

Part I

Innovation Definitions, Governance Structure, and Literature

Innovation: A Critical Assessment of the Concept and Scope of Literature

The scope of the innovation literature is vast, the variety of definitions too great and the agreement on central issues and concepts too little to review it all adequately. Literature reviews on the concept of innovation cover various *specific* areas of the innovation literature and this approach lends itself as the only probable and pragmatic way of confronting material of this magnitude unless one is content to speak of *tendencies* in innovation research. This chapter makes sense of all the converging notions of innovation.

Highlight Urry (2007) argues that the car marked a radical departure from the train, which was the great 19th century transport invention. The train was public and followed a time regime set by the railway companies: it disciplined its users in terms of their adhering to schedules, timetables, platform changes etc. In contrast, the car embodied the opposite: it created and meant freedom (I can go where I want), privacy (the car as living room on wheels) and individuality (from choice of model to tuning or 'pimping' up the car).

Service Innovation: A Review of the Literature

Services are increasingly dominating the world economy, contributing over 70 % of employment in OECD countries and 58 % of worldwide gross national product (Baltacioglu et al. 2007). The move from agriculture- and manufacturing-based to service- and knowledge-based economies has been pronounced in nations and all future forecasts show no signs of this trend abating (McCredie et al. 2010). This chapter reviews service innovation literature and brings to light different aspects of service innovation pertinent to service- and knowledge-based economies.

Highlight Organizations are embedded in service value networks that comprise of a system of entities which include suppliers, intermediaries, customers and partners that combine core capabilities to co-create service offerings for the consumer. According to Hacklin et al. (2005), networks are multi-layered which enhances opportunities to co-innovate and create systemic value in operations through horizontal, vertical, diagonal and complementary networks. Connections through the networks may be human to human, technical to technical or human to technical; highlighting the importance of both human-centricity and technology in service innovation.

Open Service Innovation: Literature Review and Directions for Future Research

Open service innovation enables business service firms to realize service innovations through engaging in external partnerships. The results of a review of studies investigating open innovation in a business service context indicate that prior work (1) primarily drew on a learning lens to explain service innovation and (2) adopted three levels of analysis, that is, *alliance*, *alliance portfolio* and *network*, resulting in three disconnected research streams.

Highlight Studies adopting a network view suggest that the breadth and range of the network may lead to different service innovation outcomes. According to a study by De Vries (2006), radical service innovation results from service firms and customers interacting with a broad network of multiple providers. Syson and Perks (2004) showed that more radical innovations require the combination of complex and valuable resources, which can be facilitated in networks with a wider range of actors.

Towards an Understanding of Open Innovation in Services: Beyond the Firm and Towards Relational Co-creation

An increasingly global and connected market environment sees many service providers struggling to find a competitive position. The shift from a product-dominant logic to a service-dominant market logic pressures businesses to look for new and effective ways of engaging with the innovation process. Managers are seeking more creative problem solving and lateral thinking in corporate innovation practices.

Highlight According to Grönroos 2007, services now account for: “77 % of the value added in the United States and 73 % of the value added in the United Kingdom” (Aas and Pedersen 2010). Aas and Pederson (2010) notes that this figure could be significantly higher if ‘hidden services’ were included, such as those which are associated with manufacturing and primary industries, but which

incorporate a service element. As the manufacturing sector is driven by technologies such as 'lean manufacturing', we can expect to see a growth in 'hidden services' as companies seek to incorporate manufacturing and reconditioning of manufactured goods into their business models (Aas and Pederson 2010).

Exploring a Multidimensional Approach to Service Innovation

Given the fuzzy nature of services, it proves challenging to describe precisely what element of a renewed service offering can be regarded as innovative. Many existing characterizations are criticized for being too limited to capture distinctive features of new services accurately. Highlighting the complexities inherent in service innovation, this chapter operationalizes a multidimensional conceptualization of service innovation.

Highlight *Using survey-data from 341 firms, the authors operationalize a multi-dimensional conceptualization of service innovation and show that firms renewing a higher number of dimensions indeed tend to yield a higher percentage of their turnover from new services. Further implications of treating services as multidimensional systems are discussed.*

Innovation, Service Types, and Performance in Knowledge Intensive Business Services

Among business services, Knowledge Intensive Business Services or KIBS represent a particular domain, and the literature discussing service innovation in KIBS has strongly emphasized their customized nature and, to some extent, their super-imposed service innovation on service customization (Bettencourt et al. 2002). This may lead to possible misunderstandings with regard to the relationship between service innovation, different types of services (e.g. customized and standard services), and KIBS firms' economic performances.

Highlight *Using fuzzy sets qualitative comparative analysis (fs/QCA) on a sample of 319 KIBS firms, the authors explored the best performing configurations resulting from a combination of different service innovations with different service types. In doing so, the authors separately considered product and process innovations and four different types of services (customized, standard, standard with minor customizations, and modular). The results emphasize the complementarity between process innovations and service standardization on a firm's profitability, while highlighting the complementarity between process innovations, service customization, and modularity of a firm's growth.*