

# Chapter 90

## Sources of Innovation and Success in the Food Service Industry

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### ABSTRACT

*The purpose of the study in this chapter is to investigate and analyze the sources of innovation and success in food service industry. It also discusses of what kind of network management capabilities were needed in these SME cases. This chapter will demonstrate that the SMEs have a good chance to succeed if they can harness the external knowledge in their start up process. This chapter contributes to the prior strategic management and business networks research by analyzing the selected SME cases in the food service industry.*

### INTRODUCTION

For years, the idea of internal, closed R&D was considered to be the only source for companies to success, but today the companies are more and more harnessing external knowledge while leveraging their in-house ideas and R&D (Chesbrough, 2006). Due to the Internet and global competition, SMEs are able to gain access to wide range of information related to the start up business and specific industry challenges and

competition situation. Currently, the vast amount of information available online includes information and websites for grants, loans, industry and area specific information like, local unemployment, nearby schools and government agencies, cost of living, income and crime rates. SMEs' R&D strategy can benefit from external research capabilities to create knowledge diffusion.

According to Henry Chesbrough (2006, pp.45-52) companies need to leverage the abundance of knowledge outside their own companies to be successful.

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The food service business is one of the fastest growing industries in the world and the new technologies and social media bring new actors in the global markets. Food service industry generates approximately 360 billion USD turnover per year in the United States (Simpson & Carevic, 2004), and globally the turnover is 1.3 trillion USD (Webber, 2004). There are increasingly complex network structures emerging in this industry. Food service companies have been characterized as customer-centric, knowledge-based, and service-intensive. They also use new technologies more and more in order to be competitive. (See e.g. Morland, Wing, Roux, & Poole, 2002 of food service locations and demography; Johns & Pine, 2002 of consumer behavior; Taylor, 2002 of standardization and differentiation; Rodgers, 2008 of technological sophistication)

However, many SMEs in food service business sector fail because they do not have the financing or research laboratories in comparison to bigger manufacturers (Rodgers, 2007, p.900). The success (or failure) of the SMEs depends on the differentiation (see e.g. Hudson, 1994 of restaurants and cafes' differentiation), lack of innovation production technologies (Hudson, 1997), lack of originality like e.g. superior cooking (Van Stamm, 2003), finding their own niche (Gardner & Wood, 1991; van Stamm, 2003; Poulston & Yiu, 2011) or lack of funding to do the necessary research in their industry area (Rodgers, 2007; Hudson, 1994), and thus, be competitive. What are then the sources of innovation and success? This study analyzes and discusses about the innovation sources that are used in SMEs in a network context. It also discusses about the managerial capabilities are required in order to success. This chapter contributes to the prior strategic management and business networks research by analyzing the existing successful SMEs in the food service industry. The key questions in this research is to analyze the variety of SMEs' business cases that have succeeded in their business goals and what have been their sources of innovation and success

and managerial capabilities required. These topics will be discussed in the following sections.

This chapter will first discuss on the previous research in the area of business networks and open innovation. Secondly, the research strategy and methods are presented. The case descriptions are described next. Finally, the chapter ends with the conclusion and future research views.

## **BACKGROUND AND KEY CONCEPTS**

The paper builds on the prior strategic management literature, Resource-Based View of the firm (RBV), economic sociology and social networks research, and industrial network approach by examining the previous research of open innovation and business networks. This section also presents the concept definitions used in this chapter.

There is a vast amount of earlier research on business networks, and therefore, this chapter presents only the most relevant ones. The amount of literature also results in multiple concept definitions, like the researchers in strategic management and Resource-Based View (RBV) (See e.g. Brandenburger & Nalebuff, 1996; Jarillo, 1993; Parolini, 1999; Gregoire, Wade, Julland & Antia (2001); Kajalo, Rajala & Westerlund, 2007; Makkonen, 2008; Möller & Rajala, 2007, Möller, 2010) consider networks as strategic networks and value nets, whereas economic sociology and social networks research (Powell et al., 1996) and industrial network approach (e.g. Håkansson & Ford, 2002; Harrison, 2004; Håkansson & Snehota, 1995; Westerlund & Svahn, 2008) argue of the character, relationships and evolution of business networks. In earlier researches, business networks are defined as a set of relationships between companies where they engage in multiple two-way relationships to bring products and services to the market (e.g. Aldrich, 1998; Parolini, 1999).

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