

Abstract

This study furthers the understanding about relationships in the business-to-business context involving Knowledge-Intensive Business Services (KIBS), by looking at knowledge as a key enabler in the continuity of such relationships.

Prior research linking knowledge and business-to-business relationships (Hausmann, 2001; Cavusgil, Calantone and Zhao, 2003) has studied how relationships and relationship strength help in knowledge transfer between firms. This study takes a different perspective on knowledge and business relationships, and focuses on knowledge creation in business relationships, and how this knowledge impacts a relationship's existence and influences its growth. The study borrows from the Knowledge Based View pioneered by Polanyi (1966) that classifies knowledge residing in firms into explicit or tacit. Tacit knowledge residing in the service provider firm is the key construct in this study.

In certain business-to-business relationships, clients hire service providers, whether over the short or the long-term, to provide a service that is otherwise core to the client's business but requires expertise beyond capabilities existing in the client organization. Such services are characterised by creative, analytically rigorous advice on strategic problems provided by channeling individual expertise (Hansen, Nohria and Tierney, 1999). The service provider firms are characterized by a flow of ideas, knowledge is their core asset, and knowledge creation for clients their *raison d'être*. They have high absorptive capacity (Cohen and Levinthal, 1990) and build on prior (related) knowledge by recognizing the value of new, external information by assimilating such knowledge and applying it to commercial ends; increasing the level of tacit knowledge in the firm in the process. Such firms that rely heavily upon professional knowledge, which are either themselves primary sources of information or knowledge, or use their knowledge to produce intermediary services for their client's production processes that are of competitive importance are known as Knowledge-Intensive Business Services or KIBS (Miles, Kastrinos, Flanagan, Bilderbeek, den Hertog, Huntink and Bouman, 1995).

This study looks at relationship between high-value add service providers called KIBS and their clients, as a special case of business-to-business relationships, in an attempt to understand how tacit knowledge residing in a KIBS firm influences relationship strength and relationship continuity. Also a scale development exercise is carried out to develop a scale for the construct of tacit knowledge. Marketing communications is the KIBS industry whose agency-client relationship is the testing ground for the proposed hypotheses.