

ON COMMERCIALIZATION PROCESS OF INNOVATIVE TRAINING

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Abstract. *Successful new markets developed basing on innovative knowledge intensive business services (KIBS) are seldom analyzed by science, as the consultancy market is an area which is difficult for scientists to observe. A case study analyses the commercialization of innovative training and describes the development of a market segment for a specific type of consultancy service. The text describes how a client's needs led to the development of an innovative training (outdoor - unknown on the Polish consultancy market), and how the developing market (on which new suppliers from different business sectors interacted with potential clients) changed the parameters for this service, simplifying the needs it meets and lowering its cost. This case study allows us to pose the question whether the pull strategy is a dominant strategy for innovative services in the training sector and what is the role of simplifying information about service quality in the mimetic use of a business service. The utility of case studies from isolated and newly-developing KIBS markets, such as the 1989 training market in Poland, for research into innovation and radical innovation, is indicated.*

Keywords: *KIBS; innovation; consulting service; training; outdoor training; commercialization of innovation.*

Introduction

The opinion that services are not an innovative sector has recently undergone a change, although the understanding of how service companies innovate is still limited (Chang et al., 2012; Miles 2008; Silva et al., 2011). Knowledge intensive business services (KIBS) have long been considered the most innovative service sector. Among the five patterns for developing innovation in KIBS firms described by Miles (2008), intended innovation comes from a customer's demand for a service. This client then serves either as a pilot customer, or as a customer for whom the project is tailored (Miles, 2008). However the literature stresses that there is a need for more detailed research of these processes (Miles, 2008, p.125). This paper attempts to do so by showing how a new segment of the consultancy market was created after a client demanded an innovative product, and how the nature of this service has since been modified.

The text describes a case where a new type of training service – outdoor trainings – appeared on the market in Poland, and the further development of the (sub)market of business services that this product created.

Our goal is to increase the scientific understanding of the role of knowledge dissemination concerning novel services, the role of other actors in developing the new market, and the consequences of simplifying knowledge for the selector role of the customers in new services developed by KIBS. The text is organized as follows. The first part shows how training is a part of KIBS. Next, the case is presented. The third part analyses the case from the perspective of knowledge dissemination and the creation of a market segment.

A soft-skills training as a knowledge-intensive business service

Training sessions for organizations have a range of uses, and increasing participants' competence is only one of these. Training, as the activity of a business organization, is intended to increase the company's market success, so from the company's viewpoint, the specific mechanism leading to success is of little importance (Woźniak, 2009a). Training-type events employ at least two different

mechanisms to increase employee efficiency, (which in turn can lead to increase in the company's market success): /1/ technical and soft-skill training which develops competencies (knowledge, skills and attitudes, including motivation) utilised in everyday work, and /2/ experience-loaded events such as walking on hot coals or listening to motivational speeches which change self-concept or motivation.

Most successful trainings try to use both types of mechanisms. Powerful experiences are organized for participants through non-everyday meetings in luxury hotels, discussions about values, etc. At the same time participants are provided with the opportunity to act (a here-and-now experience), and to reflect on the consequences of their actions, on understanding and managing them, and on how these experiences may be transferred to their professional lives – as in the experiential model of training based on Kolb's cycle (Woźniak, 2009). This applies especially to leadership training conducted in the form of outdoor trainings, which often provides experiences with extreme or at least unusual conditions.

Leadership training are usually bought as a knowledge intensive business service (KIBS) from external providers – training companies, a specific segment of KIBS. KIBS companies use knowledge to support their clients (Landry, Amara & Doloreux, 2012); currently the KIBS sector covers not only traditional business services such as accountancy, legal, technical and management services, advertising and market research, but also ICT and bio-high-tech companies. KIBS companies comprise approximately 12% of all small businesses in the US (Jennings et al., 2009, p.340), and ca. 10% of employment in the European Union (8,6% of total value added) (Huggins, 2009, p.1468), with a growth rate of over 20% in 2000-2004 (Huggins, 2009: 1460). The majority (85%) are in the traditional business services sector; they are small or micro-sized companies, with the few exceptions of international enterprises. They are primarily clustered in big cities, where they constitute a large proportion of the total employment, due to the “greater supply of qualified labour and the physical proximity of knowledge organizations such as government research and universities facilities, business partners and supplier services” (Huggins, 2009, p.1463). Training companies are a small fragment of the KIBS sector, but their services are typical of some types of KIBS because of the high intangibility of trainings.

Trainings are treated by the management of companies which buy them as a tool to be used deliberately and rationally – they should change employee morale and competencies and in effect their performance, and finally – the market success of the company. Ideally the training preparation process should take into consideration the chain-effect of the training on the company's performance (Spitzer, 2005; Woźniak, 2009), which is similar to the chain of cause and effects from knowledge, skills and performance of individuals to company results explained by The Balanced Scorecard (Kaplan & Norton, 2002/1996) – however, everyday practice is not so consistent. Clients usually define in their own language the problem the training is to resolve, and the task of professionals providing this business service is to define the problem in professional categories, to make adequate preparations based on their knowledge of the solution, and to implement the solution in the client's environment. As in the case of every professional service, clients assess it basing not so much on how reliably the professional applies professional knowledge to deal with the client's problem, as on whether the difficulty the client *perceives* is eliminated (Glückler & Armbrüster, 2003).

The difficulty in assessing training quality as a tool for changing participants' future behaviors, and the fact that training inherently has does not have a large effect on participants' future behavior, places trainings at the extreme end of a continuum in the KIBS sector concerning the possibility of assessing by clients how effectively their problem was eliminated by the service. This continuum stretches from traditional business services in which success is measured by an external institution (a judge for legal services or the Tax Department for accounting), through those which eliminate some everyday burden (ICT services), up to services which provide only part of the data necessary to make a decision (market research) or which affect others' behavior (PR, advertising). Soft-skills trainings are among these services which it is difficult to measure, and are additionally burdened by their intangibility – once completed, not much remains of the service apart from an opinion and behavioral changes which it is difficult to pinpoint.

Case description¹

After the political changes – in Poland associated with the assumption of power in 1989 by the Solidarity movement and the parallel introduction of radical economic reforms – an entirely new market for training services emerged. The middle of the 1990s saw a market of around 50 small training firms, each employing two to ten trainers, which used active learning methods (discussions of here-and-now experiences provided mainly by simulations, games or role-playing). Courses were devoted to developing various managerial and interpersonal skills, and adjusted their content to the specific roles participants held in their organization and the problems they encountered in their professional lives.

From the perspective of the clients – companies which purchased the training courses for their employees in order to help them handle specific problem situations – the Polish market of providers was completely non-transparent. Information about providers was spread by word of mouth between HR department directors and few branch reports were published.

For the case described below it is of significance that the training market offered no outdoor trainings. These training events are conducted outdoors, and provide experiences in which there is an element of physical fatigue and personal (including physical) risk. In an experiential education methodology based on Kolb's cycle, here-and-now activities are transferred outdoors to provide experiences that cannot be provided indoors – employees work for example on developing the skills of asking for help and support, or providing assistance to others. Outdoor activities also have significant value as an integrating experience; surroundings and events which are so different from the daily situation of work in the office help create a team history that will shape culture and strengthen bonds between members (and so use the second mechanism of improving morale). In addition to skills training and integration, a third classic use of outdoor activities is to facilitate the opening of conflicts within a group – especially those in which the team leader is involved – as physical fatigue and the unusual nature of the situation weaken self-control. It is this third application which is used in team-building interventions, in which a consultant supports the team in its development by mediating a solution to conflicts and helping team members to define their team roles (Woźniak, 2005; 2009).

At the time of this case study, none of these applications of outdoor training was known to the Polish business service market. Analogous outdoor activities involving tasks that required resourcefulness and physical effort to solve were used by scouting organizations, but in a different way – experienced scout instructors would provide expert feedback rather than facilitate discussions between equals.

Similar methods of group work were used in the training of mountain guides and climbers. Courses with outdoor games included long treks or mountain climbing as a means of testing the suitability of candidates for work in a mountain environment. This type of use is closer, however, to survival training or the training of commando troops than to training courses for white-collar workers.

These two groups – scouts and mountain guides or climbers – provided the technical skills necessary for organizing and safeguarding outdoor activities. Training companies used these skills to develop here-and-now experiences and work within the standard Kolb-cycle methodology. Developing this innovative product (outdoor training) required grouping together three types of competences – training competence (facilitating group discussions for teaching purposes), technical competence (organizing and securing outdoor exercises that would provide here-and-now experiences), and the ability to plan the whole event with the designated goal in mind (knowledge about methods of planning courses, the didactic potential of specific exercises and the problems of business situations which the training is to impact). By putting them together, this innovative training product could be used not only for the purposes integration but also to build personal skills such as team work, decision-making, influencing others, etc. The outdoor training is a certain type of training

¹ This description is based on author's personal experience, as a director of training company (1990-2004).

methodology, which can have different goals, depending on the plan of exercises and their debriefings.

The outdoor methodology was introduced to the Polish training market because of one client's decision to purchase such training. Leaving for a career advance, the chairperson of the Polish division of an international company, who had acquired leadership skills by this method in Western Europe, decided to purchase a farewell event – three days of outdoor training – for his employees. He determined through informal channels which training companies could undertake such a task and would be a cultural fit with his employees, and contacted a training company, which had emerged in 1990 with the import to Poland of the US standards of interpersonal, and mediation skills training, and whose trainers were mainly young academics. By chance, they had connections with climbers, so had access to the technical skills for outdoor safety and the mountaineering equipment that they themselves did not possess.

The contract was a big success – both the participants and the CEO were very satisfied. The training company gained experience with outdoor methodology and was in position of being the first to deliver this innovative service to the training market. This experience, combined with expertise on the subject of soft-skills training and the ability to mediate and facilitate, allowed it to create an outdoor training service that contained all three uses of this method. However, interest among its permanent clients and potential new ones was not large. Although some added short outdoor sessions to vary traditional trainings for their staff, the service did not find recognition on the market. Its higher costs made outdoor trainings significantly (around three times) more expensive than traditional courses; they could not be conducted in bad weather conditions; and finally they required a specific kind of location. The benefit, outside of the integrating function, was little understood or appreciated by clients.

The very attractive form and strong integrating value nevertheless produced a need for cheap outdoor activities. Several mountaineering firms appeared on the market to provide this service and create a need for out-of-the-ordinary integration. The attractiveness of these niche events was also noticed by hotels, which began to offer short (2-3 hour) “rope-climbing classes” as an additional service at conferences they held for salespeople.

As a result, when the economy slowed down in 2001, companies that offered outdoor trainings as their only product disappeared. Outdoor activities as a business service remained but in a simplified form. When in need of integrating activities combined with rope-climbing courses or scouting-type problem solving in the field, corporate clients could buy such services in a hotel or an events firm, which organized the whole technical aspect of the incentive retreat.

Case analysis

In terms of the knowledge about innovation in the knowledge intense business services (KIBS), the example shows how a good product offered to the market is transformed into a simplified product, which the market is ready to purchase. It also shows why it is easier for new companies to enter the market with an innovative training and what attributes are important for them to succeed in commercializing innovative business services.

Creating an adequate knowledge pool and testing

The case shows that developing a new consulting service such as an outdoor training requires building a team of producers with an adequate set of skills, and providing them with sufficient resources (funds and time) for both the preparatory activities, as the “production” process itself. In the above case the parameters of the service as it was commissioned by the client were comparatively imprecise, which allowed the production team to gather experience and analyse the potential of this method of work (the possible usefulness of the “product”) for future projects. Key to creating a consulting innovation

was the possibility of testing whether the team (a group of people with the set of skills necessary – and supposedly sufficient – to implement the premises of the product) had the capability to produce a successful training intervention, given the time and other resources it had at its disposal. Testing whether all of the skills necessary for implementing the project can only be partially done without the participation of a real client (i.e., the training participants and the company sending them to the training). However, before the real “performance” took place, the outdoor exercises were tried out in a real field location with the trainers as participants; this helped them better understand how to debrief the exercises, as they would be doing with the real participants.

This preparation phase served two groups of goals. The first was setting up the exercises in the field (planning the localization of rope exercises and spatial exercises, testing the technical possibilities of the layout). This experience also gave the trainers a better understanding of what the participants of the training would be experiencing, so that they could better facilitate the debriefing of the exercises, plan their sequence, and test logistics in the field. The second group of goals concerned cooperation within a diverse team and set the common standards of interactions with participants.

The trial phase of producing the outdoor training was an essential component of its production – it was not possible to plan this innovative product (differing from the trainer team’s previous experiences) from the outset, especially in a new configuration of the terrain. These difficulties were absent in the simplified product sold by hotels and firms specializing in outdoor services, where the field work was repetitive and conducted in the same place, using equipment that was permanently set up (thus without the costs of the mountaineering work required for laying out and taking down the rope obstacles).

Simplification of service traits as an effect of information flow

However, to create a market demand for innovation, a provider’s readiness to promote a new service is not sufficient. The example shows that the new consulting product simultaneously created an analogous supply of a simpler and cheaper product, and that the creators of the innovation did not manage to differentiate it from similar offers.

The impact of information about a novel value-added service (service value proposition) in the information flow about the specifics of services offered to clients turned out to be insufficient, and the sense of a specific need, to which outdoor training was addressed, was too weak. Among potential clients, the perception of the new service was dominated by its clearest trait and the resultant benefit – an atypical form of get-together having a strong integrative value. As a result, an indistinct quality – developing the specific skills of asking for and giving support – was not perceived as significant.

The client’s knowledge of the training product and its expected effects is based on the label characterizing the method of work – for instance, a workshop or a training using active or outdoor methods. The example shows that the market was ready to accept an offer that promised to resolve the most important problem of the client. In this sense, the client does not seek innovative training, but a training service which will resolve the problems he *perceives* to be important. The hierarchy of importance of these problems is obviously only partially rational – problems of a significant negative impact are considered more important, but ‘typical problems’ emerge partially under the influence of mimetic interaction from the market. If ‘everyone’ (in the sense of important others) is engaging in outdoor activities to provide integration through an unusual experience, then our company should also buy such a training. In this sense, the need for consulting services is always semi controlled by fashion, but fashion directs only the client’s seeking a specific category of service that the client wishes to buy (try).

This argument – that the client knows only the “label” of the innovative service he commissions, understanding little of its content, and seeks a cure for only some of his problems – also explains why the market generates needs for simpler services (which can be performed more inexpensively). Clients, or more precisely, persons managing the purchase of training services in the company, have

comparatively little professional knowledge about the functions, possible manners of use, or benefits of applying innovative training courses. Additionally, HR departments have a relatively weak position in organizational power struggles over funding, so the purchaser strives to purchase the service in its simplified form (interpreting company problems in the simplest possible manner). This shows the importance of the role of communication with the potential customer of an innovative service, which “could be at least as important as technological knowledge development” (Frankelius, 2009, p.49). The well-known selector role of customers, settling the performance, quality and price of innovations (Wijnberg, 2004; Chang et al., 2012), does not take into account the fact that in the case of an innovative service, the client’s knowledge about its features is simplified and based on information from the market (i.e., is mimetic). This gives first place to innovations which are relatively simple and easy to present.

The growing need for a new type of service is thus met by the simplified product, which is cheaper and more appropriately fulfils the client’s perceived need. The mechanisms of simplifying knowledge about a given product, and then its diffusion in the consulting (or at least training) services, results in a simplification of client expectations concerning innovative training.

Why newcomers create markets

Whether the innovative training will be accepted by clients, and whether a specific stimulus (the planned exercises) will evoke the planned interaction and then participants’ discussion leading to the planned didactic transmission, cannot be foreseen beforehand.

“[For KIBS to start work on innovation,] external information about any opportunity is needed in order to start innovative processes” (Frankelius, 2009, p.47), but – in the case of a training company – opportunity is not enough. From the perspective of established training companies, the risk of offering a client proto-products, which have been imagined but not tested, is too large², as their knowledge about the course and results of exercises is too limited (hypothetical and based on understanding by analogy). Apart from developing innovations at the request of their significant client, established training providers will hesitate to offer the market very innovative training services.

Newcomers are in different situation – they can attempt the risk, especially if they are start-ups. In our case study, we have two groups of newcomers – hotels and outdoor training companies. The first group delivered outdoor trainings as a supplementary product, so the risk of the retreat’s failure was decreased by the main service (accommodation, food and other extra attractions). They were in good position to offer such an extended service as they already had clients who were ready to buy the main service. As preparation costs were negligible, the extra cost of the outdoor training in the hotel service could be low.

Newly established training companies based mainly on non-trainers, who had contact with similar outdoor exercises in other sectors of life. But to complete their knowhow they needed to “buy” soft-skills training competences; otherwise they could deliver only integration events. Their start was facilitated by hotels looking for providers of outdoor activities, to outsource this part of their services.

Knowledge protection problems in KIBS

The case also illustrates why KIBS typically have problems with the control of intellectual property. KIBS companies, with the exception of high-tech KIBS (Miles, 2008, p.123; Chang et al., 2012, p.1572), rarely use formal mechanisms (i.e. patents). Standard informal mechanisms for intellectual property protection, such as: short life cycles of the product (fast changing fashions), design

² Small KIBS companies are heavily dependent on a few customers, as these few customers give them most of their turnover (Glückler & Armbrüster 2003; Woźniak 2006). The significance of stable relations with their clients (such stable relationships require a low turn-over of KIBS personnel, but also avoiding the risk of “broken promise” because of failure proto-product) is stressed in the literature (Jennings et al., 2009, p.343).

complexity (overcomplicating the product by putting extras into its design), lock-in (extra after-sales services as a barrier), chain-joining (building large market share by franchise) or keeping know-how secret (Chang et al., 2012, p.1572), were in this case impossible.

Information about the knowledge and the sources of this knowledge were obvious for outside observers of the outdoor training. Although the quality of outdoor training delivered is influenced by the team's experience (teams of different knowledge types), intellectual property cannot be sufficiently protected because this experience is impossible to evaluate ex ante (before buying and delivering of the service). Additionally, it was relatively easy for newcomers to gain access to knowhow and minimize risk of failure by employing former KIBS employees. Traditional training companies conduct few outdoor trainings and are not able to stabilise cooperants and in addition, it is relatively simple to identify persons with outdoor training experience by turning to a mountaineering club.

Any company which had contact with corporate clients (especially if it had already organized retreat activities for them) was able to develop a similar service. This encouraged various service providers from the business consulting and related sectors, to offer such events. This led to a commercialization of a simplified product that produces the main functionalities of the innovative product. Because the manner of constructing the innovative training service is open knowledge – in the example, the innovation is open on account of its wide accessibility to skills needed for its simplified form – it could result in the creation of a segment based on a simplified service; the mechanism of knowledge diffusion between institutions, which is based on copying and a simplified understanding of professional knowledge, leads to the (big) innovation's being sucked off the market. This need on the part of clients, based on a simplified expectation, encounters the supply of such products by service providers in related branches and newly emerging service providers. The dynamic described thus shows the social advantage of patents or other formal and informal mechanisms protecting innovation, and the importance of minimising turnover in consulting companies, as an important factor for the possibility for organizations to develop by using more complicated knowledge intensive service products.

Conclusions

The case analysis presented above discusses the creation of innovative training and its commercialization. This discussion enriches the area of knowledge in several ways.

Firstly, it showed why on the KIBS market – at least in trainings or consulting services where quality of service is difficult to assess even after delivery – the commercialization of innovation is often done by newcomers. The risk of the delivery of proto-products is very high because without delivery, quality cannot be fully checked.

Secondly, the above case better explains how the dynamic of introducing an innovative service to the market facilitates simplification of services which are commercialised. However the long discussion about path dependence and lock-in on inferior standards (Liebowitz & Margolis, 2012) is not supported by this case – taking the whole list of attributes, the simplified service was not inferior but different and the lock-in is a result of the influence on priorities of buyers. The diffusion of information about service quality and usefulness creates a tendency to simplify knowledge intensive business services, at least those segments which are not vital for the business success of a company, i.e. trainings.

As a third contribution to scientific knowledge, the consequences are shown of the knowledge-diffusion mechanisms, which facilitates quick changes (fashions) on the consulting market. Due to the diffusion of know-how, which is difficult to control on the training market as individual capital leaves the company as an effect of turnover, the easiest strategy for this group of KIBS companies is to facilitate frequent changes of demand by creating new fashions. The arguments offered in the text

show that new fashions should be based on old expertise, and combination of old and very old know-how is the best choice for KIBS providers.

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