EXPLORATION OF ANTECEDENTS OF SERVICE DELIVERY INNOVATION AND ITS IMPACT ON THE FIRM PERFORMANCE

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ABSTRACT

Service firms are fostering innovation so as to gain competitive advantage [Sheth, 2011]. Literature suggests that in service firms, factors contributing to the innovativeness are more intangible in nature [Hunt, 1999, 2000, 2002; Madhavaram and Hunt, 2008]. Hence, the existing notion of innovation in manufacturing sector cannot be directly adopted into the service sector [Hunt and Morgan, 1997; Vargo and Lusch, 2004; Paswan, D'souza and Zolfagharian, 2009]. To study the specific case of service innovation in the delivery process i.e., service delivery innovation [Avlontis, Paulina and Spiros, 2001] various intangible firm resources have been studied by researchers [Conner and Prahalad, 1996; Madhavaram and Hunt, 2008] to identify their role in the innovation process. Researchers have classified these resources into various classification schemes such as tangible and intangible [Hunt, 2000]; physical, human and organizational [Barney, 1991]; operant and operand [Vargo and Lusch, 2008] and basic, composite and interconnected [Madhavaram and Hunt, 2008]. Under the Hunt [2000] resource classification, intangible firm resources have been further classified as collaborative, integrating and organizational entities that produce efficient market offerings. These resources have been identified as a source of competitive advantage under the resource advantage [RA] theory [Hunt, 1997, 2002, 2011]. Further, service-dominant [S-D] logic framework [Vargo and Lusch, 2004, 2006, 2008] advocates intangible dynamic resources as the basis for firm competence. Based on the above framework, various models have been proposed to measure effectiveness of service innovation [Ordanini and Parasuraman, 2011; Storey and Kahn, 2010; Chen, Tsou and Huang, 2009].

However, our review found that the previous literature [Ordanini and Parasuraman, 2011, Storey and Kahn, 2010; Chen, Tsou and Huang, 2009; Merz, He and Vargo, 2009; Gronroos, 2006] has neglected the potential of intangible resources in the service development and innovation one hence there is a call of more research in this domain. Our review suggests that there are very few

studies that look at collaborative, integrating and organizational resource entities [Hunt, 2000] in a single model. The present research derives insight from RA theory and SDL framework to propose a conceptual framework for investigating the antecedents and consequent of service innovation in a project led service environment. The enablers of service innovation includes innovation orientation [IO], market orientation [MO], knowledge integration mechanism [KIM], IT infrastructure [ITI], customer [CC] and business partner collaboration [BC]. These enablers have been selected based on the reviewed literature [Hurley and Hult, 1998; Chesbrough, 2006; Kohli and Jaworski, 1990; De luca and Gima, 2007; Wasko and Faraj, 2005; Ordanini and Parasuraman, 2011]. The role of technology turbulence and market uncertainty has also been studied as controlled variables.

The study of sustainable competitive advantage in light of service innovation has largely remains understudied and there is a call for more empirical findings in this domain [Bhardwaj, Varadarajan and Fahy, 1993; Hoffman, 2000; Storey and Kahn, 2010]. Juan Lu, Ivan and Cheng-Jui [2010] suggest innovation as a key for competitive advantage in service industry. Storey and Kahn [2010] studied the effect of service performance on sustainable competitive advantage of the firm. The effect of service delivery innovation on sustainable competitive advantage has been tested in the proposed model. Further, the mediating role of service delivery innovation has also been studied in the overall model. Literature largely remains silent on exploring the role of customer orientation in the service innovation process [Ordanini and Parasuraman, 2011; Kennedy, Goolsby and Arnould, 2003]. Hence, the moderating role of customer orientation [CO] of team leader/ project manager has also been studied in the above relationship.

By collecting data from 419 service sector professionals working largely in Indian Information Technology and Commercial banks, we tested the aforesaid relationship under 9 hypotheses [H1 to H9]. Out of the collected sample, Information Technology firms represent tacit services and Commercial banks represent explicit services. This classification is based on the service firm classification scheme proposed by De Luca and Gima [2007]. It has been done purposely to collect a representative sample. The structural model has been tested using AMOS 18.0. It shows that innovation orientation, market orientation, knowledge integration mechanism, IT infrastructure and customer collaboration strengthens service delivery innovation process.

However, business collaboration does not have significant impact on the service innovation process [Ordanini and Parasuraman, 2011; Chen, Tsou and Huang, 2009]. Further, customer orientation strengthens service delivery innovation - performance relationship and hence advances available literature by establishing itself as an efficient moderator. The controlled variables namely market uncertainty and technological uncertainty does not have significant impact on the tested model. Overall, this proposed innovation framework presents a roadmap for marketing researchers to explore the connection between enablers of service innovation and firm resources. This work contributes in understanding resource allocation process of the service firms.

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