

Innovation management in service firms: a research agenda

Lucia Crevani · Kristina Palm · Annika Schilling

Received: 7 February 2011 / Accepted: 20 May 2011 / Published online: 3 June 2011
© Springer-Verlag 2011

Abstract This article suggests an agenda for further research on innovation management in service firms. It investigates differences and similarities between issues identified by previous academic research and issues brought up by practitioners within the area of innovation management in service firms. The results show that there are some major differences; for instance, researchers stress a need for formalized processes for development work, while practitioners focus on facilitating innovation in everyday operations. The main conclusion is that in order to bridge the gap between research and practice we would encourage further research on innovation in service firms to (1) conduct micro studies of innovation work, (2) view innovation in the context of everyday operations and (3) focus on co-workers' innovative potential.

Keywords Innovation management · Research agenda · Service firms · Practice

1 Introduction

The service sector is said to play an increasingly important role in today's economy. It accounts for about two thirds of employment and GDP both in Europe and

L. Crevani
KTH Royal Institute of Technology, Lindstedtsvägen 30, 100 44 Stockholm, Sweden
e-mail: lucia.crevani@indek.kth.se

K. Palm
KTH Royal Institute of Technology, Mariekällgatan 3, 151 81 Södertälje, Sweden
e-mail: kpalm@kth.se

A. Schilling (✉)
Stockholm School of Economics, Box 6502, 113 83 Stockholm, Sweden
e-mail: annika.schilling@hhs.se

internationally.¹ Services are more and more becoming a driver of productivity and growth in developed economies and it is the only sector of the European economy that has resulted in net job creation in the last two decades. As a consequence, policymakers such as the OECD and the European Commission have taken initiatives to strengthen the conditions and opportunities for growth and development in the service sector. Specifically, the innovation potential in this sector has gained interest and support. This includes support for research investigating the role and practice of innovation in service firms. The European Commission argues for the need to support innovation in service firms in the following quote:

Services have long been perceived as being non-innovative. But in reality they innovate as well, although often in a different manner than manufacturing. [...] Despite the importance of services for the European economy, most policy instruments and measures in support of innovation are still mainly oriented towards technological innovation. Only in recent years, have some Member States started to recognise the need for supporting also non-technological innovation, thus taking into account not only the specificities of service innovation but indirectly also the needs of many SME in manufacturing which are characterized quite often by similar innovation patterns as services. Clearly, non-technological innovations are as important for innovation as technological innovations, which starts slowly to be recognised. (European Commission 2007)

Additionally, the academic community has moved its attention both toward service operations in general and specifically toward the innovative potential in the service sector (cf., Akehurst 2008). This is evident when looking at academic journals where an increasing number of researchers are discussing the role of innovation in services (Mas-Verdu et al. 2010; Zortea-Johnston et al. 2011) and how innovation is or should be managed in the context of service operations (cf., Abreu et al. 2010; Junarsin 2010; Uriona-Maldonado et al. 2010; Ward 2010; Gallouj and Djellal 2010). While policymakers tend to take a macro perspective on innovation and the academic community tends to produce insights into the management of service innovation in organizations, there is a need to also look at the issues facing practitioners daily involved in attempts to foster innovation in service firms.

This article contributes to the discussion on innovation potential in the service sector by suggesting a path for further research on innovation management in service firms. The suggested research agenda is based on the identification of gaps between research and practitioners' accounts of what matters most in attempts to foster innovation. We are interested in whether or not research on innovation in service firms provides knowledge practitioners would actually find useful. A related question is if service practitioners are learning from best practices identified in the research. Therefore, in this article we compare the focal points in previous research on innovation in service firms with those emphasized by practitioners by comparing the results from a literature review with those from interviews with practitioners working in service operations. Do the issues brought up in research and those

¹ Based on information provided by the European Commission and OECD.

emphasized by practitioners differ in some vital aspects? In which dimensions do they overlap? What conclusions can we draw from the gap between research and the practitioners' views when it comes to the path of future researchers on innovation management in service firms?

The article proceeds as follows. Following a short description of the methodological approach taken, we will present the patterns found in the literature review and the interview study, respectively, about which issues are seen as most important when managing innovation in service firms. Thereafter a comparison of these two sets of issues will serve as a base for proposing a research agenda within the field of innovation management in service firms.

2 A literature review and interview study

The article is based on a literature review of research on innovation in service firms and an interview study focusing on practitioners' accounts of what the pressing issues are in their attempts to be innovative. Both the literature review and the interview study were conducted independently but commissioned by VINNOVA—the Swedish Governmental Agency for Innovation Systems—to serve as part of the knowledge base for setting up the tender for the research program *Vinnande tjänstearbete*—Winning Services (Crevani et al. 2009; Schilling and Werr 2009).

In the literature review, we have looked at previous research within the time span 1998 and 2008 on the topic of how innovation and new service development is managed and organized in service firms. The specific focus of the review was to investigate what has been said about the role of service workers in the innovation process as well as the organization and management practices by which their innovative potential can be applied. The review is based on a search for articles in the EBSCO database and a subsequent examination of relevant articles in 10 journals chosen to represent a wide area of research fields in which innovation management in service firms may have been investigated. The review process identified 74 relevant articles on the topic, of which a representative sample is included in this article.

The empirical study was explorative and inductive in nature, comprising 10 interviews with people from seven service-intensive companies in Sweden: a logistics company, a private health care provider, a business and IT consulting firm, a technical consulting firm, a recruitment and assessment agency, a training company, a private school, a public service provider and an Internet consulting firm. The interviewed practitioners from these companies constitute a small sample and the outcomes of the interviews should be seen as examples of viewpoints from the service business industries and not as a representative sample for the whole service business market. In order to get a broad view of the practitioners account of their work with innovation as possible the interviews were semi-structured with a few open questions (cf., Wengraf 2001). The interviews lasted between half an hour and three hours each. They focused mainly on how people in the organizations work with innovation, what ambitions they have, what challenges they see and what possibilities they identify. We also asked questions about how ideas and new ways

of working were made visible and used in the organisations. Most of the interviewees were working in a managerial position, but some were co-workers involved in the operative part of service delivery process.

The interviews were subsequently analysed through content analysis (Silverman 2000) to identify patterns of how the practitioners talk about innovation and its opportunities and challenges. In line with common practices, we have included short excerpts from the interviews as illustrations of these patterns in the presentation of the results.

3 Innovation management issues in previous research

The focus in the literature review was to examine existing knowledge of how innovation in service firms is, could or should be managed and organized. This section begins with a discussion of what is meant when researchers talk about innovation in service firms followed by the presentation of a number of themes most commonly discussed in the literature.

3.1 Types of innovation and innovation strategies

Looking at previous literature several articles suggest and use typologies of what is included in the concept “innovation” in the context of service firms (den Hertog 2000; Hipp et al. 2000; Damanpour and Gopalakrishnan 2001; Oke 2007). One commonly used typology is specified by Hipp et al. (2000) who make a distinction between three types of innovations: (1) *service innovations*, i.e., innovation in the service offer per se, (2) *process innovation*, i.e., new and improved work methods in the process by which a specific service is produced, and (3) *organizational innovation*, which is not limited to the individual service production process but includes significant improvements in wider organizational structures or processes. Based on this typology Damanpour and Gopalakrishnan (2001) have found that service firms, just like companies in the manufacturing sector, tend to emphasize the adoption of service innovation over process innovation, but also that an innovation in the service is likely to be followed by a later innovation in the service process. These results also indicate that organizational innovations are least in focus in service firms.

Another common theme concerns different types of innovative strategies and their connection to performance in service firms (Berry and Lampo 2000; Avlonitis et al. 2001; de Brentani 2001; Alam 2006; Oke 2007). Specifically, it is emphasized that service firms vary according to the degree of innovativeness in their service development in terms of novelty/innovativeness and innovation strategy in terms of level of expenditure on innovation. Some studies also look at the effects of innovation efforts on the productivity and efficiency of service firms in different sectors (Storey and Kelly 2001; Cainelli et al. 2004; Elche and González 2008; Cainelli 2011). Several studies have for example shown how innovating firms, and particularly those with a high innovation strategy profile, out-perform non-innovating firms in terms of productivity and economic growth (Cainelli et al.

2004; Elche and González 2008). These studies tend to look more at the link between innovation, primarily in the service per se, and productivity/efficiency than on how the work with innovation effect the service production process or how service firms can be innovative in the delivery process.

3.2 Formalizing the innovation process

When it comes to managing the innovation process a common claim in the service innovation literature is that service firms need to formalize and design the service innovation process in order to take charge of their innovativeness. A number of studies have focused particularly on the need to formalize the innovation process in service-intensive companies. Formalization here involves the presence of a “formal and reproducible process for developing new or enhancing existing services” (Froehle et al. 2000). This may include formal written plans for developing new services as well as a control structure, which supports a specific service innovation process. For Froehle et al. (2000), a formalized innovation process should include identifying and investing in the intellectual, organizational and physical resources necessary for all the different phases of the innovation process. Oke (2007) includes routines for creativity and idea management as requested features of formal innovation management practices, alongside an innovative strategy, appropriate performance management and incentive systems as important for supporting innovation.

One benefit of a formalized innovation process is that it becomes more predictable and manageable. Some studies claim to have proven the benefits of formalization in these contexts (Froehle et al. 2000; de Brentani 2001; Froehle and Roth 2007). Froehle et al. (2000), for example, have shown that a more formalized innovation process can contribute to increased speed of new service development and that formalized cross-functional innovation teams in particular positively influence the effectiveness of new service development efforts in service-intensive companies.

However, a number of studies have also shown that formalized innovation processes are *relatively rare* in service firms, specifically in comparison with manufacturing firms. Kelly and Storey (2000) have investigated whether service-intensive companies use systematic procedures to generate and screen ideas for new services. They found that only half of the sample of firms in different service sectors in the UK has a formal new service development strategy. Chan et al. (1998) come to similar results in a study of service firms in Hong Kong when they found that the majority of firms do not have an established system to control the innovation process. Instead of formalized processes to support innovation, the service development attempts are often ad hoc and integrated in the everyday operations (Kelly and Storey 2000; Dolfsma 2004).

3.3 Collaborating for innovation

Previous studies have also shown that ideas for innovation in service firms could come from a number of actors in the service-intensive organization’s external and internal network. It has thus been emphasized that service firms that want to be

innovative need to think of themselves as part of *innovation networks* in which they interact and exchange resources, knowledge and ideas with actors in their environment, such as customers, clients, suppliers, or other innovative partners (den Hertog 2000; Miles 2000) as well as with front-line employees and other internal actors within the organization. In a number of studies, cross-functional involvement, i.e., involving people from different functions or professions from within the firm who can bring different knowledge and competences to the innovation process, is argued to be a critical factor in innovation management as it facilitates creativity, learning, and knowledge development (Avlonitis et al. 2001; Hull 2003; Perks and Riihela 2004; Fay et al. 2006).

Particular interest has, however, been paid to the potential in actively involving customers in the service innovation process. As Gadrey and Gallouj (1998) point out, one often talks about “the moment of truth” in the service delivery process, emphasizing that the value of the service is produced in interaction between the customer and the provider. How the customer experiences this interaction becomes part of the experienced value of the service. Based on this logic, Gadrey and Gallouj argue that the interface between the customer and the service firm can be seen as “a moment of thrust for innovation” as the individual demands of customers may trigger the development of new services. Abramovici and Bancel-Charensol (2004) have further shown how customers can be a valuable source of information specifically for validating a chosen technical option or through participating in the construction or testing of a prototype.

In the same vein, one stream of research talks about *customer involvement* in service development. The idea here is that customers, as co-producers of the services consumed, also take part in co-producing innovation in the service and/or the service delivery process. In an experiment study of user-generated ideas in telecom services, Magnusson et al. (2003) have, for example, found that involving the users makes new service ideas more original and perceived as of higher value for the users than those services developed solely by professional developers. However, new service ideas suggested by customers tended to be, on average, less producible. Similar arguments focusing on customer-driven innovation are made in several articles (Kristensson et al. 2002, 2008; Matthing et al. 2004, 2006).

3.4 Supporting innovation in a creative climate

A third theme discussed in previous literature is the importance of the *organizational climate* for achieving innovation with the assumption that the “right” climate can foster creativity, idea generation and knowledge sharing. Mascitelli (2000) specifies an appropriate atmosphere as one in which divergent thinking, improvisation, and artistic creativity can merge with the practical demands of the service development process. He points toward face-to-face interaction as particularly beneficial for an atmosphere where people can share knowledge. Further requested characteristics of a creative climate are: market orientation, as it tends to favor information sharing and intelligence gathering in relation to the customer (van Riel et al. 2004); a general organizational commitment to the practice of managing service innovation (Chan et al. 1998); and the appropriate socialization of

professional service providers (Anand et al. 2007). Also, van Riel et al. (2004) stress the importance of a supportive climate. Other studies have stressed the importance of communication and motivation strategies for supporting contributions to innovation in service firms (Lievens et al. 1999; McMeekin and Coombs 1999; Bower et al. 2000; de Jong and Kemp, 2003; van Riel and Lievens 2004).

4 Innovation management issues among practitioners

The focus of the interviews was to inquire how practitioners in a number of industries discuss their work on innovation. What ambitions do they have in their work on innovation? How do they work in order to be more innovative? Also, what problems are they facing in their work toward innovation? Based on these interviews, we identify a number of issues that these practitioners struggle with in relation to the task of trying to be innovative.

4.1 Everyday innovativeness

One prominent issue raised by the practitioners is that innovation work takes place as part of everyday work instead of in separately dedicated development projects. They argued that, unlike in many manufacturing firms, it is uncommon in service organizations to work with a separate project organization, such as a separate R&D department, in which work with service development is undertaken.

What is significant in service organizations, relative to manufacturing companies, is their lack of a budget for research or a prominent organization for research and development. These do not exist in service firms, but instead development is continuous. You will not find it on the organization chart, but at the same time it happens within each assignment the firm is involved in. Many don't even reflect on the fact that it takes place. (Manager in a technical consulting firm)²

Instead development and innovative work is constantly carried out as part of the everyday service production and deliveries. As one practitioner puts it, there needn't be much fuss and organization around the development work, but just a "just-do-it mentality".

We work with a just-do-it mentality, that is, loose structures, ample mandate to act and make reasonable decisions on one's own and with closeness to the customer. (Product developer in a logistics company)

But even if development work to a large extent takes place in everyday operations, it is also acknowledged that there need to be some structures to make sure it actually takes place, is captured and spread throughout the organization. For example, some try to encourage innovative work at dedicated meetings, as illustrated in the following quote.

² The excerpts have been translated from Swedish to English by the authors.

In order to make use of ideas we have regular and structured meetings with the co-workers, both in larger and in smaller groups. We have had a number of meetings spanning over professional boundaries in which we have worked on trying to develop new ideas. The problem has been that different professional groups work with very different things and it is hard to get everybody motivated. We are trying to change this by now working divided more by function. (CEO of a training company)

4.2 Formalizing the organization for efficiency

The practitioners also tended to talk about the need to formalize, but for them it is the need to formalize the organization for efficiency, rather than to formalize the innovation process (i.e., to formalize for innovativeness), that seems to be most pressing. In many cases, formalization was said to have taken the form of a move in focus from individuals to processes. While the organizations had previously been centred on the individual co-worker's knowledge, experience, sensibility, and creativity, nowadays much focus was said to be on how to implement as efficient processes as possible, ones which can work independently of the specific co-workers. One example of this development is given in a consultancy firm.

Ten years ago we delivered consultant profiles such as John and Bill. We sold CVs. Today we mostly deliver standardized services. Now the firm tries to formalize and work according to project plans much more structured. This severely limits the opportunities for working based on your own judgment. The consultants as individuals are forced to stand back in favor of the collective process thinking. It is up to the individual to make their voice heard and to have the strength to get their ideas across. The share of employees who does not have to be that creative is constantly increasing as a consequence of a more process-oriented business. (Manager in a business and IT consulting firm)

The need to stay competitive puts strong pressure on service firms to focus their efforts on creating more systematized, effective, and professionalized ways of delivering their services. The focus on staying afloat on a competitive market in the short run is given precedence over spending time on long-term development work. A practitioner working in a private school describes it in this way.

The firm is organized into functions, with regional managers that each have 10 subordinated school managers. The schools are organized in working teams, most often divided into grades. There is also a headquarters and likewise a pedagogical department, which is responsible ideas and methods. The pedagogical department designs the subject and its educational material. The room for creativity in pedagogy is too limited, which is troubling when the teachers want to produce their own material in order to feel more secure in their subject, but also because they believe it is a part of their role as teachers. This development started with a quality ambition, but is now more of a systemizing and efficiency process. (Manager in a private school)

The increased focus on processes is thus further described as hampering the room for creative work in the organizations. On the other hand, the practitioners also explain that those who succeed in implementing something new within these more systematized work processes will have a much greater impact with their innovation, since the novelty is spread more systematically through the organization:

It has been harder to convey new ideas, but the firm gets a totally different exchange for the good ideas. It is much more arduous, and even if the companies' entrepreneurial background is noticed; it is not as easy to enthuse people with new ideas. (Manager in a business and IT consultant firm)

4.3 Utilize the creative potential of the employees

Notwithstanding the increased focus on efficiency in the service delivery processes, practitioners agree that there is a large innovative potential in their employees and that the big challenge is how to exploit this potential. That is, how can the ideas and creativity of the employees be captured and made best use of in their everyday work.

There is a large unused potential within the organization when it comes to taking care of development ideas. (Manager in a technical consulting firm)
How do we put the co-worker's ideas into the business development process, and to what extent? What do we know about that? Hardly anything. (CEO of a public service provider)

The hope is expressed that employees' ideas and initiatives would prosper even in a more structured service operation, and that the structure itself can help support them. For example, some of the practitioners talked about their organization's focus on following structured management philosophies such as Total Quality Management or Lean Production in which, at least in their ideal form, development work and employee involvement are part of the management techniques.

We have been working with the Lean-concept over an extended period of time, but it took on real speed the last 2 years and has become a self-playing piano. That is to say, the initiatives come from the shop floor instead of from the top management. (Business developer in a private health care provider)

Several of the practitioners considered co-workers' participation and commitment to be of the utmost importance. They express a conviction that change, development and innovation initiatives need to happen in a bottom-up manner. Change should start within the organization, on the initiative of those co-workers who contribute to the everyday operations of the organization. A top-down approach, as well as the attempt to implement a successful solution in a new context, is seen as more risky and likely to fail.

Some of the practitioners also spoke of "the entrepreneur" as the kind of person needed, both as manager and co-worker, in order to create an innovative climate. It is, for example, said to be important that the employees are able to make themselves seen and heard within the organization.

We try to change the attitude so that you can allow people to be entrepreneurs, to be heard and become visible in the organization, partly learn from seniors, and learn to share their knowledge. (Manager in a technical consulting firm)

Some of the practitioners further emphasize the importance of being able to communicate and understand each other in order to be innovative. Relations between people and the context in which these relations are taking place are thus stressed. This aspect is also mentioned in relation to different cultures, both national and professional. One senior manager in a business and IT consulting firm also stresses relations and interactions, for example. He describes innovation and new ideas as something created in meetings where different experiences, knowledge and areas of expertise come in contact with each other. It is seldom one single individual who invents a new service or who implements it. Instead there is a process where people meet and ideas take shape and develop, sometimes also thanks to the involvement of external people. Such a process can be initiated and supported by the management, just as it can be born out of an interesting service delivery. This means that customers can also be involved via their interaction with co-workers.

A number of customers are more proactive and the project leader learns from them during the project; they pick up different signals and then it is about transforming it into a new tool. (Manager in a technical consulting firm)

However, it is pointed out that such a creative process is a long one that takes time and is only partially possible to control.

4.4 Finding time for creativity and innovative work

Finally, what the reasoning of a lot of the practitioners comes down to is a constant search for time for creative and innovative work, for individual co-workers and for the organization as a unit. Google and their development work are mentioned as an ideal example: being able to allocate “free time” to co-workers, time that they can dedicate to projects of their own choice. However, the resources needed for this kind of solution seem to make such initiatives unrealistic.

It is an interesting question, whether it is possible to organize in such a way that you can systematically allocate time for free development, as Google does. We would like to reach that point where you realize that it gives so much back in the form of ideas and maybe profitability. And it should be valuable to the firm, when the business is about selling knowledge, ideas and power of innovation. But to succeed in this, people need time. The firm is not mature enough to charge in another way than being paid by customers. (Manager in a business and IT consultant firm)

5 Comparing research and practice

What differences and similarities can we thus find between what has been assumed important in research and what practitioners struggle with in their attempts to be

innovative? Comparing the issues discussed in previous research with those raised by the practitioners, we can identify both similarities and differences. Table 1 below provides a summary. Research has focused mainly on the need for formalizing development work and therefore on designing processes for innovation, mainly for innovation in services but also in the service delivery process and service organization. The importance of collaboration between actors within the company or, in particular, involving customers, has also been highlighted. Finally, research has shown the significance of supporting innovation by facilitating a creative climate in which the employees are motivated to contribute to innovation.

If we instead look at what practitioners mention as important, we can see that the focus is more on the everyday operations as a site for innovation where the priority is to make the service production process efficient first and foster innovation within this process second. There is awareness of the benefits of investing time on innovation with the hope of long-term improving efficiency, but the risks are often seen as too high and the spare time needed is missing. Moreover, the practitioners pay more attention to how to involve employees in order to be more innovative, even though customers are also seen as important potential contributors. In regards to how to support innovation, the major concern is not the lack of motivation for creativity but the lack of time for working on new ideas and/or learning about others' ideas.

Both the literature and the interviewed practitioners recognize the importance of the employees when fostering innovation. Furthermore, in both contexts the interactions between innovative partners within or outside the organization is stressed as central when working with innovation. Also, there was a consensus on the need to pay attention to the particular nature of services compared to goods when planning or theorizing about innovation in service firms. However, there are some clearly differences in focus. If we assume the role of research to be to support the improvement of current practices, then differences in views and priorities between research and practice may cause us to miss this mark. Also, many of the practitioners requested more supportive research, and it is even more relevant given that the interviews with practitioners were framed as concerning, at least in part, the need they had for more knowledge in the field of service innovation.

Comparing the main issues, the literature review shows us that the issues covered in the previous research to a large extent are characterized by considering innovation at an aggregated industry level (cf., Chan et al. 1998; Lievens et al. 1999; Froehle et al. 2000; Fay et al. 2006 etc.), by a long-term perspective and by a focus

Table 1 Innovation management focus in previous research and among practitioners

Innovation management focus in previous research	Innovation management focus among practitioners
Need for a formal plan for development work	Facilitating innovation in everyday operations
Focus on a process for service innovation	Focus on the process of service production
Involving customers	Involving employees (and customers via co-workers)
Motivating employees to innovate	Give employees time for creative work

on innovating as a separate process, distinguishable from everyday operations. On the other hand, issues brought up by practitioners are characterized by considering innovation as part of the everyday operations of an organization, many times at the individual level, by a short-term perspective and by a focus on being efficient when producing services and meeting the clients' expectations.

The notion of differences between the knowledge management researchers produce and that which practitioners tend to request is far from new. Kieser (2002), for example, talks about communication barriers between management science and business organizations due to them being part of two quite different social systems, each with its own logic, rationality, rhetoric, and knowledge interests. While practitioners are interested in how problems can be solved and processes and practices improved in specific situations, actors within the scientific community are rather motivated to produce knowledge with generalizable claims that are more likely to be accepted for publication in highly ranked scientific journals. Kieser does not give any easy solution to this barrier, but one possible way of narrowing the gap would be a more collaborative kind of research (cf. Werr and Greiner 2008) in which the researcher enters the everyday world of the practitioners.

So, what could be done in order to reconcile the two knowledge interests and try to build a bridge specifically in research on managing innovation in service firms? Our conclusion is that there is a need for further research about managing innovation in services, which specifically tries to understand the world of the practitioners who have innovation as part of their everyday work. We believe that developing and distributing knowledge about how service organizations work with innovation in practice would be of great value for the development of the service industry and thus for the economy at large. We therefore suggest an agenda for further research based on the findings in our study.

6 Suggestions for a research agenda

Based on the identified gaps between research and problems raised by practitioners we would encourage further research on innovation in service firms to (1) conduct micro studies of innovation work, (2) view innovation in the context of everyday operations, and (3) focus on co-workers' innovative potential.

6.1 Micro-level studies of innovation processes and practice

Innovation in service organizations has been extensively studied. A number of studies have applied a large-sample, cross-sectional approach to investigate specific aspects or relations in service innovation (e.g., Froehle et al. 2000, de Brentani 2001, Fay et al. 2006, etc.). While these studies provide important insights into general relations, they fail to take into account the context and micro-dynamics of the process through which new services, processes or organizational arrangements emerge.

From the interviews, we could further see that, despite all the knowledge already produced, practitioners still struggle with how to manage innovation, and also that the issues they struggle with differ from those assumed important in research. Also,

how innovation is made sense of and managed may differ widely among different service firms. Therefore, we suggest the need for more studies focusing on understanding the micro-dynamics of the innovation process in different kinds of service production contexts.

In particular, we want to propose further research to use micro-level studies that focus on the practice of innovating as it happens in an organization or a network. Research based specifically on ethnographic (cf., Robson 2002) and/or in-depth interview (cf., Legard et al. 2003) approaches could provide access to everyday practices as they are lived by practitioners. Such studies could contribute to the development of an understanding of the complexities and situatedness of the process through which new ideas of services emerge, develop and are turned into profitable services in different service industries and organizational contexts. Also more collaborative research approaches such as action research, primarily an approach in case study based business research that emphasise the value of direct involvement of the researcher in the improvement of different aspects of practice (Robson 2002), could be useful for reaching an understanding of innovation on the micro level of service firms. These approaches could also contribute to the discovery of new and more efficient ways of communicating research results in this area and make them accessible and useful to practitioners who are trying to foster innovation in their organizations.

6.2 Innovation in the context of everyday operations

Secondly, we could see that research to a large extent has approached the theme of innovation as a question of designing and formalizing distinct organizational processes for service innovation (cf., de Brentani 2001; Froehle and Roth 2007). Practitioners, on the other hand, feel a pressure to constantly deliver good financial results, which tends to mean that they rather strive for efficiency in service production. When the practitioners talk about innovation how to improve the efficiency of everyday production is in focus. Furthermore, many of the practitioners did not associate innovation with formal plans or separate service development projects. Their focus is instead on innovation as something that happens more or less unplanned as part of their daily activities.

Also, a few studies have shown that service firms seldom use formal processes for innovation (Kelly and Storey 2000). Instead, innovation often emerges in the everyday operations of the service workers, often in the interaction with the customer. However, because of their emerging nature, many potential innovations may not be detected and distributed to the organizations as a whole. Through studies of everyday operations, mechanisms for identifying and distributing innovations may be developed.

Our conclusion is thus that there is a need for further knowledge about how innovation happens within the practice of the everyday operations in service work. Specifically there is a need to develop a terminology around innovation work which does not differentiate it from service production work in general but instead highlight the potential integration of innovativeness with everyday service work. To do this we need to further investigate how innovation are organized and practiced in

service firms? If formalized innovation processes is not seen as an option, what is the alternative approach to innovation? What do actors within organizations do to balance the need of fostering innovation with the need to stay productive in everyday work? Or, what could they do to manage this balancing act? In those cases innovation work is formalized in innovation projects or processes, how is this done and with which effects?

6.3 Service workers' innovative potential in everyday operational work

In previous research innovation in service firms have been highlighted as something which often is best facilitated when different actors—both internal and external to the particular service organization—collaborate to come up with new services and solutions (cf., den Hertog 2000; Miles 2000; Perks and Riihela 2004). Specifically involving customers in the innovation process has been identified as one important factor for succeeding in innovating (cf., Matthing et al. 2006; Kristensson et al. 2008). However, when listening to the practitioners we hear that they are first and foremost struggling with finding ways to involve their employees—the service workers—in innovation. Since it is the service workers who are most often in contact with customers and thus who are closest at hand for bringing the customers' innovation ideas into the organization, it make sense to put the interaction between employees (particularly on the front line but also on other organizational levels) and other actors such as the customer in focus when studying how innovation occurs in service work. Also it is the service workers who best know the service on a day to day basis. Therefore, from a specific organizations perspective it is how the individual service worker can create and secure added value from innovation in services and service processes which should be of highest interest.

Research has studied how to motivate employees to innovate (cf., de Jong and Kemp 2003; van Riel and Lievens 2004) and also shown that a supportive climate is important (cf., Mascitelli 2000; van Riel et al. 2004, etc.). Even though these studies give some valuable concepts to start from, they do not go very deep into what a supportive and motivating climate entails. Especially they do not give an answer to how the employees' actual working conditions affect their ability to access their latent innovative capacity and to use it for the good of the company. The critical aspect may therefore not be how to increase motivation, but instead the conditions under which employees feel empowered to contribute to the firms' innovativeness. How can the creative ideas and innovative potential of the employees be fructified in service organizations?

Our conclusion is that there is a need for further research that specifically investigates the innovative potential of the service workers in their everyday operations and their interaction with customers and other external or internal actors. Through observations and interviews with employees at different levels in the everyday service operations, we could gain a deeper understanding of the micro-dynamics of their work and what fosters or hinders their inherent innovative potential. Such studies can also help us better understand the relationship between the service workers and other actors—such as customers—and how ideas are born and developed within this relationship.

7 Conclusions

Since the service business is important for Europe's economy more and more focus and resources are put on researching the field. This article guides both researchers and funders into relevant issues within the area of innovation in the service business. Based on the identified gaps between research and practitioners we would encourage studies on (1) innovation work on a micro level in service firms, (2) innovation in the context of everyday service operations, and (3) co-workers' innovative potential.

By considering the areas of further research, we could strengthen the possibility of going beyond a distinction between operational and innovative work, as these two aspects often conflate when innovation is generated in the interactions between employees and customers. The focus is thus moved away from designing efficient innovation processes independent of the people in the organizations and moved towards understanding the role and possible utilization of service workers' innovative potential as an integrated part of their operational work, even in their relations with the customers. In addition, the suggested research can lead to an increased utilization of innovation research within service business and increase the potential for innovation and economic growth.

This article is limited by the conducted interviews constricted representation of the service market. As a complement to the proposed research agenda, we therefore also suggest that practitioners view of innovation should be further investigated in a larger sample of service firms that also take the potential deviations between different service sectors into consideration.

Acknowledgements The authors would like to thank the two anonymous reviewers for their helpful comments as well as Andreas Werr, Mats Engwall and David Sköld for their contributions to the literature review and interview study presented.

References

- Abramovici M, Bancel-Charensol L (2004) How to take customers into consideration in service innovation projects. *Serv Ind J* 24(1):56–78
- Abreu M, Grinevich V, Kitson M, Savona M (2010) Policies to enhance the 'hidden innovation' in services: evidence and lessons from the UK. *Serv Ind J* 30(1):99–118
- Akehurst G (2008) What do we really know about services? *Serv Bus* 2:1–15
- Alam I (2006) Service innovation strategy and process: a cross-national comparative analysis. *Int Market Rev* 35:468–480
- Anand N, Gardner HK, Morris T (2007) Knowledge-based innovation: emergence and embedding of new practice areas in management consulting firms. *Acad Manag J* 50(2):406–428
- Avlonitis GJ, Papastathopoulou PG, Gounaris SP (2001) An empirically-based typology of product innovativeness for new financial services: success and failure scenarios. *J Prod Innov Manag* 18:324–342
- Berry L, Lampo SK (2000) Teaching an old service new tricks: the promise of service redesign. *J Serv Res* 2(3):265–275
- Bower DJ, Reid M, Barry N, Ibbotson T (2000) Aligning process and meaning: innovating in complex healthcare delivery systems. *Int J Innov Manag* 4(3):299–317
- Cainelli G (2011) Environmentally oriented innovative strategies and firm performance in services. Micro-evidence from Italy. *Int Rev Appl Econ* 25(1):61–85

- Cainelli G, Evangelista R, Savona M (2004) The impact of innovation on economic performance in services. *Serv Ind J* 24(1):116–130
- Chan A, Go FM, Pine R (1998) Service innovation in Hong Kong: attitudes and practice. *Serv Ind J* 18(2):112–124
- Crevani L, Palm K, Sköld D, Engwall M (2009) Utmaningar och kunskapsbehov. Om innovation, ledning och organisering i nio olika tjänsteföretag. Vinnova Rep VR 2009:10
- Damanpour F, Gopalakrishnan S (2001) The dynamics of the adoption of product and process innovation in organizations. *J Manag Stud* 38(1):45–65
- de Brentani U (2001) Innovative versus incremental new business services: different keys for achieving success. *J Prod Innov Manag* 18:169–187
- de Jong JPJ, Kemp R (2003) Determinants of co-workers' innovative behaviour: an investigation into knowledge intensive services. *Int J Innov Manag* 7(2):189–212
- den Hertog P (2000) Knowledge-intensive business services as co-producers of innovation. *Int J Innov Manag* 4(4):491–528
- Dolfsma W (2004) The process of new service development—issues of formalization and appropriability. *Int J Innov Manag* 8(3):319–337
- Elche D, González A (2008) Influence of innovation on performance: analysis of Spanish service firms. *Serv Ind J* 28(10):1483–1499
- European Commission (2007) Towards a European strategy in support of innovation in services: challenges and key issues for future actions. Office for Official Publications of the European Communities, Luxembourg
- Fay D, Borrill C, Amir Z, Haward R, West MA (2006) Getting the most out of multidisciplinary teams: a multi-sample study of team innovation in health care. *J Occup Organ Psych* 79:553–567
- Froehle CM, Roth AV (2007) A resource-process framework of new service development. *Prod Oper Manag* 16(2):169–188
- Froehle CM, Roth AV, Chase RB, Voss CA (2000) Antecedents of new service development effectiveness. An exploratory examination of strategic operations choices. *J Serv Res* 3(1):3–17
- Gadrey J, Gallouj F (1998) The provider-customer interface in business and professional services. *Serv Ind J* 18(2):1–15
- Gallouj F, Djellal F (eds) (2010) The handbook of innovation and services. A multi-disciplinary perspective. Edward Elgar, Cheltenham
- Hipp C, Thether BS, Miles I (2000) The incidence and effects of innovation in services: evidence from Germany. *Int J Innov Manag* 4(4):417–453
- Hull FM (2003) Simultaneous involvement in service product development: a strategic contingency approach. *Int J Innov Manag* 7(3):339–370
- Junarsin E (2010) Issues in the innovation service production process: a managerial perspective. *Int J Manag* 27(3.2):616–627
- Kelly D, Storey C (2000) New service development: initiation strategies. *Int J Serv Ind Manag* 11(1):45–62
- Kieser A (2002) On communication barriers between management science, consultancies and business organizations. In: Clark R, Fincham R (eds) *Critical consulting*. Blackwell, Oxford, pp 206–227
- Kristensson P, Magnusson PR, Matthing J (2002) Users as a hidden resource for creativity: findings from an experimental study on user involvement. *Creat Innov Manag* 11(1):55–61
- Kristensson P, Matthing J, Johansson N (2008) Key strategies for the successful involvement of customers in the co-creation of new technology-based services. *Int J Serv Ind Manag* 19(4):474–491
- Legard R, Keegan J, Ward K (2003) In-depth interviews. In: Ritchie J, Lewis J (eds) *Qualitative research practice. A guide for social science students and researchers*. Sage Publications, London, pp 138–169
- Lievens A, de Ruyter K, Lemmink J (1999) Learning during new banking service development. A communication network approach to marketing departments. *J Serv Res* 2(2):145–163
- Magnusson PR, Matthing J, Kristensson P (2003) Managing user involvement in service innovation. Experiments with innovating end users. *J Serv Res* 6(2):111–124
- Mascitelli R (2000) From experience: harnessing tacit knowledge to achieve breakthrough innovation. *J Prod Innov Manag* 17:179–193
- Mas-Verdu F, Ribeiro Soriano D, Roig Dodon S (2010) Regional development and innovation: the role of services. *Serv Ind J* 30(5):633–641
- Matthing J, Sandén B, Edvardsson B (2004) New service development: learning from and with customers. *Int J Serv Ind Manag* 15(5):479–498

- Matthing J, Kristensson P, Gustafsson A, Parasuraman A (2006) Developing successful technology-based services: the issue of identifying and involving innovative users. *J Serv Mark* 20(5):288–297
- McMeekin A, Coombs R (1999) Human resource management and the motivation of technical professionals. *Int J Innov Manag* 3(1):1–26
- Miles I (2000) Service innovation: coming to age in the knowledge-based economy. *Int J Innov Manag* 4(4):371–389
- Oke A (2007) Innovation types and innovation management practices in service companies. *Int J Oper Prod Manag* 27(6):564–587
- Perks H, Riihela N (2004) An exploration of inter-functional integration in the new service development process. *Serv Ind J* 24(6):37–63
- Robson C (2002) *Real world research*, 2nd edn. Blackwell Publishing, Oxford
- Schilling A, Werr A (2009) Managing and organizing for innovation in service firms. A literature review with annotated bibliography. *Vinnova Rep VR* 2009:06
- Silverman D (2000) Analyzing talk and text. In: Denzin N, Lincoln Y (eds) *Handbook of qualitative research*. Sage, Thousand Oaks, pp 821–834
- Storey C, Kelly D (2001) Measuring the performance of new service development activities. *Serv Ind J* 21(2):71–90
- Uriona-Maldonado M, de Souza LLC, Varvakis G (2010) Focus on practice service process innovation in the Brazilian electric energy sector. *Serv Bus* 4:77–88
- van Riel ACR, Lievens A (2004) New service development in high tech sectors. A decision-making perspective. *Int J Serv Ind Manag* 15(1):72–101
- van Riel ACR, Lemmink J, Ouwensloot H (2004) High-technology service innovation success: a decision-making perspective. *J Prod Innov Manag* 21:348–359
- Ward R (2010) Customer equality: a creative tool for SMEs in the service industry. How small and medium enterprises can win the battle for innovation. *Serv Bus* 4:37–48
- Wengraf T (2001) *Qualitative research interviewing. Biographic narratives and semi-structured methods*. Sage, London
- Werr A, Greiner L (2008) Collaboration and the production of management knowledge in research, consulting, and management practice. In: Shani AB, Albers Mohman S, Pasmore WA, Stymne B, Adler N (eds) *Handbook of collaborative management research*. Sage, Thousand Oaks, pp 93–117
- Zortea-Johnston E, Darroch, J, Matear S (2011) Business orientations and innovation in small and medium sized enterprises. *Int Entrep Manag J*. Online first doi:[10.1007/s11365-011-0170-7](https://doi.org/10.1007/s11365-011-0170-7)