

innovation research. The key benefits and costs of investing service innovation in such economies are unknown. This study accounts for such a gap by asking the question: how do internal institutional workings such as innovative culture and innovation leadership mediate the relationship between a service firm's competitiveness and service innovation? An answer to this question will mean that a contribution is made in respect of the mediating effects of culture and leadership on service innovation and competitiveness relationship which is under research. Additionally, the lack of research into innovation in service firms in emerging market contexts is telling. The literature indicates that the beneficial effects of a firm's strategic orientation may be context specific as opposed to being universally applicable (e.g. Li and Zhou, 2010). Hence, taking a cue from the contextual disparities of emerging economy contexts, the current study brings to the presents how service innovation impacts on competitiveness in emerging economies such as Ghana. The next section of the paper deals with theoretical foundation and hypotheses followed by methodology; discussions; and conclusion with managerial implications, limitations and recommendations for future research.

5.2 THEORETICAL BACKGROUND AND HYPOTHESIS

Given that innovation is a strategically determined process for service firms (Sundbo, 1997) targeted at newness; this study draws on a change-oriented theoretical perspective that deals with the creation of new value streams. The dynamic capability view from the broader resource and capability school is seen to offer a new perspective from which to approach service innovation (Carlborg, Kindstrom and Kowalkowski, 2014). Salunke, Weerawardena, and McColl-Kennedy (2013) posit that dynamic capabilities are the antecedent

organizational and strategic routines by which managers alter their resource base - acquire and shed resources, integrate them together, and recombine them - to generate new value-creating strategies (Grant, 1996), which essentially is an act of innovation (Porter, 1990). Service innovation can consequently be best conceptualized through the dynamic capability view (Eisenhardt and Martin, 2000) as it posits that different resource bases among firms provide the source of variation for innovations (Crossan and Apaydin, 2010).

Following from Teece, (2007), dynamic capabilities are defined in this paper as the capacity of the service firm to purposefully create, extend or modify resources, capabilities and/or routines to pursue improved efficiency and effectiveness and achieve competitiveness and higher overall firm performance. By adopting the dynamic capabilities theory to service innovation, this study contributes to how resources/capabilities are developed, deployed, integrated within the service firm, and released and reconfigured in terms of innovations which have been under-explored in the literature (Eisenhardt and Martin, 2000). The focus of change in the dynamic capabilities perspective allows firms to deal with continuous changes in the business environment and competitive landscape (Winter, 2003) that may render resources possession a non-competitive option. Underpinning these dynamic capabilities are micro-foundations that are defined as distinct skills, processes, procedures, tools, organizational structures, decision rules, and disciplines (Teece, 2007). The service firm has assets, processes, skills, procedures, systems, tools and knowledge that enable it to develop and implement strategies (service innovation) to improve efficiency and effectiveness (Grawe et al., 2009). We posit that the service firms can build/create service

innovations through its service mix that represents its basic competitive tools, systems, skills, processes, structures and procedures.

5.2.1 Service Innovation and Competitiveness

Definitions of service innovation that are limited to only the service offering or service process are inadequate (Carlborg, et al., 2014). The process of service innovation is usually influenced by many obscure and not easily recognizable factors other than the innovation process of tangible production activities in traditional manufacturing industries (Lu, Yang and Tseng, 2009). The call for the synthesis approach (Coombs and Miles, 2000) helps to determine the obscure and neglected aspects, activities and routines that are specific to service firms rather than seeing it either essentially similar to or completely different from innovation in manufacturing. It is in this respect that we see the service mix as offering a viable and competitive service innovation avenue. We contend that for a service firm to develop a service innovation, it must look for innovation through its service mix (product, price, promotion, distribution, physical evidence, process and people). Kotler and Armstrong (1989) see the mix as a set of controllable tactical marketing tools that the firm blends to produce the response in the target market. They represent primary service innovation development conduits and/or outputs as they present themselves as the basic tools, avenues, opportunities and capabilities for competitive advantage development and constitute the internal capabilities. The service firm's ability to develop internal competencies through the service mix innovations brings about improved efficiency and effectiveness (Grawe et al., 2009).

Service firms can innovate by offering an important new core benefit (service product) (Berry, Shankar, Parish, Cadwallader and Dotzel, 2006) and by breathing new life into existing products as well as come up with entirely new service offerings that are either new to the firm, customers or the market. On the issue of price, service firms can look for price innovation through variation in cost charged to customers according to their specific needs, the ability to pay, price-volume relationship, demand patterns, market conditions and competition. Service innovation based on price looks for creating customer value through price variations, value in quality customers pay for, value in everything a customer wants in a service and value in all that the customer gets for all that is given (Zeithaml, Parasuraman and Malhotra, 2006). Service innovation based on promotion targets creating the desired impression about the service offerings and experiences by providing cues that affirm the nature of the experience that must be expected. Communication that explores new frontiers in media, message type and adequately address the needs and the changing media consumption pattern in the market that create uniqueness and competitiveness.

Service innovation based on distribution reflects the extent to which the service firm is able to respect the location and distribution needs of the customer. Service firms innovate through flexible service delivery arrangements by allowing customers to choose their location or agreeing with customers where it is the most convenient. Service innovations allow service firms to create intimacy with customers in the form of social bonds which become difficult to imitate. Service innovations through physical evidence emanate from the direct contact of the customer with all the impersonal elements of the service firm. Service innovations that rely on physical evidence have the potential to positively affect the sensory systems of the target customers. Physical evidence innovations emphasizes a customer's

positive disposition to the favoring conditions and facilities to put people at ease and encourage them to savor the service experience and not just focus on task-oriented activities (Csaba and Askegaard, 1999).

In terms of process innovation, Damanpour (1991) suggests that it involves creating and improving the method of production, and the adoption of new elements (e.g. input materials, task specifications, information flow, and equipment) to the firm's production process (Gallego, Rubalcaba, and Hipp, 2013). Service process innovation therefore is the extent to which service firms alter their service systems to enhance value delivery. On people innovation, it must be reckoned that consumers make judgments and deliver perceptions of the service quality based on the personnel they interact with either directly or indirectly. An important part of a service firm innovation is through the personnel involved in the service production and delivery. People innovations concern employees' dexterity to adapt to changing situations to meet customer/market demands as a result of their intellectual capacity and skills.

Innovation is seen as an important tool in a modern business environment characterized by hyper-competition (Otero-Neira et al., 2009). The survival of firms has been thought to be dependent on the firm's ability to gain competitive advantage through innovation which requires flexibility, adaptability and responsiveness (Atuahene-Gima, 2005). It is suggested that an organization's propensity to innovate is a type of dynamic capability which contributes to competitive advantage (Helfat et al., 2007). Intense competition requires firms to continuously innovate to create new advantages (Dess and Picken, 2000). Service

innovation has been empirically linked with competitiveness and is considered a necessary strategic tool for firms wanting to remain competitive and relevant (Darroch and McNaughton, 2002; Grawe et al., 2009).

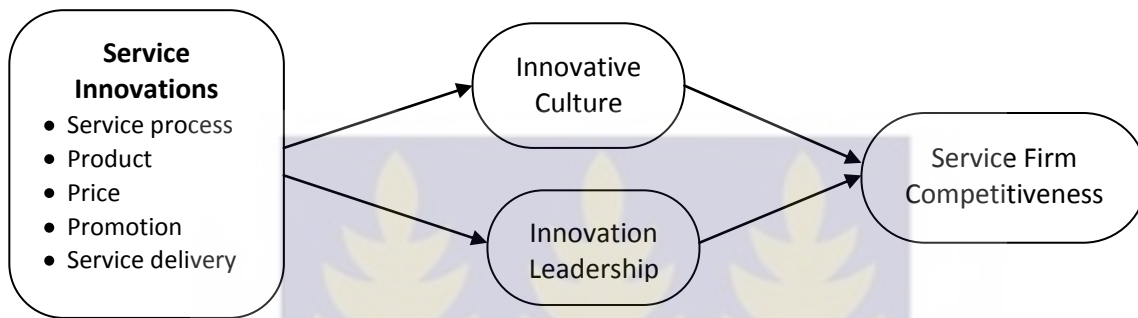


Figure 5.1: Research Model

5.2.2 Innovative Culture

Organizational culture (OC) lies at the heart of organizational innovation (Tushman, et al., 1997). Gaynor (2002) noted that innovation does not require genius, but does require a system-wide dedication to pursue unique opportunities and this system-wide dedication is always inspired by the culture of the organization. Sundbo (1997) explain that what exerts influence on the firm's strategy (i.e. service innovation) are the internal organizational arrangements and the relationships among the various parts of the firm: and what underlies this arrangement of parts and group relationships within the firm is the organizational culture. OC is defined as the deep (often subconscious) values and beliefs shared by personnel in an organization (Martins and Terlanche, 2003). As innovation is deemed to emanate from all parts of the firm (Sundbo, 1997), we posit that service innovation's ability to produce performance benefits is influenced by how innovative the organizational culture is within the firm as OC supports strategy implementation. OC creates the fundamental

service philosophy of the service firm that eventually determines the tolerance for, the development of, and implementation of service innovation. A service firm that is high on innovative culture creates an environment that encourages autonomy and calculated risk taking (Crossan and Apaydin, 2010) which are necessary ingredients for successful innovation strategy implementation (Sundbo, 1997). We therefore make the following hypotheses that:

H1a: a service firm's innovative culture mediates the positive effect of service process innovation on a firm's competitiveness

H1b: a service firm's innovative culture mediates the positive effect of product innovation on a firm's competitiveness

H1c: a service firm's innovative culture mediates the positive effect of price innovation on a firm's competitiveness

H1d: a service firm's innovative culture mediates the positive effect of promotion innovation on a firm's competitiveness

H1e: a service firm's innovative culture mediates the positive effect of service delivery innovation on a firm's competitiveness

5.2.3 Innovation Leadership

The role of leadership at all levels of an organization, although sometimes tacit, is important for spearheading innovation as a process and maintaining its momentum until innovation as an outcome ensues (Crossnan and Apaydin, 2010). Although OC explains the service firm's

ability to create a constellation of events and steps among its functional areas, it is leaders who create and drive the innovative culture. The leaders and drivers of the organization create the right culture and institutional structure and provide the adequate resources and motivational drive to deliver a successful innovation implementation (Brown and Anthony, 2011).

Organizational innovation leadership influences the service philosophy of continuous search for novelty in value creation. As the upper echelon theory states, organizational outcomes, strategic choices and performance levels are partially predicted by top managerial conduct and background characteristics (Hambrick and Mason, 1984). Hambrick (2007) espouses that if we want to understand why organizations do the things they do, or why they perform the way they do, we must consider the biases and dispositions of their most powerful actors—their top executives; as top management teams in a firm have substantial discretion in determining the future strategic contour of the firm (Child, 1972). Other studies have suggested that business leaders explain about 5–20 per cent of variance in company profitability (Crossland and Hambrick, 2007; Crossan and Apaydin, 2010). Not only is the support and guidance of business leaders vital in promoting innovative efforts across different functional areas, it also contributes to effective interactions among group members (West, Borrill, Dawson, Brodbeck, Shapiro and Haward., 2003); but what is equally important is their ability to create conditions for the subsequent implementation of innovation (Mumford and Licuanan, 2004) which will enhance competitiveness. We therefore hypothesize as follows:

H2a: a service firm's innovation leadership mediates the positive effect of service process innovation on a firm's competitiveness

H2b: a service firm's innovation leadership mediates the positive effect of product innovation on a firm's competitiveness

H2c: a service firm's innovation leadership mediates the positive effect of price innovation on a firm's competitiveness

H2d: a service firm's innovation leadership mediates the positive effect of promotion innovation on a firm's competitiveness

H2e: a service firm's innovation leadership mediates the positive effect of service delivery innovation on a firm's competitiveness

5.3 METHODOLOGY

5.3.1 Study Setting, Sample and Data Collection

Over a decade ago, Yavas, Bilgin and Shemwell (1997) observed that the service sector in many developing countries was undergoing changes in order to keep up with world trends. It comes as no surprise that within the last few years; the banking, telecommunication, media, hospitality and insurance sectors for example have grown in Ghana. The consequence of these reforms in the service sector, coupled with political and economic stability, has led to the emergence of diverse types of service institutions in Ghana over the last decade (Owusu-Frimpong, 2008; Narteh and Owusu-Frimpong, 2011). Firms within this sector are jockeying for positions to attract customers and improve their performance and have therefore resorted to various innovations as the way forward. This study is interested in

finding out how, in the face of competition, service firms innovate along their service mix to improve their competitiveness; and the boundary conditions that mediate the relationship.

A sample was taken from 1,881 service firms that are located in the three largest cities of Ghana, namely, Accra, Kumasi and Takoradi. Samples of service firms were drawn from banking institutions, insurance, consulting firms, hotels and lodges, media and communication firms and retail institutions. Samples from the banking and insurance institutions were drawn from the database of their regulators while the rest were taken from an online database called the Ghana Business Directory (GBD) (ghanaweb.com) as there were no accurate and updated lists available for the other sectors. Other studies on Ghana have used the same database (see Acquah, 2007; Story, et al., 2015) while similar databases have been used in other innovation studies (Alam, 2011).

A systematic sampling was applied to the 1,881 firms that consist of 285 banking institutions, 99 insurance firms, 397 consultancy (professional) firms, 372 guesthouses and lodges, 564 media/communication firms and 164 retailers. Within each category of the various sectors, every third case was selected to be part of the study after the list had been rearranged in an alphabetical order. Where a response was not forthcoming, the next case was contacted. A total of 627 firms were obtained and management members from different departments within the service firm filled three questionnaires each as innovation is deemed to emanate from different parts of the organization (Sundbo, 1997). A questionnaire comprising the constructs' items on a seven-point Likert scale (1=strongly disagree; 7=strongly agree) was distributed. After two reminders and follow-ups, a total of 702 were

received. After excluding those who significantly could not complete the questionnaire and those who were not in a management position, the final number came down to 508 which were used for the analysis of which 170 were from banking, insurance 62, consulting 47, media and communication 99, hospitality 51 and retailing 79.

5.3.2 Variables and Measures

Dependent variable: Pace and Stephan (1996) offer a comprehensive definition of competitiveness as the ability of an organization to stay in business and to protect the organisation's investments, to earn a return on those investments, and to ensure jobs for the future. To be able to stay in business, Akimova (2000) opines that the company must adapt to the changing business environment by developing the proper adjustment measures. We therefore measured competitiveness by Akimova's (2000) three criteria of adaptability to changes in business environment (adjustment to a hostile environment), advantages across the marketing mix (competitive advantage) and company performance (i.e. financial performance). Respondents were asked to indicate their level of agreement regarding their company's performance relative to the competition. All items were measured on a 7-point Likert scale (1=strongly disagree, 7=strongly agree).

Independent variables: Based on the conceptual domain of *service innovation* discussed above, a multidisciplinary literature search was conducted in the areas of innovation, service innovation, service strategy and management. This resulted in few and scattered items being revealed for some of the dimensions of the service mix. We therefore followed the recommendations of Hinkin (1995) and DeVellis (2003) in the event of no known scale to

freely generate items based on the description of the construct and its dimensions. We further followed the recommendation of Spector (1987); to have the construct defined, initial items designed and reviewed, items administered to a large sample in order to develop an internally consistent scale, and, before scale validation, using other samples. We then generated a pool of 44 items for the service innovation construct based on the service mix.

The items were subsequently subjected to an expert screening for clarity, redundancy, comprehensiveness, leading and other faulty issues. For this purpose, 10 academics that had researched service, marketing and innovation management were recruited and provided with definitions of the construct, its dimensions and items. This process resulted in the elimination of five items and five more modified to bring the revised pool to 39 items. The items were pre-tested on 20 executives working in the financial services sector using the protocol approach (Riefler et al., 2012) to ensure that all items were clear and comprehensible for the target group before proceeding further. These processes therefore show evidence of face validity for the scales developed.

Prior to large sample testing, we applied the Anderson and Gerbing's (1991) pre-test methodology for assessing content validity of the individual items. We specifically recruited 8 teaching assistants for an item-sort task and provided them with the description of the dimensions. Instructions were given to them to read each item carefully and assign it to the appropriate dimension within an order according to their personal judgment. This sorting out task led to a computation of *proportionate substantive agreement* (p_{sa}), which defines “the

proportion of respondents who assign an item to its intended construct” (Anderson and Gerbing, 1991, p.732). The proportionate substantive agreement (p_{sa}) formula is:

$$p_{sa} = n_c / N$$

where n_c =number of respondents assigning an item to its intended construct dimension, and N =total number of respondents with resulting values ranging from 0 to 1. Anderson and Gerbing (1991) note that the larger the indices, the greater the substantive validity. Applying a cut-off point of 0.5, we reduced the item pool to the total content valid items (34) that we then subjected to exploratory factor analysis utilizing the seven-point Likert-type responses (1=strongly disagree; 7=strongly agree).

We embarked on scale purification through an exploratory factor analysis as recommended by Hair, et al., (2007). The content valid items were incorporated into a questionnaire that was administered to service managers who had enrolled in Master of Business Administration (MBA) programs from two universities in Ghana (University of Ghana and Methodist University College, Ghana). Students on the programs consisted of persons from lower level management to upper level management with the majority of the students coming from the services sector of the Ghanaian economy according to the graduate centers of the two schools.

A total of 400 questionnaires were distributed to students with instructions that it must be filled by persons who are currently at management level in a service firm or have worked as a manager in a service firm in the past two years. Two reminders were given at the end of the second and third weeks with a total of 274 collected at the end of the fourth week. After

excluding questionnaires due to missing values and those completed by non-service managers, the number came down to 201 with at least five respondents from hospitality, consultancy, banking, insurance, healthcare, telecommunication, retailing, media and communication and travel services. Following the recommendations of Armstrong and Overton (1977), the response from questionnaires returned after first week and that of the last week respondents were compared. The group means were not significantly different hence non-response bias was considered not a problem for this study.

We proceeded with the EFA to determine the underlying structure of the data and rotated it through varimax to reduce the number of factors. Variables were considered to load significantly on a factor when their factor loading was ≥ 0.5 (Hair et al., 2007) to show evidence of discriminant and convergent validity when combined with item-to-total correlation. Except in cases where conceptual justification can be made for an item, all cross loadings were omitted as well as items loading below the threshold. Five factors were extracted with some of the conceptualized factors merging (i.e. place and physical evidence; and process and people) and were allowed to merge, as they were conceptually justifiable. In naming the factors, factor 1 which was “place and physical evidence” was together seen as exhibiting service distribution attributes and was accordingly named as service distribution innovation. “Process and people” merged as factor two showing service delivery (mode) process features (Chen, Tsou and Huang, 2009) and were accordingly named as a service processing innovation. Aside from these mergers, the other factors supported the conceptualization and therefore were left untouched. Factor 3 is product innovation, factor 4 and 5 were price and promotional innovation respectively. Total items remaining stood at 28

with a combined reliability of 0.948 within a 5-factor solution that was used for further analysis. These were subsequently used in the larger firm level data collection for CFA and structural equation modeling.

Mediating variables: *Innovative culture* creates the needed environment and the service philosophy that encourages autonomy and calculated risk taking; the tolerance for, the development of, and implementation of service innovation. Measures for innovative culture were adapted from the works of Gaynor (2002), Tushman et al. (1997), Sundbo (1997) and Cakar and Erturk (2010)

Innovation leadership refers to the role of management in ensuring that innovation is promoted by providing the needed support. High-level innovation leadership means that management creates the institutional structures and provides adequate resources and motivation to deliver a successful innovation implementation. The study measured innovation leadership by relying on the works of Jaworski and Kohli (1993), Ko and Lu (2010), Souitaris (2002) and West et al. (2003).

Controls variables: Though the study was interested in developing a parsimonious model, it also recognizes the fact that other factors may influence firm's competitiveness. The study therefore includes control variables to ensure results are not unjustifiably influenced by these factors. As in the literature, (e.g. Wang, 2008; Yusif, 2012) the study controlled for firm size, form of ownership and firm age as having potential influence on the performance of a service firm. Larger and older firms may possess a superior pool of resources and the capacity, as well as the scale necessary, to invest in innovation. The study measured the size

by total number of full time employees and firm age by the number of years the firm had been in business and a natural logarithm transformation were taken.

Table 5.1: Constructs Measurement Items Reliability and Validity Tests

Item description	Loadings (t-values)
Product innovation $\alpha = .83$; $CR = .79$; $AVE = .70$	
Our company has introduced more innovative products during the past five years than any other	.77(fixed)
Our company is faster in bringing new service offerings into the market than any other	.77(16.99)
In comparison with our competitors, our company has a high success rate in new product launch	.83(18.13)
Price innovation $\alpha = .80$; $CR = .73$; $AVE = .68$	
We always offer more competitive prices than competitors	.78(fixed)
We have discount structures to attract new and large volume customers	.76(16.45)
There is flexibility in our pricing and payments based on customer needs	.72(15.73)
Promotional innovation $\alpha = .76$; $CR = .71$; $AVE = .65$	
Our marketing communication program is revolutionary in the market	.76(fixed)
Our company is efficient in information exchange and communication	.71(15.79)
We create awareness on our new products in no time	.66(14.08)
Service delivery (mode) innovation $\alpha = .78$; $CR = .73$; $AVE = .67$	
We distribute our new products faster and wider than our competitors	.87(fixed)
Our physical structures create a drawing power and distinguishes us from the competition	.68(11.73)
The atmosphere under which we deliver our service evokes pleasant feelings which add up to delightful service delivery	.71(12.22)
Service processing innovation $\alpha = .75$; $CR = .70$; $AVE = .63$	
Our company changes service process at a great speed in comparison with our competitors	.68(fixed)
Our staff exceptionally resolve customer complaints more quickly to recover defecting customers	.71(13.51)
Our employees independently deploy resources and capabilities of the firm to create value for both the customer and the firm	.70(13.38)
Innovative culture $\alpha = .84$; $CR = .78$; $AVE = .72$	
We are willing to try new ways of doing things and seek unusual, novel solutions	.82(fixed)
We encourage people to think and behave in original and novel ways	.77(18.04)
The culture of this company encourages enthusiastic participation of all innovative activities	.81(18.92)
Innovation leadership $\alpha = .75$; $CR = .73$; $AVE = .68$	
Management is very cautious in adopting innovative ideas	.77(fixed)
Key executives of the firm are willing to take risks to seize and explore “chancy” growth opportunities	.88(10.99)
Senior executives have a demonstrative and risk-taking attitude towards innovations in order to achieve best results	.76(10.35)
Competitive advantage $\alpha = .93$; $CR = .81$; $AVE = .73$	
Company/brand image	.91(Fixed)
Personal selling	.87(28.75)
Product range offered	.93(33.34)
Dealing with Hostile business conditions $\alpha = .86$; $CR = .79$; $AVE = .70$	
Increased sales volume	.83(Fixed)
Carry marginally profitable products to satisfy consumers	.81(20.72)
Capitalize on new markets	.80(20.64)
Introduce new products	.80(20.51)
Performance $\alpha = .90$; $CR = .80$; $AVE = .73$	
Better profit	.87(fixed)
Better return on investment	.88(25.53)
Better cash flow	.84(23.36)

Informant Evaluation: The study followed established tradition (e.g. Morgan, Katsikeas & Vorhies, 2012) to assess the competence of the respondents in three key areas: (1) knowledge about the questions asked; (2) accuracy of the answers provided; and (3) confidence in the answers provided. The informant's competence measures were assessed on a seven-point Likert scale (1 = strongly disagree; 7 = strongly agree), and the average minimum score obtained was 5.5, which is very high and above Kumar's (1996) thresholds that advocate for the retention of cases with individual responses above the mid-scale point; which in this study was 4 as a measure of high informant competency, the study is confident that the key informants in this research are competent.

5.4 ANALYSES AND RESULTS

5.4.1 Assessment of the Measures

Table 5.2 shows the descriptive statistics. The measures of all service innovation dimensions were positively correlated with the measures of innovative culture, innovation leadership and competitiveness.

5.4.2 Reliability and Validity of the Constructs

Using Amos 20, the study explored the maximum likelihood estimation procedure to examine all scales in a confirmatory factor analysis (CFA). The study assessed the reliability of individual items by inspecting their internal consistency values and the loadings of the items on their respective construct (Fornell & Larcker, 1981; Yuan, Zhou, Bruton & Li, 2010). The internal consistency values (Table 5.2) for all constructs were good and above the threshold of 0.7 ranging from 0.75 to 0.93 (competitive advantage – 0.93; hostile

business conditions – 0.86; performance – 0.90; innovation leadership – 0.75; innovative culture – 0.84; product innovation – 0.83; price innovation – 0.80; promotion innovation – 0.76; service processing innovation – 0.78; and service delivery innovation – 0.75).

The positive and significant loadings confirm convergent validity of the measures. Results reported in Table 5.2 also show that composite reliability and discriminant validity of the variables are acceptable with indices exceeding a minimum cut-off point of 0.60 and .05 respectively (Bagozzi & Yi, 2012). The measures also showed satisfactory discriminant validity by showing a larger average variance extracted for all constructs being over and above the inter-construct squared correlations (Hair et al., 2007). The study therefore concludes that each construct of our study was unique and captured phenomena that others measure did not.

5.4.3 Hypotheses Testing using Structural Equation Modeling (SEM)

To examine how innovative culture and innovation leadership might act as mediators in the relationships between service innovations (service process, product, price, promotion and service distribution innovations) and competitiveness of a service firm, we adopted the SEM approach outlined by MacKinnon, et al (2002). SEM is generally considered the preferred causal modeling method (James, et al., 2006; Yuan, et al., 2010) because researchers can use it to control for measurement error, provide information on the degree of fit of the tested model, and test multiple mediators (MacKinnon et al., 2002). We estimated a baseline model as the full mediation model (see Figure 5.1), which did not have direct paths from the service innovations that are the predictors to a service firm's competitiveness. Table 4 shows

that all of the fit indices indicated a good fit ($\chi^2(19)=43.237$, $p<.001$; TLI=.969; CFI=.987; RMSEA=.050, SRMR=.0272).

Following the approach espoused by Anderson and Gerbing (1998), the study tested a series of nested models against the baseline model through sequential chi-square tests with the parameter constraints of interest in the study. In Model 1 the path related to Hypothesis 1a was constrained to zero; that is, the link involving service process innovation, innovative culture and service firm competitiveness was removed from the baseline model. A significant change in the chi-square difference would suggest that the constrained path was important and thus provides support for the baseline model. Similarly, we constrained the relevant paths of the nine hypothesized relationships to be zero; one at a time in Models 2 to 10. Table 4 shows the results of the chi-square differences between the baseline model and each of the nested models. As expected, all of the chi-square differences were significant which suggested that the baseline model fits the data.

Furthermore, following Kelloway (1998), the study compared the baseline model with a partial mediation model in which direct paths from the five service innovations to a service firm's competitiveness were added to the baseline model in Model 11. As depicted in Table 4, the chi-square difference between Model 11 (partial mediation model) and the baseline (full mediation model) was significant ($\Delta\chi^2=9.114$, $\Delta df=2$, $p<0.001$). This therefore suggests that adding direct paths from the service innovations to a service firm's competitiveness to the baseline model significantly improved the model fit. We concluded that the partial

mediation model was superior to the full mediation model, and acceptable for further consideration.

To rule out alternative explanations, we tested a series of alternative models. The first such explanation is that there is no causal relationship between service innovation and institutional conditions. To exclude this possibility, we tested a direct effect model, Model 12, in which each service innovation dimension, innovative culture and innovation leadership were set to directly influence the service firm's competitiveness. The chi-square difference test suggested that the partial mediation model fit the data better than did the direct effect model (see Table 4). The next possible explanation concerning the relationship among variables is that although innovative culture and innovation leadership are important, they play a trivial role in enhancing a firm's competitiveness. To exclude this possibility we tested a non-mediation model (Model 13) in which the paths from innovative culture and innovation leadership to a service firm's performance in Model 11 were constrained to zero. The chi-square difference test suggested that the partial mediation model fit the data better than did the non-mediation model ($\Delta\chi^2=7.186$, $\Delta df=5$, $p<0.001$). The third and final explanation is that a reverse causal relationship exists between a service firm's competitiveness and service innovation as firms with better competitive position are in a better position to be more innovative. Model 14 treated a service firm's competitiveness as an antecedent of service innovations that in turn are predicted by innovative culture and innovation leadership. The overall good of fit indices ($\chi^2 (19) =43.378$, $p<.001$; TLI=.969; CFI=.987; RMSEA=.050, SRMR=.0268) show that this alternative model is significantly worse than the hypothesized model.

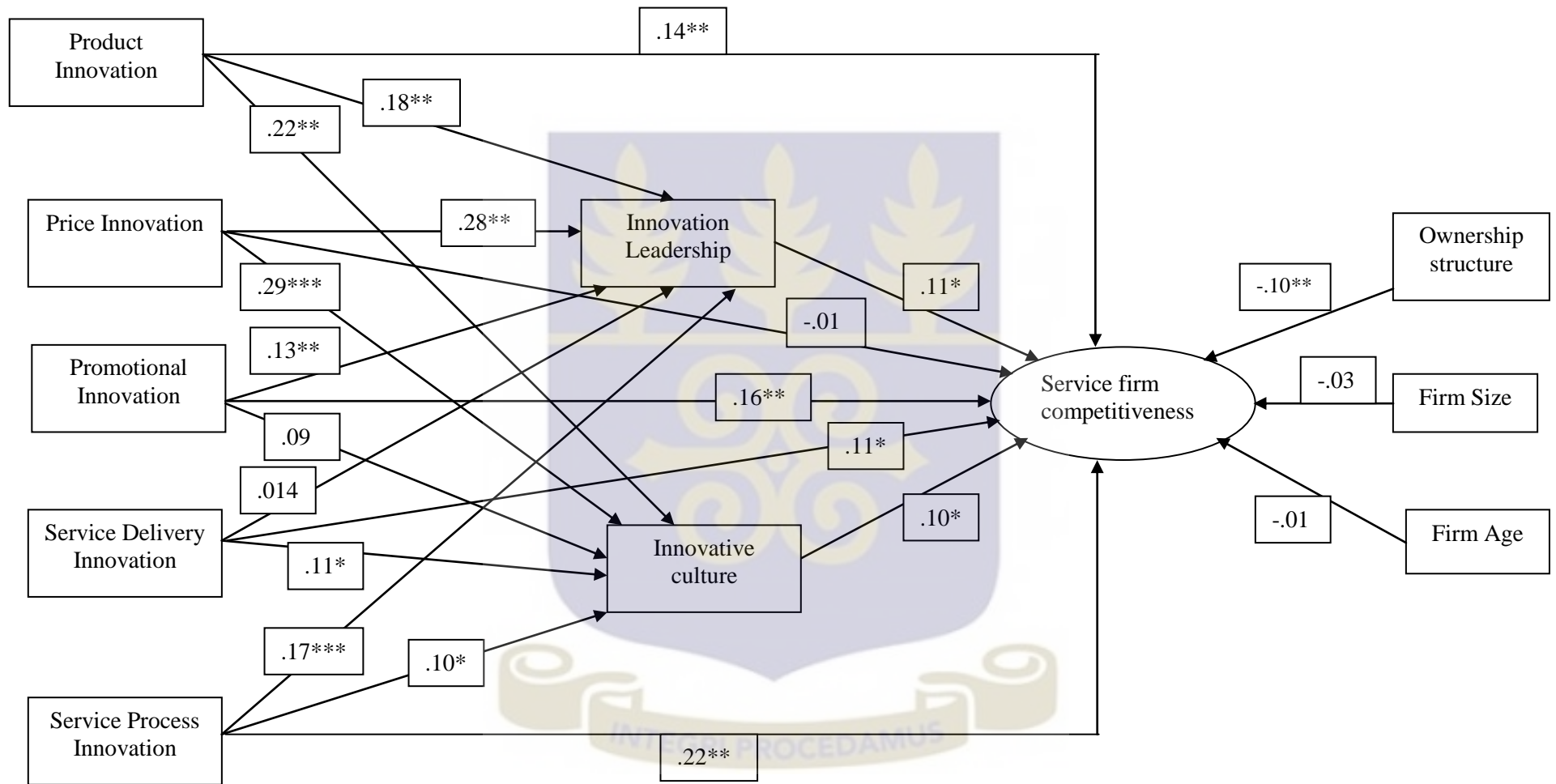


Figure 5. 2: Final Partial Mediation Model.

Parameters are standardized parameter estimates ***p<.001 **p<.01 *p<.05

5.4.4 Assessment of Hypotheses

Figure 5.2 displays the parameter estimates of the partial mediation model. This is the final model and best illustrates the results of the hypothesis testing. Hypothesis 1a states that a service firm's innovative culture mediates the positive effect of service process innovation on a firm's competitiveness. As shown in Figure 5.2, there was a significant relationship between service process innovation and innovative culture ($\beta=.10$, $p < 0.05$), and a significant relationship between innovative culture and a service firm's competitiveness ($\beta=.10$, $p < 0.05$). This therefore suggests that the hypothesis that a service firm's innovative culture mediates the positive effect of service process innovation on a firm's competitiveness is strongly supported.

Hypothesis 1b states that a service firm's innovative culture mediates the positive effect of product innovation on a firm's competitiveness. Figure 5.2 shows that there was a significant relationship between product innovation and innovative culture ($\beta=.22$, $p < 0.001$), and a significant relationship between innovative culture and a service firm's competitiveness ($\beta=.10$, $p < 0.05$). Therefore hypothesis H1b is strongly supported.

The study hypothesized in H1c that a service firm's innovative culture mediates the positive effect of price innovation on a firm's competitiveness. As shown in figure 5.2, there was a significant relationship between price innovation and innovative culture ($\beta=.29$, $p < 0.001$), and a significant relationship between innovative culture and a service firm's competitiveness ($\beta=.10$, $p < 0.05$). The hypothesis in H1c is therefore strongly supported. In H1d, the study hypothesized that a service firm's innovative culture mediates the positive effect of promotional innovation on a firm's competitiveness. The analysis in Figure 5.2 shows that there was no significant

relationship between promotional innovation and innovative culture of the service firm ($\beta=.09$, $p > 0.05$) even though the relationship between innovative culture and a service firm's competitiveness is significant ($\beta=.10$, $p < 0.05$). The hypothesis that a service firm's innovative culture mediates the positive effect of promotional innovation on a firm's competitiveness is therefore not supported.

Hypothesis 1e states that a service firm's innovative culture mediates the positive effect of service delivery innovation on a firm's competitiveness. As shown in Figure 5.2, there was a significant relationship between service delivery innovation and innovative culture ($\beta=.11$, $p < 0.05$) and a significant relationship between innovative culture and a service firm's competitiveness ($\beta=.10$, $p < 0.05$). The hypothesis in H1e is therefore strongly supported.

The study hypothesized in H2a that a service firm's innovation leadership mediates the positive effect of service process innovation on a firm's competitiveness. Figure 5.2 shows that there was a significant relationship between service process innovation and innovation leadership ($\beta=.17$, $p < 0.001$) and a significant relationship between innovation leadership and a service firm's competitiveness ($\beta=.11$, $p < 0.05$). The suggestion therefore is that H2a is strongly supported.

In H2b the study stated that a service firm's innovation leadership mediates the positive effect of product innovation on a firm's competitiveness. As shown in Figure 5.2, there was a strong significant relationship between product innovation and innovation leadership ($\beta=.18$, $p < 0.001$) and a significant relationship between innovation

leadership and a service firm's competitiveness ($\beta=.11$, $p < 0.05$), hypothesis H2b is therefore supported.

Hypothesis 2c states that a service firm's innovation leadership mediates the positive effect of price innovation on a firm's competitiveness. The analysis in Figure 5.2 shows that there is a significant relationship between price innovation and innovation leadership ($\beta=.28$, $p < 0.001$) and a significant relationship between innovation leadership and a service firm's competitiveness ($\beta=.11$, $p < 0.05$), hypothesis H2c is therefore strongly supported.

In H2d the study hypothesized that a service firm's innovation leadership mediates the positive effect of promotional innovation on a firm's competitiveness. As shown in Figure 5.2, the coefficient for the path between promotional innovation and innovation leadership was significant ($\beta=.13$, $p < 0.001$), as was the coefficient for the path between innovation leadership and a service firm's competitiveness ($\beta=.11$, $p < 0.05$). Therefore hypothesis H2d was strongly supported.

Finally, hypothesis 2e states that a service firm's innovation leadership mediates the positive effect of service delivery innovation on a firm's competitiveness. The path between service delivery innovation and innovation leadership as depicted in Figure 5.2 had a non significant coefficient ($\beta=.014$, $p > 0.05$) while the path between innovation leadership and service firm competitiveness ($\beta=.11$, $p < 0.05$) was significant. The result therefore did not support H2e.

In summary, the results of the different models with and without direct paths from the predictors to outcome provide support for a partial mediation effects. Based on the individual parameter estimates of the best fitting model, the study finds support for the mediating role of innovative culture and innovation leadership in the relationship between service innovations and a service firm's competitiveness. However, it must be stated that innovation leadership only mediated promotional innovation while service delivery innovation was also only mediated by innovative culture in their relationship with a service firm's competitiveness.

5.5 DISCUSSION

The present study examined the mediating influence of two specific internal organizational boundary conditions – innovative culture and innovation leadership – on the relationship between innovation in service firms and their competitiveness. The findings revealed that innovative culture and innovation leadership largely played a partially mediating role, acting as significant intermediate variables between a service innovation as a strategic option and a firm's competitiveness. These findings provide theoretical and empirical insight and a contribution to the literature.

As a key contribution to literature, this study has responded to calls (Coombs and Miles, 2000; Camacho and Rodriguez, 2005) for an application of a synthesis approach to the service innovation construct to deal with criticisms leveled against the subject. This study has conceptualized service innovation in a manner that enables it to deal with the core issues of service, and highlights the obscure and not easily recognizable factors and activities that set service apart from manufacturing. In dealing with “the stagnant dualism

of manufacturing versus service” problem (Camacho and Rodriguez, 2005), the current study navigates the conceptual issues and relies on the service mix as an avenue for service firms to create, extend or modify resources, capabilities and/or routines in the form of innovation (Teece, 2007). The paper sees the service mix as distinct skills, processes, procedures, tools, structures, rules, and disciplines that are espoused by the DCV as the micro-foundation for competitiveness in a dynamic environment. In the theoretical sense, the study therefore extends the release, integration and reconfiguration of a firm’s resources and capabilities in a form of service innovation development, which is considered, under-explored (Eisenhardt and Martin, 2000). This study reinforces the notion that possession of a unique bundle of resource alone does not create a sustainable competitive advantage over time and advocates that resources and capabilities (service mix) should be released, integrated and reconfigured in the form of innovations to enhance firms’ competitiveness.

Secondly, the study’s classification of innovation through the service mix delimits service innovation as only output or process oriented which Carlborg et al. (2014) consider inadequate, but rather deals with every aspect of the service system which is seen as the value creator (Vargo, Maglio and Akaka, 2008). The current classification deals with the obscure and neglected aspects, activities and routines that are specific to service firms (Lu et al., 2009). This has allowed for proper delineation of the service innovation construct and has shown the nature and form. The study deals with the concerns of den Hertog et al. (2010) and McDermott and Prajogo (2012) on the observable performance benefits and measurement problems regarding the construct.

This paper while acknowledging the fact that innovation enhances a firm's performance and competitiveness, sought to further examine some internal boundary conditions that may mediate the positive relationship between the newly constructed service innovation dimensions and a service firm's performance. The strategic management literature posits a positive relationship between strategy and firms' performance and competitiveness. However, it is considered imperative for researchers to determine the institutional limits and conditions within which strategy (i.e. innovation) is a most useful management tool and to establish the extent to which its efficacy is conditioned by internal organizational behavior of the service firm.

The current study found that innovative culture and innovation leadership mediate the positive relationship between service innovation and service firms' competitiveness. The evidence suggests that internal organizational conditions significantly impact on the outcome of a service innovation orientation of the firm (Mumford and Licuanan, 2004). The findings support Gaynor's (2002) assertion that innovation does not require genius, but requires a system-wide dedication and commitment to pursue unique opportunities and this system-wide dedication is always inspired by the culture of the organization. Firms with an innovative culture would create a fundamental service philosophy that determines the development and implementation of service innovation that will enhance the competitiveness of the firm (Sundbo, 1997). The findings support the organizational culture theory which states that values and beliefs within the firm are a determination of the culture within and influence actions; thus strategy (Cakar and Erturk, 2010). Innovation therefore must be supported by an innovative culture which forms an integral part of the general functioning of the organization and fills the gap between what is formally announced and what actually takes place (Martins and Terlanche, 2003).

The findings also support Felekoglu and Moultrie's (2014) assertion that there is rich evidence on the critical role of top management in innovation development and implementation. The evidence shows that innovation leadership significantly and strongly mediates the positive relationship between service innovation and firm competitiveness. This study therefore supports the thesis of the upper echelon theory of organizational outcomes and performance levels being partially predicted by the top management (Hambrick and Mason, 1984). The findings corroborate Brown and Anthony's (2011) position that organizational leadership creates the right culture and institutional structure and provides the adequate resources and motivational drive to deliver a successful innovation implementation. The mediating role of innovation leadership found in this study supports the assertion made by West et al. (2003) that leaders create conditions for effective interactions among members for success strategy implementation.

The current study presents a response to the call for an investigation into different contexts in the area of strategy implementation and using data from an emerging economy on service innovation as a strategic option (Li and Zhou, 2010). We found evidence to support that service firms operating in an emerging economy can enhance their competitiveness through service innovation. However, such strategic activity must come with internal support from the organizational leadership and culture. The evidence in the context of this study is that it might not be enough to rollout innovation activities; but must be supported by innovative culture and innovation leadership.

5.6 CONCLUSIONS

The current study shows that internal firm conditions can act as intermediate variables in the relationship between service innovation strategy and a firm's competitiveness. Previous studies have examined the direct effect of service innovation strategy on performance outcomes. The study recognizes that the relationships between service innovation, internal firm conditions and competitiveness are complex. The study particularly argues that the deployment of service innovation along the line of the service mix may bring competitiveness through the mediation of certain internal firm conditions such as innovation leadership and innovative culture.

While drawing on the theoretical insight gained from the organizational culture theory (Schein, 2010), the present study reflects the notion of Barney (1989) that firms that do not have the required culture cannot engage in activities that will generate sustained superior performance and competitiveness. The model maintains that, though generating and deploying service innovations may bring some level of performance outcome, it is rather the intermediary role played by the innovative culture of the service firm that brings about the sustainable competitive advantage and competitiveness. The argument in this study is that though service innovations can be easily copied (McDermott and Prajogo, 2012) and perhaps may not garner long term advantages on their own; the mediating role played by an internal innovative culture will produce sustained and imitable competitiveness. The study agrees with Janićijević (2012) that the innovative culture of the service firm directs interpretations of events in the environment and organization and informs the deployment of service innovation strategy in a manner that yields long-term competitiveness.

The study further draws from the DCV (Teece et al., 1997) and complementarity of strategic assets (Amit and Shoemaker, 1993) and reflects the view that the strategic values of each of the service innovations' relative magnitude in their deployment and application can be increased with an increase in relative magnitude of other strategic assets such as innovation leadership and innovative culture. As noted by Diericks and Cool (1989), the effective deployment of two or more firm assets and/capabilities (i.e. service innovation, innovation leadership and innovative culture) brings about positive externalities. The findings of the current study allows us to posit under the complementarity paradigm that the combined value that will be delivered in the form of competitiveness by service innovation and innovative culture and leadership will be higher than the cost of developing and deploying service innovation alone. The internalized nature of innovation leadership and innovative culture makes them firm-specific, durable and valuable strategic assets that will enhance service innovation's ability to create valuable, rare, imitable competitive advantage to deal with criticism leveled against service innovations (McDermott and Prajogo, 2012; den Hertog et al., 2010).

As a way forward for future studies in this area, prospective researchers can probe deeper into the service innovation strategy-internal conditions-competitiveness relationship by examining the specific service innovations and internal conditions and how the internal conditions transform the service innovations into firm competitiveness. Additionally, it would be stimulating and worthwhile to examine whether the model based on the single relatively small emerging economy of Ghana is generalizable to other larger emerging and developed economies whose market dynamics and business and national culture may differ.

The practical implications of this study are that service firms must be equally interested in creating a fundamental service philosophy to enhance the ability of their service innovations to garner competitiveness. The ability of the service firm's innovations to yield positive results does require a system-wide dedication that is inspired by the organizational culture and top management. The role of top managers in service innovation implementation must not be tacit but overt as leadership is seen as a strong complementary strategic asset that produces positive externalities.

The present study, like other studies, has limitations which future research should address. A key limitation that poses a question that begs to be answered is the generalizability of findings, especially the importance of mediating effects of innovation leadership and innovative culture in different contexts such as economies that are at different stages of economic development. To better understand the issues in service innovation and competitiveness on one hand and the mediating internal firm conditions on the other hand, additional research is required to clarify the extent to which such conditions shape the relationship between service innovation and competitiveness.

Another limitation is that the current study is situated in Ghana, a single emerging economy, which shares many characteristics with other developing and emerging economies and therefore offers a rich context to test the impact of service innovation on competitiveness – a strategic orientation theory – from an emerging economies perspective. Conversely, there may be some peculiarities in other emerging markets that may offer additional insight for theory development. Although organizational culture has been explored in this study, broader country level culture towards innovation in other

economies may offer further understanding of the mediating role of the culture in the service innovation-competitiveness relationship.

Innovation in service firms is generally an important topic due to the role played by services in the world's economy and of particular significance is its study in emerging economy that to date has received little attention. The present study helps to establish the foundation for future investigation of this topic. It is perhaps significant that a foundation has been established here for the understanding of the relationship among service innovation, internal firm conditions and competitiveness. It is hoped that this research will lead to further examination of this issue, which is of both theoretical and empirical importance.

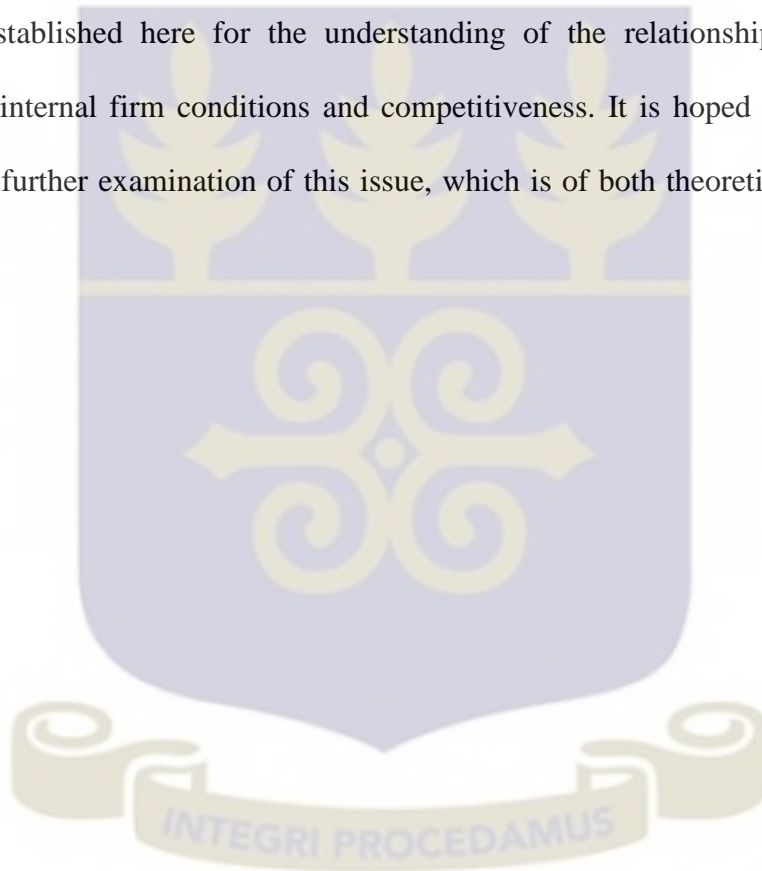


Table 5.2: Descriptive Statistics and Inter-construct Correlation

Pearson correlation coefficient estimated on the sample of respondents implies 5% significance or more. The mean and standard deviation figures also describe the data

^a formative index

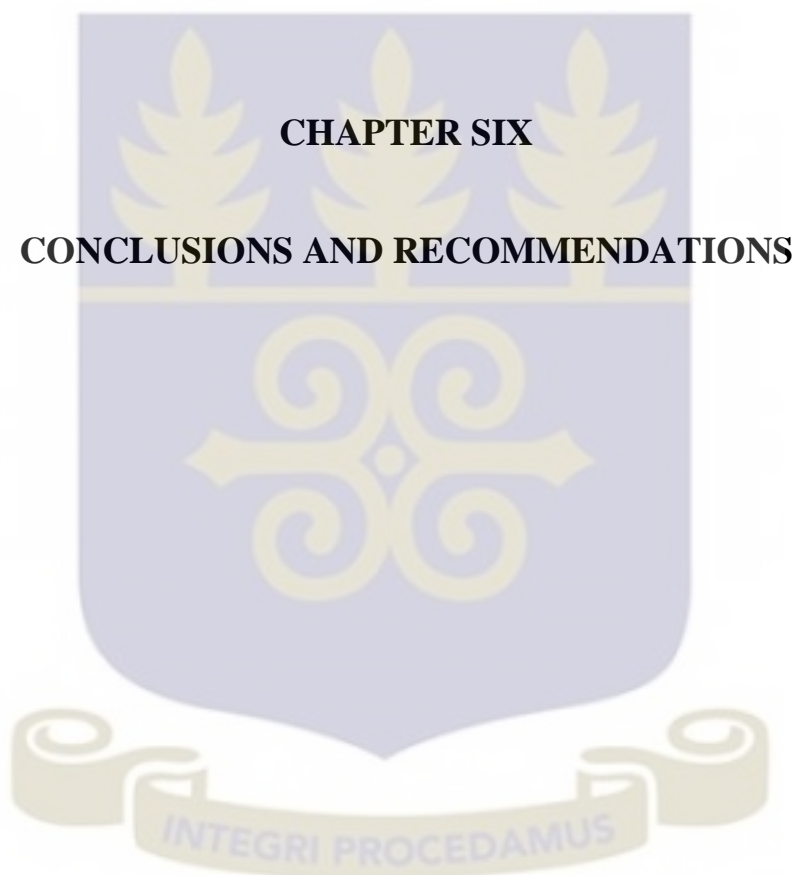
** . Correlation is significant at the 0.01 level

	Mean	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Innovation Leadership	4.81	1													
2. Innovative Culture	4.72	.460**	1												
3. Competitive Advantage ^a	4.62	.348**	.331**	1											
4. Dealing with Hostile Business Conditions ^a	4.69	.408**	.439**	.483**	1										
5. Company Performance ^a	4.86	.322**	.388**	.506**	.532**	1									
6. Product Innovation	4.44	.410**	.458**	.345**	.456**	.378**	1								
7. Price Innovation	4.76	.409**	.400**	.254**	.365**	.323**	.379**	1							
8. Promotional Innovation	4.76	.393**	.416**	.325**	.448**	.389**	.432**	.489**	1						
9. Service Delivery Innovation	4.67	.356**	.377**	.385**	.424**	.375**	.460**	.424**	.460**	1					
10. Service Process Innovation	4.73	.397**	.395**	.344**	.441**	.424**	.395**	.474**	.500**	.481**	1				
11. Competitiveness	117.26	.360**	.372**	.762**	.648**	.657**	.397**	.321**	.387**	.376**	.413**	1			
12. Firm Size	20.88	.003	.013	.064	.019	.070	.000	-.013	.032	.091*	.009	.025	1		
13. Firm Age	9.68	.029	.043	.047	-.042	.113**	.035	.043	.030	.036	.025	.030	.346**	1	
14. Form of Ownership	-	-.006	.002	-.094*	-.063	-.092*	.029	-.041	-.050	-.119**	-.064	-.090*	-.294**	-.137**	1
Standard deviation		.901	1.104	1.499	1.160	1.229	1.168	1.008	.985	1.054	.974	78.471	14	3.78	.2081

Table 5.3: Results of Alternative Model Comparisons

Structural equation modeling was used as the causal modeling method to control for measurement error, test for model fitness and tests multiple mediators. Series of nested models were tested against the baseline model through sequential chi-square tests with the parameter constraints of interest in the study. The study constrained the relevant paths of the nine hypothesized relationships to be zero. All of the chi-square differences were significant which suggested that the baseline model fits our data. The baseline model was compared with a partial mediation model in which direct paths from the five service innovations to a service firm's competitiveness were added to the baseline model and a significant chi-square difference was found. Three other alternative models were tested to assess the robustness of the partial mediation model. The dependent variable in all cases except in the reverse causality was service firm competitiveness.

<i>Model</i>	χ^2	<i>df</i>	χ^2/df	<i>TLI</i>	<i>CFI</i>	<i>RMSEA</i>	<i>SRMR</i>
Baseline model – full mediation	43.237	19	-	.969	.987	.050	.0272
Model 1	45.316	20	2.266	.969	.986	.050	.0275
Model 2	43.466	20	2.173	.971	.987	.048	.0273
Model 3	96.114	20	4.806	.907	.959	.087	.0375
Model 4	72.468	20	3.623	.936	.971	.072	.0326
Model 5	44.276	20	2.214	.970	.987	.049	.0274
Model 6	55.880	20	2.794	.956	.980	.059	.0272
Model 7	73.986	20	3.699	.934	.971	.073	.0319
Model 8	64.135	20	3.207	.946	.976	.066	.0316
Model 9	43.259	20	2.163	.972	.987	.048	.0272
Model 10	59.247	20	2.962	.952	.979	.062	.0301
Model 11 – partial mediation	34.123	21	1.625	.984	.994	.035	.0260
Model 12 – direct model	465.760	24	19.407	.549	.760	.191	.2178
Model 13 – non mediated	41.309	16	2.582	.961	.986	.056	.0258
Model 14 – reverse causality	43.378	19	2.283	.969	.987	.050	.0268



CHAPTER SIX

CONCLUSIONS AND RECOMMENDATIONS

6.1 OVERVIEW

The overarching aim of the thesis was to assess how innovation in service firms can be developed and implemented under different conditions to produce long term benefits for service firms with particular focus on firms operating in an emerging economy. The thesis sought to deal with critical issues that are of theoretical, empirical and practical concern for the services sector. Services the world over have been seen to be generating a lot more to support nations' GDP and have surpassed manufacturing from an employment perspective, however, research in the area of service innovation has not reflected this fact. Reasons such as the subject not being interesting, and service innovation not being able to be directly linked with performance have been given; others have said that the fact that the nature of service outputs are fuzzy makes it difficult to identify and measure the innovation in service. It is therefore suggested that unlike innovation in manufacturing, observers are at a loss as to where to look for the innovation as no tangible product is associated with service innovation. This has led to lack of clarity in empirical research and an imposition of practical limitations on the implementation of service innovation as a competitive strategy by service firms.

The challenges raised above have led to different attempts by scholars to situate service innovation in the innovation literature which has further created some theoretical confusion. Innovation in services is deemed to be in a relatively early development state, where approaches applying a traditional manufacturing logic (*assimilation perspective*) to service innovation exist alongside approaches that view services as distinctive activities (*demarcation perspective*). The *synthesis approach* which is adopted in this thesis is seen to be the right approach as it considers the similarities and differences in service and physical products to deal with traditional manufacturing-service dichotomy. This study

adopted the view that service innovation reveals aspects neglected in the widely distributed innovation process in the economy which is largely manufacturing biased. The perspective of this study is that service innovation is not entirely different nor strictly follows manufacturing innovation processes but rather looks for the obscure and not easily recognizable factors and activities that set service apart from manufacturing.

The thesis through the synthesis approach explored the uniqueness of service and proposed service innovation dimensions grounded in the organizational and service management theories. Through the DCV, the study conceptualized that innovation in service should be sought from both within the firm's internal and external capabilities. The study contended that service innovation could be created from internal capabilities such as the service marketing mix that serves as a basic tool for a service firm's competitiveness. Another internal capability that could be explored, and out of which service innovation could be developed, is the customer-service firm interface. The interaction between the firm and the customer enables co-creation of value and the concurrent production-consumption activities performed by the service firm and the customer in the service delivery process to create innovations such as customization, involvement and timing innovations. Lastly, the service firm could explore its external capabilities through market innovations which target the creation and identification of new markets and needs; providing for such markets and needs and reacting to changes in the market based on the intelligence.

The thesis sought to add to the body of knowledge in service innovation with empirical study from an emerging economy context which has been understudied. The lack of research into innovation in service firms in emerging market contexts is telling, since the

literature indicates that the beneficial effects of a firm's strategic orientation may be context specific as opposed to being universally applicable (e.g. Li & Zhou, 2010). Consequently, taking the cue from the contextual disparities of emerging economy context, the study has presented a different contextual perspective to the service innovation literature from a lower-middle income economy such as Ghana. Another major contribution to the literature is that the current study has shown the institutional frameworks and external environmental conditions under which service innovation strategy is a most effective managerial tool. The study has responded to the pressing need to clearly delineate the boundary conditions of innovation especially in service firms.

This final chapter provides overall concluding remarks for each of the three core empirical chapters. The chapter highlights the novel contributions of each chapter to existing literature, provides strategic implications for practice, acknowledges the limitations of the thesis and offers direction and implication for research.

6.2 SUMMARY OF CHAPTERS

This section provides a summary of the empirical chapters in terms of the objectives, findings and contribution to knowledge.

6.2.1 Chapter III: Service Innovation Determinants: Scale Development and Validation

As the starting point for innovation development and implementation in service firms, chapter three investigates the factors that will influence or impede the development and implementation of innovation in service firms to improve financial and non-financial performance. In the service innovation process, it is imperative to first understand the

drivers of innovation before proceeding to the types and outcomes. The very few studies such as Koberg (2003), Koc (2007) and Gungor and Gozlu (2012) that have attempted to deal with the issue have lacked theoretical cohesion and grounding and have mostly been studied at the firm level. Little attention has been given to the combination of internal and external factors culminating to drive innovation in service firms.

Relying on different theoretical strands (i.e. institutional theory, strategic innovation paradigm (SIP) of the broader service management theory, and the structure conduct performance paradigm (S-C-P)) as suggested by Crossnan and Apayding (2010), the chapter comes up with two internal and three external factors as the drivers of innovation in service firms. The study follows recommended scale development processes and explored a series of data to establish underlying structure of data. Perceptual data from service managers were collected in two stages for exploratory and confirmatory factor analysis. A systematic sampling process was applied to different sets of databases from six sub-sectors of the service industry before factors was applied to establish five distinct service innovation determinants. This study shows in a systematic manner that innovation in service firms is influenced by both internal and external factors. The findings support a five-factor model hypothesized and found competitive intensity, customer demand, innovation leadership, innovative culture and regulatory regime to be driving innovation in service firms. The scales developed satisfied all validity measures such as face and content validity, construct and discriminant validity, and a nomological validity to establish that the scales were valid and taps into service innovation determinants.

The findings in chapter three show support for studies such as Tushman and O'Reilly, (1997); Gaynor (2002); Twati and Gammack, (2006); and Cakar and Erturk, (2010) that

organizational culture influences the way people and groups interact with each other which affect the strategic choices and the attitude of individuals towards innovation development and implementation. The results indicate significant support for the argument that organizational culture positively influences the level of innovation of a service firm. Hambrick (2007) exposition that organizations do what they do (innovative) due to the influence of most the powerful actors - top executives and top management teams - is also confirmed by the significant and positive influence of leadership on innovation in service firms. With the exception of regulatory regime that was negatively hypothesized to determine innovation in service firm, customer demand and competitive intensity as external factors showed a positive relationship with innovation in service firms. It also indicated that as regulatory regime within which service firm operates becomes stringent, the level of innovation decreases confirming the negative relationship that exists. The chapter three confirms that both the external and internal environmental factors are key in influencing innovation in service firms.

6.2.2 Chapter IV: Interactivity Service Innovations and Firm Performance:

Competitive Intensity and Customer Demand Moderation

Chapter four examines the moderating effect of external factors i.e. customer demand and competitive intensity on the relationship between interactivity service innovation and service firm performance. The chapter was interested in determining whether the potential benefits of service innovations are affected in periods of high customer demand and high competitive intensity. Otero-Neira, et al., (2009) have suggested that innovation and innovative oriented efforts are internal capabilities that can boost the success of a firm in challenging environments. However, the universal performance benefits of innovation as a strategy are in question (Grawe, et al., 2009; Pantano & Viassone, 2014), and it remains

unclear as to whether investing in innovation such as interactivity innovation is appropriate for all businesses all of the time. Additionally, though the outcome of innovation strategies has received attention (see Darroch & McNaughton, 2002; Crossan & Apaydin, 2010), the environmental conditions under which they are most effective remain less understood. There is therefore the need to clearly delineate the boundary conditions of innovation especially in service firms; that is, to identify when it is the least and most effective management tool.

After items generation and scrutiny by experts for three interactivity innovations, a first set of data was collected from service managers who were pursuing graduate (MBA) for factor exploration. A second set of firm level data was then collected from service companies from different sub-sectors for confirmatory factor analysis and structuring equation modeling. The chapter modeled the effects of a configuration of three interactivity service innovation (customization, involvement and timing innovations), and customer demand and competitive intensity on two performance outcomes – financial and non-financial performance. The chapter found that unlike previous studies that indicate that service innovation is directly related to a firm's performance, it is rather high levels of service innovations that maximize performance in service firms operating in an emerging economy. The findings show that for a service firm operating in a developing economy such as Ghana, customization, involvement and timing innovations are important in enhancing business success most effectively when high levels of these interactivity innovations are leveraged. Greater levels of service innovations are required for both financial and non-financial performance. However, while implementing the individual interactivity innovations can accrue performance benefits to a service firm, it is important

to configure the three in order to account for the risks that may come with individual implementation.

The chapter shows that conditions outside of the firm, in the form of customer demand and competitive intensity, influence the effect of service innovation on the performance benefits. This indicates that the implementation of service innovation can be maximized when environmental conditions are aligned to the implementation of interactivity innovations. Consumers' demand for and acceptance of innovation is considered critical to the performance effect of such innovation therefore service firms should increase their interactivity innovations during high customer demand periods. In contrast, this chapter reveals that high level competitive intensity dampens the positive relationship that exists between interactivity innovation and a service firm's financial performance in an emerging economy. The current study has shown that it is effective for service to implement high levels of interactivity innovations in a low competitive intensity period or reduce investments in interactivity innovation during high competitive periods.

6.2.3 Chapter V: Innovative Culture and Leadership as Mediators Linking Service Innovation and Firm Competitiveness

Chapter five sought to examine the mediating influence of two specific internal organizational boundary conditions – innovative culture and innovation leadership – on the relationship between innovation (base on the service mix) in service firms and their competitiveness. The chapter makes a contribution to the service innovation literature by arguing that the much emphasized performance benefits of innovation strategy (Li & Atuahene-Gima, 2001; Pantano & Viassone, 2014) are contingent on certain internal firm

factors that mediate such relationships. The chapter therefore argues that the cultural and leadership orientation of service firms will determine whether service innovation as a strategic option will yield the needed performance outcome in terms of firm competitiveness on the marketplace. In spite of the fact that innovation greatly enhance a firm's competitiveness (see Darroch & McNaughton, 2002; Crossan & Apaydin, 2010), the internal institutional workings under which innovation is most effective and where such levels of competitiveness is achieved remains less appreciated in the literature. The chapter also contribute to knowledge by stating that a firm's strategic orientation may be context specific as opposed to being universally application (Li & Zhou, 2010) and that service innovation findings that are mostly based on developed economy context may not apply in an emerging economy.

The chapter first developed scales with the guidance of established procedure. An empirical research design comprised two sets of data collection from service managers was used for data collection. The first validated the service innovations dimension through data collected from service managers who were pursuing graduate programs at two universities ($n = 201$). In a second study, a larger firm level data were gathered from 508 managers working in service firms operating in an emerging economy i.e. Ghana. Structural equation modeling was used in analyzing the mediating role of innovative culture and leadership in the relationship between service innovation and a service firm's competitiveness.

The chapter finds that innovative culture and innovation leadership play a partially mediating role, acting as significant intermediate variables between a service innovation as a strategic orientation and a firm's competitiveness. This chapter reinforces the notion that

possession of a unique bundle of resource alone does not create a sustainable competitive advantage over time and advocates that resources and capabilities (service mix) should be released, integrated and reconfigured in the form of innovations to enhance firms' competitiveness. The chapter's classification of innovation through the service mix delimits service innovation as being only output or process oriented and deals with the obscure and neglected aspects, activities and routines that are specific to service firms (Lu, Yang & Tseng, 2009).

Furthermore, the chapter found that innovative culture and innovation leadership mediate the positive relationship between service innovation and service firms' competitiveness. The evidence suggests that internal organizational conditions significantly impact on the outcome of a service innovation strategy of the firm. The findings support the assertion that innovation does not require genius, but require a system-wide dedication and commitment to pursue unique opportunities and that this system-wide dedication must be inspired by the culture of the organization. The findings support the organizational culture theory which states that values and beliefs within the firm are a determination of the culture within and influence actions; thus strategy (Cakar & Erturk, 2010). The findings also support the critical role of top management in innovation development and implementation. The evidence shows that innovation leadership significantly and strongly mediates the positive relationship between service innovation and a firm's competitiveness. This chapter therefore supports the thesis of the upper echelon theory of organizational outcomes and performance levels being partially predicted by the top management (Hambrick & Mason, 1984). The findings from this chapter corroborate Brown and Anthony's (2011) position that organizational leadership creates the right culture and institutional structure and provides the adequate resources and motivational

drive to deliver a successful innovation implementation. The chapter found evidence to support that service firms operating in an emerging economy can enhance their competitiveness through service innovation. However, such strategic activity must come with internal support from the organizational leadership and culture.

6.3 STRATEGIC IMPLICATIONS

This study offers a number of practical implications for service firms and their business executives. Some scholars have noted that service innovation lacks focus and is therefore difficult to understand where to look for innovation in service and appropriately link it with firm performance. It has even been concluded by others that observers are at loss as to where to look for service innovation and therefore brings into question how applicable service innovation is for service managers. This thesis offers a service innovation development and implementation framework to guide managers in Figure 6.1. The ensuing paragraphs discuss the other practical implications of this study and how they address the concerns and criticisms of service innovation to ensure effective development and implementation.

The study has shown that organizational culture and the leadership orientation of the service firm are seen as the two main internal drivers of innovativeness of the service firm. The culture and leadership orientation of a service firm will determine the other factors such as firm size, employee behavior and the R&D budget as other researchers have opined. To engender innovation orientation within the service firm, there must be a culture that provides a system-wide dedication and commitment to pursue unique opportunities. Managers of service firms must cultivate an innovative culture that will state the values, beliefs, practices and behavior that in turn determines the general functioning of the

organization and fills the gap between what is formally announced and what actually takes place. Since managers create and enforce the innovative culture, there must be a leadership orientation that supports and guides innovation efforts and creates conditions and the learning environment that support experimentation and innovation implementation.

Service managers must note that the external environment of the service firm greatly influence the firm's propensity to innovate. There are three key stakeholder groups i.e. customers, competitors and other stakeholders (such as regulatory agencies) who largely give legitimacy to the innovation that a service firm may create. Managers must note that these legitimacy groups exercise a level of control that determines the success of innovation of the service firm. If the regulatory regime limits the market power of the service firm to release new product or expand, then, innovation is stifled. Consumers are the judges of the innovation and greatly influence the firm's innovativeness. The sophistication of present day consumers leaves service firms without choice but to innovate to meet their changing needs and expectations. The competitiveness of the marketplace also exerts pressures on the service firm to continuously innovate to create new advantages in order to stay relevant. Service firms must therefore be flexible, adaptable and responsive to the changing business environment that is the mainstay of innovation.

In implementing interactivity innovations which looks at creating value innovations through the interface of the service firm and its customers, managers must note the following: (a) the implementation of interactivity innovations must be configured and implemented in combination to maximize their performance effects; (b) in the period of high customer demand, service firms can maximize the performance effect of interactivity

innovations by increasing the level of interactivity innovations; and (c) in the periods of high competitive intensity, service firms must reduce their investments in the interactivity innovations in order to avoid reduction in financial performance. Another practical implication for managers is that service firms must be equally interested in creating a fundamental service philosophy to enhance the ability of their service innovations to garner competitiveness. The implementation of service innovation alone cannot bring about competitiveness; however, service firms must support their innovation implementation with top managers spearheading the implementation. The ability of the service firm's innovations to yield positive results does require a system-wide dedication, which is inspired by the organizational culture and top management. The role of top managers in service innovation implementation must not be tacit but overt as leadership is seen as a strong complementary strategic asset that produces positive externalities.

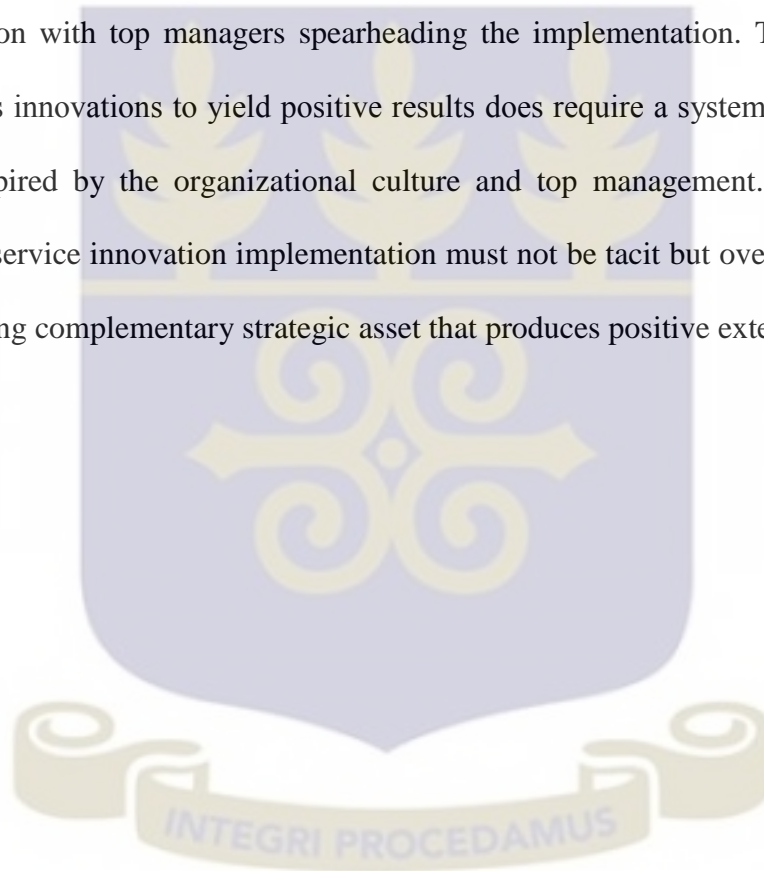
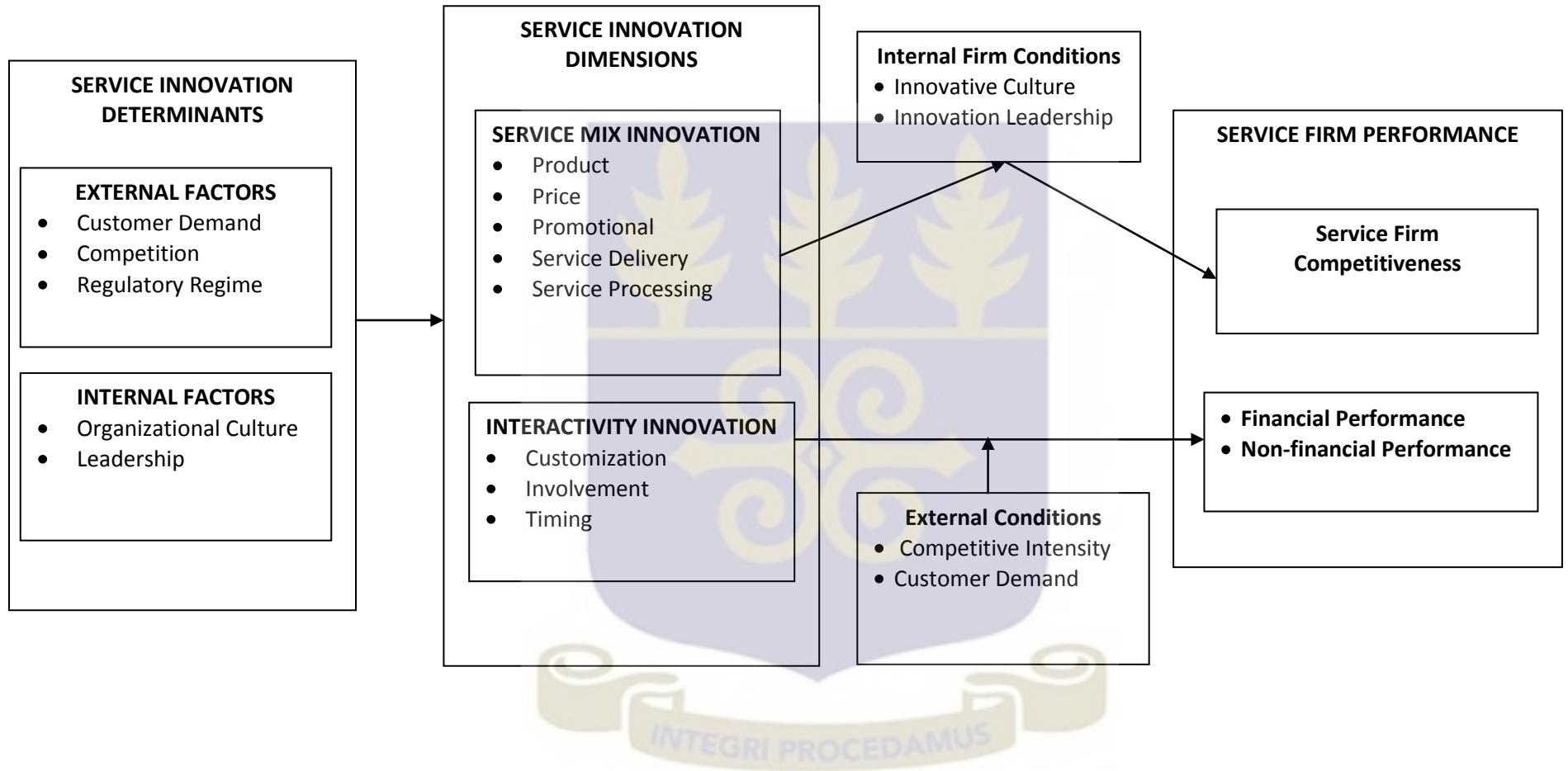


Figure 6. 1: Service Innovation Development and Implementation Framework



6.4 RESEARCH IMPLICATIONS AND LIMITATION OF STUDY

The findings from this thesis provide a lot of implication for future research in the area of service innovation. The study first offers key contribution to knowledge and some directions for future research. Regarding contribution to knowledge, first, while other studies have been based on firm context only, this thesis theoretically and empirically shows two broad internal firm factors that capture the entire firm and three key external stakeholders' determinants of innovation development and implementation in service firm. This study departs from the current determinants of firm specific issues such as R&D budget, firm size and employees. Organizational culture and the leadership direction of service firm are seen as the two main drivers of innovativeness of the firm as the two determines other factors such as firm size, employee behavior and the R&D budget. The external issues that are normally discussed at moderators are shown in this study to be key determinants of innovation propensity for service firm. The external environment is largely controlled by three legitimacy groups of customers, competitors and regulators whose actions largely determine the success of innovation implementation. If a regulatory regime limits the market power of the service firm, then innovation is stifled. Consumers are the judges of the innovation and greatly influence the firm's innovativeness. The sophistication of present day consumers leaves service firms without choice but to innovate. Intense and rapid competitive moves require firms to continuously innovate to create new advantages.

Second, unlike previous studies, this thesis asserts that it is rather high levels of service innovations that maximize performance in service firms, and not just the implementation of such innovations; and that the implementation must be aligned to the prevailing environmental conditions. Additionally, this thesis responds to calls for an investigation

into different contexts in the area of strategy implementation and provides answer to the question of how environmental conditions such as customer demand and competitive intensity influence the performance benefits of service innovations in firms operating in an emerging economy. This thesis shows that for service firms operating in emerging economy service innovations are important in enhancing business success most effectively when high levels of innovations are leveraged; and that greater levels of service innovations are required for both financial and non-financial performance. The study asserts that the combination of different kinds of service innovation will complement each other to enhance service firm performance. This thesis further contribute to the service innovation literature by indicating that the implementation of service innovation can be maximized when environmental conditions are aligned to the implementation of different kinds of innovations. Though previous studies have advised increase in the deployment of service innovation in hyper-competitive markets; however, this study asserts that high levels of competitive intensity dampen the effect of service innovation and that firms must reduce investments in innovation during high competitive periods. Additionally, in order to produce sustainable competitive advantage for service firm, internal firm conditions such as innovative culture and leadership must be aligned with the innovation strategy to bring about complementarity of strategic assets.

This thesis also theoretically and empirically shows different types of service innovation in different categories. This study responds to calls for an application of a synthesis approach to the service innovation construct to deal with criticisms leveled against the subject. This study conceptualizes service innovation in a manner that enables it to deal with the core issues of service, and highlights the obscure and not easily recognizable factors and activities that set service apart from manufacturing. In dealing with “the

stagnant dualism of manufacturing versus service” problem, the current study navigates the conceptual issues and relies on the service mix as an avenue for service firms to create, extend or modify resources, capabilities and/or routines in the form of innovation. This effort therefore provides the needed clarity on proper delineation of service innovation concept and has shown different types of innovation thereby providing avenues through which service firms can innovation and links their innovation to performance.

The thesis contributes to the dynamic capability view by showing that the service mix elements presents micro-foundations upon which service innovation can be developed, implemented and measured to improve firm performance. This study reinforces the notion that possession of a unique bundle of resource alone does not create a sustainable competitive advantage over time and advocates that resources and capabilities should be released, integrated and reconfigured in the form of innovations to enhance firms’ competitiveness. The study also contributes to the co-creation literature by empirically showing that customer-service firm interactions present a rich avenue for the development and implementation of service innovations which are difficult to imitate. This study therefore establishes the service innovation construct to be multidimensional which reflects the various aspect of the service delivery.

In terms of direction for future research, the study gives key guidelines. The service innovation as discussed in this study looks broader than what previous studies have perceived it. The complexity of service as a subject extends to how innovation in service firms can be defined and researched. As indicated earlier, the study of service innovation should be looked at from the firm level rather than the industry level as the practice of

service marketing becomes clearly at the firm level than at the broader industrial level. Research into innovation in service firms should be targeted at the various activities service firms perform and how they can innovate through those activities. As the synthesis perspective explains, the service innovation is not entirely different nor strictly follows manufacturing innovation processes but rather looks for the less easily recognizable factors and activities that set service apart from manufacturing. Future research should therefore look for what sets service apart from manufacturing in the service innovation process. Such areas may include new service design, development and testing, service distribution, service communication and the tangibilization of services.

In empirical terms, future research on service innovation should focus on how service firms can create competitiveness through their innovations base on the service mix and the knowledge of the market and how service firms can innovate internally with their customers. The focus of the service innovations must be on how service firms can encourage innovation among staff and what forms interactivity innovations may take and the contextual implications. As a way forward for future studies in this area, prospective researchers can probe deeper into the service innovation strategy-internal conditions-firm performance relationship by examining the specific service innovations and internal conditions and how the internal conditions transform the service innovations into firm competitiveness and higher financial and non-financial performance. Additionally, it would be worthwhile to examine whether the various models used in this study that only looked at a single emerging economy to assess the generalizability to other economies whose market dynamics and business and national culture may differ.

In terms of research limitations of the thesis, the question that begs for answer is the generalizability of findings, especially the importance of moderating effects of customer demand and competitive intensity and the mediation effect of internal firm conditions in different contexts such as economies that at different stages of economic development. To broaden our understanding of the issues in service innovation and performance on one hand and the moderating and mediating environmental conditions on the other hand, additional research is required to clarify the extent to which such conditions shape the relationship between service innovation and performance outcomes.

Lastly, the current study is situated in Ghana, a single emerging economy, lower middle income and relatively small country which shares many characteristics with other developing and emerging economies and therefore offers rich context to test the impact of service innovation on performance – a strategic orientation theory – from an emerging economies perspective (Acquaah, 2007). However, other emerging markets which are higher on the income and size of GDP may possess some peculiarities and contextual elements that may allow for additional insight and theory development. Further research may consider exploring the effect of cultural factors that may influence the success of implementing service innovations across emerging economies in order to incorporate into service innovation management an additional variable that vary at the national level such as national culture.

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APPENDIX: SERVICE INNOVATION SURVEY INSTRUMENT



Dear Sir/Madam,

I am a PhD Researcher at the Marketing and Customer Management Department of University of Ghana Business School. As part of my PhD program, I am embarking on research on “Service Innovation, Competition and Firm Performance of Ghana’s Service Sector” and would be grateful if you would spend few minutes of your time in filling out this questionnaire.

This questionnaire can be filled by any management who is directly involved in innovation of any kind within your service firm. I appreciate your time and effort in filling out this questionnaire. I assure you that all information provided will be used collectively and for academic purpose only. Your completion of this questionnaire indicates that you have volunteered to take part in this research project.

For further clarification and enquiry, you may please contact me or my supervisors:

Thomas Anning Dorson

thomasdorson@gmail.com

0244 114 700

Supervisors:

Prof. Robert E. Hinson; Department of Marketing and Customer Management, UGBS

Dr. Mohammed Amidu; Department of Accounting, UGBS

SERVICE INNOVATION SURVEY

Please indicate (✓) your level of agreement or otherwise with the following statements regarding the industry within which your company operates.

- | | |
|-----------------------------|--------------------------------------|
| 1. <i>Strongly disagree</i> | 2. <i>Disagree</i> |
| 3. <i>Disagree somewhat</i> | 4. <i>Neither agree nor disagree</i> |
| 5. <i>Agree somewhat</i> | 6. <i>Agree</i> |
| 7. <i>Strongly agree</i> | |

Items	1	2	3	4	5	6	7
Competitive intensity							
Competition in our industry is cutthroat							
There are many promotion wars in our industry							
Anything that one competitor can offer others can match readily							
Price competition is a hallmark of our industry							
One hears of a new competitive move almost every day							
Our competitors are relatively weak							
Regulatory Restrictions	1	2	3	4	5	6	7
Prices are highly regulated in our industry							
There are strict licensing requirements before you enter the market							
For every new service introduction, the firm must go through scrutiny before you launch							
Kind of products and service a firm sells are determined by a regulatory body							
Expansions into other territories are regulated							
The regulatory regime for this industry restricts innovation							
Customer Demand	1	2	3	4	5	6	7
This industry is witnessing demand for services from customers who never bought them before							
Our customers tend to look for new products all the time							
Sometimes our customers are very price sensitive							
New customers tend to have product-related needs that are different from those of our existing customers							
In our kind of business, customers' product preferences change quite a bit over time.							

Please indicate (√) your level of agreement or otherwise with the following statements regarding your company

- 1. *Strongly disagree*
- 3. *Disagree somewhat*
- 5. *Agree somewhat*
- 7. *Strongly agree*

- 2. *Disagree*
- 4. *Neither agree nor disagree*
- 6. *Agree*

Innovation leadership	1	2	3	4	5	6	7
We get lot of support from managers if we want to try new ways of doing things							
Management is very cautious in adopting innovative ideas							
Key executives of the firm are willing to take risks to seize and explore “chancy” growth opportunities							
Management actively respond to the adoption of “new ways of doing things” by main competitors							
Senior executives constantly seek unusual, novel solutions to problems							
Senior executives have a demonstrative and risk-taking attitude towards innovations in order to achieve best results							
Innovative culture	1	2	3	4	5	6	7
In our company, we embrace individuals who do things in a different way							
We are willing to try new ways of doing things and seek unusual, novel solutions							
We encourage people to think and behave in original and novel ways							
When we see new ways of doing things, we are last to adopt them in this industry							
When we cannot solve a problem using conventional methods, we improvise on new methods							
The culture of this company encourages enthusiastic participation of all in innovative activities							



Please indicate (✓) your level of agreement or otherwise with the following statements regarding your company's innovation activities

- 1. Strongly disagree
- 3. Disagree somewhat
- 5. Agree somewhat
- 7. Strongly agree

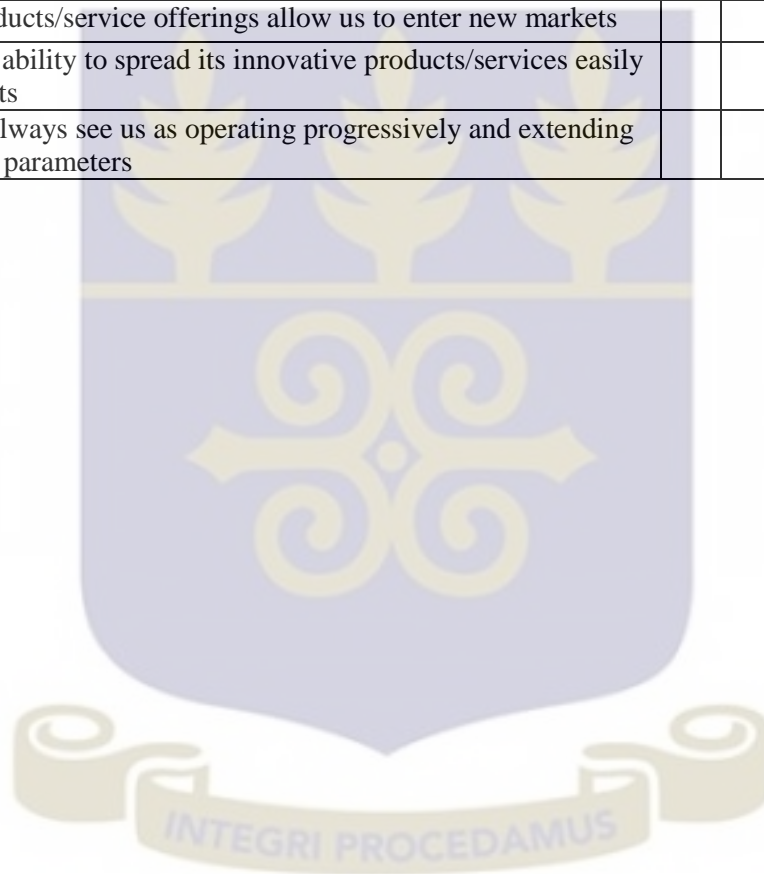
- 2. Disagree
- 4. Neither agree nor disagree
- 6. Agree

<i>Product</i>	1	2	3	4	5	6	7
New products in our company often take us up against new competitors							
Our company has introduced more innovative products during the past five years than any other							
Our company is faster in bringing new service offerings into the market than any other							
Our new service introductions offer us new competitive advantage							
Our company is able to differentiate our products from the competition							
<i>Price</i>	1	2	3	4	5	6	7
We always offer competitive prices than competitors							
We have discount structures to attract new and large volume customers							
There is flexibility in our pricing and payments based on customer needs							
We adapt to different kinds of prices for highly sensitive customers							
We do price bundling and tie-in to enable us cross-sell i.e. sell other products							
<i>Promotion</i>	1	2	3	4	5	6	7
Our marketing communication programme is revolutionary in the market							
Our company's most recent product introduction required a new form of advertising and promotion.							
We create awareness on our new products in no time							
We explore new frontiers in terms of media and message type to adequately address the changing media consumption pattern.							
We theme our service experience better than competitors							
<i>Place</i>	1	2	3	4	5	6	7
We always provide ease of access to our service products							
Compared to our competitors, we offer new delivery benefits that aid customers' access to the core benefit of products							
We often allow customers to determine the service delivery location and mode							
We are flexible in terms of service delivery modes to meet customer demands							
<i>Physical evidence</i>	1	2	3	4	5	6	7
Our physical structures create a drawing power and distinguishes us from the competition							
Our business environment encourages customers to enjoy the service experience and not just focus on task-oriented activities							
The atmosphere under which we deliver our service evokes pleasant feelings which add up to delightful service delivery							

We manipulate our architectural design and interior layout to create a sense of belongingness.							
Please indicate (✓) your level of agreement or otherwise with the following statements regarding your company's innovation activities							
1. Strongly disagree				2. Disagree			
3. Disagree somewhat				4. Neither agree nor disagree			
5. Agree somewhat				6. Agree			
7. Strongly agree							
<i>Process</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
We are constantly improving our business process							
Our company changes service process at a great speed in comparison with our competitors							
Our future investments in new service process are significant compared with our annual turnover							
We adapt to different service processes to meet customer needs							
<i>People</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
Our staff exceptionally resolve customer complaints more quickly to recover defecting customers							
Our staff quickly adapt to changing situations to meet customer and market demands							
Our employees independently deploy resources and capabilities of the firm to create value for both the customer and the firm							
The knowledge of our employees on customer needs and competitive offerings support the firm in defining the appropriate level of service customization.							
Our employees are constantly upgrading themselves on product and market knowledge							



<p>Please indicate (✓) your level of agreement or otherwise with the following statements regarding your company's innovation activities</p> <p>1. Strongly disagree 3, Disagree somewhat 5, Agree somewhat 7, Strongly agree</p> <p>2. Disagree 4. Neither agree nor disagree 6. Agree</p>							
Market Innovations	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
Our company has the ability to identify potential markets faster than competitors							
Our company is quick in grasping and utilizing market trends							
We are always able to secure first-mover advantages when it comes to market development							
Our new products/service offerings allow us to enter new markets							
The firm has ability to spread its innovative products/services easily across markets							
The market always see us as operating progressively and extending conventional parameters							



<i>Please indicate (√) your level of agreement or otherwise with the following statements regarding your company's innovation activities</i>							
1. Strongly disagree				2. Disagree			
3. Disagree somewhat				4. Neither agree nor disagree			
5. Agree somewhat				6. Agree			
7. Strongly agree							
Customization	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
Our company is able to alter products, process and personnel structure to meet special needs							
We realign our service systems to suit particular customers within a specific use-situation							
We create special kinds of service experiences based on customer preferences							
Our customers prefer to deal with us because we attend to their individual needs							
Based on previous interactions with clients, we are able to customize a solution for subsequent transactions							
Customer Involvement	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
We allow customers to direct the interaction during service delivery							
We encourage our customers to help us in the production of the quality service							
Our customers co-design and co-produce most of our products							
We encourage our customers to admonish prospective customers to experience our products/services							
We provide incentives to foster participation of customers in new product/service development							
We gather market insights from customers through avenues such as face to face meetings, customer visits or meetings, workshops and customer suggestions							
Timing of service delivery	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>
We are always sensitive to and respect the timing needs of our customers							
We respond to customer requests in a prompt manner better than our competitors							
Customers consider the timing of our service delivery as incomparable in the industry							
We operate within hours that are convenient to customers							
When our physical offices are closed, we find ways of meeting the timing needs of our customers							
We are always sensitive to and respect the timing needs of our customers							

OUTCOME

Please indicate (√) your level of agreement or otherwise with the following statements regarding your company's performance relative to other firms in your industry

- | | |
|----------------------|-------------------------------|
| 1. Strongly disagree | 2. Disagree |
| 3. Disagree somewhat | 4. Neither agree nor disagree |
| 5. Agree somewhat | 6. Agree |
| 7. Strongly agree | |

Competitiveness

	1	2	3	4	5	6	7
<i>Our company has this competitive advantage</i>							
Competitive pricing							
Service quality							
Speed of reaction to customer needs							
Company/brand image							
Personal selling							
Product range offered							
Distribution coverage							
Marketing research							
Product performance							
Cost advantage							
After sales service							
Marketing Communication							
<i>What does your company do under hostile business conditions? Rate your company's actions in terms of</i>	1	2	3	4	5	6	7
Stronger emphasis on profit margin							
Frequent price adjustments							
Extra service to justify higher prices							
Increased sales volume							
Carry marginally profitable products to satisfy consumers							
Capitalize on new markets							
Reduce product line							
Introduce new products							
Increase R&D							
Increase promotion							
Broaden sales force responsibility							
Re-examine distribution channels							

Performance

<i>Company performance</i>							
Last year our company showed much better performance across these indicators than the main competitors (1 = Much worse performance, 7 = much better performance').							
<i>Financial Performance</i>	1	2	3	4	5	6	7
Better profit							
Better sales volume							
Better market share							
Better return on investment							
Better cash flow							
<i>Non-financial performance</i>	1	2	3	4	5	6	7
Service quality							
Customer satisfaction							
Employee satisfaction							

Please state the average growth rate (in % terms) in the following areas over the past three years

1. Sales volume growth
2. Profit margin growth
3. Market share growth
4. Overall profitability

Please indicate your rate (in % terms) of return on investment for last year

5. Return on investment
6. Return on assets

FIRM's characteristics

1. Number of employees
2. Annual sales
3. How old is your firm (please state in years).....
4. Please state your position in your company.....
5. What kind of service does your firm provide.....

OWNERSHIP STRUCTURE

6. Foreign owned () locally owned () foreign and
 locally owned ()
7. Single owner () multiple owners ()
8. Listed on the stock exchange () Private company ()

THANK YOU