

The Effect of Service Innovation on E-government Performance: The Role of Stakeholders and Their Perceived Value of Innovation

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ABSTRACT

Research on public sector innovation has gained momentum recently as electronic government performance has been met with criticism. The ambiguity comes from the lack of deep understanding of the intervening variables through which service innovation affects e-government performance. Therefore, this article presents a conceptual framework to better understand the impact of service innovation on e-government performance. The role of stakeholder involvement and stakeholder perceived value of innovation in the relationship between service innovation and e-government performance is examined. The data came from a survey of 120 Iranian government organizations. Reliability and validity of the measurement instrument were confirmed and statistical analysis was performed to test the framework. The results confirm the moderating effect of stakeholder involvement and the mediating role of stakeholder perceived value of innovation. It was also revealed that citizens are not actively engaged in the innovation process and their perceived value of innovative e-government services remains low.

KEYWORDS

E-Government Performance, Service Innovation, Stakeholder Involvement, Stakeholder Perceived Value

INTRODUCTION

Due to the ever-increasing importance of services in modern economies, the concept of innovation that was once mainly the focus of manufacturing industries has been recently a major source of discussion in the services literature (Ferraz & Santos, 2016). Innovation is viewed as a key to drive competitive advantage and success in business firms and its impact on organisational performance has been examined in many studies (McDermott & Prajogo, 2012). Despite the growing interest in studying the effect of service innovation on firm performance, this area is remained to be somewhat under-researched within the public sector organizations compared to their private counterparts. This can be attributed to the lack of appropriate reward mechanisms for potential innovators, fear of possible failure of innovation projects and reluctance to take the associated risks along with bureaucratic

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structures and centrally controlled security measures put in place in most government organisations (Keramati, Behmanesh & Noori, 2018).

Electronic Government (e-government) projects are primarily intended to bring about efficiency and effectiveness within the public sector through innovative information, processes, and services to a wide range of stakeholders (Panagiotopoulos, Al-Debei, Fitzgerald & Elliman, 2012). While there have been successful stories about e-government implementation projects around the world, there are many that still face serious challenges and have not been successful enough to meet their objectives (Keramati et al., 2018; Albadvi et al., 2007). In countries like the United States, Singapore and the United Arab Emirates, the development and implementation of e-government initiatives over the past two decades have been supported by strong leadership, adequate sources of funding and provision of transparent processes. To the contrary, in many developing countries, such as Thailand and Iran, many e-government projects have been facing extensive challenges since the inception due to the lack of united leadership, limited to no active engagement of major stakeholders in the processes and inadequate financial resources (Gunawong & Gao, 2017). Since there are usually huge investments involved in the development and implementation of e-government projects, public policy makers and managers fear that the extensive costs might not justify the potential benefits achieved following the launch of such innovative initiatives.

The concept of innovation and its effect on organizational performance has been the source of debate in the development and implementation of public services in recent years (Nasi, Cucciniello & Degara, 2018; Song, Song & Di Bendetto, 2009; Aas & Pedersen, 2011). Effective involvement of stakeholders in the innovation process is assumed to result in improved organizational performance. Despite the general agreement over the important role of stakeholders in the innovation process within organizations, there is still a lack of deep understanding of how this would contribute to enhanced firm performance. Furthermore, the success of such innovations is greatly reliant upon how stakeholders perceive their value. There is a need to empirically examine the role of stakeholder involvement and stakeholder perceived value of innovation in the relationship between service innovation and e-government performance.

To address this need and investigate into how e-government performance in Iran as a developing country would be affected by innovation, this study proposes a conceptual framework which is then empirically validated. The framework consists of constructs and measures addressing how the generated value of innovative public services can be perceived in view of stakeholder involvement. The data came from 120 senior managers in charge of innovation projects in Iranian government organizations that have launched e-government initiatives over the past decade. In this regard, the impact of service innovation by itself and also through the interaction with other determining factors on organizational performance is being analyzed in this paper. The results of this study shed light on how and to what extent hard-to-measure intangible service innovation would contribute to enhanced e-government performance.

With all the above said, the objective of this research is to answer the following questions:

- How and to what extent does service innovation affect e-government performance?
Through this question, this research tries to understand what service innovation initiatives have been undertaken over the last five years in Iranian public organizations. Furthermore, among those innovative offerings, investigating into how and to what extent they have affected different e-government performance measures is pursued.
- How and to what extent does stakeholder involvement affect e-government performance?
Through this question, this paper seeks to find out how stakeholder involvement in innovation processes would affect the relationship between service innovation and e-government performance; and to what extent that would contribute to enhanced e-government performance.

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