

Special Session 5.7 Strategy and Performance Implications of Service Innovations - Part 1

Session Chair:

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Service Design and Innovation: Trans-disciplinary Perspectives

Mary Jo Bitner, Arizona State University

Amy Ostrom, Arizona State University

Creating and Managing B2B Hybrid Service Innovations

Venky Shankar, Texas A&M University

Len Berry, Texas A&M University

Thomas Dotzel, Texas A&M University

Value from Services Innovation: When and How Services Innovation Affects Firm Performance

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As the world, and particularly the U.S. economy, becomes increasingly service oriented, there is a growing need for service innovation and service focused research. To address this need researchers from a variety of fields have started contributing to the emerging discipline of Service Science. While this multi-discipline approach allows for innovative solutions by bringing together diverse points of view from fields such as management, marketing, engineering, healthcare, information systems, and the social sciences, it also brings with it a new set of challenges. Some of these challenges include translation of discipline specific vocabulary, understanding discipline specific work characteristics and culture, and identifying opportunities for discipline specific contributions (Bitner and Ostrom).

Another interesting issue that emerged is how we address those innovations that are neither uniquely services nor uniquely goods. These types of innovations are labeled “hybrid innovations” and were defined as “the exploitation of an idea that combines good(s) and service(s), creating more customer benefits than if the good(s) and service(s) were available separately” (Shankar, Berry, and Dotzel). The advantage of hybrid innovations is that, as compared to goods, the number of units that must be sold before the unit price exceeds the total unit cost is decreased, while compared to services overall margins are wider thus creating a larger “sweet spot zone”.

A final issue focused on whether or not service innovation impacts shareholder value. To answer this question, an event study approach was taken. Scalability of the innovation, which was defined as “an ability of a firm to reproduce an additional unit of service”

(Umashankar and Srinivasan), was the central construct of interest. While scalability was not found to have a direct effect on shareholder value, the interactions between scalability and benefit radicalness, as well as scalability and firm performance both had a positive effect on shareholder value. Additionally, the interactions between scalability and customization, scalability and tangibilization, and scalability and firm size all had a negative effect on shareholder value.