

Chapter 7

Managing Innovation in the Service Sector in Emerging Markets

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ABSTRACT

Emerging markets are the home to most of the world's population and natural resources and as such are a high priority for both local and multinational companies. Emerging markets present attractive investment opportunities in the service sector. To pursue innovation in the service sector in emerging markets innovation managers need not only have a deep understanding of the core issues and challenges that prevail in this sector but also the understanding of the challenges inherent in these markets institutional, technological and legal and policy environments. The challenges to innovation that the service provider confront in emerging markets are varied; such as the lack of qualified labour, lack of substantial funding, risk to intellectual property and even "expropriation risk," the possibility that host governments would seize foreign-owned assets. This chapter explores the challenges encountered when managing innovation activities in the service sector in emerging markets.

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INTRODUCTION

In today's era, the business environment is highly competitive in the emerging nations. Globalisation and increase in the international trade provides opportunities and challenges of innovation for many organisations within the service sector in the emerging markets. The term Emerging Market, coined by a World Bank economist in the 1980s, refers to the market activity in countries that are considered to be in a transitional phase between developing and developed status. The term emerging markets can also be defined as an economy that is progressing and becoming advanced with the help of innovations and corporate strategies to enhance the competitive position within the services sector (Khanna & Palepu, 2013). With the opening of large economies in the international market, increase in foreign investments and globalisation brings rapid changes of advancement and challenges of innovation in the business environment in these emerging markets.

Innovation is the key driver for development and to sustain economic growth in the emerging markets. The purpose of this chapter is to understand the challenges of innovation in the emerging markets within the service industry (Bilgili, Kedia, & Bilgili, 2016). It is essential to consider the opportunities and challenges of innovation in order to determine the factors that must be incorporated to deal with these challenges and to sustain profitable growth within the service sector in these emerging markets. It is vital for the companies within the service sector to develop innovations in the emerging markets to have competitive advantage that helps the companies to compete with the developed economies. Innovation is significantly important for the companies that are offering services to its potential customers (George, McGahan, & Prabhu, 2012, pp. 661-683). With the help of innovations, the emerging markets can obtain greater market share in the developed nations. For example, Emirates Airlines was successful and managed to sustain growth by incorporating innovations in the airline service for its clients.

Companies from the emerging markets are using techniques in positioning the organisations for economic growth and competitive edge with the help of innovative ideas to compete with the developed economies in the international market (Boons & Lüdeke-Freund, 2013, pp. 9-19). The purpose of this chapter is to briefly discuss the challenges of innovation in the emerging markets in the service sector and how the companies are incorporating innovations to deal with the challenges and to compete with the global companies in the developed economies. In order to achieve competitive advantage in the service sector, it is essential for the organisations to focus on the challenges of innovation in the emerging markets. Innovations provide the business opportunities and help the companies within the emerging markets to secure competitive position in the global market (Rigby & Bilodeau, 2015).

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