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# An Analysis of Service Innovation Management in The Malaysian Telecommunication Industry

AMAD WAJID, Ilham Sentosa, Sheikh M.Hizam  
Business School/ Universiti Kuala Lumpur, Malaysia

**ABSTRACT:** *Innovation is known for playing a crucially important role in competitive advantage (Cooper, 1998), It has not only attracted academicians' attention but also become to centre of attention for business people around the globe. Along with encouraging and supporting innovation to achieve as well as improve market performance (Ruivo, Oliveira, & Neto, 2012), the emphasis of organizational leaders has also been on recognizing innovation as a conversion mechanism which would play an immensely significant role in enabling any company to manage all dynamic changes which occur in business environment and market place (Salunke, Weerawardena, & McColl-Kennedy, 2013).*

**KEYWORDS** - *Innovation, competitive advantage, business environment, market performance*



## 1. Introduction

Innovation is known for playing a crucially important role in competitive advantage (Cooper, 1998), It has not only attracted academicians' attention but also become to centre of attention for business people around the globe. Along with encouraging and supporting innovation to achieve as well as improve market performance (Ruivo, Oliveira, & Neto, 2012), the emphasis of organizational leaders has also been on recognizing innovation as a conversion mechanism which would play an immensely significant role in enabling any company to manage all dynamic changes which occur in business environment and market place (Salunke, Weerawardena, & McColl-Kennedy, 2013). In the competitive environment of the 21<sup>st</sup> century, there has been a great struggle of firms with reference to improving their performance to stay more progress than their competitors. In an agile environment, the need to thrive as well as achieve advantages has led the academicians and researchers to research on the service innovations' practices (Riel, 2005). As far as Service innovation is concerned, it is known to be a highly significant domain of this field because of the present economic activities that are service oriented around the world (O'Cas et al, 2013). It has also been argued by many scholars that economic activities are encouraged by service innovation because the new services' design and service delivery' enhancement is always encouraged by it (Moller, Rajala, & Westerlund, 2008). In today's world, collaborative as well as creative workplace is required by organizations that could be facilitated and accommodated via the tools of computer information technology (CIT) as they are considered to be highly vital in this regard (Klein & Dologite, 2000). The processes are continuously updated by CIT tools in service/product development cycles which are used by cross-functional team members (Collins & Hull, 2002). "In the value

chain from upstream to downstream consumers, knowledge about common process controls are shared to improve process speedy and timeliness” (Heatley, Agarwal, & Tanniru, 1995). It also plays its role in allowing management to assess as well as control the whole project while storing everyday information with regard to the training of the staff to evaluate audits and projects and review user and consumer satisfaction (Mudrak et al., 2005). CIT helps enable the firm staff to review all projects which ultimately leads to improvement in the performance of entire business (Tidd et al., 2005).

## **2. Research Significance**

Since the inception of human life, there has been acknowledge and recognition of the services and there is no doubt that diversity has been high. Services because of their diversity could not be assumed as a “common” phenomenon; therefore, there has always been a need to highlight services ‘operational differences. During the last three decades, services’ scale as well as complexity has considerably increased amid the last 3 decades. Because of political and social changes, globalization and ever-growing economies like India and China, and high competition; organizations have been forced to offer service in more sustainable, efficient and increasingly manner. Therefore, the study aims to focus on the Malaysian telecommunication industry while addressing gap found in the research. The significance of this study can be recognised through its attempt to explore the service innovation management’s effect on performance.

## **3. Research questions**

Following are the research questions which would be addressed in this study:

1. What is the impact of strategic practices on market performance in the telecommunications industry?
2. What is the impact of strategic practices on service performance in the telecommunications industry?
3. What is the relationship between delivery process of Services and strategic practices in the telecommunications industry?

## **4. Literature Review**

Through the new services’ efficacious initiation as well as in adapting and supporting emerging concepts, a significant role is played by service innovation management in order to achieve performance and management. The notion has been conceptualized by Tidd and Hull (2003) that the management of an organization is helped by service development to get competitive advantages and improve performance. By achieving innovations in service through the integration of external stakeholders such as customers, suppliers as well as distributors help enable various firms that are service oriented, it also helps them realize their goals with regard to performance (Salunke et al., 2013). Furthermore, desirable performance is achieved through service innovation (Hull and Tidd, 2003). As per Sin, Tse, Heung, and Yim (2005) “performance can be viewed from a subjective perspective, which concerns the firm’s performance in relation to that of competitors.” Very less research has been produced so far on service innovation particularly the service innovation management field (Shang, Lin and Wu, 2009). Innovation strategy is considered to be the cost-time based strategic positioning as well as resource allocation which needs to be planned in order to achieve the objectives of any firm or organization (Davila, Epstein and Matusik, 2004). As argued by Tidd and Bessant (2009), an effective method is provided by innovation strategy in order to explore as well as review market developments, innovative technologies and innovation projects. As far as being successful through innovation strategy for any firm is concerned, it is important to get

knowledge with regard to markets, consumers, regulation, technology, suppliers, competition, finance to develop an ability to perform well in the highly competitive environment. It helps provide motivation for firm's staff to select, engage as well as use effective innovation processes (Mudrak, van Wagenberg, & Wubben, 2005). It has also been found out by Hull and Tidd (2003a) that firms are greatly helped by innovation strategy in order to improve their performance. They further say that "Innovation process represents a disciplined practice of control from idea generation to launch in order to increase the level of product commercialization" (Hull & Tidd, 2003a). It is known that innovation process essentially considers different activities such as benchmarking, assessing markets, identifying the needs of consumers, reviewing the designs of products and improving quality (Hull, 2004). In service oriented companies, flexibility is provided by innovation process in order to identify the needs of a consumer through internal controls, external investigation and continuous improvement (Hull, 2003) since it would help in creating the customer's value and that what is known as the innovation's focus (Jong and Vermeulen, 2003). As stated by Collins and Hull (2002), any new product's time and cost is reduced by process control which ultimately leads to improvement in performance. Every process and practice is carried out by innovative organizations in a sustainable, efficient and systematic way (Weiss and Legrand, 2011). There should be the reorganization of service development to a simultaneous process (Hull, 2004). It involves the people's cooperation in innovation process at all stages (Tidd et al., 2005). All people or teammates within value chain are allowed by innovative organization to generate various innovative ideas which would ultimately leads to enhancement in performance. It cannot be denied that the success of any organization depends upon the team with high performance (Weiss and Legrand, 2011).

## **5. Theoretical Framework**

"SPOTS (strategy, process, organization, tools/technology, and system)" model is employed by this study to explore the effects of service innovation management on performance. As far as the SPOTS model is concerned, service innovation practices' deployment is explained by it since it influences service development (SD), market performance (MP), and delivery process (DP). It can be taken as a reflection of the combined model of the effectiveness of new product development, since there has been a lot of research in the context of America and British (Hull & Tidd, 2003). All functions are incorporated by the model within the organization to reduce the time which is taken to develop as well as launch new products and services. It simultaneously maintains competitiveness (Collins & Hull, 2002). As far as the various multiple functions are concerned, they are comprised of various tasks ranging from the innovation process' early stage to initiation of new services and products (Hull, 2004). These above mentioned five factors play a significant role in service innovation's performance.

## **6. Methodology**

When it comes to the methodology of this study, it will be conducted by taking 249 managers of Malaysian leading firms that how decisions with reference to innovation management are taken there. 790 questionnaires will be distributed to fill them up as they would help in data analysis. To achieve the objectives of this research as well as evaluate the structural model, "a structural equation model (SEM)" will be applied with PLS approach particularly the "Smart PLS version 2.0 M3 Beta" (Ringle, Wende, & Will, 2005). It is similar to regression analysis in order to evaluate relationships while putting less emphasize on measurement model. As far as the the survey's construct is concerned, it will be measured with likert scale "very low extent" (1) to "very high extent" (5).

**Hypothesis 1:**

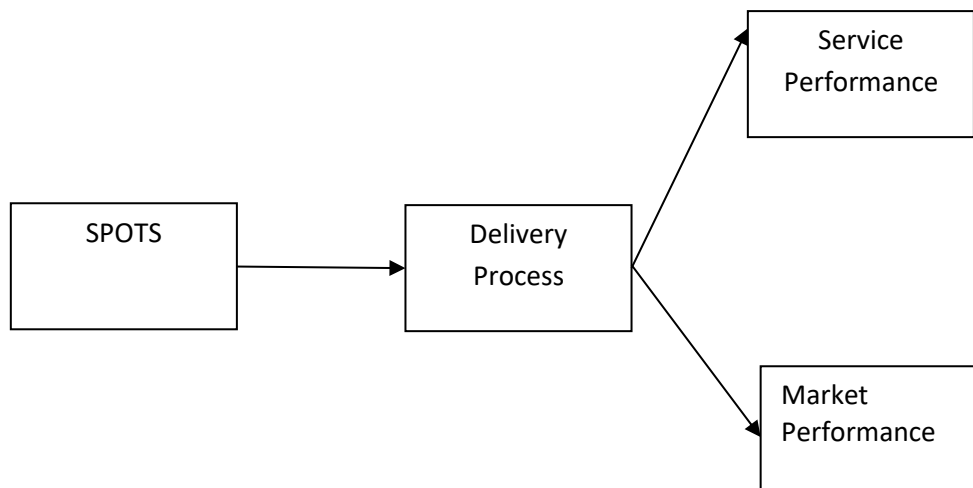
The strategic practices' greater level has a positive impact on market performance.

**Hypothesis 2:**

The level of delivery process performance gets high when the strategic practices' level is high.

**Hypothesis 3:**

“Strategy, process, organization, tools/technology and system (SPOTS)” greatly affects the service performance

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