

Part VI

International Dimensions of Service Innovation

Services Offshoring: Location Choice and Subnational Regional Advantages in China

Given the strategic importance of service offshoring both at the firm and national level, it is critical to understand why service offshoring activities are carried out at particular locations around the world, and the implications of the location choice on service efficiency, service quality and service innovation. Compared to manufacturing offshoring, location decisions for *services offshoring* tend to be based on different rationales, and focus more on factors, such as cultural differences, education level of workers, and telecommunication infrastructure (Bunyaratavej, Hahn and Doh 2008).

***Highlight** According to an on-going large survey by the Offshoring Research Network (www.fuqua.duke.edu/offshoring/), companies benefit from service offshoring not only in cost reduction due to access to cheap labor and economies of scale, but also in improving service level because of access to qualified personnel, expertise of service providers, and increased organizational flexibility.*

Innovative Strategies in Servicing International Markets from Ireland

Ireland provides an interesting case study of growing involvement in internationally traded services, with multinational subsidiaries under increased pressure to be more innovative in servicing international markets through service innovations across borders. Innovative tax policies together with innovative managerial practices such as transfer pricing have enabled multinational subsidiaries in Ireland to evolve their operation more globally as well as remain profitable in a relatively high cost location.

Highlight *In order to trace the growth and contribution of Ireland's internationally traded services (ITS) in areas such as computer and financial services, use is made of available sectorally defined trade data (Forfás 2010). Going beyond these aggregate data, however, this chapter also makes use of company case studies of major ITS investments in Ireland to identify some of the innovative strategies being adopted by subsidiaries as they seek to remain competitive both within Ireland and also within their corporations. Additionally, background information on employment and revenue in relation to case study companies is examined, using the annual Irish Times Top 1,000 company database, together with company profile information from web-based sources.*

Leveraging Value Across Borders—Do ‘Market Place Interactions’ Trump ‘Market Space Transactions’?: Evidence from Australian Firms in Industrial Markets

One of the challenges for any firm is a sustainable approach to value creation. As firms aim to create additional value for their clients, their output comprises a combination of supplementary service activities supporting the development of, or increased utility of, a good or a service. Products comprising goods and/or multiple service components are complex and add to the logistical and operational challenges of product delivery across international markets. Although the use of innovative technologies for international service delivery are available to the firm, some degree of direct interaction may still be required for various types of supplementary services, such as customized design, installation, maintenance and on-going after-sales service support.

Highlight *By undertaking an exploratory case study of four Australian firms, operating in industrial markets, this chapter seeks to assess the use of service innovative technologies in the delivery of supplementary services to international clients. For all case study firms, the delivery of supplementary services formed an important component of their international strategy. In particular, the provision of maintenance services was assessed by senior management as their company's competitive advantage. A key finding is a preference for direct delivery of services, in conjunction with technology. This is for two reasons - first, not all service related problems can be successfully resolved via technology; second, is for the firm to retain the ability to provide customer relationship building, specifically for the purpose of enhancing value creation.*

Frugal Services Innovation—Lessons from the Emerging Markets and an Adoption Framework for First-World Corporations and Governments

According to the EIU report published in 2011, 66 % of the economic growth in the next five years will come from emerging markets. Leading the pack are China, India, Indonesia and Brazil with innovations that can be characterized as “need driven” in the low-end market context. India, for example, has pioneered what many have termed “Frugal Innovation” (Zeschky, Widenmayer et al. 2011), where local needs are met with local resources in ways not tried before, driven by shortage of resources in the emerging markets—“resource-constrained innovations” (Ray and Ray 2010).

Highlight *In rural India where the bicycle is still a popular mode of transport and electricity is yet a luxury—but not the ownership of a basic mobile phone in households—Nokia created a phone charger based on the same principle used in powering the bicycle light: a dynamo charged by pedal power (Dhavale 2013). Furthermore, Prahalad, who coined the phrase “bottom of the pyramid” has suggested that the BOP market is a breeding ground for radical innovations based on the market dynamics influenced by social classes (Prahalad 2012).*