

# Chapter XII

## Managing ICT Based Service Innovation

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### ABSTRACT

*In this chapter the authors investigate the management of service innovation projects; can ICT based service innovation be facilitated by traditional project management thinking? Or should the initiators strive for more interaction with users and other stakeholders, thus organizing the initiatives much looser than what the traditional project work method allows for? Building on a large survey, the authors found that ICT based service innovation was not associated with a tightly run project – focused on cost, time and quality; nor with the presence of a professional project manager. Rather, successful service innovation was found in projects where the service providing organization and the users of the forthcoming services were well integrated in the project. They discuss three alternatives to the traditional project work form model, called Integrated Classic Structure, Mutual Adaptation and TQM, and assess their potential strengths and weaknesses in service innovation, as an agenda for further experimentation and empirical research.*

### INTRODUCTION

The point of departure and the subject to our investigation is the question of to what extent ICT based service innovation can be successfully

facilitated by traditional project management methods. Today, services constitute the dominant part of Western economies, and the innovation of new services is recognized as an important strategy in the global competition (Tidd & Hull,

2003). A particularly interesting strategy is ICT based service innovation, which – combined with the general liberalization of services in the 1990s – has transformed our financial services, telecom and IT, media and several other industries. In the start of the new millennium, we now witness the rapid transformation of even more sectors, as the music industry and e-government.

The management of the service innovation processes is a basic matter of concern here; should service innovation initiatives be organized the same way as high-tech product innovation, i.e. with expert teams in well structured projects? Or should they be organized in some looser fashion, with more interaction with users and other stakeholders? The innovation research communities—both the service innovation and the project management research—are divided on this question. A key issue is the classic trade-off between integration and differentiation known from sociological and project management research, i.e. to what degree should the project be isolated from its mother organization?

## BACKGROUND

A project in its classic form is the set-up of a temporary separate organization with a single aim. This allows for a strong focus, but as documented in the thorny relationship between projects and organizations, the same trade-off between differentiation and integration applies here. A number of more or less sophisticated mechanisms to handle this issue, such as steering groups and user representation, are well known to the project communities.

The project management research community has certainly acknowledged this tension between integration and separation. In the *PMI Guide to the Project Management Body of Knowledge* (PMI, 2000) a key issue in Project Management is defined as the management of *scope*: To decide the amount of work to be done and to demarcate

against the work that should not be done. This constitutes the rationale for a planned and manageable project, where the performed activities deliver the business purpose.

Researchers have challenged this classic model as they point out that an increasing share of projects has a wider scope than producing a technical solution. These projects are often termed *business projects*, aiming at organizational innovation and change (Winter, Andersen, Elvin, & Levene, 2006). Other researchers have found that there is a difficult choice between separation and integration: A well-run separate project, with its own identity, rationality and specific results, is not suited to implement its own results back to its mother organization. Correspondingly, the results from projects that are tightly integrated with the organization (but less innovative!) are much easier to implement. This means that project owners and managers actually face the dilemma either to accomplish innovation or to prioritize implementation (Johansson, Löfström, & Ohlsson, 2007).

Do these findings imply that service innovation should *not* be organized as projects? We think there is no easy answer to this, and for certainty there is a need for more knowledge on the topic. We note, as a point of departure, that the overall picture is that the “hard” and “separate” paradigm, as represented in the PMI Guide to the Project Management Body of Knowledge, is predominant. There may be sound reasons for this. One may easily argue that the phenomenal success of the project management discipline the past 60 years rests on the parsimonious clarity of the project concept, which allows the project manager to concentrate on his objectives.

## Service Innovation

Innovation research does not agree whether the innovation of services is fundamentally different from the innovation of products (Drejer, 2004). A service is commonly defined as the non-material

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