Service Innovation: The New Paradigm for Sustainable Organisation Development

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Abstract
This study examined the influence of service innovation on organization development. Specifically it examined the relationship between service innovation and organization development metrics (operational efficiency, profitability, market share, customer loyalty). To achieve the objectives of this research, three service organisations were chosen as the case study. The research instrument (questionnaire) was administered on a total of one hundred and five (105) selected customers of First bank PLC , Mutual Benefit Insurance PLC and South-Western hotel, Ado Ekiti. Data obtained were coded and analyzed using multiple regressions. The research findings revealed that there is strong association between service innovation and the four organization development parameters. It was thus recommended that management of service organisations should do everything possible to improve their service quality by adopting emerging innovations which will be comparable with the best in the industry. Employers of service industry should engage in regular training of their staff in order to enhance their skills and efficiency. Furthermore, the policy makers in government should adopt a measure to regulate the quality of services in the service industry by setting minimum standard that must be adhered to by all service organizations.
Keywords: Service innovation, Organisation Development, Sustainable Development

1. Introduction

Revenue sustainability is one of the major factors that compel organisations to build loyal relationships with both potential and existing customers through service innovations. Creating value through service innovation requires new processes and ways of relating to stakeholders at individual, organizational and societal levels (Chandler and Vargo, 2011). Innovation in services often requires changes in various dimensions such as the service concept, client interface, the delivery system, the technology, organizational relations, service products, service processes and external innovations (Kinstoröm *et al.*, 2013). Previous research supports Schumpeter's (1934) view that the process of creative destruction through innovation can lead to economic growth by focusing on the positive effects of service innovation (Christofi *et al.*, 2015). According to Witell *et al.*, (2015), despite the "pro-change" bias in research many organizations have shown a willingness to adopt service innovations, such as customer relationship management (CRM) and technology solutions thereby reaping the promised economic benefits of successful implementation. The process of executing the service innovation – has been somewhat elusive (Dickie, 1999; King and Burgess, 2008; Payne and Frow, 2006). A faulty implementation by the organisation can actually damage customer relationships (Freedman and Sudoyo, 1999). Nine of the ten new service offerings fail because implementation has different impacts at different levels (Witell *et al.*, 2015). Technology plays a large role in these innovations; however, successful implementation requires a bundle of capabilities and competencies – human, technological and organizational (Gadrey *et al.*, 1995) – to all synergistically work together.

The need to implement Service innovations that is customers' centered is essential while developing the relationship into an asset for both stakeholders – the customer and the organization (Jayachandran *et al.*, 2005). However, achieving a true customer relationship orientation in a bureaucratic setting is challenging (Merton, 1957; Mills, 1951). One of the main internal risks of service innovation involves managing changes to "business as usual", along with the associated costs.

Implementing a service innovation incurs two distinct costs – monetary and psychological. The monetary costs consist of the cost of the technology, training and salary, along with implementation costs. The psychological costs are changing the organizational culture and processes and increased visibility into individual employee contributions through metrics.

1.1. Statement of Problem

Carlborg *et al.*'s (2014) reviewed previous literature of service innovation and assert the need for additional studies to gain a deeper understanding of service innovation dimensions that influence organization development. The majority of studies have examined the paradoxes of adopting a service technology through the lens of customer reactions – satisfaction, readiness and behavioral intentions (Bolton and Lemon, 1999; Fournier and Mick, 1999; Meuter *et al.*, 2000; Mick and Fournier, 1998; Parasuraman, 2000; Timmor and Rymon, 2007; Zeithaml *et al.*, 1996). However, there is a paucity of research regarding the adoption of service innovations to fast rack organization development at the organizational level in differing workplace environments (Alshawi *et* *al.*, 2011).

The aim of this study, therefore, is to investigate the influence of a service innovation on organization's development. The specific objectives include:

1. To find out the relationship between service innovation and operational efficiency of organisation's
2. To investigate the relationship between service innovation and profitability of organisations
3. To examine the relationship between service innovation and market share of organisations
4. To find out the relationship between service innovation and customer loyalty.

2. Literature Review

2.1. Service innovation

According to Witell *et al.*, (2015), service innovation offers an effective means to develop or refine services and improve service quality (Berry *et al.*, 2006; Chen *et al.*, 2012). Even though the growing expectations of consumers and the advancement of technology has sparked a widely accepted need for organizations to adopt service innovation, there is a limited amount of research on the core management issues in integrating a new technology, and how service innovation enhances business performance and customer satisfaction (O'Cass *et al.*, 2013).

Service innovation has been explored through three schools of thought: assimilation introduction of new technology with services and manufacturing having similar issues; demarcation – innovation in the service sector is distinct from manufacturing; and synthesis all innovations are service innovations (Castro *et al.*, 2011; Coombs and Miles, 2000). This investigation took the demarcation approach, a logic supported by scholars (Castro *et al.*, 2011; Christofi *et al.*, 2015; Ettlie and Rosenthal, 2011; Nijssen *et al.*, 2006).

Service organizations are complicated with complex social dynamics and ecosystems. Thus, it is imperative for scholars to explore the impact of service innovation on individual, organizational and societal (Chandler and Vargo, 2011; Lusch and Vargo, 2014). Witell *et al.* (2015) and Synder *et al.* (2016) propose dualities are key to understanding service innovation. While exploring the dualities such as adopt-reject, change-static or good-bad may provide deeper insight, it limits research to extreme cases, whereas in actuality, the majority of service innovation implementations fall along a spectrum of success.

Presently, most transformative service experiences are powered by technology (Dabholkar, 2000; Drennan and McColl-Kennedy, 2003; Timmor and Rymon, 2007; Wüenderlich *et al.*, 2015). Successful implementation of a service technology requires a bundle of capabilities and competencies – human, technological and organizational (Gadrey *et al.*, 1995). Creating value through service innovation "introduces something new into the way of life, organization, timing, and placement of what can generally be described as the individual and collective processes that relate to customers" (Barcet, 2010, p. 51). Thus, stakeholders across multiple levels of the organization are impacted, making buy-in critical to success.

2.2. Sustainable Development

According to the International Institute for Sustainable Development (IISD) the term 'sustainable development' is referred to as: "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs*" (IISD, 2013). Furthermore, sustainability includes three dimensions; social, - environmental, - and economical sustainability and authors have argued that business practices should address all three dimensions in order to be considered sustainable (Kumar et al., 2012). One of the ways through which businesses can ensure their responsibilities regarding sustainability issues and maintaining sustainable business practices has been depicted in eight goals termed the 'Millennium Development Goals' (MDGs) (Milleniemålen, 2015). These eight goals were introduced by the United Nations (UN) and its 190 members in 2001, where governments signing the declaration pledged to work towards the attainment of global development (milleniemålen, 2015; Okpala & Ekpemiro, 2012). The authors argue that the main purpose of the MDGs is to improve and better the lives of people in developing countries. More so, the eight goals are all time bound targets with the aim to strive for local solutions in order to strengthen the democracy, reduce poverty, prevent and solve conflicts or crises, while at the same time work to prevent pollution and avert diffusion of HIV and AIDS (milleniemålen, 2015; Okpala & Ekpemiro, 2012).

The notion of sustainability or, sustainable development, is reflected in different concepts related to corporations and the concept 'Corporate Social Responsibility' (CSR) is one of them (Idemudia, 2011). Idemudia (2011) also argues that the idea of CSR presumes that businesses have certain obligations to society that go beyond profit-making and instead involves the help to solve societal and ecological issues. Concerns related to sustainability have come to be one of the more important aspects within developing countries since these markets are in need of socio-economic stability within business environments, which as a result may lead to the support of macro trends and growth strategies (Kumar et al., 2012). For international companies doing business in these markets, the adoption of sustainable development is a function of including diverse firm activities of which marketing has been identified as one (Nkamnebe, 2011).

2.3. Theoretical framework

An organizational change theory perspective was adopted to guide this study. Specifically, institutional theory and stakeholder theory serve as the foundation for helping to understand the role of stakeholders in the adoption of a service technology and to explain the organizational factors impacting implementation. Given that the analysis takes place at the institutional and individual levels, these theories helped to inform the investigation, as numerous previous studies in organizational change have framed their institutional- and individual-level investigations with these two theories, respectively (Cousens and Slack, 2005; Welty Peachey and Bruening, 2011).

2.3.1. Institutional theory and organizational change

Institutional theory enhances our understanding an organization's role in the adoption and implementation of a new service innovation. Institutional theory posits that organizations in a field change their structure to conform to expectations about appropriate design and function (DiMaggio and Powell, 1983). The term "field" describes any organizations within a collective industry. Furthermore, organizational change is often hampered by isomorphism, which has been described as "the constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions" (DiMaggio and Powell, 1983).

3. Research Methodology

This study made use of survey method because of the involvement of large numbers of individuals from whom a sample was collected. Survey was used to obtain detailed information so that the researcher could obtain in-depth understanding of the problem in matter (Yin, 2003).

Three service organizations in Ekiti State which include: South-Western Hotel, First Bank PLC and Mutual Benefit Insurance PLC were used for the purpose of gathering relevant data for this study. Stratified random sampling technique was used to select 105 staff who took part in the study. The study utilized primary data which was collected from the sampled respondents, using well structured questionnaire. The questionnaire was developed to record the responses of staff of the three organizations used for the study. In ensuring the content validity of the instrument used, the variables selected for the constructs were largely adapted from previous studies.

The data obtained from the study was analyzed with the use of simple percentages and mean. Multiple regressions were used to measure the relationship between dependent variables (Operational Efficiency, Profitability, Market Share, and Customer Loyalty) and independent variable (Service Innovation).

3.1. Results and Discussion

Multiple regression equation was carried out to measure relationship between dependent variables (Operational Efficiency, Profitability, Market Share, and Customer Loyalty) and independent variable (Service Innovation).

Table 1: Model Summary[a]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.758	.610	.477	1.334	2.174

a.Predictors: (Constant),Operational Efficiency, Profitability, Market Share, and Customer Loyalty

b. Independent Variable: Service Innovation

R shows correlation coefficient, which revealed relationship between dependent variables (Operational Efficiency, Profitability, Market Share, and Customer Loyalty) and independent variable (Service Innovation).The statistics of the model summary of the R show .758 which means 75.8% of the four dependent variables were significant in contributing to organization development.

Table 2: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	6.057	3.294		4.217	.001
	OP	-2.020	.213	-1.130	-.611	.000
	P	-2.123	1.899	-.254	.798	.017
	MS	3.795	.267	1.098	.577	.000
	CL	-.318	1.616	-.326	.235	.000

a. **Independent Variable: Service Innovation.**

From the regression findings, the substitution of the equation ($Y = \beta 0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4$) becomes:

$Y = 6.057 + 2.020X_1 + 2.123X_2 + 3.795X_3 + .318X_4$

Where Y is the independent variable (Service Innovation), X_1 is operational efficiency variable, X_2 is Profitability variable, X_3 Market share variable and X_4 is Customer Loyalty variable.

The results of the multiple regression models reveal that operational efficiency had a coefficient of 2.020, T calculated of .611 and a P value of .000 which is less than 5%. Profitability had a coefficient of 2.123, T calculated of .798 and P value of .017. Market share had a coefficient of 3.795, T calculated of .577 and P value of .000. Customer Loyalty had a coefficient of .318, T calculated of .235 and P value of .000. The value of each dependent variable coefficient determines the extent to which the independent variables influences organization development.

Looking at the column labeled Beta, comparing values of different variable within, it shows that operational efficiency has the largest value notwithstanding the negative sign that means operational efficiency makes the strongest unique contribution to organization development. Then follow is profitability, Customer loyalty and market share respectively.

4. Conclusions

Implementing a service innovation has allowed companies in various industries to target specific customers within the marketplace who would be receptive to purchasing a designated service. This is also largely responsible for high level of customer loyalty among customers of service organization. Subsequently, as service innovations technologies advance, firms are able to expand their market shares and boost their profitability. More importantly, service organizations can use service innovations to move customers up the value chain and generate revenue streams.

4.1. Recommendations

Consequent upon the findings of this study, the following recommendations are suggested:

1. Management of service organisations should do everything possible to improve their service quality to be comparable with the best in the industry.
2. Employers of service industry should engage in regular training of their staff in order to update their skills and enhance efficiency.
3. The policy makers in government should adopt a measure to regulate the quality of services in the hospitality industry by setting minimum standard that must be adhered to by the hotels.

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