

# Chapter 1

## Innovating Services: Navigating the Digital Frontier

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### ABSTRACT

*In the contemporary digital landscape, service innovation stands as the linchpin for organizational success. This chapter embarks on a transformative journey into the heart of service innovation in the digital age. From disruptive technologies to revolutionary customer experiences, the chapter meticulously explores the multifaceted dimensions of service innovation. Drawing on real-world examples and cutting-edge research, this chapter illuminates the strategies, challenges, and opportunities that define service innovation in the dynamic digital era. Through this comprehensive exploration, it provides a nuanced understanding of the transformative role and profound significance that service innovation holds in ensuring organizational resilience and success amidst the dynamic digital landscape.*

### 1. DIGITAL TRANSFORMATION

Businesses have been under growing pressure to adapt as a result of globalization in recent decades. To overcome this, companies need to seamlessly integrate in order to remain afloat and even thrive in extremely competitive circumstances. Efficient integration can only be achieved through digital processes and collaborative tools (White, 2012). The practical reality is that business models need to shift over time if organizations seek to achieve sustainable value generation which has led to recent advancements

DOI: 10.4018/979-8-3693-2019-8.ch001

in conceptual development. The key to a successful business transformation is simultaneously taking advantage of and examine its potential for achieving organizational agility (Hess et al., 2016). It has been observed that businesses that have been successful in the past face the risk of underperforming if they continue with their old strategies for too long without altering their business plans to take advantage of developments in the landscape of rivalry (Doz and Kosonen, 2010). Amazon has used very effective and sophisticated big data analytics, which has been a major enabler of the firm's success in sales performance (Jannapureddy et al. 2019). This underlines the importance of Digital Transformation for staying competitive. Digital Transformation not only impacts the organizations but people and society too. Digitalization involves creating value for the customers after using the technology, as compared to digitization, which only involves using digital technologies (Seyedghorban et al. 2020).

Several researchers have contributed the definitions of the Digital Transformation. Digitalization is defined as “the use of digital technologies and digitized data to impact how work gets done, transform how customers and companies engage and interact, and create new digital revenue streams (Strønen, 2020). Digital transformation is the use of new digital technologies such as social media, mobile technology, analytics, or embedded devices to enable major business improvements including enhanced customer experiences, streamlined operations, or new business models (Fitzgerald et al., 2014). It is the combined effects of several digital innovations bringing about novel structures, practices, values, and beliefs that change, threaten, replace, or complement existing rules of the game within organizations, ecosystems, industries, or fields. (Hinings et al., 2018). Thus, digital transformation is an organizational transformation that integrates digital technologies and business processes in a digital economy (Liu et al., 2011).

## **2. COMPONENTS OF DIGITAL TRANSFORMATION**

Digital technologies not only impact the transformation of products, business processes, or sales, but entire business models as well (Hess et al., 2016). **Business processes** and **organizational implications** are the two subcategories of research that make up digital business transformation.

### **2.1 Business Processes**

For digital transformation to be implemented, company's strategies must be in accordance with a digital business strategy that integrates IT and business strategy (Bharadwaj et al., 2013; Matt et al., 2015). Digital interactions, digital distribution, and ubiquitous digital reach are trends that companies must prepare for when facing ongoing digital transformation. The fact is that the content can be distributed via a variety of open-access digital communication channels that makes controlling digital distribution crucial (Lanzolla & Anderson, 2008). It was also described that strategic value can be obtained only by digitally activated consumer that requires managing IT deployment and organizational transformation. (Gray et al., 2013). Since IT and digital technologies will strategically enhance the productivity of the business, it must be employed to gain a competitive edge. Organizations will not be able to compete in the rapidly evolving digital world if they cannot rapidly develop and adopt new digital business models and digital transformation strategies.

There are four dimensions for Digital Strategy formulation: the use of technologies, changes in value creation, structural changes, and how to finance digital transformation (Hess et al. 2016). To connect with

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