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Accessing External Expertise
in Small Manufacturing Firms

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PREFACE

The research interest culminating in this study combines many elements. One of the elements is a continuing fascination with the ephemeral world of expertise and expert services, another a strong conviction that small firms are given insufficient attention in marketing scholarship, a third my growing admiration and respect for the managers and owners of small businesses. The importance of small businesses cannot be overstated; nor can the complexity and toughness of the challenges faced by small firms on daily basis. Having the opportunity to look more closely at some ways of coping with some challenges has been an inspiring experience. This work is dedicated to the entrepreneurs and managers in Southern Ostrobothnia and Uusimaa who agreed to be interviewed. Thank you for taking the time.

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ABSTRACT

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External expertise is necessary, even crucial, to small and medium firms coping with globalising competition in an increasingly knowledge-intensive economy. Yet, despite the great strides made in the understanding of business-to-business marketing and services marketing in the past decades, there is little research addressing the purchasing of expert services by small firms. This study approaches the issue from clients' perspective. Hence, not only services purchasing but also other means of accessing external expertise are considered. The overall research question addressed in the study is: How do small industrial firms access external expert services and select service providers? The outcomes of service use and the interaction during services production are thus excluded from consideration.

Literature suggests that the process of purchasing usually follows a sequence involving need recognition, search for and assessment of alternatives, and concluding with the selection of the most suitable provider. An alternative is to view purchasing as embedded in the relationships the firm has. Existing research on the purchasing of expert services has focused on criteria in selection, and on the role of quality and satisfaction.

The present study utilises a qualitative approach to describe and analyse the behaviour of small industrial firms in accessing expert services. A number of cases, each consisting of a client firm's description of how external expertise is accessed, are analysed. The cases are drawn from 51 face-to-face interviews in small industrial firms in Southern Ostrobothnia and Uusimaa regions.

The analysis shows that small firms conform in their accessing to five distinct patterns, namely informal, routine, reactive, opportunistic and calculated accessing. Accessing is not always set in motion by the recognition of a need in the client firm. Further, explicit choosing between multiple alternative providers is shown to be rare. Client firms do not necessarily distinguish formally between the decision to use a service and the choice of a provider. In fact, a 'short selection' involving the client's assessment of a single provider's suitability is the most common approach to provider selection in the cases examined.

In conclusion, a path-model connecting the patterns of accessing is proposed. The relationship resources of the client firm are posited as the pivotal influence in determining the pattern that is followed.

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Key words: expert services, professional services, business-to-business marketing, purchasing, small and medium enterprise, small business.

1 INTRODUCTION

1.1 Background

This research focuses on expert services delivered by external providers to small- and medium-sized enterprises (SMEs). Production, acquisition and application of knowledge are increasingly important for SMEs who, in the present globalizing economy, face shorter innovation cycles and harsher competition. Organisations specializing in knowledge-intensive services can potentially help firms maintain or increase their competitiveness. Manufacturing industries with higher shares of intermediary inputs from knowledge-based services seem characterised by e.g. higher levels of labour productivity (Peneder, Kaniovski & Dachs 2001). Knowledge-intensive services can provide R&D capacity to fuel innovation, or take on tasks such as marketing planning or logistics. A small firm is unlikely to possess internally the full range and capacity of knowledge-intensive skills that it could benefit from (e.g. Smallbone, North & Leigh 1993; Storey 1994; Bryson & Daniels 1998: 266; Belotti 1999; Hurmerinta-Peltomäki & Nummela 2004).

In other words, SMEs can profit from the use of external expertise. Providers of external expert services can be either public or private. Public and semi-public organizations may deliver services themselves, or merely subsidise service provision. It has been suggested previously that the take up of private external expertise among SMEs is rather low (Storey 1994), but also contradictory evidence exists (Hurmerinta-Peltomäki & Nummela 1998: 72; Bennett & Robson 1999 b; Ramsden & Bennett 2005), indicating that although SMEs may have limited resources for purchasing e.g. consulting services (e.g. Hjalmarsson & Johansson 2003), their use of other external expertise is wide and varied.

SMEs are an interesting group to study partly because they in fact dominate the corporate scene. In Finland, as well as in rest of Europe, SMEs make up the majority of all firms. They account for 61 % of employment and 52 % of turnover in the Finnish business sector (in 2003; Hyrsky & Lipponen 2005: 35). Growth and innovativeness of

SMEs are also objects of keen policy interest. Three fourths of new job creation has occurred in SMEs in the past decade (*ibid.*). Yet, although there is much research into purchasing of goods, and a growing body of research on purchasing of services, there is relatively little existent theory or empirical research on SME purchasing. Studies in the area suggest that purchasing in SMEs, particularly when it comes to expert services, does not follow the processes outlined in organisational buying literature (e.g. Gallouj 1997; Morrissey & Pittaway 2004, 2006). Research-based knowledge on the accessing of external expert services from SMEs' perspective is scarce in the extreme.

A service is a deed, a process, a performance, rather than a thing (Zeithaml & Bitner 1996: 5). It is difficult to assess a service before it takes place (e.g. Zeithaml, Parasuraman & Berry 1985). An expert is someone who knows something unusual. Hence, a non-expert is unable to judge the quality of expert knowledge (Zeithaml 1981). This makes purchasing of expert services particularly interesting. Expert services cannot be possessed and purchased the same way as many goods can; they are more ephemeral.

In many expert services the client not only has to pay for the service but also has to participate extensively in producing the service. This process of cooperation to create the service is called co-production. Some expert services are thus not only knowledge-intensive (e.g. accounting) but also co-operative and interactive (e.g. management consulting). Internal knowledge from the client firm is needed in addition to the expert's knowledge in order to produce the service; reciprocal learning is required (Gadrey & Gallouj 1998). Research suggests that mutual understanding between the client and the provider needs to be established in the task formulation, and outcomes depend on clients' as well as providers' inputs (Ojasalo 2001; Martin, Horne & Schultz 1999). The education level, age and position of the top manager in the firm have been shown to influence the propensity of an SME to use expert services (Hurmerinta-Peltomäki & Nummela 1998). This suggests that the client firm, as well as the expert service provider, needs the ability to gain and utilize knowledge. The internal capacity of the client is relevant for accessing of expert services as well as utilization.

To conclude, SMEs are important not only to their owners and employees but to society as a whole. Their future competitiveness may hinge on their ability to access and use external expertise. Expertise is a complex resource to access, not least because expert services often are ultimately co-produced. The present study examines the ways in which external expertise is accessed by SMEs.

The following Section demonstrates the research gap addressed. The research problem is outlined in Section 1.3. Section 1.4 discusses both the key concepts used in defining the research problem and the positioning of the study relative to previous research. The underlying philosophical assumptions of the study are discussed in Section 1.5. The process of research is described in Section 1.6. Finally, in Section 1.7, an outline of the report is given.

1.2 The research gap

A research gap exists when the research questions set for a study have not been answered satisfactorily in previous research. Previous research, so far as it applies to the present research problem, is considered in more detail in Chapter two. The purpose of this Section is to summarise my argument that a research gap in fact exists.

Although services have become a major focus of attention in both marketing and management, provider selection in expert services still remains a relatively shallow area of research (Stock & Zinszer 1987: 13; Dawes, Dowling & Patterson 1992: 188; Mitchell 1994: 315; Gallouj 1997: 48; Smeltzer & Ogden 2002; Day & Barksdale 2003: 564). Even more notable is the lack of research addressing the expert services in the context of SMEs. Although few studies on expert services specifically exclude SMEs (cf. eg. Laing & Lian 2005), in practice focus has been on larger firms' behaviours. Many studies are openly concerned with (mainly) large organisations, or give no explicit information on the size of the client organisation although cues in research design descriptions suggest that medium, if not large, firms are studied (e.g. Bunn 1993: 42–3; Patterson, Johnson & Spreng 1997: 10; Mitchell, Moutinho & Lewis 2003: 15).

To give a few examples, two thirds of the firms represented in the classic study by Stock and Zinszer had revenues in excess of 100 million dollars (1987: 6); two thirds of McQuiston's surveyed firms had over 250 employees (1989: 74); all the firms in Dawes et al's survey were medium to large (1992: 189). Day and Barksdale (2003: 569) do not mention the size of the client organisations their study considered, but note instead that "majority of participants represented public-sector organizations."

Another issue, closely connected with buying organisation size, is the idea of purchasing as a speciality. Research frequently considers explicitly *professional buyers'* buying activities and behaviours (e.g. Evans 1981; Mitchell 1994; Bunn 1993; Bunn & Liu 1996; Hunter, Bunn & Perreault 2006). Indeed, the organisational buying behaviour literature is often about professional buying, rendering doubtful its applicability to SMEs. Organisational buying behaviour is seen as "...often a multiphase, *multiperson, multidepartmental*, and multiobjective process" (Johnston & Lewin 1996: 1, my emphasis). Morrissey and Pittaway (2004) question the validity and relevance of purchasing literature for smaller firms. They refer to paucity of literature from SMEs' perspective, and conclude that models of purchasing behaviour do little to explain SMEs' procurement behaviour (ibid.: 261; also Morrissey & Pittaway 2006: 292).

In conclusion, although there is a great deal of research in nearby research areas, *purchasing of expert services in SMEs has been studied but little*. SMEs as purchasers of expert services are rarely considered (e.g. Bennett, Härtel & McColl-Kennedy 2005), although some exceptions exist (e.g. Rusten 2000; Rusten, Bryson & Gammelsæter. 2005, and in public sector studies e.g. Hjalmarsson & Johansson 2003), addressed in the next Chapter.

Some reasons for the apparent lack of interest in SME purchasing can be suggested. First, business-to-business marketing remains in some ways a domain rather than a discipline, and major developments have focused on European scholarship in relationship and network perspectives (Sheth 2000: 613–4). Gaps in research may thus reflect general development in the field. Second, the relative lack of research may be due to smaller firms' lower purchasing power. Research efforts in marketing may tend

toward issues where studies can make a more immediate contribution for the practitioners. Although the combined financial weight of SMEs is enormous, their heterogeneity makes them an ungrateful research setting in this respect. Nevertheless, a large share of the managers informed by current marketing theory in fact work in small firms. Small firms may have lighter organizations and less formal procedures, but they also purchase and otherwise access services. Third, marketing research is so integrally divided into business-to-consumer and business-to-business marketing that studying SME purchasing, which I propose to hold characteristics of individual and organisational decision making, is difficult. The topic lacks an established theoretical framework.

Furthermore, the lack of research interest in SME purchasing may reflect small firms' own apparent lack of interest. Quayle (2002) surveyed firms with fewer than 200 employees in Suffolk, UK, and found that only 19% of the surveyed firms had a separate purchasing function, and that purchasing was a very low priority to the firms. Morrissey and Pittaway (2006) argue, however, that SMEs do see purchasing as important, although they may not have a discrete purchasing function. It has been suggested that small firms may not implement all the stages presumably belonging to expert services purchasing (Gallouj 1997, cf. Bunn 1993). Also, for example Rohde's (2004) case studies on information systems and technology show that the smaller firms treat their outsourcing of hardware maintenance as an ad hoc decision. Finally, marketing scholars' relative lack of interest in small businesses may be partly explained by interest in the more sophisticated techniques used in larger firms, associating 'small' with low status, or by the fact that small businesses are viewed as a management discipline subject (Davis, Hills & LaForge 1985: 32).

Having made a case for research on purchasing expert services in SMEs, I will further argue that there is a need for research with emphasis on client perspectives. Review of previous research has brought to light an interesting feature in research design. *Research on the use and marketing of expert services often utilizes data from the service providers rather than the clients* (e.g. Gallouj 1997; Clemes, Mollenkopf & Burn 2000; and Bennett & Smith 2004; also mainly Clark 1995; Leiponen 2001). I would argue that

professional services providers' views on how they get selected are necessarily limited: they may not be aware of their clients' feelings or beliefs (Chebat, Savard & Filiatrault 1998; White & Johnson 2001). Hence, providers are not necessarily a good source of information on their clients' decisions concerning themselves.

Not all previous studies rely on provider perspectives. There are important exceptions (e.g. Day & Barksdale 1992). However, there is *a tendency to start off from the marketer's, i.e. the service provider's, perspective in studies of expert service marketing*. This tendency to focus on provider perspectives has been remarked upon in e.g. literature on consulting (Johansson 1999; Hislop 2002: 657). The use of provider vocabulary may lead to overlooking the service recipients' point of view (Johns 1999: 966). Problems are framed as marketers' problems rather than buyers' problems.

In relationship-oriented studies using data from both sides of the dyad, as well as multiple perspectives, is a common practice (e.g. Halinen 1994). Relationship literature, however, tends to set the relationship itself as the main object of enquiry. Research focuses on how the relationship is established, maintained, and developed. This approach is problematic in the SME context. A smaller client firm is, in many although not all expert service sectors, unlikely to generate a volume of business sufficient to justify serious investment in the relationship from the provider's part. Such interest in relationship development is often taken for granted in the relationship literature. Also, many services are not likely to be needed repeatedly, or at least it can be proposed that the content of the service is likely to be different the next time around. This is because the needs change as they are fulfilled (Eriksson & Vaghult 2000). Even if the possibility of repeat purchasing for a service is accepted, each relationship has to begin with a first experience. The first service assignment may, however, also be the last one, in which case viewing the events from relationship perspective has limited value for understanding what happened.

Hence, in this study the *episode* rather than the relationship is the starting point. Episode here corresponds to Halinen's (1994) assignment and Holmlund's (2004) sequence (cf. Leminen's project/episode level, 2001: 387). Episode is preferred, for

while relationships may be relevant, their relevance and presence cannot be taken for granted. In other words, the underlying assumption in this study is *that external expert services can be used without a relationship that has an independent content and identity*, and that all purchases are not necessarily about long-term relationships (e.g. Low 1996; Eriksson & Vaghult 2000: 367–8; Laing & Lian 2005: 125).

To summarize, where expert services in the business-to-business sector have been studied, such *studies have frequently considered data from large firms* as evidenced by preoccupation with interdepartmental politics, professional purchasers' practices, relationship development, etc. While this does not necessarily mean that the results of such studies are incompatible with SME realities, clearly their fit cannot be taken for granted. Further, *previous research approaches have frequently been framed from the perspectives of the service providers rather than the clients* (see e.g. Morrissey & Pittaway 2004). SMEs' lack of a "purchasing function" renders their actual purchasing no less interesting, and, with respect to external expert services, arguments put forward by e.g. Belotti (1999) and the results of e.g. Hurmerinta-Peltomäki and Nummela (2004) suggest that the subject needs careful attention.

This study also answers calls for further research made by several authors. Bennett and Smith (2004), Laing and Lian (2005), Rusten et al.(2005: 529), and Belotti (1999) have all argued for further research in areas related to the present study. To quote a call now more than two decades old:

The importance of the small firm sector is undeniable, yet marketing researchers have concentrated their efforts almost entirely on large firms. Although the reasons for the emphasis on large businesses are many, none can justify the neglect of small enterprises. (Davis, Hills & LaForge 1985: 41).

In the decades since Davis et al's complaint, a body of research has grown that addresses 'out-bound' marketing in the context of small firms (e.g. Carson & Cromie 1990; Carson & Gilmore 2000; Gilmore, Carson & Grant; McCartan-Quinn & Carson 2003) but the purchasing efforts of small firms remain little attended.

1.3 The research problem, objectives and limitations of the study

This study looks at the ways in which small manufacturing firms procure or access external expertise. The problem is examined from the viewpoint of service recipients, i.e. from the client firms' perspective. What do they actually do when they access external expertise? What happens? Stated formally, the overall research question is: *How do small industrial firms access external expert services, and select service providers?*

The specific research questions highlight the aspects of the phenomenon that are focused upon. Considered more closely, the two-part research question consists of several sub-questions. The questions that I will address in the analysis are: When co-production starts between SMEs and providers of external expertise, who begins the process? Why is it begun? How is it initiated? When SMEs select their service providers, what shapes the process? Are many alternatives considered and how? What happens in selection? *Emphasis is on client firm activities* and factors that influence the activities from clients' point of view. The study seeks to establish whether different types of accessing processes occur, and to illustrate the alternatives that SMEs apply.

Another way of expressing the purpose of the study is to consider its aims in terms of contribution. The overall objective of the study is to increase our understanding of the accessing of expert services in small industrial firms. More specifically, the study aims *to develop an empirically grounded model describing accessing of external expertise in the context of small manufacturing firms and to describe the patterns of accessing used in such firms*. In terms of managerial contribution, the study aims *to suggest service entry approaches for expert services in small firms, and to suggest marketing approaches for service providers interested in small firms as clients*.

How are the research questions answered? In this study I have adopted a two-prong approach. The problem is examined theoretically by considering the answers offered in previous research, and a theory-based model is suggested. The research problem is also examined empirically from the client's point of view, by analysing clients' descriptions

of how they have accessed external expertise. In the conclusions the theory-based answers are integrated with the results of the empirical analysis. As a necessary background to the study, also results deriving from an earlier analysis of the same data (see Section 1.6) are included in the study in Chapter 5, describing client firms' conceptualization of external expertise, the different channels by which they access external expertise, and their views on the availability of external expertise.

Apart from limitations imposed by research design, the *research problem itself implies some limits* that should be stated explicitly. First, this study considers neither large firms nor individual consumers as clients. Existing literature based on research on larger firms and consumers is used, for little is available on SMEs. Yet such research is interesting only so far as it can shed light on SME behaviour; the present study concerns itself only with SMEs, and particularly smaller ones.

Second, focus is exclusively on the entry into the use of a service, and hence the actual use of a service is excluded. In other words, the interest in the present study ends with the final decision on which a provider is used. The utility, quality and assessment of services, to name a few of the possibilities, are not considered here. This position automatically limits the range of the study so as to deny definitive normative propositions based on the results. Because the outcome of any particular procedure used in accessing services is not considered, it is hence not possible to observe whether one way of accessing services is more effective or efficient than another. Any such speculation has to rest on the presumption that firms, in general, behave in a sensible and efficient manner.

Third, the present study addresses a problem that does not inherently belong into any one theoretical setting. This limits the extent to which the study can be placed firmly into a single theoretical background. As a consequence, the study draws on several research lineages which only partially share terminology and overall subject (Subsection 1.4.2). Therefore the study builds on a foundation of previous research that is, taken together, complex and multi-layered.

Finally, the study explicitly orients itself to client perspectives. Accessing expertise involves at minimum two parties: the accessing party and the party in possession of the expertise. The focus on clients' views and perspectives implicitly means that the study cannot provide a holistic picture of a process with multiple parties. The choice is justified in that clients' behaviour is ultimately influenced by clients' interpretation of various entities (e.g. providers' characteristics or existing relationships) rather than by various independently existing 'objective' entities (see discussion on ontological assumptions in Section 1.5). Nevertheless, in adopting a client's viewpoint to the process the study relegates the expert service provider to a secondary position. Therefore the study can offer no indigenous interpretation of the provider's behaviour.

1.4 Key concepts and positioning of the study

This Section discusses the key concepts and positioning of the study. The first Subsection examines and defines external expert services, small and medium firm as applied here, accessing and, finally, service provider. The second Subsection considers the position of the present study in relation to previous research, i.e. in context of services marketing, business-to-business marketing and small business and entrepreneurship studies.

1.4.1 Key concepts

External expertise and expert services

A number of other concepts besides expert services have been used for similar services. The contents vary also. In the following these conceptualizations are discussed at some length for two reasons. First, the very complexity and variety of definitions illustrates the problem of using extrinsic definitions (i.e. definitions not deriving from clients' usage) in categorizing the offering used by clients, and hence provides some justification for the client-derived usage here. Second, the discussion serves as background to Chapter two, where the existing literature is examined in constructing the

theory-based framework utilized in the study. The multiple conceptualisations employed in understanding expert services must be balanced against their empirical background and with the more general conceptualisations encompassing also other business services.

In marketing research the most often used alternative concept is *professional services*. Gummesson (1981: 108) defines a professional service as qualified, advisory and problem-solving, albeit some routine work may also be included. Further, Gummesson posits a common professional identity, and limits professionals' involvement to service assignments, thus excluding services provided as adjunct to e.g. hardware sales (cf. Gummesson 1978: 90; cf. Silvestro, Fitzgerald, Johnston & Voss 1992: 73).

Highly specialised skills, the advisory character of the services, and the depth of the encounter are commonly referred to. The category of professional services is, however, frequently taken for granted, and hence not defined with precision. There is no generally acceptable definition of professional service (e.g. Brentani & Ragot 1996: 519; Thakor & Kumar 2000: 63). It is therefore more illuminating to consider how the concept is applied. Table 1 gives an overview of how various authors in marketing and management literature have applied the concept in practice, i.e. what empirical material they use. Different research contexts are examined in order to establish a general understanding of what professional services mean in literature. Since focus is on empirical application, minor variations in authors' terminology (e.g. professional service firms, industrial professional services, professional business services) are not detailed.

As can be seen in Table 1, the term professional services is applied with wide latitude in organisational contexts. All in all various technical and non-technical consulting services dominate, yet professional services here also include services related to advertising, financial management, and also occupational health. In consumer context the professional services concept is most commonly applied to the traditional professions, i.e. lawyers' and doctors' services, albeit some authors have a wider view (e.g. Hausman 2003). Thakor and Kumar (2000) examine consumers' perceptions of various 'professional' and other services empirically, and find near-perfect correlation

between perceived professionalism and perceived need for expertise (ibid.: 72). Thus, professional services inherently contain the assumption of expertise. However, the reverse cannot be assumed: ‘expert’ does not necessarily imply ‘professional’ (Kellogg & Nie 1995: 326).

Table 1. Examples of empirically applying the professional services concept.

Source	Operationalisation	Context
Stock & Zinszer (1987)	logistics consulting	Organisational
Brown & Swartz (1989)	physicians	Consumer
Day & Barksdale (1992)	architectural and engineering services	Organisational
Brentani & Ragot (1996)	computer, management, marketing and engineering consulting, accounting	Organisational
Filiatrault & Lapierre (1997)	consulting engineering, R&D services	Organisational
Alon & McKee (1999)	accounting (by implication)	n/a
Verma (2000)	legal services	n/a
Clemes et al. (2000)	various, from graphic designers to transport agents	n/a
Ellis & Watterson (2001)	legal services	Both
Ojasalo (2001)	recruitment consultancy	Organisational
Hirvonen & Helander (2001)	training/personnel development	Organisational
White & Johnson (2001)	architectural	Consumer
Lazega (2002)	legal services	n/a
Koiranen (2003)	management consulting	Organisational
Mitchell et al. (2003)	planning consultancy	Organisational
Fosstenlokken, Lowendahl & Revang (2003)	engineering design, communication consulting	Organisational
Hausman (2003)	physicians, hairstylists, ministers, social workers	Consumer
Barr & McNeilly (2003)	accounting	n/a
Hong & Goo (2004)	accounting	Organisational
Wilson, Butler, James, Partington, Singh & Vinnicombe (2004)	legal and consulting services	n/a
Halliday (2004)	midwives (medical)	Consumer
Laing & Lian (2005)	health services	Organisational
Åkerlund (2005)	private banking services	Consumer
Skaates & Seppänen (2005)	contract R&D services	Organisational
Woo & Ennew (2005)	consulting engineering	Organisational
Bennett et al. (2005)	directory advertising	Organisational

In summary, most studies build on relatively narrow empirical applications of the concept, and the operationalisations are diverse. The overall depiction of professional services in services marketing and management literature suggests that although the essential characteristics of professional services (intangibility, credence qualities) are agreed upon in both consumer and organisational contexts, the emphasis is different (Table 2). Services which are perhaps ‘expert’ rather than ‘professional’, such as management consulting (e.g. Clark 1995) are somewhat more frequently associated with research in organisational contexts.

Table 2. Emphasis in professional services research.

Service marketing (Consumer)	Overlap	Service marketing (Organisational)
E.g. Medical services Social services	E.g. Legal services Health services Architectural services (Accounting) services	E.g. Management consulting Engineering, technical consulting Advertising R&D services

Several alternative concepts for similar services have also been used. *Credence services* as a concept ties closely to the idea of expertise, or rather, the lack of expertise on the part of the service recipients. A service is a credence service when the recipient has, even after the service has been performed, little chance of assessing its quality (see Section 2.1.1). Credence services are most often spoken of in consumer contexts (e.g. Shemwell, Yavas & Bilgin 1998; Mattila & Wirtz 2002; Paswan, Spears, Hasty & Ganesh 2004), but nothing prohibits application in organisational contexts (e.g. Powpaka 1996 on credence outcome quality; Mattila & Wirtz 2002: 215). The concept of *advanced producer services* is also used frequently, albeit usually not in marketing research. Advanced producer services are usually associated with econometric studies, or with economic geography (e.g. Sjøholt 1999; Bagghi-Sen 2001; Selstad & Sjøholt 2002; cf. “producer services” in Lindahl & Beyers 1999).

The public sector in most European countries has been increasingly interested in promoting actively the welfare and development of particularly small businesses (e.g. Storey 1994). Services aimed at supporting business development have not only

expanded, but have also attracted increasing research interest. Concepts like *business support services*, and *external advisory services* are used in much of this research (e.g. in Bennett & Robson 1999a, b; Robson & Bennett 2000; Bennett, Robson & Bratton 2001 a; Bratton, Bennett & Robson 2003; Jay & Schaper 2003). Further, when the concept of external advice is used, also informal sources of expertise are usually included. Thus, informal expertise provided by e.g. friends and business associates is also considered.

A relatively new addition to vocabulary is *knowledge-intensive business services (KIBS)*. Miles, Kastrinos, Bilderbeek, Hertog, Flanagan, Huntink & Bouman (1995) are credited with formulating the concept of KIBS, but at least O'Farrell and Moffat (1991: 220) have used the phrase 'knowledge-intensive business services' before, apparently as an alternative expression for "strategic business services". The acronym KIBS usually refers to private firms. KIBS are organizations that rely heavily on knowledge or expertise related to a specific domain, and supply their clients with intermediate products and services that are knowledge-based (Miles et al 1995: 28; Hertog 2000: 505). They are in this respect similar to professional services.

The services of KIBS are characteristically thought to involve close interaction with the client firms and to imply a (mutual) learning process (Miles et al. 1995; Hertog 2000; Gallouj 2002). Clients' role in the service production is highlighted (Gadrey & Gallouj 1998; Bettencourt, Ostrom, Brown & Roundtree 2002). Definitions are, again, heterogeneous (cf. e.g. Czarnitzki and Spielkamp 2000: 6; Gallouj 2002: 256), but the core meaning is "business services based on expertise" with a strong implication of not only knowledge transfer or access to service processes but also knowledge development (Toivonen 2004: 2).

The idea of knowledge-intensive business services is distinct from, but easily confused with, knowledge-intensity as a characteristic of a firm (e.g. Starbuck 1992). Kuivalainen, Sundqvist, Puumalainen and Cadogan (2004), on the other hand, classify industries as knowledge-intensive based on R&D investment, a practice reminiscent of the notion of absorptive capacity for which Cohen and Levinthal (1990) use R&D

expenditure as a measure. Further, there is some latitude in how ‘business services’ are understood in this context: most authors see them as services *for* business, but e.g. Mankinen, Rouvinen, Väänänen and Ylä-Anttila (2003) limit the concept to services *by* firms *for* firms, excluding thus public and semi-public service provision (cf. Subsection 4.3.1).

A closely related concept is that of *Knowledge-Intensive Service Activities (KISA)*, which has been in general discussion associated with public services and policy research (e.g. OECD 2005). KISA refers to all knowledge or expertise based services. These can be internal to the firm, or delivered by actors not primarily engaged in provision of knowledge-intensive services. Thus, a firm can receive knowledge-intensive services not only from KIBS, but also individuals, public organisations, or manufacturers; product businesses can also provide services (e.g. Sandberg & Werr 2003). Knowledge-intensive services represent problem-solving ability (Håkansson & Wootz 1979) accessed by the client firms. The concepts of KISA, externally provided KISA, and KIBS-provided KISA are concentric (Figure 1).

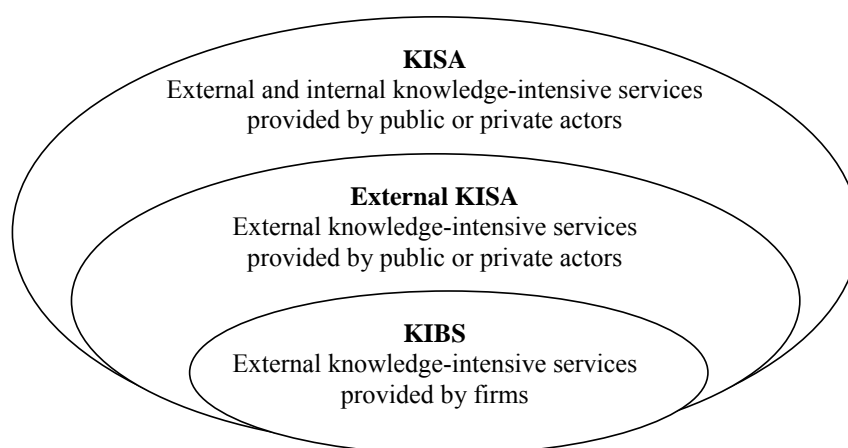


Figure 1. Relationship between the concepts KISA, external KISA, and KIBS (modified from Kuusisto & Viljamaa 2005: 283).

The preceding review gives the background for the selected concept of external expert services. In operational content, the concept of external expertise is similar to external KISA (Figure 1). The term itself, i.e. external expertise, is rarely used in academic literature, but it is not quite unknown. Rusten et al. (2005: 525) refer to “accessing

external knowledge provided by management consultants.” Turok and Raco (2000) use “external expertise”, Bryson and Daniels (1998) use a mix of “external expertise” and “external advice”, and Smallbone et al. (1993) “external assistance.” Peurseem and Wells (2001: 69) limit external expertise to expertise introduced into a firm by means of a contractual obligation other than direct employment. Lovelock (1983) includes *expert services* in the category of information processing services. They are clearly not dominant in the category, however, for its characteristics include “often” minimal customer involvement in service production (Lovelock & Yip 1996: 68). In Kellogg and Nie’s (1995: 325–6) typology expert services are the services where the client participates in defining and creating the service, i.e. the level of client influence is high. Hurmerinta-Peltomäki and Nummela (2004) use the phrase expert services as synonymous to professional services. Occasionally researchers also use the terms expert and consultant in parallel (e.g. Rusten, Gammelsæter & Bryson 2004). In this study the word ‘consultant’ has been deliberately avoided; it is not central in literature, and has problematic associations in common usage.

A hybrid concept, *knowledge-intensive professional services*, is used by Orava (2005). He defines these as services provided by qualified persons with a substantial fund of knowledge applied through the service production and consumption process in order to solve clients’ problems (ibid.: 19–20). Hurmerinta-Peltomäki and Nummela (1998: 70) define expert/professional service as help relating to either specific business problems or the development of the business, received from individuals or organisations with special knowledge, skills or training in a particular field, outside the firm. The two definitions, particularly the last-mentioned, come in intent close to the view adopted in this study. The provider is not explicitly defined as a private business or even an organisational entity. Instead, externality of knowledge and application of knowledge to a problem are central.

In summary, expertise and externality are clearly qualities associated with professional, expert and knowledge-intensive services. Considering the diversity in terminology, it is clear that regardless of which concept is chosen, viable alternatives are set aside. Hence, the benefits of using a concept close to SMEs’ own usage, i.e. external expert

services or external expertise,¹ outweigh the benefits of using an established but less fitting concept, e.g. professional services, external advisory services, or KIBS. ‘Professional services’ implies that the service is provided by a formally qualified professional. ‘External advisory services’ downplays the interaction between the client and the provider by positioning the service provider as a relatively passive outsider (cf. Kitay & Wright 2004: 4; Hjalmarsson & Johansson 2003). ‘KIBS’ is associated with services purchased from providers specialising in such services. Hence, *external expertise is defined here as knowledge or competence, rare relative to the client, accessed from outside the client firm. External expert service(s) refer to the provision of external expertise to the client. Although the word ‘external’ may be omitted in the text for the sake of brevity, only external expertise is addressed in this study. Alternative expressions (e.g. professional service, consulting service, etc.) are used whenever the discussed literature does not clearly allow interpretation of the subject matter as external expertise/external expert services in the sense described here.*

Client, a small manufacturing firm

In this study *a client is the recipient of the external expert service*, regardless of the provider. Following the usage of e.g. Swart and Kinnie (2003), ‘client’ (or client firm) refers to service recipients, and the word ‘customer’ refers to client firms’ customers. This study focuses on *small manufacturing firms as clients*.

The most popular way of defining a small business is linked to the European Commission definition (Storey 1994; Jay & Schaper 2003). In the Commission definition, the category of SMEs includes enterprises with fewer than 250 employees, and an annual turnover not exceeding 50 million euros, and/or an annual balance sheet total not exceeding 43 million. Within the category of SMEs, a small enterprise is one that employs fewer than 50, and has an annual turnover and/or annual balance sheet total not exceeding 10 million euros. Micro-enterprises employ fewer than ten, and have

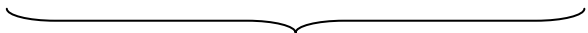
¹ In Finnish: *ulkopuoliset asiantuntijapalvelut, ulkopuolinen asiantuntemus*

an annual turnover and/or annual balance sheet total of no more than two million. (European Commission 2003).

No single definition of a ‘small firm’ is universally accepted, however, and since research suggests that there is a marked shift to formality around the 10–20 employee mark, the EC definition appears practical. However, “small” is a relative term, and grounded research in service sectors has shown that small businesses themselves employ more varying and multidimensional definitions of “small” when it comes to their own sector. Thus, what is small in one sector is not small at all in another; the small business sector is very heterogeneous. Regardless of how, exactly, “small” is defined, small businesses constitute at the minimum at least 95% of all enterprises, and the relative importance of small firms seems to be increasing also. This may be connected with an overall increase in productivity but also with decreasing vertical integration in many industries. (Storey 1994).

In this study, the EC definition of an SME is taken as the baseline. However, the client firm is empirically operationalized as *a manufacturing firm with minimum five and maximum 100 employees* (cf. Rynning 1992; Smallbone et al. 1993). Thus, when the acronym SME, or the alternative expression “small manufacturing firm” is used in connection with the analysis, the empirical reality to which it refers is in fact somewhat narrower than the EC definition (Figure 2). The firms are described in more detail in Section 4.1.

	Micro-firm	Small firm	Medium firm
Employs	0–9	10–49	50–249
Ann. turnover	$X \leq 2 \text{ M€}$	$2 < X \leq 10 \text{ M€}$	$10 < X \leq 50 \text{ M€}$



 Sample firm: employs 5–100

Figure 2. Small firm in context of EC definition and present study.

Small firms are organisations and thus organisational buyers. One of the things that industrial or organisational context is thought to imply is the involvement of more than one individual. The participation of multiple individuals and the professional character of some of the participants typically distinguish the subject matter of business-to-business marketing. Therefore the concepts of *buying centre* and *professional buyer* are briefly discussed here, although the assumption is that the purchasing decisions examined in this study are frequently made by individuals, and buying centres are always small.

The buying centre is a commonly used concept in organisational buying literature (e.g. Johnston & Bonoma 1981 a, b; Kohli 1989; Woodside 2003; Garrido-Samaniego & Gutiérrez-Cillán 2004). Buying centre refers to the individuals involved in a particular purchase. Decision-making unit or DMU is another commonly used term to denote the set of individuals involved in purchasing decisions (e.g. Stock & Zinszer 1987; McQuiston 1989). Buying centres vary in vertical and lateral involvement, structure and depth of connectedness (Johnston & Bonoma 1981 a). The degree of influence possessed by any one individual in the group also varies (Kohli 1989). Professional buyers are individuals whose main function in an organisation is to carry out purchases as efficiently as possible. Professional buyers have been termed variously (e.g. purchasing managers by Johnston & Bonoma 1981 a, b; purchasing agents by Sheth 1973; purchasing personnel by McQuiston 1989). The common feature is their specialisation in the process of purchasing, rather than in the object of purchasing. They are distinguished by procedural rather than substantive knowledge (see e.g. Boer, Holmen & Pop-Sitar 2003: 912).

Accessing

To access something means to “be able to reach, approach, enter” something, or “to reach, enter or use something” (Dictionary.com Unabridged 2006; Oxford Advanced 2000). By accessing a service a client gains something done by someone else for the client. *No change of ownership takes place* (e.g. Lovelock & Gummesson 2004). A deed is done, a process takes place, or a performance is carried out, to use Zeithaml and

Bitner's (1996: 5) service characterization. In expert services the client accesses the service provider's competencies, and specifically, the provider's expertise. Further, since the term accessing does not necessarily imply a financial exchange (cf. e.g. hire or rental), it is well suited to external expert services that are not the sole province of market exchanges. Lovelock and Gummesson (2004), suggesting that the lack of transfer of ownership is the key generalizable characteristic of services, use the expression "rental/access paradigm." Here the sole word 'accessing' is preferred over Lovelock and Gummesson's formulation, because the authors apparently consider activities in the marketplace (ibid.: 35), whereas this study considers also non-market external expertise.

Furthermore, accessing as a concept is particularly appropriate in that expert services are frequently co-produced. Co-production means that a mutual exchange of intangible inputs takes place (cf. Lovelock & Gummesson 2004: 29). The client accesses the provider's expertise, rather than a process or goods, and at the same time the provider needs to access the client's situational, "local" knowledge (Christensen & Klyver 2006: 309). The provider must bring to bear the specific knowledge it possesses on the localized requirements of its client, and combine it successfully with the client's knowledge base (Hertog 2000). Co-production can be thought of as the joint effort by which the service provider and client produce the knowledge-intensive service, although in innovation-oriented studies the implication is often one of balanced and extensive cooperation leading to creation of new knowledge (e.g. Gallouj & Weinstein 1997), and expert services with less extensive cooperation are not given attention. To summarize, the implication of co-production is that a two-way process occurs in using the service: both the client and the provider access knowledge. Although this study limits itself to the entry into the use of external expertise, and hence excludes the co-production, the use of the term accessing resonates with the mutuality of the exchange.

In summary, *accessing is understood as steps taken in gaining access to external expertise. Accessing encompasses both buying or otherwise gaining the use of an external party's expertise by the client, but does not here encompass using the service, i.e. the activities by which the service outcome is achieved. No theory on accessing in*

this sense is available in business administration research, so theory on purchasing, i.e. accessing involving commercial exchange, is used as far as it applies. Also non-market accessing of expert services must be considered, for it figures significantly in the actual use of external expertise in SMEs (see Section 2.2). Not only are there numerous publicly subsidised and provided services (see e.g. Storey 1994; Turok & Raco 2000; Bratton et al. 2003; or Saapunki, Leskinen & Aarnio 2004 on Finnish business services) but also a great deal of informal service provision occurs outside the spheres of both market and public provision (e.g. Martikainen & Nikkinen 2004; Burke & Jarratt 2004; Ramsden & Bennett 2005). The words purchasing and buying are nevertheless used in lieu of ‘accessing’ whenever the discussed literature does not unequivocally allow the interpretation that the activity referred to can be understood as accessing in the sense described here.

The provider of services

The provider of the external expert service is, for short, the service provider or external expert. As shown earlier in this section, the literature on e.g. KIBS, service firms, professional service firms, knowledge-intensive firms and public provision offer various options for a theory-driven conceptualization of a service provider. Most marketing research deals solely with services bought from private firms, but a study focusing on SMEs must consider other sources of expertise as well. Smallbone et al. (1993: 280) define external assistance as “help relating to either specific business problems or the development of the business which was received from individuals or organisations outside the firm.” Hence, exchange networks and social networks are included as well as expert service firms, public and semi-public organisations, and associations. In the present study the clients’ perspective dominates, and therefore a service provider is, in essence, whatever the client views as a provider. The expression ‘service provider’ is specifically used in the text because the notion is *neutral as to the characteristics of the provider*, which may be an advertising agency, a public sector official, or a friend.

It should be acknowledged, however, that the service providers are, in practice, often small or medium-sized firms themselves (Toivonen 2004), and there has been in the

past decade a great deal of research on KIBS firms. Firms that provide professional and other knowledge-intensive business services have been studied from the perspectives of knowledge management and development (e.g. Larsen 2001; Webb 2002; Waalkens, Jorna & Postma 2004), staff qualifications (e.g. Sjøholt 1999), services management (e.g. Verma 2000; Martin, Horne & Chan 2001), internationalisation (e.g. Toivonen 2002; Skaates, Tikkanen & Alajoutsijärvi 2003), quality management (e.g. Lazega 2002), strategic management (e.g. O'Farrell, Hitchens & Moffat 1993), innovation management (e.g. Jong & Kemp 2003) and use of contracted expertise (Peurseem & Wells 2001).

1.4.2 Positioning the study relative to previous research

The present study is linked to three interconnected yet distinctive fields of research (Figure 3). Figuratively, the present research belongs in the intersection in the middle. The study is placed at a crossroads between the three research fields, drawing on literature from each. In the following, the links of the study to the three fields are briefly discussed, after which some observations on the position of the study relative the relational vs. transactional axis are offered.

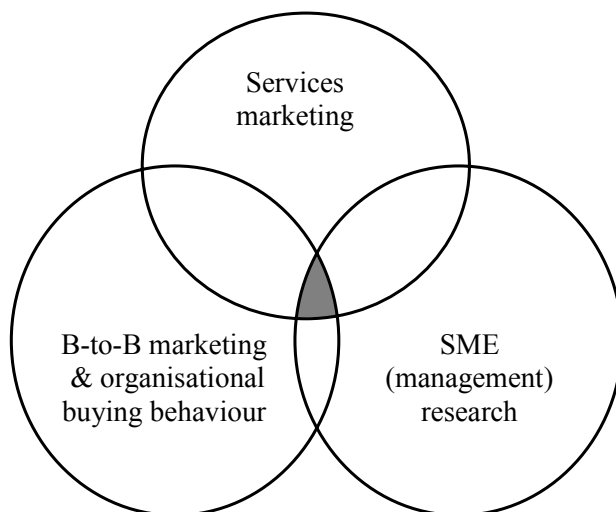


Figure 3. Positioning of the study.

Service marketing came to its own in the 1980's, although the first key texts of the discipline were published in the 1970's. By the 1990's, services marketing was a distinct and well-recognised academic field of research (Berry & Parasuraman 1993).

Services have different risks to the buyer compared to goods – they are less tangible and hence evaluation and specification are more difficult (Fitzsimmons, Noh & Thies 1998: 371).

The focus on services marketing has generated research on managing services and measuring their quality, and typologies that help grasp marketing situations where the four ‘service’ characteristics are important. At the same time, research has also unavoidably shown that ‘service’ characteristics, i.e. intangibility, heterogeneity, inseparability and perishability, often exist in goods marketing, or are absent in services marketing. This has undermined the value of distinguishing between services and goods. Lately some of the main contributors of services marketing research have come to suggest that the traditional characteristics of services may not be a valid description of empirical reality. (Lovelock & Gummesson 2004, cf. Gummesson 1994: 78).

The issue is further complicated by services and goods becoming increasingly tangled not only in the language of text books (e.g. “core product” in Lovelock, Vandermerwe & Lewis 1999: 337), but also in research. For example, Wetzels, Ruyter & Birgelen (1998) view an office equipment supplier as establishing a *service* relationship (see also e.g. Bolton, Smith & Wagner 2003).

Services marketing literature tends to be interdisciplinary and problem-centred (Fisk, Brown & Bitner 1993). The current debate on the nature of marketing science ranges wide (see e.g. Addis & Podestá 2005; Palmer, Lindgreen & Vanhamme 2005), and renders also the proper substance of services marketing open to question. Parasuraman (1998: 309–311) distinguishes between ‘service’ as supplementary offering and ‘services’ as an intangible core offering. Following this line of differentiation, current research in “services marketing” is more associated with consumer contexts, and “service marketing” frequently preoccupied with the quality of (supplementary) services, i.e. service as a source of competitiveness.

The present study is oriented to *services marketing in the sense that the object of accessing is a service*, but emphasis is nevertheless on business-to-business literature.

Some business-to-consumer marketing literature is, however, also considered. Business-to-business and consumer markets are, after all, not entirely different in every respect (e.g. Sheth 1973: 56; Bennett et al. 2005: 98). In this study the position is that SMEs' accessing of expert services resembles consumer purchasing in the primacy of a single decision maker, but is essentially closer to organisational purchasing in both definitional sense and in the rationality requirement instilled by the organisational context (cf. Palojärvi 2000).

Entrepreneurship and small business are commonly linked together as a single field of research (e.g. Johannisson & Landström 1999, cf. Reader & Watkins 2006: 419), and the range of topics and theories covered by present entrepreneurship research is diverse (Gartner 2001). Descriptive terminology is also mixed due to the researchers' diverse intellectual backgrounds. For example, the key decision-maker is referred to as e.g. the owner-manager (e.g. Kuusisto 2000; Fuller & Lewis 2002), the manager (e.g. Johansson 1999; Burke & Jarratt 2004), or the entrepreneur (e.g. McCarthy 2003; Sanner 1999). It is difficult to form a comprehensive picture of entrepreneurship and small business research, for the problem areas are many and boundaries not clear (Johannisson & Landsröm 1999: 8). Small business and entrepreneurship studies give considerable attention to e.g. different systems of support for small businesses and entrepreneurs, entrepreneurial characteristics of individuals, and small family businesses. The small business/marketing interface has traditionally received very little attention (Davis et al. 1985). Recent bibliographical analyses suggest that marketing has not yet, at least in the more entrepreneurship oriented scholarship, emerged as a major interest (Cornelius, Landström & Persson 2006; Reader & Watkins 2006).

In practice small businesses and entrepreneurship are frequently treated as synonymous although they are not (Wennekers & Thurik 1999). While entrepreneurship research is concerned with the creation of the new (e.g. Wickham 2004: 114), research on small firms need not necessarily be concerned with entrepreneurial characteristics. Research on small businesses concerns management in the small business, i.e. SME performance and its antecedents, and frequently also public policy (e.g. Storey 1994). Here the focus is not on entrepreneurship, but rather on small businesses' actions in the context of

accessing external services. Where directly applicable research is not available in the sphere of services and business-to-business marketing literature, research on small businesses and small business management is considered. *Within the complex body of research known as entrepreneurship and small business research, however, the present study is linked to small business studies rather than entrepreneurship studies.*

Business-to-business marketing considers two managerial directions: supporting marketing practitioners in selling more efficiently in the business markets and supporting buying practitioners in becoming more efficient at buying. Separating the two phenomena is somewhat artificial, as both goals are frequently served by same studies. According to Buvik (2001) purchasing research tends to be practice oriented, and seeks to increase efficiency of the purchasing function. The industrial buying behaviour framework, however, can be interpreted as reflecting the marketers' interests as well, as they seek to better understand the buyers' decision making (ibid.).

In the area of **organisational buying** the present study is the most closely aligned with organisational buying behaviour research in the tradition drawing on e.g. Robinson, Faris and Wind (1967) and Sheth (1973). The stream of research is summarised and integrated in Johnston and Lewin (1996). The theoretical frameworks developed in this orientation emphasise the client's position, for they are oriented on buying behaviour, i.e. clients' behaviour, and the factors that influence it. This makes the organisational purchasing frameworks well suited to a study focusing on client perspectives, although not wholly sufficient. Organisational purchasing and buying is associated in the literature mostly with goods and materials (e.g. Reid & Plank 2000). Also, purchasing literature is usually, by implication, associated with larger firms. But is business-to-business marketing and organisational buying research as such truly distinct from the rest of marketing? Characteristics of industrial markets include professionalism of buyers, limited number of actors, derived nature of demand, geographical concentration and scale of transactions (Weele 2005: 26). Consumer marketing theories have a limited applicability in organisational contexts (ibid.); similarly organisational purchasing research may have its limitations in small business contexts.

To summarize, although organisational buying literature is, because it concerns purchasing by organisations and focuses on client behaviour, suited to the present research problem, it is not unproblematic. Empirical articles frequently refer to professional buyers, industrial buyers, or purchasing managers (e.g. Sheth 1973; Johnston & Bonoma 1981 b; Patton, Puto & King 1986; Smeltzer & Ogden 2002; Hunter et al. 2006; cf. Stock & Zinszer 1987). Hence, it is not clear to what degree the abundant literature on organisational buying behaviour directly applies to small firms where the individual top manager is central (e.g. Glen 1994) or often the sole decision maker (Gils 2005, also Palojärvi 2000) and order size may be small (cf. Weele 2005: 26), or to expert services which least resemble goods in their intangibility (e.g. Shostack 1977).

Since the 1980's the significance of business relationships as opposed to simply transactional selling or buying has been increasingly emphasised, and the more atomistic traditional models challenged. Marketing can be viewed from either transactional or relational perspective (Coviello, Brodie & Munro 1997). Based on an analysis of marketing literature, Coviello et al. suggest that there are four distinct types of marketing: transaction, database, interaction and network marketing. In Coviello et al's terminology, the present study is the most closely concerned with *interaction marketing* in the sense that the focus is on dyadic inter-organisational relations, and that both the seller and the buyer are viewed as potentially active parties.

Hence, the study utilizes concepts and research from business-to-business marketing with some caution. The assumption, often implicit rather than explicit, that the purchasing organisation is large, has shaped the questions asked by researchers in that field of study. Also, business-to-business marketing is increasingly interested in relational perspectives (e.g. Reid & Plank 2000: 56–61; Hedaa & Ritter 2005) whereas in this study every effort is made to accommodate more transactional purchases as well.

On one of the prime axes in marketing, i.e. business-to-business vs. consumer marketing, the present study comes closer to business-to-business marketing. It was argued earlier that decision-making in SMEs resembles consumer purchasing in that the

number of people involved, and the degree of professionalism, are lower. Hence, SME purchasing is different from larger firms' purchasing. Indeed, if SMEs' activities were not different from large firms' activities, there would be little need to study them separately. As it stands, one of the basic assumptions in this study is that in smaller firms accessing external expert services is about individual decision-making at least as much as it is about organisational decision-making. However, the organisational purchasing context is qualitatively quite different from the consumer purchasing context in the issues addressed by the buyer, and the rationales applied in decision-making. Hence, this study considers individuals or small groups accessing services in their organisational roles rather than as consumers. Small firms' decision-making is understood as encompassing both the (bounded) rationality of economic organisation as well as the socially embedded character of the firm (e.g. Granovetter 1985). Thus, *the core phenomenon studied is defined as organisational rather than consumer activity, but the individual character of the decision-makers is acknowledged.*

Placing the study on the transactional vs. relational axis is more difficult. The study deals with both relational and transactional interactions. The interactive quality of expert service provision necessitates a degree of relationship formation and hence the study can be viewed as favouring slightly the relational rather than the transactional. Relationship marketing has become an extremely important paradigm in the service sector (Claycomb & Martin 2002: 615–6). However, adopting the relationship paradigm seems to imply that exchange is continuous (e.g. Coviello et al. 1997), whereas here the assumption is that the client may view the exchange as transactional. The relationship may hence be latent (Grönroos 1997 a: 408) or non-existent. The core phenomenon is not a priori defined here as taking place in either transactional or relational context, but rather approached as something that could be either. The key difference to the relationship perspective is that the study is not concerned with accessing as a part of a larger entity of a relationship, but rather as an object of interest in itself.

1.5 Philosophical positioning

In any research endeavour it is important to establish clearly in the beginning the philosophical underpinnings of the research. The researcher's views on the nature of reality and knowledge underlie the choices made in the course of the research, even the choice of problems to study.

My epistemological and ontological premises are roughly in line with those of critical realism (e.g. Sayer 1992; Ackroyd & Fleetwood 2000; Tsoukas 2000; Danermark, Ekström, Jakobsen & Karlsson 2002; cf. Niiniluoto 1999). The critical realist approach rejects both positivism and relativism (i.e. 'postmodernism' in Ackroyd & Fleetwood 2000) at their more extreme. At minimum realism is understood to mean that the existence of entities, independently of investigating them, is accepted. In the context of social sciences this means that social entities, i.e. phenomena that exist through human activity, exist independently of their identification by a researcher (Ackroyd & Fleetwood 2000: 5–11). Explicit adoption of the realist position has not been very common, but the realist philosophy has implicitly been present in management and organisational studies for some time (ibid.).

The concept of realism has been used in multiple ways in the philosophy of science (e.g. Niiniluoto 1999: 11). What does critical realism mean here, in terms of ontology and epistemology? Ontologically my starting point is that the world exists independently of knowledge concerning the world. Three domains or 'levels' of reality can be posited. In the *domain of the actual* events occur and objects exist whether they are observed or not. The *empirical domain* is the domain of that which we observe and the experience, and hence data or 'facts' are always theory-laden, mediated by our constructions of meaning. Finally, the '*real*' domain is the domain of structures and mechanisms which cannot be observed but can be inferred through experiencing them indirectly, i.e. through their ability to shape events. While social reality is socially constructed, the underlying physical reality impacts on social reality. Further, social phenomena such as actions and institutions are concept-dependent, hence describing and explaining them

hinges on interpreting them. (see Sayer 1992: 12–84; Tsoukas 2000: 28–30, cf. Ackroyd & Fleetwood 2000: 10–15.)

In the context of the present study, the ontological statement means that I recognise that the knowledge I gain by interacting with small firms reflects the realities of the empirical domain as experienced by the firms. Further, the descriptions I construct based on the firms' descriptions of their experiences are concept-dependent. It follows that in order to create constructs that accurately reflect the experienced empirical domain, the analysis must seek interpretations that draw on the interviewees' concepts as far as possible.

The epistemological stance can be summarised as follows. Our knowledge of the world is necessarily flawed and theory-laden. Nevertheless, I maintain that knowledge, although socially constructed in this sense, can be empirically examined and checked, because social phenomena generally speaking exist regardless of whether and how researchers interpret them. (See e.g. Sayer 1992: 49, 70–1, 83; Ackroyd & Fleetwood 2000: 12–3.)

I reject the idea that fully objective knowledge is possible, i.e. 'truth' cannot be known (cf. Niiniluoto 1999: 10–2, 95). All knowledge is fallible. However, this does not mean that all knowledge is equally fallible. Sayer (1992) relates truth to practical adequacy: 'true' knowledge generates expectations about the world that are actually realised. Yet, not all fulfilled expectations are based on true knowledge. Since material processes and things are distinct from our knowledge or beliefs about them, it is possible for many alternative beliefs to be practically adequate. This is not to say that usefulness is the only criteria for knowledge. According to Sayer, realists should

“...try to find inputs to our theories which are practically adequate, which work in other contexts, which are consistent with other knowledge and practices; our theories should explain the situation under study by giving an account of what produced it and not merely a way of 'deriving' or calculating the results; and finally, unless it concerns unique objects, we should expect the theory to be robust.” (Sayer 1992: 71)

The epistemological position means that the study cannot set out to establish the final truth on how external expertise is accessed, but must rather aim at answers that can

generate expectations likely to be fulfilled, and acknowledge that later critical examination may reveal flaws. Furthermore, the study must not settle for descriptive results but must also strive to explain that which is described. Hence, even if the question examined is “how do firms do this”, it is necessary to also provide a suggestion as to “why do they do it like that” in order for the description to be satisfactory.

1.6 The research process

Gummesson (2003: 484–5) describes the hermeneutic process as a spiral, where a researcher moves from preunderstanding to understanding to explanation, which then provides the preunderstanding for further search for understanding. There is an oscillation between what is known and what has been learned (*ibid.*), i.e. between theory (both previous and emerging) and data. Both are interpreted in relation to each other in the process. The present study involves ‘spiralling’ on two levels. On one hand the hermeneutic process has moved through two stages of preunderstanding and, in a sense, two research processes. On the other hand, the research process of the present study involves within itself iteration between literature and empirical analysis.

The empirical data used in this dissertation was collected within the framework of a research project JOINT. The aim of the project was to explore the influence and role of public funding bodies in co-production of innovation by comparing co-production in public and private services. The project was a part of the ProACT II research programme funded by Tekes and the Ministry of Trade and Industry. The results of the project are summarized in a final report (Kuusisto & Viljamaa 2006 b; also Kuusisto & Viljamaa 2005, 2006 a; Viljamaa & Kuusisto 2006).

The process of project research (JOINT) entwines with the beginning of the process of the present study (thesis research), and contributes to it (Figure 4). Through the preceding research process a new level of preunderstanding was reached, and my personal research interest became clear. Departure from the previous framework enabled a further analysis of the collected data from the new perspective, and gave direction for an extensive further review of literature. Thus, there is an overall process

of learning occurring chronologically from 1999 to 2007 with two ‘beginnings’ (preunderstanding stages in Figure 4) and two ends, and a tighter thesis process with this study as its immediate outcome, occurring mainly in 2006.

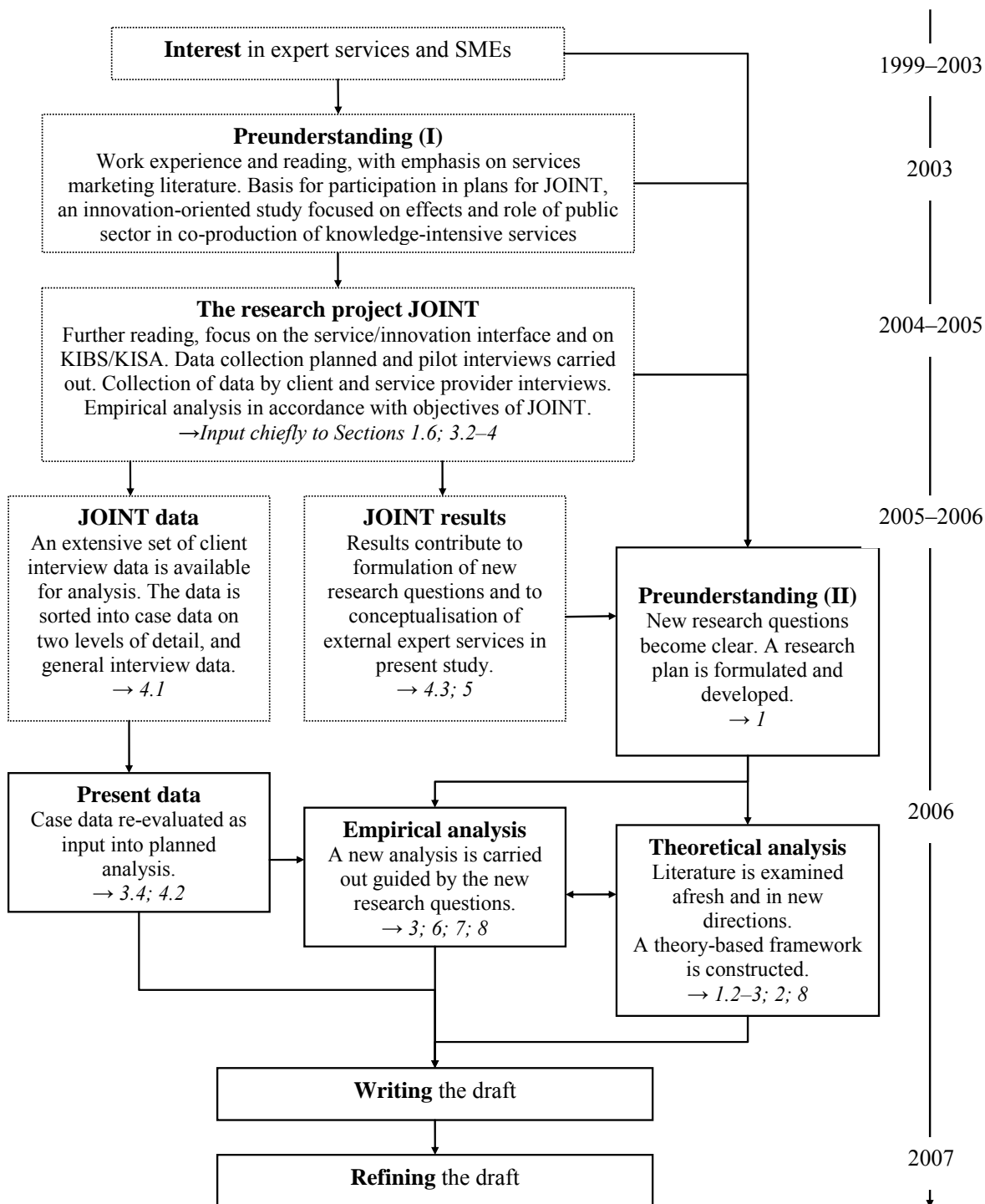


Figure 4. The overall hermeneutic process in context of present study.

In planning the research project JOINT the intent was that the data would be used also in a thesis study. During the project a divergent and more focused interest developed. JOINT sought a better understanding of co-production of knowledge and innovation, particularly with respect to differences between public and private providers. Data collection considered also the beginnings of co-productions (i.e. accessing of expert services), but in analysis the co-production itself, outcomes of co-production, and comparisons between provider types were focused upon (e.g. Kuusisto & Viljamaa 2006 a; Viljamaa & Kuusisto 2006). In other words, the present study examines the data collected within the project from a different perspective and with a different emphasis; it deepens the preceding analysis but also covers ground not previously considered.

1.7 Structure of the study

The overall structure of the thesis is depicted in Figure 5. The thick arrows in the middle indicate the order in which the Chapters are organised. The dotted arrows refer to further connection in content.

Chapter two orients the present study in relation to earlier research. Existing literature relevant to accessing expert services in small firms is reviewed at some length. First literature on purchasing of expert services is considered. Particular attention is given to purchasing process descriptions and factors that may influence client behaviour in a particular situation. Then the particular features of SMEs' expert services purchasing as portrayed through literature are considered. The Chapter concludes with a theory-based framework for understanding SMEs' accessing of external expertise. The framework consists of client's accessing behaviour, the situation in which accessing occurs, and risk/trust considerations.

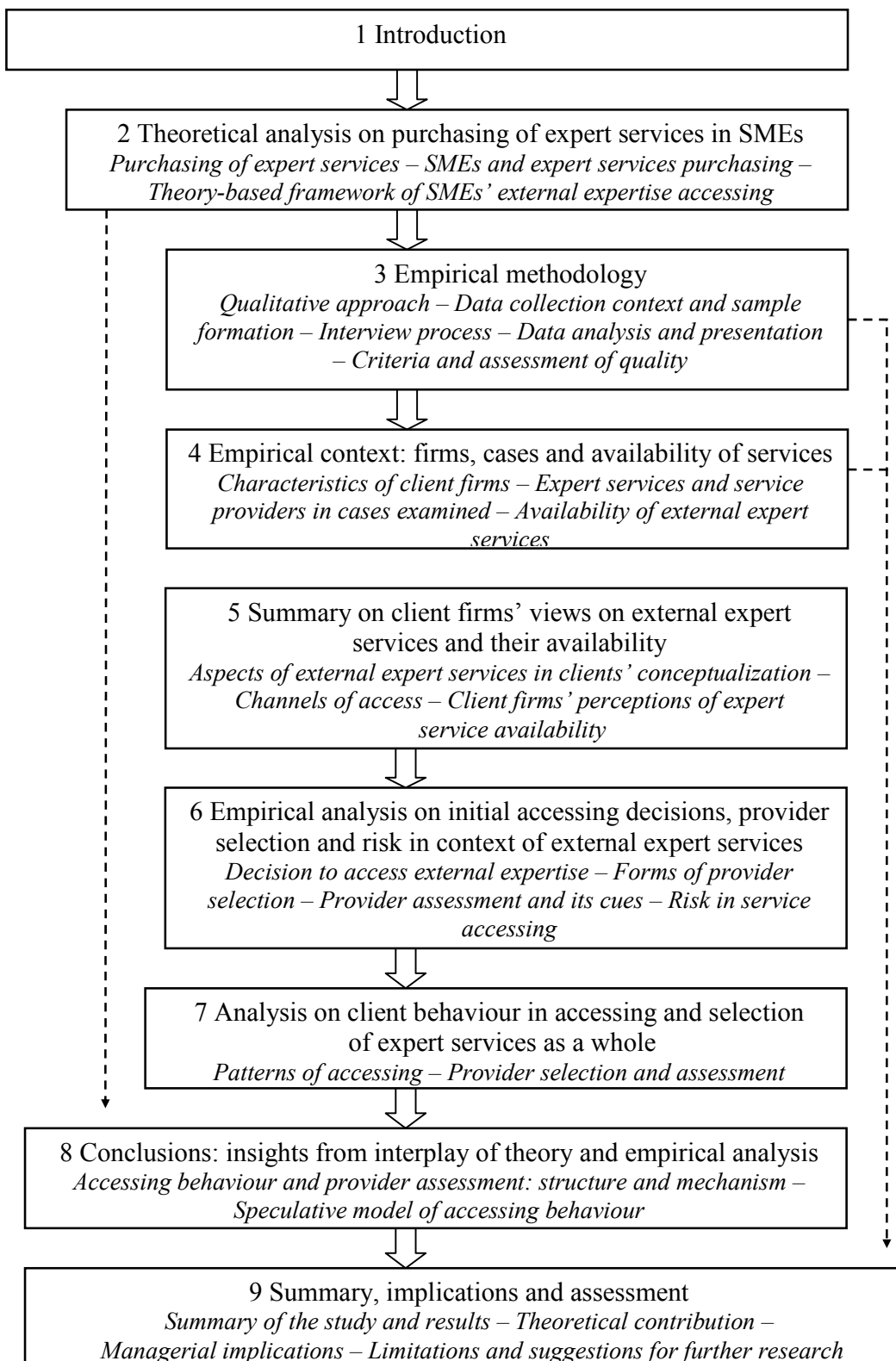


Figure 5. Structure of the thesis.

Chapter three describes the empirical methodology of the study, i.e. how data were collected and analysed. First, the choice of a qualitative approach is discussed. Then the choices made in data selection and gathering are described. The Chapter then goes on to discuss in more detail the context of data collection and how the interviews were conducted, and the analysis. After some remarks on data presentation, the Chapter concludes with a discussion on validity and reliability.

As the description of the research process shows (Figure 4), the hermeneutic process concluded with the present report spans two studies. Notwithstanding the differences discussed in the preceding Section, the two studies have some common ground in the empirical context (Chapter four) and in the empirical conceptualisation of expert services (Chapter five). The first Section in Chapter four describes the interviewed client firms, whereas in the second Section focus is on the cases which make up the main data source of the present study. Chapter four concludes with an examination of the availability of external expert services.

In Chapter five a summary on the clients' understanding of external expert services is presented. The summary draws on the results of the analysis I did in the framework of the JOINT project. Both the clients' conceptualisations of external expert services and the channels by which clients access external expertise are considered. The Chapter closes with a description of the clients' views of service availability.

Chapter six presents the main empirical analysis. The first Section in the Chapter focuses on how clients come to use services, whereas the second and third Sections concentrate on provider selection, i.e. the second half of the overall research question. Risk as a factor in accessing is discussed in the fourth Section. Empirical conclusions are drawn together in Chapter seven. The Chapter describes the five accessing patterns observed in the data, and the provider suitability assessment employed by client firms in their provider selection.

Chapter eight integrates the empirical analysis and insights from previous research and theory. The role of relationships resources as influence on choices in accessing context

is outlined. The underlying structure of accessing expert services is described. Finally, a model outlining the behaviour and choices in accessing is presented.

Chapter nine offers a brief summary of the study and its key results, along with a discussion on the theoretical contribution and managerial implications. The Chapter concludes with a discussion on the limitations of the study and some suggestions for further research.

2 A THEORETICAL ANALYSIS ON PURCHASING OF EXPERT SERVICES IN SMEs

In this Chapter the previous literature is examined. The Sections are organised according to topic rather than according to literature streams. The first Section considers purchasing of expert services. Much of the literature stems from research in the context of larger firms or organisations, however, and hence in Section 2.2 SMEs specifically are considered. The Section focuses on what is known about expert services in the context of SMEs in particular. Section 2.3 presents a theory-based framework for accessing expert services in SMEs, drawing together the more general insights on purchasing of expert services and the situation and characteristics of SMEs in expert services purchasing.

2.1 Purchasing of expert services

Purchasing of expert services can be approached from various perspectives. The first Subsection briefly considers the characteristics of expert services as the object of purchasing. After that, the process of purchasing (Subsection 2.1.2) and the criteria of service provider selection (Subsection 2.1.3) are discussed. Subsection 2.1.4 deals with purchasing in a relationship context. Subsection 2.1.5 reviews some of the possible influences on how clients behave in purchasing expert services.

2.1.1 Expert services as the object

A difference between purchasing of services and purchasing of goods is recognised on a general level in literature (e.g. Mitchell & Greatorex 1993; Smeltzer & Ogden 2002), but industrial purchasing literature has, so far, examined mainly goods (Smeltzer & Ogden 2002). Some differences between services and goods have been established from the purchasing perspective, however. Fewer vertical layers and fewer individuals are involved in service purchases (Johnston & Bonoma 1981 a: 153), and services are frequently bought by non-professional buyers (Smeltzer & Ogden 2002; cf. Johnston &

Bonoma 1981 a). The process of buying services differs from the process of buying materials, and is considered more complex and risky (Smeltzer & Ogden 2002).

Although industrial purchasing literature on services is scarce, services in general have been actively studied. Intangibility is commonly viewed as the key characteristic of services (e.g. Shostack 1977; Zeithaml et al. 1985; Bebko 2000; Clemes et al. 2000; cf. Laroche, Bergeron & Goutaland 2001). Tangibility can be understood as the degree to which the service has physically measurable output properties (Fitzsimmons et al. 1998: 373). Intangibility need not be only physical, i.e. inability to touch something, it can also be mental. For example McDougall and Snetsinger (1990: 31) interpret mental intangibility as something that is difficult to visualise, but Laroche et al. (2001) further conceptualize intangibility in three dimensions. These are physical and mental intangibility and generality. Intangibility is associated with uncertainty and hence with risk. Mental intangibility is most correlated with perceived risk (Laroche, Bergeron & Goutaland 2003). Services in general are felt to be riskier to buy than goods, due to higher uncertainty (Mitchell & Greatorex 1993). Expert services appear to be intangible in every sense, and thus particularly risky. However, the degree of intangibility may depend on the degree to which the client is familiar with the field of expertise himself. Hence, for an engineer, engineering services are likely to be less intangible than for a social worker.

One of the main lines of research in services marketing has been service quality. Service quality is often deemed essential to all marketing, whether of goods or services (e.g. Grönroos 1990, 1998). The implication is that good service quality results in repeat business and positive word-of-mouth (e.g. Patterson et al. 1997; McLachlin 2000; Venetis & Ghauri 2004). In services marketing quality is understood as perceived quality, dependent on client expectations and perceptions. In the service quality model performance is assessed in terms of technical (what is delivered) and functional (how it is delivered) quality (Grönroos 1984). The quality constructs are in some respects difficult to apply in expert services, however. It is difficult to know whether another expert could have done better, and hence quality evaluations are subjective (Gummesson 1981: 111). Zeithaml (1981) argues that some aspects of a service can be

evaluated prior to consuming the service (search properties), some only after the service has taken place (experience properties), and some can not be reliably assessed even after the service has taken place (credence properties). All services have experience qualities in the sense that they are experienced, undergone, to some degree, but experiential qualities are less important in professional services than e.g. in restaurant services (Johns 1999: 967). In the case of expert services, the client may have insufficient knowledge to evaluate the technical quality of the service.

The client's ignorance cannot be taken for granted, however. Expert services can be sought for a number of reasons. These include a limited need for special skills or extra capacity, legal requirements, need for objectivity, confidentiality or impartiality, lack of special resources such as equipment, and a disastrous situation in which the expert is seen as a rescuer (Wilson 1972: 42). Thus, a client with considerable expertise on the subject may wish to obtain an impartial opinion. Credence situations however occur when the buyer either cannot ever obtain accurate information about the most important attributes of the offering, or the cost of obtaining the information is too high (Bloom & Pailin 1995). Most expert services fit this description. Gummesson (1979) argues that in professional services quality is a subjective measure and further, quality is perceived subjectively. The buyer's level of knowledge influences also quality perceptions.

All in all the literature is not unequivocal in whether any particular aspect of service quality is crucial in itself. According to Chumpitaz and Papparoidamis (2004) industrial clients' loyalty is mediated by "industrial satisfaction", i.e. an overall evaluation of satisfaction with purchase, use and relationship experience (cf. Dabholkar & Overby 2005; Hong & Goo 2004). The importance of expectations to satisfaction and dissatisfaction in expert services has, however, been demonstrated (e.g. Patterson et al. 1997; Ojasalo 2001). To summarise, although service quality must be considered in marketing of expert services, the way in which quality is assessed by the client is problematic. Hausman's (2003) analysis emphasises the importance of social aspects of the service provision for client satisfaction but notes that perceived technical quality of the service has more impact on willingness to recommend the service (also Powpaka 1996; cf. Nowak and Washburn 1998). Literature is somewhat contradictory, possibly

due to differences in research settings, but there is agreement on the importance of client expectations and social aspects of interaction. Brown and Swartz (1989) emphasise the holistic nature of clients' assessment of encounters.

Overall, the credence properties of expert services imply that functional aspects of quality are more easily assessed by clients. Johnston and Lewin argue that much of the variation in buying behaviour appears related to perceived risk in a given purchase situation (1996: 8). Since professional services are associated with high expertise and credence qualities (e.g. Thakor & Kumar 2000) they are even riskier to purchase than other services. The initial understanding of risk adopted here is based on the equation risk equals importance times uncertainty (e.g. Mitchell & Greatorex 1993: 181; Kohli 1989: 55).

Expert services are also associated with the active participation of the client (Kellogg & Nie 1995), implying a high degree of heterogeneity and customisation. Intangibility together with high customisation means that professional services are more difficult to communicate and promote (Clemes et al. 2000: 584–6; Brentani & Ragot 1996: 527). Personal signals may be more effective than impersonal ones in credence situations (Bloom & Pailin 1995; also Murray 1991; Smith & Bush 2002; Leek & Turnbull & Naudé 2004).

To conclude, in general services are more intangible than goods, and expert services in particular. Expert services are especially problematic because of their credence characteristics, i.e. the difficulty of assessing a service even after it has occurred, let alone in advance. Hence, expert services are a challenging object of purchasing.

2.1.2 The purchasing process and process stages

Processes are usually studied by defining the main *stages* of a sequence of events, and organising them in a logical order. All the stage models on organisational purchasing seem to follow the main lines set already in the 70's (see Johnston & Lewin 1996), reminiscent also of the basic rational decision-making models (e.g. Robbins 2005: 144).

Robinson et al. (1967, 12–8) formulated a process with eight stages (“buy-phases”), and their effort has clearly inspired many of the later authors. However, there is considerable variety in how detailed the stages are and what counts as a distinct stage.

Table 3 offers a summary of some stages suggested in literature. The emphasis in selecting models for the summary has been on stage descriptions in studies that specifically deal with expert services (see second row in the Table), but two more generic process descriptions from often quoted sources are included as well, for the sake of comparison. The Table is not intended as an exhaustive comparison; two of the six studies on expert services are included because they are widely referred to, and the other four because they demonstrate well the range of possible solutions for handling the issue of stages. Further, the comparison is limited to *entry into service use only*. Hence the stages that relate to post-selection events are excluded even when mentioned by the authors. Furthermore, it should be noted that the examination of the stages is not the main thrust in the studies (see third row in the Table).

Among the shortest process descriptions is Sheth’s (1973) model of industrial buying decisions with four basic stages: initiation, gathering information, evaluating alternatives and conflict resolution amongst decision-makers. The last might be interpreted also as making or reaching a decision. Johnston and Lewin’s (1996, see Table 3) integrated model proposes eight stages for the process, seven of which relate to entry. McQuiston (1989) uses six stages that basically correspond to Johnston and Lewin’s but his version combines requesting and evaluating proposals. Simkin’s (2000) schematic for business-to-business buying is similar, although no particular rationale is offered for the process stages or influencing factors, perhaps because the publication is intended as “viewpoint” rather than a scholarly contribution. Yet equally little grounding is given for the use of six key decision stages by Patterson et al. (1997), or the five-stage process used by Garrido-Samaniego and Gutiérrez-Cillán (2004). Most authors seem to draw upon Robinson et al. (1967) although with modifications.

Table 3. Some purchasing processes and their stages in literature.

Author (s) & year	Johnston & Lewin 1996	Fitzsimmons et al. 1998	Stock & Zinszer 1987	O'Farrell & Moffat 1991	Day & Barksdale 1994	Clark 1995	Gallouj 1997	Day & Barksdale 2003
Topic	Organisational purchasing	Business-to-business services	Expert services	Expert services	Expert services	Expert services (management consultants)	Expert services	Expert services
Focus; theoretical/empirical	Focus on developing an integrated purchasing model; theoretical & lit.review	Focus on taxonomy with purch. mgment implications; theoretical	Focus on selection factors and DMU; empirical	Focus on client-provider interaction, relational, empirical & theoretical	Focus on process and key issues in each stage, theoretical.	Focus on role and use of man. consultancy; theoretical & empirical	Focus on selection & evaluation, inf. asymmetry; mainly theoretical	Focus on selection from short list; empirical
Process stages relating to entry	need recognition	problem definition	identify existence of problem	need recognition	recognition of need	recognition of need or problem		
		do vs. buy analysis	decision to handle externally					
		involve interested parties						
	determine characteristics	specifications development		design of terms of reference				
	establish specifications				(defining purchase goals)			providers' qualifications reviewed
	identify potential suppliers	information search	identify possible consultants	supplier search	identification of initial consideration set	supplier search	search for general information	identification of initial consideration set
	request proposals		search information on possible consultants	potential suppliers evaluated	refinement of consideration set		evaluation of potential suppliers & call for tender	request proposals
	evaluate proposals		evaluation and recommendation of consultants	tenders evaluated	evaluation of consideration set		evaluation of tenders & shortlisting	Identification of short list
				short-listed suppliers' presentations			presentations and final choice	presentation / interview
	select supplier	vendor selection	selection of consultant		selection of service provider	selection of supplier		selection of provider

Fitzsimmons et al. (1998) use a decision process model for business-to-business services consisting of four stages, albeit their need recognition stage includes activities that other authors have treated as separate stages (ibid.: 373–4; Table 3). Again, no particular arguments are offered for the stages. Fitzsimmons et al.'s version is among the more generic ones, and typical in that it addresses also post-selection events. The importance of assessing quality through use, and hence the importance of relationships, in services buying is recognised implicitly when performance evaluation is included as part of the purchase process.

Not many process descriptions explicitly address the process of business-to-business *expert* services purchasing. The processes in the six right-hand columns of Table 3 do, however, and with the exception of Clark (1995), they appear to aim at covering more than a single type of expert service. Stock and Zinszer (1987) consider eight stages, six of which relate to entry. The six are an expansion from three basic stages, i.e. problem recognition, search and selection (ibid.). Like Stock and Zinszer (1987), Day and Barksdale (1994) also extend their consideration to post-purchase events. They suggest an eight-stage process that connects quality evaluation and satisfaction with selection (1994: 46). Only the five first stages of Day and Barksdale's model in fact belong to the selection process within the limits of the present study (see Table 3). The model is based on a generic problem-solving model, and is held to apply to both consumer and organisational customers (ibid.: 45).

O'Farrell and Moffat's (1991) model of client-provider interactions has altogether twelve stages, six of which apply to the entry into service production as understood here. Some empirical support to the framework is offered by examining differences of services vis-à-vis the stages but focus is on interactions after the award of contract. Clark (1995: 48) later condenses the entry from O'Farrell and Moffat's model into three stages. Gallouj draws on the same model in his analysis of consultancy selection. He also numbers four stages, but with a different interpretation (Gallouj 1997: 48). All in all it is easy to concur with Bunn (1993: 42) who states that

“Most obviously, researchers are unable to agree on the number of stages. [--] In addition, it is well known among academicians and practitioners that not every step is carried out. Furthermore, even if all the stages are exercised for a particular

decision, the order of the stages is often not sequential and decision makers iterate among the stages during the decision process.”

From the examination of the models it is apparent that some researchers prefer fewer process stages, although each stage may involve several activities. There is no specific number of stages that would fit any and every case perfectly: for example Day and Barksdale (1994: 45) argue for a common conceptual framework to aid comparability across studies, yet use a somewhat different process model in their later article (Day & Barksdale 2003). The number and details of the stages clearly vary with research purpose.

Some general observations can be made. The first stage is commonly need recognition or some variant thereof. Some authors prefer the expression ‘problem recognition’, which may imply that the next stage should be a decision whether to handle the problem internally or not. Robinson et al. (1967) are explicit in distinguishing between the two. Their phase one consists of two parts: problem recognition, and awareness of the possibility of solving the problem by purchasing.

The second stage in general purchasing literature usually relates to specifications, but in expert services most authors prefer to move directly to the search for potential service providers. Identification of potential providers is followed by the evaluation of providers and shortlisting, or call for offers and evaluation of offers. Some models include presentations or interviews of finalists, for presentations are considered a key stage for service provider marketers (e.g. Day & Barksdale 2003: 568, 575). The interview stage may also be equated with shortlisting (see Day & Barksdale 1992: 86). All models include some sort of an assessment phase, although Fitzsimmons et al. (1998) subsume evaluation in selection. The final stage is normally the selection decision, although when later aspects of client-provider interaction are considered, the next step, i.e. defining the project in detail (e.g. O’Farrell & Moffat 1991; Clark 1995), may also be counted as part of the entry into service use.

Interestingly, the stages do not seem to have been an object of interest in themselves; despite the variety they are taken for more or less granted by researchers. The only

study found that specifically focuses on buying process elements is concerned with enterprise resources planning software acquisitions. Verville and Halington (2002) develop a model consisting of six distinct, iterative sub-processes: planning, information search, selection, evaluation, choice, and negotiations. The applicability of the “model of the ERP acquisition process” (ibid., 590) to the context of expert services in SMEs is questionable, however, for in the four cases on which the model is based, the value of the purchased ERP software ranges from 1 to 86 million USD, suggesting a scale of operations beyond most small manufacturing firms (ibid., 588–9). Nevertheless, the model is noteworthy in that it combines non-sequential, iterative sub-processes with a linear sequential main process. The implication is that also in expert services, another complex object of purchasing, the process may be recursive.

Process orientation is rare in studies on professional services purchasing (Day & Barksdale 1994: 44–5). Research has used decision-making process stages as leverage for learning about e.g. influences on decision-making, but there is little evidence of efforts to determine empirically whether the stages in themselves correspond to activities in firms in a meaningful way (cf. McQuiston 1989: 72). Indeed, several articles imply that the stages are often in fact *not* followed (e.g. Stock & Zinszer 1987: 13; Gallouj 1997: 59), and that only one potential provider may be considered (Johnston & Bonoma 1981 b: 261; O’Farrell and Moffat 1991: 208).

As the preceding discussion shows, ‘selection’ has been mainly used in literature to denote the final decision on which provider is used (cf. Gallouj 1997). The practice is wide-spread but problematic because it confuses the notions of comparison and decision: selection implies both. Selection can also justifiably be understood as encompassing the search for potential providers, for such a search in itself implies that providers are sorted (comparison/decision) into potential and not-potential providers. Hence, it is suggested that *search, assessment and provider choice decision are all elements of provider selection* (Figure 6). Further, movement from search to evaluation to decision may occur only once, or it may be repeated (e.g. Day and Barksdale 1994). Robinson et al. (1967: 17) similarly concede that phases may take place concurrently, becoming almost indistinguishable.

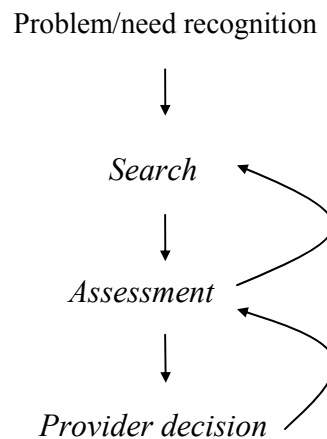


Figure 6. Search, assessment and provider decision as stages in selection.

In summary, literature suggests that the minimum possible number of stages is four. Problem or need recognition is followed by search for possible solutions (provider or offer), which are evaluated. Evaluation leads to either decision on a specific provider, or further search. Provider decision completes the selection process, which may or may not have involved multiple alternative providers. The next section will consider the cues and criteria in selection.

2.1.3 Criteria and cues in selection of expert service provider

In the previous section it is argued that selection is, holistically, the client's decision to choose a specific provider for a specific task. But how do clients find potential providers, and evaluate them? If the process begins with need recognition, it follows that the client has some idea of what is wanted from the provider, although the clarity may vary (e.g. Gummesson 1978; Rynning 1992). Provider characteristics should then match the task the client has in mind. The problem is assessing providers' suitability. The clients cannot directly judge the suitability of a potential provider beforehand, and must therefore rely on cues that reflect the attributes they consider important. Day and Barksdale (1994: 46) argue that all criteria used are ultimately related to quality, i.e. to ensuring the desired level of quality in both client-provider relationship and the outcome. Often it is not possible to assess the quality of the service with objective measures, and hence quality becomes a matter of subjective perceived quality

(Gummesson 1978: 94). The attributes or characteristics that clients assess in providers are in fact rather similar in selection and in performance evaluation; the difference is rather in the cues that the client is able to use (Day & Barksdale 1992).

Wilson (1972: 43) compares the selection process to an inverted triangle with the larger number of potential providers at the base being narrowed down successively to one provider. Many of the selection criteria used in screening or final decision (e.g. “provider must have suitable expertise”) are such that they cannot be assessed directly or easily, and hence indirect cues must be used. Fitzsimmons et al. refer to “surrogate measures”, e.g. past performance and professional certification (1998: 375). However, some of the proposed criteria and cues are relatively vague. For example, reputation is brought up by several authors (e.g. Stock & Zinszer 1987: 7–10; O’Farrell & Moffat 1991: 210; Day & Barksdale 1992: 86; Clark 1995: 85; Fitzsimmons et al. 1998: 378) but its specific meaning is usually not clear.

According to Fitzsimmons et al. (1998) “vendor reputation and experience are perhaps the only important selection criteria” with regard to professional services (1998: 378; cf. O’Farrell & Moffat 1991: 209–10), but no empirical evidence is offered. Clark (1995) is an exception in that he takes pains over defining reputation. He describes reputation as

...a client’s perception of a supplier’s quality based upon evaluations of its past performance. These evaluations are socially constructed in that they are dependent upon ongoing relationships with suppliers and other users of management consultancy services. In the first instance assessments of a particular supplier’s quality are derived from direct experience of that supplier. This is termed *first-hand reputation*. In the other instance clients rely on the assessments made by other users of consultancy services whom they trust. This is termed *third-party reputation*. [...] clients choose between the suppliers [...] on the basis of their evaluations of the quality of services produced in past periods. (Clark 1995: 85).

Reputation, then, relates to the provider’s past performance as perceived by the client, as an indicator of future performance. Reputation, like trustworthiness, is unfortunately not explained in terms of actual cues that clients use to assess it. Indeed, looking at summary lists provided by e.g. Gallouj (1997: 50) and Clark (1995:70), it is clear that several conceptualisations of reputation are at work.

Further, 'reputation' without closer specification does not describe a specific attribute. One may have e.g. a reputation for being honest or for being knowledgeable, but also a reputation for having no ethics or little expertise. Reputation means a general impression of something or someone, building on public information (e.g. media) or private information (e.g. word-of-mouth), and is hence distinct from referral, recommendation and reference (see e.g. Salminen 1997: 17–21, cf. Clark 1995: 76) which are more specific to a situation.

Not only is terminology problematic as illustrated with the preceding discussion on reputation, but the criteria in the literature frequently relate to a single service (e.g. management consulting in Clark 1995 and Dawes et al. 1992), or to provider attributes that cannot be taken for granted in the present context. For example, distinguishing between consultant reputation and consultancy firm reputation (e.g. Stock & Zinszer 1987; Dawes et al. 1992) suggests that one-man consultancies are not among the considered providers. Yet such individual consultants are a significant part of the Finnish consultancy supply (Toivonen 2004: 119). Similarly, trusting and trustworthiness can imply multiple attributes (e.g. Mayer, Davis & Schoorman 1995).

Despite aforementioned problems, literature does provide suggestions as to what criteria clients might apply in selection, and how these criteria are operationalised, i.e. what are the cues that clients use. The following six summary criteria draw on the authors whose work involves external expert services in business-to-business contexts.

Expertise as a criterion relates to the 'expertness' of the potential provider. Expertise is content knowledge applicable to the client's need. Prior relevant experience, e.g. industry-specific previous assignments and similar projects in the past, can signal expertise. Also, academic qualifications, or professional recognition may have a role. (Day & Barksdale 1992; 2003; Dawes et al. 1992; Gallouj 1997)

Capacity is related to expertise but encompasses availability of resources. For example possessing the latest technology, workload and size of the provider firm, availability of other services e.g. in implementation, and apparent efficiency of the provider firm (Day

& Barksdale 1992; 2003; Dawes et al. 1992) are cues to a potential provider's capacity. Expertise and capacity are interlinked: if either expertise or capacity is lacking, the provider does not have the capability to fulfil the client's need.

Day and Barksdale (2003) distinguish further between *client orientation* and '*chemistry*'. The perceived client orientation of a potential provider relates for example to listening to the client and asking the right questions, taking into account client needs and specifications, and demonstrating commitment to the client's project by e.g. senior expert participation in presentation (ibid.). Hence, client orientation is assessed based on what the potential provider does during the selection. 'Chemistry' refers e.g. to being perceived as likeable, honest, courteous; to having shared values; or to achieving rapport (Day & Barksdale 2003: 572–3). 'Chemistry' is therefore clearly more a matter of mutual fit than of provider characteristics alone: it is interpersonal. The chemistry criterion fits well customised expert services where the exchange of tacit knowledge is needed in the course of service delivery. Tacit knowledge is contextual and difficult or impossible to communicate (see e.g. Nonaka & Takeuchi 1995; Nonaka, Toyama & Konno 2001). The need to exchange tacit knowledge means that service is produced in interaction (e.g. O'Farrell & Moffat 1991), which in turn implies that the suitability of any particular provider is relative rather than absolute. The provider must suit the client not only in technical but also social sense. When a service cannot be effectively evaluated even after rendered, subjective factors are likely to influence selection (Day & Barksdale 2003: 566; cf. Bennett et al. 2005).

The literature on purchasing professional or expert services suggests *price* is not as important a factor in decision-making as with other purchases (Wilson 1972; Stock & Zinszer 1987; Day & Barksdale 1992; Clark 1995: 69). According to O'Farrell and Moffat (1991: 210) price may be a constraint rather than a determining factor in provider selection. *Proximity* between the expert service provider and the client has been considered important, although studies are not conclusive. Müller and Zenker (2001) emphasise geographic proximity, particularly in the starting phase of consulting activity. It can be argued that distance increases costs of the service and thus close-by providers should be favoured. Hyypiä and Kautonen (2005) propose that the importance

of proximity depends on strategic orientation in the relationship among other things. Lindahl and Beyers' (1999) results also downplay the role of geographical proximity, as do Stock and Zinszer's (1987). Fitzsimmons et al. (1998) argue that expert services should be, relatively speaking, more transferable than most other services because of their highly intangible nature.

For some of the summary criteria discussed (expertise, capacity, client orientation, chemistry, proximity, price), reputation can be at least a partial cue for assessing a potential provider. For some aspects more specific references may be used. Work colleagues, professional associations and meetings are potential sources of information about service providers, although bounded rationality limits the relatively costly search for 'personal' information (Gallouj 1997: 49). Social networks play an important part in selection (*ibid.*: 60–1).

The importance of different criteria and cues may vary during the selection process. Day and Barksdale (1992) observe that clients emphasise expertise criteria somewhat in selection, although the criteria related to the provider's understanding of client needs are very important in both selection and later performance evaluation. When consideration is limited to only the providers that have at least minimum qualifications (short list), more subjective criteria are focused upon (Day & Barksdale 2003; Maister 2003, *cf.* Stock & Zinszer 1987: 7–10).

Service provider selection occurs also in the context of existing relationships (e.g. Sheth 1973: 54; Stock & Zinszer 1987: 13; O'Farrell & Moffat 1991, *cf.* first-hand reputation in Clark 1995). Laing and Lian (2005) develop a typology of five alternative relationship formats, ranging from an elementary relationship that resembles transactional purchasing to an integrated service relationship. High formality in selection is associated with elementary relationships, whereas integrated relationships exhibit medium formality, and embedded and partnering relationships have low formality (*ibid.*). Previous experience of a provider is not only a source of information, but may also influence the process of selection.

To summarize, clients' provider selection may utilise diverse information ranging from general reputation to detailed facts about the provider firm and its staff. Sources of information are equally diverse, including e.g. individuals in client managers' networks, the potential provider firm itself, public impersonal sources, and personal encounters with the provider. Available information is gauged against the client's criteria on expertise, capacity, provider's client orientation, mutual chemistry, price and proximity. The criteria need not, and cannot, be precisely determined in advance. Further, literature suggests that emphasis on criteria and on sources of information shifts during the selection process. The client makes the decision based on how well the potential provider suits the firm and the task as a whole. An existing relationship with a provider is at minimum a potent source of information in the decision-making, and will be considered next.

2.1.4 An existing business-to-business relationship in purchasing of expert services

An alternative view to the process perspective discussed in Subsection 2.1.2 is to consider service purchase not as a distinct decision sequence but rather as an episode in an ongoing relationship. In purchasing literature the importance of existing relationships with vendors is frequently acknowledged even if not emphasised (e.g. Robinson et al. 1967; Stock & Zinszer 1987), and past purchase behaviour has been shown a better predictor of future purchase behaviour in some contexts than e.g. repurchase intent (Söderlund, Vilgon & Gunnarsson 2001).

In Johnston and Lewin's (1996) review, relationships ranked eighth on the list of constructs that have been studied as influencing buying behaviour. Research on business-to-business marketing has emphasised relationship- and network-oriented studies far more in the past few decades, and relationships are predicted to become even more central to professional services in the future (Laing, Lewis, Foxall & Hogg 2002: 482–3). At the same time the relationship and network literature has become fragmented, partly because interorganisational relationships are addressed by researchers from varying backgrounds (Ritter & Gemünden 2003: 692). One of the influential traditions, arguably the most influential, in the relationship and network

orientation is the Interaction Approach, or “interaction/network approach to industrial marketing” (Grönroos 1997 b: 325–6). This approach is rooted in the conception of active interaction as leading to mutual adaptation between buyers and sellers in a market where single buyers and sellers are significantly important to each other (e.g. Håkansson & Wootz 1979: 28). Emphasizing relationships rather than episodes is integral to the Interaction Approach. Although individual episodes are recognised, the IMP group, i.e. the group of researchers with whom the approach originated (see e.g. Ford 2002), takes the long-term relationship, rather than the episode, as the unit of analysis (Turnbull, Ford & Cunningham 2002: 4). The IMP stream of research has also mostly tended towards manufacturing industries, albeit there are important exceptions (e.g. O’Farrell & Moffat 1991; Halinen 1994; Zolkiewski & Turnbull 2000; Woo & Ennew 2004, 2005).

Risk is linked intimately to the intangible nature of services and the credence qualities of expert services. According to results in organisational buying behaviour literature, an existing relationship is expected to reduce perceived risk levels, depending on its relative strength and depth (Johnston & Lewin 1996: 5, 8). Hence, relationships imply trust, which is the counterpoint to risk. Trustworthiness is contextual, however, and depends on the trustee’s perceived ability to accomplish the task, perceived benevolence, and perceived integrity (Mayer et al. 1995). Relationship-building can thus help overcome risk perception. “A strong, healthy relationship [--] engenders the trust that is necessary for customers to commit to the service” (Claycomb & Martin 2002: 617). Having an on-going relationship may offer the client a sense of security and control, and minimize purchasing risks (Grönroos 2004). Customer retention is important also from the seller’s point of view, since selling to existing clients is likely to be less costly than marketing to new clients (Grönroos 1990). Clients’ satisfaction with the relationships increases retention, but at the same time, if organisational change in the client firm has been achieved through the co-production, retention is reduced (Eriksson & Vaghult 2000).

A long-term relationship implies familiarity between the client and the provider, and can lead to developing trust. Continuing relationships also have a central role in

marketing practice in expert services. Client satisfaction matters in provider selection not only because of repeat business but also as the basis of recommendations. The importance of previous use, referrals and recommendations has been confirmed repeatedly (e.g. Thakor & Kumar 2000; Ellis & Watterson 2001; Barr & McNeilly 2003; Bennett & Smith 2004) in various fields of expertise. For a relationship to develop, however, it has to begin with the first episode, i.e. an initial exchange episode (e.g. Anderson 1995). It can be further argued that for an active, i.e. not latent, relationship to develop, there must also be continued willingness to invest in developing the relationship (e.g. Halinen 1994). Relationship development as such, however, falls outside the bounds of this study, and so far the existing research has told us but little about whether and how these dynamics in fact occur in the context of smaller firms, and their expert service purchasing.

In high risk purchases personal and 'close' sources of information are favoured, previous use in particular. Yet relationships between professional service providers and their clients evolve in a complex setting where individual assignments are only a part of a dynamic process (Halinen 1994). Further, business-to-business services have multiple switching barriers e.g. inertia, peripheral benefits or lack of knowledge about alternatives (Yanamandram & White 2006). Hence, an appearance of a stable relationship need not indicate trust. However, Gounaris and Venetis (2002) who studied advertising agency clients argue that trust evolves and becomes more rationally based as time goes by. Researchers emphasise different aspects of relationship-building (e.g. Athaide, Meyers & Wilemon 1996; Filiatrault & Lapierre 1997; Hirvonen & Helander 2001), and some studies suggest that strong, close relationships may also be counterproductive in expert services (Pellegrinelli 2001: 358; Venetis & Ghauri 2004: 1594). Possibly the optimum practices are different in different services.

To summarise, relationships are clearly central in purchasing expert services. An existing service relationship between the buyer and the seller is likely to reduce perceived risk, but long term relationships are not universally recommended. Even when a stable relationship is sought by the client, it must originate in a single assignment without a previous relationship.

2.1.5 Contextual influences on client behaviour in the buying situation

Purchasing behaviour is contextual. Each selection decision takes place in a set of circumstances. Understanding what *influences* purchasing decisions, i.e. whether decisions are made differently in different circumstances and how, is one of the core questions in business-to-business marketing. In industrial buying behaviour research the aim in considering the influences is to understand why and how a particular vendor is selected by the client. Here focus is more on *how the client acts in the process*; nevertheless the two are connected. Hence, this section will review some of the factors that influence buying behaviour according to literature. Such situational characteristics include purchasing characteristics such as novelty (Robinson et al. 1967; also e.g. Evans 1981; McQuiston 1989; Bunn 1993; Garrido-Samaniego & Gutiérrez-Cillán 2004) and purchase complexity (e.g. McQuiston 1989), client and provider organisational (e.g. Johnston & Bonoma 1981 a; Lynn 1987; Garrido-Samaniego & Gutiérrez-Cillán 2004) and individual characteristics (e.g. Day & Barksdale 1994; Mitchell 1998 a; Laroche et al. 2003; Coulter & Coulter 2003) and market characteristics (Bunn 1993; Day & Barksdale 1994). Not all of the characteristics are unequivocally defined, however, nor directly relevant for expert services in SMEs.

Purchase characteristics have been the most extensively analysed determinant of buying behaviour in main stream organisational buying behaviour literature (Johnston & Lewin 1996: 6). Most researchers agree that some sort of taxonomy of buy-classes exists (McQuiston 1989: 68), implying that buying situations can be meaningfully classified. The most frequently cited *buy task characteristic* is novelty. It is the basis for the best known typology of purchases, BUYGRID, which classifies purchases as new buys, modified rebuys and straight rebuys (Robinson et al. 1967, cf. also e.g. McQuiston 1989; Bunn 1993). Novelty of the purchase situation is understood as the degree to which the purchasers have experience of similar purchase situations (e.g. McQuiston 1989: 69). Novelty is associated with seeking more information (ibid.: 76) and with less focus on price (e.g. Robinson et al. 1967: 199). Dawes et al. (1992), however, find little difference between frequent and infrequent purchasers of management consulting services while according to Sheth (1973: 54) standard purchases are often made from “preferred supplier” with little information gathering (cf. Patton et al. 1986). In rebuy

situations the “in” supplier has the advantage, for switching suppliers involves added risk and uncertainty (e.g. Robinson et al. 1967: 202). Evans (1981) demonstrates that buyers are less involved with reoccurring routine purchases. Lower involvement is equated with less pre-purchase effort.

Purchase-related risk acts as the pivot in e.g. Johnston and Lewin’s (1996: 8) summary on the dynamics of organisational buying. Higher risk is associated with e.g. formal decision rules and active information search (Johnston & Lewin 1996: 8–9). Purchase (task) characteristics are antecedents to risk (cf. Mitchell 1998 b: 468). Novelty is the best known of the purchase characteristics, and has been tested repeatedly and shown relevant, and is also conceptually relatively clear. Particularly the latter condition remains unfulfilled for many proposed situational characteristics. In Johnston and Lewin’s model (1996: 8) perceived risk in a purchase situation is mostly a function of purchase importance, complexity associated with the purchase, uncertainty of outcome, and time pressure. Yet complexity, importance and perceived risk have all been understood in various ways. For example, risk perceptions may be organisational and personal (Mitchell 1998 a; Garrido-Samaniego & Gutiérrez-Cillán 2004). The notion of complexity is even more problematic: Whereas McQuiston (1989) treats participation of an unusually large number of people as an indicator for complexity, for Garrido-Samaniego and Gutiérrez-Cillán (2004) high participation is an effect of complexity, while complexity is associated with the degree of difficulty in the decision-making. Complexity may relate to the purchase or the object of purchasing (McQuiston 1989: 73). No operational definition for complexity exists (Smeltzer & Odgen 2002: 69). Further, Smeltzer and Ogden (2002: 57) found “complexity” interchangeable with “risk” in their focus group discussions with professional buyers. In summary, if risk is understood as a function of uncertainty and importance (see Section 2.1.1), complexity cannot be accommodated as a purchase characteristic.

One of the purchase characteristics frequently studied is product type (Johnston & Lewin 1996). In the present study the product is predetermined as an expert service, i.e. the performance of an expertise task, but that leaves room for variety. Perhaps the most obvious *expertise task characteristic* to consider is importance. Importance is associated

with risk. As with complexity, the distinction between perceived risk and importance is not obvious in literature (see McQuiston 1989; Kohli 1989; Bunn 1993; Mitchell 1998 a). McQuiston (1989: 70) defines importance as the perceived impact of the purchase on the productivity and profitability of the client organisation. Hence, importance includes both the size of the purchase, i.e. cost, and expected impact of the service. Importance is associated with seeking more information (McQuiston 1987: 76), and possibly with the dimensions of the buying centre (Johnston & Bonoma 1981 b) and the number of purchase process stages (Gallouj 1997: 51–2). High purchase importance and perceived lack of relevant information are associated with high situational risk as perceived by the buyer (Bunn & Liu 1996; cf. Wilson, McMurrian & Woodside 2001), and with increase in commitment to existing supplier (Fitzsimmons et al. 1998). A recent model by Hunter et al. (2006) on the other hand suggests that purchase importance lessens the importance of established procedures, policies or transaction precedents, and also increases the search for information and proactive (long-term) focus in the purchase process. The model was, however, tested without reference to the type of object purchased, i.e. goods or services (Perreault 2006). Further, expert services differ in the degree to which clients perceive them as difficult to assess and/or intangible (cf. Laroche et al. 2003), and the degree to which the client is involved in service production (O'Farrell & Moffat 1991). Hence, the content of the task may influence risk perceptions, but the influence is situation-specific.

Another expertise task characteristic to consider is time pressure (Sheth 1973; Johnston & Lewin 1996). Time pressure has effects on e.g. relative influence of individuals in the buying centre (Kohli 1989) and buying centre size (Garrido-Samaniego & Gutiérrez-Cillán 2004). The urgency of the task influences also selection criteria, if the immediate availability of capacity must be considered, and leads to less searching and briefer evaluation in selection. Expertise tasks also differ in the degree of interaction needed, and hence for example the role of proximity in selection is likely to vary. The extensiveness of the choice set, i.e. the market situation, may influence buying behaviour (e.g. Bunn 1993).

Client characteristics are also important in a given purchasing situation. Clients' risk perceptions are not based only on the characteristics of the object of purchasing (i.e. expert service). Individual purchasers differ in their risk perceptions (Mitchell 1998 a). Further, it was argued earlier that the perceived lack of relevant information leads to higher risk perception. The degree to which a particular client perceives a lack of relevant information depends on the client's characteristics. Risk perceptions are also influenced by the level of personal relevance and knowledge (Laroche et al. 2003). Lack of knowledge about the area of expertise may increase the perception of risk. Individuals may also differ in their propensity to trust (Mayer et al. 1995). Coulter and Coulter (2003) suggest that familiarity with the expert service industry can reduce perceived risk also vis-à-vis a particular provider. To summarize, clients differ in their propensity to see a particular purchase as risky. Further, the client firm's organisational characteristics may influence purchasing. Greater firm size and formalisation in decision-making are associated with increased participation (Johnston & Bonoma 1981 a; Lynn 1987; Garrido-Samaniego & Gutiérrez-Cillán 2004), and Storey (1994) remarks on a marked shift to greater formality around the 10–20 employee range. The characteristics of the client's organisational memory may also be significant. The availability of physical organisational memory in the form of e.g. computerised records of previous purchases is held significant in Park and Bunn's (2003) framework. Although the framework is conceptually interesting, the examples used (see *ibid.*: 248–51) suggest that applying it to small firms is problematic.

The characteristics of the sellers are also a potential determinant for organisational buying behaviour (Johnston & Lewin 1996: 6), or in the present context, *provider characteristics*. First, when the buying task is not new, the client has some kind of existing or past relationship to at least one provider, and hence the characteristics of the provider(s) influence the client in either awarding the task to the previous provider, or in seeking an alternative that is different in some respect. Second, selection relies to a great extent on the characteristics of the provider (see Section 2.1.3). Hence, these characteristics, as far as they are known at a particular point in time, partly shape the purchasing situation. It should be noted, however, that it is the provider characteristics

as perceived by the client that influence client behaviour, not provider characteristics in some abstract sense.

The key elements of a buying situation are thus the characteristics of *the buy task* (novelty), *the expertise task* (importance, urgency, content), *the client* (level of knowledge, personalities, organisational characteristics) and *potential providers* (with or without existing relationship). The situational characteristics influence purchasing behaviour directly and by contributing to the client's overall perception of risk. The market situation, particularly availability of services, may also have an influence.

2.2 SMEs and expert services purchasing

As discussed earlier (Section 1.2), little marketing research exists on the purchasing of expert services by SMEs. The following discussion thus draws heavily on small business and entrepreneurship research. First the sources of expert services particularly interesting in the SME context are discussed. After that, in Subsection 2.2.2, the implications of SME characteristics on purchasing decisions are discussed. The main focus in the Subsection is on the possible differences between small and large firms, and on the empirical studies on SMEs that can contribute to understanding their purchasing of expert services.

2.2.1 Provision and demand of expert services for SMEs

There is a growing understanding that small firms and entrepreneurs are extremely important for economic development (e.g. Storey 1994; Wennekers & Thurik 1999; Boter & Lundström 2005: 244). Thus societies are increasingly interested in how they can or should support SMEs. The public sector in Finland supports SMEs in all development phases (Väänänen 2003), raising even some concerns over whether public sector activity is crowding out potential private business (ibid.; also Georghiou, Smith, Toivanen & Ylä-Anttila 2003). Massey (2003) contrasts two models of enterprise development services. In the "consultancy approach" the firm initiates its development plan and selects an external provider to provide a defined service, whereas in the

“extension approach” a development agency may contact the client and offer development services (*ibid*). Massey’s argument suggests that in some business support services the public sector provider is the active party whereas in others the client acts on his own initiative. In the latter case the use of business support services corresponds to the use of private business services in terms of need recognition. Public sector advisers may hold reward power rather than expert power in relation to their SME clients (Mole 2002: 142; cf. Hjalmarsson & Johansson 2003). According to Johansson (1999: 141-2), small business research connected with consultancy services usually takes it for granted that SMEs do need advice, while at the same time there is a widely recognized opinion among SMEs that consultants are not worth the money (cf. e.g. Hurmerinta-Peltomäki & Nummela 1998: 76; Palojärvi 2000: 292). Counselling rather than consulting, i.e. outsider assistance as a knowledge resource, has been proposed as one answer (Chrisman and McMullan 2004).

The usual arguments favouring public support services to SMEs relate to market failure and to positive externalities (e.g. Storey 1994). Interestingly, some of the recent literature seems to imply that private expert services might be less available to smaller firms because they, as clients, are not as attractive as larger firms. Literature on the marketing and management of expert service firms frequently proposes that the providers of expert services should be selective in accepting clients, and not consider only immediate business prospects in their marketing. Co-production with the client is not important only for the client but also for the service provider, as the service provider’s knowledge development depends to some degree on the clients it has (Hansen, Nohria & Tierney 1999; Martin et al. 1999; Bettencourt et al. 2002; Maister 2003; Kam & Singh 2004; Skaates & Seppänen 2005). For example in business-to-business consulting services client productivity is an issue (Martin, Horne & Chan 2001), and having experience of working with suitable clients can be a key resource (O’Farrell & Wood 1999; also Day & Barksdale 1992: 87; Stock & Zinszer 1987: 9). Hence, even if a small firm has the financial and human resources, and is willing to buy external expert services on the market, it may find it is not a desirable client.

In addition to public and private expert services, other sources of external expertise are used by SMEs. Earlier research has shown that for many businesses customers and suppliers are important sources of information (see e.g. Ylinenpää 1999; Kuusisto 2000), services (Mathieu 2001) and advice or new ideas (Belotti 1999). The most frequently used private sector sources of external advice in a recent study on British SMEs are, in order of use percentage, accountants, banks, legal advisors, consultants, and friends and relatives (Ramsden & Bennett 2005: 234). Banks and auditors/legal advisors are clearly the most frequently used providers of business support services in also Boter and Lundström's (2005) study, albeit the two cannot be directly compared because of differences in research design. Accountants and banks are also the most frequently used sources of business advice for home based micro-firms in Australia, with other business operators, and friends and relatives ranking high as well (Jay & Schaper 2003). Ylinenpää (1999) reports that e.g. customers, suppliers, banks and auditors figure in small manufacturing firms' acquisition of external competence. SMEs may consider informal sources, and particularly personal networks, more relevant than e.g. professional advisory services (Burke & Jarratt 2004). In summary, the map of external expert services for SMEs covers not only KIBS firms, but also public and informal sources and other firms, e.g. suppliers.

But how keen are small firms to use services? Limited resources have been considered one of the key problems of small firms, and external services would seem a natural answer. As Smallbone et al. (1993: 279) put it, "[o]wners and managers of SMEs cannot be expected to be equally proficient in all aspects of management, and effective use of outside agencies may be able to help the firm to deal with specific problems and/or to contribute to the overall strategic development of the company."

If small resources are a reason to use external expertise, the smallest firms should be the most active users of external support services. This does not seem to be the case. Boter and Lundström (2005) show that within the small firm category firm size is clearly related to the frequency of contact with external support services, but the smallest micro firms are not the most intensive users of external services, although they surely have the most limited internal resources. The study covered Swedish firms with less than 50

employees, in various business lines (*ibid.*; see also Smallbone et al. 1993: 284). Similarly, with Finnish SMEs the increase in size and age, as well as large international markets and computerisation, are connected to increased probability of using external expert services (Hurmerinta-Peltomäki & Nummela 1998: 73; cf. Bennett, Robson & Bratton 2001 b: 876). Christensen and Klyver (2006: 300–1) find it paradoxical that small firms both seem to need management consulting and are found to be low frequency users, finding little benefit in professional management advice. A gap in understanding thus exists: either supply is viewed as deficient in quality, or demand is viewed as insufficient in comparison to actual need (*ibid.*).

Gadrey and Gallouj (1998) argue that internal expert resources are needed to make effective use of external expert services. Thus, smaller firms' use of expert services may, to some degree, be constrained by their ability to effectively interface with external experts. Thus, a firm with only one or two employees may simply not be able to use external expertise. This may be a partial explanation for the apparent paradox.

It has also been suggested that small firm owner/managers may be unwilling to accept outside advice (e.g. Storey 1994; Scott, Jones, Bramley & Bolton 1996: 89; Schaper, Campo & Imukuka 2005), that there may be a need to “break down the perception of self-sufficiency and the suspicion of outsiders which is common in many small firms” (Smallbone et al. 1993: 293). SME entrepreneurs may feel that external experts “speak a different language” (Palojärvi 2000: 292). Rusten et al. (2004) point out that the reluctance to use consultants may be based on quite rational grounds. An SME may limit their use of external expertise for example because it is so specialized that it cannot obtain useful inputs from external experts without first taking considerable pains to ‘educate’ them, which in turn exposes the client to knowledge leaks (*ibid.*). It is not clear to what extent the argument also applies to non-technical consultancy.

Ramsden and Bennett (2005) find little evidence of reluctance on part of owner-managers to seek external advice. Almost all SMEs they surveyed had sought external advice, and most had received some from several sources. Bryson and Daniels (1998) also find wide use of external expertise in SMEs. According to McGee and Sawyerr

(2003: 398) particularly newer firms in uncertain environments benefit from contacts with people who are able to provide information and advice.

To summarize, SMEs are viewed alternatively as particularly in need of external expert services, or as reluctant or inactive users of such services. Research evidence suggests that the use of external expertise is not infrequent, however; the lack of demand may relate to formal management consulting advice rather than to external expertise in general, or may reflect the lack of internal resources in the very smallest firms.

2.2.2 SME purchasing decisions

Johnston and Lewin conclude that “it seems clear that *all but the smallest of firms* purchase *many* of their goods and services using the process known as organizational buying behaviour” (1996: 5, my emphasis.). This would imply that their purchasing would occur in accordance with stages such as those described in Subsection 2.1.2. It is the assumption in this study that SMEs combine some features of both industrial and consumer buying (cf. Subsection 1.4.2), and hence, that their behaviour in some respects is different from that described in organisational buying behaviour theory. Sheth (1973: 54) provides some implicit support for this as he argues that small privately owned firms will tend toward autonomous rather than joint decision making (cf. also e.g. Lynn 1987; Banks, Bures & Champion 1987; Palojärvi 2000; Rohde 2004). In a recent study on Dutch SMEs Gils (2005) finds that two thirds of SMEs have a top management team with one or two members only, including the CEO. According to Morrissey and Pittaway (2006: 292) although larger manufacturing firms often have a specific purchasing role, in small firms owner-managers tend to take the lead. They argue (ibid, 280) that “the conventional wisdom” of purchasing behaviour is derived from the practices of much larger firms, and hence does not explain what smaller firms do (cf. also Morrissey & Pittaway 2004).

Grønhaug and Venkatesh (1991: 21–7) put forward a number of propositions concerning organisational buying needs, and some of the propositions are relevant to the differences between large and small firms. First, Grønhaug and Venkatesh suggest that

greater organisational complexity will lead to better recognition of new organisational buying needs while influencing negatively purchase decision finalisation. Also, when relevant organisational members are experiencing high workload, they are more likely to overlook novel, unstructured buying needs. Finally, adapting to changes in e.g. customer preferences leads to new buying needs. (Grønhaug & Venkatesh 1991: 23–5.)

Although Grønhaug and Venkatesh (1991) do not address small firms or expert services in particular, their propositions imply that small firms, with simple organisations, small buying centres, and good likelihood of experiencing high key person load, should hence be slower in need recognition but faster in making the purchase decision once a need is recognised. Further, need recognition may depend on a few key persons' workloads and competencies. Customers' changing needs can influence small firms' own purchasing requirements.

SMEs are also likely to differ from each other in their propensity and ability to use expert services. Hurmerinta-Peltomäki and Nummela (2004) analyse survey data from Finnish firms with fewer than 500 employees, and find that firms with previous experience of expert services see more need for such services than other SMEs. Also, more educated managers are more likely to perceive a need (*ibid.*; Hurmerinta-Peltomäki & Nummela 1998: 74; cf. Grønhaug & Venkatesh 1991: 23). Hurmerinta-Peltomäki and Nummela (2004) conclude that there are different segments of SME clients: the "sophisticated" service users know what they want whereas the "ignorant" clients are not aware of their possible latent needs. The need for expert services develops and changes as the firm itself grows and changes (*ibid.*). SMEs' demand for expert services has been linked also to growth strategies (Martikainen & Nikkinen 2004), export market strategies (Chiara & Minguzzi 2002) and innovativeness (Väänänen 2003). Taken together, the studies suggest that the small firm's strategic situation, history and plans influence both needs and need recognition for external expert services.

Burke and Jarratt (2004) find that SMEs use advice from formal sources such as accountants and banks as expert inputs on limited questions rather than as part of the

strategy formation (cf. Palojärvi 2000: 301). For advice personal networks are preferred (Hjalmarsson & Johansson 2003: 86). According to Bryson and Daniels (1998) the most common motives for SMEs using private sector advice are the need for special knowledge or for an impartial view. These studies would seem to be in line with Wilson's (1972) suggested motivations for the use of professional services (cf. Subsection 2.1.1). However, in Larsen's (2000) study of small Danish manufacturing firms' use of technical engineering services, non-critical and low frequency tasks are most likely to be given out to external providers. In summary, literature is somewhat ambivalent on the question of which expert services are likely to be primarily sought by SMEs.

Pertaining to the purchase decisions in smaller firms, Gallouj (1997: 52) believes that formal tendering is in fact uncommon in SMEs. Literature suggests that even in large firms the selection and recruitment of consultants may be based on informal networks (e.g. Gallouj 1997; Stock & Zinszer 1987), and in SMEs, assuming smaller and less regular volume of service purchasing, there is even less incentive to develop systematic selection capabilities. Rynning's (1992) study, albeit somewhat limited in scope, finds no difference between small and large firms in how consulting relationships were initiated.

In larger firms expert services are "a major concern of purchasing managers", partly because e.g. consulting and advertising services are frequently handled by non-professional buyers in the organisations (Smeltzer & Ogden 2002: 68). As an example, buying management consulting services requires involvement of the services' users for their substantive knowledge, whereas procedural knowledge is possessed by professional buyers. Also, if top management views services buying as easier than materials buying as suggested by Smeltzer and Ogden (2002), those with content-knowledge may be more frequently given the task of buying such services. The results of Johnston and Bonoma (1981 b: 257) on expert services in particular, although hardly conclusive, are suggestive in this respect. Also Ulkuniemi, Heikkinen, Komulainen and Tähtinen (2006: 14) suggest that specification of the object of exchange and the co-creation aspects of service are more important in purchasing expertise than e.g.

tendering. Hence, it is possible that small firms resemble their larger counterparts more in expert services purchasing than in other organisational purchasing.

Thus far, very few studies actually address the questions of how SME clients acquire external expert services, or how providers are selected. Among the most significant is Bennett and Smith's (2004) research on selection and control of management consultants. Their survey in the UK confirmed that general management consultancy selection by SMEs is chiefly dependent on repeat business and referral from third parties. They argue that brands tend to be associated with more expense, and thus are more important to large consultancy practices than small ones. Network of referrals is the most often mentioned selection method, with previous use and referral from public sector organisations coming next. The analysis also indicates, unsurprisingly, that the selection of previously used consultants increases with client firm age. (Bennett & Smith 2004.)

Referrals are central to the study of Money, Gilly and Graham (1998) also, and unlike Bennett and Smith (2004), their data come from client SMEs. Their research addresses a mix of services, and is focused more on cultural differences between Japanese and U.S. managers than provider selection. However, the importance of word-of-mouth referrals in SMEs is confirmed. When smaller businesses buy expert services, they rarely operationalise all the stages of the purchasing process (Gallouj 1997: 52), and word-of-mouth may function as a short cut.

Further, Woolgar, Vaux, Gomes, Ezingear and Grive (1998) observe concerning external technological knowledge, that SMEs, although adept at networking familiar sources, often do not regard it worth their time and effort to search outside existing networks. Each SME views itself and its own issues as central, and focuses on the specific and specialized set of needs it has. In this "SME-centric universe" SMEs relate most intensively with their suppliers and customers (Woolgar et al. 1998: 576–8). The argument resembles that of Bryson and Daniels (1998) who imply that SMEs' reliance on local ties tends to guide their use of expert services. Fuller and Lewis (2002) find an "almost ubiquitous presence of a long-term perspective in each relationship" (ibid: 321)

in small businesses and conclude that from the small firms' point of view, relationships are inherently a part of how business is done on daily basis. This suggests that also expert services are viewed as long-term relationships when the expertise in question is likely to be needed repeatedly.

The lack of resources in smaller firms suggests that they might favour local services with lower transaction costs. Proximity has been thought both less and more significant in expert service use. In Bryson and Daniels' (1998) study SMEs use a local² provider for most services about half of the time. Distance to the client is not significant to the selection process with Bennett and Smith (2004), however, and Bennett et al. (2001 a) find strong locational constraints only in the input of business friends and relatives.

Rusten et al.'s (2004) exploration of client-consultant relationships gives a different perspective on proximity. Their study is based on two case studies, manufacturing SMEs in Norway. Rusten et al. demonstrate that while there are advantages to using local expertise, there are also clear disadvantages. Local experts are more likely to have been, or to be in the future, involved with local competitors. Furthermore, in certain services a local expert's ability to act is constrained by his membership in the local community, e.g. using a local consultant to assist in down-sizing a plant presents obvious problems. (Rusten et al. 2004; also Rusten et al. 2005.)

To conclude, little is actually known about how small firms access expert services. Research suggests that small firms may have problems with need recognition. For example innovativeness, growth, and previous experience of using expert services are associated with increased use. In provider search and selection previous familiarity and recommendations by trusted sources and proximity are emphasised.

² Local, here, is within 20 miles, i.e. about 32 kilometers.

2.3 A theory-based framework of SMEs' external expertise accessing

There is little research that directly and explicitly examines the issues this study is concerned with. Hence, the theoretical background combines elements from various lines of study. In this Section the elements of existing theory are combined into a single framework. The framework gives an approximation of how the present theory answers the research questions addressed in this study. Figure 7 gives a summary view.

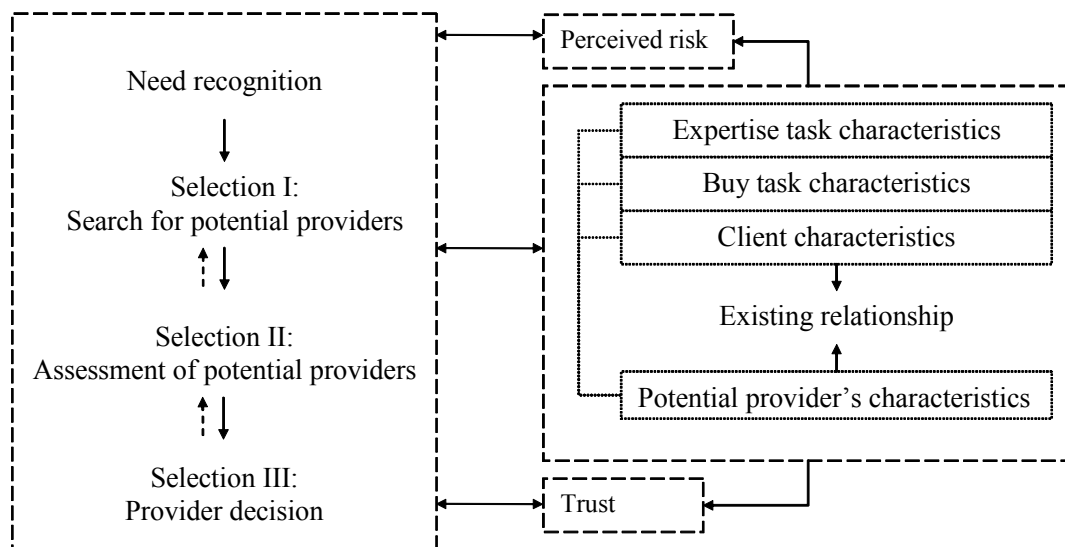


Figure 7. Theory-based framework of SMEs' accessing of external expert services.

2.3.1 Client's accessing behaviour

The left-hand side of the model shows the client's accessing behaviour. The behaviour is presented in stages of the accessing process. As stated earlier, no theory guidance on 'accessing' is available, and thus purchasing models have been drawn upon.

The four stages suggested in the framework are a synthesis drawing on several processes proposed in literature (see Subsection 2.1.2), coming closest to Sheth's (1973) in general outline. *Need recognition* is the starting point of the purchasing process in the models offered in literature. Need is understood to mean a problem for which external input is desired. Thus, need recognition encompasses both problem recognition and the decision to use external expertise (Robinson et al. 1967; cf. e.g. Stock & Zinszer 1987).

Need recognition also assumes that the client firm has a more or less coherent idea what it wants from external expertise. Hence, although the firm may not have designed formal terms of reference (e.g. O'Farrell & Moffat 1991), it knows what it wants to accomplish by the use of external expertise well enough to commence the search for it. Small firms may, however, be slower in recognising their needs and more dependent on the competence and capacity of a few individuals (see Subsection 2.2.2).

Need recognition is followed by selection. In selection the client evaluates providers' expertise, capacity, client orientation, proximity, mutual chemistry and projected price. Information gauged in the process ranges from impersonal facts to the client's experiences of an existing or past relationship with the provider being evaluated. As argued in Subsection 2.1.2, selection is understood to encompass *search*, *assessment*, and *provider decision (choice)*. SMEs are likely to be faster in the decision-making than large firms. They have fewer formalities and are able to act flexibly. Because smaller firms also have a smaller resource base, the decision-maker(s) may be under time pressure. Hence, only one iteration of compare/decide cycle is included in the framework, although literature more commonly suggests two, i.e. initial consideration set and short list. Time pressure tends to limit the steps and options in selection. Also, SMEs may have a tendency to limit the search to their own network, as well as having a smaller internal knowledge base to draw upon. Nevertheless also SMEs may engage in 'text-book' selection behaviour by proceeding from long list to short list to final decision, particularly for important services. The possibility of repeated iterations is therefore included.

2.3.2 Situational characteristics in accessing

The right side in Figure 7 shows the contextual characteristics of the accessing situation. The dotted frame in the middle summarises the factors that influence the client's behaviour directly, and by contributing to the perceived risk and its reduction.

A number of situational characteristics, i.e. characteristics pertaining to a specific case of accessing services, are relevant for client behaviour. First, the *expertise task*, i.e. the

desired service, has a degree of importance. An expertise task is important when it is believed to have significant impacts on the firm and/or is costly. Important tasks are likely to receive more attention, hence more time is given to the process and e.g. some reiteration in selection stages is more likely. Importance may also lead to relying on known sources as a tactic to reduce uncertainty, but also to more extensive search if more resources are allocated to the selection process. Second, the expertise task may be more or less urgent. Urgency cuts down the time available for selection. Further expertise task characteristics such as the degree of interaction, service availability and degree of task intangibility (see Subsection 2.1.1) also potentially have implications for both risk perceptions and for selection behaviour directly. For example, clients may emphasise chemistry in selection in expert services requiring deep interaction.

Organisational buying literature treats the *buying task* as distinct from the object of buying, in this case expert services. In SMEs buying is rarely in the hands of specialised professional buyers, hence distinguishing between e.g. the urgency and importance of the buying task and the urgency and importance of the expertise task is problematic. These characteristics are therefore associated with the expertise task rather than the buy task in the theory-based framework. In summary, the expertise task characteristics proposed are task content, urgency and importance. Further, availability of expertise, i.e. market situation, as it influences buyer power may be significant.

Novelty of the buy task is, however, conceptually distinct from expert task content in small firms as well. If a service is needed repeatedly, the client's behaviour may conform to a routine pattern. This could take the form of skipping steps in the accessing process, or lead to developing guidelines and routines for handling the purchasing, or to repeatedly using the same provider. A client with at least some experience of purchasing the same or similar services may behave differently than a client with a wholly novel buy task. Previous experience is important not only for identifying the previously known provider as a potential provider for the current task, but also for other aspects of accessing. When the client has experience of one provider, that experience shapes expectations for future selection and service use as well.

A number of *client characteristics* can potentially influence accessing behaviour. A great deal of organisational purchasing research has focused on buying centre characteristics. In the present study the client is defined as a small manufacturing firm, implying that the purchasing centre is small, with final decision-making power in the hands of a single individual, and that no professional buyers are involved. Yet also SMEs and the individual managers are heterogeneous. For example, some SMEs have quality systems that regulate purchasing, whereas others have no established procedures at all. Also individual managers differ in their personalities and knowledge levels. Hence, personalities, knowledge, and organisational characteristics are potentially influential client characteristics.

The *potential provider's characteristics* vary also. The provider's characteristics relate to qualifications, i.e. the ability to do the job, and suitability in other respects. The characteristics proposed based on literature are expertise, capacity, client orientation, chemistry, price and proximity. The importance of these characteristics vis-à-vis the client behaviour in any particular accessing situation should depend on the characteristics of the expertise task, buy task, and client characteristics. The provider characteristics are ultimately significant not so much in the absolute, but rather in how they are perceived by the client during the process. Thus the suitability of a provider is not relative only to the expertise task and the client, but also a matter of how the suitability is understood. The provider's ability to present himself as suitable may therefore be an important characteristic.

Provider characteristics are connected with the potentially decisive role of *existing relationships*. Although this study does not presuppose existing relationships, their presence, when they do exist, is clearly a significant factor. Familiar providers are generally preferred, other things being equal. With previous experience of a provider in some task or tasks, the client has an impression of the provider's suitability for a new task as well. Buy task and client characteristic are in some respects similarly modified in presence of an existing relationship. Significantly also, the service provider is able, based on his existing knowledge of the client firm, to shape his own behaviour and thus client perception of his suitability for the present task. The overall direct effect of an

existing relationship is that each party is better aware of the other's characteristics. Familiarity influences accessing behaviour not only directly in combination with the other contextual characteristics of the situation, but also by way of risk and trust.

2.3.3 Risk and trust

Risk is central in both services literature and literature on organisational buying behaviour. Subsections 2.1.1–2.1.6 have repeatedly alluded to risk, but its role in expertise services accessing of SMEs as understood in the present study has not been explicitly stated. In service contexts the notion of risk links to intangibility of services, and particularly the credence qualities of expert services. In organisational buying literature risk links to the buyer's behaviour as a pivotal concept, capturing an essential aspect in any purchasing situation. Mitchell (1994) in her literature review on industrial professional services purchasing concludes that

“Equivalent value services are generally riskier than products, and professional services are likely to be more hazardous than other services. Industrial purchasing is generally riskier than consumer purchasing.” (Mitchell 1994: 337)

In this study risk is understood as holistic risk perception by the client of the service use, derived from all uncertainties associated with the process and the importance of the task. Although the present study confines itself to the entry into service use, importance is associated with outcomes as well as the entry into services use; hence, the predicted outcome is a factor in service purchasing. No attempt is made to differentiate between types of risk (e.g. financial, social, etc.) or their association with different aspects of an accessing situation. Instead, the concept of *perceived risk*, albeit less detailed, is preferred because it is also less ambiguous. In summary, perceived risk is tied to importance, and is contextual to a specific instance of expert service accessing. Perceived risk summarises all the uncertainties of purchasing or otherwise accessing external expert services. All characteristics of the situation can contribute to perceived risk or reduce it. To give an example, when industrial design services are needed for the first time in a firm, the buy task is novel and the perceived risk is increased. However, if the managing director of the firm has a good working knowledge of industrial design, the manager's knowledge reduces the perceived risk.

The counterpoint to perceived risk is trust. Trust as a concept has attracted a great deal of interest and proven difficult to grasp (see e.g. Mayer et al. 1995; Blomqvist 2002). Trusting means that the client believes first, that the provider has the ability to accomplish the task, and second, will do as agreed, and third, can be relied on to act professionally. In other words, the provider has perceived ability, benevolence, and integrity (Mayer et al. 1995). For the sake of parsimony, a simplistic construct of trust is adopted here. Since interest is limited to the beginning of an assignment, and perceived risk denotes client risk holistically, we can state that *when accessing takes place, sufficient trust exists to overcome the client's perceived risk*.

Halliday (2004) argues that in the professional services context there is a distinction between the initial *placed trust* (act of trusting enables the service delivery), and *trust as response* (to experience). Placed trust refers to the act of trusting that enables the service delivery initially, whereas trust as response is the result of experience (cf. Davies & Prince 2005). The concept fits the present research setting well. Placed or initial trust must exist for the purchase to take place. The placed trust may in turn derive from earlier experience of the service provider, in which case placed trust is also trust as response (Figure 8).

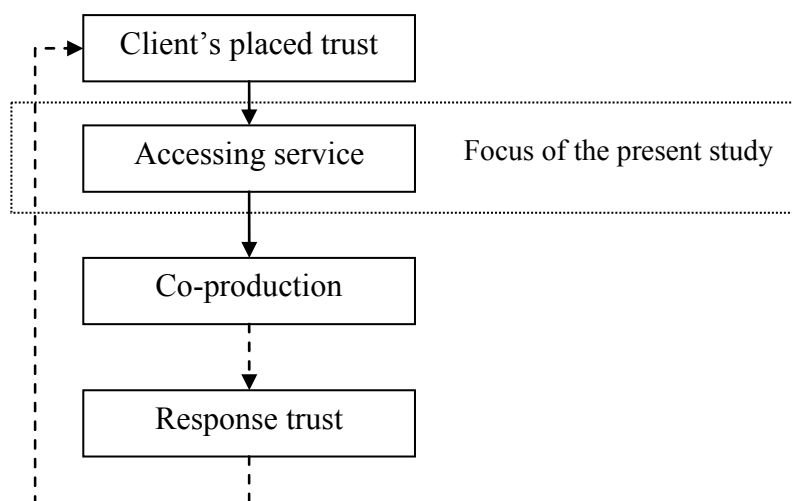


Figure 8. “Placed trust” and “trust as response” in the context of present study (based on Halliday 2004).

In summary, the characteristics of the accessing situation in combination give the client an overall perception of *risk*. To counterbalance the risk, *trust* is either placed by the client in the provider, or alternatively, is already in place as result of an existing relationship.

2.3.4 Summary

The framework describes client behaviour in accessing as a quasi-linear process in which the client may repeat steps. A number of influences on the client's behaviour in the accessing situation are also proposed. These influences are the characteristics of the expertise task, the buy task, the client, and the characteristics of the provider in question as perceived by the client, and finally, the possible presence of an existing relationship with a provider. The expertise task characteristics are task importance, urgency and content, and the buy task characteristic considered is novelty. The client characteristics considered in the framework are personality, knowledge and organisational characteristics of the firm. The pertinence of any specific provider characteristics is contingent on the characteristics of the buy task, expertise task and the client.

The influence that situational characteristics have on the client may be direct, indirect or both. Indirect influence occurs through increase or decrease in perceived risk or trust. Essentially, the framework suggests that accessing situations are highly case-specific. The influences portrayed are interwoven and complex, embedded in the context in which accessing takes place. Hence, the framework proposes that situational characteristics influence behaviour in combination rather than singly.

3 EMPIRICAL METHODOLOGY

This Chapter describes the methodology of the research. The first Section discusses the adoption of a qualitative approach. In the second Section the context, logic and formation of the client firm sample are explained. In Section 3.3 the interview process is described. Section 3.4 describes the technique and progression of data analysis, and offers some notes on the presentation of data in this report. The Chapter closes with a discussion on the criteria of quality and their application in this study in Section 3.5.

3.1 Qualitative approach

The realist ontological and epistemological position does not in itself imply that qualitative methods are favoured over quantitative ones. Rather, realists argue for methodological pluralism (e.g. Danermark et al. 2002; cf. Töttö 2004). Critical realism does, however, stress explaining things by uncovering mechanisms and the ‘causal powers’ of objects, which in turn tends to lead to intensive research designs (e.g. Sayer 1992: 241–9) or “empirical procedures” (Danermark et al. 2002: 165). Intensive research in turn is associated with qualitative rather than quantitative analysis (Sayer 1992: 241–9).

Qualitative research is difficult to define clearly. It is a set of interpretive activities with no distinct theory or paradigm of its own (Denzin & Lincoln 2003: 9). Qualitative research is frequently confused with ethnography and case study research (Yin 2003: xiv). Yet qualitative research is limited to neither, and e.g. case studies can utilize statistical as well as qualitative information. The present analysis utilizes non-numerical data, i.e. interview transcripts, but this does not imply that the process of analysis is wholly non-numerical. Numerically expressed information can be descriptive of qualities (e.g. Miles & Huberman 1994: 253). Hence, “qualitative” is descriptive of the methodology of the research rather than of its philosophy (e.g. Knox 2004), and adopting a qualitative approach does not imply that qualitative and quantitative are viewed as opposites (ibid; Gummesson 2003). Here qualitative research is understood as non-statistical empirical research: “...research that produces findings not arrived at by

means of statistical procedures or other means of quantification” (Strauss & Corbin 1990: 17).

Research questions are the most important determinants in selecting the research strategy (Alasuutari 2001; Yin 2003; Töttö 2004). The phenomena studied here involve not only heterogeneous firms but also subjective, contextual experiences. The heterogeneity of SMEs and expert services substantially reduces the value of statistically based analysis. Also, no clear established theory exists that covers the subject area. Further, business-to-business marketing situations are often complex and ambiguous, and knowledge about them cannot therefore rely only on surveys (Gummesson 2003, 2005). The aim of this research is to explore empirically a phenomenon that is not yet clearly conceptualized. The lack of a single established theoretical framework makes the subject well suited for qualitative methods, which are oriented toward exploration, discovery and inductive reasoning (Patton 1990).

Qualitative research, unlike quantitative research, often proceeds to analysis without pre-defined hypotheses. Both inductive and abductive reasoning are applied but with emphasis on the latter; abductive reasoning seeks to infer an explanation, i.e. suggest a rule to cover a surprising case, whereas inductive reasoning infers a probable rule based on multiple observations, i.e. experience in Hume’s terms (2000). Abductive reasoning is the reasoning process that takes facts or observations as its starting point and derives their likely explanations (e.g. Peirce 2001). Hence abductive reasoning doesn’t result in ‘truths’ but rather in reasonable explanations. The research aims at descriptive (what happened) and theoretical (explaining actions) understanding (Miles & Huberman 1994: 278, quoting a further source). The latter in particular builds on an abductive approach.

The third form of thought-operation employed in addition to induction and abduction is retrodution. Unlike deduction, induction, and (possibly) abduction, retrodution is not a logic-operation but rather a creative effort of examining described objects to establish which characteristics are essential to them. All the discussed thought-operations (alternatively, forms of inference) rely on abstraction. (Danermark et al. 2002; Sayer 1992.)

What does the chosen research approach imply about the applicability of the results? Statistical generalisation to a ‘population’ is clearly not possible. Here the generalizations and conclusions build on the expectation that while all social events and actors are unique, a collection of such events and actors share enough characteristics to justify general descriptions to a degree. Descriptions can be used to build a collective understanding not only of the events and actors specifically studied in the research but also other similar events and actors (Miles & Huberman 1994: 4, cf. Stake 1995: 100–3). This is in line with the critical realist perspective in which generalisation occurs through the application of knowledge about structures and mechanisms, but the extent to which abstractions are generally applicable is not apparent from the descriptions (Sayer 1992: 249). Thus, in the present study also it is possible to propose that the conclusions apply beyond the cases actually studied, but not to state the precise limits of applicability.

3.2 The data collection context and sample formation

The advantage of addressing relatively small firms is not only that they are representative of an overwhelming majority of firms in Finland and the world, but also that co-production and service accessing are likely to be more easily captured in small rather than large firms. A larger firm is likely to be more specialized in its internal division of labour and in its purchasing function (e.g. Morrissey & Pittaway 2006: 282–3). Therefore, while interviewing a single person in a large firm is unlikely to result in a reasonably holistic understanding of the events, in a small firm a single person, the managing director, is much more likely to be an adequate representative (e.g. Lynn 1987: 128; Rossomme 2003: 183–4) in the context of accessing external expertise. Although using a single contact can be criticised, it is not an unusual way to proceed in SME research (e.g. Fuller & Lewis 2002; Quayle 2002; Jay & Schaper 2003; McGee & Sawyerr 2003; Burke & Jarrat 2004; Sadler-Smith 2004). In larger firms it would be necessary to accommodate the multiple-person buying centres with multiple interviewees.

The data used in this study are collected in the research project JOINT. The two research processes utilize partly the same data set (Table 4). The empirical data used in this dissertation are drawn from the cell with a darker background. The data set of JOINT is more extensive in that it included not only pilot phase data but also provider interviews. Data collection is discussed here only so far as it pertains to the interview data actually analysed in this study. The pilot phase and provider interviews are viewed as affecting the present study indirectly, through preunderstanding (see Section 1.6). Further, the pilot phase directed the themes and questions of the interview guide (Appendix 1).

Table 4. The sample of the present study in relation to preceding study.

pilot phase data	Client firm interviews (7)	Provider interviews (2)
	several business fields two clusters 2 interviews in one firm	two formal interviews informal discussions
interview data	Client firm interviews (51+2)	Provider interviews (16)
	manufacturing (D-classification) Uusimaa/Southern Ostrobothnia public funding recipients/non-recipients	chosen on basis of client firm data and provider activity

Research into business interactions frequently seeks information from both the buyer and the seller, as did also the JOINT project. Here, however, *only the views of clients are analysed*. This may be viewed as a limitation for the study (Subsection 1.4.2), yet there is a reason for deliberately excluding service provider data. I hold it that, in considering the question of how *clients* access services, the clients' views should be considered first and foremost. Providers' views on this issue are necessarily limited, as they have less information of the events within the client firm, and possibly biased, since the issue of selection concerns them intimately. Although the implicit assumption that providers are acceptable sources of information on clients is not uncommon, here the exclusive focus on clients is taken as a point of strength rather than as a weakness. Similar approaches have been used by e.g. McLachlin (2000) and Venetis and Ghauri (2004).

The upper limit of the client firm size is set at 100 employees (cf. EC definition of SMEs, Subsection 1.4.1). The very smallest firms (zero to four employees) are also excluded, because literature suggests that their experience of accessing external expertise would be more limited (Boter & Lundström 2005). To avoid possible complications introduced by extensive use of internal knowledge-intensive services (cf. Subsection 1.4.1) in the form of e.g. head office expert assistance, also firms that are foreign-owned, or belong to large chains, are excluded as far as possible. Further, firms founded in 2003 or later are left out. Start-ups are usually treated as different from more established firms (e.g. Smallbone et al. 1993). Further, young firms are less likely to use expert services than older firms (Hurmerinta-Peltomäki & Nummela 1998: 73).

For developing a comprehensive understanding of SMEs' external expertise accessing, a sample straddling a relatively wide group of firms is desirable. At the same time, too wide a sample introduces insurmountable complications in interviewing and analysis. To increase consistency of the sample while retaining flexibility, only firms that are engaged in industrial activities (corresponding to NACE 2002 classification D³) were approached. Hence, all service firms are excluded but no further criteria are imposed on industry. Since the project sought to contrast public and private services, a quantity of firms that had used services involving public funding (cf. Subsection 4.3.1) had to be included in the sample. Therefore half the firms are selected amongst those that had recently received funding from TE-Centres (Employment and Economic Development Centre) or Tekes (Finnish Funding Agency for Technology and Innovation).⁴ The other half is selected to correspond to the first set, except that they are *not* TE-Centre/Tekes grant recipients.

Knowledge-intensive business services tend to concentrate highly, and this is the case also in Finland (e.g. Lith, Kautonen, Hyypiä & Kuusisto 2005; Toivonen 2004). The use of external expert services may be connected to geographical proximity (e.g. Müller &

³ NACE is a standard classification of economic activity used in Europe, i.e. Nomenclature generale des Activitiés économique dans les Communautés Européennes.

⁴ Recent, here, was defined as years 2002, 2003 and 2004.

Zenker 2001; cf. Selstad & Sjøholt 2002; Hyypiä & Kautonen 2005). Therefore, the sample is further split into two distinct regions. Uusimaa was chosen as one due to its dominant role in both the Finnish economy in general, and in KIBS availability in particular. Southern Ostrobothnia was chosen as the other. Southern Ostrobothnia is a traditionally entrepreneurial area with a lively SME scene particularly in metal industries. The region is not a university or science centre, and differs from Uusimaa in terms of population density and economic structure. Two clearly dissimilar regions give a richer basis for analysis.

In qualitative research there is no clearly definable correct sample size (e.g. Patton 1990; Koskinen, Alasuutari & Peltonen 2005: 263). Rather, the extent of the data set depends on many factors. The intent is not to achieve results that can be statistically generalized, but to seek a comprehensive understanding to develop theory upon. The sample therefore has to give reasonable confidence of having covered the essential features of the phenomenon studied. As the size of the sample increases, the confidence also grows, but at the same time too large a sample makes a thorough analysis impractical. As a reasonable approximation, considering the aforementioned factors and the budget of the research project, the overall client interview number was set at no fewer than 50 and no more than 60 (discounting pilot interviews).

To summarize, the client sample includes only firms that are founded in 2002 or earlier, have NACE classification D and employ 5–100 persons. Further, the sample was collected so as to have roughly half of the firms from each region, and to have roughly half of the firms funding recipients and half non-recipients. Next, the procedure followed in sample formation is described.

The sample formation began with listings of firms that had received TE-centre funding during 2003.⁵ After an initial reduction based on the amount of funding, the number of the TE-Centre funding recipients fitting the criteria was 141 for Uusimaa, and 57 for

⁵ The number of TE-centre funding beneficiaries for the country is quite large annually; 2052 in 2003.

Southern Ostrobothnia. As the next step, the TE-centre funding recipients were checked against the public listing of Tekes funding recipients.⁶ Firms that had participated in the pilot phase were excluded. An online commercial database was used to check the number of employees, the year of founding, and the main line of business of each firm. Firms that were not found, or did not match the set criteria, were discarded. Firms that had received both Tekes and TE-Centre funding were contacted first, then others that had received either type funding. Calls continued until a satisfactory number of interviews had been arranged. Table 21 in Appendix 2 shows the breakdown of the funding recipient firms according to funding source.

Non-recipient firms were found using a different procedure. First, the NACE classifications of the recipient firms that had agreed to interviews were checked up to four-digit level from the trade registry. Information from a commercial databank, and the firms' own websites, was initially used for background information. However, after one interview raised doubts about the precision of these sources for determining the line of business, all firms' official registration was checked. Two interviews were excluded from the data consequently, because it turned out the firms did not in fact belong in classification D (industrial activities). The trade registry classifications also gave a sound basis for finding comparable non-recipients. Some neighbouring classifications were added to ensure sufficient numbers, and a data listing purchased from Statistics Finland. Of the 524 firms in the listing, those that were found in Tekes or TE-Centre grant listings for 2002–2004 were eliminated, leaving 255 firms for Uusimaa and 68 for Ostrobothnia. An online database was used to check size information, and to obtain the name of the managing director. Firms for which this information was found were then called one by one. The reached firms were included in the data set when they agreed to an interview. Calls continued until a satisfactory number of interviews had been arranged. Altogether 53 client firm interviews were conducted. As mentioned above, two interviews were later discarded, leaving 51 client firm interviews. The final set of

⁶ Tekes funding had been granted to a total of 1620 firms or organisations in 2003, and 1767 in 2002, the 2004 listing not being available at the time. Over 90 % of firm recipients are SMEs. In 2003 there were 539 recipients in Uusimaa and 36 in Southern Ostrobothnia.

client firms thus consists of 51 firms. The breakdown of the firms by region and receipt/non-receipt of funding is shown in Table 5.

Table 5. Breakdown of client firm sample by region and funding.

	Uusimaa	S.Ostrobothnia	Total
Funding recipient	11	15	26
Non-recipient	13	12	25
Total	24	27	51

The groupings are not in fact very pertinent from the perspective of the present research, since we are not here concerned with the financing of services per se, but the table is included since it demonstrates well the logic of the sample formation. Further, it should be underlined that the selection of client firms for interviews on the basis of receiving or not receiving funding within a certain period does not imply a similar division in the services the interviewees spoke of (see Sections 3.4 and 4.2), and further, does not suggest that there is some intrinsic difference between the recipients and non-recipients beyond the one named. The procedure was adopted because it ensured that first, at least some cases involving public sector funding would likely come up in the interviews and second, it would be possible to compare the groups in JOINT. In fact the analysis done in the project showed hardly any regional differences in client firms' use of external services, and surprisingly little difference between funding categories in general, albeit the funding recipients proved more prone to using other publicly-funding services as well (cf. Väänänen 2003).

Although the approach is not statistical, some thought was also given to the question of non-response bias. Practically all of the potential interviewees who declined cited lack of time as their reason. The group-by-group breakdown of agreed/declined is shown in Table 6. All in all, the difficulty of reaching the managing directors, or finding a timeslot possible for both parties, appeared a greater problem than outright refusals.

Table 6. Breakdown of client firms agreeing/declining to participate.

	Uusimaa	S.Ostrobothnia	total
Funding recipient	11/3	15/2	26/5
Non-recipient	13/6	12/7	25/13
Total	24/9	27/9	51/18

The funding recipients were somewhat more inclined to agree to interviews than the non-recipients. Five (16%) of the 31 managing directors of recipient firms reached declined to participate. Of the non-recipients reached, about one third (34%) declined to participate. One may speculate that the recipients of public funding are more likely to feel a ‘moral obligation’ to participate. Comparison of obvious features such as size and turnover shows no appreciable difference between the participating and non-participating firms.

3.3 The interview process

The interviews were semi-structured face-to-face interviewees (e.g. Arksey & Knight 1999: 7–9), taking place on the premises of the firm. An interview guide (Appendix 1) had been developed during the pilot phase of the research project. The guide contains the basic set of open questions. However, additional issues that emerged in interviews were also followed up, and questions skipped if clearly irrelevant in the context of the firm. The aim was to set up each interview as a conversational situation, allowing for relatively natural give-and-take (ibid., cf. Holstein & Gubrium 2004). The interview guide served more as a reminder of issues to cover than a list of questions. Because of the conversational and open nature of the interviews, not all interviews yielded information on all the points. (Arksey & Knight 1999: 96–101). The purpose of this Subsection is to describe how the interviews were carried out.

The firms were contacted by phone and asked to participate in the study. The request was made to the managing director. With only one exception (a board chairman) the interviewees are in fact managing directors of their firms. For the sake of simplicity, the

expression is used to refer to all the client firm interviewees. In the initial contact the interviewees were informed about the overall purpose of the research, the source of research funding, the approximate duration of the interview and the number of interviews planned.

After the interview appointment was made by phone, it was confirmed by email or fax. A briefing sheet (single A4) with further details about the study was sent at the same time. If the agreed appointment was more than a few days off, a confirmatory reminder was emailed. The reminder procedure was adopted after some interviewees turned out to have forgotten about the agreed interview. In cases where this happened, the appointment was rescheduled.

At the beginning of each interview the interviewees were given some further information concerning the intended use of the gathered data, and the way in which the data would be presented (e.g. Miles & Huberman 1994: 291). Each interviewee was asked permission for recording the interview on an audio tape. A tape provides a more complete and auditable record of an interview than interview notes (Silverman 2000: 149). Notes were also taken during the interviews. After each interview the notes, together with key passages and any new insights, were recorded in interview summary sheets (e.g. *ibid.*: 141–2). Whenever possible the interview summary was made immediately after the interview was over.

The interview tapes were transcribed by a professional typing bureau with a confidentiality contract. The level of transcription was defined as word-by-word (e.g. Koskinen et al. 2005: 320). Some randomly chosen excerpts of a couple of minutes each were used to check that transcripts correspond satisfactorily to the tapes. On occasion words had been misunderstood in transcription, and particularly exotic terminology sometimes misspelled. However, since I carried out both the analysis and the interviews, this procedure should be sufficient for ensuring that the transcripts are usable as input for analysis (cf. Arksey & Knight 1999: 146).

In some cases a section, ranging from a single word to a sentence or so, was unintelligible in the tapes. The acoustic conditions of the interviews were sometimes less than ideal, because the interviews took place in the offices of the client firms, usually adjacent to production facilities. All in all, the transcripts were surprisingly complete despite the background noise. However, two of the tapes turned out to be partial, i.e. the battery of the recorder had faded towards the end of the interview. Since both the affected interviews chanced to have been relatively short, and the interview notes for both were complete, I decided to include the interviews in the data set, observing due caution in using the data.

When an interviewee did not agree to taping the interview, the notes from the interview were immediately following the session summarized into a memo 2–3 pages long. The memo was then dispatched to the interviewee for possible comments and/or corrections. Two of the 51 interviews were handled in this way. In three interviews the managing director invited a second person to participate in the interview. No distinction is made in this study between the managing director and the second firm representative. It is assumed that, as the managing director was present, he has had the opportunity to correct any statement contrary to his own views.

The client firm interviews took place over a period of approximately five months, from November 2004 to April 2005. Because of the holiday season, over 80% of the interviews were in fact done in January, February and March of 2005. The length of an interview varied greatly. An interview is an interactive process, and the personalities, schedules, attitudes and interests of persons taking part can make a lot of difference. The longest interview lasted slightly over two hours, whereas the shortest took approximately thirty minutes. The average duration was 63 minutes. Most of the interviews lasted between 45 and 75 minutes.

3.4 Data analysis and presentation

One of the main challenges of the present analysis was tackling the interview data already analysed in the context of the earlier project from a fresh perspective. In the course of the work it quickly became obvious that the new research questions did function as fresh “sensitising concepts” (e.g. Glaser 1998) for the new analysis. The difference in scope and focus of the two studies makes this possible. Further, after the completion of the analysis for the earlier project there was an interval of a few months before re-immersion in the interview data. This allowed for some distancing from the earlier analysis.

The analysis occurred iteratively and used mainly an abductive approach. Hence, the process is somewhat difficult to describe as a linear progression. The methodology could be described as data-driven, and thus grounded in the empirical data, but I have not in specifics followed the so called Grounded Theory methodology outlined by Glaser and Strauss (1967), and then developed in two distinctive directions by the two authors (e.g. Melia 1996). The method used here differs in several respects from Glaser’s as well as Strauss’s descriptions and recommendations. For example, Grounded Theory calls for theoretical sampling, i.e. sampling directed by the emerging theory (Glaser & Strauss 1967; Glaser 1978; Strauss & Corbin 1990), and Glaser advocates theoretical ignorance prior to field studies (e.g. 1978: 31–2, cf. Strauss & Corbin 1990: 49–50). It is fair to say that the present analysis develops theory that is empirically grounded theory, but does not generate Grounded Theory.

The analysis process can be described in four stages: *extraction*, *reassessment*, *constructive analysis*, and *review*. The first occurred within JOINT, whereas the other three occur within the present study, albeit the preunderstanding formed within the preceding project has contributed to the analysis (Figure 4 in Section 1.6). The stages are neither fully sequential nor fully distinct, but they comprise the core of what was done. In the following the four stages are described, after which the chosen form of data presentation is outlined.

Extraction of case data

By case data I mean the descriptions of incidents of using external experts' services that are extracted from the interview transcripts. An interview is like a conversation in that things are not necessarily presented compactly and in logical order. In order to facilitate the analysis of specific experiences the managing directors' accounts of actually accessing and using external expert service in a particular case had to be separated from all the other interview material, i.e. background information, current development processes, opinions about public funding, general references to acquiring or using services or opinions about services, etc. Each interview was reviewed reply by reply, and *sections informative about a particular case of external expert services were copied into a separate document*. Extraction of case data can also be termed data reduction; focusing and organising of data (Miles & Huberman 1994: 11). The process is an analytic one. The interviewees' statements are not always unequivocal, and thus copying out the case data involved constant contextual comparison to ensure nothing pertinent was left out or displaced.

The initial extraction was very comprehensive, i.e. even observations with little information were included if they referred to an experience with external expert services. The resulting extracted data on the use of external expert services ranged from very deep cases describing the co-production process in minute detail to incidental references to the use of external expertise. Next, the extracted data was organised according to the level of detail. The 'full cases', i.e. the ones that were specifically addressed with multiple questions in each interview (see item "sample case" in Appendix 1) were separated from the rest and named *detailed cases* (DC). The detailed cases are, essentially, extensive stories told by interviewees in response to prompts and questions from the interviewer. Two interviews did not result in detailed case data. The 49 detailed cases were given identifying numbers.

Next, the remaining extracted data were reviewed, and descriptions of expert service use that offered only fragmentary or incidental information were set aside. There remained 98 *limited cases* (LC). The limited cases are basically incomplete as descriptions compared to the detailed cases, but informative about some aspect of external expert

services. For example, the selection of service provider, or the firm's needs, may have been discussed in greater detail, whereas no particulars are given about the participants, or the timing of the events. These limited descriptions of expert service use derive mainly from either the interviewer asking about "other examples" of using expert services to good effect, or from the interviewee spontaneously narrating an experience in the course of the interview.

After the extraction three kinds of data, all from the client firm interviews, were therefore available for analysis (Figure 9). The interview transcripts as a whole were retained as *firm level data* from 51 firms, and the analysis could begin with the more compact *detailed cases* and *limited cases*.

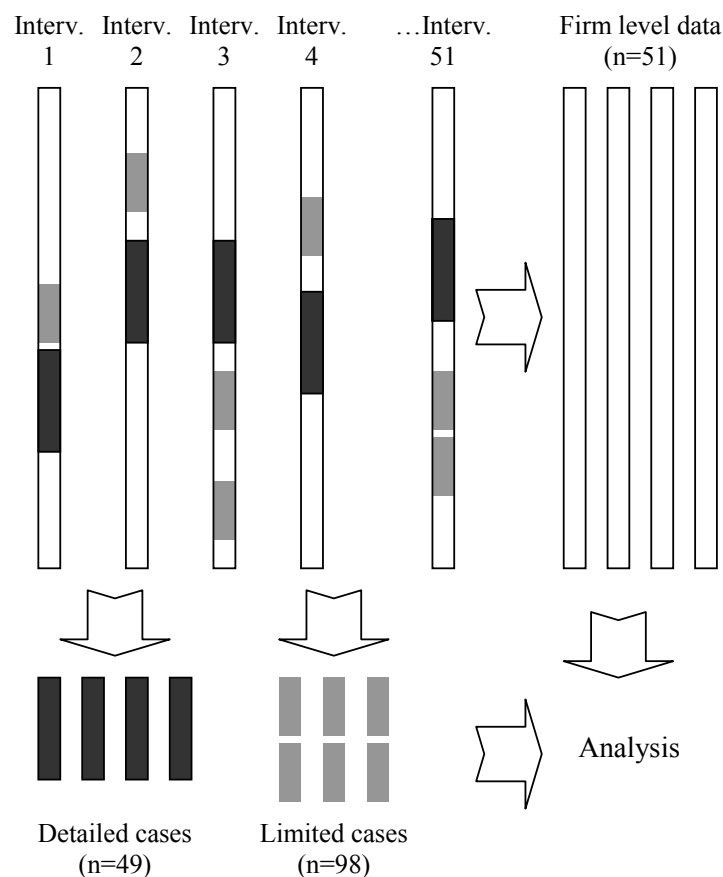


Figure 9. Case level and firm level data from interviews to analysis.

In summary, the *information given by interviewees on particular cases of service use was consolidated and separated for easier analysis*. Each case is a description (either

detailed or with limited detail) of a firm using external expert services. At the same time, the interviews as such remain available for analysis as well, providing a backdrop for the actual cases. Thus, the analysis utilizes both case data and firm data, albeit the main emphasis is on case data.

Reassessment of case data

In the present study I use the case data as my starting point. *The relevance and utility of each case had to be considered afresh.* The earlier analysis has served to highlight areas that needed further examination. The new interests are condensed into the research questions for this study (see Section 1.6). The aims of the analysis were different enough to warrant a reappraisal of the material. Based on the new research questions the relevance of each case was therefore reassessed. The criteria for what is ‘detailed’ are narrower in the present study. As a result of the reappraisal, a number of cases were excluded. Cases were set aside because first, the details of entry into service use were incomplete or described as hear-say; second, the interviewee referred to his or her experiences in other firms, e.g. previous place of employment; and third, the description was not detailed and rich enough for the more exclusive analysis in this study.

After the reassessment 39 detailed cases remained, totalling about 95 pages of text or 50 000 words (in Finnish). The limited cases were subject to a similar screening, cutting their number to less than half the original. Some of the culled detailed cases were sufficiently rich on issues regarding entry to be included in analysis as limited cases. *The case data analysed in this study consist of 39 detailed cases (DC) describing an SME accessing external expertise, and 45 limited cases (LC).* A case – or rather, the actual events to which case data refer - corresponds closely to Holmlund’s (2004) sequence or Halinen’s (1994) assignment (cf. engagement in McLachlin 2000). Here the descriptive term ‘case’ is preferred because it avoids the implication of relationship continuity.

Although the number of cases subject to scrutiny was thus reduced for the purposes of the present study, it should be noted that the firm level data as a whole remains a part of

the data set. Firm level data are utilized in the analysis of e.g. client firms' concept of external expertise and perceptions of risk.

Constructive analysis

By constructive analysis I refer to the examination of the detailed cases in light of the research questions. The analysis was done with word-processing and spreadsheet software, using mainly matrices (e.g. Miles & Huberman 1994) and theme summaries. On the basis of the first reading and earlier results, a preliminary list of elements to look for was constructed. These original 'codes' or themes were initiation (of accessing), use explanation (by manager, of service use), alternatives, reasoning in choice-making, selection explanation (by manager, of selection), selection cues, and finally, references to risk. The detailed cases were analysed to seek out these elements. A number of further themes emerged, some of them confirming earlier analysis, and some of them adding to it. The process was one of iterative, alternating retroduction (what is essential about this?), observation (which events exhibit this characteristic?), induction (what else do they have in common?), abduction (what would explain that?) and retroduction again (what does the possible explanation imply about the structure of the phenomenon?). Thus, constructive description alternates with deconstructive analysis. The narrower focus adopted in this study, in comparison with the earlier one, allowed a deeper analysis with more incisive categorisation. Themes, tentative conclusions and ideas emerging from the examination of the cases were recorded in writing and sketched models. These protoresults, if not discarded in the constant comparison, were then taken further in analysis and reflected back to the cases. *The emerging conclusions were in this way grounded empirically rather than derived from a theoretical platform.* For each theme, an analytical description was eventually written out. The connections between categories exhibited in the themes were then examined. Based on the themes, categories and their connections, a preliminary model was constructed, and then checked and refined in light of the data. The analysis iterated between abductive and inductive reasoning and retroduction (see Section 3.1).

The constructive analysis utilized mainly but not solely the detailed cases. In some topical areas, e.g. risk, the firm level data offered more detail, and were used in the interpretation of the interviewees' statements. Furthermore, after an explanation that was internally consistent within the subset of detailed case data had emerged, the rest of the data and literature search were turned to in the review stage.

Review

In the review stage the conclusions formed in the constructive analysis were checked against the limited cases and other interview content, including fragmentary bits of information on incidents of service use not formally categorised in this study. At this stage the limited cases were thus not approached openly, with the intent to look for emerging patterns. Rather, the cases served as a check on what had been found in the constructive stage. The analysis of the limited cases and other interview content did suggest some minor modifications to the original model of patterns, leading to a further review of the detailed cases as well.

Finally, literature was revisited to see how the results of the analysis compared with earlier research. The comparison of preliminary results with previous literature gave rise to some further insights which were 'exposed' to data, leading to some further adjustments to the proposed categories and models. It must be underlined that the analysis in this study necessarily builds not only on the cases themselves, but also on the growing familiarity with the literature. The approach to analysis is thus not 'grounded' in the sense advocated by Glaser (1998), as his approach requires assumed theoretical ignorance. I have made no attempt to ignore in the analysis the pre-knowledge of earlier theory that I possessed on the basis of earlier reading. Rather, I sought to maintain an open mind despite literature and previous analysis, i.e. to "momentarily disregard existing knowledge while breathing in new real world data" (Gummesson 2003: 489). Such openness has, in my estimate, been possible because the progression of events allowed me to originally approach the data in interviews and earlier analysis with relatively little theoretical foreknowledge (preunderstanding), giving rise to impressions and ideas that are not overshadowed by theoretical

predispositions. The first, fresh look into the data cannot, of course, be fully recaptured, yet the research questions of this study have been informed by these initial insights. This gives me a degree of confidence as to the empirically-derived character of my conclusions. In summary, the analysis has proceeded pragmatically, seeking to combine openness to the phenomena evident in the case data with systematic, consistent coverage.

Data presentation

In the text points made in the analysis are frequently illustrated with excerpts from interviews. These segments are not, however, precise cut-outs from interview transcripts. The interviews took place in Finnish, and I have translated the segments into English. Further, identifying words and references have been removed to protect the interviewees' anonymity. Also, in order to allow the reader to focus on content, rather than the minor errors and repetitions typical for spoken language, the segments have also been edited for clarity and brevity. Separate utterances have been occasionally combined to give a better idea of the whole of what the interviewee is saying. A double line in square brackets indicates a break in continuity. Replaced or inserted words are also in square brackets. Words in bold are spoken by the interviewer (see following example).

In spoken language sentence structures are different. **What do you mean?** Well [as] I was just saying, it just doesn't make sense [--] speaking the way you would write.
[NN12/34]

The source of each segment is identified with a case ID when case data are drawn upon, and with a firm ID when not. Each case ID consists of a letter signifier (DC, LC) to distinguish between the different types of cases, and with a case/reply number. This gives an idea of how detailed a description the comment derives from, but also ensures that the interviewees' anonymity is protected. Client firm IDs consist similarly of a letter signifier and a number.

3.5 Criteria and assessment of quality

In objectivist approaches tests of falsification and verification through prediction are viewed as the penultimate test of the quality of scientific work, but such avenues are problematic in social sciences (e.g. Sayer 1992: 204–9; Smith & Deemer 2003). Distinguishing between scholarly hermeneutics and everyday practical interpretation is a matter of degree and transparency rather than of rules in a legalistic sense (Gummesson 2003: 485).

Validity and reliability are the two commonest measures brought up in discussions of research quality in qualitative designs (see e.g. Patton 1990; Koskinen et al. 2005; Miles & Huberman 1994; Janesick 2003: 69). Validity consists of external and internal validity. *Internal validity* means that there is correspondence between the reality from which empirical results are derived and the results themselves, or ‘truth value’ in Miles and Huberman’s (1994: 278) terms. Yin (2003) connects internal validity to establishing causal relationships, whereas Miles and Huberman suggest considering e.g. how content-rich and thick the descriptions are, plausibility and comprehensiveness of the account, internal coherence of findings, triangulation of sources, and whether areas of uncertainty are identified (Miles & Huberman 1994: 277–8; cf. Yin 2003: 34). The internal validity of the study is thus established through a systematic and comprehensive analysis of the data and a sufficient description of both data and the analysis, essentially by “craftsmanship” (Kvale 2002: 308–9).

External validity is the degree to which the results apply outside the original setting, i.e. the transferability of results (Miles & Huberman 1994: 278). Using Stake’s (1994: 237) terminology, this research could even be seen as a “collective case study” in the sense that a number of cases are studied jointly in order to gain insight into a phenomenon. The intent is to form conclusions that can be transferred by analytical generalisation to a larger population, i.e. related to a larger context (e.g. Alasuutari 2001: 249–51). Several limitations exist. One is that the study has addressed cases of accessing where the service use took place. Hence, entry was successful from the point of view of the service provider in every instance studied. Although the interviews brought to light also

scattered mentions of e.g. not accepting an offered service, these were too infrequent to provide any useful crosscheck. Further, the empirical evidence used here is all derived from a specific cultural and temporal locale, and only manufacturing firms. This may render the transferability of the results to other milieus suspect. In summary, the extent of transferability is impossible to define with precision (cf. Section 3.1).

Reliability of research means basically repeatability, i.e. the degree to which the study could be repeated (e.g. Yin 2003: 34, 37–39). The realist orientation adopted in this study recognises that reality is created in the empirical domain as the researcher interacts with the subject. Hence, from a theoretical as well as practical point of view the idea of repeating interview research is unreasonable. Instead, reliability links to auditability, i.e. documenting the study in a manner that allows other researchers to assess it (Koskinen et al. (2005: 257–9), and to the issue bias and credibility (e.g. Patton 1990: 472; Miles & Huberman 1994: 278; Holstein & Gubrium 2004).

Validity and reliability as concepts are in some ways ill-suited to qualitative research, yet they remain in use despite attempts to develop terminology more suited to qualitative research settings (Koskinen et al. 2005: 255–7). In qualitative studies validity and reliability stem from the research process and report as a whole, i.e. cannot be established or eradicated with any single measure. Further, they are ultimately established in the mind of the reader (see e.g. Smith & Deemer 2003). A number of ways for enhancing the overall credibility of qualitative research exist, however (e.g. Patton 1990: 461; Miles & Huberman 1994: 278–9; Silverman 2000; Janesick 2003: 68–71; Peräkylä 2004; Koskinen et al. 2005: 258–9). These focus on *conducting research in a manner that increases its validity* on one hand, and on the *transparency of the reporting* on the other.

Miles and Huberman (1994: 262–277) refer to a number of partly overlapping techniques for increasing the validity of qualitative research. The first of them is checking for *representativeness* to avoid drawing false inferences based on atypical events or nonrepresentative sources, and inappropriate generalisation (ibid.: 263–5). The present study is based on a relatively large sample, albeit not one that is representative

in a statistical sense. The context of sample formation is such as to reduce the likelihood of selective sampling (ibid.: 264) in the selection of interviewees. Both the sampling and the rationale underlying the selection of cases for inclusion into the present study have been discussed extensively in order to allow the reader a chance to form conclusions on the transferability of the findings.

Triangulation has been treated as a “near-talismanic” (Miles & Huberman 1994: 266) method of confirming findings. Triangulation refers to using multiple methods (i.e. both quantitative and qualitative), multiple sources, multiple theoretical perspectives or multiple analysts (e.g. Patton 1990; cf. Miles & Huberman 1994: 267; Yin 2003: 97–9). Theoretical/perspective triangulation has been applied in using conceptual tools of several perspectives in the construction of a theory-based framework, which are then juxtaposed with empirical analysis. Source triangulation has not been used, although there have been multiple interviewees (cf. Miles & Huberman 1994: 267). While the relatively large body of interviews, as such, gives little added reliability, the volume of observations inherent in the mass of interviews has given me good opportunities to test and re-test assumptions as the analysis proceeded. Further, inconsistencies between the different accounts of service accessing led to a more complex and also “context-respecting” (see ibid.) set of explanations. However, the heavy emphasis on only one side of the client-provider interaction can, if viewed as a missed opportunity to source triangulation, be seen as leading to bias. This possible effect is somewhat off-set by the fact that provider perspectives are covered in literature, and by the provider interviews I conducted in the preceding research project. Furthermore, since the intent in this study is to understand what clients do, there is justification for preferring them as sources.

The lack of analyst triangulation remains a potential threat to validity. The analysis and interviews were done by a single researcher. The personal and deep familiarity with the data, gained in doing the interviews, is what made a comprehensive analysis possible despite the volume of data, yet one person’s in-depth involvement can be seen as a potential source of bias, to be overcome with rigour in the analysis. Here constant comparison across cases and comprehensive treatment of the data are used to increase the validity of the analysis (Silverman 2000: 177–80).

Weighing the evidence, i.e. giving due consideration to data quality, is another measure to increase credibility (Miles & Huberman 1994: 267–9). The present analysis is based on transcripts rather than observational notes, thus increasing accuracy. Further, the accounts given by interviewees have been critically weighed by using contextual evidence to assess the completeness and accuracy of individual statements. During the interviews I have asked for further clarifications and probed for details when in doubt, and in the course of the analysis critically considered whether the account given by the interviewee is consistent. However, the data are essentially self-reported by the interviewed managers. Self-reporting is not infrequent in business studies and social studies in general, largely because observation of events is often impractical, as it would have been in the present study as well. The possibility that the interviewees are justifying their decisions, either as decision-makers or as funding beneficiaries, has been considered in the analysis, but it cannot be wholly eliminated. Hence, self-reporting bias may render the elicited information unreliable in some respects.

Checking the meaning of outliers, following up surprises and looking for negative evidence are further measures mentioned by Miles & Huberman (1994: 269–71). This has been done in the analysis. Summary tables have been extensively used, and have been included in the report as far as practical. The practice of constant comparison (e.g. Silverman 2000) has been employed across cases and firms. The data are inclusively considered in the analysis (Alasuutari 2001: 38). During the analysis categorizations were developed “from the ground up”, i.e. starting with the data rather than a predetermined model. Some of the presumed main categories arising from the literature review failed to materialize universally, while wholly unexpected groupings emerged in the iterative examination.

Miles & Huberman (1994: 273–4) also propose *replicating findings* as a useful tactic, a variant of which is to “test an emerging hypothesis in another part of the case or data set” (ibid.: 273). Here this has been done by adopting the precaution of using a part of the case data (detailed cases) for concept development, and the remainder (limited cases) for checking on the developed concepts. Hence, the data were given first a chance to refute conclusions in the constructive analysis, and second, a further chance to

do the same in the review stage. Looking at multiple cases, i.e. finding a pattern in cross-case analysis and tracking to other cases to see whether the pattern is repeated is also recommended as a rigorous test (*ibid.*).

Established practice suggests that research should provide the reader with sufficient information for evaluating the way in which observations have been created and shaped into the study (Koskinen et al. 2005: 258). In addition to transparency of the analytic process (*ibid.*; Patton 1990: 472; Miles & Huberman 1994: 262), data should be accounted for in a rich, complete and transparent way, not leaving out contradictory data (Gummesson 2003: 485).

Methods and procedures are discussed at some length in this Chapter. In order to allow a reader to form an informed judgement on the external validity of the results, an exhaustive account of data collection has been provided. Further, I have taken some pains to link to the data the conclusions that ‘survived’ the analytical process. Considerable space is given to summary tables, descriptions of features in different cases, and to demonstrative quotes from individual cases with case or firm references. Areas of uncertainty or exceptional cases are referred to in conjunction with the analysis. Finally, a summary of the cases is given in Appendix 3 in order to display a ‘chain of evidence’.

The researcher is the instrument of research in a qualitative enquiry, and therefore a qualitative report should include consideration of any personal and professional information that may have affected data collection, analysis and interpretation (Patton 1990: 472; Miles & Huberman 1994: 278). Self-reflection has revealed to me no personal bias or stake in the issues addressed by this study, or towards some particular conclusions. In the course of the analysis in the project JOINT, I became aware of observing ‘surprising’ things, i.e. behaviour that did not match my preunderstanding based on earlier reading. This eventually led to formulation of new research questions, examined in this study. Hence, my analysis in this study was not affected by predisposition in some direction, nor was it (since the data had already been collected) possible that such predispositions might have led me to seek out cases that support

particular results. A possible source of bias might be my own experience as a user of external expert services in the role of co-founder of a micro-enterprise. My experiences of accessing external expertise in that role are limited, however, and occurred after the main body of analysis, although concurrently with later iterations. I would argue that first, the process of research influenced my behaviour in accessing services rather than the other way around, and second, the experience is helpful in that it allowed me to glimpse client behaviour from within.

The link between the two research processes (see Figure 4), however, could be viewed as a potential further source of bias (Cheek 2003). The JOINT project was funded by a joint programme of Tekes and the Ministry of Trade and Industry. The potential for financing probably influenced the formulation of initial research interest in that project in the year 2003. However, the earlier interest which I felt in the marketing problems associated with expert services influenced the plans as well, and neither funding body evidenced a desire for guiding the results in some particular direction. Further, the present research endeavour, i.e. the dissertation research reported here, derives from a research interest formed during the project, and was not influenced by either Tekes or the Ministry in any way. This study is financed by independent grant-awarding bodies (see Preface). None of the funding bodies have been involved in the evolution of the research design for the dissertation, nor had input in the analysis.

4 EMPIRICAL CONTEXT: THE FIRMS, THE CASES AND AVAILABILITY OF SERVICES

The purpose of this Chapter is to describe the setting the empirical analysis draws upon. The Chapter presents the empirical sample used in the analysis and briefly examines the availability of expert services in Finland. First the interviewed firms are described in Section 4.1. Then, in Section 4.2, the cases are described in terms of service accessed and the provider used. The availability of expert services is described in Section 4.3 in general terms, because the market situation may be viewed as an influence on accessing, and further, the proximity of service providers to their potential clients has been suggested as a possible influence. The Section also includes a discussion on public services provision, not only because of the availability and proximity considerations but also in order to provide the reader with some background information on the public sector provision relevant for some of the cases analysed here.

4.1 The characteristics of client firms

The 51 interviewed firms included in the analysis are listed in Appendix 4. With the adopted sampling strategy described earlier, a lot of variety becomes possible. In the following some summary information is given about the interviewed client companies.

In terms of annual turnover, the size of the firms varies from a little over eight million euros to slightly under half a million. Average turnover is 2.6 M€, with a median of 2 M€. ⁷ Some of the firms operate in sectors highly susceptible to economic fluctuations, leading to a lot of variance in annual turnover. The number of personnel is similarly a tricky measure of firm size, since many of the firms employ different numbers of people at different times, e.g. because of seasonal variance. In such cases an average number is used. The largest of the interviewed firms in terms of personnel employs 70, whereas

⁷ (n=49) If the interview resulted in no information on a point, that firm is excluded. Two of the managing directors preferred to not say what the turnover was.

the smallest two have each a staff of five. Almost 95% of the interviewed firms are limited liability companies. Two are limited partnerships, and one is a general partnership.

Unsurprisingly, in light of the size criterion, many of the firms can be characterized as family businesses. Twenty-five either term themselves thus or otherwise clearly express family involvement in management⁸. Similarly but more strikingly, almost all of the interviewed managing directors either have complete or partial ownership, or had been a founder. The oldest of the firms was founded in 1912, whereas the newest was founded in 1999. The average age of the firms is slightly less than thirty years, with a median of 24 years. A majority of the managing directors (29, n=50) have also been in that position since the company was founded.

The sample is heterogeneous in terms of business line, with one sector having considerable representation. Metal industry emphasis is understandable because the funding-recipient interviews were used to direct the sampling of non-recipient firms as described earlier (see Section 3.2), and Southern Ostrobothnia is a metal industry region. The business sectors are shown in Table 7. Metal industries, i.e. metal products and machinery, account for almost half the sample. Furniture production is another noticeable cluster, as is plastic industries.

⁸ (n=42)

Table 7. Business sectors of interviewed client firms in TOL 2002 (national classification based on NACE 2002).

TOL 2002	manufacture of:	%	Total	Uusi- maa	S. Ostr.	recip- ients	non- recip- ients
DB17	textiles	6	3	1	2	3	-
DD20	wood and wood products	4	2	2	-	1	1
DG24	chemicals and chemical prod.	4	2	2	-	1	1
DH25	rubber and plastic prod.	14	7	5	2	3	4
DJ28	fabricated metal products, exc. machinery and equipment	28	14	5	9	7	7
DK29	machinery and equipment	24	12	4	8	7	5
DL31	electrical machinery and apparatus	6	3	2	1	1	2
DL32	radio, television and communication equipment and apparatus	4	2	2	-	1	1
DN36	furniture, manufacturing n.e.c.	12	6	1	5	2	4
Total		100%	51	24	27	26	25

In 2004 there were approximately 232 000 firms in Finland. A clear majority of these are very small; over 80 % employ fewer than five. 13.5 % of firms correspond to the size range considered here (5–100 employees). However, only about a fifth of such firms are manufacturing firms. (StatFin 2006.)

4.2 The expert services and service providers in cases examined

The detailed cases are presented individually in the brief case summaries in Appendix 3. The Appendix contains also basic information on the limited cases. This Section gives a brief summary on the main characteristics of the cases, however, in order to give the reader an idea of the expert services and providers in question.

The first issue to consider is what the service use in each case involves, i.e. what the service is. There are numerous possible typologies that could be employed in classifying the services (cf. e.g. Miles et al. 1995). Here I have chosen to apply the fairly loose headings used by Toivonen in her illustration of KIBS sectors' convergence (2004: 162), for its simplicity corresponds to the general degree of looseness in the client firms' own conceptualization of service types. The clients, although they differentiate in considerable detail between services close to their own areas of expertise, differentiate only very generally between services they have no intrinsic interests in or expertise on. The chosen interpretations on the categories are briefly discussed in the following, because it is at times difficult to distinguish between the services, i.e. whether it is training or consulting, marketing or R&D, etc.

Technical services refer to traditional engineering services, whereas **R&D** includes basic and applied research relevant for development of products or processes, including product and material testing, etc. Industrial design *upon the product* is also included in this category, although industrial designers are sometimes employed in the so called advertising sector. Design involving corporate image, logos, product packaging or other marketing assets is included in the category of **marketing and advertising (M&A)**, as is website design *when carried out by an advertising agency*. Website design, by a KIBS firm that is identified primarily as a provider of IT-expertise, is included in **IT-services (IT)**. **Auditing and accounting (A&A)**, **legal services**, and **recruitment and other human resource related services (HR)** were relatively easy categories to assign cases into. However, the distinction between **training services** and **management consultancy (MC)** is at times quite difficult to define. One reason for the problematic distinction between training and consulting is that most SME management training includes some portion of consulting. Management development also takes place in projects involving many firms, and the projects typically involve both training and firm-specific consulting. Here the cases where consulting and firm's overall development are emphasized have been categorized as management consulting. Thus, projects in which a firm develops a quality system, or is involved in a network development project, are treated as management consulting. Training of a key staff member in a particular area, even with some included consulting and the intention of changing firm systems, is

treated as training. Also, consulting involving the financial management and efficiency of the firm, change of ownership etc., has been considered management consultancy, even if the service is provided by an auditing firm or a lawyer.

All in all, the case data emphasize R&D services, IT services, and management consulting. The data are thinnest on recruitment services. Figure 10 shows a summary of detailed cases (DC) and limited cases (LC) by service type.

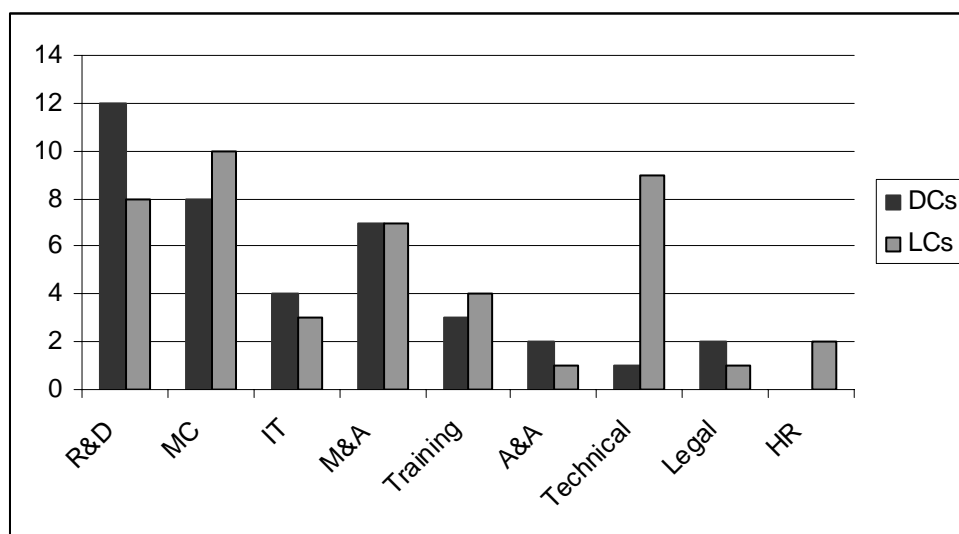


Figure 10. Service content in detailed and limited cases.

As can be seen by the prevalence of R&D and management consulting, cases involving some kind of development activities clearly dominate. This is natural since the interviewees were asked to discuss a case involving external expert services that was important to their firm, recent, or involved public funding. Hence, detailed data on non-development cases were mainly gotten from the firms that had only minimal use of external expert services. The data on limited cases similarly tend towards developmental activities. Much of the limited case data, although not all, is derived from asking the interviewee to mention another situation or occasion in which the firm benefited from the use of external expertise (see questions in Appendix 1). The division should therefore not to be seen as reflecting client firm reality with respect to the types of services used. However, the developmental emphasis in the cases is not a weakness in itself, for the study is intrinsically oriented toward the instrumental value of external expert services for SMEs' competitiveness.

In many cases the interviewees discussed multiple-actor processes in which a single ‘main-provider’ can be difficult to name. Nevertheless, with some consideration it was possible to identify for each of the detailed cases a provider category. **KIBS** refers to a private provider of knowledge-intensive business services. It is important to note, however, that the identification of the provider as KIBS doesn’t necessarily mean that the transaction is a private, market transaction. Public subsidies e.g. involving consulting services are a significant phenomenon in Finland, and a KIBS-provided service may be at least partially paid for by a public sector organisation. Public funding is also used in numerous projects that provide consulting and training services for firms in a specific sector, area, or cluster. Occasionally it was not even completely clear to the interviewee whether a particular service involved public funding or not, and if it did, which organization provided it. Seventeen of the detailed cases analysed in this study involved some form of public funding. **RTO** (Research or Training Organization⁹) refers to a public or semi-public provider. RTOs may operate partially on market principles, but they are recipients of significant public subsidies. RTOs in this study include e.g. technical universities, universities, polytechnics, VTT (the Technical Research Centre of Finland) and Finpro (an association and consulting organisation that promotes internationalisation). The final category is **network**, and it refers to personal acquaintances’ or relatives’ services, or services provided within the firm’s value chain. For example, a board member of the firm might own an IT-business and provide IT-services, or a network principal might provide consulting services for a subcontractor. RTO and network providers are both external KISA (cf. Figure 1 in chapter 1.3.1). The division of main providers in detailed cases is shown in Figure 11. The main service providers for limited cases are shown in Figure 25 in Appendix 2.

⁹ See also Subsection 4.3.1.

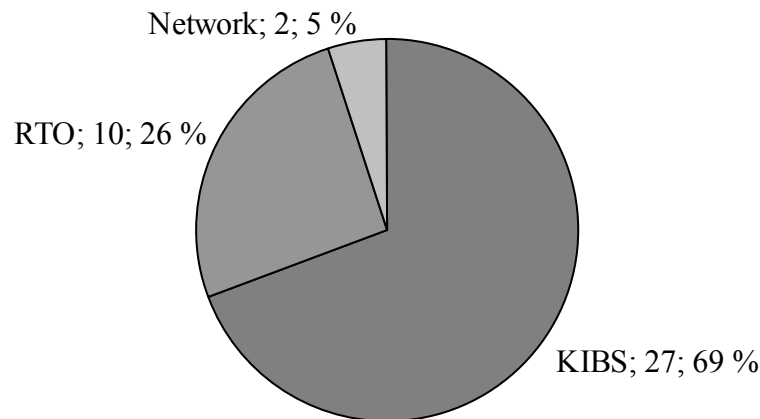


Figure 11. Main service provider in detailed cases (total n=39).

4.3 Availability of external expert services

One of the objective conditions relating to use of external expert services is the availability of such services for firms. In order to make explicit the availability conditions in which the accessing of expert services takes place, availability of services in Finland is discussed in the following. It is not possible to cover informal availability through networks, or expertise delivered by non-KIBS firms, i.e. firms not primarily engaged in provision of knowledge-intensive services. Therefore the following brief summaries will focus on public and private expert service provision in Finland in the traditional sense.¹⁰ The description is not comprehensive, but rather focused on the services relevant in light of the present empirical data. The first Subsection looks at service provision subsidized by public funding or provided by RTOs, whereas the second looks at private service provision.

¹⁰ Kuusisto & Viljamaa (2006 b) contains a more extensive description relative to the present data. KIBS availability and future trends have been extensively discussed elsewhere, see e.g. Toivonen (2004) and her references. For a recent discussion on public sector services' availability, see e.g. Saapunki et al. 2004 [in Finnish].

4.3.1 Subsidized and RTO services

There are different delivery systems for public expert service provision (Viljamaa & Kuusisto 2006). Looking at SMEs' use of external expert services, municipal business service agents would be a case of public services. Service provision can also involve both public and private actors. For example, TE-Centres buy the implementation of their consulting programmes from private consultants. As noted in the previous Section, expert service provision can also take place in the context of temporary project organizations. Further, there are also publicly directed organizations that provide services. The Technical Research Centre of Finland VTT, a non-profit organization that aims to support Finnish policy goals, is an example of this type of service provision. Although the service may not be provided for free, the services or their provider are subsidized by public funding. Table 8 gives an overview of the main public sector service providers relevant to cases examined in this study.

The acronym RTO is often associated with innovation research, and usually refers to research and technology organizations. Hales (2001) mentions significant government funding and integration with the science base as RTO characteristics. Bessant and Rush (2000) see also universities as RTOs. Similarly, Müller and Zenker (2001) include universities in their concept of ITI (institution of technological infrastructure). The implication is that the services provided by RTOs and ITIs relate to (innovative) technology, whereas this study is interested more widely in external expert service. Therefore RTO, in this study, refers to *research or training organizations*, and includes not only research institutions and universities receiving public funding, but also other non-profit organizations providing business services (e.g. Finpro) and all training institutions. For example polytechnics offer not only training services but various other business services involving student participation (Kinnunen 2001).

Table 8. The main public sector services relevant to cases examined in the study.

Actor	Service offer	Service financing	Clientele	Remarks
Finpro	Internationalization related information services and consulting	Partly private-public service provision, partly paid by client, partly free services	Firms of all sizes, national provider	<ul style="list-style-type: none"> - Formally an association - Public funds make up over two thirds of budget - Acts as provider e.g. in TE-Centre branded expert services
VTT (Technical Research Centre of Finland)	Contract research in various fields, testing and certification, development	Both direct (paid by client) and private-public service provision	Firms of all sizes, national provider	<ul style="list-style-type: none"> - The largest of state research institutions - Has both basic and applied research interests; wide range of research services from electronics to food to building industry - Basic governmental funding accounts for about 30% of VTT's turnover, and domestic private sector income for about 32%.
Finnish Funding Agency for Technology and Innovation, Tekes	Research financing, advise connected to development	Financing may cover up to half of the costs of an R&D project	Firms of all sizes, national financier	<ul style="list-style-type: none"> - The main public financing and expert organisation for applied research and technological development - Key instruments are industrial R&D grants and loans to firms, and grants for applied technical research for public organisations - Regionally services available through presence in TE-Centres.
TE-Centres (Employment and Economic Development Centres)	Business support services, branded expert services and tailored consulting purchased for firms, training services, financing	Advisory and financing services free, for others client pays varying share	SMEs, regional financier	<ul style="list-style-type: none"> - State-run network of 15 regional TE-Centres, supervised by three ministries (Labour, Agricult.&Forestry, Trade/Industry) - Role as regional network for the other organisations (e.g. Tekes). - Approx. a fifth of SMEs report having used TE-Centre services (e.g. Katajala, Kirmola, Kakkola, Kokkonen & Rautkoski 2003; Martikainen & Nikkinen 2004)
Employment offices	Information services and advice, recruitment services, some training and financing services	Basic services free, recruitment consulting etc. payable	Firms of all sizes, local provider	<ul style="list-style-type: none"> - Employment offices are the local network of Ministry of Labour, with TE-Centres on the regional level. - 149 located all around the country, total staff of over 3200.
Technology Centres	Training, consulting and incubator services; information services	Client pays varying share, some information services free	Firms of all sizes, particularly start-ups, ranging from regional to national provider	<ul style="list-style-type: none"> - Over 20 around the country, usually independent corporations - Task to strengthen and advance growth of local business - Generally focused on specific technology and industry sectors. - Implementers and agents for national programmes (e.g. Center of Excellence –programme, Innovation Relay Centre Network)
Universities and polytechnics	Various types of research and training services linked with disciplines e.g. engineering and business studies.	Some payable, some free (in connection with student learning or projects)	Firms of all sizes, regional extent varies	<ul style="list-style-type: none"> - University business services often mediated by semi-independent organisations. - Polytechnics often also operate business incubators. - Some have specific industry liaison offices.

4.3.2 Market services

The business services sector is diverse, but many of the subsectors are characterised by similar market structures. Most business service firms, over 90%, are quite small, employing ten or fewer. The business services sector is highly polarised and tends to a large number of small firms serving a local or niche market, and a small number of large firms serving national and international markets. (Roberts 2003: 326, 328.)

Business services have been the fastest growth area in Finland as well as in other European countries in the last few decades. The number of personnel employed in KIBS has grown by over 77 % between 1995 and 2001. The growth is not evenly distributed. Uusimaa with its attractive capital region produced 65% of the turnover of KIBS in Finland. Particularly IT-services, advertising and management consulting are highly concentrated in Uusimaa, while traditional financial administration services and many technical services are more evenly dispersed. (Toivonen 2004: 117–122.)

IT-development services are concentrated in a few centres, notably Helsinki and Tampere areas. Many larger IT-development firms however, are relocating parts of their activity to less populated areas if local business is able to support branching, and in any case firms are usually willing to carry out assignments also for clients elsewhere in the country. A listing of a few thousand IT-consultants is easily found in any online b-to-b catalogue such as Inoa or Yritystele. *Technical services* are composed of a wide variety of sub-specialities, the availability being a function of specificity of requirements. Traditional engineering services are relatively easy to find all over the country.

Formal *training* is a public sector activity in Finland. The National Board of Education classifies only 350 of the over 5 100 schools and training institutions in Finland as private, the remainder being state or municipality owned. Training in other forms is available from numerous training and consulting firms, topics ranging from interpersonal communications to IT. Private *research* capacity is also available, but it is hard to distinguish from technical consulting at one end, and market research at the other.

Management consultancy, i.e. corporate development services, is widely available, and the problem is more likely to be one of choosing rather than finding a consultant. Toivonen (2001 a) notes that there is a certain convergence in KIBS industries towards corporate development consulting, as many other KIBS firms take on functions of management consultants (cf. e.g. Kubr 2002: xix).

Management consulting is particularly concentrated in the Uusimaa region. Toivonen divides management consultants operating in the Finnish market roughly into three groups. First, there are the older consultancies with histories back to the 60's and the 70's, consisting mainly of one- or two-man firms. Second, there are the small consulting firms founded in the 90's, partly owing to the depression early in the decade, which resulted in need for self-employment. Finally, there are the large international consulting firms that operate in multiple fields. Management consultancy is not as vulnerable to economic downturns as some other expert service sectors – in good times firms have more to spend on consultants, whereas in bad times there are more problems needing solving. (Toivonen 2001 a, b.)

Personnel services are a diverse field that includes recruitment services, personnel testing of all sorts, and temporary employment agencies. The volume of temporary employment business has grown quickly in the last few years – turnover has increased from 2002 to 2003 by 44%, although Finland is still well behind EU-level of rental personnel (Private Employment Agencies Association 2004). The number of temp agencies has more than tripled between 1993 and 2002, and at the same time the number of other personnel service firms has also doubled (StatFin 2004). For smaller firms¹¹ personnel agencies and recruitment agencies remain a minor source of labour at least in the service sector, with unofficial means retaining their importance (Martikainen 2000).

The big firms of *advertising* business are highly concentrated in the Helsinki area, but advertising services are available throughout the country. The market is highly volatile

¹¹ Here, fewer than 50 employees.

and easily affected by the economic climate. *Accountancy* firms are the third largest sector of private expert services and least concentrated of financial services. The sector is changing as computerised systems are cutting down the need for routine bookkeeping, and even small accounting firms need to increasingly take on functions of financial advisors and operative financial management. *Legal services* are offered not only by law firms but also large general consultancies. In Finland most legal services are externalized in the private sector. The service providers are rarely specialized only in business law, although that is also becoming more usual as international competition shapes the market. (Toivonen 2001 b.)

As mentioned earlier, a tendency for convergence of sectors has been noticed in consulting. The European Federation of Management Consulting Association notes that global firms have adopted a multidisciplinary approach and tend toward design and implementation of complete solutions, while smaller consulting companies are developing niche focus. Much of the consultancy market is concentrated on the large multinational corporations. Small firms buy only a miniscule share of the services. Price may be a deterring factor. Daily rates charged for services in Finland are estimated to range from 3000€ for the most senior consultants to 300€ for junior associates. (Feaco 2004.)

To conclude, finding private expert services should not be difficult on the face of it, at least on the national level. However, if geographical proximity is an issue, things become more problematic. KIBS provision in most sectors is geographically concentrated either in Uusimaa alone or in major cities. This is true particularly for IT-services, advertising and business consulting (e.g. Toivonen 2004; Lith et al. 2005: 25). Although modern technology has made long-distance co-operation feasible in theory, in practice face-to-face communication has a significant role (Müller 2001: 51), and therefore availability may be a limiting factor for the use of external expertise in some cases. In Southern Ostrobothnia, for example, the density of KIBS is much lower than the national average, and particularly high level ICT and technical services have been found lacking (Petäjä & Varamäki 2003).

5 SUMMARY OF CLIENT FIRMS' VIEWS ON EXTERNAL EXPERT SERVICES AND THEIR AVAILABILITY

This Chapter addresses the empirical results of the JOINT project (see Section 1.6 and Chapter three) so far as they relate to the present research questions. What do external expert services mean for the client firms? The firms' perceptions about what, exactly, is external expertise are varied. Also, partly due to these variations, their understanding of the channels by which external expertise is accessed, is somewhat wider than usually portrayed in marketing literature. Some arguments for the adopted conceptualisations of external expertise on the basis of previous literature were offered in Section 1.4.1. In this Chapter (Section 5.1) an empirical justification for the conceptualisation is offered.

Viewing external expert services as something more or other than only commercially provided professional services also implies that channels by which expertise is accessed will be more complex (see Section 1.4.1). The purpose of this study is not to compare or analyse the channels as such; rather the focus is on clients' accessing processes and selection behaviours. In Section 5.2 a brief description of the various channels is nevertheless provided, because the observed channels, analysed in the earlier research project, are an important background feature of client behaviour.

Finally, in Section 5.3, client firms' views on the availability of expert services are examined. The Section is, in a sense, an 'empirical counterpart' to the description in Section 4.3. An analysis of how clients view availability is included not only because the study as a whole has consistently sought to concentrate on client perspectives but also because the possibility of market characteristics influencing behaviour is dependent on client perceptions of the availability of expertise.

The Chapter is based on empirical analysis carried out in JOINT (see Kuusisto & Viljamaa 2005; Kuusisto & Viljamaa 2006 a; b; Viljamaa and Kuusisto 2006), using the empirical material also analysed in this study. Hence, only a brief summary is offered here.

5.1 Aspects of external expert services in clients' conceptualization

Each interview opened with a question on the interviewees' understanding of external expert services (cf. Appendix 1). Introducing the question in the beginning, immediately following the background questions, gives relatively independent answers.

The responses show multiple non-exclusive perspectives on external expert services. In fact, none of the interviewees saw external expertise as embodying only a single aspect, but some were more uniform in their reliance on one or two aspects only. *Subject of expertise*, i.e. the field of expertise, is one of the more common ways of perceiving external expertise. The expert service is understood in terms of what the provider is an expert of, e.g. IT or accounting. Identifying external expert service on the basis of its particular kind of knowledge is perhaps the most commonsensical approach to comprehending external expert services. Another common way of understanding external expert services relates to the *object of expertise*. The object of expertise is the issue or function in the firm that expertise is exercised upon, e.g. the production system, strategic planning, etc. This is a more functional way of defining external expertise.

Expertise is also be described in terms of *provider identity*, in which case the provider is identified as an expert, and the service thereby as an external expert service. This is related to the idea of defining expert services by the subject of expertise but is not quite the same. A service provider can attain a dominant meaning as an expert, imparting the 'spirit of expertise' on all its services. A service is thus identifiably an expert service if provided by a certain provider. The provider is constituted as either a particular institution (e.g. VTT or TE-Centre) or a category (a university professor, a lawyer).

External expertise can also be perceived as a *commodity* to be purchased or otherwise accessed. External expertise is viewed as being difficult or easy to buy/get, expensive/cheap, having good/bad price-quality ratio, etc. The commodity aspect is particularly clear in connection with private expert services such as legal or consulting services, but is also present in connection with service delivery through projects. Another aspect relates to the role or *function of external experts* in the firm. Here the

client considers services in terms of how they are used. The role mainly splits into two lines of utilization, namely regular input and development. In the former expert services are an external resource routinely used, in the latter input into change within the company.

The final aspect is a *normative* one or, rather, a prescriptive attitude towards knowledge-intensive services. External expert services are seen as basically good or bad in themselves. Contexts indicate that a strong normative stance is usually taken when the concept of ‘external expert services’ is identified with a particular type of expert service. In some cases further discussion might elicit a story concerning some particular negative experience that made all expert services ‘guilty by association’.

[--] But management using a consultant, to put right the little charts and organisational changes, well then I think management needs improving. Expensive consultants used by highly paid managing directors, I just don’t approve of that. [UN 8/15]

Whenever I hear the word consultant or external expert, I just get pissed off. [ER 9/20]

Expertise is a nebulous word, and for the interviewed client firms its meaning ranges from scientists’ expertise to the knowledgeable maintenance man’s “good touch” with production machines. It seems that for the interviewed firms the significance of external expertise is not a matter of qualifications, but rather something functional.

Are there systematic differences in how different clients perceive external expertise? The data in the present study are too narrow to answer that question with confidence. However, there seems to be general tendency to relate expertise to its perceived importance on one hand, and the rarity of the knowledge in question on the other. Thus, knowledge that is (relatively) hard-to-get *and* (relatively) important to the firm is the most expert. Thus, clients include in their conceptualization services that would not be considered external expert services in most literature, e.g. the knowledgeable maintenance man, or the relative with computer skills. They provide an irregularly needed, special, and critical service, i.e. an external expert service.

5.2 Channels of access

Examining client firms' understanding of external expertise highlights not only the complexity of the concept itself but also the variety of channels external expertise is accessed through. In literature interest is usually in formal or business-based (KIBS) services. In practice, the channels of access to external expertise vary from informal direct access to highly complex and indirect access. Traditional marketing research, for example, views services much like other commodities, i.e. something to be purchased. The interviewed client firms have a more open approach to accessing expertise.

Positioning either a customer or a provider of goods or materials as a source of external expertise is fairly common in the client firms. This inclusion is a departure from the starting point common in literature that KIBS as businesses provide services in particular fields. However, the importance of expertise of such actors as importers, equipment manufactures and raw material providers for their clients is well established in small business literature (see Subsection 2.2.1), and in line with the present results. The importance of *external expertise as a service provided in connection with buying and selling something else* was emphasised by the smaller firms, particularly the ones that reported little other use of external expertise. Hence, providing expertise to client firms is not limited to the traditional KIBS firms, but is also routinely done by manufacturers and retailers as well. The client firm may or may not actually carry out the purchase, but sellers often provide expertise regardless.

We've used technical design for a machine, but didn't actually go through with [the purchase]. But in principle we did use the expertise. [--] Took out a plan just for the sake of price policy, to see what the cost would be from an outside source. [--] I mean, we were planning to build this machine, so we wanted the price from an external source as well. [--] the deal is, if you go through with it, then you pay, and that's it. [--] So you don't have to pay for the plans. Well then we did it ourselves, and the cost was nowhere near, but the efficiency was just as good. [--] and it cost about a third, to do it ourselves. [EN 5/68]

[The salespeople] always know what's going on in the world, they visit the exhibitions and [--]. Is that like using an external consultant, or is it like listening to a salesman's pitch? Anyway it does clearly point the way forward, which are the trends. [UN 12/21]

There are also wholly *informal channels of external expertise* available to the managers in small firms. These channels may have very little or nothing to do with business

connections. For example, relatives or former colleagues are a frequent source of consulting expertise for many firms, sometimes even in issues relating to product development. Occasional use of a provider's service can also be enough to establish a relationship with the provider, and that relationship then allows the client to access the provider's expertise on an informal basis to some degree.

[--] all of us, well me and the two other engineers, [--]. we used to work in this [large company --]. That workforce has now split up into consulting firms all over the country, and for a lot of tricky questions I can ring someone up and ask what they think. For a little question like that you may get an answer. [EN 8/25]

I haven't used external people here. Of course, when my sons come over because of IT problems, they are sort of external experts. One of those computer viruses can kick up a lot of hassle. So I suppose I have to say, without the boys I'd have to have some computer expert over every three months or so. This is something I would need external services for. [UR 6/21]

A less informal but also non-profit channel of expertise relates to training institutions. Students (with their supervisors) provide various levels of expertise to firms for various tasks, ranging from routine market surveys to actual product development.

[The design competition organised with training institutions] never resulted in ready products, because buyers didn't get enthusiastic. But we had this competition, [product] was one and the other was [product], one [product] like this. They were a bit impossible to implement but we did get interesting, innovative ideas. The students got to work on a real project, even if it didn't work out. [--] But [starting production] costs in the old currency hundreds of thousands of marks, so you can't just start [making the product] because it feels nice. What if it doesn't sell? [--] But innovative results we got. Who knows, maybe one of these will get into production one day. [UN 2/28–29]

Another channel of access to non-market expertise for SMEs is the *consultants employed in various development and training projects*. In these projects, often mainly financed from public sources, there can be a duality of clients. The firm is a recipient of services delivered by e.g. a consulting KIBS, yet the 'paying client' is the project, to which the recipient firm may or may not have contributed financially. The expert labour is 'floated' to the recipient with no actual purchase of services, and in some cases the firm may not need to pay for the service directly at all. A number of interviewed firms refer to quality system development through projects, for example: altogether eleven firms mention using external expert services in quality system development, with five of them indicating a process involving several firms sharing a consultant. An additional

three firms refer to TE-Centre support of the process but do not indicate whether the development took place in project context.

The preceding discussion has focused on non-market transactions in expertise. Naturally the client firms also access external expertise in the markets, by *engaging the services of KIBS* such as industrial design studios or accounting firms. However, it is important to note here that the client firms often do not limit their understanding of purchasing expertise to the KIBS firms. This is natural because the interviewees' views on expertise are often not limited to formal expertise. Thus, *external expertise is also bought from non-KIBS firms or RTOs*. The external expert can derive his competence from specific knowledge of a particular firm or certain type of machinery, with no regard to accreditation or formal qualifications. For the client firm, the expertise of the maintenance man who can diagnose a stalled production line is both crucial and internally unavailable. This makes the maintenance man a very important external service provider indeed.

[As far as production technology goes], we've used certain individuals who are into these... well, the production method is a bit different from the usual, but [the basic process and machine] are quite normal. So for that we've used externals. There's [this guy] in the area, who has been "it" [--]. For the technical side, the machines, it depends on the situation, but it might be a couple of times a year. [--] [O]n the technical side [availability] is all right really. But the guys we've used, they're getting near retirement age. That is a fact. Five years from now we've got a shortage there. [ER 8/22, 25, 28]

At the moment I've got this guy who is specialized in [a material]. He used to have a firm of his own, now he is [in a different profession], and he consults for us, which is very good of course. -- [H]e's been here, well this year, several times, he comes over in the evenings since he works days, so he comes in and advices in the evenings. [--] [F]or example yesterday I was in a bit of a bog, had this special thing, and I knew he'd know how to do it, easy as pie. I called him and asked 'will you give a hand, I simply can't do this.' And he said he'll come. I said 'come on over, I've got to get this done today.' He came over to the shop in the evening and did it just like that, so this [assistance] is an enormous benefit, no question. [LC 11/21, 23, 74]

To summarize, then, external expert services are accessed through a variety of channels. Services are received as supplementary to something else, or become available through projects or other complex arrangements involving public funding. A wide range of expertise is available informally through personal or business networks. Training institutions provide students' inputs. Finally, external expert services can be accessed by purchase from KIBS, non-KIBS firms and RTOs.

5.3 Client firms' perception of expert service availability

A clear majority of the interviewed firms express no dissatisfaction whatsoever relating to the availability of external expert services. Ambiguous or negative comments on availability are typically limited to a specific kind of service. Some firms refer to lacking (good quality) expert services in a particular field. Concerns mainly relate to individual expert service sectors, i.e. the availability of particular technical skills and industrial design ability is questioned. Sometimes it is remarked that no external expertise is available for the firm's technical needs, but that this is simply the nature of the business. The clients feel that in a narrow sector external expertise is not to be expected, and doing without it is really not a problem.

To summarize client firms' views, while very few see external expert service availability *in general* as a problem, many have difficulties finding the perfect co-production partner for *their* particular firm. Doubts exist about finding a provider with the right skill-base, about long-term co-operation possibilities, and about mutual fit. The willingness of the providers to tailor their services to the needs of smaller firms is also questioned.

In principle [service] is [available], but somehow you'd wish that they also were prepared to tailor it. That is our idea, when our customers demand it. It has to be considered. [--] and we are after all a small firm. No, when they all join up into chains, these service [providers], and our business is worth only a few thousand euros every now and then, they don't really make the effort to think about it. [UN 4/34]

The interviews show that firms are not only remarkably satisfied with the overall availability of external expertise, but also that they are quality-conscious and cautious. Some perceive an abundance of supply and see the problem as primarily one of selection.

[--] I would think that finding the right service provider is the most problematic bit. There are all sorts, there is a lot of supply, and all sorts of letters and emails come in, and phone calls. In my opinion the challenge is finding the most suitable one. It takes a lot of time [--] to find the one that fits best. [ER 12/36]

The client firms' comments are similar regardless of region (Figure 12). The general picture seems to be that *while overall availability is good, the availability of a particular service for a particular firm can occasionally be a problem.*

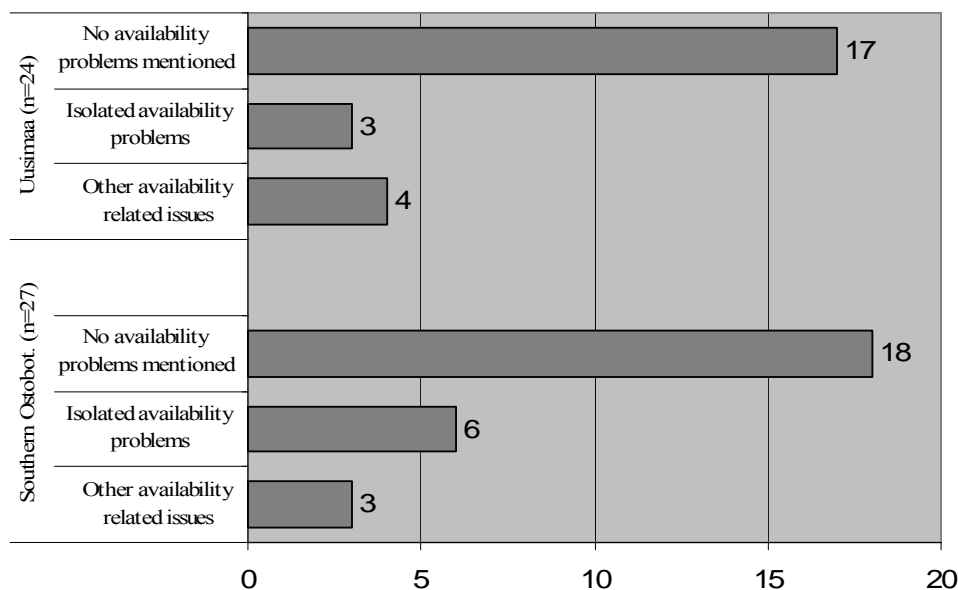


Figure 12. Client firm perceptions of external expert service availability.

Interestingly, *the firms that bring up external expert service availability issues are also among the more active users of external expertise.* Therefore it is possible that the apparent satisfaction with availability has as much to do with client firm passivity as with actual experienced availability. Second, what little dissatisfaction there is, it almost completely concerns services needed for development activities. No interviewee was concerned with lack of IT support or advertising services. Rather, problems are brought up regarding non-routine technical skills, strategic know-how, industrial design, logistics development and training. This suggests that while experiencing gaps in expert service availability is not a common problem, it is a problem more likely to occur in firms that are actively developing their products or activities.

6 EMPIRICAL ANALYSIS ON INITIAL ACCESSING DECISIONS, PROVIDER SELECTION AND RISK IN CONTEXT OF EXTERNAL EXPERT SERVICES

The purpose of this Chapter is to analyse what clients do in initial accessing decisions, provider selection, and how they view risk in accessing. The first Section considers, from the clients' point of view, the sequence of events that occur in the decision to access external expert services. The second Section examines the forms of provider selection. In Section 6.3 the clients' assessment of potential providers is considered. Finally, Section 6.4 examines risk as it emerges in clients' comments and descriptions of using and accessing expert services.

6.1 The decision to access external expertise

As seen in Chapter two, literature implies that the search for the service provider commences when a need is recognised in the firm. However, the decision to acquire services from an external expert service provider is rarely that straightforward. Confronted with the question of why an external provider was used, the interviewees reflect on their rationales in very different ways. In this Section focus is on *the decision to use external expert services*, i.e. the decision to access external expertise. Although the decision is not, as we shall see, always distinct from the selection of a service provider, it is sensible to discuss first the decision to access. Provider selection is discussed further in Section 6.2.

The analysis of cases was iterative, as described in Chapter three. The following discussion is structured according to the elements and themes that emerged from the cases and were refined based on repeated examinations of the interviewees' comments. First, we consider the *initiation*, i.e. the first move in entry, in Subsection 6.1.1. After that, *internal* and *external drivers* are discussed. The word 'driver' was adopted in the course of the analysis as a descriptive term for a phenomenon observed in the cases (see e.g. "imagery" Glaser 1978: 70), and is hence not to be understood as referring to any

pre-existing theoretical conceptualisation (cf. e.g. value driver in Andreiou, Green & Stankosky 2007). Internal drivers arise as response to observed or anticipated environment, and therefore external and internal drivers are, at some levels, inseparable. In the context of accessing decision the distinction is nevertheless pertinent.

The empirical cases suggest two types of external drivers, discussed in Subsection 6.1.2. External push occurs when someone or something outside the firm itself ‘pushes’ the firm towards the accessing decision; external pull when someone or something outside the firm offers an opportunity that ‘pulls’ the firm towards the accessing decision.

Internal drivers are addressed in Subsection 6.1.3. An active internal driver is present when the firm has a need that is strong and immediate enough to activate the firm to accessing external expertise. A passive internal driver refers to a need of which the firm is aware, but which is not immediate enough to activate the firm to accessing. Subsection 6.1.4 outlines the connection between initiation and the different drivers.

6.1.1 Initiating the accessing: the first move

Regardless of the motivations or background of the decision to access external expertise, at some point ‘the first move’ must be made. The first move refers to *the initial active step across the client firm boundary in connection with the service accessing*. Thus, an internal discussion within a firm about possible needs does not constitute an initial step in this analysis, whereas reaching out to contact external parties, or vice versa, is considered ‘a first move’. But who is it that takes the first step?

In altogether 31 detailed cases the interviewee refers clearly to a distinct initial action (Table 24 in Appendix 5). *In two thirds of these, the client firm initiates activities*. This could happen by directly contacting a previously known service provider, by asking for bids, by inviting an expert over for talks, etc. The service provider makes the first move in a fourth of the cases with a distinctly identifiable initial step. In some cases the provider makes a ‘cold’ contact, i.e. has no previous experience of working with the client firm. In others the provider’s contact activates a latent relationship, or initiates

new activities within an active relationship. Finally, in three cases, a third party directly initiates the process.

In eight cases no distinctly identifiable initiator is mentioned. Three of these concern long-term relationships involving financial administration or IT. In the five remaining cases the service provider had clearly been active, but the interviewee does not recall exactly either how the discussions went, or who brought up the idea in the first place:

It was touched off by [the consultant], or it was just that these ventures were being started up hereabouts. I can't remember what the actual impulse was. [DC26/44]

The analysis of first moves shows that more often than not, the client firm is active in initiating the co-production. However, being the first to take active steps towards engaging a service provider does not necessarily mean that the firm is acting out of an internally recognized need. References to both internal and external elements influencing the client firm in the entry decision were discovered in analysis. Next the external elements are discussed.

6.1.2 External drivers

The external elements connected to accessing include references to opportunities, changing requirements, or other activating impulses. It is obviously difficult to clearly distinguish between external and internal impulses. Firms exist in relation to their environments. In a process view an external impulse could with equal justification be viewed as internal, *after* the firm has received the impulse and translated that into a need. Thus, a firm's desire to develop a quality system may be an internal driver as far as the decision to access services goes, yet be ultimately driven by external impulses, i.e. customer complaints and reclamations. Hence, the difference between internal and external is, on a philosophical level, merely a matter of timing. However, in this study the client firms' perspectives dominate, and on that basis a driver is deemed external when the interviewee treats it as external. Most firms can articulate a specific internal need to which their external expert service use responds, but surprisingly often the decision to access involves some sort of an *external* driver. Some external drivers are compulsive forces that more or less impel the client firm to seek or accept external

expert services. Some are minor nudges toward action. Still, all the external drivers considered here are clear, distinct factors specific to the client and the situation. Thus e.g. changing norms or trends are not treated as external drivers, nor are legal requirements that operate for all firms equally. Two categories of external drivers emerge: external push and pull.

External push

External parties or factors can ‘push’ firms into using external expert services. In some cases, particularly when it comes to legal services, the *client firm is forced into using services* by an ‘attack’ by a third party, or by specific legal or policy constraints. For example, a firm being sued will need to engage an attorney for defence as required by their insurance policy. Similarly, a firm applying for employment policy training funding has to have an external provider deliver the training, or a growing firm is required to abide by a different set of regulations.

We belong to TUKES supervision now, being this size [--]. That is totally different than being supervised by the local fire department or... So the situation is now that we cannot manage these risk assessments and such. [--] I had to ask [N.N1.] to do this risk assessment, and all the layouts of the plant. We don’t have anyone [for that]. And certainly you must use a real professional for this sort of thing. [--] We tried it in-house, [N.N2.] and me, and could not get a thing done. [LC2/72-73]¹²

A different sort of external push comes when *a third party in a power position suggests the co-production*. For example, a firm’s customer may propose product design cooperation with a particular designer, or participation in a multi-firm development project. Such a suggestion has force if the customer is an important one.

[--] about the buying process, how you got into this? It was actually rather simple. A certain customer informed us that we must have [the capability in the future]. [DC16/44]

Also, a firm can face *requirements by financiers or partners* that necessitate using external expert services. In all these cases an external force, implicit or explicit, pushes towards the decision to enter co-production with an external service provider.

¹² TUKES (The Safety Technology Authority) is a state agency that acts as the supervisor, developer and expert organisation in the field of technical safety and reliability.

External pull

External push is associated with necessity, whereas external pull occurs when **external factors or parties pull the firm towards the co-production entry**. This can happen when *exceptional, external opportunities* occur. A service may become available at a lower price through public funding, or an innovation possibility is on offer. An opportunity pulls the firm into co-production, although there has been no previous activity towards such service use. Often also the external environment provides simply *a nudge towards the co-production*. A relative or a friend recommends a service or a provider, or a service provider suggests a possibility that happens to fit the ideas already simmering within the firm.

I actually got the information from acquaintances, who asked if we could kindly use the services. They [the providers] are students with [a business school] and they have a firm, I guess you'd call it a consulting firm. They're working with me on our homepages, and doing a market research project, interviewing our customers and so. It is, by the way, the first such project in this firm's history. [DC 39/34]

External pull is distinguished from external push in the type of motivation. External pull is powered by opportunity rather than by necessity. Next, the connection between external drivers and initiation of activities is considered.

External drivers and initiation

External push is mostly related to the first move by the client firm (Table 9). This is logical: an external factor necessitates an action the firm is unable to carry out, and the firm therefore seeks external expertise. This sequence is more or less followed in all the detailed cases with a distinct external push. In one case the external push came from a customer who not only requested the design of a new product but also provided the designer. In this case the client firm was willing to take on the development project and work with the designer, although it is easy to see that to decline the offer might have been difficult.

Table 9. Detailed cases involving external push.

Case	Service type	1st move	External push
DC 1	R&D	client firm	external expertise needed to solve customer's problem
DC 4	Training	client firm	external provider required by policy
DC 6	R&D	mixed	external expertise needed to solve customer's problem
DC 12	MC	client firm	bank's reaction to financial situation, cash flow budget
DC 16	Tech.	client firm	customer pressure
DC 23	R&D (design)	3 rd party	customer pressure
DC 33	Legal	client firm	lawsuit & insurance policy
DC 37	Legal	client firm	lawsuit

Table 10. Detailed cases involving external pull.

Case	Service type	1st move	External pull
DC 2	R&D	RTO	ideas occur with RTO & external financing possibility
DC 3	Marketing	KIBS	an offer from a long-term provider prompts the decision
DC 7	R&D (design)	KIBS	subsidised service offered by a credible provider
DC 11	R&D	mixed	becoming aware of provider able to offer useful analysis
DC 15	R&D	mixed	possible funding & an expert to run the process
DC 22	Marketing	3 rd party	an opportunity to export seems promising
DC 24	Marketing	mixed	firm becomes aware of a pertinent service at low cost
DC 26	MC	unclear	possibility of financing for new business venture
DC 28	R&D	expert	process/product development offered without direct cost
DC 30	Marketing	KIBS	consulting firm offers a subsidised service
DC 32	Training	KIBS	training seems to involve cost savings in export efforts
DC 35	IT services	continuous; unclear	service available unofficially, provider connected with firm
DC 39	Marketing	3 rd party	service is recommended by personal acquaintance

Cases where a distinct external pull is present are a different matter. Altogether thirteen of the detailed cases show such pull. In six of these, the first move to service use is made by the future service provider directly. In three cases the description of events is more mixed, but the provider is either active in promoting the service (i.e. marketing) or the co-production takes shape in mutual discussion. In two cases, a third party is active in suggesting the provider and service to the firm (Table 10).

To summarize, initial contact by the service provider is usually associated with an external pull, i.e. offering an opportunity. External push, on the other hand, usually results in the client making the initial move. Unsurprisingly, all the cases with no clear external driver are initiated by the client firm. We will next turn to internal drivers.

6.1.3 Internal drivers

The presence of external drivers does not preclude the presence of internal drivers. A firm being pushed or pulled into the accessing decision may very well also have an independent awareness of needs to be fulfilled by the service. Internal drivers are, however, more difficult to discern in the managers' responses, and to categorize. Internal drivers are often so obvious to the managers that they need not be articulated, or so diffuse that they are difficult to express. Also, the differences in individual managers' expressions complicate the analysis. To give an example, some managers distinguish in their speech between financial and human resources whereas others do not. Internal drivers have been approached in the analysis here by considering both direct explanations of why external expertise is used, and managers' discussion of what they gain in the co-production.

Surprisingly many firms fail to mention directly a clear internal driver, i.e. the recognised need of organisational buying behaviour literature (Section 2.1.2), in explaining their decision to use external expert services. However, in several of these cases the managers refer to having had something in mind, although the need had apparently not been pressing enough to take action.

I kept thinking, this could look a bit different, [--]. And then I had the idea, someone else could design the stand. **So how did you look for a designer?** Well actually I never got around to it, because the [provider] firm got in touch with us. They didn't actually have the exhibition stand on their minds, they were thinking of developing marketing for the product as a whole. Since I didn't know them at all, and I had no clear ideas [about marketing development], I figured, 'let's see how they do with the exhibition stand.' [DC 30/45-46]

This is a specialist business, you know. A small firm, if it does good work, gets as many orders as it can handle. But to grow you have to go into marketing and such [--] I've had [the idea], if there was time, to renew and improve the website. Mostly it is just that I've always put it off for later. Then [when I received the offer] it occurred to me, 'that's an easy way of getting it done'. [DC 39/34-35]

These firms have simmering needs that were not urgent enough to prompt action. An SME has scant resources, including management time, and looking actively for a solution implies that the need is perceived as immediately urgent. In the above-quoted cases the internal driver is a *passive* one, i.e. the stand could look better or the website is not what it should be. The driver is activated only when a solution offers itself.

Active drivers are immediate enough to prompt action. For example in the case quoted next, the managing director is anxious to install better working practices prior to moving operations to the new, larger building.

[--]problems, goods stored in several places, some issues with product quality. And warranty issues. General level of order wasn't too good in the shop. A lot of it has to do with lack of space, of course. When I thought about it, I saw that these things must get sorted now. That is, if we get 50% more floor space [when the new building is completed] that we won't have the same chaos over there. For that reason we took this [project], we track orderliness and machine failures and mistakes and so on [--] [DC 14/34]

However, passive drivers can become active also without a clear cue such as an offer from a provider (e.g. DC 39) or a change in the internal situation (e.g. DC 14). When the idea has matured, action follows. A passive driver activates spontaneously.

The quality project was different in the sense that we'd been working up to it on a conceptual level for a long time. These more immediate issues like that [consultation by a specialist], it was an urgent matter to get assistance for that process. [--] the website, that we had also thought about for a fairly long time [before we started looking for a provider]. [EN 8/52]

Rationales for use of external expertise

The needs fulfilled by external expert services are, by definition, about something that the firm cannot, or does not wish to, supply internally. In majority of the cases, the firm is aware of a clear lack or insufficiency. The firm's *own expertise is simply insufficient* for the task (e.g. LC 2 quoted in Section 6.2.1). The task may perhaps require equipment the firm does not possess, or lie outside the skill pool the firm can afford to maintain.

We've had a website, internet pages, since 1997 or so. At first we made them ourselves. But they got to be old-fashioned, of course, and we wanted a more dynamic look. [--] [We used an external provider] for the sake of visual ideas. We could have managed it technically, but we don't have the visual design outlook. [DC 3/30, 52]

Particularly in cases involving development, lack of own expertise is frequently referred to. However, a firm's *human resources can also be quantitatively insufficient*, i.e. the personnel lacks time for the task.

[--] technical design, strength calculations, that kind of services. [--]. We have used those sometimes. We use them when necessary, when we don't have the manpower. Then we buy it. [UR 9/21, 25]

The definition adopted in this study (Section 1.4.1) calls for expertise that is rare relative to the client, but this does not preclude the use of external sources for tasks the firm has the ability but not the capacity to carry out. In some cases *external expert services have some added value simply by virtue of being external*, implying that notwithstanding the level of expertise in-house, an outsider can be preferable. These benefits are two-fold. First, several interviewees refer to needing the fresh perspectives of an outsider, e.g. in management consulting and product development. Being very familiar with the firm or the product may guide thinking too much.

I saw it as a very positive experience. Our board, that is us siblings, and [the provider] there as an outsider, who has looked at the financial statements of a 100–150 firms, and followed their development. He had clear tips, new ideas and viewpoints. 'This is how it has mostly worked, so maybe you ought to try it also.' He had a basis for comparison. And of course, it's partly that we get [--] satisfied with what is our own, even if it might not look so great when seen [objectively]. [LC 26/11]

When we have been making a particular product, we get so locked into it, 'this is what it looks like'. One's thoughts revolve around these particular shapes... But someone [external] comes and says, 'forget all that, let's go for a totally different appearance'. We might have never gotten to this kind of end-result on our own. [DC 7/11]

The starting point was that we had troubles, the financial side of things needed improving, profitability [was not satisfactory]. An outside consultant can see things

differently in the business. I've looked at the old picture for so many years that I'm blind to it. An external consultant could look at it and see where we needed to cut back, and where to develop. [DC 20/42]

Second, an external expert's views are received differently both by internal and external audiences. The *outsider can be seen as someone more impartial and more knowledgeable*. This means the external expert is more able to get his point across e.g. in training or management consulting.

We've come to understand over the years that when it is an outside person giving the comments or feedback, it somehow sticks better than a message [from management] within the firm. Unfortunately, that's just the way it is. [DC 13/49]

We've used them for example [--] to explain the financial side of the business. [--] I've tried to present these things to the employees several times, and they always walk out slack-jawed without a clue. So we got someone else to explain this stuff so that it would sink in. It helped. The footing is different, and [the external expert] had a better feel for how to explain the stuff [--]. In the beginning we also had the consultant lead internal discussions, to open up the conversation a bit. [--] For some reason people get awfully stiff when they have to gather around a table to talk. Go outside for a smoke on the stairs and folks will talk about anything, but if we sit around a table to talk and [--] no one has anything to say. [UR 3/16, 21]

In other cases the external expert has particular credibility by the virtue of being known. The provider can be a competent individual expert known to financiers in the region, or the foremost research institution in the field. The external expert services are then used because the *service provider has credibility in the eyes of other actors outside the client firm*, whereas in the previous situation the service provider is credible within the client firm. The seal of approval from a research institution helps to market a product, and the participation of a well-known management consultant or auditor helps to appease a firm's creditors.

One of [the concrete benefits] we received was certainly the consultants' help in negotiating with the financier. Having a well-known expert clarifying where we are at, that was very helpful. [--] It is a key issue, that the consultant knows the sector, this area, this line of business. Then they can reliably say things. When they give a statement then it is reliable and credible. [DC 12/77, 86]

In some cases several needs dimensions are referred to, in others no clear internal driver is referred to. Next, need recognition is considered.

Need recognition and internal drivers

Models of services purchasing commonly begin with a need recognition phase (Subsection 2.1.2). Based on the cases examined in this study, it seems that need recognition is often passive, i.e. it doesn't automatically lead to action in the firm. This is probably because in small firms there is usually little slack in resources, and the operational pressure of daily activities prevents the sort of systematic consideration that is assumed in the models. Thus, a small firm can become aware of a lack or insufficiency, e.g. "the website doesn't look good," but the lack is not activated into a need, e.g. "we must get the website renewed."

The awareness of some insufficiency is here termed a *passive driver*. When the necessity is definite and urgent enough to be recognised as a need, it becomes an *active driver*. Need recognition consists of two distinct 'recognitions.' The firm must become aware of something that needs to be done, and must recognise that external expertise is a good option for fulfilling that need. The latter recognition may involve either awareness of internal insufficiencies, or awareness of added value that a specifically external provider could bring to the task.

The cases have not been empirically categorized here as to whether the internal driver is a passive or active one: since almost all cases concern co-production already past or underway, the interviewees' descriptions of their need recognition are often insufficient on this point. However, in the cases where the client firm makes the first move (see Section 6.1.1), and there is no clear external driver acting on it, an active internal driver may be assumed. On this basis, almost half the cases (46%) can be said to involve an active internal driver.

6.1.4 Discussion on the decision to access external expertise

The analysis so far has demonstrated that the decision to access external expertise is not necessarily prompted by a client firm's recognition of need as suggested by literature. Theoretical models more or less explicitly position need recognition by the client firm as the first step, although some models acknowledge the distinction between the

recognition of need and the decision to use external expertise, and some acknowledge that the ordering of stages can vary. In the light of the cases analysed here, need recognition by client firm is the first step in the accessing only if *any* impulse leading to a service assignment is accepted as need recognition. This would seriously limit the utility of the concept.

Only about half the cases of assignment initiation involve ‘clean’ internally occurring need recognition. Instead, external drivers often play a part. An external driver may simply activate a passive, simmering need for services. An external driver can also *create* the need for services. The initiating move which leads to a service assignment can come from not only the client firm or the service provider, but also a third party. Three main sequences emerge (Figure 13).

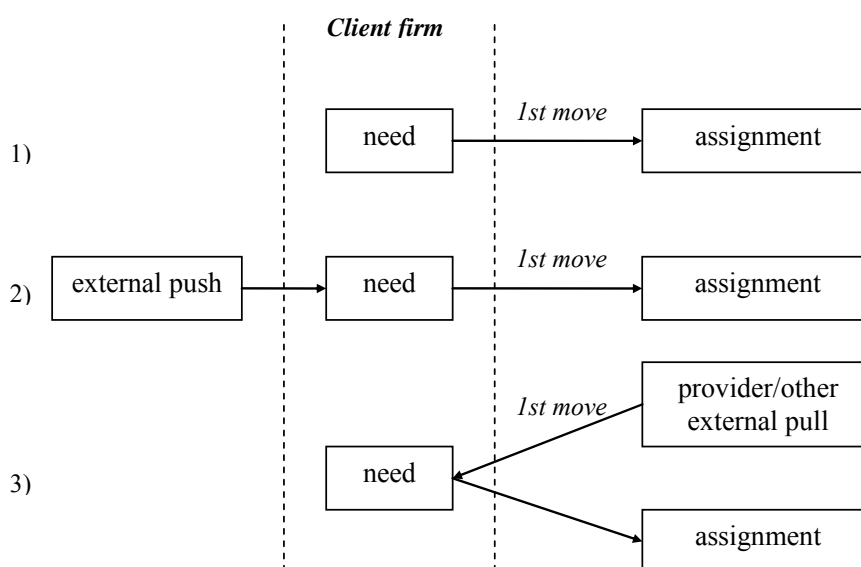


Figure 13. Client’s need and initiating a service assignment.

The first sequence corresponds to the classical concept of a client recognising a need, and making an effort to fulfil it by using an external expert. The client contacts the provider. The second sequence begins with an external push. The push is an activating impulse *that comes from outside the client firm*, and either activates a passive internal driver, or creates a previously unconsidered need. The client then, having been pushed towards accessing external expertise, makes the first move. The client initiates accessing by e.g. contacting a potential service provider. The third sequence involves

also an external impulse, but *in external pull the initiative is a provider- or assignment-specific invitation to engage in co-production*. The provider for example offers an opportunity which ‘pulls’ the client into the service assignment. The pull can also come from someone other than the provider, e.g. from someone lobbying on behalf of the specific provider as in DC 39, quoted in Subsection 6.1.2. Thus, external push is less specified and requires getting something accomplished, whereas external pull is more specific as to what, and with whom, is to be expected to occur. External pull encompasses the first move as well.

This Section has focused on how clients come to access external expertise. In the following Section, the issue is rather the client firms’ selection of service provider. How and why does a client come to work with one provider, and not another?

6.2 Forms of provider selection

The preceding Section considered how client firms come to access external expert services, and e.g. with regard to need recognition it was found that existing models do not fit comfortably SMEs’ external expertise accessing. Now we turn to the next question facing an SME accessing external expert services: *Who* is the provider for this task, with this firm? The present study diverges from the process models in literature also regarding service provider selection. The models discussed in Chapter two make two implicit assumptions that do not fit the data collected from the client firms. First, it is implied that provider selection is distinct from the decision to use services, and second, models commonly imply that the chosen provider is selected among several alternatives. In light of the data in the present study, neither implication holds true with any consistency in SMEs’ accessing of external expertise. In fact, many cases give no indication of ‘choosing’ a provider at all.

In situations where the service provider *is* chosen, various reasons are brought up. Continuing previous relations is the norm for many services, as suggested in previous literature as well. Auditing and accounting, advertising, and IT-maintenance are found

to be services typically involving long-term relationships. In these, only specific reasons seem to introduce change. However, in development activities, where the needs may be more diverse and specifications more challenging, there is more client awareness of provider selection issues.

The first Subsection will examine cases in which a *selection process* recognisably related to previous literature is used. After that, 6.2.2 and 6.2.3 consider *default selection* and *entwined provider selection*. A summary discussion concludes the Section.

6.2.1 Selection by evaluation of alternatives

Models of business-to-business services purchasing usually include the assumption that the client compares alternative service providers prior to making the choice. That is, it is assumed that the client seeks out a number of potential providers, and compares the most likely providers either directly or on the basis of offers. The set of seriously considered providers is usually called the short list. The short lists play an important role in consulting literature also: various handbooks give advice on how to first get onto a short list, and how to win the deal once on the short-list, i.e. after the client has asked for offers or presentations. The empirical data in this study, however, suggest that the kind of selection behaviour implied in the literature is relatively unusual among small Finnish manufacturing firms when accessing external expertise.

Few of the cases involve actual evaluation of alternative providers, i.e. seeking out several potential providers and comparing them prior to making a selection. Altogether five of the detailed cases (Table 11) and two of the limited cases exhibit actual evaluation of provider options. In one additional detailed case, DC 15, the interviewee refers to comparing prices for a partial service (testing) but being partial, the evaluation is excluded from the Table. Also, in DC 21 the manager wants two independent opinions, and therefore has two separate providers perform the same consulting service. The case is an example of evaluation of service outcomes rather than of assessment of alternative providers, so it is also excluded here.

Thus, competitive tendering even in diluted form is relatively rare. All the detailed cases involving selection among multiple potential providers have an unequivocal first move by client firm. However, the drivers of the decision to access external expertise in these cases are varied: three cases involve only internal drivers, but two have external drivers as well.

Four of the cases fit fairly well the selection processes suggested in literature, in a streamlined version as one might expect in smaller firms. Two of these involve IT services, and two R&D services. In all of the four cases, the initial action is taken by the client firm based on an internal active driver, albeit in the R&D cases customers' wishes and availability of R&D funding are significant in the access decision.

Table 11. Detailed cases involving selection among alternatives.

Case	service type	search	cited selection criteria
DC 1	R&D	asked potential providers directly	perceived expertise
DC 4	Training	staff member previously employed in provider organisation	criteria as defined in policy
DC 10	IT	asking around	perceived expertise, presentation
DC 17	R&D	asking around, public sector sources	presentation, perceived expertise
DC 29	IT	several offers asked from providers	content, proximity

The fifth case (DC 4) is different. The internal driver is not immediately connected with the service, but rather with the funding that is associated with the service. In DC 4 the client firm uses training services, but the main motivation for the accessing decision is the need to avoid layoffs, not the need to train the staff. The training was acquired through the employment policy training framework, and although the increase in employee skills is later seen as an important benefit, it was not the driver in the decision making. The public sector framework of the service provision also has a definite impact on the provider selection: the standard procedures for public sector tendering and provider selection had to be followed. Nevertheless, contextual evidence suggests that

the client firm had an advance expectation that a particular provider would be successful in the tendering. The provider is known to the firm through a personal connection of a staff member and assisted the firm in preparing the tender.

How are the potential providers for the evaluation of alternatives found? The cases suggest that word-of-mouth plays an important role. The managers refer to “just asking around”, or to asking a specific person who might know of a provider.

We've had a good relationship with [a university]. [--] I work with them, [the students] get to see a real entrepreneur. [--]I said, 'you've all these departments in the [university], you must know the people that are any good'. Through them I got a handle on it. They were able to refer me to people who deal with this sort of thing. It is a damned difficult sector. [DC 17/48, 57–58]

Most of the interviewees are brief in their description of the search. Contextual evidence suggests the search is usually not extensive. Only one of the firms mentions the number of providers assessed prior to selection, but circumstantial remarks seem to indicate that two to three providers is the usual number of alternative providers. But why aren't firms more commonly evaluating several options? The simple explanation may be that this is bounded rationality carried to the limit. Lack of time, and particularly management time, is an issue. As one manager put it:

For a small or medium sized firm like this, it should happen rather quickly, I mean, we can't very well assemble working groups to sit about and wonder and ponder and write minutes. Rather, it just needs to happen. [ER 12/36]

Thus, time pressure forces many smaller firms to adopt the least wasteful procedures they can get away with. The search for alternatives takes management time, which is a scarce resource in SMEs. Also, the more extensive the search, the more time the evaluation of potential providers will take. Thus it is doubly reasonable to limit the number of alternatives. After all, the firm still retains the option of continuing the search later if none of the evaluated providers prove satisfactory. Furthermore, in cases where the service is a highly specialized one, it is unlikely that there are many alternatives available in the country.

Further, evaluation of more than one provider doesn't necessarily mean an exhaustive evaluation of the alternative providers. In e.g. the public sector it is common to use

evaluation grids with scoring systems for assessing the relative merits of potential service providers, but SMEs' evaluation seems less formal. Most interviewees justify their choice with the perceived expertise of the provider, and particularly the suitability of the expertise for the task on hand is considered crucial. The suitability is judged based on past references, and on the provider's presentation. Presentation refers, here, holistically to the expert's manner in interaction with the potential client, not necessarily implying a formal presentation with slideshows and process charts. The specific content of the offer is emphasised in one case involving IT services, where the software package on which the tailored solution would be based was important to the client. The assessment of a potential provider is considered at more length in Subsection 6.2.4.

Interestingly, none of the firms that undertook evaluation of alternative providers refer to low price as having influenced their decision. Two firms mention price in connection with the evaluation, but one remarks that the differences in financial offers were negligible, and the other explains that the chosen provider in fact cost considerably more than an alternative provider.

6.2.2 Selection by default

In eight of the detailed cases the interviewees *give no indication of choosing* a particular provider, or even particularly assessing that provider's capabilities relative to their need (Table 12). Five of these cases involve continuing a previous relationship with a provider. Three of them involve a close connection between the provider and the client.

In these cases the choice of a provider is so obvious and 'natural' that it does not appear to be even considered. The provider is selected by default. However, although the interviewees in these cases do not refer to the assessment of provider capabilities, it would be misleading to assume that the choices are as unthinking as the above may suggest. In other cases where the apparently obvious choice was *not* made, the clients might refer to e.g. some attribute that the apparently obvious provider did not have. Thus, the default provider only gets the assignment when there is no clear reason to look for an alternative.

Table 12. Detailed cases involving default selection and their rationales.¹³

case	service type	cited default rationale
DC 3	Marketing	continue previous relationship
DC 5	R&D	continue previous relationship
DC 12	MC	continuance to previous task
DC 16	Technical services	ownership connection through individual
DC 18	R&D	continuance to previous task
DC 35	IT services	provider on firm board
DC 37	Legal services	engage relative
DC 38	Marketing	continue previous relationship

6.2.3 Entwined selection

Entwined provider selection occurs in cases where the client firm is not the active initiator of the service use, or at least not the only active party. In entwined provider selection the client firm simultaneously considers both the decision to use external expertise and the decision to use the particular provider. The provider decision is linked with the decision to use services. Although in most of these cases similar services could be acquired from alternative providers, the interviewees give no indication that alternatives are considered. Rather, the focus is on the decision of whether the service is used at all, and the provider selection is taken more or less for granted. In this the entwined choice resembles the default choice described in the preceding Subsection.

Provider selection is simply entwined with the co-production entry decision.

[--] they marketed themselves, it came out of that. We'd not heard of this [kind of service] from anywhere. The need sort of appeared through their visit. Like, I've had thoughts about this sort of thing sometimes, and they would be able to do it. [DC 30/54]

¹³ Thirteen of the limited cases, i.e. 34% of the limited cases for which a selection mode could be determined, indicate choice by default, and all these, more specifically, are continuation to previous relationships.

Entwined choice occurs in twelve of the detailed cases, but there are also clear differences in the characteristics of the decision-making, apparently due to the characteristics of the situations and the services in question (Table 13).

In all the entwined provider selection cases the client firm's decision-making is focused more on *what is to be done* rather than on *who does it*. In these cases the provider is already established, and the service is one that the provider is, in his own view, competent to deliver. Some of these cases show that the client has assessed the potential provider's competence from specific cues, but none of them indicate consideration of an alternative provider.

Table 13. Entwined use/selection decisions in detailed cases.

case	service type	entwined decision	first move
DC 2	R&D	jointly forged project	provider
DC 7	R&D	acceptable proposal	provider
DC 11	R&D	jointly forged project	mixed
DC 15	R&D	jointly forged project	mixed
DC 22	Marketing	jointly forged project	3 rd party
DC 23	R&D	acceptable proposal	3 rd party
DC 24	Marketing	acceptable proposal	mixed
DC 26	MC	acceptable proposal	mixed
DC 28	R&D	acceptable proposal	provider
DC 30	Marketing	negotiated service	provider
DC 32	Training	acceptable proposal	provider
DC 39	Marketing	negotiated service	3 rd party

When the entwined decision is a matter of *accepting a proposal*, the client firm is basically offered an opportunity that is acceptable, and the provider involved in this initial phase is engaged for the service.

[A staff member was attending a] course where the person from [provider] presented this service package. Then we ended up taking it. I don't recall exactly how it went [--] **Did you consider alternative providers?** No. It would not have even occurred to us without the initiative from them. That I can say. [What affected the decision was] that [the provider] is reliable. And the costs, that we were told up front what it will cost. [DC 24/43–45, 47]

In *negotiated service* the client receives an offer which is not specific enough (DC 39), or is otherwise not acceptable as presented (DC 30). The content of the co-production is therefore negotiated between the provider on offer and the client. The contact comes to the client, who receives it as an activating impulse, and moves to defining the service content. In *jointly forged projects* there is no initial clear service offer, but neither does the client firm actively seek out a provider to carry out a service: rather, an activating first move starts a process of defining what is done. In one of the four jointly forged projects the activating party (potential sales agent) brought in the provider. In the three others, the provider was involved in making the activating contact, e.g. DC 11.

[The RTO] had a sort of get-acquainted event. We received an invitation by post, to come over and see their equipment, building and so. To hear about the sort of capabilities they have. [--] It was aimed at [our sector] [--] We had been thinking about [an R&D project], we've had this idea about developing an alternative material, [--] and we are now doing it with them. [--] They can analyse pretty closely [the material] and see what components there are. [--] We asked whether they can do an analysis and they could. [DC 11/ 23, 45–47, 49]

Another type of entwined selection happens when a firm enters co-production as a part of a multi-actor process of some sort. For example in publicly funded development projects the client may not in practice have any say on the identity of the service provider, if the client becomes involved in the project after the project is designed. In the present data, only case DC 32 fits this profile.

To summarize, the entwined decisions described here differ in the degree of definition in the service content, but are similar in that the provider identity is not subjected to serious consideration. In traditional models the need, i.e. the decision to access, and the provider, i.e. the selection, are treated as if they were separate. In these cases there is no indication that they are. The service and the provider form a bundle from the client's point of view. Nevertheless, the assessment of the bundle may involve an assessment of the provider, and in many cases where the use/selection decisions are not entwined, assessment of the potential provider is a major concern (Section 6.3).

6.2.4 Discussion on the forms of provider selection

Provider selection in external expert services accessing is only rarely treated by SMEs as a purchase like any other, subject to buying routines. In the entire client firm data, formal buying routines in connection with accessing external expertise are described by only one to six firms, depending on how 'formal' is defined. Most firms go case-by-case in acquiring external expertise. This does not imply that providers of expert services are chosen willy-nilly. The selection may not be based on extensive searches, or formally defined selection criteria, but the interviewed SMEs show a range of short-cuts that help them make provider decisions without using too much of the scarcest of resources, management's time and energy. Frequently the selection is, in fact, a matter of choosing *whether* to work with a certain provider rather than choosing *which* provider. In most of the cases 'selection' involves one alternative at a time, often an obvious alternative not even questioned in every assignment.

In conclusion, it is proposed that the SME's provider selection has four distinct modes. In *default selection* the obvious provider is chosen with little or no 'selecting.' In *entwined selection* the client assesses the proposed service and provider as a bundle, thus considering the combined characteristics of the proposed activity and the provider. In entwined selection the decision is essentially made between using the service with the particular provider and not using the service at all. In *evaluation of alternatives* the client firm systematically considers several alternative providers. This is the procedure strongly suggested by literature. The fourth mode will be called *short selection*. In short selection a single potential provider is assessed by the client. This occurs in fourteen of the detailed cases. The essential difference to entwined choice is that a provider is chosen, rather than a service, even if the choice is made from a list of one. Nevertheless, the assessment in short selection carries the possibility of rejecting the potential provider, and engaging in a second or third round of short selection. The means by which clients assess a potential provider in short selection (as well as in evaluation of alternatives and in entwined selection) are discussed in the next section.

6.3 Provider assessment and its cues

Provider assessment is examining a single provider's capabilities relative to the client firm's needs. This is distinct from evaluation of alternatives, where different potential providers are compared in order to select the best, although evaluation of alternatives contains provider assessment. Entwined provider selection also often involves assessing the provider's abilities as part of the assessment of the whole proposal.

A provider's performance is obviously evaluated in an on-going relationship, but provider assessment is most clearly emphasised in cases where the entry into co-production is the first time of using a particular provider, and where the service is sought due to internal drivers. Altogether 28 of the detailed cases (72%) displayed some form of *provider assessment* that is distinct from *assessing the planned activity* (Table 14). In three of the entwined selection cases the managing directors interviewed do not clearly refer to assessing the provider. This should not be viewed as evidence that nearly a third of the cases involve no provider assessment – it merely means that such assessment is not mentioned and hence indicates that provider assessment is not central to the clients' view of how they accessed the service in question.

Three provider assessment rationales emerge in iterative analysis (Table 14). The provider assessment rationales should not be seen as mutually exclusive, but rather as differing mechanisms towards the same end, i.e. trying to ensure in advance a positive outcome to the co-production. No particular service type is dominated by a specific rationale. The rationales co-exist and mix in the selection decisions for all types of services.

Table 14. Provider assessment rationales.

case	service type	selection mode	client's direct assessment	previous familiarity	direct reference
DC 1	R&D	eval. of alternatives	x		
DC 2	R&D	entwined		x	
DC 4	Training	eval. of alternatives	x	x	
DC 6	R&D	short selection	x		
DC 7	R&D	entwined	x		
DC 8	Training	short selection		x	
DC 9	IT	short selection		x	x
DC 10	IT	eval. of alternatives	x		x
DC 11	R&D	entwined	x		
DC 13	MC	short selection	x		x
DC 14	MC	short selection		x	x
DC 15	R&D	entwined	x	x	
DC 17	R&D	eval. of alternatives	x		x
DC 19	R&D	short selection	x	x	
DC 20	MC	short selection	x	x	
DC 21a ¹⁴	MC	entwined			x
DC 21b	MC	short selection	x	x	
DC 23	R&D	entwined			x
DC 24	Marketing	entwined	x		
DC 25	MC	short selection			x
DC 26	MC	entwined		x	
DC 27	MC	short selection	x		x
DC 28	R&D	entwined	x		x
DC 29	IT	eval. of alternatives	x		
DC 31	R&D	short selection	x	x	
DC 32	Training	entwined	x		
DC 33	Legal	short selection	x	x	
DC 34	A & A	short selection	x	x	
DC 36	A & A	short selection	x		x

The most striking single feature in the combination of rationales is the prevalence of personal contacts. In only seven cases the client firm does *not* refer to either previous

¹⁴ In this case the firm actually had the service performed twice, by providers unaware of each other, and the entries were different; hence the case has not been listed in the tables in Section 6.2. Entwined selection in this case involves a TE-Centre branded expert service and short selection (DC 21b) a previously familiar lawyer.

familiarity or to a direct reference, and six of the seven involve public sector provision or RTOs. On the other hand, in seven of the limited cases, with no RTO/public sector involvement, no reference to either previous familiarity or direct reference is made. The limited range of detail allows no definite conclusion, although for the sake of comparison, 18 of the limited cases do refer to previous familiarity with the provider.

In the following the clients' assessment rationales are considered more closely. Subsection 6.3.1 examines clients' direct assessment of potential providers. Subsections 6.3.2 and 6.3.3 consider the forms of previous familiarity and direct reference respectively, as observed in the cases. The Section concludes with a discussion (Subsection 6.3.4).

6.3.1 Client's direct assessment

All accessing of external expertise involves some assessment of the potential provider's suitability. The discussion in this Subsection is based on the acknowledged, stated attributes and cues that client firms have used in provider assessment, but should not be considered as a complete depiction of the process. Clients weigh the merits of providers in highly individual ways, and relative to the characteristics that are important to a particular client and a particular task. Thus, some attributes, e.g. proximity, may be relatively important in some services (e.g. accounting), but relatively unimportant in others (e.g. technical testing). Similarly, one firm may value a specific characteristic such as experience of the business sector, whereas another emphasises something different, e.g. experience with small firms.

Further, different cues are at play in how the information regarding the provider's attributes is conveyed to the prospective client. The details depend on the characteristics of the situation and attribute; the provider's address is a cue for geographical proximity, and past job references for relevant experience. Paradoxically, the same cue may work in contradictory ways, exerting both pro and con influence vis-à-vis a specific provider in the client's assessment, even within a single entry decision. Also, although some specific attributes are highlighted in the cases, client's direct assessment in truth is a

holistic assessment: the negative attributes are undoubtedly weighed as well, although they are rarely mentioned in the interviewees' statements directly. This may be due to the human tendency to defend decisions made: since the interviewees are discussing service providers that they have used, their descriptions may have an element of justification. A further complication arises from the fact that the provider's demeanour in interaction, i.e. individual manner of speech, expressions, body language, etc., are both a vehicle for conveying information, and an attribute to assess.

With these caveats in mind, we will examine the clients' direct assessment of providers. The assessment is basically about the client trying to answer two future-oriented questions. Can this provider do the job (capability dimension), and will working together with this provider be okay (cooperation dimension)? Figure 14 summarizes the attributes and cues connected to each dimension.

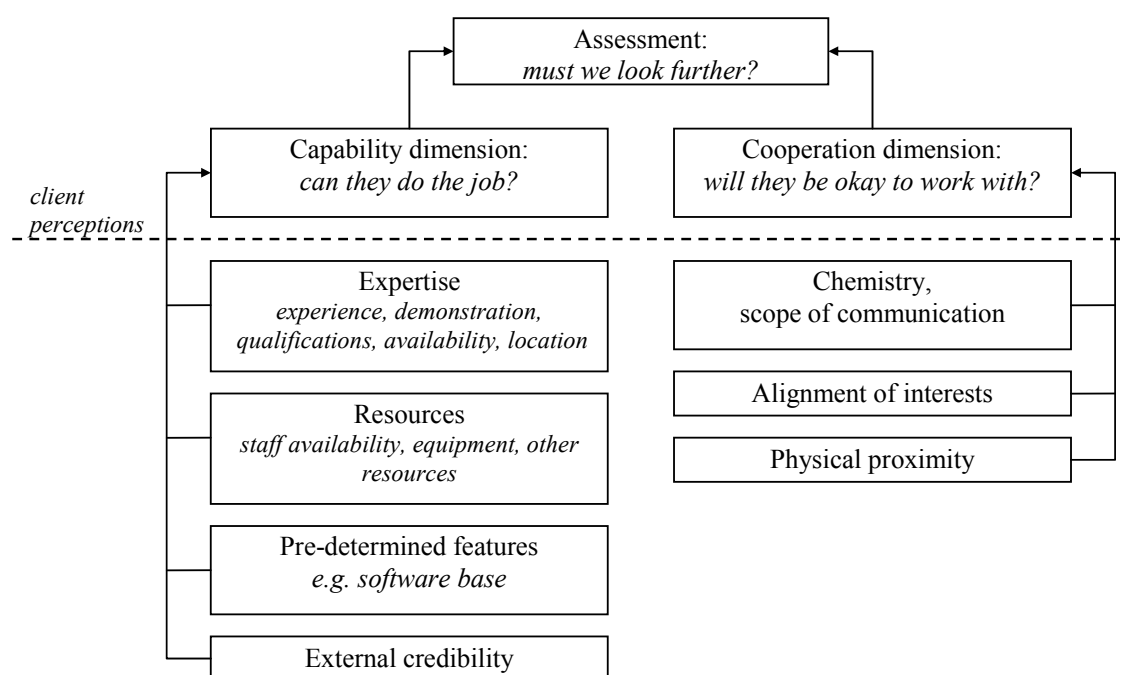


Figure 14. Capability and cooperation dimensions in assessing a potential provider.

The **capability dimension** relates to whether the potential provider can handle the envisioned task or not, i.e. whether the desired outcome can be achieved as far as the provider is concerned. This is not simply a matter of the potential provider's *expertise*.

Other capability attributes include external credibility, resources and pre-determined service attributes. Expertise is, however, understandably emphasised in assessing providers of external expert services, since the lack of internal expertise is often the reason why external services are sought. There can be little point in replacing in-house lack of expertise with external lack of expertise. The problem is: How does the client assess the level and appropriateness of the provider's expertise when the client firm itself does not possess it?

The cases examined in the present study suggest that expertise is assessed based on *experience, demonstration, qualifications, availability and location*. Experience can refer to an individual expert's work experience, or past jobs of the firm. Thus, if the service provider has done similar jobs in the past, this experience suggests that they can do so again. The specific usefulness of past experience is clearly important for the clients.

[Know-how must be tested] so we look at what they do. **You try the provider out in one assignment first?** No, no. I mean, seeing what kind of jobs he does, what kind of reputation he has. **You called some of his present clients?** Well actually we just talked with him, trying to see how he understands what he does, to hear some examples. Once he gets down to it, you can tell right away whether he knows his stuff or not. [DC 10/64-66]

The guy had been in the business for 35 years. [--] Knowing the business, that is the number one thing definitely. Then the knowledge can be brought down to practice right away. This basic understanding of what this sector is. [--] And another thing, he had been involved in purchasing this kind of equipment. He knows the equipment and that is where we have the biggest gap. [DC 8/30, 51-52]

Demonstration refers here to the provider *showing in some concrete way* the expertise that is required. Demonstration can be used to confirm experience, as when a website designer instructs a prospective client to view previously designed sites, but it need not involve earlier assignments. An advertising agency's business card and a management consultancy's certified quality system are forms of demonstration.

[--] one of the things with [this provider] was that they had a quality system of their own, a certified one. That we were interested in. [DC 13/59]

This kind of concrete demonstration is quite important in some external expert services, but is not feasible in others. For example in accounting *qualifications*¹⁵ can serve a similar role. However, it should be underlined that although formal qualifications are frequently perceived as one of the defining characteristics of knowledge-intensive business services in literature, qualifications are rarely mentioned by the SMEs. In fact, the present study suggests that e.g. academic qualifications play very little direct role in provider selection, however integral they may be to expertise in other ways. As seen in Chapter five, the interviewed firms see expertise from a more practice-oriented perspective.

The remaining two cues for expertise are *availability* and *location*. Both are indirect cues. An expensive office location in the centre of a city signals expertise in one case involving legal services. Availability is potentially a negative cue for expertise:

[--] design studios often get in touch. In a way that's a good sign, but on the other hand it is a bad sign, if they are contacting us because they have little work. If they have little work, are they any good? [--] What happened here was, the designer got in touch with us because he was nearby, and he'd been working regularly for [a firm in a similar business] and that firm just suddenly took off and left the country. So it wasn't a question of them not wanting his services anymore, it was that the firm had moved to Italy, or wherever it was. [DC 7/53]

The availability of a sufficient quantity of expert *resources* is rarely referred to in connection with initial provider assessment, although dissatisfied clients may afterward see the provider's excessive workload as the reason for failure. In initial provider assessment the other resources of the provider organisation are more often referred to. For example laboratory equipment or resources such as access to image databases are mentioned. *Pre-determined service features* are highlighted mainly in connection with IT-services, where a service provider is often specialised in a particular kind of software, but also in connection with management consulting, where some services have been developed into pre-defined service products, packages.

¹⁵ No certification is required for accounting, but auditors and audit firms authorised by a local Chamber of Commerce (HTM auditors and audit firms) or the Central Chamber of Commerce (KHT auditors and KHT audit firms) are held in esteem for accounting also.

External credibility of the provider refers to the degree to which the future outcomes of co-production with the specific provider have credibility in the eyes of others outside the firm (Subsection 6.1.3). For example testing must be undertaken by an impartial, reputable organisation in order to be useful in marketing afterwards.

They have the status of course and can give statements, they have credibility even internationally, although [RTO] is a small operator on world scale, but [RTO] has been in on these sector [--] projects in Europe, is recognized even in the US. [DC 31/47]

In this case institutional credibility of the RTO works as a choice factor conferring credibility on the process and its outcomes. However, external credibility can also be personal or local, e.g. when a management consultant is well known to the firm's financiers.

The **cooperation dimension** in assessment is threefold. *Physical proximity* refers simply to the geographical proximity between the client and the provider, which is a factor particularly in services requiring frequent face-to-face communication. Considering how geographical proximity has been emphasised in some studies, it is surprisingly rarely brought up by the clients. The clearest references to proximity involve accounting services, where the possibility of dropping by the accountant's office and getting personal service is important. With other services the difficulty of working together over distances is occasionally brought up, but proximity as such is not. Other assessment rationales (i.e. previous familiarity, direct reference) may disguise the importance of proximity in the client's direct assessment. Contextual evidence suggests that proximity *is* in fact important but not so much for itself, but rather for what it implies. Geographical proximity may also be used as a mental shorthand for other qualities, such as having a local reputation to maintain:

If you bring a fellow in from Helsinki to train, heck, in two months he won't even answer the phone. A local [trainer] is closer if there's a need or a problem afterwards. [ER 11/int.s.]

The above quote relates closely also to another aspect of the cooperation dimension, *alignment of interest*. Client firms often refer indirectly to their wish of being secure in that the service provider's interests are not, or are not likely to become, in conflict with their own. For example services delivered by public sector organisations and RTOs

have some advantage in this respect. The public character of e.g. universities is seen as an advantage.

[--] the question of security. After all you are handling information that is confidential, and doing that with an unknown firm is still riskier than with a university, or that's how it feels. [--] Also the [university] isn't trying to turn it into a product. And then if the thesis is declared restricted, it stays secret relatively long. [--] It is definitely an advantage for the university, this option of having the thesis declared restricted. Because you are dealing with nearly patentable things you definitely would not want your competitors to learn about. [DC 5/ 64-66]

The most complex aspect of the cooperation dimension is that of mutual fit between the persons and organisations interacting. Here the mutual fit is termed *chemistry*, although the expression is in some ways an oversimplification: mutual fit appears to relate to e.g. a shared frame of reference and organisational culture as well as to personalities.

It really is about the person. In that business there are all kinds. With some it works. With others, not. It's always mutual, this personal chemistry. Of course the person's expertise is the foundation for everything, but in addition, there's this personal chemistry that you need. [DC27/57]

To summarize, the chemistry aspect is important in clients' assessment of service providers, although its significance may be dependent on the type of service. However, it should be emphasised that although interpersonal or inter-organisational chemistry may be intangible, and cues upon which it is assessed difficult to articulate, *chemistry is not an irrational factor in provider assessment* in external expert services. Co-production involves a mutual exchange of partially tacit inputs. Selecting a provider with whom this seems more likely to succeed is perfectly reasonable, providing that chemistry is not the sole factor in assessment. Based on the cases analysed in this study, it is not. Clearly it would be foolish to attempt to work with a financial consultant with whom the firm is not willing to openly share information: it would be a waste of time. Thus, assessing mutual chemistry for services requiring candid or frequent communications is good business sense.

6.3.2 Previous familiarity

Previous familiarity through personal acquaintance or earlier co-production can give a particular provider a strong position in selection. Literature emphasises previous familiarity between the provider and the client, and the cases in this study also confirm

that some kind of personal connection is a very common factor in provider assessment.

Table 15 summarizes the specific kinds of familiarity referred to in the detailed cases.

Table 15. Detailed cases involving previous familiarity with provider.

case	service type	familiarity
DC 2	R&D	previous experience
DC 4	Training	personal contact
DC 8	Training	knowledge of provider
DC 9	IT	personal contact, knowledge of provider
DC 14	MC	knowledge of provider
DC 15	R&D	personal contact, knowledge of provider
DC 19	R&D	knowledge of provider
DC 20	MC	personal contact
DC 21 b	MC	personal contact, knowledge of provider
DC 26	MC	personal contact, knowledge of provider
DC 31	R&D	previous experience
DC 33	Legal	previous experience
DC 34	A & A	personal contact

Familiarity simplifies selection because the provider's capabilities are better known. Previous experiences in co-operation particularly simplify co-production because the service provider is familiar with the client firm. In some expert services the advantage comes from knowledge of the client firm's operations or capabilities, in others from knowledge of personalities. Interpersonal chemistry is important in a co-operation relationship, as discussed earlier in this Subsection, and knowing in advance that the principals get along is a point in favour of entering the co-production with a particular partner. This is undoubtedly why continuing relations with the present provider is the favoured option in services that are used regularly.

[--] my thinking is that if you're always tendering and putting it up for bid, to see who will do the job with so called economy... Well it doesn't say anything at all if an advertising agency says that their hourly rate is x euros. And choosing the cheapest, I think you'd have to be pretty damn lucky to make a good choice on those grounds. In our case for one, we've worked with the same agency [--] for over 20 years. And they have a couple of key people and contact persons who know our product well, so there is no need to always begin at the beginning, 'this is what we need now'. They figure out what we're looking for, or needing, from half a word. [LC 8/85]

The detailed cases show, however, that previous familiarity with the provider does not always imply previous co-operation. Familiarity can also exist because of a personal connection. For example in case DC 4 a staff member had previously been employed by the provider organisation, and in DC 34 the managing director and the provider were childhood acquaintances. This kind of personal contact between the client and the potential provider is an advantage in the selection but, like chemistry, it is not enough in itself. All the cases with personal contact also involved other assessment rationales.

In addition to actual personal contact, and sometimes substituting for it, is a general familiarity with the provider's abilities or experience, abbreviated as 'knowledge of provider' in Table 15. In several cases clients refer to knowing that the provider had supplied similar services in the past, or just knowing a particular expert by reputation.

How did you end up with this expert? Well I happened to know already that he is considered pretty good, in this particular sector. [--] [DC 14/37]

In [this case] I went to [N.N.]. I knew he had done this sort of thing, so I asked him if we could work this out. [DC 9/37]

'Knowing of' a provider is distinguished from direct reference (see below) because general familiarity, i.e. personal reputation, is ultimately a passive state – knowledge is not specifically sought by the client with an end in mind, but rather simply exists regardless of whether the firm has need of the provider's services.

6.3.3 Direct reference

Direct reference means that a specific provider is mentioned or recommended in connection with a specific service, usually in response to a query from the client firm. Receiving a direct reference means that the client is secure in accepting a provider because *someone else* is familiar with the provider in question. The simplest form of direct reference is when a trusted source serves as reassurance regarding the capabilities of a potential provider, *having used the services before*. The reference is based on experience. The following quote demonstrates.

I knew that a friend had used [the provider's services], that is the best recommendation. Someone has used the service, and has been satisfied. [DC 27/31]

It is not a matter of [finding consultants]. The only thing is, as always, if you get brand new names, they must come with pretty good recommendations. I mean, we don't use every possible service, we need to have an idea of what we mean to get, and whether we will get the sort of information we want. [UR 3/17]

A direct reference implies an active interest taken in a service or a provider, not simply 'knowing of' a provider (cf. previous familiarity). Also, a direct reference need not be based on the actual experiences of service use by the referring party. Source credibility attaches to references by e.g. close friends, whose good intentions the client firm manager trusts (e.g. quote from DC 39 in Subsection 6.1.2). More importantly, some e.g. public sector organisations and RTOs with established reputations of their own have particular credibility as sources of direct references. For a client TE-Centre or Tekes backing a service provider can imply a degree of security.

As I recollect, [the TE-Centre] gave this one name, that this is the person that has done [this sort of tasks]. Presumably they had received positive feedback that this person has done well. So of course we trusted that. If the TE-Centre has a good opinion of him, who are we to argue. [--] I thought he was very good. They didn't blow his horn for nothing at the TE-Centre. [DC 25/51, 65]

A referring institution such as the Ministry of Trade and Industry, TE-Centre or a university can thus 'lend' credibility to the service provider it recommends. For example, in case DC 32 the client firm manager attributes his trust in the service provider's offer to its connection with MTI. Source credibility is not necessarily based on institutional reputation for excellence. As shown in the preceding quote, public sector organisations can be thought of as experienced buyers because they frequently use expert services and acquire them on behalf of firms, and thus presumably receive feedback.

All in all the present study confirms earlier research in emphasising the importance of word-of-mouth in services buying. The practice of looking for expert service providers by word-of-mouth references is common, and indeed is the only frequently mentioned routine¹⁶ that the interviewed SMEs have for seeking external expert services.

¹⁶ Some firms refer to their quality system, or state they usually ask for several bids. Contextual evidence suggests however, that in practice tendering occurs only with extensive investment e.g. IT systems.

How would you [--] look for [a service provider]? Well... maybe I would ask around, ask acquaintances. I can't say off-hand who I would contact. There are lots of offers of course, all sorts, but I would ask around first. [UR7/47]

The way it goes is that someone knows someone else. [--] and our accountant gave us certain tips. And from there we've heard of another expert, and then through him of someone else. That's how it goes, isn't it. [UR 9/77]

6.3.4 Discussion on provider assessment

Although provider selection in SMEs frequently fails to conform to the logical steps of evaluation of alternatives, this does not mean that the capabilities of potential service providers are not assessed. When several alternatives are evaluated by the client, assessment is naturally a part of the process to determine the choice of the best expert service provider. However, even when several options are not considered, assessment of the provider's capabilities can be a way of confirming the 'obvious' choice. Client firm's assessment of provider capabilities may involve a direct assessment of the provider's characteristics, the use of direct references and previous familiarity with the provider. Logic suggests that *direct references and previous familiarity contribute to an understanding of the provider's capabilities and cooperation potential just as direct assessment does*. The client tries to ascertain not only whether the potential provider has the right capabilities but also whether the planned cooperation is in other respects likely to succeed, and all means of increasing confidence may be used.

In Section 6.2 it was proposed that SMEs' provider selection has four distinct modes, i.e. default selection, entwined selection, short selection and evaluation of alternatives. In short selection and evaluation of alternatives an explicit assessment of the potential provider(s) takes place. In entwined selection provider assessment is mingled with assessment of the proposed expertise task, whereas in default selection it either does not occur or it takes place at a level other than that of articulated decision-making.

In entwined choice, short selection and evaluation of options the client uses assessment rationales such as direct assessment, the client's previous familiarity with the provider, or direct reference for the provider from a third party. Clients' descriptions of their assessment suggest that providers are assessed in two dimensions, i.e. capability and

cooperation. The dimensions and some possible cues associated with them are described by the clients in connection with direct assessment. However, this does not mean that the dimensions can be thought to relate only to the client's direct assessment; previous familiarity and direct reference convey information about the provider's capabilities and characteristics as a potential cooperation partner as well.

6.4 Risk in service accessing

Literature suggests that expert services are particularly difficult to purchase because of their credence characteristics. Credence properties of the object of purchasing imply that purchasing involves greater uncertainty and thus also more risk. Because risk is central in much of both purchasing and expert services literature, the cases were examined for signs of risk appraisal. Much of the risk discussion is accessible through the question of service provider assessment (see Section 6.2), but some of the risk considerations can be examined independently as well. Also, many clients talk about the entry into co-production with no reference to risk. The absence of clear-cut signs of risk awareness need not mean that no risk perception is associated with the accessing decisions. Yet, sometimes it may indicate just that. The provider may be so familiar, and the service so minor that the client firm sees no risk in the service use.

The following is based on interpretation of risk references in the client firms' description of the cases. Risk was not addressed in the interviews with direct questions. Although the interviewees were not specifically asked about how they see the risks involved in the accessing, many of their comments indicate a definite awareness of various risks, and the fact that these risks are being balanced against each other in decision-making. My own initial understanding of risk (discussed in Sections 2.1 and 2.3) is that the client's perceived risk consists of service importance to the firm combined with uncertainty regarding the service provider, or regarding the outcome, experienced in the accessing. Hence, in the analysis I sought out references to avoiding some potential pitfall, to the possibility of failure, and indications of what seems to reduce or increase perceptions of risk. For example, interviewees give what-if scenarios in their discussion of the co-production entry or the process itself, showing that they are

risk-conscious regarding the activity, although in their particular situation the risk might be covered.

The first Subsection looks at the risk as it emerges in discussions of the accessing decision. Positive and negative risks are contrasted. Then, the sources of positive risk perception are examined in 6.4.2. Subsection 6.4.3 focuses on how risk is reflected upon in provider assessment and selection, i.e. in terms of costs. A brief summary discussion concludes the Section.

6.4.1 Positive vs. negative risks in accessing

Although risk in some fashion comes out in all interviews, a number of cases contain no direct references to risk concerning that specific case of accessing. After several rounds of iterative comparison, the cases were sorted into four groups. Four cases contain no references to risk in the accessing, while seven contain only a tenuous indirect indication of risk awareness, e.g. “we agreed in advance about the costs” in DC 39. Altogether 16 cases have some indication of considering risks also directly, e.g. “the most critical phase was selling the idea to our own staff” in DC 29. Finally, twelve cases show clear consideration of several kinds of risks involved. The groups of risk awareness are shown in Table 28 in Appendix 5.

A closer analysis of the kinds of risks the client firms bring up shows that risk relates to co-production entry in two ways. On one hand, *the accessing decision exposes the firm to certain risks*. There is the risk of paying good money for bad results, or spending time and energy on non-productive activity, or having information leak through the external expert, for example. These are *positive risks*, i.e. risks associated with the ‘go’ decision.

On the other hand, *the decision to not use external expertise can leave a firm open to different risks*. Trying to do internally things the firm doesn’t possess expertise for can waste resources or produce ill results. The use of external expertise is often viewed as a

measure to reduce risks in some other direction. Also, on the general level of discussion, risk reduction is a fairly commonly expressed motive in choosing to use a service.

[--] how important for your firm's activities are these external services? Well, of course they are not essential. I [--] would say, perhaps this is being wise-after-the-fact, but I'd say we would have managed without them. But there is a certain risk in not using external expertise, because you can miss many important points, and then it is too late. And it gives you confidence that you are doing the right things, and heading in the right direction and so on. So [using external expertise] sort of gives you peace of mind, knowing things are alright. [UR 11/21]

Similarly, on the level of individual cases, e.g. a financial advisor can be used to help minimize the risk of adverse tax decisions; not using external expertise is the greater risk. The risks associated with the 'no-go' decision, are *negative risks*.

It was more a question of how to get it right with respect to taxation, a tax issue. We'd been to a couple of local seminars [on generational change] earlier. It had come up that the tax consequences can be very different, depending on the technique used. That's how it is. It's one thing to receive shares as a gift, and another to buy them. The consequences for the giver and the receiver are totally different. Knowing that there are so many different ways it can go, we simply had to get someone that is an expert on these [issues], someone who does this kind of thing for a living. [DC25/48]

We don't have that sort of expertise, not enough to seriously consider doing it ourselves, not with the present staff. It would have meant hiring someone new. [DC29/54]

In both the above cases, the client firm feels unable to cope with a task because they lack the necessary expertise. The needed expertise is not something that they would wish to maintain. Hence, the negative risks outweigh the positive risks. Negative risks can be perceived even when the firm does possess the necessary expertise, if doing the task internally would compromise other operations or delay the completion.

We have IT professionals in the firm, sure, but they have a different job. Their job is to focus on their main task. Doing whole systems, and that kind of thing, it is better to leave it to outsiders. [-- Doing it internally] tends to come to nothing somehow. It takes such a long time to get finished. It is slow, too slow, it takes so long you just about forget what it was that you wanted. [ER 12/25]

Table 16 summarizes the references to risks in client firms' discussion of the cases. More detail on the relative risk emphasis of the detailed cases is available in Table 28 in Appendix 5.

Table 16. Risk reference emphasis in detailed cases.

Risk reference emphasis	No. of cases	% of DC
No risk references	4	10 %
Indirect reference to positive risk	7	18 %
Positive risks	18	46 %
Both positive and negative risks	6	15 %
Negative risks	4	10 %
Total	39	100 %

Four cases contain no reference to risk at all, and seven contain only indirect suggestions as to positive risks. In four additional cases, only negative risks are referred to. Suggestively, three of the four cases involve a clear external push. This implies that a strong external push can focus client attention on the negative risks.

Only about sixty percent of the cases include unequivocal references to risk in connection with using external expertise, i.e. positive risk. However, caution is due in drawing conclusions about client risk perception from this, because risk as an issue was not directly brought up in the interviews. Further, since risk was not sought out specifically, the detail in the limited cases is insufficient for an analysis of risk, and thus the conclusions on risk are based on detailed cases only. Nevertheless it is interesting that positive risks are not universally referred to. This suggests that perceived risk either is not necessarily an overriding issue, or that *the critical risks are weighed before accessing a service is even seriously considered*, and the perceived risks of accessing in realised cases, such as those examined in this study, are thus not as emphasised as might be expected. In summary, while positive risks, associated with using external expert services, dominate client risk perceptions, they are not as prevalent in the accessing process as literature might suggest. The next Subsection will examine positive risks more closely.

6.4.2 Sources of positive risk in client perception

Positive risks in accessing external expert services seem to vary in both their perceived significance and their focus. Here the discussion is limited to risks associated with the

providers of external expert services, with the co-production activity, and with the outcomes of the activity. In practice the differences between these varieties are small, because all these risks are inherently interconnected. However, *the risks associated with the providers* are frequently emphasised the most, possibly because clients see choosing the provider as the junction in which the client can make or break the whole process of cooperation. The client firm is responsible for selecting the expert it uses. When external expertise is used because of an internal lack of relevant knowledge, the client is at the same time aware that it can in practice exert little control over the actions of the expert during the service co-production, since the expert possesses more substance knowledge than the client. Thus, selecting the right provider in the first place is important. Even a provider with a long-term relationship with the client firm may be passed over, if there is reason to think his expertise is lacking in some respect:

Of course we have an auditor, and an accountant, but that routine has plodded on the same for so long that I wanted to bring in someone really external. **Someone who is not set in the groove?** And who is business oriented. Our accountant and auditor certainly know their stuff, but this was a question of development, and one cannot look up business advice in a rule book. [DC27/47-48]

Expertise is not the only characteristics considered. In many services, particularly those dealing with advice to the client firm management, a lot of attention is frequently paid to the personality and style of the advisor, which are ultimately gauged upon meeting the individual. However, previous clients' satisfaction, while not necessarily an objective measure, gives some security as to the expertise or abilities of the potential provider.

Let's put it this way, if I don't know the person, or of him, and I don't get good recommendations, I won't have anything to do with him. [ER1/69]

It's a matter of personal chemistry, some folks just don't get along. [ER 11/int.s.]

But when are the access decisions considered less risky, or without risk? It seems that the only situation in which there is no reference to risk occurs when the client and provider have a history of successful co-production, or the provider is personally known to the client in advance. Deep familiarity can imply trust, and conversely, an unknown provider is associated with greater risk.

Did you agree about the price in advance? No, it was quite... I knew the man already, so I gave him free rein. I didn't want to haggle at any point. [DC26/45]

[--] and, as I was saying, it is difficult to pin down the cost and the schedule in buying this kind of service. So [the branded expert service format] brought some framework to it, some security. [--] If there's trouble it can be an endless bog, *and we didn't know the designer at that point at all*. We had no knowledge at all about his expectations or ways of working and so on. But he presented calculations and estimates, and a definite number of hours was agreed upon [--] in some other cases there has been... we've had cases with external experts where it has turned out that they didn't know the job after all. [DC7/47, 54, emphasis added]

Here the TE-Centre branded expert services play a role in several cases. In the TE-Centre branded expert services the service package defines in advance the activities and the cost, setting a clear limit on the direct price of co-production for the client firm. The client firm then has e.g. the possibility of working with a previously unknown industrial designer without needing to worry about vague invoicing.

Some comments suggest that creative services are more likely to be considered risky in terms of provider effort by the interviewed managers. This may be due to the sample; it is conceivable that manufacturing firms are not as naturally inclined to understand the more ephemeral outputs and efforts of designers. The following quote is a good example of the doubts expressed by some of the managers.

[Industrial design] is this intangible thing, like an advertising agency, that sort of an issue. How am I to get a handle on it? They make me a couple of presentations, and then say 'OK, pay the invoice'. Perhaps nothing has happened at all. [--] Maybe they just do this on their laptops, push it around for a few minutes and fix it. 'Here's a good-looking [product], let's make it like that. Here's what to do, we've been working on this for two weeks.' [But actually it is] captured from our website, a scanned picture from somewhere, and shaped by them a little with a computer. [ER 2/66]

The preceding discussion focused on risks the clients associate with the providers: the providers may lack expertise, or may not make a real effort on behalf of the client. Next we consider the *risks associated with the co-production activities*. In some cases the risk of failure is not associated so much with the provider, but rather focus is more on the client firm itself, or on the process of working together. Gaining commitment of staff members to the process or otherwise managing the co-operation can raise concerns:

The critical question was selling the idea in-house. Because it would take half a dozen people working on it on our side. If no one believes in it, it won't happen. If it is not considered worthwhile and useful [--] The project, it was worth its cost. Of course you

couldn't measure that directly in money, what did it bring and how would it have been if we hadn't done anything. But it definitely has meant something. [DC29/84, 92]

[--] I called up the [consultancy] and we set up a first meeting. We looked at the cost, and what sort time expenditure we would need to put in. [--] the cost level gave us some food for thought, and we had to consider who could internally commit to the process, time-wise, and also who would have the competence for it. [DC 13/42–43]

I see no problems really, but one has to be thorough and the monitoring needs to be kept up, and one has to know when to react, fix a problem, change things without dithering. [- - Potential problems come from] information blockages or misinterpretations. [--] There's usually a hell of a hassle when we have [miscommunications], and that costs. [DC16/62, 76–77]

Finally, in many of the cases the client firms show a consciousness of *the risks associated with the outcomes of the co-production, i.e. the end result*. They can not be certain, in advance, whether the effort would be worth it or not, and have to consider also the risk of not benefiting from the external expertise in the end.

They made a clear offer, 'this is what it will cost.' At that point we didn't know yet, whether they actually can do anything. [--] That's the thing, if you give the assignment, even if nothing useful comes out of it, you're committed. Because you've given the assignment, in principle you're obliged to pay about half, even if it doesn't work. In principle you can be obliged to pay all, if there was a written offer that you accepted. That is the problem. We could have no idea whether it would work out. Then, well, we just accepted the offer. [--] In a way it was us taking the risk. We were the only ones risking anything. [DC17/62]

It was pondered for a long time, whether it makes sense at all, and what kind of financial risk is involved, meaning whether the invested capital will ever bring returns. I'd say it was a very exceptional case compared to some of the other purchases of external services. There's also the... well, it's not just a matter of getting something [from them], it is also the cooperation along the way. There is no ready package, what is being done changes constantly, 'where are we now', 'which direction next'... In a way, the project mutates all the time. [DC1/42]

To conclude, uncertainty involved in accessing decisions is connected not only with the provider, i.e. the external expert's expertise, effort, and reliability, but also with the process of carrying out the co-production, and the end result. All these elements of risk are closely interconnected. The next Subsection considers the cost of the co-production for the client firm and the price of the service, and how these are reflected in references to risk.

6.4.3 Positive risk and cost

As pointed out earlier, in some cases risk is extensively considered and discussed, in others not at all, or only in passing. Some managers do not refer in any way to risk, or only refer to it as nonexistent. Sometimes this is due to the client's deep familiarity with the provider, but sometimes the reason is simply that the *co-production is not considered important by the client*. The activity is not crucial in any immediate sense, or the costs are simply not high enough to warrant serious consideration. For example in the case of exhibition stand design referred to earlier (quoted also in Subsection 6.1.3), the client is disinclined to worry over the activity because the issue (new stand) is not, relatively speaking, important, the price of the service is not that high, and there is little client firm effort involved.

It wasn't necessarily the exhibition stand design they had in mind, but rather developing the product's marketing all together. And since I didn't know them at all, and I had no definite idea on that, I thought let's see how they do with the exhibition stand. [--] The price was agreed in advance, and also how many days they get for it, and we were thinking, *if it doesn't work out, so what*. If it were not for the [TE-Centre framework of branded services] it would have been a different price altogether. [DC30/46, 58, emphasis added]

The overall cost of the co-production is low, thanks to the subsidy, and precisely known in advance. The effort itself is also relatively unimportant to the client firm: the interviewed manager had doubts as to whether the visual appearance of their exhibition stand made any difference to the success of their products. The co-production originally suggested by the service provider, however, would have been risky in the client's opinion: it would have involved more effort and commitment from the client, and the client felt uncomfortable taking it on with an unfamiliar provider.

Also a very important co-production can be viewed as not risky because of the payment conditions. For example, in the cases of product development quoted next, the fact that payment to the external expert is not required until afterwards, and is dependent on the production volumes of the developed product, reduces the risk considerably.

...you pay a share of the income? Yes, that's right. [--] It is pretty much a key thing. If we'd had to pay for the whole works up front, we would have thought about it for an awfully long time. But it worked out so well [this way], that we dared to buy the continuation later. And it really has worked very well, he's always good for information, and his assistance is not immediately invoiced, instead he gets his according to the result. [DC28/60, 69]

It didn't really take [much of my] time, and the price had actually been figured as a commission on the product. So in principle it did not cost us [--] DC23/56]

In sum, the scale of risk is frequently connected with the *price, cost, or funding of the service*. This should not be taken as evidence that client firms are looking for the cheapest service provider. It appears rather a symptom of the uncertainty involved in the co-production cases examined, and relates also to the subsidised nature of some of the cases examined. External funding connected with the service cuts the financial risk. This can be particularly important in entwined provider selection: the external expert can bring up the possibility of public funding in his communication with a potential client. Particularly with creative services, the client may feel insecure about what they are actually paying for. In such cases a set price, determined in advanced and subsidised to a low level, can be decisive in the entwined accessing decision/provider choice. Hence, while price is not emphasised as a criterion in selecting among alternative providers (see Subsection 6.2.1), the cost of service and co-production is important in assessing the financial risk of the undertaking.

Also, price is always a relative attribute of a service:

[the characteristics you require] from external experts [--]? We just had a meeting with the advertising agency... but, well, let's say project schedules, they get shorter all the time, so it's important that something happens relatively quickly. So [the pace] cannot be sedate, like 'let's see next week'. As far as price goes, it is always an interesting issue, or let's rather say the price-quality ratio. [--] The point is that you have to get value for the money you pay. [UN 11/49]

Financial risk has been emphasised in literature as the most important one, and the interviewed client firms' views seem to support this result. The clients are likely to consider risk in terms of total cost. Particularly committing in advance to a considerable payment is likely to bring up references to risk. Interestingly, although in most cases the client firm has knowledge of the service price in advance, in some cases the price is not specifically agreed upon in advance. This happens where the provider is well known in advance, or the service in question so routine (e.g. accounting) that its price levels are assumed to be well established.

The interviewees were not directly asked about the price of the services, and although it is available for e.g. TE-Centre branded expert services, no attempt is made to estimate

the costs. First, since the firms vary greatly in size and business structure, euro amounts would not necessarily reflect the firms' perceptions of the service price. Second, the variety of services encompassed in this study would make such a comparison uninformative.

However, although the question was not systematically asked, many interviewees do refer to price and cost of using external expert services. These references occur both in connection with specific cases, and in general discussion about service use. In about a third of the interviews the price or costs associated with external expert services is mentioned especially. Four basic themes emerge. First, *total cost* (i.e. price of service plus client firm's costs) is considered, but in shorter projects focus is more on the price. Second, in larger undertakings (e.g. R&D processes) *cash flow* issues are frequently an important component in considering the total costs. Third, *small differences* in price seem to be secondary to clients, next to their assessment of the external expert's suitability. In several cases the clients admit to paying "more" but feel that either the expert is clearly better and thus worth it, or point to search and switching costs exceeding the potential savings. Finally, *cost judgments seem to depend partly on the service's connection to the expected income*. If a service has no direct or observable contribution to turnover, or its effects are clearly delayed, it may not cost as much as a service which is directly and quickly connected with future sales.

All in all the results are in line with earlier literature suggesting that in buying expert services price is less important. Although the price of a service is occasionally brought up as a factor in provider selection, it is far more common for the clients to discuss the cost of a service in connection with the accessing decision. The overall cost of the co-production, in conjunction with the expected benefits, is thus more important. This is in agreement with literature that suggests that some services are more value, as opposed to price, sensitive. Also, the results are in alignment with earlier research suggesting that prices play a role in client's quality expectations.

To conclude, small firms' resource limitations force them to focus on the immediately useful services. This principle of utility also appears to underlie the risk references;

strong emphasis on positive risks is usually connected with speculative projects of long duration. The only exception to this among the detailed cases concerns IT-system renewal; all other cases with a strong emphasis on positive risks involve relatively slow development processes. Despite the wide variety in the client firms' general attitude to external expertise, they tend to be very similar in their commonsensical assessment of the cost of external expertise:

[--] If [the external expertise] wasn't critical, then we might not be using it at all. It is, I mean, paying them for a certain service, that is pretty much the measure of it. That we cannot do without [the service]. [--] From someone we must get [the service], simply because we have not... even if we had the skills, we would run out of time. That is one factor, forcing us to use external services. [UR11/69]

6.4.4 Discussion on risk experienced in service accessing

Some overall observations can be made from the analysis of the client firms' comments on risk in general and their risk references in connection with specific cases. First, uncertainty and risk are not nearly as much highlighted in the clients' talk of their co-production entries as one might expect based on the literature. Expert services may be highly intangible, and may have credence characteristics, but *risk is not always an obvious factor in co-production entry*. Admittedly this may be due to the clients' own behaviour in accessing these services: their entry decisions are perhaps inherently risk-averse and thus emphasising risk in explaining their actions is unnecessary.

Second, when brought up, whether directly or indirectly, *risk is usually understood as cost risk*. Familiarity with the provider and the small scale of the undertaking seem to reduce the sense of risk. This also fits well with previous literature. However, earlier research has not emphasised that the *SME clients focus strongly on the risks that they actually can control*. The clients' risk discussions revolve around their own actions, e.g. selecting and assessing the service provider, defining the price, and ensuring sufficient resources for the co-production within the client firm. Third, the cases examined here suggest that the *client firms' risk perceptions are first focused on the provider aspects, particularly if the overall risk perception is small*. The analysis hints at a progression in the clients' risk-emphasis that relates risk focus to the scale of risk. In cases where the client is risking only a small sum of money and little effort, the main focus is on the

experts' characteristics – if the client shows any risk awareness at all. In cases where the client firm risks more, particularly in terms of their own effort and the cost of disrupting other activities, they seem more likely to consider risks with respect to activities and outcomes as well.

Fourth, the clients' references to risk reveal a division in how risk relates to the use of external expert services. Some cases are about *avoiding risk by using a service*, whereas in others *risk is something incurred in using the service*. In abstract one could assess all expected positive and negative consequences of co-production in terms of risk, e.g. if a firm doesn't engage an advertising agency to build a campaign, there is the risk that sales suffer compared to competitors' sales. The analysis here, however, focuses more on the decisions concerning specific cases of co-production, and is limited to interviewees' references to risk-weighing or risk reduction. In light of this focus, it is interesting that negative risks are so plainly indicated, unprompted, by the client firms. In a round-about way this supports the basic assumption that SMEs need external expertise in the increasingly knowledge-intensive economy. SMEs are clearly cognisant of both the risks of accessing and the risks of not accessing external expertise.

To summarise, risk is a useful concept for understanding behaviour in organisational buying of expert services. However, the focus on professional buyers and buying centres in literature has clouded an aspect of risk that is present in purchasing decisions often prior to the involvement of professionals or buying committees: the risks involved in using or not using services. The small firm non-professional buyers, faced with their particular buying situations, often focus on negative risks.

7 ANALYSIS ON CLIENT BEHAVIOUR IN ACCESSING AND SELECTION OF EXPERT SERVICES AS A WHOLE

This Chapter will present the conclusions formed in the analysis concerning small firms' behaviour in accessing external expertise. The preceding Chapter examined what client firms do in specific situations and how they see their own actions. The analysis has focused in turn on different aspects of the sequence of events that leads from not-using external expertise for a task to using external expertise. In this Chapter the intent is to draw back from the details of individual cases somewhat, and to reflect on the process on a more general level. The analysis presented here constructs the patterns of behaviour as observed in the data, suggesting a more varied reality than that exhibited in the theory-based framework.

Section 7.1 describes the five distinct patterns of accessing that were revealed in the analysis. After that, Section 7.2 considers the selection of providers, i.e. the modes of selection and clients' assessment of providers.

7.1 Patterns of accessing

There are five basic patterns of accessing external expertise services in evidence. The patterns are informal, routine, reactive, opportunistic, and calculated accessing. Some patterns are more associated with certain service types, but there is no evidence that accessing a particular kind of service always happens in a specific way, nor that a particular firm always accesses external expertise in the same way. Thus, the results suggest that accessing is neither firm-specific nor service-specific, but rather contextual. Multiple characteristics of the situation affect the choices made by the client firm. In the following, the five basic patterns are examined one by one, and their features are considered.

7.1.1 Informal accessing

Client firms can, and frequently do, access external expertise in a small way without buying it. This pattern of accessing external expertise is termed informal accessing. *In informal accessing the client firms do not purchase the expertise, but rather, the expert gives his time without receiving any direct compensation.* This kind of accessing is characterised by exchange of ‘social capital’ for expert services. Informal accessing is about trading favours, albeit this underlying aspect of reciprocity is not specifically mentioned in the cases examined here.

Informal accessing cannot be considered purchasing, since no money is exchanged, and it is thus not unsurprising that purchasing literature makes no reference to it. Similarly, literature on expert services seems to ignore the possibility. However, small business literature includes numerous references to external advice from informal sources, and the use of external informal advice is well documented (see Subsection 2.2.1).

In the present data set, only one detailed case and one limited case are available to demonstrate this pattern. However, firm level data suggest that the pattern is quite common in the firms interviewed, and it is thus included here despite the scant case level data.¹⁷ As mentioned earlier, although no pattern is exclusive to any particular service, some services favour some patterns. Informal accessing is most frequently connected to minor IT services and limited informational needs, i.e. expertise in the sense of specific expert knowledge.

In case DC 35 the managing director is aware of the IT skills of his chairman of the board. Although not involved in the daily running of the firm in other ways, he is consulted when IT-related needs come up. Knowledge of his abilities makes him the natural person to contact. He provides assistance in immediate problems and has put

¹⁷ One example was particularly amusing. The pilot interviews not analysed in this study were partly based on convenience sampling, and one of the managers happened to be a personal acquaintance. When I asked him about external IT-services, he hesitated for a moment and then said: “Most of the troubleshooting with the computers, actually.... I call your husband.”

together the website of the firm. The assistance to immediate problems is recurring but irregular; in the managing director's estimate it amounts to less than once a month.

The key to informal accessing is always a previous acquaintance with the external expert. The acquaintance may be a personal connection (a relative or personal friend), but not necessarily. Several managers refer to useful networks derived from previous places of employment, and have acquaintances they could call upon for advice on specific points. In specialist fields in particular, this kind of 'advisory networks' are mentioned as an important source of external expertise.

Further, earlier research has shown that customer involvement is important for e.g. product development, and the expertise of suppliers has been similarly emphasised (see Subsection 2.2.1). Regardless of the exact connection, it is the person-to-person relationship established by whichever means that enables small firms to access expertise informally.

As far as external expertise goes, [--] I have acquaintances in [a customer firm], and I'd say that expertise is that close, the guys sit over there [in the next building]. [--] It cannot be really called consulting, it's more like talking things over. [--] If you get right down to it, this is a field where it is difficult to ask for [technical] help. If you have a problem, you pretty much have to sort it out with your buddies. [--] I've been in this business for fourteen years. I used to be in [a certain firm] and many of the friends from those days now work in [the customer firm]. [UN10/13, 16-17, 53]

There are limits to the informal bartering for expertise that characterises informal accessing, but the limits are relative rather than absolute. When the relationship is strong enough, and the need of expertise not too extensive, informal accessing can replace formally purchased services (e.g. quote from UR 6 in Section 5.2), but this is not usual in the data at hand. On the whole informal access is limited to either *amateur expertise*, i.e. the computer expert is simply knowledgeable about computers, not employed or in business as an expert, or to *needs that are transient or minor*. A professional expert, i.e. one working for a living in that capacity, may be willing to give an off-the-cuff opinion informally, but would likely expect to be paid for extensive effort.

Interestingly, it seems that purchasing external expertise from a KIBS or an RTO can also create enough of a personal relationship for the expert's knowledge to be called upon also afterwards, at least to a limited extent.

They give information. Say I have a question or two, I go to the [RTO department] [--] I [can] ask their opinion about [a technical question]. I'm not going to start developing a [new] product, and then see that 'heck, this doesn't even work'. So, if I have a couple of questions, we've worked together a couple of years [on testing], [--] they can pretty quickly say what they think. [--] There are many little details, kind of higher knowledge, that I don't know about. Then I have to ask an expert. [ER 14/27-28]

There is some evidence suggesting that in particular circumstances informal accessing can go a long way. In one case the client firm mentions regular assistance from a specialist with a day job in another industry (LC 11 quoted in Subsection 5.2). The expert's regular assistance to the firm is given informally in return for the use of the firm's premises for the expert's own projects when needed.

In informal accessing, the client takes the initiative. None of the cases examined here indicate risk-consciousness in the clients' accessing of services in this way. Informal use is characterised by avoidance of direct costs. Since informal accessing relies on individual networks, trust is placed trust that usually exists as response to earlier experience of the person (see Subsection 2.3.3). Hence, although informal accessing of external expertise is not risk-free, it is spoken of as if it were. Cost risks dominate small firm perceptions of positive risks. If the firm does not pay for the service, positive risks need little attention. This lack of risk consciousness may also be due to the extremely personal nature of most informal accessing.

In summary, the situational characteristics (cf. Figure 7 in Section 2.3) present in informal accessing pattern can be described as follows. The expertise task is limited in scope. The client's 'buy task' can be either new or frequently recurring, but its financial scale is nil. Personal networks of the individuals involved in the client firm, together with their personal propensity to call upon those networks, are the most important client characteristics. It is also possible that the client firm size matters, i.e. smaller firms tend to rely on informal accessing more, although the present data do not allow a strong conclusion on this.

Provider characteristics, i.e. the provider's ability and his willingness to make his expertise available informally, are important. A previous relationship in the sense of the provider having previously provided expert services for the client (cf. personal network connection) is not a requirement, since much of the expertise accessed informally is amateur expertise. However, for professional expert services, i.e. service provided by a formally qualified expert being consulted in his area of expertise, some kind of previous relationship seems probable, although an expert may also informally give minor assistance in hopes of later assignments. Situational risk in the accessing is very small, and thus trust is a relatively minor consideration. Trust may exist as response to previous experience, or may be placed on the basis of a personal network relationship.

Looking at client accessing behaviour, there is little to indicate that informal accessing involves any extensive provider selection or provider assessment beyond the familiarity. The pattern of informal accessing is shown schematically in Figure 15. The 'steps' taken by the client are not necessarily as distinct as shown here. Problem recognition in some shape or form is nevertheless the starting point, but the crux of the pattern is search within the firm for the availability of informally accessible resources. There may be differences in the degree to which employees make available their personal networks for the client firm, yet it is clear that small firms are frequently able to draw on such networks for informal expertise, and since small firm managers usually have a personal stake in the enterprise, they are well motivated to mobilise their own personal networks.

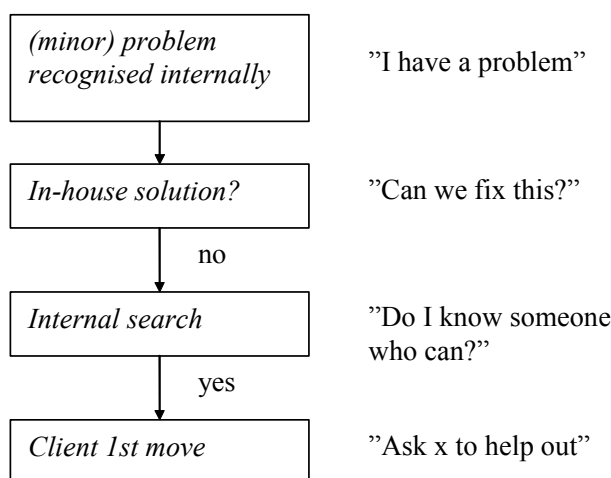


Figure 15. Informal accessing pattern.

To conclude, it is proposed here that the informal pattern of accessing can occur for different types of services, but in all cases *the need is a minor need*. The social capital of the manager or staff member in the firm enables them to use an external expert's services in a small way. When the external expert works professionally as an expert, the informal accessing is more minor; when the expert is an amateur, the accessing can be more extensive.

7.1.2 Routine accessing

Much of SMEs use of external expert services takes place within the context of a solid relationship with a specific service provider. This pattern is termed routine accessing. *In routine accessing the services of a regular provider are used repeatedly with little or no variation*. The client may not require the service continuously, but although the precise content may vary, the same provider can be used repeatedly. Routine accessing can be considered an episode within a relationship, or a straight rebuy (see Subsection 2.1.5). Three of the detailed cases and fourteen of the limited cases fit the pattern of routine accessing (Table 17). Although the selection mode is usually default choice in the routine pattern, and thus no assessment rationale as such is applied, a rationale for limited cases of routine accessing has been indicated in the Table when possible. The rationales apply, however, to the origins of the routine, i.e. the first use of the provider. The *first* time of using a provider's services is never, by definition, routine.

How do firms get into the routine accessing pattern with a new provider? This information is inherently difficult to get out with a degree of certainty. For a routine to form, the relationship must have been in existence for some time, and thus details may well have been forgotten. However, the clients' descriptions suggest that routine accessing develops in relationships that begin with a client's initiative and either previous familiarity or direct references. By the time the accessing is routine, the client has also directly assessed the provider many times over, and the assessment rationale is therefore difficult to distinguish in the interviewees' recollections.

Table 17. Routine accessing cases and their features.

ID	service	provider	public finance involved	external driver	internal need dimension	1st move	selection mode	assessment rationale	risk reference emphasis
DC 34	A&A	KIBS	no	none	internal lack	client	short selection	direct assessment + prev. familiarity	no risk comm.
DC 36	A&A	KIBS	no	none	internal lack	client	short selection	direct assessment + reference	no risk comm.
DC 38	M&A	KIBS	no	none	internal lack	client	default choice		no risk comm.
LC 6	IT	KIBS	no	insuff. data	insuff. data	client	default	prev. familiarity	insuff. data
LC 8	M&A	KIBS	no	insuff. data	insuff. data	client	default	prev. familiarity	insuff. data
LC 10	R&D	KIBS/ EXP ¹⁸	no	insuff. data	internal lack	client	default	prev. familiarity	insuff. data
LC 12	Tech.	NON-KIBS	no	insuff. data	internal lack	client	default	prev. familiarity	neg
LC 15	M&A	KIBS	no	insuff. data	internal lack	insuff. data	default	insuff. data	insuff. data
LC 17	M&A	KIBS	no	insuff. data	insuff. data	insuff. data	default	prev. familiarity	insuff. data
LC 18	IT	KIBS	no	insuff. data	internal lack	client	default	prev. familiarity	neg
LC 21	Tech.	KIBS/ EXP	no	insuff. data	internal lack	client	default	prev. familiarity	insuff. data
LC 24	A&A	KIBS/ EXP	no	insuff. data	ext. added value	client	default	insuff. data	
LC 25	Tech.	KIBS	no	insuff. data	insuff. data	client	default	prev. familiarity	
LC 28	M&A	KIBS	no	insuff. data	insuff. data	client	default	prev. familiarity	insuff. data
LC 30	Tech.	NON-KIBS	no	insuff. data	internal lack	client	default	prev. familiarity	neg
LC 33	Tech.	NON-KIBS	no	insuff. data	internal lack	client	insuff. data	insuff. data	insuff. data
LC 35	Tech.	KIBS	no	insuff. data	internal lack	insuff. data	entwined	insuff. data	

¹⁸ KIBS/EXP in limited cases means that it is not clear from the data whether the expert in question is working through or for a KIBS.

The service types most commonly associated with routine accessing are accounting and auditing, advertising, and IT maintenance. As noted in Section 5.1, the SME managers' definition of external expertise differs from those used in literature. Using clients' terminology, also e.g. maintenance of production machinery can be external expertise, and of the kind frequently accessed in the routine pattern. Routine accessing seems particularly typical for services whose use is operationally necessary but not so extensive as to warrant maintaining the capacity internally (cf. case DC 16, discussed in the next Subsection).

Services relating to information technology are particularly interesting in this regard, since information technology is, in this respect, a typical problem area for SMEs. The clients are often very dependent on the continuous operations of their computer systems, but since the computer technology develops very quickly, maintaining sufficient expertise internally is prohibitively expensive.

We don't have in our own firm the needed IT-knowledge, the knowledge a simple system requires, that we need. It is the heart of the business, the computer system. If electricity is out and you cannot start the computers, you may as well go home. There is nothing to do here. It is really essential. [EN 12/78]

Information technology is, although the services are not very often needed, it is critical anyway. Expensive if you had to maintain the knowledge here, in a firm this size. [EN 7/29]

Once a service provider has been found, the client firm will continuously use the same provider unless the clients' needs change, or the provider clearly fails in some respect.

No, consulting services and such I would never, ever, try to find by tendering. There is a threshold already there [in using the services] seeing as how you put in time [--]. The starting point is definitely that you have to know you can expect a good outcome from the person. [Tendering] is a lousy idea. Well, it is a bit different if we're talking about advertising agencies and such, and even then it is mainly one criterion in selection. *We've had to switch once*, and probably the agency as such is alright, but the guy who did business with us [kept making mistakes]. [--] Then we changed agencies altogether. [ER1/81, emphasis added]

There are clear reasons for the preference for long-term relationships, well reported in previous literature, and frequently articulated also in the empirical data in this study (cf. also LC 8 quoted in Subsection 6.3.2).

[The service providers] have been easy to find, and it has turned out that the price/quality ratio has been what we looked for. And then again, if it works, it is totally

pointless to waste effort on where it isn't needed, instead of focusing on your own business. You make two or three good sales in the time you try to haggle three per cent off of the price of an ad. [EN 12/51]

Simply put, if the current provider is delivering in a satisfactory manner, there is no reason to incur search and switching costs unless there is a potential provider able to offer some added value that off-sets the costs of switching. This is in agreement with previous research.

In routine accessing, as in informal accessing, risk is rarely referred to. Routine accessing is characterised by its security: the provider is a known quantity and risk does not seem to be a factor. However, this does not mean that clients are blithely accepting the routine relationship indefinitely. To give an example, in case DC 34 the client “never discussed the price” of the service with the provider. At one point the firm nevertheless asked for quotes from alternative providers to see whether the price they are paying is in line with the general price level. Also, if a service that differs in some ways from the ‘usual’ is considered, the client may reassess the appropriateness of the provider.

Case DC 38 serves to exemplify routine accessing. The managing director saw a need for new signs for the premises and called the advertising agency they had cooperated with for “a long time.” The interaction between the manager and the agency representative took an hour and a half at most, and the manager describes the process as “just calling and saying what we want.” The agency is seen as a reliable and competent partner, and the fact that there is no need to control their work is noted. “When it is someone familiar doing it, I know I can trust him,” the manager says.

In summary, the situational characteristics present in routine accessing pattern can be described as follows. The expertise task is well defined, or can be defined closely, and is often a task that occurs repeatedly. The client's buy task is similarly frequently recurring or continuous. Financially the buy task is on the low side, that is, the purchases are not so large as to motivate the client into a serious and repeated reassessment of the routine accessing. No specific client characteristics emerge as significant for routine accessing. However, in the larger firms using quality systems the

quality system may impose a periodic re-evaluation of also routine expert services accessing, albeit no specific instances of this came up in the interview data.

The provider’s ability to provide satisfactory service continuously is the key provider characteristic, and the underlying condition for routine accessing. In this respect the client characteristics interact with the provider characteristics, for it is the client’s perceptions of satisfactory service that matter. The routine accessing pattern is the enactment of an existing relationship between a client and a service provider. Risk is overlaid by trust developed in response to previous episodes in the relationship.

In routine accessing the first move is by the client firm. A typical example would be a phone call by the client to the advertising agency. In some services, particularly accounting, the ‘first move’ is so automatic it is not really even registered. The client simply drops by with the monthly documents. Figure 16 summarizes the routine accessing pattern.

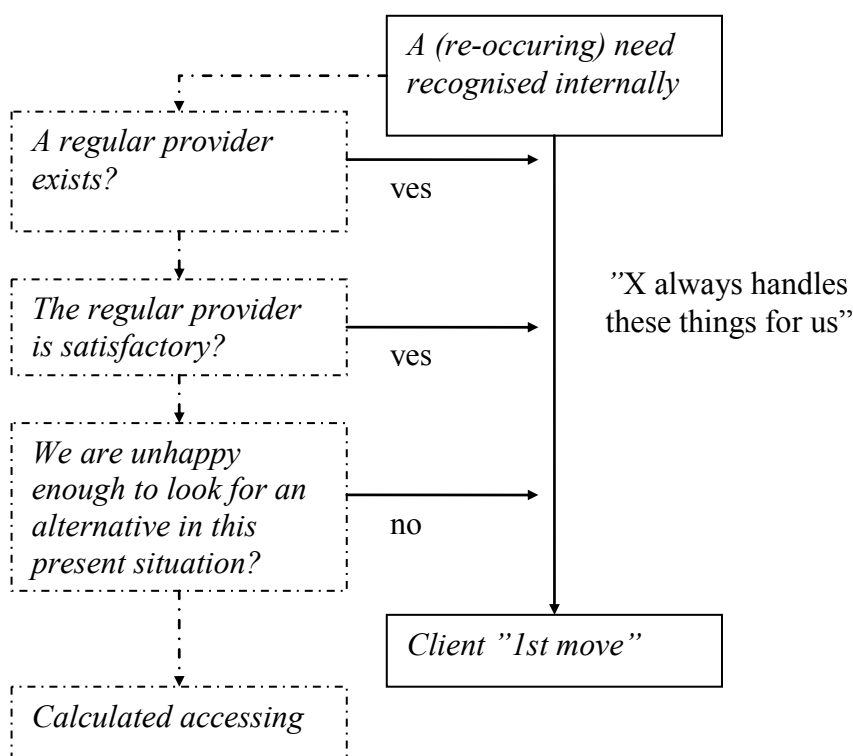


Figure 16. Routine accessing pattern.

The straight vertical arrow shows the way in which client firm managers usually describe routine accessing. There is no obvious pondering or weighing about a decision that is perceived as so routine it is hardly a decision at all. However, indirect evidence in the interview data suggests that this ‘automatic’ decision-making occurs only when two conditions are met. First, the task in question must be so similar to earlier assignments that there is no reason to question the provider’s ability to deliver, and second, the provider’s services have been satisfactory in the past.

7.1.3 Reactive accessing

In some cases accessing is characterised by a clear threat to the client firm, which leads to using external expert services. This pattern of accessing is termed reactive accessing. *In reactive accessing some menace, usually external but sometimes internal, arises and requires the use of external expert services to deal with the threat.* Although the client firm has the initiative in accessing the service, the sequence of events often includes some sort of push towards the accessing. Five of the detailed cases and two of the limited cases represent this defensive accessing pattern (Table 18). In two of the detailed cases the client firm is sued, and therefore accesses legal services. In two others, a financial crisis takes a turn for the worse and requires external expertise. The fifth case involves training services, but was also prompted by financial problems: the TE-Centre funding for the training was granted as a means of avoiding layoffs.

In reactive accessing the clients often position themselves as ‘involuntary’ users of services. In some of these cases external expert service use is actually obligatory. For example, in DC 33 the firm’s insurance policy required that external legal aid is used, and in DC 4 the TE-Centre required the use of a professional training provider as a condition of the funding. Even when acquiring external expertise is not strictly obligatory, the need is immediate and urgent.

I must say it was done in a sort of a panic. I was really in a hurry, between a rock and a hard place. ‘Help!’ [DC 12/50]

Table 18. Reactive accessing cases and their features.

ID	service	provider	public finance involved	external driver	internal need dimension	1st move	selection mode	assessment rationale	risk reference emphasis
DC 4	train.	RTO	yes	push	ext added value	client	eval. of alt.	direct assessment + prev. familiarity	positive risks (weaker emp.)
DC 12	MC	KIBS	yes	push	both	client	default		only negative risks
DC 20	MC	KIBS	no		both	client	short sel.	direct assess. + prev. fam.	positive & negative risks (weaker emp.)
DC 33	legal	KIBS	no	push	both	client	short sel.	direct assess. + prev. fam	only negative risks
DC 37	legal	KIBS	no	push	internal lack	client	default		only negative risks
LC 2	tech.	KIBS/EXP	no	push	internal lack	client	short sel.	prev. familiarity	insuff. data
LC 14	legal	KIBS	no	push	insuff. data	client	short sel.	reference	negative risk

In summary, the situational characteristics (cf. Figure 7 in Section 2.3) of reactive accessing emphasise the expertise task characteristics. The expertise task is important, immediate, and by its nature requires an external provider. None of the cases of reactive accessing examined in this study involve expertise that the client firm is in possession of – rather, the expertise is something it specifically lacks, albeit in some cases the external expert is also seen as having added value as well. Although the client in the case DC 4 emphasised the provider’s added value, contextual evidence strongly suggests that the provider’s ability to contribute to the firm was secondary to the funding received from the TE-Centre: the latter hinged on having a qualified external provider, something that a firm cannot by definition have internally.

The client’s buy task in reactive accessing is a new or unusual task. In several cases the task itself is clearly definable but the outcomes indeterminate. No specific client characteristics are emphasised in reactive accessing, and the particular provider characteristics are heavily dependent on the expertise tasks characteristics. When reactive accessing occurs as the result of an external push, as most of the examples in

the present study did, the nature of the push sets some parameters on the provider characteristics. For example, in DC 12 the consultant had to have credibility with the client firm's creditors in order to successfully assist the firm.

Case DC 33 is a typical example of reactive accessing. Two terminated employees file a suit against the firm, assisted by their union. The owner-manager of the firm is in touch with his insurers, and is informed that he is required to use a formally accredited attorney in the defence. He asks whether the insurance company can recommend an attorney with experience in wrongful termination litigation, but the insurers have a policy that they make no recommendations. The managing director then contacts a law firm which he had used some years ago, and asks whether they had a specialist in the field. He is assured that they have the requisite expertise and engages them. When the managing director was asked whether the selection of the law firm differed in any way from the way in which he would usually seek external expertise, he stated that he would normally ask around but in this case, worried over the proficiency of the opponents' union presentation, he based his assessment on the law firm's apparent confidence and high fees, reasoning that an expensive firm with prestige and good location had to be good. Hence, the client was ready to question the suitability of the previous provider, as indicated by his inquiry with the insurers, but is persuaded through direct assessment, and partly through previous familiarity, to assign the task to the provider with whom he had earlier dealings.

DC 16, the single case which has not been classified as belonging to any of the 'ideal' patterns discussed, shares many characteristics of reactive accessing, but also of routine accessing. In DC 16, an important customer requires that in the future the firm will provide technical planning services as well as the product itself. One of the firm's owners is also a partner in an engineering firm. The engineering firm in question has sufficient free capacity and had previously worked with the firm. The service is therefore bought from the engineering firm, and permanent arrangements are under consideration. Similar services had been bought before, so the customer's demand instigates a new level and intensity of accessing, rather than a totally new need. Thus, the actual behaviour resembles reactive accessing in some respects, because an external

push forces the firm to action. At the same time the use of a default provider with whom a close relationship exists, is reminiscent of routine accessing.

In terms of influences on client accessing behaviour, the typical or ideal type reactive accessing combines external push with emphasis on negative risks. Hence, in this pattern there is little indication in the clients' description of events to show how, and whether, positive risks are considered by the clients.

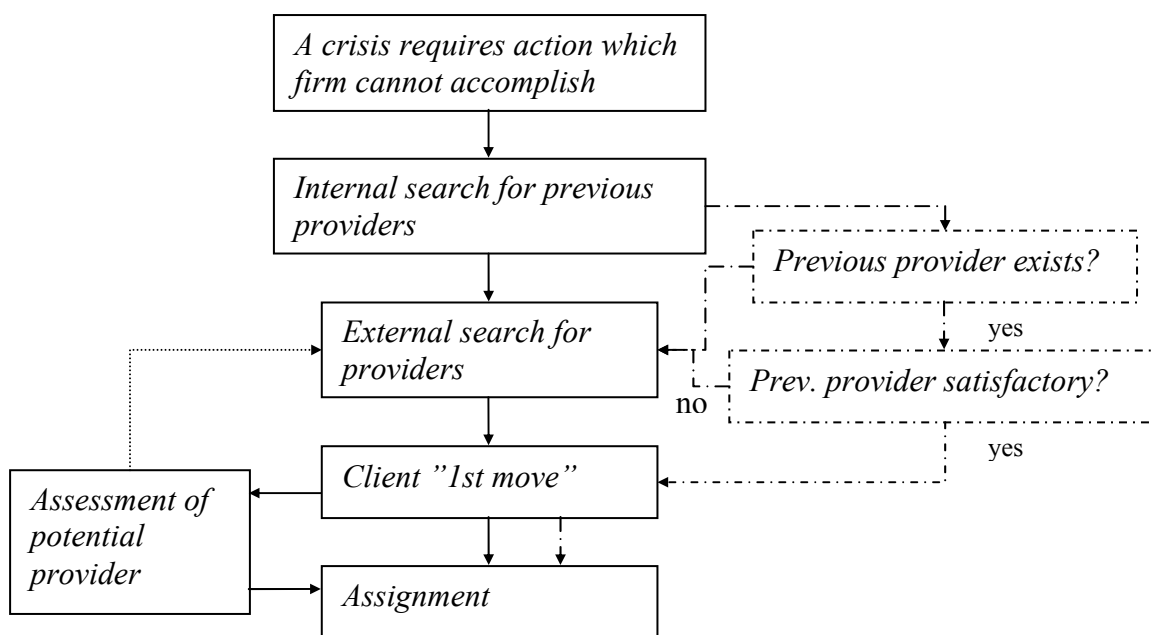


Figure 17. Reactive accessing pattern.

Looking at what clients actually do in reactive accessing, SMEs seem to rely on default choice, or previous familiarity with the provider. Even in case DC 4, where evaluation of alternative providers at least formally takes place, the client is in fact familiar with the chosen provider. Direct assessment of the potential provider is also frequently referred to in reactive accessing. Typically the client takes the first seemingly suitable provider. Although the clients talk about assessing the provider's abilities, the first option is not turned down in any of the examined cases, i.e. the assessment of the potential provider never led to a continuation of the search (Figure 17).

7.1.4 Opportunistic accessing

In literature the common assumption is that external expert services are accessed in response to recognising a need for external expertise, i.e. the client is posited as recognising a need and taking steps to fulfil it. However, the cases analysed in the present study clearly show that SMEs frequently access external expertise in response to an externally occurring opportunity rather than to an internally recognised need. This pattern of accessing is termed opportunistic accessing. As the name indicates, *opportunistic accessing occurs in response to an opportunity*. An opportunity with little or no immediate risk, and some potentially good outcome, is grasped by the client firm. Eleven of the detailed cases and nine of the limited cases in this study follow the opportunistic pattern (Table 19). Most of the cases involve marketing related services, R&D, or consulting and training activities.

In opportunistic accessing there is always an external driver, and it is almost always an external pull rather than a push. Similarly, initiative is either with the provider or a third party – the client does not make the first move. Entwined provider selection is also clearly characteristic. Although entwined selection occurs also elsewhere, almost all the cases of opportunistic accessing exhibit it. In complete opposition to reactive accessing discussed earlier, in opportunistic accessing negative risks are not referred to in describing the events. Even positive risks are brought up weakly or indirectly. Also, in several cases the low cost of the service is referred to. Low cost is not an inherent characteristic of opportunistic accessing, however. For example R&D processes involving opportunistic accessing may have considerable costs.

When the external expert services are accessed in the opportunistic pattern, the opportunity may or may not relate to a previously recognised need. Some of the cases show that recognising a need does not necessarily lead to the use of external expertise – if the need is not urgent enough, or doesn't directly connect to turnover, the firm may simply ignore it until an opportunity occurs (e.g. DC 30, quoted in Subsection 6.1.3).

Table 19. Opportunistic accessing cases and their features.

ID	service	provider	public finance involved	external driver	internal need dimension	1st move	selection mode	risk emphasis
DC 2	R&D	KIBS	yes	pull	internal lack	provider	entwined	prev. familiarity
DC 3	M&A	RTO	no	pull	internal lack	provider	default	n/a
DC 7	R&D	KIBS	yes	pull	ext added value	provider	entwined	positive risks (weaker emph.)
DC 22	M&A	KIBS	no	pull	unexpressed	3rd party	entwined	indirect ref. to positive risk
DC 23	R&D	KIBS	no	push	unexpressed	3rd party	entwined	indirect ref. to positive risk
DC 24	M&A	RTO	yes	pull	ext added value	mixed	entwined	indirect ref. to positive risk
DC 26	MC	KIBS	yes	pull	unexpressed	unclear	entwined	positive risks (weaker emph.)
DC 28	R&D	RTO	no	pull	unexpressed	provider	entwined	positive risks (weaker emph.)
DC 30	M&A	KIBS	yes	pull	unexpressed	provider	entwined	positive risks (weaker emph.)
DC 32	Train.	KIBS	yes	pull	unexpressed	provider	entwined	indirect ref. to positive risk
DC 39	M&A	KIBS	no	pull	unexpressed	3rd party	entwined	indirect ref. to positive risk
LC 3	R&D	RTO	yes	pull	unexp	prov	entwined	insuff. data
LC 5	MC	RTO	yes	pull	ext added value	prov	entwined	both positive & neg. risks
LC 7	Train.	RTO	insuff. data	pull	insuff. data	prov	entwined	insuff. data
LC 16	M&A	KIBS	yes	pull	insuff. data	prov	entwined	insuff. data
LC 27	Train.	KIBS/EXP	yes	pull	insuff. data	3rd	entwined	insuff. data
LC 29	MC	KIBS	no	pull	internal lack	prov	entwined	insuff. data
LC 31	MC	RTO	insuff. data	pull	ext added value	prov	entwined	insuff. data
LC 34	MC	KIBS	no	pull	ext added value	prov	entwined	insuff. data
LC 36	M&A	KIBS	no	pull	insuff. data	prov	entwined	insuff. data

In small firms the daily operations may prevent work on anything not immediately important, and when an opportunity presents itself, the firm can use external expertise to work on e.g. product ideas, although it would not actively seek out external assistance. In LC 3 a new product idea was left dormant until an opportunity occurred:

I've had in mind this [product idea], this [prototype here] is how far it has gone... [--] I got this idea when I was visiting a building fair with my wife [a few years back]. [--]. Now this guy, he was a design student with a polytechnic [--] He got in touch with me, he's friends with the boys. So I had him here for three months, I gave him the job of seeing how [the material] would work out for [the product idea]. He put together [this prototype and] two, three stacks of research on it, but I haven't had the time to work on it since. [LC 3/11–12, 14, 41]

The first move by a potential service provider may also 'create' the need, in that the client recognises its existence only when offered a service by the provider. Once the firm has become aware of a need because of the provider's initiative, there is, in theory, nothing to prevent the firm from considering alternative providers, i.e. engaging in evaluation of alternatives. Interestingly, this does not happen in any of the cases. It appears that when a provider's initiative successfully prompts recognition of a need in an SME, that provider also gets the assignment.

Also, it should be noted that only about half the opportunistic cases involve public funding. Thus, opportunistic accessing should not be seen as a pattern connected with public subsidies, albeit in some of the cases public sector involvement is clearly an important factor. In small firms the staff and particularly management is often heavily engaged in daily activities and may lack time to actively consider possible uses for external expertise. Also, the potential uses of expertise can be difficult to recognise for non-experts, which further emphasises the role of active offers to SMEs.

[--] do you see this active initiative by the service provider as critical, then, for the use of external experts? Sure. Clearly, if you look for some expertise for the firm, that you don't have yourself. You don't quite know what's out there. If the expert is not active in bringing up [his capabilities], you sure don't know where to ask or what is offered. There has to be some new [value added], if you use external experts, or else it's no use. [ER 5/34]

Looking at the influences on client accessing behaviour in opportunistic accessing, it can only be concluded that they are relatively indeterminate. Expertise task characteristics in opportunistic accessing may vary a great deal in content and scale, although they have a common feature: the lack of immediate urgency. A client firm with an urgent need would not wait for an opportunity, but would rather seek out the needed expertise.

The buy task is not inherently classifiable for opportunistic accessing: the client firm may or may not have reacted to similar opportunities before. Client characteristics are similarly indeterminate, for nothing in the cases suggests that some firms in the data set would have been more or less likely to follow the opportunistic accessing pattern. Provider characteristics are somewhat overshadowed by the fact that in this pattern of accessing the provider and the opportunity are assessed together. Thus, it is the characteristics of the combination that matter. Existing relationships are not a norm for opportunistic accessing, but clearly having knowledge of the client firm e.g. helps the provider in shaping an attractive opportunity. Similarly, the client is better able to assess what is offered based on earlier experience with the provider.

The way clients picture risks in the opportunistic pattern is quite reverse from the reactive pattern. While the latter is dominated by risks related to the uncertain outcome and negative risk perceptions, in opportunistic accessing clients are likely to refer to positive risks. The positive risks are not particularly emphasised, however, and the firms' references to risk frequently serve to underline the small scale of risk in their particular case. Often the risks are not mentioned at all.

Case DC 23 is a good example of opportunistic accessing. The firm was contacted by a customer (a distributor) who enquired about a possible project with a particular designer. The client firm's managing director refers to having "thought about trying out [use of an external designer] sometime", but in this case the opportunity occurred because their customer had a particular need in mind. In the words of the managing director, "the situation came up, and since I had thought about it sometimes, I was pleased to go along with it." The designer and the client agreed on a provision-based fee. Thus, the client would end up paying for the service only as far as the new product would turn out to be successful.

More unusual forms of opportunistic accessing occur in cases DC 2 and DC 3. In DC 2 the firm is approached by a researcher of an RTO who knows the firm of old. The researcher does not directly propose a service, but rather is touching base to see whether there is potential for an R&D process. In the course of the discussion the managing

director and the researcher hit upon an idea, and an R&D project with multiple partners was eventually put together. In DC 3 the client firm is approached by the advertising agency with which it had worked for years, and which now had extra capacity. The client firm had thought about renewing the website and making a multimedia presentation, and agreed to the assignment. The timing is thus determined by the offer of the provider, albeit the need had been recognised for some time by the client firm. The case DC 2 has some features of calculated accessing, and case DC 3 of routine accessing, but in both the client essentially responds to an external opportunity.

To summarize, opportunistic accessing is in practice a reversal of what is usually suggested in literature: the client may not recognise the need, does not look for alternative providers, or select amongst them. The pattern is characterised by a first move made by an external party and entwined or default provider selection. The main points are summarized in Figure 18.

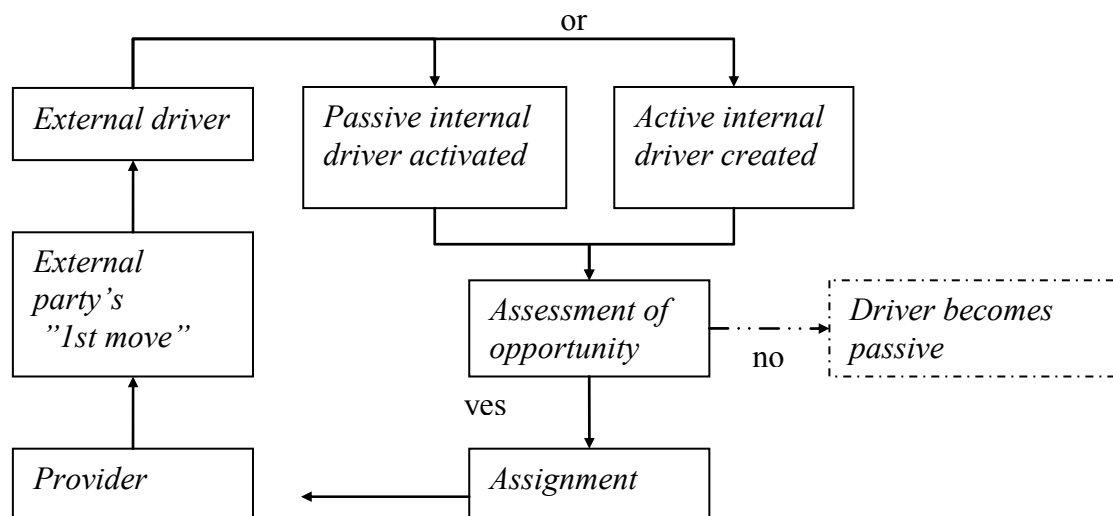


Figure 18. Opportunistic accessing pattern.

7.1.5 Calculated accessing

The preceding Subsections have dealt with patterns that deviate considerably from the theory-based model of client accessing behaviour suggested in Section 2.3. However, a number of cases correspond at least in the initial steps to the model. The pattern of calculated accessing matches in many ways the models proposed in previous literature.

In calculated accessing of external expert services the client firm has a recognised need, i.e. an active internal driver, and is accessing external expertise in order to fulfil the recognised need. Eighteen of the detailed cases and eight of the limited cases fit the pattern (Table 20). The services in question vary widely, but R&D and management consulting seem most prevalent.

In calculated accessing the client firm is taking active steps to access external expertise. The pattern is characterised by the client making the first move. Evaluation of alternative provider options may take place, and unless there is a clear default choice in providers, in even single provider assessment there are some pains taken over ensuring that the provider is the right one. Also, calculated accessing frequently occurs with services and needs of a more significant scale compared to e.g. informal accessing. The cases also often involve a more unusual activity. The activating impulse may come from outside the firm, but frequently also an internal active driver emerges without a definitive external impulse. While the actual evaluation of provider options remains rare, it is normally in the calculated pattern that it actually occurs when it occurs at all.

Calculated accessing also seems to involve more immediate apparent consideration of risks. The interviewed managers bring up risks related to the provider, the activity itself and the utility of the outcomes more regularly than with the other patterns. *In calculated accessing the client firm is most closely acting in the manner of the rational decision-maker implied in purchasing models,* yet it is clear that the resemblance is only rarely a close one. Even in calculated accessing, only about a quarter of the detailed cases involve evaluation of alternatives, which is more or less assumed in purchasing models. Nevertheless the calculated accessing pattern is clearly characterised by more active, considered and cautious buying behaviour than the other patterns. This may be partly because the cases involving calculated accessing are frequently more important, i.e. they involve greater expenditure or important potential gains. Another possibility is that the decision to use expertise in these cases is often a decision taken after a relatively long period of ‘simmering’, i.e. the firm has formed a good idea of its wants, the potential benefits, and how much money and effort they can consider spending.

Table 20. Calculated accessing cases and their features.

ID	service	provider	public finance involved	external driver	internal need dimension	1st move	selection mode	assessment rationale
DC 1	R&D	RTO	yes	push	internal lack	client	eval. of alternatives	
DC 5	R&D	RTO	no		internal lack	client	default	
DC 6	R&D	RTO	yes	push	unexpressed	mixed	short selection	direct assess.
DC 8	Train.	KIBS	no		both	client	short sel.	prev. fam.
DC 9	IT	KIBS	yes		internal lack	client	short sel.	prev. familiarity + reference
DC 10	IT	KIBS	no		internal lack	client	eval. of alternatives	direct assess. + reference
DC 11	R&D	RTO	yes	pull	internal lack	mixed	entwined	direct assess.
DC 13	MC	KIBS	yes		internal lack	client	short sel.	direct assess. + reference
DC 14	MC	KIBS	yes		internal lack	client	short sel.	prev. fam. + reference
DC 15	R&D	network (initial)	yes	pull	internal lack	mixed	entwined	direct assess. + prev. fam.
DC 17	M&A	KIBS	no		internal lack	client	eval. of alternatives	direct assess. + reference
DC 18	R&D	KIBS	no		both	client	default	
DC 19	R&D	KIBS	yes		internal lack	client	short sel.	direct assess. + prev. fam.
DC 21	MC	KIBS	yes		internal lack	client	short sel.	direct assess. + prev. fam./ref.
DC 25	MC	KIBS	no		internal lack	client	short sel.	reference
DC 27	MC	KIBS	no		both	client	short sel.	direct assess. + reference
DC 29	IT	KIBS	no		internal lack	client	eval. of alternatives	direct assess.
DC 31	R&D	RTO	no		both	client	short sel.	direct assess. + prev. fam.
LC 4	R&D	NON-KIBS	yes	insuff. data	internal lack	client	short sel.	prev. fam.
LC 9	R&D	RTO	no	insuff. data	ext added value	client	insuff. data	insuff. data
LC 19	Train.	RTO	unclr	insuff. data	internal lack	client	short sel.	prev. fam.
LC 20	Tech.	KIBS/EXP	no	insuff. data	internal lack	client	short sel.	personal network
LC 22	IT	KIBS	no	insuff. data	insuff. data	client	insuff. data	direct assess.
LC 23	HR	public sector	no	insuff. data	internal lack	client	short sel.	direct assess. + price
LC 42	M&A	KIBS	yes	push	internal lack	client	short sel.	insuff. data
LC 43	Train.	KIBS	no	insuff. data	internal lack	client	insuff. data	direct assess.

The accessing of quality system consulting in case DC 13 is a good example of calculated accessing, albeit one which involves no evaluation of options. The need for a quality system, i.e. for putting together a quality handbook for the firm and training for its implementation, was recognised within the client firm. Having a quality system would enhance the attractiveness of their offers in the eyes of their customers. The managing director brought up the subject in discussion with acquaintances in other firms, and became convinced that the use of external expertise was necessary. The manager could “not recall exactly how he heard of [the local consultancy]” that was organising a quality system training and development package for manufacturing firms in the area on behalf of the local TE-Centre. Having heard of the consultancy, he “called them up and arranged a meeting.” The training and consulting package was discussed as well as the cost and the time resources the process would require. The manager reports that he did not contact other potential providers, although the possibility of looking for other options was evidently considered, and explains that he was favourably impressed in his assessment of the consultancy in the initial meeting, held at the client’s offices. The consultancy had carried out several quality system processes before, and they had a certified quality system of their own. The fact that the training group being put together was to be production-oriented and would include several metal industry firms was significant. The manager also felt that TE-Centre involvement ensured that the training would be of at least reasonable quality. In his account he also brings up the effect of TE-Centre funding: “it made a difference to what we had to pay, of course. [--] Money matters.”

Only two situational characteristics are constant in calculated accessing. The buy task is relatively novel, and the expertise task is important and urgent enough to warrant action. The calculated pattern is more varied in implementation than e.g. the opportunistic pattern. Particularly the question of whether the client engages in a search for several options, and an evaluation of them, is a major variance. Calculated accessing is, however, foremost characterised by the presence of a clear internal driver. The active internal driver was, in a few of the cases, reinforced by an external driver, but the core of the pattern remains a recognised need that is addressed by the client firm. Also, the main sequence of events in calculated accessing moves from need recognition to

internal and external search, and client's initiative in making the first move. Although the provider choice has, in some exceptional cases, been entwined or default choice, the main mode of selection is short selection with a notable minority of evaluation of options. Hence, in calculated accessing SMEs are most likely to engage in the resource-intensive process of defining consideration sets and evaluating them. Figure 19 depicts the features of the calculated pattern as observed in the cases, with the exceptional variations in dotted lines.

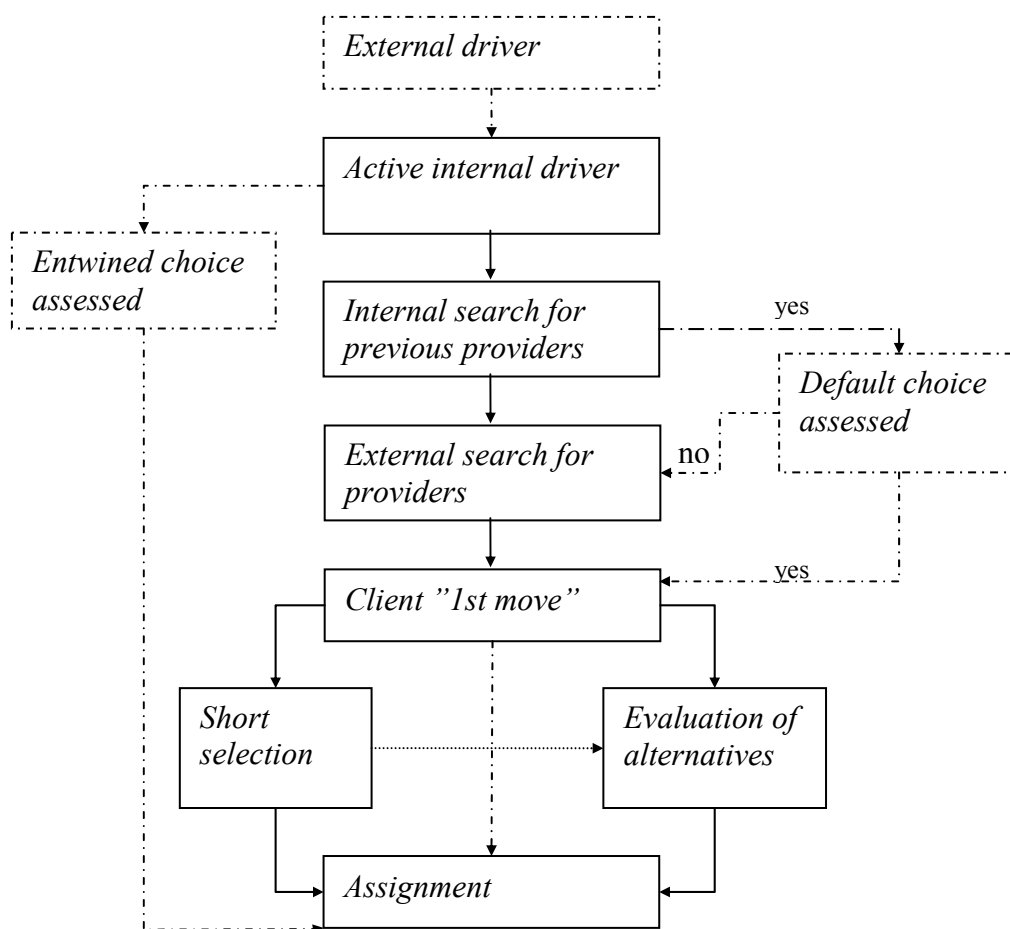


Figure 19. Calculated accessing pattern.

As stated earlier, based on literature one would expect the evaluation of options to be the normal mode of selection, particularly in the calculated pattern which begins with the need recognition and thus resembles the models in the initial stage. However, the cases here demonstrate that short selection remains the prime mode. Further, based on the literature one would at minimum expect a connection from the short selection box to

the evaluation of alternatives -box, indicating that when the single potential provider considered fails to satisfy the client in the assessment, alternative providers are then sought out. Although the possibility is intuitively attractive, none of the interviewed managers mention discarding the provider they first considered. Hence, it is not possible to confirm based on the present data whether evaluation of options by repeated short selection iterations actually occurs; the possibility is included in the pattern as a theoretical option.

7.2 Provider selection and assessment

Although the preceding Section has given an overall view of client behaviour as it emerges in the present study, and thus also the selection of providers has been covered somewhat, further elaboration on the specifics of service provider selection is in order. The distinction between selection modes as they have been constructed in the analysis relies on what client firms' managers articulate about their thought processes during entry into co-production. The selection modes as categories are thus at one remove from the practical reality of the clients. It is possible that in action the modes are not quite as distinct as the four categories might imply. Nevertheless, the selection modes uncover essential features of how clients approach entry into co-production.

One of the main points made in the analysis on selection is that the decision on provider selection is not necessarily distinct from the decision on accessing. In entwined choice the client does not, in any observable way, differentiate between the two decisions. Rather, the client considers the provider and the service as a bundle. This is contrary to the basic alignment presented in previous models of business-to-business purchasing.

In default choice the provider is so obvious a choice that the client shows no sign of considering the possibility of other options. Not only do the client firms in cases of default choice deny thinking about alternative providers, but in some cases they are visibly surprised by the thought that they might have been expected to consider alternatives. In default choice the client essentially skips from knowing what he wants

to knowing who will do it without the intervening steps. This does not necessarily imply that the small client firms in default choice fail to assess their provider-of-choice, although their behaviour gives no indication of such assessment. It may be that, since default choice is always based on a pre-existing close connection or a pre-existing relationship, the client firm manager has already assessed the provider's general suitability for a class of expertise tasks. When a need fitting the parameters occurs, the client matches the task to the provider based on his earlier, internalised assessment. Thus the client choice is made, perhaps even without consciously considering it, in terms of provider-task match rather than in terms of provider suitability compared with other potential providers. The fact that sometimes a seemingly obvious provider is not used supports this suggestion.

Models of services purchasing tend to assume that clients compare alternative providers prior to making a choice. The underlying assumption is that the client seeks out a number of potential providers, certainly more than one, and compares them. Often it is further assumed that the client then considers a limited number of providers, ordinarily called the short-list, more seriously (see Subsection 2.1.2). In the cases examined in this study none of the client firms refer to a two-list procedure, i.e. they did not proceed from a long-list, i.e. initial consideration set, to a short-list, i.e. final consideration set. No case involves more than a small set of potential providers compared by the client. The selection mode in which a client chooses among two or more alternative providers has been termed here evaluation of alternatives. The rarity of the evaluation of alternatives in the case set suggests that smaller firms' limited resources impose on their expert services purchasing practices a qualitative difference significant enough to be fundamental.

Instead of the evaluation of alternatives, i.e. choosing between short-listed alternative providers, the client firms examined in this study favour what is called here *short selection*. In short selection the client does knowingly gauge the suitability of a provider relative to the desired service, but the assessment focuses on one provider instead of several alternatives. The mode is called 'selection' because, although only one actual provider is assessed, the client estimates the provider's suitability not only in relation to

the service but also in relation to other possible providers that might be found should the client look for them. In short selection the client essentially tries to ascertain that the provider can do what is needed. The difference between default choice and short selection as observed in this study is that the client is able to articulate the kinds of criteria or issues that were considered prior to giving the assignment to the provider.

The preceding arguments suggest that on purely logical grounds *short selection is in fact the basic mode of selection*, and the others are variants of it. *In short selection the client firm assesses a single service provider*, and it could be argued that something similar is happening in other modes as well, albeit with a difference. In default choice the assessment is subsumed in an existing relationship or connection and thus not visible; in entwined selection the assessment of the potential provider is entangled with the assessment of the offered service; in the evaluation of alternatives more than one potential provider is assessed. In summary, *the clients' usual mode of selection follows a bounded rationality, i.e. they look for a provider or provider-service bundle that is good enough, rather than the best provider or provider-service bundle possible*. Short selection offers some security against the positive risks of using external expert services without incurring the costs implied by a more extensive selection process. Hence, the total solution from the client firms' perspective is more efficient, assuming that the providers thus selected perform to expectation.

In summary, it is argued that assessing a single provider is what SMEs usually do. *The assessment weighs two distinct dimensions, namely the capability dimension and the cooperation dimension* (Figure 14 in Subsection 6.3.1). The dimensions fit well with earlier research, and although the analysis which brought them to light in the present study focused on client's direct assessment only, they work for outlining client assessment as a whole as well. Clients assessing providers consider the capability and cooperation attributes of the potential provider. Together the dimensions add up to the potential provider's total suitability. *Direct assessment, previous familiarity and direct reference are vehicles or means for the clients to ensure the overall suitability of the potential provider*. Looking at total suitability together with the means of assessment, the key role of previous familiarity is highlighted (Figure 20).

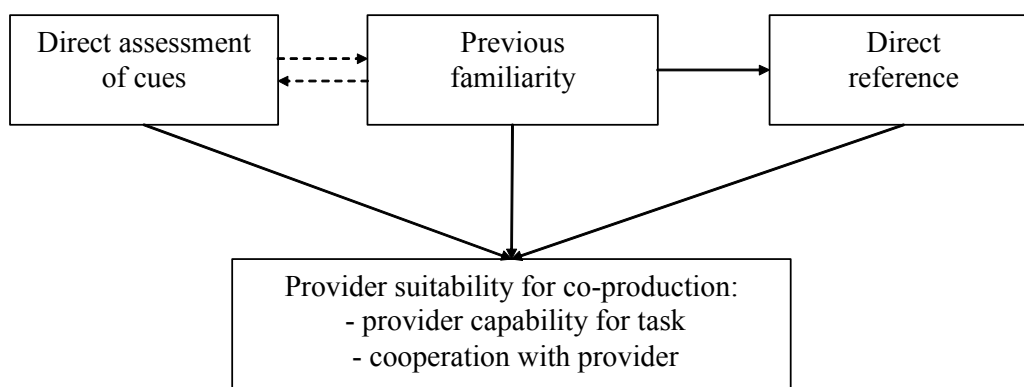


Figure 20. Assessment of expert service provider's suitability.

Previous familiarity with the potential provider dispenses with some or all of the work on information gathering and evaluation that is implied in direct assessment of cues by the client. How much effort is saved depends on the specifics of the situation: e.g. a previous relationship can give the client a comprehensive knowledge of the provider's suitability. Direct references are a vehicle for assessing suitability when the client is not previously familiar with the provider, and direct references, i.e. recommendations, are given by others who are familiar with the provider. Thus, direct reference is a form of familiarity – familiarity by proxy. The link between direct assessment of cues and previous familiarity is somewhat more complex and context-bound. When familiarity is due to an existing client-provider relationship, the previous interactions have given the client opportunities for observing cues that others would not have, and thus direct assessment contributes to familiarity. On the other hand, a degree of existing familiarity may dispense with the need for further assessment from the client's point of view, leading to default choice.

8 CONCLUSIONS: INSIGHTS FROM INTERPLAY OF THEORY AND EMPIRICAL ANALYSIS

The theory-based framework discussed in Section 2.3 proposes a pattern of client behaviour for accessing services, and suggests a connection between the characteristics of the accessing situation and client behaviour. In this Chapter the results of the empirical analysis are discussed in conjunction with the theory-based framework (Section 8.1). Further, a model connecting the patterns of behaviour described by client firms is proposed (Section 8.2).

8.1 Accessing behaviour and provider assessment: structure and mechanism

The theory-based framework constructed in Chapter two proposes a very simplified pattern of behaviour compared to many industrial purchasing models. A short, simplistic model was adopted because literature suggests smaller firms are likely to use faster and simpler solutions because of their lack of resources and relative flexibility. The empirical analysis in Chapters six and seven shows that small firms' behaviour does not fully conform either to the more complex stage processes proposed in literature, or to the streamlined process with four steps proposed in the theory-based framework. Instead, small firms' behaviour in accessing is shown to follow a number of alternative paths.

In informal accessing the client firm utilizes its embeddedness in the social world as a resource. An existing relationship, whether originally business or personal relationship, is used to access someone's expertise. The extent to which this is possible depends on the depth of the relationship. In routine accessing a frequent need for external expertise is repeatedly fulfilled in a business relationship with a service provider. In reactive accessing the client firm is confronted with an urgent yet novel need, and takes steps to access external expertise. Opportunistic accessing, however, occurs when a service provider or some other external party offers an opportunity to access expertise, essentially by-passing selection. Finally, in calculated accessing the client firm purchases access to expertise in response to a recognised need.

The theory-based framework discussed in Section 2.3 proposes that certain situational characteristics are pertinent to behaviour in accessing. The empirical analysis has offered further insight into which characteristics in fact have an important influence and when. Furthermore, the analysis highlights the interconnectedness of the situational characteristics, implying that the influence of one characteristic is contingent on others. But how and why? The next Subsection considers the observed influences in accessing.

8.1.1 Observed influences in accessing

Let us first consider the situational characteristics that have an influence in the analysed cases. The *novelty of the buy task*, i.e. whether the client firm has been faced with the need to access a particular kind of expertise before, is shown to be highly important. First, routine accessing is possible only in frequent or continuous accessing, whereas calculated accessing implies a buy task that is either new or modified. Similarly, reactive accessing occurs when the buy task is new or at least unusual. Informal and opportunistic accessing do not depend on the novelty of the buy task, however, because in the latter case the client is not faced with a buy task (or, more accurately, the accessing task), and in the former because novelty is relevant with respect to the client's relationship resources rather than the accessing task.

The *content of the expertise task* has some influence on accessing behaviour, for some patterns of accessing occur more typically for some types of accessing. For example services in marketing and advertising are associated with routine or opportunistic accessing but not with reactive accessing. However, it is not possible to conclusively connect any particular content with a specific pattern on the basis of the present study. Content definition refers to the degree to which the expertise task is easy to define and describe. As a situational factor content definition is partly contingent on the client firm's level of knowledge. Some tasks are by nature relatively easy to define (e.g. accounting tasks) whereas some are not (e.g. strategic management consulting), but the client's knowledge of the field in question makes a difference as well. A manager well-versed in computer technology finds it easier to define IT-related expertise tasks. Defining the expert task is emphasised in calculated accessing. Also, content definition

and the level of knowledge act as lenses to the provider's perceived capability and hence influence provider assessment.

The *client's* level of knowledge and the manager's personality (or possibly other relevant personalities in the firm) indirectly matter the most for provider assessment, for they are the filter through which a provider's suitability is assessed. Greater knowledge allows the client to better assess a provider's capability directly, whereas less knowledge leads to a greater emphasis on cooperative aspects such as interpersonal chemistry. Both cooperative and capability dimension of assessment (Subsection 6.3.1) are interlinked with client perceptions – the client's priorities are crucial. Thus the *provider's characteristics* as influence on accessing behaviour and provider assessment are contingent on the client and the client's interpretation of their needs and what is required to fulfil them. For example, if the client sees a financial consulting task as partly a matter of convincing debtors to hold off, and further believes a particular provider would not have credibility in the eyes of the debtors, then the provider would be considered unsuitable by the client.

Previous literature (see Subsections 2.1.3 and 2.1.5) also suggests that the provider's client orientation, i.e. provider behaviours that signal client orientation, are important in assessment. The present analysis has not highlighted client orientation as a distinct characteristic influencing the client's assessment; rather, client orientation is subsumed in interpersonal chemistry which has been interpreted as including mutual communicativeness. Also proximity has been suggested in literature as important to selection. Again, this factor is not emphasised in the cases analysed. However, the influence of proximity may be indirect rather than direct. Proximity influences the provider's relationship resources and thus provider assessment through direct references as well as previous familiarity. Further, proximity implies a shared local or regional environment which may indirectly contribute to how the client experiences interpersonal chemistry.

Variations in the client firm's organisational characteristics such as departmental structures have not been demonstrated in the analysis to influence accessing behaviour,

which is perhaps not surprising considering the size of the firms. Some firms, however, refer to their quality system as an influence on their buying behaviour. Organisational characteristics thus may have an influence: a quality system may require that the firm's provider selection always assesses several alternatives, i.e. evaluation of alternatives rather than short selection is the primary mode of selection.

The importance of *the expertise task* is related to the scale of the task on one hand, and to the scale of the results on the other. A less extensive task in conjunction with suitable client's relationship resources may enable informal accessing, and thus the depth and kind of the relevant relationship are important to determining the influence of task importance. Further, an extensive task implies higher costs, and hence the client firm is more likely to engage in calculated accessing. This is contingent on the novelty of the task, however, since for repeated needs a routine accessing pattern is likely to form. If the expected results of the task are very important, the client is more likely to take time over provider assessment, whether in reactive, opportunistic or calculated accessing. The urgency of the expertise task is associated with reactive accessing but not solely: urgent tasks may be carried out via informal, routine and calculated accessing as well. Only opportunistic accessing is logically incompatible with urgency, for urgent tasks cannot wait for an opportunity to occur. Urgency may increase the tendency to rely on existing relationships, and the tendency to short selection.

Two further characteristics should be mentioned although their influence on accessing behaviour is not demonstrated in the analysis. The availability of expertise and its corollary, buyer power, would seem to be a factor in light of literature. However, nothing in the cases analysed suggests that small firms utilise buyer power in case of widely available services (e.g. accounting services) in the manner implied. For example, evaluation of alternatives, the selection mode that is easier to apply to widely available rather than rare services, does not seem to be occurring in accounting services. The present research design is unable to either confirm or contradict buyer power position as a situational influencing factor. Similarly, price is brought up as a possible influence. On one hand, expert services are held to be value-sensitive rather than price sensitive. On the other, the smaller resources of small firms might imply that they are more

sensitive to price and hence their behaviour would be influenced by the price of expert services. Analysis indicates that price in this sense, i.e. as a price criterion for assessment in selection, is not an influencing factor. The influence of price on perceptions of risk might only be visible in a study more tightly focused on calculated accessing and specifically evaluation of alternatives. Alternatively, it may be proposed that price *is* considered in opportunistic accessing and calculated accessing as a precondition for an active internal driver rather than as a criterion in assessment. Thus, opportunities or offers beyond the firms' threshold of tolerance are not considered, and hence clients' descriptions of accessing expertise in the cases where services actually are used do not refer to price.

In the theory-based framework (see Figure 7 in Section 2.3) an existing relationship is proposed as one of the situational characteristics that influence accessing. In light of the complexity of accessing behaviour it seems more useful to consider *relationships as a form of resources*, possessed by both client and provider, as has been done in the preceding discussion. The client's relationship resources are critically important not only in routine and informal accessing and default choice, but also in calculated accessing; more than half the examined cases involve either previous familiarity or direct reference. Indeed, looking for provider in a new buy task by asking for word-of-mouth references is the only search mechanism repeatedly mentioned by the interviewed firms. Hence, *for the client firm previous relationships are both a resource as such (finding a provider amongst the existing relationships) and as conduit to knowledge about providers with whom no previous relationship exists (receiving direct reference)*. For the provider existing relationships are a resource for the same reasons, but also for initiating opportunistic accessing.

As the preceding discussion demonstrates, there are numerous and complex connections between the situational characteristics, the process of accessing and the assessment of potential providers by the clients. Employing any particular criterion in assessment is contingent on the situation as a whole. In the theory-based framework it was proposed that the situational characteristics may influence client behaviour directly or by the way of risk perception. By distinguishing between e.g. client and expertise task

characteristics the framework also implied that specific characteristics have a distinguishable role, and hence e.g. the influence of service type or client organisational characteristics might be observable. This has not been so to any comprehensive degree in this study. Hence, it is proposed that it would be more useful to consider the accessing process and the element of provider assessment it contains as *a balancing act in which the situational characteristics interact within a specific accessing context*.

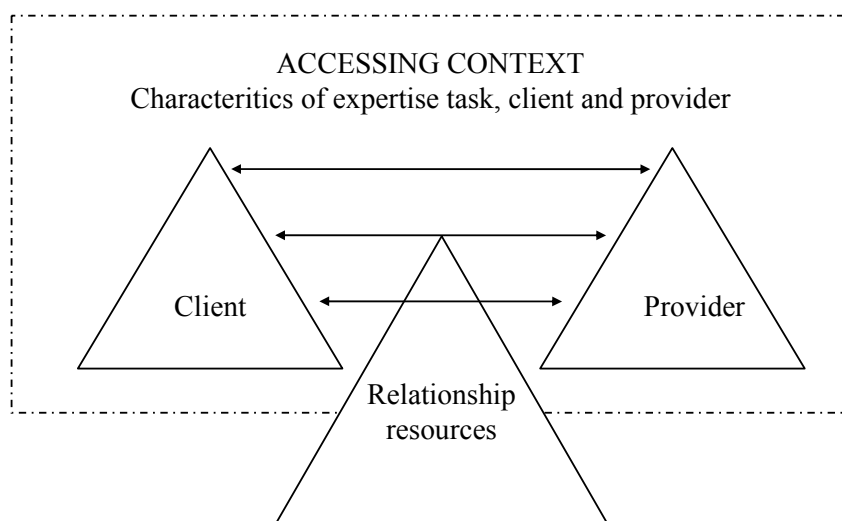


Figure 21. Relationship resources in accessing context.

The client forms an overall perception of risk based on mutual fit, as the client perceives it, between the various aspects of the expertise task, the provider and the client firm in the accessing context (Figure 21). *The mutual fit is interdependent*: for example, if the expertise task is changed, so are the required provider characteristics. Relationship resources are, more often than not, crucial to achieving balance. Relationship resources may directly provide the balance (previous familiarity/lowest arrow) when a suitable provider is found among existing relationships. Relationship resources may also contribute to balance through information (direct reference/middle arrow). In all cases the client engages in direct assessment of potential provider. When the task is so novel that relationship resources cannot contribute to balancing, only direct assessment can be used (top arrow). Hence, the less novel and unusual the buy task, the more likely it is that the client's relationship resources can be utilized and contribute to reduction in the perceived risk.

8.1.2 Structure in accessing of external expert services

In the realistic approach *structures* are sought by abstraction of the essential or necessary characteristics of objects of interest. A structure describes a set of objects that are related to each other in a coherent way. Empirical phenomena – events, people, circumstances – can fill ‘positions’ in a structure. There is some, but not infinite, latitude in how much variety a structure can tolerate. (Sayer 1992: 92–4.) Figure 22 summarizes the structure of accessing expert services. It describes how the accessing context (previous Subsection) is constituted in the kind of cases as those examined in this study.

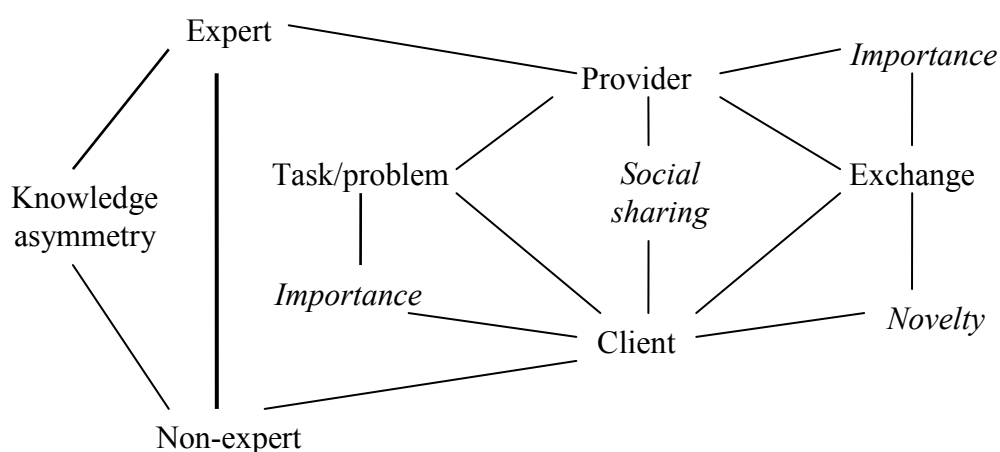


Figure 22. Structure of accessing in external expert services from client perspective.

The fundamental relation in accessing external expert services is the expert–non-expert relation that gives rise to knowledge asymmetry. If knowledge asymmetry does not exist, the service is not an expert service, because if there is no knowledge asymmetry, the client is no more or less able to assess the service than any other service. Thus, the expert–non-expert opposition is a necessary precondition for the positions of provider (of expert services) and client (i.e. receiver of expert services). The provider and client positions have two further necessary connections, to task/problem and exchange. In order for the client and provider to occupy these positions relative to one another, there must be a problem to be resolved by the service, or at the minimum, a task for the provider. The task/problem may vary considerably in scope, scale, urgency and content, ranging from answering a request for information to a strategic consultancy process

stretched over several years. Further, an exchange must occur. Again, considerable latitude is possible, from 'doing a favour for a friend' to complex multi-party project contracts.

The task/problem has a further essential characteristic in relation to the client. It must have *some* importance, or accessing will not take place. Again, the degree of importance may vary but the client must attach at least some importance to the task/problem or there is no reason to make the effort of accessing. Similarly, the exchange must have some importance for the provider, or accessing will not take place. The novelty of the exchange as a characteristic is not limited in this respect: the exchange may be completely novel or quite familiar or anything in between. For example, "he does this for us every week" expresses a very low degree of novelty in the exchange because the client has apparently bought the service repeatedly before. Novelty relates to the buy-task (exchange) rather than the service.

In addition to the task and the exchange there is between the client and provider a third element, a personal connection. I term it *social sharing*. Like novelty, it is unlimited in the sense that it can range from no sharing to a deep connection. Relationship resources (previous Subsection) represent positive social sharing. Social sharing includes an existing service relationship between the client and the provider. It also includes overlap in networks of other relationships. The client and "he" of the previous example have considerable social sharing. They would also have (less immediate) social sharing through an overlapping relationship if "he did a job for my neighbour's business last year." When the client and the provider have no expressed connection, e.g. the client is not aware of the connection between the provider and the neighbour, there is no social sharing until the client creates a personal connection to the potential provider in the course of accessing. Social sharing can have negative as well as positive implications for the client's assessment of the provider, i.e. the neighbour may have been dissatisfied.

Risk in accessing external expert services forms in the interplay of the elements in the accessing structure. Perceived risk is the client's perception of importance and

uncertainty. When the expertise task is important, the sense of uncertainty is heightened. Further, when we consider the perceived risk from the client perspective in an accessing situation, *the importance of the task/problem in the accessing situation is a given, as is knowledge asymmetry and exchange novelty*. All of these can be altered in longer term (e.g. asymmetry can be reduced by learning), but for a specific accessing context these are stable.

Uncertainty relates to the provider, to the outcome of the service and to the process of working together (see Subsection 6.4.2). If the client has a lot of substantive knowledge, i.e. there is little asymmetry of knowledge, the outcome uncertainty is lessened and so is uncertainty related to the process. Further, even if asymmetry of knowledge is great, if the exchange is not novel, i.e. the client has experience of a successful resolution in similar circumstances, the outcome uncertainty is lessened. For example, using services of an accounting firm regularly and finding them satisfactory may not increase the client's substantive knowledge, but the client learns to expect a satisfactory outcome.

Provider uncertainty concerns the ability and will of the provider to carry out the expertise task. When the asymmetry of knowledge is small, the client is better able to assess the provider's abilities, and hence uncertainty is lessened and vice versa. With greater asymmetry of knowledge the client must compare his understanding of the task/problem with the provider's interpretation, and attempt to assess the provider's ability based on that. Assuming the provider has the ability, the client still faces uncertainty about the provider's will to do the task to the best of his ability. The client's assessment of the provider's motivations rests on the client's perception of the importance of the exchange for the provider, and/or on the relationship overlap. If the client perceives a strong social sharing, uncertainty is lessened. The client's uncertainty is reduced even if the social sharing results in 'bad reviews' for the provider.

Taken in conjunction with the structure of accessing the preceding discussion on the components in risk perceptions explains small client behaviour in selection somewhat, assuming that 1) the causal powers of the positions are as proposed; 2) higher perceived risk is followed by greater effort in selection; and 3) no other characteristics of positions

intervene. It appears that very often the perceived risk is not great enough to warrant the effort of evaluating alternative providers. Default choice requires the least effort. It occurs when there is strong social sharing. The evaluation of multiple provider options does not in itself reduce knowledge asymmetry. It only introduces alternative providers. Assessing several alternatives may lead to learning and hence reduce asymmetry, but both evaluation and learning require effort. It is only worthwhile when the perceived risk is high to begin with. The antecedents of high risk perception in a specific accessing situation are: exchange is novel to the client; there is high perceived knowledge asymmetry; there is no strong social sharing; and the task/problem is important. From this perspective, it is understandable that risk awareness posited by e.g. Mitchell (1994) is rarely enacted in formal selection behaviour by small firms. Risk perceptions are formed in the interplay of the characteristics of the situation, and an increase of risk by one characteristic can be balanced out by a decrease of risk by another. Hence, small firms as clients – as they face actual accessing situations rather than abstract expert services – rarely find the accessing situations risky enough to warrant diverting management efforts from other tasks for extensive selection behaviour.

8.2 A speculative model of accessing behaviour

The patterns of accessing described here are not alternatives that SMEs select among. Rather, they present a descriptive model of what happens. Taken alone, each pattern in Figures 15–19 is an *ideal type*, and empirical reality exhibits infinite varieties on a more detailed level. However, on a theoretical level the patterns connect through the ‘turning points’ that distinguish between them. Similarly, the empirical data suggest that the patterns are alternative to each other, albeit not in the sense of options to select from, but rather in the sense of outcomes to paths of least resistance. As such the patterns are interconnected. In the following, a model of the paths, i.e. the connections between the patterns, is suggested (Figure 23). The model is speculative in that while the patterns are grounded in specific cases and reflect on an abstract level the results of the empirical analysis, the path model builds on indirect rather than direct interpretation of empirical data: all cases and available firm level data have been considered holistically, in

conjunction with literature, to develop the model. This approach is necessary because the individual cases themselves, not collected with the aim of looking for connections between patterns, do not directly demonstrate the existence of the suggested connections. Thus, although the path model derives from the empirical data analysed in this study, it is offered as a theoretical development rather than as an empirical result.

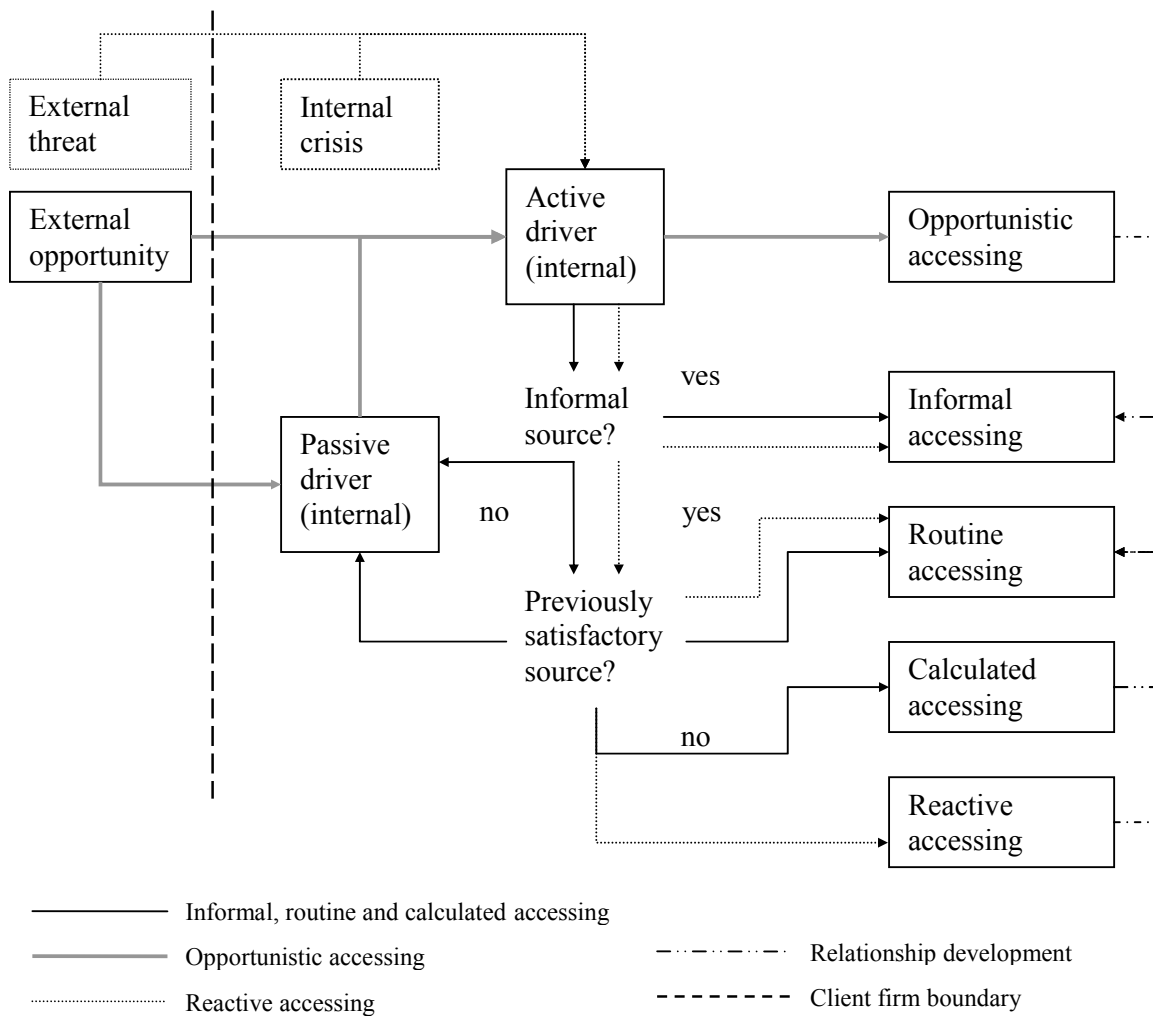


Figure 23. A model of expert services accessing paths.

Literature has viewed need recognition as the starting point in the process of accessing external expertise. Although not all cases exhibit observable internal need recognition, and although internal need recognition is by no means necessarily the first event in all accessing sequences, it is not unreasonable to assume that in each accessing sequence a moment occurs when the client firm recognises a need to use external expertise. For the

purposes of the model the existence of such active internal driver is assumed. However, the assumption is made with condition that the active internal driver, as a momentary recognition of need to access expertise, may also pass unarticulated and remain indistinct in the client firm. The posited active internal driver is useful as 'cross-roads' for all the patterns.

Let us consider first the patterns in which the client is faced with either a crisis (reactive accessing) or an opportunity (opportunistic accessing). These patterns are characterised by external drivers, although reactive accessing may also occur as a result of an internally developing crisis. An external opportunity can create an immediately active internal driver, leading directly to opportunistic accessing. Should the opportunity on offer be less tempting, or the firm unable to take advantage of it for some reason, the external opportunity may lead to the creation of a passive internal driver which can, in turn, later become spontaneously active as the client firm managers recollect the possibility under more suitable circumstances, or become activated by a further external impulse. Either opportunistic or calculated accessing follows, depending on whether the opportunity still prevails.

An external or internal threat which creates an active internal driver in the client firm does not bring with it a solution for fulfilling the newly recognised need. Hence, the client firm must seek out external expertise on its own initiative. To give an example, a legal action against the firm requires the firm to take legal advice. If advice is available informally, and a limited effort by external expert is sufficient, informal accessing rather than reactive accessing occurs. If a previously satisfactory source exists and is available, e.g. the firm has used a certain law firm before, been satisfied, and finds the same attorney free to take the case, accessing follows a routine pattern in its main features. When no routine source exists, the client firm is reactively accessing a new source of external expertise.

Informal accessing can be seen as the easiest form of calculated accessing. The firm has a need which can be fulfilled by someone known without cost. I suggest that for small needs, in small firms, informal accessing is the primary pattern of accessing external

expertise. If the management or staff can call in a favour, and the informally accessed expertise is sufficient, the pattern prevails. If the firm is unable to fulfil the need by informal means, the next step then depends on the nature of the need. If the need is not pressing, the firm may well put it off, i.e. the driver becomes passive. The passive driver can be later activated by a suitable offer from a service provider, leading to opportunistic accessing. If the need is a previously unknown one, *and* pressing enough to warrant the effort, the firm begins to search for external expertise: calculated accessing takes place.

If a client firm faces a regular or repeated need, which has been called in the literature a straight re-buy, the firm is likely to simply approach its earlier provider, i.e. routine accessing takes place. Calculated, opportunistic and reactive accessing can lead to routine accessing, if similar needs reoccur and the provider has been satisfactory – after all, once a provider's services are used, the provider becomes a familiar provider. Assuming the co-production works to the client's satisfaction, the provider becomes the previously satisfactory source. Hence, reactive, opportunistic and calculated accessing can create client-provider relationships and prepare the ground for routine accessing. The status of a previously satisfactory provider also opens the door for a degree of informal accessing by the client; as the client and provider come to know each other, the provider may be expected to assist in minor ways informally as well.

The overall logic of the path model from active internal driver onwards can be described as an internal monologue or series of self-queries. Is there an informal source for this expertise? If yes, that source is used. If not, it raises a further question: Is this need worth further effort right now? If not, the need is put aside, i.e. it becomes a passive driver. If further effort is judged worthwhile, the next question is whether a previously satisfactory source exists. If yes, that source is used. If not, the next question again is whether the issue is pressing enough to warrant further effort right now. If not, the need is put aside, and if yes, the client makes an effort to locate a source. The effort may take the shape of short selection or evaluation of alternatives. A passive driver created by putting a need aside at any stage may be activated later by an external opportunity, or it may be taken up again by the client firm without external prompting.

It is not suggested that the client firms in fact proceed in their decision-making rigidly according to the path model or, in fact, according to any deterministic model. Even if a firm were to proceed exactly as suggested here, the specifics of the accessing context would influence the decision-making at each stage. Not all situations and services are amenable to routines; that requires some frequency of need. Further, the internal situation of the client firm, e.g. operational pressure, available resources and skills possessed by staff members, would similarly have a bearing on the decisions, as would the firm's existing networks and personal characteristics of the decision-makers. In summary, the accessing context forms a complex backdrop against which the client firm makes its choices along the paths. Queries on relationship resources are the pivot points.

9 SUMMARY, IMPLICATIONS AND ASSESSMENT OF THE STUDY

Section 9.1 offers a summary of the study and the key results. Sections 9.2 and 9.3 summarise the theoretical contribution and the managerial implications of the study. Finally, in Section 9.4 the limitations of the study are discussed along with some suggestions for further research.

9.1 Summary of the study and results

This study aims to describe and understand how small industrial firms access external expertise, and how service providers are selected. The question is approached by examining existing literature on organisational purchasing, services marketing and small business management on one hand, and by an empirical analysis of qualitative data on the other.

Based on existing literature, a theory-based framework describing the process of purchasing expert services, and the factors that influence the process, is constructed. The literature implies that some variation in the pattern of activities is to be expected, but the process descriptions by various authors converge on a sequential model involving need recognition, search for, and assessment of, alternatives, and concluding with selection of the most suitable provider. Alternatively, accessing external expert services is viewed as embedded in the firm's existing relationships, hence emphasising service quality and client satisfaction.

The empirical data used in the study were collected in personal interviews with managing directors of industrial firms employing more than four but fewer than 100. The 51 firms interviewed are located in two regions in Finland. Altogether 39 detailed descriptions of accessing external expertise were extracted from the interview content. These cases make up the main data set of the study. Additionally, 45 cases with less detailed and comprehensive descriptions were extracted and used as a check on the results of the analysis of the detailed cases. The analysis proceeded by iterative

comparison across cases and events, rather than against an a priori model. Hence, the results are grounded in the empirical data, and conclusions rely on abductive and inductive reasoning. The next paragraphs summarize the results.

How do small manufacturing firms access external expertise? *The process of accessing external expert services is varied, not uniform.* The patterns of accessing uncovered in the analysis are *informal, routine, reactive, opportunistic, and calculated accessing.* The present study demonstrates that the process of accessing external expertise in small firms cannot be described in terms of a uniform stage model without reducing the utility of the description seriously. The organisational purchasing behaviour sequence commonly used in previous research is reasonably applicable to small firms' accessing mainly in situations where the expertise task is definable to a high degree; the buy task is novel or at least not frequent; and no strong relationship exists between a potential provider and the client firm.

Further, *a need recognition stage is not necessarily the starting point in accessing external expert services.* Although a moment of need recognition as a theoretical construct can always be assumed to occur, positing a need recognition within the client firm as the initial step in purchasing sequences is misleading; it draws attention from the fact that the entry into service use is often a matter of negotiation, with the service provider as an active partner. The study demonstrates that, at least in expert services, the purchasing process is not necessarily a strictly internal process, even in its initiation. The process of accessing a service, whether by purchase or other means, can begin with a recognised need, i.e. an internal driver, but also with an external driver – a push by a third party that drives the client to the service, or a pull by the service provider that draws the client in.

Risk, from the client's perspective, is holistically present in accessing. The features of the situation that interdependently and collectively make up the accessing context all contribute to the perceived risk. Risk perception is contingent on the whole rather than on any single factor. Further, *risk in expert services accessing is both negative and positive risk:* the risk of not using expertise is a part of the clients' risk perceptions. In

fact, the client's decision-making does not necessarily differentiate between the decision to use a service and the decision to use a particular provider. *Provider selection occurs in four modes: evaluation of alternatives, entwined choice, default choice and short selection.* Previous relationships can contribute to any of these, and are integral to default choice. Relationship resources are the key to reducing the risk associated with the provider. *Existing relationships, whether business or personal, are hence a resource for accessing expert services.* Relationships may either give access to external expertise or support provider selection. Very few of the cases examined in this study do not involve at least some use of relationship resources.

Relationship resources gain their significance ultimately from the uncertainty experienced by the client in accessing external expertise. *Asymmetry of knowledge defines the situation.* The degree of asymmetry together with characteristics of the expertise task, character and novelty of the exchange, and the client's perceptions of the provider's position and the degree of positive social sharing combine to create an overall perception of uncertainty. Social sharing, i.e. a personal connection, mediated or direct, is the domain in the accessing in which the client can meet the provider on equal terms. Uncertainty and the expertise task importance together create the client's perceived risk, which social sharing reduces. Usable relationship resources represent positive social sharing.

In summary, the study proposes that the client's actual behaviour is shaped by the accessing context, structured through the interplay of the various situational factors present (Figure 24). This implies that any one situational characteristic, e.g. the expertise task, is meaningful only in relation to the other characteristics also present.

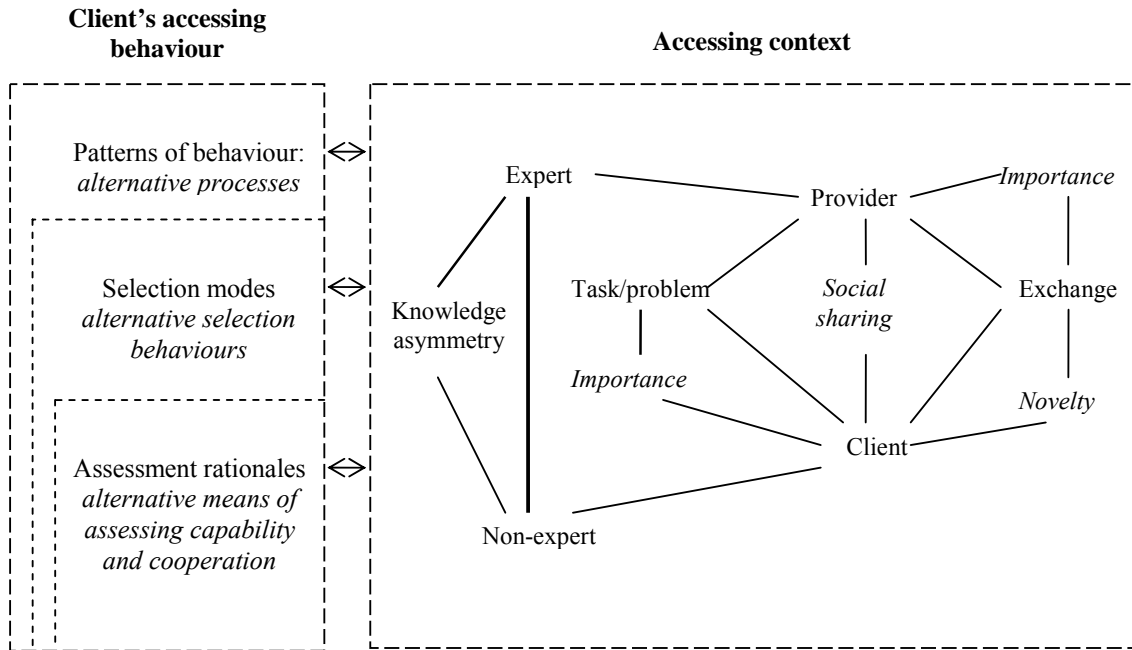


Figure 24. An overall framework of SMEs’ accessing of external expert services.

A model is proposed that suggests how the patterns of accessing are related to each other. *The linkages imply convergence to the routine and informal patterns*, which rely on relationship resources. The model also suggests, however, that accessing is connected to the firm’s environment directly as well as through environmental influences on needs. Hence, opportunities, crises and the firm’s own inevitably varying needs lead to other patterns of accessing where relationship resources may not be sufficient. The client then faces the task of assessing a potential provider. The analysis suggests that assessment consists of two dimensions: capability and cooperation. *The capability dimension examines mutual fit between the provider and the expertise task, whereas the cooperation dimension concerns the fit between the provider and the client.* The client’s perception of fit determines the outcome of the assessment.

9.2 Theoretical contribution

This study is one of the very few extensive qualitative studies in services marketing to explicitly address the exchange from the *clients’ viewpoint*. Over a decade ago Gummesson (1994: 86) noted that services marketing research tends to be provider-

oriented despite seeking out customers' views. The observation holds true even now. There is a need for research that goes beyond customer satisfaction to study clients' behaviour (Lovelock & Gummesson 2004: 38).

Second, the study contributes to business-to-business marketing, which has developed in the past decades largely through relationship- and network-oriented studies. This orientation has led to an enormously improved understanding of the intricacies of business-to-business marketing as a whole, but it has left a potential gap in theory development. All purchases are not necessarily about long-term relationships (e.g. Low 1996; Laing & Lian 2005: 125). The present study accommodates *accessing both within and without existing relationships*, hence straddling the gap between transactional and relationship perspectives in business-to-business marketing.

Third, this study describes the *selection of expert service providers in smaller firms*. Smaller firms have been largely ignored as buyers for expert services, and this study contributes to understanding small firms' decisions in services accessing. The study models a number of accessing patterns that occur in small manufacturing firms, highlights the basic mode of selection that small manufacturing firms apply, and finally, offers an overall theoretical model showing the inter-dynamics of the patterns.

This study also suggests an alternative way of conceptualising need recognition in organisational buying behaviour. Previous literature portrays need recognition implicitly or explicitly as the first step in a process, a step that occurs within the client firm. This study demonstrates that this conceptualisation of need recognition as something internally driven is incomplete at least in small manufacturing firms. Hence, its use may be misleading in the analysis of purchasing processes. An alternative conceptualisation of need recognition as an active internal driver is proposed. This fits with the consulting practitioner literature which has for long recognised the importance of unsolicited contacts (e.g. Kubr 2002).

The study contributes to literature on organisational purchasing by demonstrating explicitly, based on empirical data, that the industrial purchasing process taken for

granted in many studies does not realistically apply in small firms. Literature has suggested that steps in the purchasing process may be left out, but no research suggesting that they are left out to the degree described here has been found. The simplicity of default choice is in stark contrast with purchasing processes described in e.g. O'Farrell and Moffat (1991), Day and Barksdale (1994) or Gallouj (1997), although reminiscent of the straight rebuy as described by Robinson et al. (1967). Although Robinson et al. clearly see the straight rebuy as the most common situation in industrial purchasing (ibid.: 29), models of purchasing tend to assume that clients compare alternative providers prior to making a choice evaluation of options. Gallouj (1997) speculates that smaller firms are likely to skip some of the steps in provider selection, and the extreme rarity of the evaluation of alternatives mode in the case set supports his suggestion. However, in general the literature implies that the process of evaluating several options, usually in several stages, is the normal situation, and that small firms are simply leaving out some steps while fundamentally applying the same principles. The extent to which small firms in fact leave out the intervening phases suggests, however, that it is the shorter process that is the norm. The difference between potentially sequential short selection, i.e. the assessment of one potential provider, and the comparative evaluation of alternatives posited in literature is not a mere difference in scale. It is argued here that short selection is a more realistic description of small firm behaviour. This is as such a contribution to the literature, with implications for further research.

The study supports previous research in emphasising the importance of existing relationships, particularly in expert services that are needed repeatedly. In further contribution to services purchasing literature, it is proposed that relationships can be alternatively understood as a set of relationship resources. This study describes the utility of relationship resources in the context of small firms' expert services accessing, from the clients' perspective. Although more practitioner-oriented literature has viewed providers' relationships as a marketing resource, academic research has mainly focused so far on relationships as structures or as objects of management.

Further, an analysis on the structure of accessing is made, relating the fundamental asymmetry of knowledge that defines expertise to clients' position and describing the necessary conditions that shape the accessing context. The structure is derived from an empirical examination of cases of accessing of external expert services by small manufacturing firms, and displays the conceptual elements involved.

9.3 Managerial implications

One of the objectives of any study in marketing is to offer useful insights for the benefit of the practitioners. Ideally, such insights should be based on evidence about causal relations. However, few studies in social sciences are able to firmly establish causal connections between managerial actions and their outcomes, and in the present study the aims have been more modest. The research design limits the focus on the entry into co-production of expert services, and to the client perspective. Hence the managerial implications derive from theoretical insights on the accessing and provider selection rather than on the analysis of consequences of specific actions. Theoretical insights can, however, be extremely practical in giving practitioners the opportunity to bench-mark their own decision-making habits on one hand, and in suggesting new ones on the other. The following Subsections will cover implications from purchasers' perspective (9.3.1) and marketers' perspective (9.3.2) respectively.

9.3.1 Implications for SMEs accessing external expertise

SMEs' preference for short selection, i.e. for assessing only one potential service provider, is natural enough in light of the usually dire operational pressures experienced by SME managers. While getting away with minimal effort in order to fulfil an immediate need may be tempting, the preference for fast solutions may also lead astray. *Small firms should, whenever the service in question is likely to be repeated, take time in the initial steps to ensure that they are selecting a provider that truly suits them.* This is because once a provider has been selected it is unlikely that the firm will switch providers unless the provider is clearly dissatisfactory. If the first provider is selected or, as often is the case, accepted, casually instead of reviewing alternatives, an avoidable

gap can creep in to deduct from the benefits of using external expertise. The first provider assessed might be good enough – but a considerably better one might have been available as well. Once a provider's services have been used, the relatively greater effort required for finding a new provider, as well as briefing that provider, can lead to a client firm routinely accessing services of providers they are not really satisfied with. Hence, taking the path of least resistance can, over time, be considerably more costly than making the effort in initial selection. Not all SMEs recognise that in using a certain provider once or twice they are de facto committing themselves. It would be counter-productive to invest a great deal of effort in all cases of accessing, however. Thus, *particular attention is recommended for selections where a new but potential recurring service is accessed for the first time* and for selections where the previous provider of a recurring service has been discarded as dissatisfactory.

A different potential problem arises in services where the provider cannot reasonably assume that the same client firm will need the provider's services again, i.e. when the provider does not have the expectation of becoming a regular source of external expertise. For example in certain management consulting services or training services this is a likely scenario. Hence, in such a situation the provider cannot expect to directly benefit from the client's familiarity with him, and the main expectation has to focus on the indirect potential benefits of familiarity, i.e. the client as a source of references to other potential clients. *Particularly if the service in question is costly or otherwise a significant one, the client firm should consider how the provider's perceptions of the client's importance as a source of further references can be influenced.* A local service provider is more likely to be concerned about consequences for his reputation should he fail to deliver satisfactory services. If a national or international provider is used, the client should take advantage of any opportunity to let the provider know of his connections on a national or international level or in the business sector, i.e. emphasise his relationship resources. A national or international service provider, particularly if it perceives the specific assignment as a small-scale task in a small firm, may be motivated into more conscientious effort if the perception of the potential for damage to its reputation can be enhanced.

Finally, the prevalence of short selection, continuing relationships and the overall key role of familiarity suggest that SMEs are striking a good compromise between the larger firms' step-by-step procedures and choosing blind. It is important that small firms understand that their practice of using ad hoc-selection is wide-spread, and not as lacking in rationality as it might seem in comparison with the text-book procedures. *The important role of direct references and previous familiarity further suggests that small firms should make every effort to ensure that their managers are well 'plucked-in' to their business communities as widely as possible.* The advice and references of other small firms on where to find services are helpful in the accessing situation. In addition, hearing of others' experiences may serve to activate passive needs at the right time, or expose the firm to opportunities it might otherwise be unaware of. Other and perhaps more noteworthy reasons to connect with the surrounding business community exist as well; yet the potential for input on accessing and selection decisions is surely an added benefit.

9.3.2 Implications for marketing expertise to small firms

Small firms rely more on the activity of providers for need recognition than large firms. Hence, actively offering opportunities is a potentially successful strategy. However, since the offer has to fit a simmering need in order to succeed, and preferably present low risk from the client's viewpoint, a provider must carefully consider when to make his offers. Indiscriminate and impersonal offers have little chance of succeeding.

The study strongly implies that relationship resources are extremely important in marketing expertise to small firms. Previous familiarity with the client or, alternatively a direct reference, are preferable to relying on the client's direct assessment alone. Hence, it is important to become known to the target market, whether a geographical or a sector niche. Even if the service in question is not conducive to routine accessing, previous use can establish a strong position in entwined choice and short selection. Furthermore, in many services (e.g. design, recruiting) repeat purchases are quite likely even with small firms although the purchase intervals may be greater.

It is also important to recognise informal accessing and understand its implications. The practice exists, and in some fields, e.g. small scale IT-system maintenance, KIBS are actually competing with free labour. When expertise is made available in exchange for 'social capital', a service provider loses the opportunity to extract the normal market reward, i.e. payment. This means it is important for a provider firm to establish and clarify the advantages that their service provision has in comparison with informal expertise. Such advantages must then be communicated to the clients. In summary, the offering must be better, and it must be perceived to be better.

Although price is hardly ever brought up by the client managers, their behaviour suggests they are in fact sensitive to cost. Cost does not consist solely of the price of services. It is the combination of the client's own effort, provider's price, and the benefits and likelihood of the expected outcome that matter in combination. In entwined choice and short selection it is the costs and outcomes that are weighed against each other, rather than alternative providers' prices. Furthermore, small differences in price are not likely to influence the situation in the evaluation of alternatives either. The present study thus confirms that expert services are value-sensitive. In the context of small firms the importance of being seen to give the value is emphasised, however. This is particularly important when there is a large asymmetry of knowledge between the client firm managing director and the service provider. For example, a managing director with a background in engineering may not appreciate the effort involved in designing the visual appearance of website. Hence, pains should be taken to ensure that the client understands what is actually done. In the present study the client firms examined were manufacturing firms; hence it was mainly the creative services that managers perceived as suspicious in this respect. In other sectors other knowledge asymmetries may apply.

9.4 Limitations and suggestions for further research

An important limitation of the study derives from its nature as an exploration into an area of little previous research. The theoretical findings are abstractions from a limited

set of qualitative data, i.e. the access patterns described are ideal types (cf. Laing & Lian 2005). Hence, although the patterns are rooted in the empirical data by systematic analysis, they are not offered as deterministic models. Nor is it possible to confidently pronounce on the relative frequency of the patterns outside the examined data.

It is also possible to view the lack of explicit alignment with the major theoretical platforms in business studies as a limitation. Although the results of the study have a certain resonance with particularly the resource-based view, both the empirical and literature choices in the study have been more concerned with empirical than theoretical phenomena. Future theoretical studies to integrate the present results with the resource-based view more precisely may be useful.

Several limitations are inherent in the empirical setting of the study as well. The data are collected from small manufacturing firms in Finland. Thus there is little intrinsic reason to expect the findings to apply to larger firms, or to service industry firms, or to firms in other cultural and business infrastructure settings. Nor is there any particular reason to claim application in accessing something other than expert services. However, if the accessing patterns are related to firm size primarily, they should be applicable to small service industry firms' accessing of expert services. Some earlier research has implied that small and larger firms may have a closer resemblance in expert services purchasing than in purchasing in general. Hence, the results of the study may also prove an interesting lens to the examination of large firms' practices. There is no obvious reason why the accessing structure described here would not apply with considerable latitude in filling the 'positions.' Further studies should also be undertaken to see whether the positional strengths inherent in other service accessing situations can re-create the structure.

The case data also clearly favour R&D and other development activities. This bias was intentional in the data collection and, I believe, justifiable due to the overall economic importance of these growth-linked uses of external expertise. Yet the in-built bias in favour of development activities may have skewed the analysis in some way that has not been uncovered. Furthermore, since this research design used a concept of external

expertise drawn on the pragmatic operational definitions of the client firms, the study is limited in that it cannot give structured information on whether specific patterns of accessing or selection modes are particularly favoured in accessing specific services. External expert services, whether conceptualized as professional services or knowledge-intensive business services, are diverse in both the service content and client-provider interactions. It would be useful and interesting to consider a more limited range of services in future research, and also to test the propositions put forward here in an international comparison. Similarly, an analysis of accessing in a more representative population without specific emphasis on development activities would be useful.

Also, the nature of the data means that the case set contains a disproportionate number of cases involving public funding (17 out of 39 detailed cases). It is impossible to be sure whether, and how, that has influenced the analysis. It could be suggested that e.g. the price of services would have been more heavily emphasised in a purely random or private services -focused set of cases. Yet cross-checks within the data set do not support the contention, at least as far as the issue of price is concerned. This may be because the services involving public funding examined here were often also efforts on a larger scale than wholly private endeavours, and thus relatively costly for the clients. However, while no internal evidence suggests that the fairly large number of public funding cases had an impact, this remains a possibility. Since the research findings do not purport to establish e.g. relative frequencies of patterns or selection modes with any precision, further research on a larger, randomly selected set of cases would be useful in any case, and would also help ensure that the emphasis on cases with public funding has not unduly influenced the description of client firm behaviour.

The study has raised some interesting possibilities for research also in new directions. One possibility that surely deserves consideration is that the characteristics of the client, i.e. of the firm culture, organisation, line of business, and particularly, of the client firm managers or owner-managers in general, have a demonstrable effect on their preferences in accessing. Are some firms or managers more prone to some specific pattern of accessing or selection mode? The possibility is intuitively attractive but it requires further study.

Another interesting potential course for further research, albeit one riddled with methodological hurdles, is to examine failed entries to co-production. The cases examined here are, after all, successful in the sense that the study has focused solely on the services that took place. Hence, in each case a service was accessed. It would be intriguing to examine under what conditions, and how, the use of external expertise fails to take place. Further, such a study might also address the issue of need recognition in small firms, an area that would benefit from both empirical and theoretical development. Finally, future research efforts should be directed at establishing whether a link exists between client satisfaction with expert services and accessing behaviour. SMEs experienced in using expert services are more likely to see a need for further use as well (Hurmerinta-Peltomäki & Nummela 2004: 238), suggesting that clients learn to appreciate services through using them. So far we do not know whether clients' accessing behaviour changes in response to their use experiences.

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APPENDICES

Appendix 1. Interview guide.

Thanks, confidentiality, use of data and reporting, permission to tape, questions

Background information

Brief introduction of firm

- history
- activities/products
- turnover
- target size
- personnel
- places of business
- Does firm do subcontracting? How much?
- Does firm subcontract out? How much?

Brief introduction of interviewee (*check title*)

- responsibilities
- How long in present position?
- educational background
- How long in this firm?
- history

Firm innovations

What kinds of changes or development processes have there been, or are currently, underway in your firm?

- For example, have you developed or are you developing new products?
- Changed or changing your routines or processes in some way?
(new products, markets, technologies, organisation, routines)

Use of external expert services

This discussion is about the use of external experts in your firm. To start with, could you tell me your views on external expert services? What are they and how can your firm benefit from them?

- *availability of services*
- *added value for firm, benefits*

Can you estimate on how many occasions in the past two years (*24 m*) you have used external expert services? (*one process counts as one use even if it incorporates different activities*)

What sort of services were these?

Are there other expertise-based services that your firm has considered using, or could consider using?

As services that have been used you mentioned (*list*). How would you estimate the importance of these external services for your firm's activities?

- *Are enough services available?*
- *Do you think they meet your firm's needs?*

Has one (or some) of these services been particularly central for your firm's activities or development? (*choice of case example: services involving public actors, tailored services, services relating to development of the firm or the firm's products*)

Public and hybrid actors

I will now list some public and partially public actors connected with the provision of expert services. Would you tell me, regarding each, whether it is familiar to you, and whether it has been in some way involved in services that your firm has acquired?

- Tekes
- VTT or other research institutes
- (local) TE-Centre
- Universities, polytechnics, other training institutions
- Local business development actors
- Sectoral associations
- Labour administration

Can you think of some other public or partially public actor that would have been in some way involved with the services used in your firm?

Sample case

You mentioned earlier (*the sample case.*) Could we now discuss that in more detail?

Accessing the service

Using an external service can be thought of as a three-phase process. (*Draw figure with entry, service use, outcomes*). I'd like to first go over the phase that precedes actual cooperation. Could you describe the process of accessing the service in (*this*) case?

- *Why/how external service?*
- *Selection of provider – what influenced choice?*
- *Defining the content?*
- *Who participated?*

Was the process of accessing the service (*in this case*) somehow different from the usual, if you think of using external services in general?

- *Does the firm have defined routines or procedures for acquiring external services?*

Did any public actor have any effect on your decision to access external expertise (*in this case*)?

Did any public actor have any other impacts on accessing the service?

Service process.

If we then consider the actual service process (*in this case*), could you tell me in your own words what the objective was from your firm's perspective?

Can you estimate how long this process took / will take altogether, from beginning to end?

Which persons in your firm worked with the service provider?

- (*Which of them have been mainly responsible for the collaboration?*)

How much time would you estimate they spent /will spend altogether in interaction with the service provider?

If we now think of the service process as a whole, could you tell me what kinds of challenges this process involved from your firm's perspective?

You mentioned (*list*). Are these the kinds of challenges you typically face when using external services?

If there was public actor involvement: (List) were involved in this process. Did their involvement influence the actual service process in some way?

Can you estimate whether and how the process would have been different had (actor) not been involved in the process?

Outcomes.

Can you describe the advantages or benefits your firm gained as a result of this process?

- *Was new knowledge created or something learned?*
- *How was new knowledge/learning spread within the firm?*

Are the benefits concretely visible in your business activities?

- *If not, how long do you think it will be before they are?*

What were, in your opinion, the critical factors for success in *the example case*?

- *What made the difference between process failing or succeeding?*

You mentioned (*list*). Are these critical factors in your opinion typical when using external service providers?

Could you name some (*other*) example or situation in which external services have brought concrete benefits for your firm?

What were the benefits?

Were public or semi-public actors involved in that process?

IF others mentioned earlier: You mentioned earlier that you've used (*these kinds of*) services in this firm. If we now think about all these services as a whole, how satisfied have you been with the expert services that you've acquired from external sources?

You told me earlier that (*list public actors*) are familiar to you in practice. Have the activities of these actors, based on your experience, had an effect on the use of services in this firm?

- What kind of an effect?

The future

What kind of expert and business services do you think will be needed more in the future?

How do you expect the use of services in your firm to develop in the next few years?

- Do you expect to use external services more or less in the future? Why?
- Do you plan to develop your own routines or your know-how regarding the accessing of external services?

What sort of public expert service provision do you think should be invested in?

- *Invest how – quality, quantity, availability?*

What kinds of services do you find less important or useless?

Open question.

I've now gone over the topics I had prepared for this discussion. During our conversation, have some further thoughts occurred to you on this topic that you would like to bring up?

- Is there something else you'd like to add?

Thanks.

Appendix 2. Additional tables and figures on case data.**Table 21.** Breakdown of funding recipient funding sources.

	Uusimaa	Southern Ostrobothnia	Total
Tekes funding	3	1	4
TE-Centre funding	5	5	10
Both	3	9	12
total	11	15	26

Table 22. Distribution of case data in client firm interviews.¹⁹

firm ID	No. of DC	No. of LC
EN 1	1	1
EN2	1	3
EN3	1	1
EN4	1	0
EN5	1	0
EN6	1	0
EN7	1	2
EN8	1	3
EN9	1	0
EN10	1	0
EN11	1	1
EN12	1	2
ER1	1	1
ER2	1	1
ER3	1	1
ER4	1	1
ER5	0	1
ER6	1	0
ER7	1	0

firm ID	No. of DC	No. of LC
ER8	1	1
ER9	0	0
ER10	0	0
ER11	0	0
ER12	1	0
ER13	0	2
ER14	0	1
ER15	0	1
UN1	1	2
UN2	1	6
UN3	1	0
UN4	1	0
UN5	1	1
UN6	1	0
UN7	1	0
UN8	1	0
UN9	0	1
UN10	1	0
UN11	0	1

firm ID	No. of DC	No. of LC
UN12	1	0
UN13	1	1
UR1	0	4
UR2	1	1
UR3	0	1
UR4	0	0
UR5	1	0
UR6	1	0
UR7	1	1
UR8	1	1
UR9	1	0
UR10	1	1
UR11	1	1
n =	39	45

¹⁹ E: Southern Ostrobothnia; U: Uusimaa; R: funding recipient; N: non-recipient.

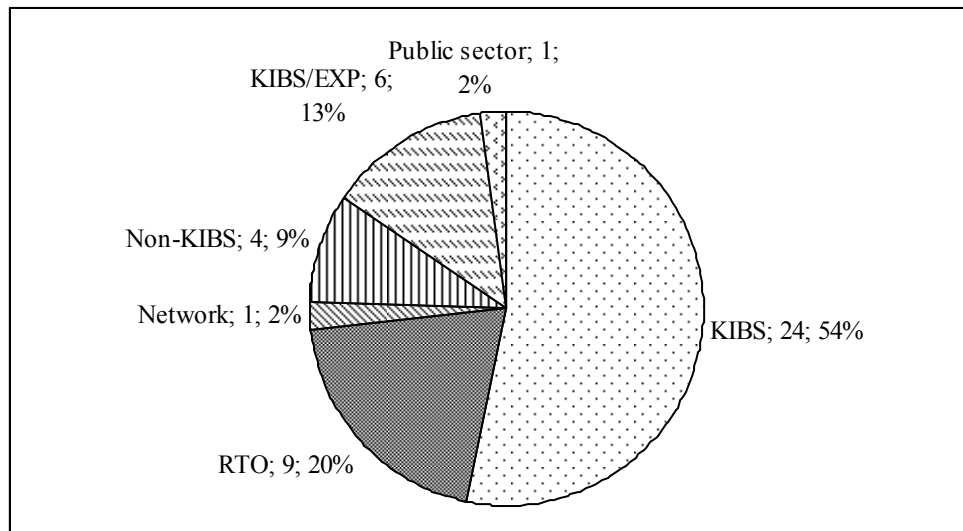


Figure 25. Limited cases by service provider type²⁰

²⁰ In the limited cases, where the data were more haphazard, determining with confidence the nature of the provider was somewhat more difficult. Here, non-KIBS refers to a private firm that is not a knowledge-intensive service provider (see discussion in section 2.2.1) and KIBS/EXP refers to a case where it is not clear whether the expert in question was an individual or worked through a KIBS.

Appendix 3. Summaries of cases.

DC ID	Brief case summary
DC 1	The firm's customer had a problem they wished to solve by a change in the product delivered by the firm. The firm tried to develop a solution inhouse but found the problem beyond their abilities. They began to look for external expertise, and asked a few research institutions about the issue. A unit of a large RTO appeared to have the best resources for the problem. With their assistance, Tekes funding was applied for, and the services of the unit were engaged for the R&D project.
DC 2	The firm had previously worked with a researcher employed by an RTO. The researcher got in touch, asking whether there was anything on. In discussions the firm and the researcher hit upon an idea for R&D. The firm considered its resources and found it could accommodate "one future-oriented project" at the time. An R&D project was put together, with multiple partners including potential customers. The project was presented to Tekes and funding successfully applied for.
DC 3	The firm is in project business, and has used the services of the same advertising agency for some years. They had thought about having a multimedia presentation made. Then the agency, which had extra capacity at the moment, got in touch and suggested making the presentation now. Renewing the website at the same time seemed to offer some synergies, so both jobs were agreed upon. The price and content of the task were agreed upon in advance.
DC 4	The firm faced a slump in sales, and sought a training project from employment administration in order to have some of the labour costs covered for a time. This would enable them to avoid layoffs, retaining their skilled staff. Policy required that an external provider is used for the in-house training, and the provider must be selected according to public sector tendering rules. Based on earlier acquaintance, sectoral experience and good reputation, the firm asked a training provider to assist in constructing their terms of reference. The same provider later won the contract.
DC 5	The firm has a long relationship with a university department where the managing director also studied earlier. There are not many alternative sources of expertise in the highly specialized area, and students from the department have repeatedly done theses in the firm. A recent thesis project was initiated when the firm noted a specific problem in their operations, and based on a professor's recommendation the firm took on a student to investigate the problem.

DC 6	The firm is involved in a project business, and an important customer of theirs had a problem. The firm undertook an R&D project to develop a solution, and participated in a Tekes programme in the problem area. Through the programme they came in touch with a researcher working on a thesis on the subject, and continued to work with the researcher in a future R&D process. There are not many potential domestic experts in the highly specialized field.
DC 7	A locally based designer found himself at loose ends as a contract was cancelled, and emailed the firm, offering his services. The firm had been considering redesigning one of their basic products. In discussions the designer mentioned that the job could be done in context of DesignStart, a TE-Centre branded expert service, for which he is an accredited expert. The application was made and approved.
DC 8	The firm had recently begun a new line of products, which had changed some of the skill requirements. The management became aware of continuous problems in some of its operations. When the managing director heard of an experienced individual in another firm who was leaving the sector altogether, he contacted the individual and asked whether he could come and train the staff.
DC 9	The firm is working on changing its operations management system, a process involving also extensive IT investment. A consultant was engaged to chart the system requirements and handle the tendering for the integrated system. The consultant was previously known to the provider, and could supply the service within a Tekes instrument for SME IT development.
DC 10	The firm wished to improve its IT-system, both regarding capacity and security. The provider was found through word-of-mouth. Two potential providers were considered. The firm assessed the providers directly, by talking with them, and chose the one whose experience best matched their needs. The service was combined with some hardware purchases.
DC 11	An RTO organised an open-doors event, and invited firms in a specific sector to get acquainted with their lab. In a discussion about their capabilities the idea is put forward that they could analyse material which the firm could then try to apply to their own production. The initial analysis is paid by the firm, but the possibility of financing for further R&D is mentioned by the RTO.

DC 12	Unanticipated order cancellations brought financial difficulties to a crisis point. Financial planning had been underdeveloped, and the bank was dissatisfied. The managing director was already participating in a financial planning project financed by the TE-Centre. He now requested additional consulting days from the project's consultants, and funding for it from the TE-Centre. The consultants were engaged to assist in cash flow budgeting and helped both in setting up systems for future budgeting, and in negotiations with the bank.
DC 13	The firm had become aware of changes in their customers' bid assessment processes; not having a quality system (QS) was a disadvantage. The firm asked around and learned from the business network that the use of external expertise was recommended. They also became aware of the fact that the TE-Centre offered assistance in QS development. They contacted a KIBS organising a QS project for manufacturing firms in the area, were satisfied with the potential provider's abilities, considered the cost and their internal resources, and joined the QS development group.
DC 14	The firm was planning an extension, and wished to have a functioning QS in place before moving to new premises. The firm knew of a consultant with a good reputation for QS development. A call to the TE-Centre confirmed this. The TE-Centre also provided some funding for the process.
DC 15	Extreme conditions caused a customer some problems with the firm's product. The managing director discussed the problem with an experienced person long active in the sector. He became interested and offered to run an R&D project, and suggested a source of partial funding. The application was made and an R&D project involving several parties was set up once the funding was granted. The initial conversation partner was hired to act as the project manager.
DC 16	A customer notified the firm that in the future they will require technical planning from the firm, as well as the product itself. One of the firm's owners is also a partner in an engineering firm. The engineering firm had sufficient free capacity and had previously worked with the firm. The service was bought from them, and a permanent arrangement was planned.
DC 17	The firm had regular designers for product design, but it was found that different skills were needed for packaging design. Having tried inhouse development, the firm tried the TE-Centre DesignStart service next, but was not happy with the accredited providers available. The search for the right provider was lengthy, and the managing director asked acquaintances in a university of art and design for recommendations. Finally, after discussing the project with several potential providers, the firm settled on one, and engaged them on the basis of their offer.

DC 18	The firm wished to have its exhibition line and some of its products redesigned by a designer with whom they'd had earlier co-operation. A particular area of expertise beyond the firm's own capabilities was sought in the project.
DC 19	The firm wanted to start manufacturing a new kind of product, and used an external provider to both design the product specifications and the tools. The original provider was selected because of its apparent expertise, and its connection with a mediator organisation that had advised in the early stages of the innovation and assisted in applying for R&D support. Later the firm, dissatisfied with the provider, sought another.
DC 20	The firm had experienced cash flow and profitability problems, and then the manager who had mostly dealt with financial issues left the firm. A consultant was found by word-of-mouth and brought in to assist in clearing the immediate problems, and in developing financial planning and profitability. The consultant's previous experience in smaller firms was important in selection.
DC 21	A generational change was planned. Aware of potential differences in outcomes, the manager brought up the need for expertise with an acquaintance employed in the TE-Centre, which led to using the ViestinVaihto branded expert service, with consultants accredited for the service. Afterwards, to ensure that the recommendations were correct, the manager brought in a lawyer he knew to make an independent recommendation.
DC 22	A sales agent previously unknown to the firm made contact, interested in selling the product in a new market. He suggested getting together a group of firms with products for the same potential buyers. The agent contacted a regional export promotion organisation, and a project was set up for five firms, carried out by the export organisation
DC 23	A new product was developed with a designer. The development was initiated by a customer who was familiar with the designer. The firm had no direct expenses, for the designer was to receive a percentage of the sales.
DC 24	A client firm employee participated in export sales training, and an RTO consultant was one of the lecturers. The consultant was accredited for the TE-Centre branded expert service Globaali. It is not recalled exactly how, but the firm ended up buying the subsidised service, motivated partly by curiosity on how an external expert would see their firm, and partly by their growing interest in export markets. Further information services relating to specific countries were also purchased.

DC 25	A generational change had been considered for some time in the firm, and seminars on the topic had been attended, raising the management's awareness of potential hazards. In one such event the manager heard of the TE-Centre branded expert service ViestinVaihto, and signed up for it, receiving a recommendation for a consultant. The consultant was engaged and the service bought at a subsidised price.
DC 26	A cluster of businesses operate in close proximity, forming a value chain. The client firm had discussions with a consultant and a customer, and decided to apply for R&D financing to develop a new venture. The new venture would involve familiar processing techniques applied to a different material, and would complement the business cluster. A consultant assisted in developing the business plan and making the application to Tekes.
DC 27	The managing director had ideas about re-structuring the business, but wished to have an external expert's view. A provider with controller skills and experience was sought, and found on the basis of word-of-mouth.
DC 28	A scientist had developed a new method for handling material which should result in a better product in a specific field. He got in touch with the client firm's customer initially, but since the new method concerned the firm's processes rather than the customer's, the customer dropped out of the development process and left it to the client firm. The method had originally been developed with research financing, and an agreement was worked out for R&D on applying the method. The firm would pay based on the output of the new product, thus eliminating the need to finance the R&D beyond their own labour and material costs.
DC 29	IT services were critical, but not constantly needed, for the client firm. Recently a new information system was put together, the changes involving both software and data transfer systems. The provider was selected among several candidates based on offers. The good fit of the original software, implying little need for tailoring, and the proximity of the provider, were important in selection.
DC 30	A design studio got in touch with the firm, offering to develop their product marketing concept within the framework of the TE-Centre branded expert service DesignStart. The managing director had thought for a while about refurbishing the firm's stand in their annual exhibition, and proposed that the designers do that instead. The design studio agreed and the consultation was agreed upon with the TE-Centre.
DC 31	The firm developed, in cooperation with a customer, an improved product. An RTO was used for final lab tests on the product, although the earlier phases of development had been done internally, and in cooperation with another organisation.

DC 32	The firm was interested in increasing its export sales, and had applied for export promotion support. A consulting firm contacted them and proposed participation in an employment related export sales training project financed partly by the TE-Centre. The firm associated the training project with subsidies, and it seemed to involve cost savings; thus the firm agreed to participate.
DC 33	Terminated employees had filed a suit against the firm, assisted by their union. The firm engaged a law firm to handle the case as required by their insurance policy. The law firm was chosen for apparent prestige and expertise, based mainly on the client's assessment of the law firm.
DC 34	The firm has used the same accountancy for about 18 years, and switched to it when the accountant started the business. The previous accountant was located further away. The current provider was also believed to have greater expertise due to his work experience and qualifications.
DC 35	The chairman of the board is knowledgeable in IT. He supplies the firm with IT-support when there are problems, and is seen as on-call. He also did the firm's website for free.
DC 36	The firm has used the same accountant for ten years, and switched to it when the previous accountancy moved, and the client perceived in an alteration in their style of doing business. An external accountant is used because the firm lacks both skills and time for doing the tasks internally.
DC 37	New building owners tried to terminate the firm's rental agreement. The firm lacked skills to handle legal action. A relative of the management, a lawyer, was asked to handle the case.
DC 38	The firm needed to renew its old signboards, and called up the advertising agency they have 'always' worked with.
DC 39	The managing director was approached by his acquaintances, who asked whether he had a job for two students working through their consulting firm. The firm is seeking growth, and increasing marketing efforts have been considered. The cost did not seem high, and the students were engaged to renew the website and to carry out a market research project, the very first in the history of the firm.
LC 1	One training day + two consulting days on the firm's bonus system. Subsidised by the TE-Centre, private trainer/consultant experienced in small firms' bonus systems.

LC 2	Risk analysis was required, and the client firm was unable to manage it internally. The CEO was familiar with a professional who was able to do the analysis. And external expert was expensive but necessary.
LC 3	A polytechnic student known to the son of the CEO asked to do his traineeship in the firm, and is engaged to carry out background research and to build prototype(s) on the CEO's new product line idea.
LC 4	Modifications on machinery were done by external experts, particularly one case where the Ministry development funds were used to bring in an external to work on developing functions and to experiment until the changed process works. The external expert was in business for himself.
LC 5	The firm participated in a development project with an RTO, a systematic re-appraisal of activities. The project was 'sold' to the firm by the RTO provider.
LC 6	They have used two KIBS-firms to run IT routines, one that originally put together the firm's network, the other purely in user troubleshooting.
LC 7	They used services of a university for a two-day training event for the staff. The topic was financial analysis.
LC 8	An advertising agency has done the brochures and the set up for the website. The managing director updates the site himself. As products change, materials change also, and the relationship with the advertising agency is continuous.
LC 9	A local polytechnic carries out testing processes for the firm when tests are motivated by their own interest. Results are used in marketing to show product quality.
LC 10	A freelance software expert assists in further development of the main product, the same expert had originally helped to develop the product before the firm bought it. It would not make sense to maintain the skills.
LC 11	The firm regularly uses assistance from a person who was previously self-employed as a specialist but now works in another industry. The firm was previously a client for the specialist, and the relationship continues, although now informally.
LC 12	Specialist maintenance on production machinery is a critical expert service, a regular provider is used.
LC 13	Theory training organised for employees-to-be by the TE-Centre, which was active in recruiting the firm for the programme, which the firm has considered successful.

LC 14	Legal services have been needed twice, and the same lawyer was used in both cases. He had been found through an employer's association.
LC 15	The firm has a good working relationship with an advertising/media agency. Website, ads, etc. are all done with them. The latest brochure increased sales clearly.
LC 16	A consulting firm contacted the client firm and recruited them into an export project which the client firm has not found very useful, partly because of delays in their own product development.
LC 17	Advertising agency services are used maybe twice a year, from a single agency. The agency's manager is a childhood acquaintance of the client firm manager.
LC 18	IT services are critical, and when the expert best familiar with the client firm's setup left the original provider firm, the client firm transferred its custom to the new KIBS, i.e. followed the expert.
LC 19	Skills training is organised for employees and subcontractors; the managing director negotiated the training with an expert he knew of, price was agreed in advance.
LC 20	Specialist knowledge was needed in making a bid involving unusual knowledge. The needed expert was found within the manager's network of previous colleagues.
LC 21	Electrical engineering specifications are bought from an external provider a few times a year. The same provider has been used as long as the client firm has been in business.
LC 22	The client firm is having a website set up, after thinking over the idea for a long time. An external provider is used. The provider was chosen because their own website struck the managing director as well executed and planned.
LC 23	Recruiting services were used for finding a key person. The service was bought from the employment administration, and was reasonably priced compared to private personnel consultancy services. The manager had heard of the service and contacted the provider.
LC 24	The same accounting and auditing service providers have been used continuously. External expertise is needed because layman's knowledge is not enough when the rules keep changing.

LC 25	Model drawing services for specifications are regularly bought from the same firm, although that may change when the client firm completes its QS implementation.
LC 26	An external consultant through a TE-Centre branded service gave an objective outsider's view of the client firm's financial development.
LC 27	Personnel training was used in conjunction with an IT system change. The training was suggested by a TE-Centre representative who visited the firm.
LC 28	Packaging design services are bought from an agency, but the service seems very costly considering the unit price of the product. The client is not totally satisfied with the regular provider but not dissatisfied enough to look for a change.
LC 29	A consultant carried out a freight tendering process, cutting the freight costs for the firm by 14%. The consultant was referred to the firm by a relative of the managing director – the relative had been cold-called by the consultant.
LC 30	The adjustments and maintenance of the production machinery is very important because the operating system and electrics are specialised. For this sort of services a network of contractors to call upon is necessary.
LC 31	An RTO contacted the firm, informing them of a training programme on generational change issues that was commencing in their area. The firm participated and later also bought some extra consulting from experts involved in the programme.
LC 32	Technical testing is carried out by a polytechnic for the firm, and some further cooperation is also planned. The polytechnic approached the firm and informed the managing director about their capabilities, which he then checked out by a personal visit.
LC 33	In some aspects of technical consulting the firm looks for a partner from which they can also learn, but in most cases they like to retain a client-subcontractor relationship in order to protect their own core knowledge.
LC 34	Working climate assessment was carried out by an external consultant, who was previously known to the firm through the consultant's earlier employment in a customer organisation. The consultant offered the service.
LC 35	Various external technical services are used whenever necessary, and providers range from RTOs to private engineering firms. Two or three regular engineering firms provide the bulk of the needed services.

LC 36	A marketing research assignment was handled by a provider who initiated the accessing by contacting the client firm – the managing director had run across the consultant when visiting the market area in question, and the consultant was thus aware of the firm's interest in the area.
LC 37	Technical services relating to product development are used, the provider was found among those used before and those that have contacted the firm. The firm regularly asks for several offers.
LC 38	Strategic consulting is used regularly by the firm. The managing director is active in contacting consultants and makes a note of the approaches made by consultants. In selecting a consultant a face-to-face session on the needs of the firm is crucial.
LC 39	Technical consulting is bought from engineering service providers specialised in specific fields. The accessing is repeated but not continuous. The firm maintains a closer relationship with one engineering firm in which the client firm is a part owner.
LC 40	A costing system was developed with assistance from a consultant within a TE-Centre branded expert service. The consultant was found through a recommendations list given by the TE-Centre.
LC 41	A quality system was slowly developed over the years. The process was initiated with a customer's quality process through which the client firm also received consulting assistance.
LC 42	A consulting firm was asked to look for an importer for the firm's products in a new market area. The KIBS made an offer on request, and the offer was accepted.
LC 43	The financial manager in the firm was trained in a specific method of cost accounting. The provider, a private consultant, was sought out by the client firm amongst the few alternatives that were available. The choice was based on the consultant experience, and the fit of the course to the firm's needs.
LC 44	An important customer requested participation in a network development project, which the client firm agreed to. The consultant was already in place.
LC 45	A pool of regular designers is used, because services are continuously needed. No formal tendering is used when services are needed. The providers' specialities and available capacity are considered in making a choice for a specific task. Expert service accessing in this case is similar to subcontracting.

Appendix 4. List of interviews.**Pilot interviews:**

Nordautomation Oy	Jaslec Oy
Vesme Systems Oy	Jalasjärven Kuljetus ja Kaivuu Oy
Scandic Trans Oy	Suomen Lämpöpumpputekniikka Oy (2 int.)

Client firm interviews:

Alumiinikilpi oy Tuukkanen	MM-Laser Oy
Avarte Oy	Nanten Oy
Cormet Oy	Nixi-Kaluste Oy
EP Snetec Oy	Oy Finn-Gamec Ab
Ergorej Oy	Oy Meluton Ab
Erikkilä Nostotekniikka Oy	P.Rotola-Pukkila Oy
Evimet-Group Oy	Pelafilter Oy
FB-Systems Oy	Pentisol Ky
Forsfood Oy	Plantool Oy
Hellmanin Konepaja Oy	Plastex Oy
Hellsten Flooring Ltd. Oy	PRP-Plastic Oy
Jarmo Yliaho Oy	R.Vilppula & Co.
Jokamuovi Oy	Releco Oy
KPA-Teollisuusputkistot Oy	Rinotop Oy
Kurikan Interiööri Oy	Sarjalaite Oy
Kytkentälevy Oy	Saukrast Oy
Lakeuden Levytyö Oy	SK-Kojeistot Oy
Lappajärven Konetyöstö Oy	Sondi Oy
Lapuan Kankurit Oy	Tankki Oy
Laurin Metalli Oy	Top-Metalli Ky
Lavittatuote Oy	Tricol Oy
Leo Koskinen Oy	Veljekset Ala-Talkkari Oy
Leveltec Oy	Versaali Oy
Livite Oy	VM-Carpet Oy
Mäkivirta Oy	Ylistaron Terästakomo Oy
Melwood Oy	

Appendix 5. Tables of empirical references.**Table 23.** Empirical references for availability perceptions.

	Uusimaa (n=24)	Southern Ostrobothnia (n=27)
No issues re availability expressed	UR 2-4, 6- 9; UN 1-3, 6-9,11-13	ER 1-4, 9-10, 13-15; EN 1-2 4-6, 8-10, 12
Availability dissatisfactory in a particular field or in general	UN 5, UR 1, UR 10	ER 5, ER 7, ER 8, ER 11, EN 7, EN 3,
Other availability related issue	UN 10, UN 4, UR 5, UR 11	ER 6, ER 12, EN 11

Table 24. Case references for initial action.

	N:o of DC (n=31)	Case IDs DC
Service provider	8 (25.8 %)	2, 3, 7, 11, 15, 28, 30, 32
Third party	3 (9.7 %)	22, 23, 39
Client firm	20 (64.5%)	1, 4, 5, 8, 9,10, 12, 13, 14, 17, 18, 20, 21, 25, 27, 29, 31, 33, 37, 38

Table 25. Case references for rationales of service use.

	Case IDs DC	Case IDs LC
Internal expertise or resources insufficient	1, 2, 3, 5, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 25, 27, 29, 31, 33, 34, 36, 37, 38	2, 4, 10, 11, 12, 15, 18, 19, 20, 21, 23, 29, 30, 32, 33, 35, 37, 42, 43, 45
External perspective valued	7, 8, 18, 20, 24, 27	5, 24, 26, 31, 34, 38
External credibility valued	4, 8, 12, 31, 33	1, 9, 32
none expressed	6, 22, 23, 26, 28, 30, 32, 35, 39	n/a

Table 26. Limited case default rationales.

Case ID	Service type	default rationale
LC 6	IT services	continue previous relationship
LC 8	Marketing	continue previous relationship
LC 10	R&D	continue previous relationship
LC 11	Technical services	continue previous relationship
LC 12	Technical services	continue previous relationship
LC 15	Marketing	continue previous relationship
LC 17	Marketing	continue previous relationship
LC 18	IT services	continue previous relationship (expert, not firm)
LC 21	Technical services	continue previous relationship
LC 24	A & A	continue previous relationship
LC 25	Technical services	continue previous relationship
LC 28	Marketing	continue previous relationship
LC 30	Technical services	continue previous relationship
LC 39	R&D	select from small pool of previous relationships
LC 45	Technical services	select from small pool of previous relationships

Table 27. Types of entwined use/selection decisions in limited cases.

Case ID	service type	entwined decision	first move
LC 1	MC	<i>insufficient data</i>	Unclear
LC 3	R&D	negotiated service	Provider
LC 5	MC	acceptable proposal	Provider
LC 7	Training	<i>insufficient data</i>	Provider
LC 13	HR	insufficient data	Provider
LC 16	M&A	acceptable proposal	Provider
LC 26	MC	<i>insufficient data</i>	Unclear
LC 27	Training	negotiated service	3rd party
LC 29	MC	acceptable proposal	Provider
LC 31	MC	acceptable proposal	Provider
LC 34	MC	<i>insufficient data</i>	Provider
LC 35	technical	entwined	Unclear
LC 36	M&A	acceptable proposal	Provider
LC 41	MC	<i>insufficient data</i>	3rd party
LC 44	MC	acceptable proposal (project)	3rd party

Table 28. Breakdown of risk references in detailed cases by focus and extent.

case	service type	risk awareness	positive vs. negative	positive risk focus
DC 1	R&D	clear	positive	provider, cost, activity
DC 2	R&D	clear	positive	activity
DC 3	M&M	very little	positive	activity
DC 4	training	some	positive	activity
DC 5	R&D	some	positive	activity
DC 6	R&D	some	positive	provider, cost
DC 7	R&D	some	positive	provider, cost
DC 8	training	some	positive	provider, activity
DC 9	IT	some	negative	
DC 10	IT	clear	positive	provider
DC 11	R&D	some	positive	outcome
DC 12	MC	clear	negative	
DC 13	MC	clear	positive	provider, activity
DC 14	MC	clear	both	provider, activity
DC 15	R&D	some	positive	activity, outcome
DC 16	technical	very little	positive	activity
DC 17	M&M	clear	positive	provider
DC 18	R&D	some	positive	provider
DC 19	R&D	some	positive	provider
DC 20	MC	some	both	provider
DC 21	MC	clear	both	provider, outcome
DC 22	M&M	very little	positive	cost, outcome
DC 23	R&D	very little	positive	cost
DC 24	M&M	very little	positive	cost
DC 25	MC	clear	both	provider, cost
DC 26	MC	some	positive	outcome
DC 27	MC	some	both	provider
DC 28	R&D	some	positive	cost, outcome
DC 29	IT	some	positive	activity
DC 30	M&M	some	positive	provider, cost
DC 31	R&D	clear	both	activity, cost, outcome
DC 32	training	very little	positive	cost
DC 33	legal	clear	negative	
DC 34	A&A	none		
DC 35	IT	none		
DC 36	A&A	none		
DC 37	legal	clear	negative	
DC 38	M&M	none		
DC 39	M&M	very little	positive	cost