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Knowledge Services as a Basis of Enterprise Growth[#]

Zuzana TUČKOVÁ*

Aim of paper

The article wants to bring near to understand knowledge services, their meaning and their effect on enterprise growth.

Conditions for development of professional services

On the one hand the professional services are influenced by external conditions on the other hand internal conditions are formed by Heskett (2004).

External conditions

The end of twentieth century meant the end of long period that benefited from division of labor i.e. allocation of production process to individual parts that were entrusted to workers just to working. Moreover, the consumers had no possibility but to buy products of this way assured mass production. The producers benefited from the lack of production. The producers had the whip hand. As soon as the situation changed, the market was filled and the consumers started to assert their ideas and wishes, the producers must have secured to meet their requirements. Otherwise, the consumers would turn to anybody else. Today the consumers demand higher usefulness and high quality for lower price. These external conditions force the producers to innovate permanently their products, works and services. Innovations, improvement proposals need to gain required knowledge to implementation. Either own workers

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may become knowledge bearers or it is possible to engage specialists from external resources – it forms significant opportunities for intellectualized services.

Internal conditions

The most important agents are the knowledge bearers – specialists – top professionals in specific branch which the company of intellectualized services wants to conduct business in. It may be either the professional himself or with a group of colleagues. These specialists take advantage of the knowledge of their branch.

The specialists do not represent just “intellectuals” but people that join the scholarship and activeness, creativity, spirit of enterprise and who concentrate on achieving new economic, social, and cultural capabilities.

It is essential to realize that all the capabilities are not always joined in one person but the success in the field of intellectualized services arise out of relation of two different activities, two different types of people says Reich (2005):

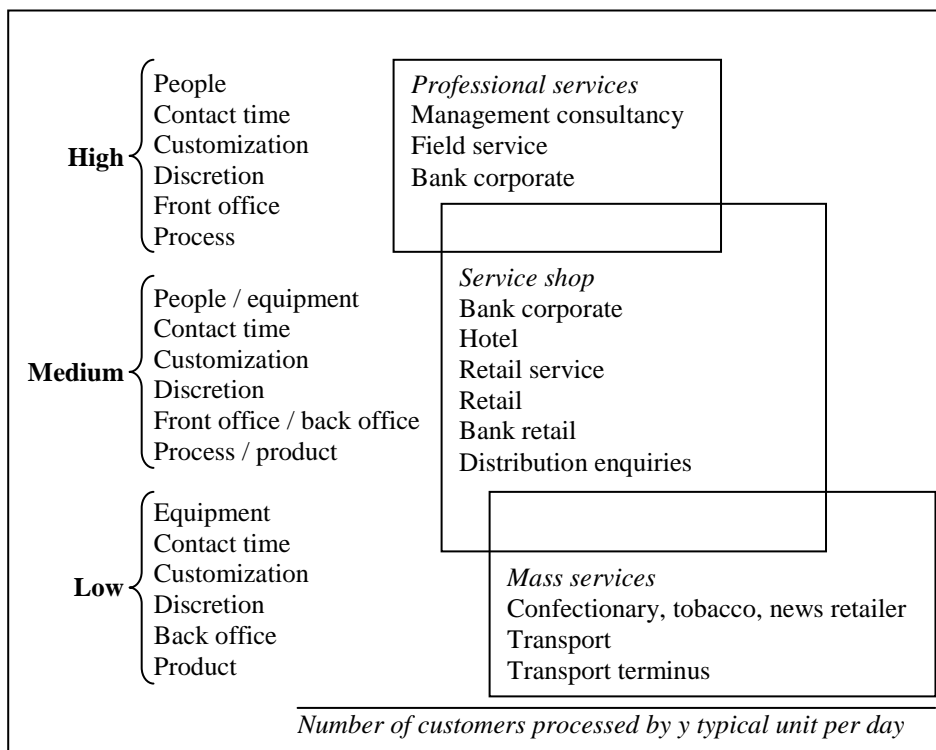
- people that on the basis of deep knowledge of the branch propose solutions or improvements (creative activities),
- people with excellent organizational abilities and business aptitude that guide proposed solutions to commercialization (business activities).

Nowadays, the knowledge is accumulated with the help of IT. It is very important to depreciate obsolete knowledge and supplement them continuously with new pieces of information. However, we cannot consider as obsolete those older ideas, suggestions, and proposals that have not been applied yet. They may contain potentiality for future solutions. It is important that the internal informational system give everybody the run of all that he needs for his activities. On the other hand, it is essential that there exists knowledge sharing. The protection of critical knowledge is also necessary for intellectual services, because the activities are based on the detailed unique knowledge.

Professional service definition

Professional service (Baschab, 2005) means work rendered by an independent contractor who has a professed knowledge of some department of learning or science used by its practical application to the affairs of others or in the practice of an art founded on it, which independent contractor shall include but not be limited to lawyers, doctors, dentists, psychologists, certified registered nurse anesthetics, veterinarians, architects, engineers, hind surveyors, landscape architects, accountants, and claims adjusters. A profession is a vocation founded upon prolonged and specialized intellectual training which enables a particular service to be rendered. The word “professional” implies professed attainments in special knowledge as distinguished from mere skill.

Fig. 1: Professional Services



Source: Bryson (2007).

Silvestro et al. (1992) found that for management strategy purposes, service organizations could be classified into three types on the basis of the number of customers served per day. Each of these three types – professional services, service shop and mass services – would then have similar scores on all the six original dimensions, as shown in Figure 1.

The notion professional services is understood as a type of service better than classification of providing services according to Løwendahl (2005).

She characterizes the professional services as following:

1. They are highly knowledge services provided by people with university education and usually closely focused on the scientific knowledge development in the relevant field of expert opinion.
2. They include high level of customization.
3. They contain high level of individual work and personal judgment of experts providing services.
4. Usually they require close interaction with the company client.
5. They are provided with restrictions given by professional norms of behavior that place position of client needs higher than their profits and respect limits of professional examination.

The list of professional business services covers firms as e.g.: law firms – lawyers, auditing companies – auditors, consultancy firms in the field of management, technology, investment banking, marketing firms, advertising firms, personal agencies.

What is unique on professional companies:

- high quality of individuals
- service strongly concentrated on client and subjective quality evaluation).

Knowledge intensive services (KIS)

All economic activities are based on some knowledge, of course. All employees and managers deploy knowledge in their work. All societies are knowledge-based societies, and to talk of our current era as the knowledge economy implies that we are paying special attention to the types of knowledge being used, how they are produced and applied, and

so on. For example, we may be focusing on the role of scientific and technological knowledge (and thinking about our increased reliance on a series of new technologies), on the importance of research and development (R&D) and innovation in economic competition and growth, and so on. There may also be some reference to the idea of the learning society, the notion that skills and practices are becoming more rapidly obsolescent (largely as a result of innovation), and that lifelong learning and organizational flexibility will need to become the norm.

When people talk of knowledge intensity, they are usually referring to highly specialized knowledge. The emphasis is on so-called “codified knowledge”, on understanding of principles and methods that can be generalized across numerous specific situations and problems. Such knowledge ('know-why') is contrasted with know-how and know-whom, forms of knowledge that are tied to very particular tasks and places. These last forms of knowledge can be quite difficult to assess. Fortunately, if we are concerned with know-why, knowledge intensity can be related to training and the acquisition of qualifications. Convenient indicators can be derived from statistics and other data concerning educational credentials. Especially relevant will be information concerning higher and non-vocational qualifications, which should in principle be about more generalist able knowledge. Of course, such indicators are bound to be limited – indicators are by definition limited. In no way is the use of such indicators meant to devalue the very substantial knowledge that can be gained by means other than taking university courses or undergoing other forms of high level training. Other sorts of data on the possession or application of high-level knowledge – such as the classification of jobs in the USA according to the complexity with which they deal with data or devices – should also be explored.

Much of the literature on knowledge intensity and services has concentrated on KIBS, knowledge-intensive business services. Research into these sectors has repeatedly noted that there are two broad classes of specialized knowledge involved in KIBS. First is the social and institutional knowledge involved in many traditional professional services. Second is the knowledge that has risen to the fore in recent years, which is more focused on science and technology.

The European Union makes great effort to support creative activities so that it reduces slightly the lead of USA in the field of science and technology and if possible keep up with “Asian tigers” mainly with China

and India. That's why it is interested in monitoring of activity development in the field of KIS. Under the patronage of OECD the project that had as task to survey the innovations in progress in 11 countries and the share of services on these innovations was realized. The results are quoted in report: Innovation and Knowledge – Intensive Service Activities (KISA) of 2006.

In the report, the KISA are characterized as activities of production or integrated activities with services concerning both firms and organizations of public sector – within the meaning of processing or services in combination with output of processing or independently provided services.

This characteristic leaves place for embodiment of whole range of activities under KIS.

Besides the report, the KISA case studies are released from the fields of health, care for elderly people, tourism, software firms, and industrial applications of wood processing industry.

KISA is divided into 3 classes:

1. Strategic KISA

It serves for control of firm's strategy in the field of technology development, system of production process control, system of economic information and their

2. KISA substituting or improving existing production process
3. KISA providing solving or improving specific well-defined problem.

It follows that only the third class fits in the conception of intellectualized services. In the figure, the proportional values of economically active people working in knowledge services within EU can be seen. Furthermore, it is possible to compare these values to production sector i.e. secondary sector. If the item of other services and KIS are count up we get the value of working people in tertiary sphere in general. (OECD, 2005)

Tab. 1: Employment Groups in EU27

| Country | Total employment (in thousands) | Production HT and developed (in %) | Other production (in %) | Other activities (in %) | Other services (in %) | KIS (in %) |
|-----------------------|--|---|------------------------------------|------------------------------------|----------------------------------|-----------------------|
| EU 15 | 162 974 | 7.4 | 11.8 | 12.9 | 34.7 | 33.3 |
| Sweden | 4 348 | 7.3 | 9.4 | 8.8 | 27.5 | 47.0 |
| Denmark | 2 741 | 6.3 | 9.9 | 10.4 | 29.4 | 44.0 |
| Great Britain | 28 338 | 6.7 | 8.9 | 9.8 | 33.8 | 40.8 |
| Finland | 2 406 | 7.4 | 12.3 | 12.9 | 28.2 | 39.2 |
| Holland | 8 176 | 4.1 | 8.5 | 9.1 | 39.6 | 38.8 |
| Luxemburg | 188 000 | 1.2 | 9.0 | 11.8 | 39.9 | 38.1 |
| Belgium | 4 052 | 6.7 | 11.6 | 9.3 | 34.6 | 37.8 |
| France | 23 885 | 6.8 | 11.0 | 11.7 | 35.0 | 35.5 |
| Ireland | 1 750 | 6.9 | 9.3 | 18.4 | 32.0 | 33.4 |
| Germany | 36 275 | 11.4 | 12.2 | 11.3 | 33.3 | 31.8 |
| Austria | 3 734 | 6.6 | 12.9 | 15.1 | 35.3 | 30.1 |
| Italy | 21 757 | 7.4 | 15.3 | 13.8 | 36.0 | 27.5 |
| Spain | 16 241 | 5.3 | 13.1 | 18.8 | 37.2 | 25.5 |
| Greece | 3 949 | 2.2 | 11.5 | 24.6 | 39.0 | 22.7 |
| Portugal | 5 133 | 3.3 | 17.2 | 25.5 | 34.6 | 19.3 |
| Estonia | 581 000 | 3.4 | 18.6 | 15.4 | 31.8 | 30.9 |
| Hungary | 3 846 | 8.5 | 16.4 | 15.3 | 33.3 | 26.4 |
| Cyprus | 315 000 | 1.1 | 11.1 | 16.2 | 45.4 | 26.2 |
| Latvia | 988 000 | 1.9 | 14.5 | 24.5 | 34.4 | 24.7 |
| Lithuania | 1 421 | 2.6 | 15.2 | 28.2 | 29.3 | 24.7 |
| Slovakia | 2 111 | 8.2 | 18.8 | 17.7 | 31.2 | 24.0 |
| Czech Republic | 4 763 | 8.9 | 19.1 | 17.0 | 31.2 | 23.9 |
| Slovenia | 922 000 | 9.2 | 21.9 | 17.7 | 29.1 | 22.8 |
| Bulgaria | 2 800 | 5.3 | 18.5 | 19.5 | 34.5 | 22.2 |

Source: Eurostat (2003)

Conclusion

Developed countries change radically the structure of economic sectors. They transfer many processing activities that are capital and labour-intensive to other countries and create thus the space for “high-grade” activities like services. Rather, they try to reduce the share of nonqualified or less-qualified work and increase the share of high-qualified work.

They develop the sector of services that contain intensive applied knowledge and they offer original solution in many fields. The development of these services is very heavy on “intellectual capital” but these services are not so capital demanding. However, they form high added value and they yield high profit.

The Europe, the Central Europe and mainly Czech Republic are relatively poor in natural resources. Czech Republic has to import raw materials for industry development so it should weigh the development that is not so capital demanding but it benefits from “intellectual capital” and natural creativity of people.

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ABSTRACT

During 20th century principles of the work division were used in the business activities of the companies. These principles took advantage of the knowledge of scientific management production. These principles were also transferred to the management sphere itself. The principles worked and supported the company economics in the mass manufacture period of standard products till the market was saturated. The companies grew to giant dimensions and integrated all what was needed for the manufacture. The activities divided by the work division were centralized in big hierarchical structures of the firms which realized the changes with difficulty.

At the end of the 20th century the market was saturated and it was no more sufficient for the customers of what the mass manufacture was offering them. The customers asked the manufacturers for the products which they want to have themselves. They asked for the products and services according to their own wishes, namely: high-quality, cheap and at once if possible. Large manufacturers met with the requirements with difficulty and there were others entering into the market that were able to react (respond) to the customers' standards. Big firms had to react to this situation. The embrasive competition forces the manufactures to substantial costs reduction. Therefore more and more of what the manufactures are not able to produce, they buy from other manufactures all over the world.

In the globalize world on one hand considerable quantity of opportunities comes up continually, on the other hand the useless activities cease continually as well. The enterprisers respond to these opportunities and many new companies come up and cease continually.

Key words: Knowledge; Services; Professional Services; Intensive Services; Knowledge Intensive Services Enterprises.

JEL classification: L80.