

**ILLUMINATING APPLIED SERVICE INNOVATION RESEARCH WITH SMES:  
THE CASE OF THE RIKON GROUP**

**TRACK: INNOVATION AND ENTREPRENEURSHIP**

**COMPETITIVE PAPER**

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## **ABSTRACT**

Generating absorbable and practical knowledge on the systematic development, design and testing of new and/or improved service offerings, processes and business models, i.e. service innovation, represents a timely and relevant growth area transcending European and Irish innovation, recovery and socio-economic strategies. However, research into the development and practice of service innovation vis-à-vis product innovation is a relatively emerging domain and as such, is at best characterised as emerging. The existing body of research knowledge, derived largely from product innovation, fails to provide concrete processes by which to embed service innovation at the firm-level which has significant implications in terms of industry awareness, deployment and impact. Reflective of this, Irish data emanating from the Community Innovation Survey indicates that small and medium enterprises (SMEs) report the least levels of engagement, expenditure and collaboration with academia in relation to innovation activities, which is a concern when the Irish enterprise landscape is dominated by SMEs.

Mindful of the foregoing; this research, which has received ‘New Ideas’ funding from the Irish Research Council for the Humanities and Social Sciences utilises The RIKON Group based in W.I.T as a knowledge provider within Enterprise Ireland’s Innovation Voucher Programme as a lens to disseminate (1) the application areas and methodologies of service innovation and (2) the range and impact of applied service innovation research and knowledge transfer. Through a combination of desk research and multiple case study developments transcending an end-to-end perspective of service innovation including ideation, business development, market analysis, service design and market development this research (1) synthesises the service innovation challenges faced by Irish SMEs; (2) illustrates the methodologies utilised to deliver service innovation solutions to SMEs; (3) highlights the range of applied service innovation research interventions developed by The RIKON Group; (4) profiles Irish service innovation case studies and (5) demonstrates the various impacts associated with implementing service innovation. This research accordingly impacts at various stakeholder levels, most notably in terms of raising industry awareness and practice, informing policy development through evidence based research and contributes to the emerging academic and applied research agenda surrounding the discipline.

## **BACKGROUND**

Prior to delving into the paper proper, this introductory section serves to contextualise the emerging high priority topic of service innovation on the European agenda due to its transformative potential in accelerating market, customer, export, employment and societal growth (EC, 2007a; EC, 2009; EPISIS, 2009; Europe INNOVA, 2011). The increasing importance of service innovation can be credited to the realisation that innovation is broad and does not have to be limited to technology-based innovations:

*“There is in certain areas a shift away from pure technological and product innovation, which is largely dependent upon R&D, towards user-centric and network*

*models of innovation. The future of service business points towards a more holistic view of the business itself. This will result in a shift from developing individual products and services towards providing solutions and experiences”* (BusinessEurope, 2011:4).

As a discipline, service innovation is not limited to service sector companies as it is premised upon any innovation activity with service like attributes (EC, 2007b) and as such, its importance has also materialised with the dominance of the service economy and the business impacts associated with a servitization agenda. In a service-dominant logic (see Vargo & Lusch, 2004), service innovations are taking centre stage of manufacturer-consumer exchange whereby physical goods are increasingly become servitised, i.e. they can be seen as appliances which derive their value from their ability to provide service. In this vein, many companies are moving from business models where value comes solely from physical goods to models where value derives from intangible elements such as services, knowledge, experiences and relationships:

*“With tightening competition and the rapid pace of structural changes in the economy, service innovation and development have emerged as a strategic imperative for most companies, also for those outside of the traditional service industries”* (Ojasalo, 2009:216).

Despite representing a European-wide policy and business priority, research into the development of service innovation vis-à-vis product innovation is a relatively embryonic domain which only began to evolve in the late 1980s (Europe INNOVA, 2010) and is at best characterised as emerging. The relative newness of the discipline means “...that there is a lot of ambiguity, misunderstanding and even, disagreement on the key terminology and definition of the phenomenon itself” (EPISIS, 2011:13), which has resulted in limited awareness, understanding and application at both scientific and industry levels. In recent years a growing body of knowledge has been accumulated in the field (see Gallouj & Savona, 2009; Gallouj & Djellal, 2010); however, this body of research is thematically fragmented and less empirically grounded than traditional manufacturing research (Gallouj & Savona,

2010). Much of the research output on service innovation emphasises the strategic importance of the discipline without offering absorbable processes or methodologies by which to design, embed, test or measure performance/impact of service products, business models and customer interfaces (Fähnrich & Meiren, 2007). As such, there is a lack of practical instruments for planning, designing and developing services (Bullinger et al., 2003) which can be attributed to the dominant legacy of promoting and supporting a narrow product-led conceptualisation of innovation which cannot be blindly transposed to the service characteristic and customer centric nature of service innovations (EC,2007a).

Mindful of the foregoing, increasing awareness and conceptualisation, to the development of practical tools and support mechanisms (EC, 2009; EPISIS, 2011; BUSINESSEUROPE, 2011) are central to achieving the objectives of EU2020 and surmounting Europe's suboptimal level of service innovation vis-à-vis the USA (Roxburgh et al. 2010). In response, policy and industry stakeholders have prioritised the need to generate and disseminate trans-industry awareness, knowledge and capabilities to exploit service innovation gains (Europe INNOVA, 2011).

In terms of the Irish perspective; while innovation is critically important to the enterprise sector particularly SMEs who dominate the enterprise landscape (CSO, 2012a), from a productivity, sustainability, efficiency, employability, export, recovery and growth perspective (Innovation Taskforce, 2010; DEJI/Forfás, 2012), the emerging nature of service innovation coupled with the dominant legacy of product and technological conceptions of innovation has resulted in the discipline being relatively uncharted (Power et al., 2010). In 2006 Forfás identified that “...Ireland’s development agencies need to consider whether they can deliver appropriate and effective services innovation support to Irish companies using a support framework and portfolio that relies substantially on a relatively narrow

*technological concept of innovation*” (Forfás, 2006:9). Equally, a subsequent Forfás report outlined that there is a need for “...*dedicated business support measures to promote R&D and innovation capability in services companies and to facilitate the development of services by manufacturing enterprises*” (Forfás, 2008:17). Mindful of this, ‘Innovation in Services and Business Processes’ has been identified as a key research priority for Ireland to enable both the manufacturing and service sectors to realise their broadening innovation potential (DJEI/Forfás, 2012). Within this prioritisation, an applied research agenda partnering enterprise with research is a key underpinning pillar:

*“To enhance the innovative capability of industry in services and business processes, the Government should establish a focused and coordinated research capability in the higher education sector with the research agenda being informed by industry”* (DJEI/Forfás, 2012:78).

## **CONCEPTUALISING SERVICE INNOVATION AND ITS IMPACT AT THE FIRM-LEVEL**

Mindful of the relatively embryonic nature of service innovation, this section of the paper purports to conceptualise the discipline itself and its applications at the firm-level. According to Forfás, service innovation represents the design and development of:

*“A new or considerably changed service concept, client interaction channel, service delivery system or technological concept that individually, but most likely in combination leads to one or more (re)new(ed) service functions that are new to the firm and do change the service/good offered on the market and do require structurally new technological, human or organisational capabilities of the service organisation”* (Forfás, 2006:17).

At a more simplistic and absorbable level, it has been identified that the phenomenon focuses on planning, technology, human interactions, material components and the users and customers of a business and represents a set of processes and techniques which can be used to create value in operational, organisational and delivery processes in addition to supporting the development of new and innovative service offerings (Spath & Ganz, 2008; Ostrom et al.,

2010). While no universally accepted conceptualisation of service innovation exists, typologies in the field are largely grouped into domains concerning activities oriented towards the design and development of new service product offerings, creating or adapting business models and developing and/or innovating customer interface and delivery mechanisms (Forfás, 2006). Within these categorisations, the end-to-end underpinning innovation processes (Schulteß et al., 2010; Dörner et al., 2011) ranging from “...*idea or concept generation through to business analysis, design, testing, and launch or commercialization*” (Song et al., 2009:573) are supported and facilitated. Based upon the foregoing; as an umbrella term, service innovation represents the systematic development, design and testing of new and/or improved service offerings, processes, business models and customer interfaces using multidisciplinary social science, engineering and technology-enabled models, methods and tools. There are various levels at which service innovation can be applied within an organisational setting (EC, 2007a; Service Growth Consultants, 2008; den Hertog et al., 2010) and these levels include, but are not limited to innovating: the service concept, or what is being offered; service production and/or delivery processes, or how the service is being provided; organisational and managerial structures, or how service provision is supported and co-produced; business and revenue models by aligning organisational resources and practices to industry and consumer demands; customer interactions, relationships and experiences and marketing activities which may include the implementation of marketing methods, channels and strategies.

Given the complexity of the application potential of service innovation, it is appropriate to address the challenges to its introduction at the firm level, as these issues frame the policy supports required, particularly in the context of SMEs.

## **SERVICE INNOVATION CHALLENGES AT THE FIRM LEVEL**

Despite the growing importance of service innovation, the challenges associated with its operationalisation at the firm level are complex and wide-ranging and are underpinned by a lack of firm-level knowledge. In terms of the constructs and components of service innovation, there is a lack of conceptual understanding and ambiguity has resulted in the need for “...a clear and unambiguous vocabulary on service innovation and related constructs to avoid equivocal communication” (Pedersen & Nysveen, 2010:31). In addition to conceptualisation challenges, there is an identified lack of useful instruments for planning, designing and developing services (Bullinger et al., 2003) and protecting service innovations from competitor imitation is difficult as firms cannot depend on patents as the innovation focus is typically a process, as opposed to a tangible product (Song et al., 1999). Resultantly, the success rate for service innovation is low (Rubalcaba et al., 2010) and this may be attributed to much of the research output on service innovation being driven by policy-makers and emphasising the strategic importance of innovating services without offering absorbable processes or methodologies to design, embed or test service innovations.

While product innovations are typically developed through formalised and well-coordinated processes, service innovations are often more ad-hoc, less linear and less coordinated: “Often, service innovation is regarded as a trial and error process... prototypes usually do not exist, and systematic testing of service innovations therefore does not take place” (Pedersen & Nysveen, 2010:13). Moreover, due to services conceptual, intangible and customer-centred nature, service innovations cannot be researched, developed, prototyped and tested in a similar manner to physical goods as they are often intangible activities co-produced with clients, partners and stakeholders (von Hippel & Katz, 2002; den Hertog et al., 2010).

At the firm level the framework conditions for systematically developing, testing, implementing and protecting successful and inimitable services innovations are challenging; as more often than not managers do not fully recognise and appreciate the value of service innovation as a source of competitive advantage and as a result, devote minimal research and development resources and expenditure to the discipline (Dörner et al., 2011). Implementing service innovations requires a broad, sustainable and multidisciplinary range of management capabilities relevant to both the back (behind the scenes) and front stage (customer interfacing) activities of firm development, which are often lacking (Berry et al., 2006; Hortog et al., 2010).

Notably, the challenges facing the average firm in identifying the need for service innovation, appreciating the methods and processes involved and developing the capabilities to pursue this goal, are all magnified in the case of the typical SME. Given that over 98% of enterprises within Ireland are categorised within SME parameters (Lawless et al., 2012), the section to follow draws upon the typical ‘stylised’ characteristics of small businesses (Bommer & Jalajas, 2004; Freeman & Engel, 2007; Storey & Greene, 2010), as a means of highlighting the challenges of applying service innovation strategies in this context.

### **SME INNOVATION CHALLENGES**

While generic issues and hampering factors exist for all enterprises engaging in and capitalising on service innovation practice as previously highlighted, certain in-company capability and capacity factors are more pronounced in the SME sector and these centre on their small size, scope, capacity and available resources to invest in and exploit innovation activities.

As Leiponen (2002) (as cited by Ritala et al., 2009) highlighted, whereas knowledge has a role to play in product innovation, in service innovation it is the sole ingredient, as it often



involves the development of new concepts and procedures rather than a new tangible product (Quintane et al., 2011). However, the typical small firm, first and foremost, is often cited for: a lack of managerial competence, failure to update market knowledge, difficulties linking with outside sources of expertise hence fewer strategic alliances; all of which can make the innovation process more difficult (Lauder et al., 1994; Freeman & Engel, 2007; Stokes & Wilson, 2010). On the other hand, small firms are known for their effective and informal internal communication, and their proximity to individual customers which can positively impact on idea generation, eliciting hidden customer needs and validation of new service concepts (Bommer & Jalajas, 2004; Gottfridsson, 2010; Quintane et al., 2011). However, “...the capability to bundle knowledge-based resources is the weapon that a firm has to possess to persist [in] the service innovation implementation process” (Ostrom et al., 2010:26) and consequently, the knowledge resources of small firms and learning how to exploit these resources will play a major role in the adoption and development of this type of innovation.

The limited knowledge resources of SMEs is just one element, , there is a further difficulty in that small firms are constrained by the degree of investment and expenditure they can contribute to innovation activities (CSO, 2012b). A lack of funds to invest in innovation activities can be detrimental to the SME sector in developing and accelerating their business ideas and activities (Small Business Forum, 2006). Besides this, the range and depth of management and innovation capabilities is often more limited and this is particularly emphasised in small owner-manager and family businesses contexts, usually due to innovation and innovation training not being perceived as relevant to day-to-day operations (Forfás, 2009a). As indicated previously, there remains the issue of building awareness of service innovation as a means of generating competitive advantage. Put simply, in the words of Gallouj & Weinstein (1997) service innovation is “fuzzy”, making it difficult to measure,

also the nature of the activity is frequently about changes in behaviour (Sundbo et al., 2007) and it often goes under-reported or unobserved (McDermott & Prajogo, 2012), which makes communicating its benefits all the more difficult. In terms of service innovation adoption at an Irish level there is a lack of firm level data and statistics. This can be attributed to the emerging nature of service innovation coupled with the “...*historically dominant position of manufacturing in providing the performance indicators*” (Forfás, 2006:1). Jones & Samalionis (2008) echo these concerns in highlighting that measures of success and accountability in this setting are ill-defined, making the development of a business case for pursuing service innovation more challenging; however, they point to customer and market expectations as motivating factors<sup>1</sup>.

In respect of motivating factors, at service innovation’s heart is the aim to create value for either a firm or its customers (de-Sousa Santos, 2006); and given the intangibility of many of the outputs of service innovation this can prove challenging. In light of the foregoing, Dolfsma (2004:7) advocates some form of formalisation as: “*the attempt is to make decisions and selection processes about projects and resources more rational*”. This call for formalisation was echoed by Schilling & Wear (2009), who suggested the introduction of processes and structures to support this development; in part this may be due to the need for SMEs to learn how to deal with comparatively high levels of uncertainty in their external environment (Mazzarol & Reboud, 2011). Whereas for Escriba-Esteve et al. (2009) developing a broad range of management capabilities is of paramount importance for SMEs, as they are all the more dependent on their managers as they do not have the slack resources and administrative systems that help larger companies in their decision-making. In this vein, Gottfridsson (2011:97) raised concerns that small firms allowed little time for formal

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<sup>1</sup> Although the research is quite limited in this respect, see Matear et al. (2004) and Cainelli et al. (2004) for a discussion of performance measurement and innovation.

processes: “...owner-managers usually chose to give priority to their immediate practical activities, rather than the more nebulous demands of future service development”. Similarly, reflecting the complex nature of engaging in innovation activity, Accenture (2002:9) signals that there are “...more barriers to implementing ideas than generating them”. Furthermore, as “...companies often wrestle with the issues of how to document and communicate value and how to get the pricing of services right” (Ostrom et al., 2010:5), attention needs to be given to the entire process from idea generation through to commercialisation. This signals the need for more appropriate supports for SMEs to first and foremost recognise the potential benefits of service innovation, appreciate the end-to-end nature of the process, as well as the need to address the deficiencies inherent in SMEs tactical rather than strategic outlook. This is particularly relevant to Irish SMEs who have articulated that support measures in terms of innovation are not easily identifiable or readily accessible to them due to the traditional prioritisation of product innovation metrics and supports (Forfás, 2008). Moreover, it has been noted those SMEs who do not conduct formal R&D “...often fall outside the remit of current research and innovation investment and support programmes” (Innovation Taskforce, 2010:53).

The foregoing suggests that supports from external partners may be most instrumental, and there is growing recognition that few firms can innovate operating in isolation (Freel & Harrison, 2006). One suggestion from the literature is the development of university- industry partnerships, as SMEs can gain enormously from this interaction in terms of overcoming internal resource constraints and benefiting from access to expert competencies, sharing costs and reducing risk (Freel, 2003; Terziovski, 2010; Braun & Hadwinger, 2011). Mindful of this, the following section explores Enterprise Ireland’s Innovation Voucher Initiative as a platform linking SMEs with external knowledge providers.

## **ADDRESSING SME INNOVATION CHALLENGES: THE POLICY RESPONSE**

Given the in-company innovation capability and capacity challenges experienced by SMEs, developing collaborative relationships with external academic/research partners has and continues to be championed as a means to accelerate innovation activity and development (Freel, 2003; SSTI, 2006 and Forfás & ACSTI, 2007; DETE, 2008; Braun & Hadwinger, 2011). While, research infrastructure and research links with industry have been signalled as important and fertile assets in Ireland's innovation system (DETE, 2008); the Higher Education Institution (HEI) sector remains an underutilised source for innovation-led partnerships (CSO, 2012b). The emerging consensus is that HEI's have and continue to experience difficulties in developing "*...appropriate structures to engage with enterprises and to contribute to economic development*" (Forfás, 2009b:19). Reflective of this, the level of technology transfer by the institutes has been "*...by and large, limited*" (HEA & Forfás, 2007:185). Within such findings, it has been identified that many indigenous SMEs suffer from absorptive capacity deficiencies in comparison to larger sized enterprises in terms of accessing and capturing applied science and technology expertise and the associated corps of expertise in higher and further education institutes (South Western Regional Authority, 2008).

In addition, applied research capability gaps and the individual respective sectoral and cultural issues hamper the identification and access to opportunities for industry-academia collaborations (Forfás & ACSTI, 2007; South Western Regional Authority, 2008; Jordan, 2009). For instance, Bruneel et al. (2010) cite Dasgupta & David (1994) in highlighting the dissonance between the motivation of universities and individual private firms; specifically, whereas universities are driven to create new knowledge and to educate, private firms are more interested in capturing useful knowledge which can be applied to achieve a competitive advantage. They also propose that there are differences between these two entities, both in

terms of their perspective (short/transactional orientation or long-term/ relationship orientation) and research focus, with small firm's focusing on short term 'time to market' concerns, in contrast to universities long-term research concerns (Tang et al., 1996).

Accordingly, it is acknowledged at national policy level that in order to increase the levels of innovation activity amongst SME's that there "*...is a major need for government R&D programmes which support the integration of university and industry research*" (Forfás & HEA, 2007:59). Equally, Jordan & O'Leary (2007:2) signal that "*...innovation is a business rather than a technological phenomenon and argues for a changed role for HEIs to one of responding to innovative businesses*". In short, and as articulated in the report of the Irish Innovation Taskforce (2010), innovation needs to take centre stage within enterprises, be seen as an accessible, deliverable and implementable business concept and as a means for sustainable enterprise and entrepreneurial development. The following section subsequently introduces one of the major instruments of Irish innovation policy introduced by Enterprise Ireland - Innovation Vouchers, as a means to support small companies and research performers to collaborate to support and accelerate innovation at the firm-level.

### **THE INNOVATION VOUCHER INITIATIVE: A PLATFORM TO ADDRESS SME INNOVATION AND APPLIED RESEARCH CHALLENGES**

In light of the inherent challenges faced by SMEs in terms of engaging in innovation activities and equally, the applied research gaps underpinning industry-academia partnerships at the small business level, Enterprise Ireland developed the Innovation Voucher (IV) Initiative as a platform to "*...build links between Ireland's public knowledge providers and small businesses and create a cultural shift in the small business community's approach to innovation*" (Innovation Voucher Initiative). The Innovation Voucher Initiative was a key recommendation of the Small Business Forum and was informed by emerging EU best practice (e.g. SenterNovem, the Dutch Innovation Agency). The focus of Ireland's Innovation

Voucher Initiative is to provide small companies, on an individual, pooled or co-funded basis, with funding to access advice, expertise and knowledge from 38 accredited knowledge providers within the third level institutions in both the Republic and Northern Ireland. For the purposes of the Innovation Voucher Initiative, a small enterprise is defined as a company or (if part of a group) a group of companies where the total number of full-time employees in the company (or the entire group) is less than 50 and has either an annual turnover and/or an annual Balance Sheet total not exceeding €10m. The Vouchers are awarded on a competitive basis to address a specific business opportunity or problem (i.e. the knowledge question) that cannot be sufficiently addressed within the enterprise itself. According to the programme's regulations Innovation Vouchers can be used for new product/ process development; tailored training in innovation management; innovation/technology audits and of particular relevance to service innovation new service development, new business model development, new service delivery and customer interface projects are supported. The only exception to their usage is that if potential solutions to the knowledge question exist within the private sector Enterprise Ireland cannot fund the project.

To illuminate the role of the Innovation Voucher Initiative in supporting small firms to engage in and exploit the commercial advantages of service innovation the remainder of the paper highlights the role of RIKON as an applied service innovation knowledge provider.

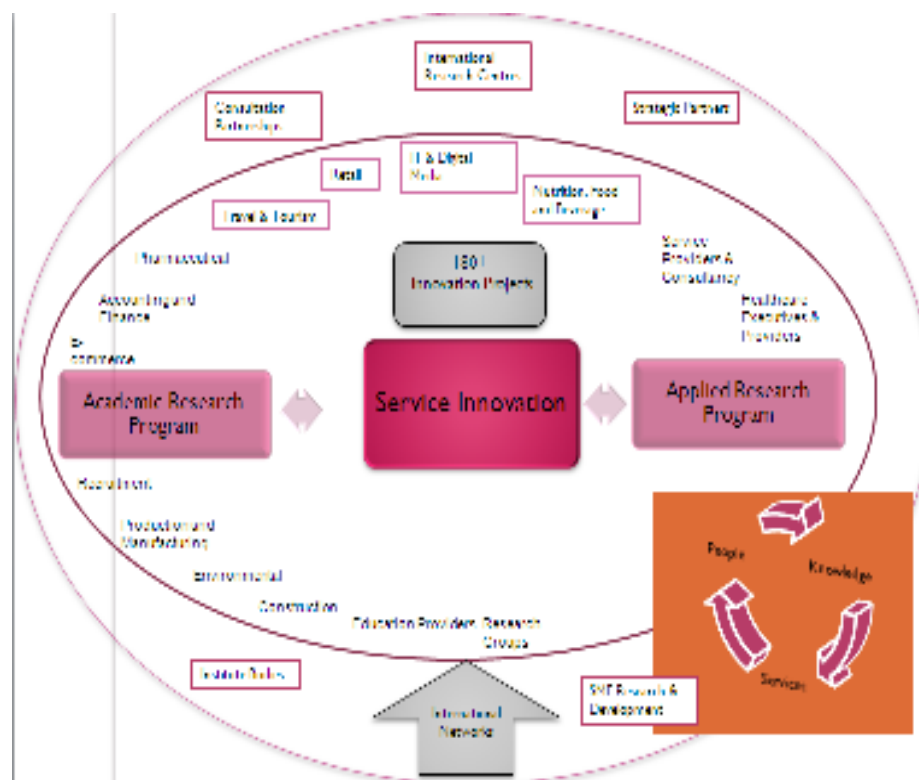
## **THE CASE OF THE RIKON GROUP**



RIKON is Ireland's leading Service Innovation Centre, located in the School of Business at Waterford Institute of Technology.

Utilising the Irish business landscape as a laboratory, RIKON has and continues to successfully undertake pioneering research and consultancy into the diverse field of service innovation and has established itself as the leading catalyst of change within the small and medium sized business community. As an applied research group, RIKON embodies a multidisciplinary team consisting of senior academic researchers, postdoctoral researchers, postgraduate researchers and a dedicated team of business development practitioners. As illustrated in Figure 1, RIKON centralises three pillars: practice, research and teaching and through the continuing enhancement of these interdependent pillars the group’s members seek to increase the competitiveness of Irish firms through applied research and knowledge transfer developments focused on service innovation.

**Figure 1 Illustration of RIKON**



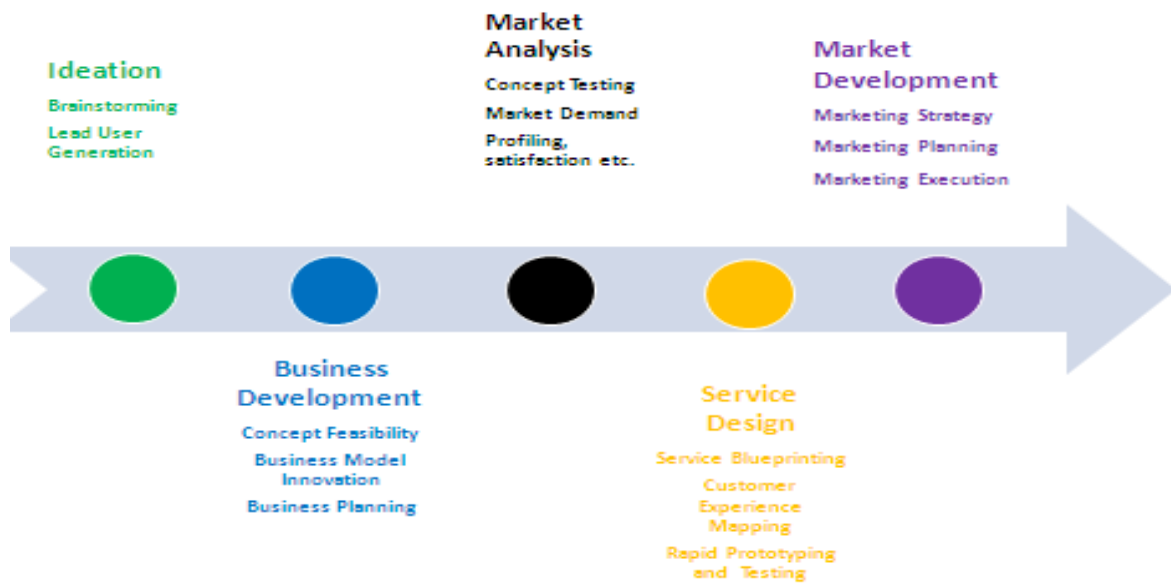
As an accredited knowledge provider within the Innovation Voucher Initiative, RIKON assists companies in becoming more innovative in their approach to doing business, by

leveraging academic expertise and research facilities into absorbable, bespoke and commercially focused research models and methodologies to formulate new strategies and innovative solutions to small and medium sized business needs. Through its extensive networks, RIKON's academic researchers and business developers interact with Ireland's SME communities and regional and national enterprise support agencies, associations and government authorities. Reflective of this, RIKON has become one of the most prolific knowledge providers within the Innovation Voucher Initiative and has supported in excess of 180 SMEs through service innovation projects grouped within new service design, business models and service/customer delivery, across numerous industry sectors, including: retail, IT, service, tourism, financial, food and beverage, healthcare, and manufacturing.

In the context of the Innovation Voucher programme, RIKON's academic and applied research team work collaboratively with SMEs to diagnose, design, define and implement innovative strategies and processes that will allow them to differentiate their service offerings and increase their business performance and development. Informed by SME specific service innovation engagement challenges, RIKON's commercially focused end-to-end service portfolio, as illustrated in Figure 2, addresses five key areas: ideation, business development, market analysis, service design and market development. While RIKON's portfolio transcends the spectrum of service innovation, the permitted uses of Innovation Vouchers do not extend to Market Analysis and Market Development.



**Figure 2 RIKON's Service Portfolio**



The following section provides a more detailed illustration of RIKON's service portfolio and an overview of selected tools and methodologies deployed by the Group. Additionally, a number of Innovation Voucher case studies are documented to demonstrate the firm-level impacts supported and delivered by the Group.

**Ideation:**

Ideation is of paramount importance to all applications of service innovation as the process seeks to harness and evaluate creative thinking within firms in the context of developing opportunities, addressing challenges and generating ideas. While companies acknowledge this imperative, many are faced with challenges and difficulties in terms of identifying and utilising internal firm-level and external market resources and opportunities. The major challenges surrounding ideation include assessing ideas and selecting the most promising leads.

- In relation to ideation, RIKON offers a suite of facilitated methodologies and tools including, but not limited to: Brainstorming and Lead User Studies as a means of stimulating and generating insightful and creative ideas, visions and opportunities

around general or specific business activities and the subsequent screening and determination of which idea(s) are most feasible.

Case study A (see Appendix) illustrates an example of an ideation project that RIKON completed in collaboration with Allsop Europe. The project involved an audit of the existing idea generation processes within the organisation, firm-wide creativity and structured brainstorming sessions to provide ideation skills training and the subsequent development of a sustainable IT framework to support and manage the people, knowledge and information flows required for ideation activities. Through the feasibility screening tools introduced, new concepts are thoroughly evaluated at a preliminary and concept formulation stage thereby improving uptake of credible project leads.

**Business Development:**

Promising ideas do not necessarily translate into successful businesses or commercial outcomes. The key to business success is understanding and developing the business case and commercial potential of a chosen innovation endeavour through the underpinning of realistic operational, growth, maturity, competitive strategies and practices based on empirical research and wide-ranging information.

- In terms of business development, RIKON provides a suite of business development tools and interventions ranging from concept feasibility and testing, business model innovation and business planning. Such tools ensure that clients are provided with actionable and commercially viable roadmaps that identify where and how value can be created/ added to support and underpin their respective innovation goals.

Case study B (see Appendix) illustrates an example of a business development project that RIKON completed in collaboration with HR Outsourcing. The project involved the development of a new business model to support a shift in HR Outsourcing's business focus. The project involved a 5 phased approach and included: 1) customer segmentation analysis

to assist in aligning the value proposition, 2) channel/sales model development to identify route to market options, 3) service blueprinting to identify a service roadmap, 4) business model blueprinting to map the required business building blocks and 5) alignment of channels and strategy building.

### **Market Analysis:**

Market insight and intelligence are integral components in the design of a service offering and/or product in terms of capturing market trends, market potential and identifying customer demand and preferences to inform business development strategies and actions. However, capturing an appropriate level of understanding of market, organisational and customer needs is both demanding and resource intensive.

- In terms of Market Analysis, RIKON offers a suite of support and intervention packages for the diagnosis of market requirements and the subsequent design and analysis of market, industry and consumer research including, but not limited to: desk research, focus groups, interviews, surveys and observational research.<sup>2</sup>

### **Service Design:**

The backbone of all successful service offerings is an understanding of the behaviour of customers, their needs, motivations and experiences and subsequently designing a service that coordinates the people, infrastructures, communications and material components of a business in order to optimise the quality and the interaction between the enterprise and its customers. Service design can encompass the introduction of novel services, or the addition of new functions or characteristics to existing services and improving production and/ or delivery processes.

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<sup>2</sup> While Market Analysis is a core commercial service offering of RIKON, The Innovation Voucher programme precludes “...activities such as market research and market surveys that may be readily provided by the private sector” (Innovation Voucher Initiative), and for this reason a case study will not be reported.

- To navigate the diverse requirements involved in service design, RIKON offers a suite of tools and methodologies including service blueprinting to develop and visualise the components of service processes, customer experience mapping to identify, audit and/or develop customer touch-points and experiences and 3D visualisations, storyboards, ‘Lego Serious Play’ and role-plays to prototype and test service innovations.

Case Study C (see Appendix) illustrates an example of a service design project that RIKON completed in collaboration with Manning Travel. In the context of growing competition in the travel and tourism industry and declining consumer confidence, Manning Travel required a clear roadmap of what they needed to change in their service design and delivery in order to react to challenging market conditions. The project was divided into three phases. Phase 1 involved data collection and brainstorming with the management and team of Manning Travel. Phase 2 involved the development of a customer relationship management (CRM) system, as a more systematic approach to customer tracking and relationship management. Phase 3 involved a comprehensive induction and training in the delivery of the newly developed CRM system. Prioritising the development of long-term customer relationships is of particular importance in the tourism and travel sector as a component of the broader service industry, especially given the reliance on an intangible service offering.

### **Market Development:**

In highly competitive environments, marketing can support companies to reach their full potential and it also helps to differentiate firms from their competition through actionable market strategies and plans for executions.

- RIKON offers a configurable package of market development tools and supports designed specifically for small and medium sized companies, that provides a bespoke menu of marketing strategies, plans and execution supports to differentiate businesses

from their competition, develop clear and targeted communication and marketing messages to support sales and customer interface activities.<sup>3</sup>

Finally, the subsequent section of the paper provides further insights into the impacts of the collaborations outlined in the case studies.

### **ILLUMINATING SERVICE INNOVATION IMPACTS AT THE FIRM-LEVEL**

Through integrating the three aforementioned case studies (see Table 1), and supporting the viewpoint of Aas & Pedersen (2010), the multi-faceted firm-level application and impact of RIKON's service innovation provision at process, capability, relationship, financial and competitiveness levels is illuminated.

**Table 1 Case Study Firm-Level Impacts**

|                                      | <b>Case Study A: Ideation</b>   | <b>Case Study B: Business Development</b>  | <b>Case Study C: Service Design</b>   |
|--------------------------------------|---|--|---|
| <b>Process Impacts</b>               | <ul style="list-style-type: none"> <li>- Ideation structuring</li> <li>- Integration of people, knowledge and information flows</li> <li>- Timely development and delivery of new products</li> </ul> | <ul style="list-style-type: none"> <li>- Asset/resource optimisation</li> <li>- Backstage and front stage process optimisation</li> <li>- Lead generation</li> </ul> | <ul style="list-style-type: none"> <li>- Customer interaction</li> <li>- Communication targeting</li> <li>- Customer service</li> <li>- Inform sales development</li> </ul> |
| <b>Capability Impacts</b>            | <ul style="list-style-type: none"> <li>- Ideation training</li> <li>- Cross functional collaboration</li> <li>- Project management skills</li> </ul>  | <ul style="list-style-type: none"> <li>- Customer segmentation</li> <li>- Service blueprinting</li> <li>- Internal and external strategy development</li> </ul>      | <ul style="list-style-type: none"> <li>- Creativity and brainstorming skills</li> <li>- Customer tracking</li> <li>- Relationship management</li> </ul>                     |
| <b>Relationship Impacts</b>          | <ul style="list-style-type: none"> <li>- Cross functional collaboration</li> <li>- Customer co-creation involvement</li> </ul>  | <ul style="list-style-type: none"> <li>- Market and end-user needs analysis</li> <li>- Lead generation</li> </ul>  | <ul style="list-style-type: none"> <li>- Transactional to relational focus</li> <li>- Customer relationship management</li> </ul>   |
| <b>Financial/ Commercial Impacts</b> | <ul style="list-style-type: none"> <li>- Streamlined development process</li> <li>- Time, cost and resource savings</li> </ul>  | <ul style="list-style-type: none"> <li>- New market penetration strategy/ roadmap</li> </ul>   | <ul style="list-style-type: none"> <li>- Systematic and long-term customer relationship development</li> </ul>  |
| <b>Competitiveness Impacts</b>       | <ul style="list-style-type: none"> <li>- Innovation pipeline</li> <li>- Reduce innovation lead-times</li> <li>- Meeting evolving customer demands</li> </ul>  | <ul style="list-style-type: none"> <li>- Roadmap to exploit untapped market</li> <li>- Differentiated service offering</li> </ul>                                    | <ul style="list-style-type: none"> <li>- Adaption to market demands</li> <li>- Personalisation through service differentiation</li> </ul>                                   |

<sup>3</sup> While Market Development is a core commercial service offering of RIKON, The Innovation Voucher programme precludes activities related to the “...*design and production of advertising material*” (Innovation Voucher Initiative), and for this reason a case study will not be reported in the context of this paper.

Through the Innovation Voucher Initiative, RIKONs service innovation research acumen, facilities and bespoke interventions respond to the knowledge, capability and capacity challenges of small firms through delivering business solutions through research. In terms of impact for Case Study A, a culture of inter-disciplinary collaboration has resulted in greater levels of cross-functional creativity, brainstorming, networking, idea generation and collaborative problem solving. For Case Study B, in addition to providing insightful information on customer relationship management for the proposed target market, the entire Business Model process led to an increase in revenue, an increase in asset utilisation and an overall improvement in cost structures. Regarding Case Study C, by implementing CRM, Manning Travel was able to enhance its customer service, target more opportunities for sales and identify target markets for advertising and promotions. The foregoing findings confirm how service innovation has wide-ranging impacts on the small business; in particular, in enhancing their ability to make decisions concerning their limited resources. Reflective of this, the integrated case study snapshot serves to counteract the ambiguous and fuzzy conceptualisation of the discipline and equally, supports the acceleration of the emerging business case for pursuing service innovation engagement.

## **CONCLUSIONS, CONTRIBUTIONS AND LIMITATIONS**

Despite representing an emerging priority on both European and Irish agendas, service innovation is a somewhat ambiguous and emerging discipline which has resulted in limited practitioner level awareness and deployment. Absorbable knowledge of the discipline at the firm level is lacking and SMEs, which dominate the Irish enterprise landscape experience pronounced innovation barriers, particularly in relation to external innovation partnerships with academic partners. To surmount such challenges, Enterprise Ireland's Innovation Voucher Initiative and RIKON, as a knowledge provider, represent an opportune platform for SMEs to access applied service innovation knowledge, expertise and research expertise.

In terms of this paper's numerous contributions, the focus on service innovation is both timely and relevant given that the discipline represents an emerging policy and business priority and is underpinned by a paucity of practical and Irish research within the field. Firstly, the literature reviewed coupled with the applied research collaboration lens synthesises the inherent knowledge, resource and capability challenges experienced by SMEs in terms of engaging in service innovation. Secondly, illuminating RIKON's service innovation processes illustrates a range of methodologies and tools which can be utilised to engage in service innovation and thirdly, the RIKON approach identifies the end-to-end applications of service innovation interventions ranging from ideation up to market development. Fourthly, the selected case studies profile Irish firm-level examples of service innovation in practice and fifthly, these case studies demonstrate the range of impacts associated with implementing service innovation from process, capability, relationship, financial and competitiveness perspectives. Moreover, the paper impacts at various stakeholder levels, mostly notably in terms of raising industry awareness of service innovation and the benefits of the Innovation Voucher Initiative, informing policy development through evidence based industry-academia collaborations and responds to scholarly calls for increased knowledge and understanding of the practical supports for the discipline itself.

Regarding limitations, we acknowledge the level of conclusions that can be drawn from observing a single case study unit of analysis through descriptive data coupled with the defined parameters underpinning the usage of Innovation Vouchers. Equally, it is a challenge to provide detailed insights into the methodologies and tools deployed by RIKON while still protecting the proprietary nature of their bespoke practices. Furthermore, we encountered reduced scope to disseminate detailed case examples in light of the need to protect SME clients' confidentiality. In terms of advancing this body of research, potential areas for further

research may include an increased focus on the measurement and subsequent dissemination of service innovation impacts to further stimulate SME interest and adoption of the discipline.

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## APPENDIX

### Case Study A: Ideation



#### Industrial Challenge

The computer accessories market is intensively competitive. Domestic and global brands strive to identify emerging consumer trends and to manage the design, development and distribution processes that provide first-mover advantage. The market demands a constant flow of new, innovative products at highly competitive prices. Allsop had put considerable ongoing effort into a structured new product development (NPD) process and yet was continuing to experience difficulties in meeting the speed of change and innovation that the market required. By engaging with the RIKON group, Allsop set out to identify the barriers to success in its NPD processes and to consider the human, finance, logistical and technological factors to be addressed.

#### Description of Project

This project encompassed three incremental phases of intervention including: An audit of the existing idea generation processes within the organisation, a firm-wide creativity and structured brainstorming session through the provision of ideation skills training and building a cost effective IT framework for supporting and managing the people, knowledge and information flows during the innovation process.

#### Project Results/ Outputs

The project led to the design and implementation of a structured New Product Development process and a shared information system that currently maximises people, time and expertise across all departments of the organisation.

#### Impact of Research

Through the shared information system, product champions and project teams are now positioned to update, track, monitor and manage the status and timely flow of new product concepts/projects.

A culture of inter-disciplinary collaboration has resulted in greater levels of cross-functional creativity, brainstorming, networking, idea generation and collaborative problem solving. Through the feasibility screening tools introduced, new concepts are thoroughly evaluated at a preliminary and concept formulation stage thereby improving uptake of credible projects and the timely delivery of NPD.

## Allsop Europe

#### BACKGROUND

Established in Waterford in 1979, Allsop Europe are the licensed manufacturers of the Allsop branded range of computer, audio and video accessory products for the European market.

Allsop Europe operates from a modern production facility which also incorporates their Research & Development, Quality Control, Sales & Marketing and General Administration functions. For the EMEA consumer electronics and computer accessories market Allsop's main product categories include:

- Ergonomic Accessories
- Cleaning and Maintenance Accessories
- CD/DVD Media Storage
- Notebook and General Accessories



#### Testimonial

Allsop Europe has benefited greatly from the input and the support of RIKON. It has been very important for our organisation to get an objective input from outside the company in assessing our New Product Development process.

Over the course of the project our organisation has implemented (a) a more dynamic and flexible ideation process, (b) a more streamlined method for assessing new product ideas and (c) has updated our teams project management skills. The opportunity cost saving of removing non-feasible ideas earlier in our New Product Process has saved both time and resources, allowing us to concentrate more fully in bringing to fruition our best ideas in a much shorter time frame. We are also working at bringing our customers and their end-users closer to our NPD process so that we meet their changing needs and build greater brand loyalty for our products. In a fast paced industry like ours we have to be out in front of our customer needs".

*Ciarán Duffy, Sales and Marketing Manager, Allsop Europe*

[www.allsop.eu](http://www.allsop.eu)

## Case Study B: Business Development

# RIKON

SERVICE INNOVATION PROVIDERS

# HR OUTSOURCING.

*New Business Model Development*

### Company Background

RIKON established in 2024, is a leading organization with HR management services that facilitates both public and private sector businesses to directly measure the value of various human resource initiatives on skill and business objectives.

### Industrial Challenge

RIKON had identified the HR outsourcing sector as a niche market that was not being catered for, as they have expertise in this area. They wanted to research the potential opportunity for new business development. This has led HRD to rethink their traditional business model. However, without sufficient expertise to implement such a requirement in their business focus, they recognized the limitations in successfully implementing a change in strategy without a solid business model. Therefore, RIKON were employed to assist in developing a new business model to include a clear customer value proposition and an innovative channel strategy.

### Description of Project

In order to assist HR Outsourcing to develop a business model, a multi-phased approach was required including:

**Phase 1: Customer Segmentation Analysis**  
In order to generate the business model it was necessary to understand consumers through a consumer perception analysis. The knowledge enabled HR Outsourcing to align key business

processes with consumer preferences to assist in aligning the value proposition with the customer segments requirements.

**Phase 2: Channel/Value Model Development**  
Workshops were designed and delivered to discuss the sales model development, strategy development and lead generation processes. As a result of these, key issues in relation to the current sales process were identified. RIKON created an action plan to address these issues. In conjunction with this phase, an in-depth sales strategy and main market processes was conceptualized by the group.

**Phase 3: Service Blueprinting**  
The Service Blueprint designed by RIKON could be described as a service roadmap identifying where and how customers interact with HRD. The service blueprinting concept was incorporated into this study to create a tangible, visual document that clearly identified the core products and services on offer alongside customer-led solutions.

**Phase 4: Business Model Blueprint**  
In addition, HR Outsourcing's existing activities alongside future potential business activities were blueprinted onto a business model canvas, consisting of 9 key building blocks. The components of this process covered the four main areas of HR Outsourcing's business, specifically: the customer value offer and value proposition, its infrastructure and financial viability. This process specifically involved the production of a

multi-modal business model blue print.

### Phase 5: Alignment of Channels and Strategy Fulfilling

In order to holistically align the research findings with the current sales strategy, key findings from the study were outlined and action points for on-line and off-line channel strategy and sales process finalizing were identified.

### Impact of Research

The entire Business Model provided led to an increase in revenue, an increase in asset utilization and an overall improvement in cost structures. The development of an Integrated Business Model Blueprint designed to cover activities enabled the development of innovative strategies that can be successfully implemented through the existing organizational structure & processes.

- The research provided HRD with an assessment of the target market and key statistical information on the current HRD value and level of compliance within the target market segments. Moreover, the research has provided HRD with knowledge surrounding critical success dimensions of their value proposition.

- The customer segmentation analysis knowledge enabled RIKON to develop a product 'Customer-relationship management' (CRM) strategy as part of an Integrated business model. The research has also provided HRD with a better understanding of how and where added value is required.

### Testimonial from Industry Partner

"Having identified ourselves as the leading firm in the HR Outsourcing market due to its specialized nature, I realized it was worth the position to carry out the extensive work required in the sector and that's where RIKON came in. They carried out extensive research into the sector, surveyed potential clients and developed a practical plan for HR Outsourcing in terms of business development in this area. In addition they worked with us to create a blueprint for the services the business offers. I am delighted with the outcome of this, I saw one paper that markets the Company and outlines our services in a clear, visually impressive format. RIKON also worked with us on a specialized strategy and provided the necessary support and training in this area. I can't thank RIKON enough for their professional, expert, time valued and utmost professional and confidentiality of all times."

Chris / *Partner, HRD,  
HR Outsourcing*



## Case Study C: Service Design



# MANNING TRAVEL.

## *Service Design*

### **Company Background**

A Travel Agency, who as a member of the Worldchoice Travel group, Ireland's premier travel consortium offer low rates and maximum choice.

### **Description of Project**

In the context of growing competition in the travel and tourism industry and declining consumer confidence, Manning Travel required a clear roadmap of what they needed to change in their service delivery and design in order to react to challenging market conditions.

### **Methodology**

The project was divided into three phases. Phase 1 involved data collection and brainstorming with the management and team of Manning Travel, to ensure buy-in to the process of the new service development and guarantee that all the users had the opportunity to contribute to the design brief for the system. A version of the database was developed as a discussion point at this stage.

The second major phase in the new service development required the building of the system to meet Manning Travel's requirements and then testing of the initial design. Following the opportunity to pilot-test the database, feedback was gathered on any aspects that required alterations or adaptations to suit Manning Travel.

The third phase in the new service implementation required comprehensive induction delivery for the management and staff, which encompassed the basics of the CRM database operationalisation, and an introduction to the uses of the data collected in order to ensure that the opportunities to improve their customer service are maximised. By customising the induction to be customer-centred, the team were encouraged to use the system to make their care and service more personalised and professional.

### **Impact of Research**

Following discussions between the management at Manning Travel and the team at RIKON, many opportunities were identified for development, but priority was given to the design and introduction of a customer relationship management (CRM) system, as a more systematic approach to customer tracking and relationship management was identified as a key area of growth for the business.

By implementing CRM, Manning Travel was able to enhance its customer service, target more opportunities for sales and identify target markets for advertising and promotions. Prioritising the development of long-term customer relationships is of particular importance in the tourism and travel sector as a component of the broader service industry, especially given the reliance on an intangible service offering.

### **Testimonial**

"RIKON has really helped us to evaluate our own customer service and the CRM system has ensured we can now track our customers and interactions with them ensuring better communication and customer relationships."

*Des Manning, Manning Travel*

[www.manningtravel.ie](http://www.manningtravel.ie)



Waterford Institute of Technology