



Organisational capabilities for customer participation in health care service innovation



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ABSTRACT

Health care customers are demanding a more active role in the provision and development of health care services, a position supported by government health care policy in Australia. However, many health care organisations lack an understanding of the capabilities required to respond to this increased participation from customers. This study applies dynamic capability theory through a lens of co-creation to identify organisational capabilities that support customer participation in health care service innovations. A qualitative approach using convergent interviews with health care CEOs and senior managers was undertaken. As a result, four categories of organisational capabilities were identified: customer activation, organisational activation, interaction capabilities, and learning agility. Despite acknowledging the need for these capabilities, most health care organisations perceived they had not developed the required skills and resources. This study provides an insight into the organisational capabilities managers seek to improve their customer participation in health care service innovation.

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CHINESE ABSTRACT

医疗护理客户比以往更想要积极地参与到医疗护理服务的提供和完善中，这也正是澳大利亚政府医疗政策所支持的方向。但是，许多医疗护理机构对此缺乏认识，不了解为了满足不断增长的医疗客户的参与需求而应具备哪些组织能力。本研究的目的是识别医疗机构应具备哪些组织能力，从而支持医疗客户参与医疗护理服务的创新。本文采取定性分析法，对医疗机构的CEO和高级管理者进行了聚合分析访谈。最后，总结出了医疗结构应具备的四种能力：客户启动、组织启动、互动能力和学习的灵活性。尽管认可这些方面的需求，但大多数医疗机构认为他们尚未具备必要的技能和资源。本研究有助于让管理者了解医疗机构应具备的组织能力，从而促进客户在医疗护理服务创新中的参与。

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1. Introduction

The health care industry in the Western world faces rising costs, an ageing population, and customers demanding better care (Berry and Bendapudi, 2007; Rethmeier, 2010). For instance, in Australia, total expenditure on health services in 2011–12 was estimated at \$140.2 billion, around 1.7 times higher than in 2001–02 (Australian Institute of Health and Welfare, 2013). Health care policy makers face several challenges as a result of the extensive growth of costs and customers' lack of access to health care (Akenroye, 2012; Thakur et al., 2012). Thus, innovation in health care is needed to balance cost and access to health care (Omachonu and Einspruch, 2010).

Traditionally, health care systems were designed with a focus on the role of the health care provider, with little consideration given

to customer involvement (Berry and Bendapudi, 2007; McColl-Kennedy et al., 2012). However, within health care practice and academe there is now recognition that customers co-create health care service experiences, and are no longer passive recipients of their treatment (Gill et al., 2011; McColl-Kennedy et al., 2012). Thus, health care organisations are realising the importance of a customer-oriented business approach (Thakur et al., 2012).

This perspective reflects a shift in thought aligned with service-dominant logic that customers are co-creators of value (Vargo and Lusch, 2004). Several scholars have documented that customer involvement is important for service innovation (Alam, 2011; Ordanini and Parasuraman, 2011). It has been shown that co-creation with users is a source of competitive advantage in innovation (Salunke et al., 2011). There is also evidence that customer participation reduces the cost of innovation, increases service quality (Ramaswamy and Gouillart, 2010; Tanev et al., 2011), and organisations develop more innovative solutions and gain superior knowledge (Matthing et al., 2004). The management of customer participation in co-

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creating the innovation requires the organisation to learn more about the customer and his or her individual and collective context (Voima et al., 2011). Customers can derive health care innovation both by co-creating with clinicians for their own health care management and by contributing to the improvement of health care services at an organisational or system level. The customers' role in improving their own health care management is recognised in the literature (McCull-Kennedy et al., 2012); however, the processes and structures to actively embrace customer participation in the improvement of health care services at an organisational or system level have not been previously investigated. As health care organisations have not traditionally been customer-focussed (McCull-Kennedy et al., 2012), they often lack an understanding of how to best coordinate their resources and harness their capabilities to address this challenge.

The purpose of this paper is to provide an understanding of the organisational capabilities that support customer participation in health care service innovation. This reflects one of the key priorities of service science research – to further understand the course to involve customers in service innovation – and addresses the call to conduct service innovation studies in complex environments like health care (Ostrom et al., 2010). Drawing from dynamic capability theory, we identify various capabilities an organisation requires to support customer participation in health service innovation. Specifically, we consider the capabilities required to bring the customer and organisation together to facilitate innovation outcomes.

Extant literature agrees that customer participation affects service innovation (Matthing et al., 2004; Ordanini and Parasuraman, 2011; Prahalad and Ramaswamy, 2004); however, there are several gaps in the field's knowledge. First, the current understanding of the role of customers in service innovations remains underdeveloped (Alam, 2011; Ostrom et al., 2010). Although several studies have focused on the role of customers (Alam and Perry, 2002; Carbonell et al., 2012), few studies have examined the capabilities required by an organisation to facilitate customer participation in innovation. Further, studies that investigate organisational capabilities to facilitate co-created innovation predominantly focus on product providers (Coviello and Joseph, 2012; Lin and Huang, 2013) or a business-to-business context (Coviello and Joseph, 2012). Despite the growing importance of customer participation in innovation, little is known about the capabilities required to enable customer participation in health care service innovation.

This paper will advance the literature in this area by identifying, and providing a categorisation of, organisational capabilities that support customer participation in health care service innovation. Dynamic capability theory will be applied in a co-creation context, to understand the capabilities required in the provider sphere, customer sphere and joint sphere (Grönroos and Voima, 2013) to bring together customers and organisations to innovate health care services. The capabilities reflect the activities undertaken by organisations to identify and mobilise customers, and their operant resources, to participate in the co-creation of innovation. In understanding these customer activation capabilities we build on the work of Coviello and Joseph (2012). Also reflected are the organisations' efforts to identify and coordinate their resources towards the co-created innovation experience. We have termed these capabilities organisational activation. We then consider the nature of the interaction between the customer and organisation as they undertake a dialogue to facilitate the innovation, building on the interaction dimensions proposed by Karpen et al. (2012) in their conceptualisation of a service-dominant orientation. Finally, while the above capabilities may drive value co-creation in any context, we are specifically concerned with the ability of the organisation and the customer to facilitate innovation outcomes (Coviello and Joseph, 2012). Hence, our final category of

organisational capabilities reflects an organisation's learning agility to sense changes in the environment and respond to them (Den Hertog et al., 2010; Wilden, Gudergan, Nielsen and Lings, 2013).

The remainder of this paper is structured as follows. First, we draw on existing literature to discuss the changing nature of the role of customers in health care service innovation. Then we put forth a categorisation of organisational capabilities that provides a structure for examining the capabilities required for health care service innovation. We outline the qualitative research design employed as part of this research. The organisational capabilities to support customer participation in health care service innovation are identified and the extant literature that provides a theoretical underpinning for these capabilities is explored. The article concludes with a discussion of practical implications, limitations, and future research directions.

2. The role of customers in co-creating health care service innovation

The understanding of value co-creation has been transformative in the marketing field (Prahalad and Ramaswamy, 2000; Vargo and Lusch, 2008). Businesses are reinventing themselves to address the challenges inherent in customers being more active, having open access to information, and generally desiring more interactive experiences with organisations (Brodie et al., 2011). It is widely recognised that customers are co-creators of value and also resource integrators, with operant resources the fundamental source of competitive advantage (O'Cass and Ngo, 2012; Vargo and Lusch, 2008). While some researchers argue that customers create value for customers (Heinonen et al., 2010; Hibbert et al., 2012), customers' operant resources can be utilised to create value for the organisation. Vargo and Lusch (2004, p. 12) stated that, in modern marketing, co-creation with customers for innovation will be essential, and they termed this "shared inventiveness."

Customers have often participated in traditional firm activities, such as providing ideas to improve services (Bettencourt, 1997); however, a service-dominant perspective recognises the extent to which the customers are involved in the co-creation of value through their resource integration (McCull-Kennedy et al., 2012). Customers' ideas are not just inputs into the innovation process (Elg et al., 2012), but rather they are involved in the co-creation of value in the form of the final output – the service innovation. From this perspective, we define customer participation in health care service innovation as the active role customers take in the redesign of health care services at an organisation or system level. Customers are likely to be involved in activities such as strategy or policy development, providing ideas for improving services (Bettencourt, 1997), and co-designing the service (McCull-Kennedy et al., 2012). Organisations need to provide resources that customers can deploy to co-create this value, and often need to facilitate the development of skills and knowledge that lead to more effective resource integration and co-creation (Hibbert et al., 2012). However, there is little guidance in the extant literature to explicate the capabilities and resources health care organisations should develop to facilitate co-creation of innovation.

Health care organisations face several challenges in enabling customer participation for health service innovation. First, health care customers, or patients, often have little knowledge of the nature of their illness and therefore feel stressed, emotional, and not in control of the situation as they may be in other co-creation situations (Berry and Bendapudi, 2007). Second, customers often choose the extent to which they wish to co-create their own health management experience (McCull-Kennedy et al., 2012) and therefore, it would follow, they can choose the extent to which they are in-

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