



## Commentary on “The role of innovation in driving the economy: Lessons from the global financial crisis”



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### ABSTRACT

This commentary reacts to an article by Hausman and Johnston advocating innovation and entrepreneurship as keys to solving the current global financial crisis published in this special issue. The commentary is a valuable resonance board for my own ideas that, in some respects, deviate from those of the authors. I start from a partially different paradigm than the authors, as my theoretical platform is a new science of marketing and service that emerged during the 2000s. I find many of the suggestions logical and thoughtful, but primarily academic and US-centric. Will they work in practice, and especially on a global scale? I think the suggested solutions will work under certain conditions, but the world is imperfect and the necessary conditions are often absent. For example, the article shows confidence in the ability of governments to regulate and control and of research to contribute with more advanced metrics. Here I have doubts. I also find economic and management disciplines require new aspects for proposed solutions to work. Among these new aspects are the lack of genuine corporate social responsibility, growing corruption and crime, and the role of financial leaders whose behavior opened a new research field called “corporate psychopathy.”

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### 1. Introduction

The Hausman/Johnston article advocates the urgency of stimulating innovation. The article is an excellent review of what innovation may mean in the context of the current financial crisis and offers a mind-boggling wealth of statistics and empirical research from scholarly literature and media reports. The article reflects the thinking of economics and conventional business and management methodology and theory, but not new theory and day-to-day practice.

My career is fifty-fifty business practice and academic research in marketing and service management, meaning that I enter the text through a different door than you. My prime interest is the gap between theory and practice, and between thinking, decision-making, implementation, and results. My theory is the frontline of marketing and service research. I also draw on my interest in scientific methodology and on whatever experience or thoughts I have from fields not covered by my research themes.

As the article says, innovation is a driver of the economy. Therefore, innovation deserves special attention in a global financial crisis, but more importantly, as you point out, innovation should occur continuously to prevent crises. But is innovation *the* driver or just *a* driver? Is innovation the white magic and cure-all—or is innovation black magic, too? Does innovation necessarily offer better value to society?

I had not expected my commentary to be so long. Despite differences in the perception of the global crisis and its causes and remedies I am grateful to you for forcing me to consider the issue and take a stance. I could not do so without your article as a sounding board.

This commentary is a follow-up to an earlier article, “The global crisis and the marketing scholar,” published in a European journal (Gummesson, 2009). The next sections present my current theoretical stance, offer my comments to some overriding issues, and then proceed with my reaction to the last section of your article called “Recommendations to stimulate increased levels of innovation”. My recommendations for an alternative agenda conclude this commentary.

### 2. My theoretical platform: a new science of marketing and service

My comments reflect the lenses of three long-term research themes that all intend to help us better understand and serve society and the market, and create value for citizens, consumers and businesses. This research, unknown territory to economists and the mainstream business and management disciplines, constitutes the new science of marketing and service. The themes are:

- *Service-dominant (S-D) logic*. In S-D logic the issue is not goods versus services as these two and other inputs, like software and knowledge, always appear in combination. You mention product(s) 33 times and service(s) 4 times with products and services as two distinct categories. In contrast the new science of marketing and service

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proposes value and service (in the singular) as the focal points. Value is assessed and actualized by the customer (value-in-use). As a consequence S-D logic defines a supplier's offering as a value proposition. Suppliers do not do something *to* customers as if customers were passive (operand) resources; suppliers do something *with* customers as customers are also active (operant) resources. The supplier and the customers, as well as intermediaries, shareholders, employees and others in a network of interactive relationships, co-create value. Co-creation consists of both independent action by a supplier or a customer (one-party), interaction between customers and suppliers (two-party), and interaction within a broader network (multi-party). In the same vein [Mele, Russo-Spena, and Colurcio \(2010b\)](#) "...explore the understanding of innovation as a value co-creating process or resource integration within networks of actors..." (on S-D logic, see further [Ballantyne & Varey, 2008](#); [Grönroos, 2011](#); [Gummesson, Lusch, & Vargo, 2010](#); [Vargo & Lusch, 2008](#)).

- *Service science*. In the beginning of the 2000s, IBM introduced the long-term service science program to stimulate innovation and improvements of services systems, considering their complexity and importance for the development of a "smarter planet". Although S-D logic emerged from academe and service science from business practice, they found these two publics shared the same concerns. One result is that S-D logic is the foundational philosophy of service science. For service science, the focus is on interdisciplinary research and education in service, especially bringing knowledge from business schools together with schools of technology (see further [Maglio & Spohrer, 2008](#); [Maglio, Kieliszewski, & Spohrer, 2010](#)).
- *Many-to-many marketing*. Many-to-many marketing is an approach to marketing addressing the complexity of contemporary markets and based on network theory. Many-to-many marketing is the next generation of relationship marketing and other relational applications with relationships, networks, and interaction in focus and describing, analyzing and utilizing the network properties of marketing. In doing so, complexity, context and change emerge at the fore in an attempt to design theory on a higher level of abstraction, yet rooted in market realities. Customer-to-customer (C2C) interaction is particularly topical today. Although absent in conventional microeconomics market typologies and marketing management, the importance of C2C marketing is not new. Through the innovation of the Internet, mobile communications, social media and wikis (collaborative websites), C2C interaction now stands out as a major power in the market. Many-to-many marketing has close affinity to S-D logic and service science, as well as to more general approaches based on systems theory, such as the viable systems approach, VSA (see further [Barile & Polese, 2010](#); [Gummesson, 2008a, 2008b](#); [Mele, Pels, & Polese, 2010a](#)).

In the new science of marketing and service, customers obviously exhibit fundamentally different roles than in traditional marketing, service management, and economics. An established division of customers in marketing theory is between business customers in business-to-business marketing (B2B) and consumers in business-to-consumer marketing (B2C), although B2B and B2C are increasingly dealt with as interdependent. The word customer appears 5 times in your text and consumer 9 times and my conclusion is that you mainly have consumers in mind.

Starting in B2B markets, Eric von Hippel of MIT studied the role of business customers in innovation processes. In his first study of 111 scientific instrument innovations, he found that "... 80% of the innovations judged by users to offer them a significant increment in functional utility were in fact invented, prototyped and first field-tested by users of the instrument rather than by an instrument manufacturer" ([von Hippel, 1976](#)). His continued research elaborates further on the customer's role in innovation and also considers consumers. Just as suppliers, customers are always operant resources and co-creators.

"The marketing concept" existed as the foundation of marketing management for at least 50 years. The marketing concept states that suppliers should put the customer in focus and find and satisfy customer needs and wants. Customer orientation is in opposition to the supplier-centric view privileging the notion that a market is driven by production and technology and controlled by suppliers, with customers reduced to mere operand resources. But even with a customer-centric view, the operationalization of supplier behavior shifts only slightly, and consumers remain operand or perhaps semi-operant resources. Your article and the references you rely on, are therefore, incompatible with the new science of marketing and service.

### 3. Comments to your text

Here are comments to a series of statements in your text:

- "... Increasingly, innovation will come from co-creation between technical and business people who can interface effectively with users and understand users' needs...".  
Co-creation between technical and business people who have an interface with consumers is narrower than co-creation in many-to-many networks.
- "Our thesis is that companies who are innovative, who provide products desired by consumers, and effectively commercialize these innovations contribute to a strong economy that can more effectively weather failures in other economic elements."
- "Businesses who can harness this innovative intensity will be the survivors. Innovations can no longer be managed as 'silos,' tucked away in corporate, university, or government research labs, in incubators, or within venture capital funded entrepreneurial start-ups."  
I agree about the silos, but "harness" may be understood in at least in two ways. First, and in my experience the most common meaning, is to take control: How do suppliers manage customer relationships; how can they own customers; and how do they force customers to do as they wish? Second, and more realistic and more futures-oriented questions are: how do firms pick up what is going on and find a niche in the market; how can they influence the niche to some extent; how can they be smarter than the competitors in co-creating the future with customers; and how can suppliers avoid doing things *to* customer instead of doing things *with* customers?
- "Firms can utilize this data [from social media] to uncover unmet needs and determine what consumers are looking for in the products they buy."  
Social media offer new opportunities as firms can observe C2C interaction but also participate and measure certain behavior. As you point out elsewhere the open source model allows innovation to come from numerous people spontaneously or through organized crowdsourcing; the Linux operative system and Wikipedia are such examples.
- "America's sophisticated marketing, distribution, sales, and customer-service systems have long been the tools that translated invention into innovation, thus creating wealth for firms and society..." Numerous working service systems are in operation, but as the IBM experience indicates, service systems, in general, are very far from satisfactory. A case in point is health care consisting of interaction in complex networks of working and non-working subsystems.
- "...what the country needs are better MBAs and an extraordinary willingness of its consumers to try new things ... such 'venturesome consumption' is a vital counterpart to the country's entrepreneurial business culture."  
Yes, no doubt MBAs should be trained more adequately. But why should consumers volunteer to help companies, which they often distrust, so that executives can get higher bonuses and become

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