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Toward a better understanding of stakeholder participation in the service innovation process: More than one path to success

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ABSTRACT

Acknowledging the positive effects of stakeholder participation in new service development projects, the present research examines factors contributing to well-designed stakeholder participation processes. Data come from 220 franchisees engaged in innovation projects. Fuzzy set qualitative comparative analysis (fsQCA) assesses the interplay of six participation quality dimensions: (1) task-related resources, (2) early involvement, (3) degree of influence, (4) transparency of processes, (5) incentive mechanisms, and (6) voluntariness of participation. Results show that successful stakeholder participation is characterized by a complex interplay of these participation quality dimensions. While some firms are excellent in all six dimensions, other firms successfully integrate stakeholders by focusing on selected participation quality dimensions. Uncovering these complex interrelationships helps managers to better design participatory processes in new service development projects.

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1. Introduction

New service development (NSD) continues to receive increasing attention from marketing practitioners and academics (Ettlie & Rosenthal, 2011). In particular, comparing new service development to new product development (NPD), prior studies emphasize the benefits of integrating stakeholders (i.e., customers, employees, and suppliers) into the innovation process (e.g., Vargo & Lusch, 2004). Presumably, stakeholder involvement contributes to a project's success by generating new ideas and provides knowledge resources to increase in-depth expertise of market needs. While outcomes of stakeholder participation are relatively well understood, the factors characterizing successful participatory innovation processes receive less attention.

Logically, quality and design differences in participatory innovation processes motivate stakeholders differently and result in varying contributions to innovation projects. According to Amabile's (1983) Componential Theory of Creativity, the new product development work environment influences a team's displayed creativity level. Companies

can increase an individual's motivation, for instance, by granting decision-making autonomy to the individual or by providing feedback about outcomes of the performed job (Amabile & Kramer, 2011). Hence, managers who are responsible for designing and managing innovation projects must be knowledgeable about how to design new service development for participating stakeholders. Surprisingly, prior research in the stakeholder integration literature continues to focus either on conceptual work or selected stakeholder participation characteristics. For example, Wei, Frankwick, and Nguyen (2012) investigate whether or not increasing employee participation in reward decisions increases new product performance.

Examining single design factors to better understand how to integrate stakeholders does not fully explain what determines a well-designed innovation project from the stakeholders' perspective. Stakeholders may expect the firm to have well-designed processes in place, and they may expect to receive monetary compensation for their contributions. Alternatively, stakeholders only may expect monetary incentives if innovation projects are poorly designed (e.g., regarding the amount of resources offered). Similarly, Amabile and Kramer (2011) note the importance of examining joint effects of different design characteristics used to motivate individuals. According to the suggested progress principle, the key to improving an individual's motivation is to cause that person to make progress in meaningful work. The more often individuals experience such progress, the more likely they are to remain creatively productive. Clear and meaningful goals, sufficient resources, and helpful colleagues boost one's motivation to do a good job (Amabile & Kramer, 2011). Hence, the progress principle

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suggests that the motivating elements of a social environment are interdependent.

Against this background, the present study makes two major contributions. First, this study examines the factors that define well-designed innovation projects from the stakeholder's perspective. Assuming that stakeholders can best assess whether or not an innovation project is designed to stimulate participation, a good design leads to greater participant effort. Second, the study's results help to clarify the relationships between the participatory characteristics of innovation projects. Although innovation projects might be expected to be excellent in all aspects, study results show that some aspects are more important than others. Further, interrelationships between those aspects are more complex than initially assumed.

This paper next reviews prior research on design characteristics of participatory innovation processes and outlines the current state of knowledge in this area. A conceptualization of stakeholder participation derives two hypotheses regarding innovation project design and the relationship among project characteristics. Data from 220 franchisees test the hypotheses. Using fuzzy set qualitative comparative analysis (fsQCA), the study explores causal combinations of participatory design characteristics that lead to superior innovation success. Finally, the article concludes by discussing the findings and managerial implications.

2. Conceptual development

Co-creation, collaboration, interaction, involvement, or simply participation generally refer to the integration of stakeholders into innovation processes, and share the common view that such an approach should generally associate with positive outcomes (Alam, 2002; Alam & Perry, 2002; Ordanini & Parasuraman, 2010).

Regarding the *actors who participate*, the literature on service innovation differentiates between three main stakeholder groups: customers, employees, and external stakeholders such as suppliers, channel partners, or other third-party institutions. Ordanini and Parasuraman (2010) investigate the comparative effects of customer, contact employee, and external business partner collaboration in the luxury hotel industry. Their study shows that innovation volume benefits from collaborating with customers and contact employees, while collaborating with business partners and contact employees positively affects innovation radicalness.

The literature provides limited direct suggestions for ways *how to design* participatory service innovation processes. Describing consumer co-creation in new product development, Hoyer, Chandy, Dorotic, Krafft, and Singh (2010) propose a set of firm-level variables that positively impact the propensity to engage in a participative innovation process. They argue that the two generic options of increasing the perceived benefits or reducing the costs (e.g., providing toolkits) may be effective in stimulating consumer co-creation. Empirically, Im and Nakata (2008) investigate the role of four environmental project characteristics as antecedents to cross-functional integration. They conclude that all four aspects—a market-oriented rewards system, planning process formalization, managerial encouragement to take risks, and managerial involvement in a new product project—positively impacting cross-functional integration and enhancing new product advantage. Given the paucity of work directly related to design characteristics of stakeholder participation, this study's conceptual foundation roots in three adjacent literature streams, namely, open innovation, creativity, and design of work environments that promote innovation.

2.1. Insights from open innovation literature

Integrating stakeholders with their ideas and resources is at the heart of open innovation and improves innovation capabilities. The innovation contests and crowdsourcing literatures suggest that several design characteristics stimulate stakeholder participation (e.g., Adamczyk, Bullinger, & Möslin, 2012; Brabham, 2008; Ebner,

Leimeister, & Krcmar, 2009). Lakhani and Panetta (2007) study organizational design characteristics of three open source software communities. They conclude that designing tasks in a modular and granular way enhance participation. Furthermore, self-selection of tasks, availability of tools to support innovative behavior, and transparency are key characteristics of participative organizational design principles (Lakhani & Panetta, 2007). Analyzing 283 crowdsourcing contests, Zheng, Li, and Hou (2011) investigate the roles of autonomy, variety, tacitness, analyzability, and variability as design features impacting intrinsic motivation. They suggest these variables determine participation intention and actual participation. Reviewing the literature on innovation contests, Adamczyk et al. (2012) propose a framework of 15 design elements for characterizing innovation projects. While a majority of these elements are operational and/or specifically apply to participation in innovation contests (e.g., contest period, submission evaluation process), the elements of task/topic specificity, incentives, pre-definition of a target group, and functionalities for supporting interaction among participants seem relevant for examining stakeholder participation in innovation processes.

2.2. Insights from the creativity literature

How can organizations foster and capitalize on the creative potential of employees? This question has drawn a substantial amount of attention (see Anderson, Potočnik, & Zhou, 2014). Studying design characteristics of how work environments affect employee creativity has led to the development of three scales. First and most prominent, the KEYS scale suggests that to stimulate creativity that managers should (1) encourage creativity at both the supervisory and the organizational levels, (2) grant decision-making autonomy, (3) provide sufficient resources, (4) set challenging tasks, and (5) ensure a supportive work group environment (Amabile, Conti, Coon, Lazenby, & Herron, 1996). Pressures from excessive workload and organizational impediments such as internal strife, conservatism, and rigid formal management structures negatively influence creativity (Amabile et al., 1996). As a second approach, the Team Climate Inventory (TCI) suggests (1) participative safety, (2) support for innovation, (3) challenging objectives, (4) task orientation, and (5) interaction frequency are important antecedents of a work group's innovative climate (Anderson & West, 1998). Third, the Creative Climate Questionnaire (CCQ) covers 10 dimensions, including challenge, freedom, idea support, trust, debates, and idea time (Ekvall, 1996). Hunter, Bedell, and Mumford's (2007) meta-analytic review summarizes climate dimensions' role in creativity and innovation following a taxonomy of 14 climate dimensions. While findings show creativity and innovation most prominently relate to working climates of positive interpersonal exchange, other areas including intellectual stimulation, challenge, top-management support, availability of resources, and reward orientation play an important role as well.

The literature offers little about potential interrelationships among the factors characterizing "good" stakeholder participation. Hoyer et al. (2010, p. 290) argue that stakeholders "are probably motivated by a combination of these factors and therefore, a multi-pronged approach that targets several motivators [...] would likely be most effective." Similarly, Lakhani and Panetta (2007) conclude that focusing optimizations of a particular design facet may lead to negative results.

With this background, the present study conceptualizes participatory processes as complex interplay of different design characteristics. This summative evaluation of design characteristics refers to participation quality. Analogous to corresponding approaches defining the quality construct, participation quality is "a global judgment, or attitude, relating to the superiority" of the participation process (Parasuraman, Zeithaml, & Berry, 1985, p. 16).

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