

Chapter XV

Developing Innovative Practice in Service Industries

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ABSTRACT

This chapter presents the argument that service innovation is promoted by supporting divergent interpretations, enlarging the scope of employee and organizational skills and competencies, making interactions and knowledge sharing between people easy, and by encouraging close ties with customers. The chapter further argues that service organizations that utilize sociotechnical mechanisms for knowledge sharing through the use of a successful community of innovation (which we term a CoInv), and that build into their innovative capacities a strong relationship with their customers and suppliers, are very likely to innovate successfully. The argument is demonstrated through a qualitative case study where data analysis was deductive from multiple data sources. The chapter also demonstrates the power and efficacy of channeling activities through community innovation lenses. We argue that identifying innovation champions and comprehensively supporting them will potentially trigger more successful innovations thus improving service competitiveness in the market place.

The role of networks in innovation begins at the earliest stages of the innovation process, where they provide the collective support necessary to risk going against the established ways of doing things.

—A. Hargaddon (*How Breakthroughs Happen*, 2003)

INTRODUCTION

Services lie at the very hub of the economic activity of all societies. Indeed according to Groönroos (2000), today's firms do not compete on the basis of physical products but rather on the basis of the services they offer. This is because from the customer's perspective there is often little to differentiate competing products. Over the last decade, deregulation and the globalisation of markets and service companies have made for severe and relentless competition among service firms. It is therefore no surprise that service innovation is at the heart of a service organization's competitiveness, and that constant adaptation in a turbulent environment requires a continuous flow of new offers (Stevens & Dimitriadis, 2005). Service executives are increasingly recognizing the need to regularly develop new services to stay competitive (Alam, 2006), and research has confirmed that new service development (NSD) is indeed a major competitive factor for the service industry (Johnson et al., 2000; Fitzsimmons and Fitzsimmons, 2001).

Stevens and Dimitriadis (2005) confirm that what facilitates new product development also facilitates new service development i.e. the way to foster innovation in either case is to foster learning. This is why, supporting divergent interpretations, enlarging the scope of skills and competencies associated with a particular development, facilitating testing, making interactions and knowledge sharing between people easier, and encouraging the formalisation of outcomes should be used more systematically as a guiding principle for managing NSD.

The authors have argued elsewhere (Coakes & Smith, 2007) that successful innovation must be based in co-ordination mechanisms that support the problem-solving efforts of the organisation's human capital and the dynamic processes of sense making and learning within the organisation, and that innovation-focused communities are one of the most effective supporting organisational forms for creative product development. Additionally, the generation of new ideas that activates innovation is

facilitated by diversity and breadth of experience, including experts who have a great deal of contact with other experts in the fields; links to users; and links to 'outsiders'. The theory of innovation put forward by Pennings and Harianto (1992) emphasizes that innovation emerges from a firm's accumulated stock of skills (internal innovative capabilities) and its history of networking (external innovative capabilities). Creativity often springs up at the boundaries of disciplines and specialties, Whitworth (2007) agreeing that "...creativity seems to occur at the intersection of fields, so letting knowledge flow in new ways seems a good way to "water" a knowledge garden". Innovation-focused communities are effective because of collaboration between individual members and intra- and inter-organisationally. The authors have named these aggregations "communities of innovation" (CoInv) and propose that such communities are the place for best developing new practices, new services and new products.

It is therefore necessary to test out pragmatically these propositions: firstly that innovation-focused communities are one of the most effective co-ordinating organisational forms for NSD; and secondly, that these communities should be based around innovation champions and formally constituted as such rather than being communities for task-oriented practice, by using case-based experiences in a service oriented organisation. Technology as experienced by these communities is utilised as an addendum to their main function of knowledge sharing but is important in those functions it does support.

This chapter is structured as follows: firstly a discussion of communities of innovation (CoInvs) and their distinction from communities of practice (CoPs) is conducted; we then present the case material and discuss how CoInvs were formulated and technically supported; this is followed by a short discussion of innovation in the service industries and its application in our cases; finally we draw our conclusions and suggestions for future research including implications and recommendations for managers, researchers and policy makers.

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