

The benefits of service innovation management essay



**ASSIGN
BUSTER**

The benefits of service innovation are obvious. What is not as clear is how managers should decide on which innovations is more beneficial and valuable to implement in the service. Base on researcher, in some cases, innovative service offerings are necessary just to sustain a firm's current market share. This phenomenon suggests “ that some innovations may merely raise the cost of doing business without a significant economic benefit, other than to preserve current business and without providing a competitive edge” (Reid and Sandler, 1992). It is important for managers to implement innovations which are not only desired by customers and satisfy them but also are economically beneficial and bring value to the firm. According to researcher, hospitality firms like hotels can bring benefit and value from the implementation of service innovation (Victorino et al., 2005). In order to add value to the guests' experience, hotel managers and marketers must determine which services are preferred by hotel guests and travellers. Once a manager understands customers' preferences and expectation can prioritize those preferences which add the greatest value to the hotel's existing service offering.

In previous chapter, the basic theories, elements and also constructs which are the foundation of this study were examined. In this chapter, a conceptual model and framework would be formed. After that methods of sampling and data collection are proposed in this chapter.

Although the academic literatures suggested many different theory procedures for this types of research such as Reverse Product Cycle Theory by Richard Barras (1986-1990), The Uniqueness of Service Theory by Mansharamani (2005), Den Hertog Theory (2002) but theory of Steady-state

<https://assignbuster.com/the-benefits-of-service-innovation-management-essay/>

by Joe Tidd & John Bessant (2009), Innovation Value Chain by Morten T. Hansen and Julian Birkinshaw (2007) and Building Block of Interactions by Prahalad & Venkat Ramaswamy (2004) are proposed a generic procedure that ensures all guideline are met in order to facilitate the development of this framework. In this approach the most important thing is to build relationships among variables (independent and dependent) and any relationship must be stated, otherwise the theory cannot be shown to be internally consistent.

Since the purpose of this study is to explore the influence of service innovation management on value co-creating so the paper will examine the addition of innovative offerings and its relation to the hotel's service.

This study was conducted through several phases that will include literature review, data collection, data analysis, findings, and recommendations. After having the literature review determined as a framework for the research questions or hypotheses, a type of conclusive research is selected to get information that is useful in decision-making process or reaching conclusion.

3. 2 Research Model

In section 3. 1, based on Joe Tidd & John Bessant (2009), Morten T. Hansen and Julian Birkinshaw (2007) and Prahalad & Venkat Ramaswamy (2004) theories, the general hypothesis testing would be tested. In this section a framework is proposed and in the next section the measurement of variables would be considered. In fact the theoretical framework is prepared in this study includes two variables. In the left side there is service innovation management as an independent variable and on the opposite side value co-

creation is dependent variable. In literature, the study has discussed about service innovation management and how influence on value co-creation. So the framework illustrated below definitely revealed these influence between two variables:

Value co-creation

Service innovation management

Joe Tidd & John Bessant (2009) Prahalad & Venkat Ramaswamy (2004)

Figure 3. 1: theoretical framework of this study

Based on innovation value chain theory by Morten T. Hansen and Julian Birkinshaw (2007), this study would categorize hotels based on performance in stages of innovation: idea generation, conversion and diffusion to determine the hotel falls under which innovation value chain.

According to literature review in chapter 1 and 2, a number of studies have empirically examined the relationship between management-reported market orientation and performance (Deshpande et al., 1993 Greenley, 1995, and the others). Some other researchers like Mansharamani, V. (2005) argued that theory of the uniqueness of services determines changes of the seven characteristics before and after service innovation decisions, done by company. In addition, Richard Barras (1986-1990) describes service innovation as a reverse product cycle. Based on these review, service innovation management is introduced as another contributor to co-creating value. As a result this study explores that how management of service

innovation would influence on co-creation of value and categorize the level of hotel based on performance.

By going through all literature reviews which have done before by other researchers this research framework is developed to examine the influence of service innovation management on value co-creation. Here, service innovation management is independent variables with five dimensions include; (strategy, learning, linkages, processes and organization innovation) and value co-creation is dependent variable with four dimensions include; (dialogue, risk and benefit, access and transparency).

Value creation

Dialogue

Transparency

Access

Risk

Service innovation management

Strategy

Learning

Linkages

Processes

Organization Innovation

Figure 3. 2: Research Model of This Study

In the next section there are some definitions and measurement of variables mentioned above. For example based on literature, service innovation management can be operationalized by Strategy, Learning, Linkages, Processes and Organization Innovation. And also value co-creation can be measured by Dialogue, Transparency, Access and Risk.

3. 3 Hypothesis of Study

Since this study is based on theory building approach....., it can be assumed some general hypothesis based on literature and recognized variables form that. Therefore, generally there are some hypotheses like:.....

3. 4 Definitions and Measurements of the Variables

In this section, it would be dealt with complete definitions of all variables (service innovation management and value co-creation) and also their measurements and how to operationalize the variables as well, in the major construct of research.

3. 4. 1 Service Innovation management

Managers of hospitality firms when reexamining their existing service offering also need to decide which innovations will create value. Managers must ask themselves, which innovations not only deliver additional value to their customers but also are economically viable to the firm (Victorino et al. 2005). Hotel manager should consider the customer perception of what they want to have in a specific situation. In the hospitality industry there are lots of options for customer to choose based on which service will bring and add

value for them. Example of Victorino et al. in 2005, explain that “ a hotel operator can offer various combinations of traditional value drivers such as price, location, and typical hotel amenities, such as pool or work-out facilities on the other hand, new and innovative value drivers could be offered which include features such as online reservations, in-room high-speed internet access, customization of room decor, and flexible check in/out policies”.

In fact this study focused on identifying how well a hotel manage innovation and how well manage discontinuous innovation by using five dimensions to determine its influence on value co-creation which are very important for firms in order to add value.

The organization and management of new service development and delivery can be assessed by five components: strategy, process, organization, tools/technology and system (SPOTS). This framework has been developed and tested by analyzing more than 100 firms in USA and UK, and validated during the course of conducting a total of 27 cases studied from 18 companies (Joe Tidd & John Bessant 2009).

Each of five factors of service innovation management based on how well a hotel can manages innovation and how well manage discontinuous innovation, plays a different role in the performance of service innovation. Strategy provides focus, process provides control, organization provides coordinating of people, tools and technologies provide transformation/transaction capabilities and system provides integration.

The score and analyzing of the database allows a hotel to identify its strengths and weaknesses.

<https://assignbuster.com/the-benefits-of-service-innovation-management-essay/>

Strategy

Innovation organization

Learning

Linkage

Processes

Joe Tidd & John Bessant (2009)

3. 4. 2 Value Co-Creation

Theory of building blocks of interactions determines how firms build a system for co-creation of value. First, hotels have to start with the building blocks of interactions between the hotel and consumers that simplifies co-creation experiences. It can be assessed by four dimensions: dialog, access, risk-benefits, and transparency (DART). These building blocks of consumer-company interaction challenge the strong positions managers have traditionally taken on labeling laws, disclosure of risks (as in smoking or genetically modified plants), transparency of financial statements, and open access and dialog with consumers and communities (Prahalad and Ramaswamy 2004). In the conventional value creation process, hotels and travelers had distinct roles of service and consumption.

Each of four items (DART) plays different role in co-creation of value: dialogue with customers is very time intensive. Dialogue means interactivity, engagement and tendency to act on both sides. Access begins with information and tools. The customer has given opportunity to access to data on the service processes, design and quality processes of service offering. A

discussion option openly gives customers a degree of control over the risks that they assume. Transparency allows customers to interact with hotels in possibly interfering ways.

Dialogue

Co-creation of value

Transparency Access

Risk-benefits

Figure...: Building Block of Interactions for Co-Creation of Value (Prahalad and Ramaswamy 2004)

3. 4. 3 The Innovation Value Chain

According to the theory of innovation value chain, each hotel would be categorized based on performance in three stages of innovation: idea generation, conversion and diffusion to determine the hotel falls under which innovation value chain. Across all the phases, managers must perform six critical tasks. Idea generation is subcategorized by internal sourcing, cross unit sourcing and external sourcing, to determine the good idea of innovation is created from which subcategory of idea generation dimension. Conversion is subcategorized by selection and development, to screening and funding the good idea and moving it to the practice. Spread of the idea across the organization to determine how the hotel is good in diffusing developed idea across the hotel. By analyzing of all the data from each category, hotel would identify fall into one of three broad weakest link scenarios.

Idea Generation In-house

Cross-pollination

External

Innovation Value Chain Conversion Selection

Development

Diffusion Spread

3. 5 Sampling Procedures

On order to do the sampling and data collection, the most important things are quantity of data, quality of data and response rate. Therefore, choosing a suitable sample is critical for any research and study in order to find out better result and outcome.

The purpose of this survey is to gather information regarding the service innovation management and value co-creation activities in hotel industry in so the populations of this study are all star rating hotels within the Central Region of Peninsular Malaysia (Selangor, Federation of Kuala Lumpur, Federation of Putrajaya and Negeri Sembilan). Therefor all star rating hotels was set as the unit of analysis. This study aims to gain familiarity with the phenomena of interest and understand what is occurring in hotel industry because the knowledge is scanty and a deeper understanding is sought.

In the sampling procedure, the favorable respondents are general managers of the hotels to get necessary information for developing a viable theoretical

framework. In fact managers can be viewed various activities which deal with service innovation management at different level and also integrate customer in hotel's activities in co-creating value. Based on researcher, it is known that survey research has been plagued by low response rates. Also the length of questionnaire is quite important among managers, because time is quite important for them. If they need spend quite much time for filling the survey, probably they would hesitate and reject filling the survey.

The other issue about sampling procedure was the type of sampling procedures during this study. Actually the survey of this study is based on non-probability sampling (convenience sampling).....

Sample size is important issue in any research and study. It should not be too large with may make some trouble for collecting and analyzing the data and also should not be small which may cause some bias in study and make it incomplete study with few data. The sample size needs to be selected at medium level in order to cover all required information for continuing the survey.

3. 6 Sources of Data

Infect in this study, there are two kinds of sources for data collection. Both primary and secondary sources have been used and implemented in order to have better outcome for the survey.

3. 6. 1 Primary Data

In this study, primary data was collected by forwarding the structured questionnaires to general managers of hotel industry in central region of

Malaysia. So, the managers of hotel industry are selected based on availability of sending questionnaires to them.

3. 6. 2 Secondary Data

Beside primary data, some information needed to complete the survey. This study implemented also some data as secondary data from different resources such as Malaysian economic review, department of statistics of Malaysia, TDC (Malaysian Tourism Development Company). And also some other search engines which are usual such as MMU online database (Emerald, Ebsco Business Premiere, Proquest and so on). Google, Yahoo and SSRN were another source for collecting data as secondary during data collection.

3. 7 Data Collection

In this study a structured questionnaire which has been made by Joe Tidd & John Bessant (2009) and Morten T. Hansen and Julian Birkinshaw (2007), but by a few changes. After changes it was distributed among one expert, supervisor, lecturer and some other friends to review the questionnaire and make sure the unambiguity and then was delivered to hotel industry in central region Malaysia. The questionnaire has been attached in appendix section at the end of this dissertation. The questionnaire is included five parts. The first page includes the cover letter from the university.

The first and second parts consist of service innovation management measures, how the hotel manages innovation and how well hotel manages discontinuous innovation. In these two parts for service innovation

management dimensions, there are list of factors such as strategy, process, <https://assignbuster.com/the-benefits-of-service-innovation-management-essay/>

linkage, learning and organization innovation and asked from respondent to rate to what extent they see the use of mentioned service innovation management in their hotel. This was included seven point likert scale from 1 (Not True At All), 2 (Very True), 3 (Slightly Not True), 4 (Neutral), 5 (Slightly True), 6 (True) and 7 (Not True).

The third part consists of the innovation value chain measure. In this part was asked manager the process of innovation value chain which are idea generation, conversion and diffusion. This part was included five point likert scale in order to determine how respondents would identify the hotel fall into one of three broad weakest link scenarios from 1 (Disagree), 2 (Strongly Disagree), 3 (Neutral), 4 (Agree) and 5 (Strongly Agree).

The fourth part consists of value co-creation measure which asked managers the level of dialogue, data accessibility, transparency and risk and benefit assessment. This part was included five point likert scale in order to determine how respondents see the level of customer integration in their hotel from 1 (Disagree), 2 (Strongly Disagree), 3 (Neutral), 4 (Agree) and 5 (Strongly Agree).

The last part is included demographic profiles of respondent like hotel's name, location, length of operation, number of employees and ownership (local, foreign). Also the last part includes some definition of service innovation and value co-creation to enhance clarity of the questions.

Most of the questionnaire has been sent to hotels by person delivery in order to increase the response rate and rest by email. Based on TDC list there are around 180 samples in central region Malaysia based on star rating and <https://assignbuster.com/the-benefits-of-service-innovation-management-essay/>

about only ... replied the survey. As a result,.... samples (...% response rate) collected and analyzed during this study and complete data analysis would be discussed in next chapter. From these samples, ... of them has done the survey by email and sent completed questionnaire online. And the rest answered questionnaire by paper.

3. 8 Limitations of Data Collection and Methodology

It is obvious that every research and study was plagued by certain limitation and problems during collecting data and completing the survey. And also this study was not an exception. Although around questionnaires have been sent to number of hotels, the response rate is low. There are some reasons for that. Firstly, not all of managers want to enclose their secret data, because they care about their competitors and they are scared by enclosing information to the others, no matter who is that. It could be a researcher or student. Secondly, some of them are not interested to participate to such survey because they believed that every day they have to fill in a questionnaire. Also one manager believed that the university doesn't send any trainer in the hotel, and then we cannot assist. And as a result most of the time researchers would have been troubled with such problems like lack of giving information by managers.

Bias is one of the other problem and limitation of this study. Some managers want to admire the hotel all the time no matter it is working well or not. And it can be because of their fear for losing their position or something else.

Based on researcher “ Bias has been always existed in studies and in this area method which is one of the main sources of systematic measurement

error that threatens the validity of conclusions about relationship between constructs”.

Another important issue in order to minimize the measurement error which may be caused by bias method is to enhance the quality of scale items to reduce the ambiguity and keep questions simple and concise. It should be hesitated bringing such long and unclear questions which are not completely understandable for reader.