

Editorial: Service and Innovation

Chris McPhee, Editor-in-Chief

Marja Toivonen, Risto Rajala, and Mika Westerlund, Guest Editors

From the Editor-in-Chief

Welcome to the April 2014 issue of the *Technology Innovation Management Review*, our first of two issues on the editorial theme of **Service and Innovation**. It is my pleasure to introduce the guest editors for our April and May issues, **Marja Toivonen** (VTT Technical Research Centre of Finland), **Risto Rajala** (Aalto University), and **Mika Westerlund** (Carleton University), who have brought together diverse authors to contribute 10 articles to this important topic.

The April issue contains the first five articles on Service and Innovation, plus a summary of a recent TIM Lecture on "The Business of Cybersecurity" presented by **David Grau**, Vice President and Head of Threat Response, Intelligence, and Defensive Technologies at TD Bank Group (td.com), and **Charles Kennedy**, VP Credit Card Technology.

Our June and July issues will be unthemed, and we welcome submissions of articles on technology entrepreneurship, innovation management, and other topics relevant to launching and growing technology companies. Please contact us (timreview.ca/contact) with article topics and submissions, suggestions for future themes, and any other feedback.

We hope you enjoy this issue of the TIM Review and will share your comments online.

Chris McPhee
Editor-in-Chief

From the Guest Editors

Services are dominating the present-day business landscape, both with their share in the overall economic output and with their role as pivotal sources of growth. The underlying reason driving services is the increasing significance of intangible assets (i.e., relationships, information, and knowledge) in inter-organizational value creation. Besides the growth taking place in service sectors, services are essential in advancing the development of industrial manufacturing. Many industrial firms deem the provision of services as a promising area for their future business, and they increasingly use services to support their core functions.

The theme of this issue (and the May 2014 issue that will follow it) is Service and Innovation – a topic having origins in the 1980s but putting forward many new perspectives. The topic derives from two main schools of thought: marketing and management on one hand, and general innovation studies on the other. Until recently, these two schools have developed apart from each other, but today we witness an increasing convergence between them. Moreover, synthesizing views are gaining ground, in many cases at the expense of old dichotomies: science push and demand pull are both seen as necessary drivers of development; technology and human resources are considered equally important as sources of competitive advantage; and providers and users are increasingly analyzed as co-creators of value.

The research into service development and innovation has become more versatile including, for instance, topics such as open innovation, the perspective of service systems, and the relationship between internationalization and innovation. We hope that the sample of articles in this first of two special issues of the TIM Review will play its part in promoting this development, which is important for both research and practice. The articles in this issue represent studies carried out mainly in European countries, but having linkages to other areas, such as the Middle East and China. Content-wise, the topics include many issues that are widely generalizable, irrespective of the geographical area.

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In the first article, **Rabeh Morrar** from An-Najah National University in Nablus, Palestine, reviews the literature on service innovation. Given that service activities play an increasingly prominent role in all economic exchange, innovation in the service sector is of mounting importance for all economic actors. Also, they are imperative for entire societies. Building on the widely-used distinctions among service innovation activities introduced by Coombs and Miles in 2000 and Gallouij in 2010, the study depicts the specificities of assimilation, demarcation, and synthesis approaches to service innovation. Moreover, the article discusses the economic outcomes of different service innovation activities. In doing so, the study provides helpful guidance for understanding the progression of service innovation research.

In the second article, **Marit Engen** and **Inger Elisabeth Holen** from Lillehammer University College, Norway, combine three important viewpoints in innovation studies: R&D-based innovation, employee-driven innovation, and user-driven innovation. The role of users has aroused interest and is often linked with the role of grassroots employees as transmitters of user input in the innovating organization. Engen and Holen carry out an analysis of how the external and internal factors influence the service firms' ability to innovate and how these factors are linked to the novelty of innovation. They use survey data from the Norwegian service sector to show that R&D is important when pursuing radical innovations, and employee-based activities, such as collaboration in ideation, mainly promote incremental innovations. Knowledge gained from customers is important for both radical and incremental innovations.

The third article, by **Ville Eloranta** from Aalto University in Finland and **Juho-Ville Matveinen** from Diagonal, a service design agency in Finland, proposes a new approach to the customer intelligence discussion. It focuses on the utilization of social platforms for improved value-in-use in service operations. The authors define social platforms as adaptable digital service environments that enable the co-creation of value and the collection of value-in-use information through interactions within a service system. Also, the approach takes into account interactions among distinct service systems. The article builds on the prevailing body of scientific knowledge on value-in-use and social platforms and suggests a number of propositions to be taken into consideration in service innovation, and, in further research on value creation through services.

In the fourth article, **Nora Schütze** from Cottbus University of Technology in Germany investigates the effects of electronic word-of-mouth communication on the reach of local service providers' marketing activities. In the study, the penetration of electronic-word-of-mouth is simulated in an agent-based modelling of electronic word-of-mouth processes. The article discusses the important question whether local service providers can compete in the social media on an equal footing with their larger rivals. Although the large competitors seem to have an advantage, the analysis shows some promising findings for local service providers who may benefit from pursuing close connections by operating as locally as possible. Moreover, the study provides service marketers with practical advice about how to benefit from their electronic word-of-mouth activities.

In the last article, **Sen Bao** and **Marja Toivonen** from VTT Technical Research Centre of Finland focus on knowledge-intensive business services (KIBS). KIBS companies provide knowledge inputs to clients, and to perform this function, they have to continuously develop their own knowledge base. Today, the inter-linkages between internationalization and innovation are an important topic, and KIBS have a central role as transmitters of knowledge between global and local levels. In their article, Bao and Toivonen analyze the ways in which Western KIBS enter Chinese markets and position their business in their respective value chains. The study highlights the importance of local partners and the consideration of different value dimensions in the Chinese context: customer value (the balance between benefits and sacrifices), provider value (paybacks and brand value), and relationship value (trust, commitment, and loyalty).

We hope that you enjoy the issue and find some useful ideas for the further efforts in the research and application of service innovation and service business development.

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Guest Editors

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About the Editors

Chris McPhee is Editor-in-Chief of the *Technology Innovation Management Review*. Chris holds an MASC degree in Technology Innovation Management from Carleton University in Ottawa and BScH and MSc degrees in Biology from Queen's University in Kingston. He has over 15 years of management, design, and content-development experience in Canada and Scotland, primarily in the science, health, and education sectors. As an advisor and editor, he helps entrepreneurs, executives, and researchers develop and express their ideas.

Marja Toivonen is Research Professor at VTT Technical Research Centre of Finland, her specialty being service innovation and service business models. She is also Adjunct Professor at Aalto University in Helsinki, Finland. Marja has written several articles on service-related topics and been an invited speaker in many international conferences focusing on these topics. She is a council member of the European Association for Research on Services (RESER), and she is a member of the European Union's 2013–2014 High-Level Expert Group on Business Services.

Risto Rajala, D.Sc. (Econ) is an Assistant Professor in the Department of Industrial Engineering and Management at Aalto University in Helsinki, Finland. Dr. Rajala holds a PhD in Information Systems Science from the Aalto University School of Business. His recent research has dealt with management of complex service systems, development of digital services, service innovation, and business model performance. Rajala's specialties include management of industrial services, collaborative service innovation, knowledge management, and design of digital services.

Mika Westerlund, D.Sc. (Econ) is an Assistant Professor at Carleton University's Sprott School of Business in Ottawa, Canada. He previously held positions as a Postdoctoral Scholar in the Haas School of Business at the University of California Berkeley and in the School of Economics at Aalto University. Mika earned his doctoral degree in Marketing from the Helsinki School of Economics. His doctoral research focused on software firms' business models and his current research interests include open and user innovation, business strategy, and management models in high-tech and service-intensive industries.

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