



IMPLEMENTATION OF INNOVATION AS A COMPETITIVE STRATEGY

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Abstract

Strategy implementation is operational in nature. This paper is a review of the literature suggesting service innovation as a competitive strategy and its implementation. It was found that dynamic capabilities are believed to be a reason for successful service innovation, and service innovation is seen as an important competitive strategy in this era of technology maturation. Some testable hypotheses are proposed in the end.

Index Terms—Strategy implementation, Strategy adoption, Innovation adoption, Service innovation, Competitive strategy, Strategy in service firms

I. INTRODUCTION

In a special issue article of Journal of Business Research (1999) on strategy implementation and assessment by Jean-Charles Chebat (1999) titled, "Special Issue on Strategy Implementation and Assessment Research: Research on Implementation Deserves as Much Attention as Strategy Formulation", highlighted that research in the area of strategy implementation has increased and the scenario is not the same as it was in the past. If we explore the literature one can find that research before the 20th century had two big challenges; the measurement tools were often too complex to be operationalized and secondly that there were no theoretical schemata verified empirically to evaluating management's actions for implementation of the strategy. Though few, there have been some studies that have tried to overcome this gap. In this paper, the focus is on recent studies that have focused on operationalization of management's efforts towards strategy implementation; which range from conceptual models like 'choice of implementation' model to practical models like "Prodin". Though the Chebat's (1999) study had put considerable effort to list down the important studies that have happened in the recent past, but if inquired carefully one may notice that the quoted literature is quite old and may be considered classics; in addition, a decade has already passed, so this is an effort to track the recent updates in the area of strategy implementation and service innovation implementation in general. It would be fine at this



junction to mention the underlying assumption that implanting service strategy is tougher than the implementation of some product strategies because of the uncertainty of human element associated with services.

Managers put different emphasis on different strategies depending on what they aspire to achieve. The technological development has reached to its maturation in many industries and the scope of technological innovation is decreasing. Almost all the businesses have now recognized service innovation as a source of robust competitive advantage. As more and more emphasis of businesses is towards customer orientation the customer service, in general, has become an important topic of research and practice. Moreover, it is well understood that differentiation through service is more difficult to copy than products so going for cost leadership with service innovation may strengthen your cost leadership position for long.

The growing share of service firms in Fortune 500 companies has increased considerably in the past two decades. Service innovation is characterized as distinct from manufacturing innovation; also service science literature emphasizes co-creation of value with the customers, unlike the traditional manufacturing-based approach in which the value is created for the customer (Salunke et al. 2011).

II. LITERATURE REVIEW

The growth of service industry is closely related to the economic development, the service quality and service level strengthens the competitiveness of the organizations on one hand and improves the quality of life on the other. Grawe et al. (2009) reported that there exists a relationship between customer orientation & service innovation and service innovation increases market performance of supply chain firms. Though they note that service innovation comes with a cost and does not support low-cost strategy but not innovating may lead to a poor position in the market. Even the cost-leaders can't enjoy their secure position in their respective niches for long; they have to spend money on innovation. Grawe et al. also suggest that to have service innovation firms need to follow either customer orientation or competitor orientation. The relationship between innovation orientation of a firm and its positive effect on a firm's competitive strategy is very well-established; Dobni (2010) in his work provided empirical evidence that innovation orientation helps a firm to have a competitive advantage over their competitors and thus improves performance. Innovation orientation involves an intention to innovate, infrastructure, influence and implementation dimensions. Those organizations possessing low innovation orientations generally practice less aggressive and internally focused strategies, de-emphasizing such things as customer service, brand reputation, and cooperation based strategies such as joint ventures and alliances.

The effect of service innovation is clear and explicit in the service industry like spa, restaurants, hospitals etc. but many goods firms have cultivated competitive advantage for them just by better services. There can be many dimensions on which service can be improved, authors like Nunta et al. (2012) showed that creative service idea, attitude towards change and generative learning had a positive relationship, and thus improved corporate image, service excellence and competitive efficiency of Spas in Thailand. The entrepreneurs entering into these cut-throat



competitive markets usually don't have huge sums to invest in technology but they are able to get an advantage on the basis of superior services.

In reference to the need of service innovation for small firms, the exploratory study done by Palmer and Griswold provides sufficient evidence to support the idea. They suggest that even the small firms have many reasons to innovate their services often in response to the moves of competitors; the innovation can be to bring in new customers or to bring in existing customers frequently. Age of the organization have been reported to be an important factor for innovation orientation, perhaps the new entrants make the exercise of selection and product development and take some time to pick up the required changes in product or business process strategy, but the case of IT industries the service innovation is the key for business, Kim et al. (2012) in their work on App store application firms found that there can be divergent or convergent strategy for service innovation. They included six types of innovations; based on platform, product or process change and combinations of them which are applicable to both convergence and divergence innovation. As more and more intangible services are tangled with tangible goods by the firms, the need of some model for systematic service innovation was evident; Chiou et al. (2012) in their work provides a model for systematic innovation in convention and exhibition industry. Of the many such studies, one thing was found to be exceptionally less explored was the focus on moments of truth in a service delivery, how the moments of truth can be strategically planned and executed, how much organizations become successful in achieving that is still not clearly known.

Table1: Literature available on service innovation as competitive strategy

Authors and Publication Year	Title	Findings
Frambach et al.(1998)	Adoption of a Service Innovation in the Business Market An Empirical Test of Supply-Side Variables	Both supply-side and adopter-side variables determine the extent of innovation adaptation, actions favoring reduction of risk in adaptation of innovation increase the level of adoption of innovation
Chimhanzi J, (2004)	The impact of marketing/HR interactions on marketing strategy implementation	implementation effectiveness is affected negatively by conflict and positively by communication; specifically, interpersonal, not written
Oke A, (2007)	Innovation types and innovation management practices in service companies	Service innovations are emphasized in retail and transport sectors, radical and incremental innovations were found to be related to the performance
Read & Robertson(2009)	Implementing an open innovation strategy: lessons from	Open-innovation is suggested through a real-life case



	Napoleon	
Roth & Morrison (1992)	Implementing Global Strategy: Characteristics of Global Subsidiary Mandates	Global strategy mandate is favorable if the company is doing business in multiple geographic locations, the central location of support services, unique products, and managerial expertise w.r.t. managing interdependencies is low
Gupta & Govindarajan (1984)	Business Unit Strategy, Managerial Characteristics, and Business Unit Effectiveness at Strategy Implementation	Greater marketing/sales experience, greater willingness to take risk, and greater tolerance for ambiguity contribute to effectiveness in the case of build SBUs but hamper it in the case of harvest SBUs
Grover et al. (1995)	The Implementation of Business Process Reengineering	Technological competence, project planning, delineation, tactical planning and human resource are some of the important problems in Business process re-engineering
Shah (1996)	Strategy Implementation: A Study of Critical Factors	Strategy-making process, top-management commitment, effective leadership, employees commitment, and rewards and incentives for effective implementation of strategy are critical factors for strategy implementation
Salunke et al. (2011)	Towards a model of dynamic capabilities in innovation-based competitive strategy: Insights from project-oriented service firms	Firms using service innovation use dynamic capabilities that enable them to achieve greater innovation and sustained competitive advantage
Grawe et al, (2009)	The relationship between strategic orientation, service innovation, and performance	service innovation increases the market performance of supply chain firms
Dobni, (2006)	Developing an innovation orientation in financial services organizations	A model of innovation for financial service industries is proposed, which identifies three areas for innovation- context, culture, and execution
Dobni,(2010)	The relationship between an innovation orientation and competitive strategy	innovation orientation helps a firm to have a competitive advantage over their competitors, improves performance



Nunta et al., (2012)	The effect of service innovation strategy on business performance of Spa Business in Thailand	creative service idea, attitude towards change and generative learning had a positive relationship and thus improved corporate image, service excellence, and competitive efficiency
Chiou et al., (2012)	Applying Service Science on Systematic Innovation for the Convention and Exhibition industry: The Cases of World Expo	Proposed a model for systematic innovation
Palmer J. & Griswold M., (2011)	Product and Service Innovation within Small Firms: An Exploratory Case analysis of firms in the Restaurant Industry	Small firms have to innovate in response to the moves of competitors
Kim J, Lee S, Geum Y. & Park Y. (2012)	Patterns of innovation in digital Content services: The Case of App Store Applications, Innovation Management, policy & practice	Related and increasing innovation patterns were found in App based IT firms
Ramdass et al. (2012)	4 Ways to reinvent service delivery: How to create more value for your customers and you	The four options suggested by authors for service innovation are; the structure of interaction, the service boundary, the allocation of service task, the delivery location
Uchupalanan K.(2000)	Competition and IT-based innovation in Banking services	There exists dynamic relationship between competitive strategy and IT based product and process innovation in financial services
Dotzel et al.(2013)	Service Innovativeness and Firm Value	The authors suggest innovation by internet and people; e-innovativeness has a positive and significant direct effect on firm value, p-innovativeness has an overall significant positive effect on firm value through its positive effect on customer satisfaction
Lucas et al. (2013)	International Performance and Innovation in Services: Preliminary Findings from	service innovation plays a significant role in international performance but



	Logistical and Engineering Consultancy Services	less than international experience
Mieres et al. (2012)	Internal Marketing, Innovation and Performance in Business Services Firms: The Role of Organizational Unlearning	Continuing development of innovation is especially important for Knowledge-based intensive business services competitiveness since innovation has a positive and direct effect on customer-related outcomes which ultimately improve business performance
Kim & Suh,(2012)	Effects of SME collaboration on R&D in the service sector in open innovation	<ul style="list-style-type: none"> - in-house R&D, technology acquisition, and R&D collaboration is positively related to product/service innovation, patenting activity, and process innovation - technology acquisition is the most efficient type of collaboration for R&D of service SMEs
Cherchem M, (2012)	The Issue of Marketing Innovation in Financial Services: Case of the Banks and Insurance	Better communication and IT services are important for innovation of banking and insurance services
Bharadwaj S.G et al.,(1993)	Sustainable Competitive Advantage in Service Industries: A Conceptual Model and Research Propositions	Distinctive organizational skills and resources play an important role moderating role in the service firms is played by the characteristic of services and service industries as well as service firm characteristics
Gann & Salter,(2000)	Innovation in project-based, service-enhanced firms: the construction of complex products and systems	Project-based service enhanced firms are able only to harness their technological resources, the authors propose a framework for conceptualizing dynamics of processes in project-based firms
Kandampully, (2002)	Innovation as the core competency of a service organization: The role of technology, knowledge, and networks	Service innovations should be synchronized to product value enhancement for the customer, customer-focused firms have a superior advantage
Agarwal et al. (2003)	Market orientation and	Market orientation spurs



	performance in service firms: role of innovation	innovation which enhances judgmental performance which in turn enhances objective performance in Hotel services
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III. CONCEPTUAL BACKGROUND

The dynamic capability-based view of competitive strategy attempts to explain the reason for continual competitive advantage maintained by a few firms even in the continually changing environment (Eisenhardt & Martin, 2000). The antecedent resources are 'dynamic capabilities' of the firms to routinely acquire and shed resources, integrate them together, and recombine them – to generate new value-creating strategies (Grant, 1996), which essentially is an act of innovation. Although early research on dynamic capabilities suggest a link to competitive advantage in continually changing environments but the relationship is not very well explained and there is no agreement in the results of various studies (Salunke et al. 2011), even the literature reviewed here hints the same but based on previous studies it can be said that service innovation frequently appears in literature as a competitive strategy.

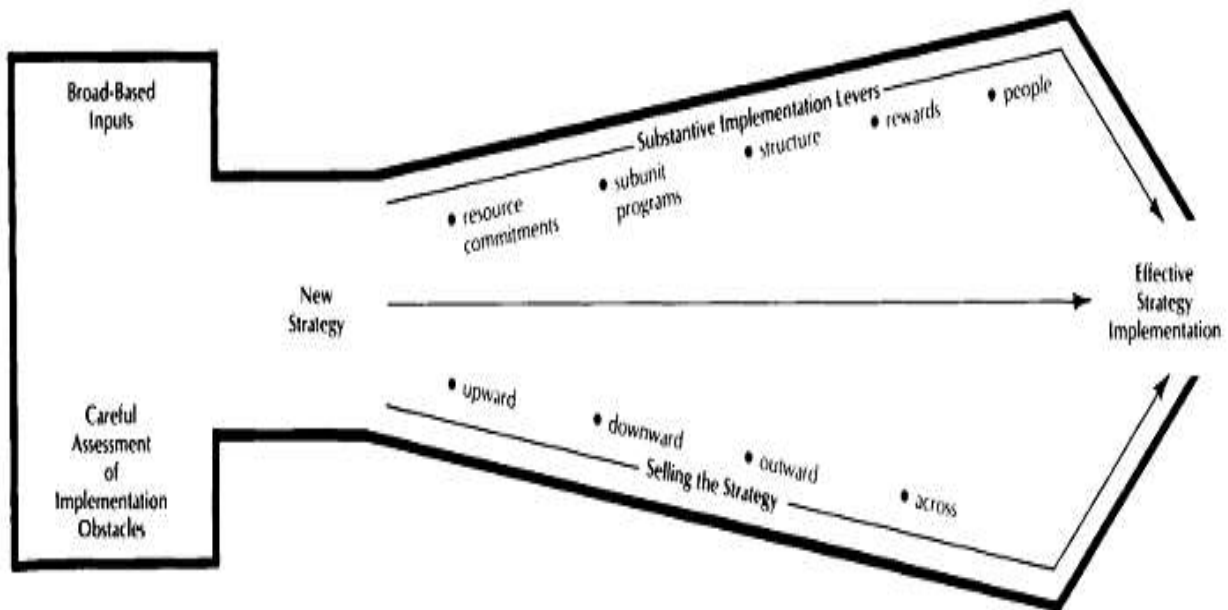


Figure1: The elements of Effective strategy implementation (Hambrick et al, 1989)



IV. PROPOSITIONS

While most of the studies look into various factors which may lead to effective strategy implementation (Chimhanzi J, 2004, Oke A. 2007, Grover et al. 1995) the study by Hambrick et al (1989) emphasizes the approach of searching for actionability of the strategy even before formulating the final strategy. This is a challenging proposition that whether we can have some set of measures and practices that can help in the implementation of our competitive strategy or we have to look out for easily doable tricks. About by the former ideology, we know that both supply-side and adopter-side variables determine the extent of innovation (Frambach et al.1998). Greater marketing/sales, experience, greater willingness to take risk, and greater tolerance for ambiguity contribute to effectiveness of strategy implementation (Gupta & Govindarajan, 1984) Upgrading services involves costs; many studies (Salunke et al. 2011, Uchupalanan K. 2000) indicate that organizations possess and use dynamic capabilities for providing service better than their competitors and thus are able to have competitive advantage but some authors(Dobni, 2010, Nunta et al., 2012, and Lucas et al. 2013) suggest that firms with service orientation keep innovating services and thus achieve competitive advantage; it's not clear that whether those firms which already have competitive advantage or superior performance are able to have planned service innovation or those which have innovative services are able to get superior competitive position. Thus we propose that:

Proposition1. *There exist some special capabilities (resources and processes), which lead to effectiveness of strategy implementation*

Palmer & Griswold (2011) in their exploratory study found that small firms innovate services in response to the moves of the competitors, while Kim & Suh, (2012) suggest the SME's to collaborate and share their R&D investments for open service innovation thus it raises a doubt that should SME's collectively go for open service innovation as a reaction to the move of large competitor, while some authors (Salunke et al. 2011, Uchupalanan K. 2000) believe that dynamic capabilities are inherent with the firms who achieve competitive advantage through service innovation, thus its hypothesized

Proposition2: *Dynamic capabilities can be cultivated by collective R&D and shared innovation resources and are not specific resources generated as an outcome of competitive strategy*

V. CONTRIBUTION OF THE STUDY

The innovation-competitive advantage link is very well established as proposed by all the studies reviewed. Empirical validation of the propositions will add to the understanding whether dynamic capabilities build up due to strategic actions of the firms or can be cultivated by aggregating resources as suggested by Kim & Suh (2012), which can help a firm to innovate and achieve competitive advantage. The empirical testing of the hypotheses will provide further clarity on if the strategist has to look for the capabilities of the firm and act accordingly, or should decide the future course of action and the firm together can cultivate the resources necessary to achieve the set organizational goals.



VI. LIMITATIONS

The selection of studies was done from the peer-reviewed journals from EBSCO and JSTOR databases. The topic has picked up a recent attention of scholars so the papers published beyond 2000 were selected, later one more article Grant (1996) was included because of relevance, and various interesting findings. The limitation of the study is that the literature considered is not comprehensive of all the knowledge around the implementation of service innovation as a competitive strategy, and it may be possible that some interesting research traditions that evolved pre 21st century and became dormant were left out.

VII. FUTURE RESEARCH DIRECTIONS

Two propositions forwarded in the paper can be tested empirically. Specific care should be needed to control the industry effect. The constructs special capabilities can be operationalized by using the factors as explained by Roth, K., & Morrison, A. J. (1992) and Gupta & Govindarajan (1984). The second hypotheses related to dynamic capabilities will require scale development, Eisenhardt & Martin, (2000), Salunke et al. (2011) can be further consulted for a conceptual understanding of a dynamic capability.

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