterprises	**2008**	2009	**2010**
Mining and quarrying	6.2	7.2	7.8
Manufacturing	13.5	13.3	13.0
high tech	31.3	31.2	29.1
medium high tech	21.2	20.4	19.7
medium low tech	13.3	12.5	12.5
low tech	7.8	7.7	7.8
Electricity, gas and water supply	5.2	5.4	5.4
Services	5.6	5.7	6.7
KIBS	**76.1**	**93.0**	**86.7**

Source: Science and Technology. Innovation. Information Society. 2010. Statistics Digest // Moscow: National Research University – Higher School of Economics, HSE, 2009-2012.

Customer-Driven Innovations

Have you ever absorbed from and/or co-invented innovations with customers that were later used for other customers?

Per cent	**Total**	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Very often	**9,3**	10,4	18,0	4,8	3,3	6,8	5,8	13,0	11,7	10,9	8,1
Sometimes	**25,6**	23,4	23,0	30,6	43,3	16,9	32,7	20,4	11,7	29,1	25,8
Rarely	**23,6**	22,1	27,9	24,2	18,3	30,5	38,5	22,2	15,0	12,7	25,8
Never	**41,5**	44,2	31,1	40,3	35,0	45,8	23,1	44,4	61,7	47,3	40,3

НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ УНИВЕРСИТЕТ

Customers' Experience that is the Most Useful for Providers' Innovation

Providers absorb from customers (per cent):	**Total**	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Organisational technologies	**35.5**	23.3	47.6	40.5	41.0	25.0	40.0	30.0	47.8	24.1	35.1
Schemes of interaction with clients and partners	**32.4**	25.6	31.0	24.3	33.3	50.0	27.5	40.0	39.1	34.5	27.0
Technologies of production	**29.3**	34.9	28.6	27.0	25.6	12.5	37.5	36.7	30.4	13.8	40.5
Marketing decisions	**27.8**	34.9	45.2	16.2	28.2	15.6	22.5	20.0	17.4	48.3	24.3
Motivational approaches to staff, clients and partners	**18.8**	14.0	16.7	8.1	25.6	40.6	22.5	13.3	17.4	17.2	13.5
New products and services	**2.6**	0.0	0.0	0.0	5.1	0.0	2.5	6.7	4.3	6.9	2.7

The Impact of KIBS on Customers' Innovation Activities

- KIBS facilitate innovation process and foster technological development (Antonelli, 1998; den Hertog, 2000; Haukness, 2000; Muller and Zenker, 2001; Tether, 2003; Koch and Stahlecker, 2006; Simmie and Strambach, 2006);
- KIBS embeds and transfers the knowledge otherwise unavailable to or neglected by the customer (see Landry et al, 2010 for a discussion)

Customers' Co-production of KIBS

	Total	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Level of co-production	**6.1**	5.6	6.3	6.5	5.6	6.2	5.7	6.4	6.1	5.2	7.0

1 – minimum participation (no inputs except terms of reference)

10 – maximum participation (joint project implementation)

Customer Expertise in KIBS (as Seen by Providers)

Per cent of customers who have:	**Total**	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Professional expertise	**36.0**	33.6	44.2	38. 9	40.9	47.1	38.1	34.4	23.1	22.8	37.2
General expertise	**36.5**	41.3	34.6	40.9	35.4	32.7	31.9	31.6	37.3	39.7	37.6
Poor expertise or no expertise at all	**27.4**	25.1	21.2	20.2	23.7	20.1	30.0	34.1	39.6	37.6	25.2

Learning by Doing in KIBS Co-Production

- Customers become more comprehensive about their needs and the state of their businesses.
- Consumer obtains new non-profile knowledge.
- Consumer see new opportunities.
- Consumer get rid of unrealisable ideas.

The Impact of the Experience with KIBS on Customers' Propensity to Innovate (as Seen by Customers)

	Total	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Positive	**65.8**	73.3	81.9	56.1	73.7	63.4	61.2	64.6	47.6	47.3	72.0
Negative	**0.8**	0.7	0.9	1.7	0.0	0.0	0.0	0.0	2.5	1.5	0.0
None	**33.4**	25.9	17.3	42.9	26.3	36.6	38.8	35.4	49.7	51.6	28.0

The Power of Positive Impact of the Experience with KIBS (as Seen by Customers)

	Total	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
1	**9.3**	11.4	8.4	9.6	11.0	17.1	7.7	4.5	18.5	12.2	1.9
2	**33.0**	38.6	33.6	45.1	26.4	22.9	38.5	28.8	33.3	22.0	26.4
3	**57.7**	50.0	57.9	46.2	62.6	60.0	53.8	66.7	48.1	65.9	71.7
Weighted average	**2.5**	2.4	2.5	2.4	2.5	2.4	2.5	2.6	2.3	2.5	2.7

1 - weak impact,

3 - radical impact

The Power of Positive Impact Broken Down by Types of Service Innovations (as Seen by Customers)

	Total	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Communication	2.39	2.40	2.30	2.20	2.60	2.30	2.40	2.50	2.50	2.52	2.50
Product	2.37	2.40	2.50	2.30	2.40	2.30	2.50	2.20	2.40	2.00	2.60
Technological	2.36	2.30	2.50	2.40	2.40	2.20	2.60	2.20	2.30	2.35	2.60
Organisational	2.34	2.30	2.40	2.30	2.20	2.30	2.10	2.40	2.60	2.44	2.40
Marketing	2.14	2.30	2.40	2.10	1.90	1.90	1.90	2.30	2.20	1.63	2.30

Impact of Increased Customer Firms' Innovativeness on Their Demand for KIBS (as Seen by Consumers)

Share of customers who	**Total**	Services in advertising	Marketing services	Auditing services	IT-services	Recruitment services	Engineering services	Financial advice services	Legal advice services	Property development services	Business design
Demand larger amount of services	**38.9**	46.2	37.9	21.6	39.1	41.7	34.7	31.5	22.5	33.8	46.5
Demand more types of services	**30.0**	33.8	26.6	17.6	41.3	24.3	29.2	20.5	20.2	25.4	34.3
Feel no impact	**27.4**	14.2	16.9	39.7	19.6	20.4	29.2	31.5	40.3	43.7	15.2
Demand services more frequently	**20.5**	27.8	17.7	15.1	18.8	17.5	13.9	12.3	12.4	18.3	20.2
Demand more innovative services	**20.5**	20.5	20.2	14.1	29.0	23.3	23.6	19.2	7.8	18.3	17.2
Demand more personalised services	**14.8**	17.5	13.7	9.5	15.9	14.6	11.1	11.0	12.4	9.9	15.2

Conclusions

- The KIBS sector in Russia, though yet small in scale, plays a visible role as carriers of post-industrial mode of production, value adding centers and centers of innovation activities;
- Most KIBS producers use their customers as sources of all kinds of innovations;
- Customers improve their propensity and abilities to innovate through co-production of KIBS;
- The mechanism of mutual learning is self-sustaining.

НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ УНИВЕРСИТЕТ

Thank you for your attention!

mdoroshenko@hse.ru