



Service innovation and its impact: What do we know about?



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ABSTRACT

Despite the growing body of literature concentrating on service innovation, empirical research focusing on measuring its impact, mainly at firm-level, remains scarce. Adopting the perspective that the ability to monitor the service innovation process and to assess its impact is a pre-condition to properly manage it, we conduct a literature review of recent empirical studies on the measurement of service innovation to ascertain our current body of knowledge. We restrict our review to the period covering 2006 to 2014, as previous research has been extensively covered by Adams, Bessant, and Phelps (2006) and concentrate on published empirical academic articles which clearly examine “service innovation” and its impact on performance. Relying on several inclusion and exclusion criteria, thirteen empirical studies were retained and are discussed in this paper. Although this study does not claim to be exhaustive, it shows that knowledge on the relationship between service innovation and performance is limited and that this area of research deserves further scrutiny. We conclude with some avenues for further research, in view of stimulating more research in this promising yet emerging field.

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Innovación en servicios y su impacto: ¿qué es lo que sabemos?

RESUMEN

Si bien la literatura centrada en la innovación de servicios ha ido en aumento, la investigación empírica centrada en su impacto, sobre todo en el ámbito empresarial, sigue siendo escasa. Desde la perspectiva de que la capacidad para controlar el proceso de innovación en servicios y la evaluación del impacto son requisitos para su correcta gestión realizamos un análisis de la literatura sobre estudios empíricos recientes acerca de la medida de la innovación en servicios para comprobar nuestros conocimientos actuales. Restringimos este análisis al período entre 2006 y 2014, pues Adams, Bessant y Phelps (2006) ya investigaron ampliamente las etapas anteriores, y nos concentramos en las publicaciones académicas empíricas que examinen de una manera clara la “innovación en servicios” y su impacto en el rendimiento. Conforme a varios criterios de inclusión y exclusión, se seleccionaron trece artículos, los cuales se examinan en este escrito. A pesar de que este estudio no pretende ser exhaustivo, revela que los conocimientos de la relación entre la innovación en servicios y el rendimiento son limitados y que este ámbito merece ser estudiado más a fondo. Concluimos con posibles vías de investigación con el fin de poder estimular más el trabajo sobre este ámbito tan prometedor y emergente.

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1. Introduction

Service innovation can provide an effective way to create sustained competitive advantage for a company. Turning to or assuming service strategies may help organizations to overcome

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the problem of growth maintenance in saturated markets as well as the problem caused by the circumstance of commoditization (Reinartz & Ulaga, 2008). Firms can benefit from a service-based strategy in many ways. For example, adopting a service-based strategy can help to excel in service offerings, cost structure, delivery system, and technology (Grönroos, 2007). Additionally, policy makers as well as researchers have become increasingly intrigued by service innovation, because they have grown intensely in many industrial economies, and are expected to have a positive effect on the whole economy (Miles, 2005; Tipu, 2011).

Since services are mainly intangible or knowledge products, a discussion on service innovation can benefit from conceptualizations of innovations stepping back from product-based definitions. For example, services are often highly tailored products to customer needs, and consequently, the traditional product-based innovation view and the measurements it employs for assessing the value of innovations are not suitable for services and the businesses behind. Indeed, very few service firms rely on traditional R&D with regard to their innovation activities (Miles, 2008). If a firm wants to adopt a service-based strategy, it will be crucial to be able to assess the value of this type of innovation, i.e., its impact on company performance. Even though there is a mass of contributions discussing the relevance of innovation management in general, the opposite seems to be true when we consider the aspect of innovation measurement, there is a lack of research. This situation can be assessed as unsatisfactory as it prevents organizations from monitoring the success or failure of (service) innovation projects and, thus, disturbs the optimal allocation of their scarce resources. Additionally, it complicates obtaining a better understanding of innovation and its influence on achieving or sustaining a competitive advantage, an outcome often linked to innovation (e.g., Lengnick-Hall, 1992). Similarly, in the context of innovation measurement, the conceptualization of innovation strongly follows the dominant logic of tangible, technological innovation preventing a necessary formation of measurements for service innovation (e.g., Vargo & Lusch, 2004).

Against this background, the purpose of our paper is to review extant literature to identify empirical studies discussing service innovation measurement and the kind of new knowledge that has been produced about the measurement of innovation since the literature review by Adams, Bessant, and Phelps (2006). Given the authors' comprehensive analysis and our topic's novelty, we believe this approach is justified. More precisely, we are interested in the current body of empirical knowledge regarding the impact of service innovation. According to the study's aim, the following research questions are formulated:

- (1) Which empirical studies have been conducted that focus on the impact of service innovation?
- (2) What were the main findings of these studies?
- (3) Which methods were used?

The paper is organized as follows. The literature related to the research purpose is briefly discussed in the next section. Then the method employed to come close to the research problem is described. Afterwards, the results are presented and the conclusions of the study are laid out in the final section.

2. What is service innovation?

“Service innovation” has become a term referring to innovation taking place in the various contexts of services, including the introduction of new services or incremental improvements of existing services. Whilst service innovation can take place in the service sector, it does not necessarily need to. New and improved services

can also be provided by non-services sectors, such as by manufacturing firms that aim at enlarging their supply portfolio with value adding services. Similarly, service innovation is intrinsically different from a “product”, as it usually lacks the tangible nature of product innovations. Services may be highly tailored according to the client/customer needs, and include many different stakeholders. Especially, in the knowledge-intensive sector, where service innovation plays an important role, the concept of service innovation is likely to differ radically from that of a product innovation. For instance, the focus on technological advancements and the concentration of the innovation activities around the R&D departments does not describe service innovation adequately (e.g., Miles, 2008; Sundbo, 2009).

Various attempts have been made to define service innovation. For example, Den Hertog (2000) has presented the “four dimensional model of service innovation”, which captures the idea of service innovation in a knowledge-based economy. The model consists of the following dimensions (pp. 494–498):

- (1) *Service concept*, which is a new service in the market,
- (2) *Client interface*, which refers to new ways as to which clients are involved in the service production,
- (3) *Service delivery system*, which encompasses new ways the actual services are delivered to the customers,
- (4) *Technology*, which has to make sure that the services can be provided efficiently.

Besides the multidimensional character of service innovation, there are several ways as to how the service innovation process may take place. Toivonen and Tuominen (2009), for example, identified five service innovation processes in relation to their degree of collaboration and formality. In the sequence from less to more formal processes, these processes are: (1) internal processes without a specific project (i.e., unintentional and incremental innovations regarding existing service); (2) internal innovation projects (i.e., deliberate projects focusing on improvements of service production systems and their content); (3) innovation projects with pilot customers (i.e., new ideas are tested with a customer); (4) innovation projects tailored for a customer (i.e., the service provider strives at solving a specific customer problem); and (5) externally funded innovation projects (i.e., research-oriented collaborations focusing on the generation of new service concepts and/or platforms).

In the literature, however, service innovation is an ambiguous term. It can be considered both an intangible product and a process (Grönroos, 2007). For example, a manufacturing firm can sell a service agreement as a supplement to its tangible products, whereas a service firm may introduce new service products. Both are, however, innovative in the context of services. Therefore, service innovation may simultaneously refer to innovation in service industries, whatever form the novelties may take, and to new services, irrespective of their degree of novelty and of the industry in which the innovation occurs. Aside from this ambiguity issue, research concentrating on innovation in services and on service innovation has hitherto been relatively scarce, which is a paradox considering the increasing weight of services in economies, in terms of both employment and added value. Over the last four decades, the contribution of value added to GDP from service activities rose by about 18 percentage points in the Organization for Economic Cooperation and Development (OECD) countries and reached 73% in 2008 (OECD). Service industries are nowadays responsible for the majority of employment in the OECD countries. Despite being widely recognized as an engine of growth and competitiveness, service industries remain under-investigated and knowledge on the actual effect of innovation in services is lagging behind, compared to the research and knowledge on the

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