



Service delivery innovation architecture: An empirical study of antecedents and outcomes

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Abstract The research examines service delivery innovation architecture and its role in achieving sustainable competitive advantage of firms. The study develops and empirically examines an antecedent based model of service delivery innovation. We collected data from 203 service sector professionals working in Mexican financial and information technology firms, and tested the proposed relationship. Further, the study investigates the moderating role of customer orientation on innovation driven performance outcomes. Results show that customer orientation strengthens the service delivery–performance relationship. This paper aims to contribute to the strategic planning of service firms by guiding their resource allocation to ensure sustainable growth.

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Introduction

Globalisation and increasing market competitiveness have driven firms towards innovativeness in their operations to gain sustainable competitive advantage. Firms now compete on the basis of services rather than on the basis of physical products (Gronroos, 2000; Jay Kandampully, 2002)

as it is hard to distinguish between products of competing brands in a given product category. For example, to a customer, there is no apparent difference between an LG and Samsung LED television or an HP and Lenovo laptop; it is the service offered by the manufacturer that manifests true value (Jay Kandampully, 2002). The Fortune⁵⁰⁰ lists for industrial and services companies suggest that more of the conventional product based companies have started selling services (e.g., General Electricals) to attain profitability (Dawson & Horenkamp, 2007). Service innovation involves intangible resources for a more radical service logic perspective that challenges the conventional attribute-based view of services delivery designs (Blazevic & Lievens, 2008; Hunt, 2000a, 2000b, 2002). It goes beyond the conventional boundaries of product innovativeness and involves assimilation of improved service processes by means of designing and improvising service delivery systems (Avlontis et al., 2001).

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Firms carrying innovative business architecture reap substantial benefits by providing new solutions to the customer interface, new distribution methods and improved application of technology in the service process, new forms of operation with the supply chain or new ways to manage services (Miles, 2008). This unique architectural approach extends the applicability of service delivery systems and innovations over and above the classical four pronged IHIP (inseparability, heterogeneity, intangibility, and perishability) framework (Lovelock & Gummesson, 2004). To differentiate their businesses from competitors, firms look for competitive advantage in terms of technological upgradation, knowledge integration, and networking of organisational resources (Conner & Prahalad, 1996). Bharadwaj, Varadarajan, and Fahy (1993) discuss the specific combinations of resources (basic, interconnected, and composite) that are unique to service industries with respect to firm competitive advantage. Business partner collaboration, customer co-creation and optimising resource utilisation efforts have improved shareholder value, capability to innovate, and in turn, performance (Karpen, Bove, & Lukas, 2012; Lusch, Vargo, & O'Brien, 2007; Madhavaram & Hunt, 2008; Vargo & Lusch, 2004, 2006, 2008). A number of IT and banking firms have conducted independent research to make their service delivery processes more innovative and efficient (e.g. SAP, Infosys, TCS, HSBC, Deutsche, Citi, JPMorgan, ING Group).

Literature suggests that resource advantage theory of competition (R-A) by Hunt (2000a) and service-dominant logic (SDL) by Vargo and Lusch (2004) are two fundamental approaches to discuss service innovation at firm level. Applying these frameworks, various models have been proposed to measure effectiveness of service innovation (Chen, Tsou, & Huang, 2009; Ordanini & Parasuraman, 2011; Storey & Kahn, 2010). For example, banking firms have led service delivery innovation in the past through online banking, ATMs, international money transfers, and more recently through mobile banking facilities. However, the issue dealt with in previous studies (Madhavaram & Hunt, 2008; Prahalad & Ramaswamy, 2004) is the relationship between operand resources and profitability observed among firms. When one looks at co-creation and knowledge integration as an antecedent of firm innovation, many new research questions arise. Our review found that the previous literature has neglected the potential of operant resources in service development and innovation; hence there is a call for more research in this domain. Although, there is substantial ongoing research on service innovation, the work has not been contextualised in

terms of optimum utilisation of operand and operant resources for firm competitiveness (Beresford, Pettit, & Whittaker, 2005; Storey & Kahn, 2010).

Looking into the gaps detailed above, this paper empirically investigates and puts forward integrated service delivery innovation architecture (ISDIA) for investigating the role of various actors in market competitiveness (Box 1). Further, it explores the role of customer orientation in the context of service delivery innovation process. The study investigates the linkage between market orientation of the firm and its competitive advantage. This paper addresses how firms can effectively harmonise various drivers of service co-creation with firm performance and contributes to the marketing literature by proposing guidelines for development and implementation of innovation models.

This paper contributes to the marketing literature by proposing guidelines on how these models should be developed and implemented in different business contexts based on the proposed framework. In the following sections the theoretical background, conceptual framework, research methodology, and results have been discussed, as also the managerial implications and avenues for future research. The conclusion forms the last section of the paper.

Reviewed literature

In the research context of service innovation concept evolution, there has been a strong focus on the development of a classification system that can capture the dynamics of service firms. It is established that existing notions of innovation in the manufacturing sector cannot simply be transposed to the service sector (Hipp & Grupp, 2005). Hence, various authors have proposed classification of service innovation deriving core concepts from manufacturing, with a view to obtaining a better understanding of innovation in services. These approaches have tried to demonstrate how their implementation improves firms' competitive advantage. Apart from this taxonomic contribution, theoretical contributions have been made by Hunt and Morgan (1997) to explain the role of various firm level resources in service innovation process. Vargo and Lusch (2004) proposed service-dominant logic approach to explain the phenomenon of new service development (NSD) in service based economies.

The concept of service innovation measurement has gradually evolved over the past many decades. Schumpeter (1939) discussed five core areas of innovation covering product innovation, process innovation, market innovation,

Box 1. Architectural approach.

Service innovation architecture designs and develops the extended service model that connects the service innovation framework of a firm with its marketing strategy. The terminology of service innovation architecture has been coined by the Object Management Group (OMG). The purpose of service architecture is to demonstrate the implications of innovation activities in terms of financial and non financial outcomes. Although, there is substantial research on service innovation, the work has not been contextualised from the perspective of strategic positioning of firms in competitive markets (Storey & Kahn, 2010). To succeed on this, the marketing discipline must look beyond its conventional boundaries and strive for an interdisciplinary service architecture perspective across the disciplines of marketing, human resource, and strategy.

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