

Chapter 11

Understanding and Measuring Innovation Capacity in Services

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ABSTRACT

The main objective of this qualitative research focused on the evaluation of the dimensions of scales for the proposition of an expanded scale of measurement for the Capacity for Innovation in Services (CIS), taking – as a starting point – two existing scales: Janssen et al. (2016) and Wang and Ahmed (2004). These scales were combined with qualitative research based on in-depth interviews with seven managers in service companies operating in Brazil. These interviews went through a process of content analysis. This process identified four Categories (Dimensions) related to CIS: Innovative Organization, Market Information, Culture for Innovation and Organizational Knowledge of Innovation. As a result, a proposition for an expanded scale of the CIS construct was reached, which can be used in future service studies. It is believed that this work opens the possibility of deepening future research on the topics analyzed and brings academic and professional contributions by proposing

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1. INTRODUCTION

The subject of the capacity to innovate, capacity for innovation, or innovativeness has received increasing interest from innovation researchers (Arias-Pérez et al., 2021; Janssen et al., 2016; Wang & Ahmed, 2004). The capacity to innovate in services, or service innovation capacity (SIC), however, still needs deeper investigation since the authors on the subject have reached no consensus on its dimensions. If we think of the Service Innovation Capacity as a system, we know that the outputs will be innovative services. Still, it is not always simple to identify what is part of the input to this system (i.e., the components of the capacity to innovate in services).

So why study service innovation capacity? The first reason is that the capacity for innovation is one of the main strategic factors for the success of companies of varied sizes and sectors, and it gains greater relevance in the context of services (Koc & Ceylan, 2007). The second reason is that services account for more than two thirds of the Gross Domestic Product (GDP) in developed or developing countries. Authors such as Djellal et al. (2023) argue that services are responsible for more than 80% of wealth and jobs in developed economies. Additionally, despite its relevance to the economy, research on service innovation still needs to be developed.

Another relevant aspect of services is highlighted by Djellal et al. (2023), for whom contemporary economies are often identified based on two relevant characteristics. The authors argue that the first characteristic points to the fact that they are innovation economies since innovation is the primary driver of competitiveness and growth for companies and nations. The second characteristic indicates that these economies have already been considered service economies for several decades.

Traditionally, innovation theory has focused on tangible products. Service innovation, on the other hand, involves creating and delivering intangible experiences (goods) that add value to customers (Parida et al., 2015). Consumers are looking not only for high-quality products but also for differentiated and personalized experiences. In this context, SIC is essential to keep up with these consumers' steadily growing demands.

The capacity for innovation is not a static attribute but a dynamic capability that reflects an organization's skills and competencies in adapting to change. As research suggests, these dynamic capabilities are the critical drivers of firms' competitiveness and performance (Helfat et al., 2009; Teece et al., 1997). Alves et al. (2017) further argue that innovation can be best understood as a dynamic capacity. Yoo et al. (2012) associate convergence and generativity with the ability to innovate in

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