HOW BUSINESS NETWORKS SUPPORT SERVICE INNOVATION

Abstract

Services do not only dominate global economies but also significantly contribute to the national and regional economies where support for service innovation forms a part of economic development strategies. Recognising that the innovation activities extend well beyond the single firm, it is of a particular interest to explore the emergence of service innovation amongst multiple formally or informally connected entities, that is to say a business network. In particular, an understanding of business network dynamics together with the peculiarities of innovation in services, especially if innovation is of a non-technological nature, provide fruitful avenues in exploring the role of interorganizational relationships in supporting service innovation. The resources for this work are primarily drawn from a stream of research conducted by the International Marketing and Purchasing Group (IMP) on business networks; service marketing literature on service innovations; research and writing in the field of strategic marketing.

The research is based on a case study of a professional service provider in Europe and makes use of a qualitative method with an abductive research design. The preliminary empirical results of a small-scale empirical pilot provide insights on the emergence and the nature of service innovation in an issue-based net concerned with internationalization of SMEs. At the same time, it explores roles and purposes of interactions associated with service innovation activities. Several themes have emerged: the prevalence of customer focused nets, the prominence of lateral relationships and the presence of creative interactions. In a sense, these findings reflect the essence of a service network, however in the course of research development, these themes will be further explored and advanced from the prospective of alignment of network actors, resources and activities that cut across networks structures and allows delivering a better solution to a customer problem.

1. Introduction

Service innovation, predominantly covered in services marketing literature, and business networks, that gained their wide acceptance in business marketing literature, have been treated as two separate streams of research. However, relationships are the common denominator for service innovations and business networks where interactions play an important role. Researchers from both paradigms long ago advocated for fields cross-fertilization (Gallouj and Djellal, 2011; Moller, 2013).

The Industrial Marketing and Purchasing Group (IMP), a business-to-business marketing perspective, is an empirically driven field of research with its antecedents in manufacturing sector. Hereto, the research on innovations positioned at the interface between innovations and networks, mainly explores the concept of innovation networks. The empirical work has mainly focused on network-structure related aspects (Corsaro et al., 2012) whereas innovation is viewed as outcome of network change. If the innovation process of a network is in focus, the interest lies with technological (Corsaro et al., 2012, Möller and Rajala, 2007, Ramos et al., 2012, Chou and Zolkiewski, 2012) or radical types of innovation (Story et al., 2009, Story et al., 2011, Story et al., 2008) presenting the innovation process and new service development as two separate aspects.

The stream of services system / service science literature similarly discuss the change in networks, specifically service networks, in relation to innovation (Spohrer and Maglio, 2008, Storbacka and Nenonen, 2011, Pittaway et al., 2004). Although promising in its direction, this perspective is narrowed to operational issues mainly (Agarwal and Selen, 2011, Pisano and Verganti, 2008, Van Riel et al., 2013). To its advantage, service marketing research ground provides a better understanding of typology and particularities of service innovation however those advances are more of "a fruit of conceptual development".

As such, this research attempts to examine the intersection of innovation and marketing by viewing the phenomena of service innovations from the lenses of a business-to-business service marketer. In so doing, it intends to close the gap in the literature by viewing service innovations in the context of business network.

To address the research question on how business network support service innovation, the research agenda will focus on the following issues in the context of business-to-business marketing:

1. How service innovation manifest itself in a network context?
2. What is the role and purpose of network relationships in facilitation of a service innovation process?
3. What are the supporting business network mechanisms that lead to a successful service innovation outcome?

2. Research Background

2.1 Understanding Innovation in Services

The concept of innovation embraces a wide range of activities and the "innovation" term has a choice of explicit and implicit definitions often discipline specific. Yet, as a common denominator, innovation is "an economically successful introduction of something new" (Drejer, 2004). Innovation activities of a service organisation are commonly perceived to comprise a new product or a process and are often associated with the development or application of new technologies (Cainelli et al., 2006, Drejer, 2004, Miles, 2000, Howells, 2006). However, the traditional view of services in "technological innovation paradigm" contributes to a widespread assumption that service organizations lack innovation capacity or simply stands as innovation users (Pavitt, 1984; Barras, 1986; Evangelista, 2000). The followers of this line of thinking attempt to highlight the inferiority of the innovative character of the service sector as compared to the manufacturing sector (Barras, 1986, Tidd et al, 2001). In contrast, the recent stream of research validates services as a source of innovation (Berry et al., 2006, Bitner et al., 2008, Eisingerich et al., 2009, Agarwal and Selen, 2011, Rusanen et al., 2014). This debate rooted in assertion that the innovation in services may not be analyzed using one-size-fits-all model that are capable of embracing the services' particularities (Salter and Tether, in Gallouj and Djellal, 2006). The call for a broader concept of innovation has been made by researchers (Drejer, 2004, Bitner et al., 2008, Hipp and Grupp, 2005, Gallouj, 2002) and policy-makers alike (OECD, 2005), to

include non-technological aspect of innovations, such as adopting new and re-organizing the existing business practices, marketing and external relationships.

Regarding non-technological innovation as an integrative element of a firm's innovative activities is in line with one of the earliest works on systematising innovation activities of firms: Schumpeter (1934) distinguishes five types of innovations, two referring to technological innovations (introducing new products and introducing new processes) while three are linked to some extent to the concept of technological of non-technological innovation (opening of new markets, developing new sources of supply, and creation of new market structures). For all five types, Schumpeter assumes similar effects on market structures and firm performance.

Empirical studies on innovation in services have been carried out since 1980s (these include Gallouj, 1994; Andersen et al., 2000; Boden and Miles, 2000; Tidd and Hull, 2005; Toivonen et al., 2007; Dundbo, 1996, 1997, 1998, 2008b; SIC, 1999), however this literature is more fragmented than the literature on innovation in the manufacturing sector. Its valuable could be categorized as to providing typologies of innovation in terms of making sense of highly heterogeneous activities and innovation patterns within the service sector and a new analytical tool to advance our understanding of innovation in services. (Gallouj and Savona, in Gallouj and Djellal, 2011). In favour of the latter, we advocate that the unique aspects of services innovations derive from the nature of services and should be acknowledged in order to capture its particularities.

2.2 Defining Innovation in Services

In line with this thinking, closer attention should be paid to the definition of services, and particularly to the relationship between services and innovation. There is no general agreement on what constitutes services and which companies qualify as a service firm. Broadly defined, services are "deeds, processes and performances" (Zeithaml et al., 2005). However, the approach that captures the essence of services of this research is "services" as economic activities that create value (Gronroos, 2000) in contrast to a "service" as an act or performance offered by one party to another

(Lovelock and Wirtz, 1981, Zeithaml et al., 2005, Vargo and Lusch, 2004). While sharing common traits in intangibility and perishability (Parasuraman et al., 1985, Zeithaml et al., 1985), *service* and *services* require different marketing mind sets and different marketing activities (Shostack, 1977, Parasuraman, 1998).

Further, it is important to acknowledge the dual nature of services-innovations relationship. The stream of research on *services in innovation* that defines the relationship between new forms of technology and service innovation is a prime example (Gallouj and Weinstein, 1997), while *innovation in services* refers to development of new services or new ways of providing existing services and views the role of technology as enhancing the relational nature of the service delivery process (Kerlau and Pelletier-Fleury, 2001, Lapassousse and Monnoyer, 2002).

Arguably, the unique aspects of services innovations derive from the nature of services and should be acknowledge for better understanding of innovation in services. The distinctive characteristics of services (Lovelock and Wirtz, 1981), widely discussed in the related literature (Shostack, 1977, Berry, 1980, Zeithaml et al., 1985) influence the innovation and innovative processes and valid for process orientation (Hipp and Grupp, 2005) and intangibility (Bonaccorci, 2000), the customer integration and respective provision processes (Hipp and Grupp, 2005), the organisational and non-technological aspects (Hipp, 1999, Hauknes, 1998) and the co-ordination of activities to develop new services (Edvardsson et al., 2006). In addition, some researchers (Hipp and Grupp, 2005) elucidate on external factors that impact on services innovations such as structure of service sector (mainly representative of SMEs) and legal and professional regulations that is at core of many service industries.

In effect, the focus of debates lies with the dynamic and interactive nature of services, involving customers and other actors where "relational nature forms the basis for characterizing service" (Edvardsson et al., 2005) Consequently, this new way of portraying services should be reflected in services innovation inquiry.

2.3 Services in Business Networks Context

Services dominate most developed countries, where post industrial economies now are solidly "service" oriented (Ostrom et al., 2010, Spohrer and Maglio, 2008)(Ostrom , 2010; Sporher and Maglio, 2008). This is valid not only for business-to-consumer but also for business-to-business marketing as countries with a traditional main focus on manufacturing are witnessing significant service growth. To reflect a knowledge-rich environment of a modern economy, traditional markets and vertically integrated companies are getting replaced by emerging network of firms (Achrol and Kotler, 1999, Eisenhardt and Martin, 2000, Foss, 1999) where networks are beetter adapted because of their superior information processing capacity (Achroll and Kotler, 199p; Jarillo, 1993). As such networks, a conceptual representation of the market structure, gain significance as an important area of study for the service industries (Henneberg et al., 2012, Scott and Laws, 2010).

The origin of network thinking can be found in social theory attributed to Simmel's (1908) and laid the foundations for Grabher (2006) social network analysis. In business and economics networks represent a paradigm based on resource/capability (RBV) theory of the firm, where relationships shape and constrain organisational performance (Tremblay, 1998; Gulati, 1998; Gulati and Gargiulo, 1999); Gulati et al, 2000; Eisenhardt and Martin, 2000, Amit and Zott, 2011). Networks are especially important in complex market conditions that change quickly (Jones et al., 1997) and are viewed as structures of inter-firm relationships that emerge and evolve through continuous interaction processes (Halinen and Törnroos, 1998). From the perspective of the IMP (Industrial and Marketing Purchasing Group), interactive relationships and networks are the aspects that differentiate business-to-business markets from other types of markets (Håkansson and Johanson, 1992, Axelsson and Easton, 1992, Snehota and Hakansson, 1995, Håkansson and Snehota, 1989, Håkansson and Snehota, 2008)

Another way to define markets is to view them as "configurations of value creating elements in a network" (Storbacka and Nenonen, 2011). The link between value, interactions and networks has been explicated in the SDL (Service Dominant Logic)

view of marketing (Vargo and Lusch, 2004, Lusch et al., 2010) the importance of long-term relationships, interactions and network through a focus actors in the network including firm's customers, suppliers and other actors is well recognized by multiple streams of research (Ford, 2011, Lusch et al., 2010, Gummesson, 2006, Håkansson and Snehota, 2008). In marketing, value is the central concept and the main basis for all marketing activities (Anderson, 1995, Gronroos, 1994, Wilson, 1995). On the one hand, a firm's value-creating potential can stem from different areas including production innovations, process innovations, marketing innovations, organization and management (Brennan et al., 2010). On the other hand, the value in business-to-business markets results from the relationships companies have with the customers, suppliers, competitors and other agencies (universities, governmental or non-governmental institutions).

2.4. Business Networks Relationships, Services and Innovations

Further elaboration on relationships in a network context employing an IMP perspective (Hakasson 1982 ; Hakansson & Snehota, 1995), highlights that relationships are characterised by actor bonds, resources ties and activity links and defined by the volume of transaction within each relationship. The content of relationship is multidimensional and affected by a number of factors: the way the relationship is evolved, the problems and resources of two companies, the characteristics of the network, and finally, the strategies of the companies. The critical finding is that the value of the relationship between the companies is directly related to the activity links and resources ties, and less fulfilling its potential if heavily based on actor bonds. Also, relationships built on strong activities links and recourse ties are less vulnerable than relationship build solely on actor bonds. Finally, relationships in a network form the overall patterns that reflect their dominant characteristic. Commonly they are referred to as activity-centred patterns, resource-centred patterns and actor-centred patterns (Håkansson and Johanson, 1992, Axelsson and Easton, 1992, Snehota and Hakansson, 1995, Håkansson and Snehota, 1989, Håkansson and Snehota, 2008). Each pattern entails its own implications for the business marketer.

In light of these network characteristics, innovations are commonly view as outcome of change in a network structure that in turn change network dynamics (Agarwal & Selem, 2011; Corsaro et al, 2012; Eisingerich et al 2009) As such structural aspects of networks are recognised as a key determent or at least a moderating factor for innovation (Storbacka & Nenonen, 2011).

Network relational resources, means of accessing resources of other network actors, similarly found to impact on success of service innovations (Cameron, 2006). Moller and Wilson (1995) suggested that the motivation for relationships in a network include: the need for economic gain; a quest for stability and predictability; the search for reciprocity, the quest for efficient and effective operations; to establish legitimacy or because the firm lack recourses. The array of studies taking this root has been largely confined into the context of stability, producing resource discourses, relating to "trust, stability predictability and reliability". Hereto, developing relational resources in an environment highly fragmented, yet competitive, raise the question of how relationship resources are best mobilized for innovation success.

As such, relationships and networks are argued to be valuable in the accomplishment of innovation (Dubois, 1998; Ford et al., 2003; Storey et al., 2007) and supply chain/channel management (Johnson, 1986; Turnbull et al. 1996; Ford 1997) where relationships can act as a device to achieve innovation. This implies that the innovation activities extend well beyond the single firm. Yet, resonating with Brennan (Brennan et al., 2010), to bring the relationship context into innovation discourse, the firm should be aware the threats and opportunities associated with "external linkages".

3 Conceptual Framework

3.1 Static perspective of a business network

The network model (Håkansson and Johanson, 1992), or ARA model, is adopted as a framework of this research and presents three substantive dimensions that relate to one another and form a general structure of a business network: actors, activities and

resources. The model has been used by business-to-business marketing researchers for an "integrated analysis of the stability and development of industrial systems" (Hakansson & Snehota, 1995, p.28). Actor bonds are created between actors, who transfer and transform resources of diverse nature (resources ties) through activities (activity links). Actor bonds, recourses ties and activity links "add up to a relationship" (Hakansson and Snehota, 1995, p.28).

Activities and resources are important factors determining both "constraints" and "opportunities" of the network. As opposed to social networks, the activities of business networks are not seen as characteristics of the actors. Instead, activities are complicated in nature and conditioned by the resource structure. As a consequence, business (industrial) networks consist of actors and the relationship between them, but also of certain activities/resources constellation (Fig 1). The three elements are inextricably interrelated implying that that change in one is contingent on change in others. Ford (Ford, 2011) recognizes that a critical aspect of networks is to provide access to organizational resources such as operational resources, technologies or know-how and relationships with other companies, through the company's relationships. As such, relationships are the means by which companies cope with their increasing interdependence. To ensure survival (Ford et al 2003) companies should continually assess their actions, intentions, and relationships with competitors, facilitators, customers, suppliers or development partners.

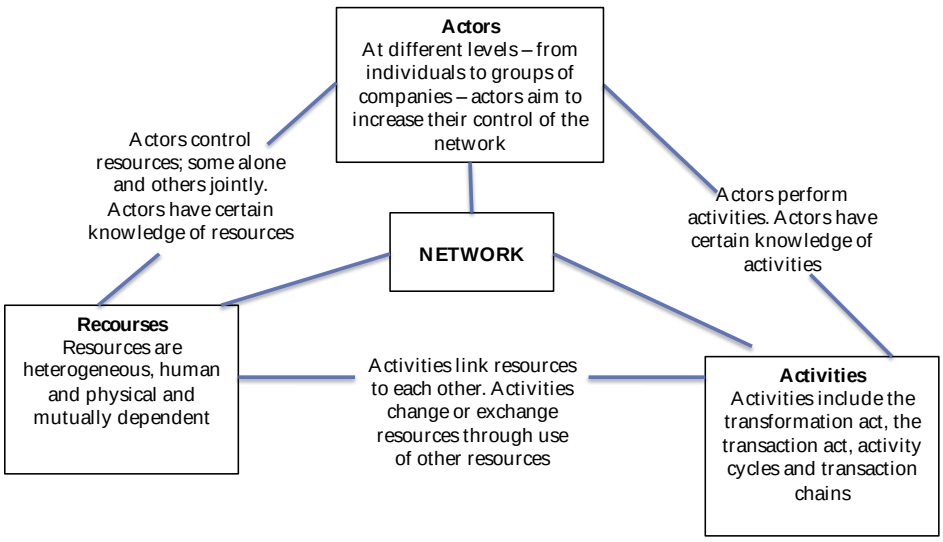


Fig 1: Network model (adapted from Hakansson 1987, pp XX)

Three elements of the ARA model are closely interconnected (Ford et al., 2003), resulting in a network of different business relationships (Hakansson & Johansson, 1992) To capture the large variation within relationships Hakansson and Snehota (1995) described them as having two dimensions: content and function. The content is characterized by three layers, which are the main layers of the network model (ARA). The activity layer is related to productivity, the resource layer to innovativeness and the actor layer to identity. The functions of relationships are also three-fold: the individual actors, the dyad and the network. The development of a relationship between two actors implies the alignment of the three dimensions of ARA model. This framework (Fig 2) provides a comprehensive way of understanding the static morphology of a business system, such as a service network (Hakansson and Snehota, 1995)

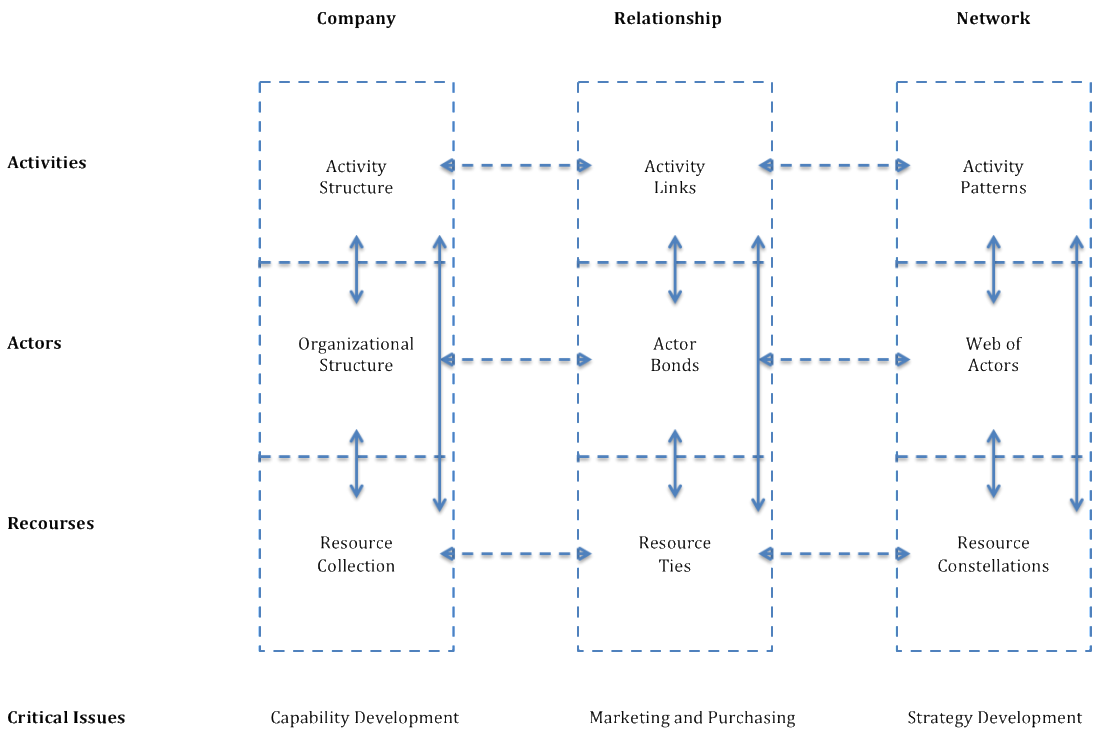


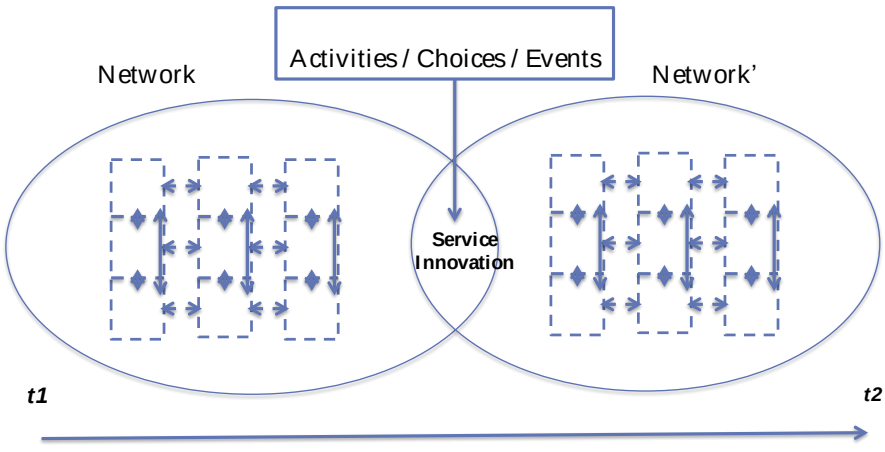
Fig 2: Scheme of analysis of business relationships' development effects (adapted from Hakansson & Snehota, 1995

3.2 Adding dynamic perspective to a business network

Networks constantly change in time. The changing character or dynamics of a network are concepts inherently connected to time and temporality. How to obtain the network change to be able to analyse it and how to incorporate the concept of time into analysis could present a challenge to a researcher (Halinen and Tornroos, 2005). Moreover, the inclusion of concept of time is of particular importance when change processes are in focus (Halinen and Törnroos, 2005, Pettigrew, 1997). Easton (1995, p.419) defends this centrality as "the explanatory power of industrial network approach that comes into play when this approach is used to explain the changes that have occurred in particular networks".

To address these challenges the present research exploits conceptual tools and ideas of process research that investigates " the sequence of individual or collective events, actions (choices) and activities unfolding over time in a context (Pettigrew, 1997, p.338). Fig 3 demonstrates a mechanism of capturing service innovation, as a change in a network structure, by the framework adapted from Langley's (Langley, 1999) and Mohr (Mohr, 1982) work on process research and widely used by organization scientists to describe how things change over time (Van de Ven, 1992, Pettigrew, 1997).

Fig 3: Capturing service innovation (a change in a network structure) with a process model

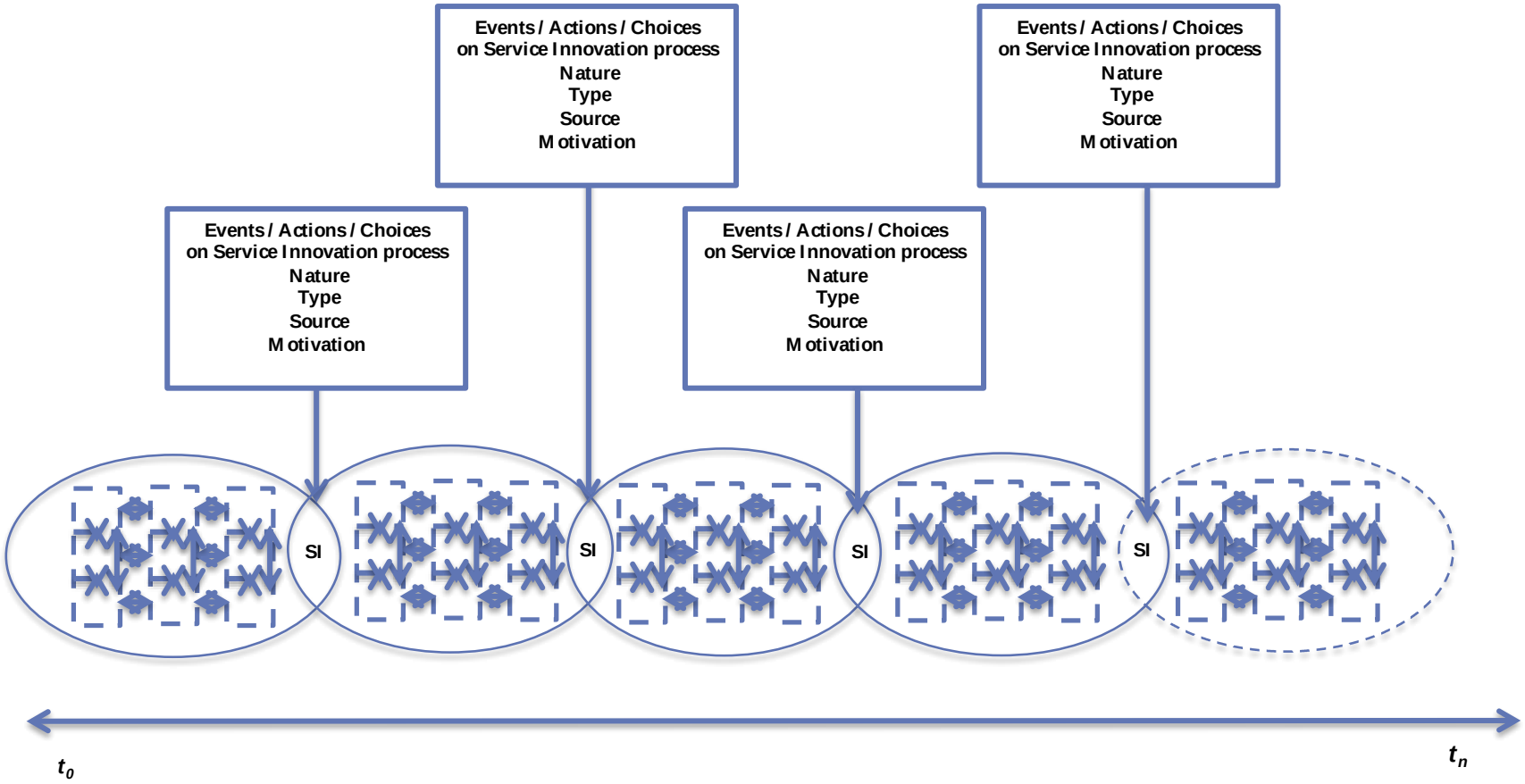


Adapted from Langley (1999) and Mohr (1982)

As a result, Fig 4 presents an integrated conceptual framework for analyzing of a service innovation in the context of business network that facilitates an understanding

of service innovation both as process as well as changes in structural aspects of a network.

Fg 4: Integrated conceptual framework for analysing the service innovation process in a business service network (SI = Service Innovation)



4 Methodology

The argument of this study is that service innovation is an interactive process (Gallouj and Djellal, 2011) where relationships are in focus. As subjects in the social science cannot be treated the same way as objects are treated in the natural science, we insist that human emotions and perceptions can provide valuable insights into the phenomenon in question (Kim, 2003). Critical relativism addresses the subjectivity of a social research (Peter & Olson, 1983) and allows for a consensus on certain knowledge developed within a scientific community (Anderson, 1983). At the same time, a relativistic approach is often context-dependant and rejects generalizability that is difficult to achieve in many research areas anyway. (Bhaskar, 1978). Therefore, using a relativistic approach that includes the subjects' perceptions and understanding of service innovation as well as business networks as a context of this phenomenon, presents as the most appropriate approach for the present research.

Qualitative methodology was chosen to address the present research. The rationale behind the choice reflects different logic of qualitative studies that are better suited to "understanding of the particular context within which the participants act, and the influence that this context has on their actions" (Maxwell, 1998) p.22). It, also, relies on a major strength of qualitative research in getting at the processes that led to particular outcomes, rather than outcomes themselves (Merriam, 1988).

In particular, the present research makes use of a qualitative exploratory case study method to explore service innovations in the business network context. The methodological choice was driven by the following considerations. First, an exploratory case study research "…is particularly suited to new research areas or research areas for which existing theory, seems inadequate" (Eisenhardt, 1989) p.548-549). In tandem, case studies are more appropriate to how and why questions and their often-explanatory nature deals with "operational links needing to be traced over time, rather than mere frequency or incidence" (Yin, 2003) p.6). As a research method (Easton, 2010), a case study also permits investigation of a small number of situations about which data are collected using multiple sources of data and "developing a holistic description through an iterative research process".

The case study is selected according to its relevance to the investigation (Bennett, 2005) and its learning potential (Dubois and Gadde, 2002). The main objective is the in-depth analysis of a service innovation, the International Trade Management Concept (ITM Concept), associated with provision of professional services: strategic recruitment, trade training and coaching. The ITM concept (why it is innovative) was developed in 1993 in Lidköping, Sweden, in response to the need of retaining young talents by local communities and "making possible" for small and medium companies (SMEs) to grow internationally. Up to date the ITM Concept has been delivered in Sweden, Norway, Estonia, Hungary, Lithuania, Slovenia and is yet to take place in Greece in May, 2014. The initial analysis of exploratory interviews with ITM CEO and founder, Board Director and Content Provider (International Strategy Professor), and analysis of secondary data in form of press coverage and official reports, confirmed the case adequacy for this research.

Case-based network research requires consideration of research boundary and network complexity (Halinen and Törnroos, 2005) where connectedness is a central characteristic of industrial networks with significant methodological implications (Brito, 1999). An issue-based net is a form of association based on cooperative relationships amongst actors who aim to cope with collectively recognised issue by influencing the structure and evolution of the system(s) to which they belong through an increased control over activities, resource and /or other actors. Formalised or un-formalised in structure (Brito, 1999), an issue-based net may aggregate mutual interests of various types of actors through process of interaction and exchange. As such, unit of analysis is represented by issue-based nets, that respects the connectivity between actors and at the same time facilitates of setting the boundaries within the network. To this extent, units of analysis of this research are four issue-based nets concerned with internationalisation of SMEs in Sweden, Estonia, Slovenia and Greece. This is an intermediary option (Brito, 1999) between the extreme alternatives of larger networks and focal organisations or dyads and comprising all net participant member firms and other institutions.

The link between theory, empirical phenomena and methods is crucial in all methodological approaches but seem to be of a particular importance in case research and mainly associated to multiple options in which case research can be conducted

(Dubois and Gibbert, 2010). Resonating with Piekkari, Plakoyiannaki & Welch (Piekkari et al., 2010), p.115) who argue that "disciplinary conventions, traditions and norms fundamentally shape our understanding of what we conceive case studies to be and which standards for case research we subscribe to", this study follows schools of thought traditional to industrial marketing management. Specifically, to broaden our understanding on service innovation in the context of business networks as well as the role of interorganizational relationships in facilitation of an innovation process, the research design adopt an abductive approach, where "theoretical frameworks evolve simultaneously and interactively with empirical observation (Dubois and Gibbert, 2010) p.131). The notion of travelling "back-and-forth" between theory and empirical phenomenon is a recurring theme in qualitative methods.

4.1 Data Collection

To provide valid descriptions and explanations of network processes, discusses in Chapter 2.1, the time concept has to be incorporated consistently into research at all its domains: conceptual, methodological and substantive (Halinen, 1998; Halinen and Tornroos, 2005). Hereto, the above discussion extends to methods used in data collection.

Making sense of process data collected in a real organizational context could be a constant challenge. Sequence of unfamiliar to researcher "events", multiple level of analysis, temporal embeddedness and eclectic character of the process data make it difficult to analyze and manipulate this data (Langley, 1999). To mitigate the potential challenges of process data analysis, this empirical study takes advantage of temporal bracketing sensemaking strategy. In a nutshell, this approach allows for the decomposition of data into successive adjacent periods or phases. These phases enable the explicit examination of how actions of one period lead to changes in the context, and how it affects action in subsequent period (Langley, 1999, p.703).

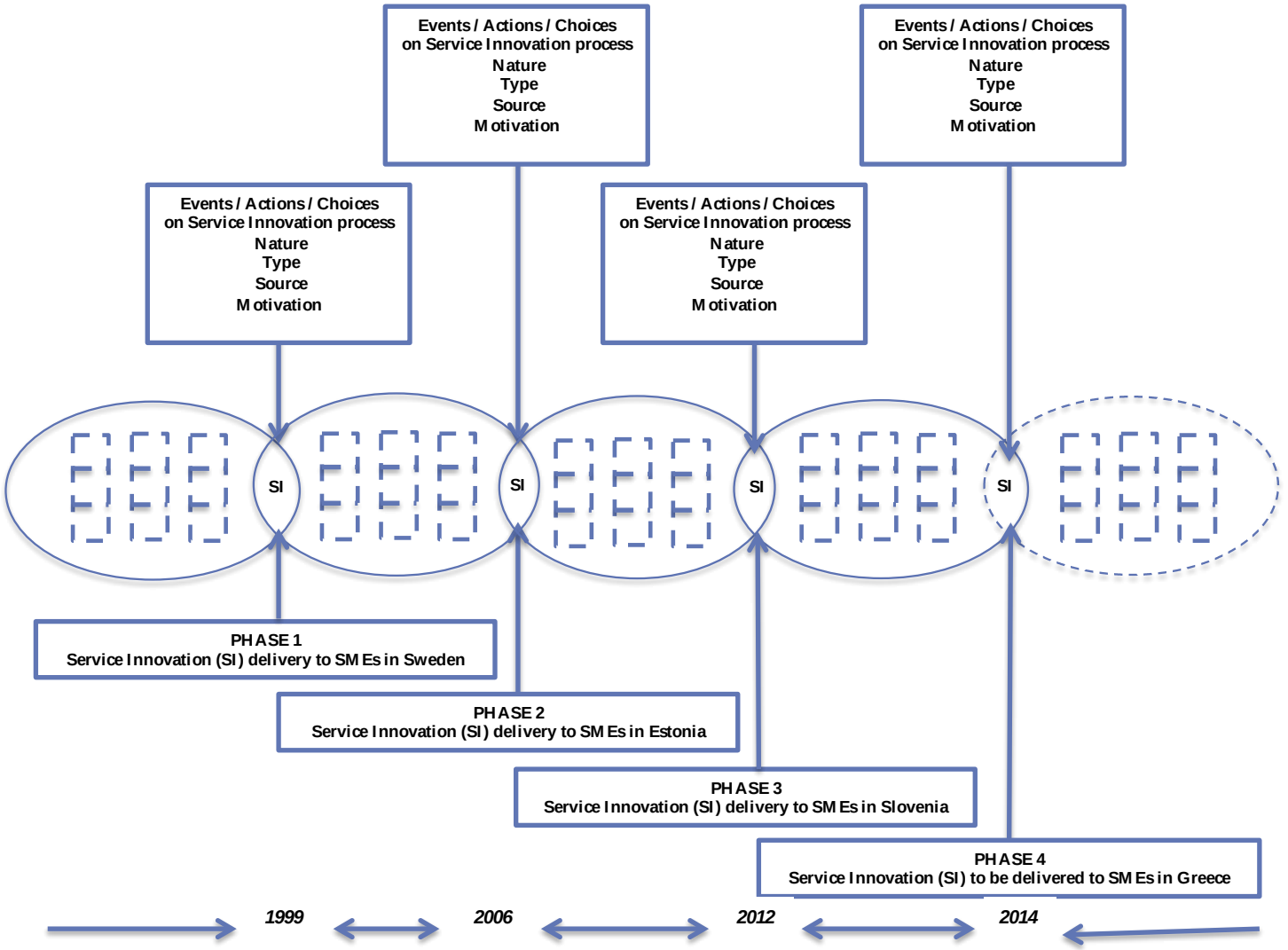
Reflecting the adapted approach, the present research split into following phases:

Phase	Unit of analysis (as issue-based net):	Service innovation delivery	Period under analysis
1	SMEs in Sweden	1994	Pre 1994 - 2006
2	SMEs in Estonia	2006	1994 - 1012
3	SMEs in Slovenia	2012	2006- 2014
4	SMEs in Greece	2014	2012 - current

Fig 5: Research phases

In line with this thinking, Fig 6 presents how these phases fit within an integrated conceptual framework for analyzing service innovation in a context of a business network.

Fig 6: Integrated conceptual framework for analyzing service innovation in a context of a business network – decomposition into phases.



The data for this research is to be collected during eight months, from the period of May 2014 to December 2014. Qualitative research methods offer great possibilities to investigate observed phenomena in the past where the "past loadedness" of a network facilitates an understanding of network relationships and network development (Halinen and Tronroos, 2005). However, the past extends into present and then to the expected future. Halinen and Tornroos (2005), for their part, highighted the importance of the "future loadedness" of a network for businesses in understanding why organisations do invest in relationships and why new networks are being developed. In light of understanding three modes of time - past, present and future, the data collection on emergence of service innovation process will commence in retrospective mode of Phase 1, Phase 2, Phase 3 and progress capitalising on an opportunity to gather direct observations on service innovation in present, in Phase 4 (Fig 6). In effect, it would facilitate the discussion the future network scenarios.

The important work by Yin (2003) is a reference point for this research. As such, the main sources of information remain to be: interviews, observations and documentation. Semi-structured multiple interviews with key network actors assist to develop a rich and deep understanding of the phenomenon in question (Rubin, 1995). These types of interviews are often used when the researcher wants to delve deeply into a topic and to understand thoroughly the answers provided. Following the best practice, a semi-structured interviewing guide is developed, with questions and topics about aspects that inform researcher's understanding of the literature on service innovations in network context. As such, the interviewer has some discretion about the order in which questions are asked, the questions are standardized, and probes are provided to ensure that the researcher covers the correct material. As a result, detailed information collected in a style that is somewhat conversational.

The subject of the present study is the ITM concept, a service innovation, developed by ITM Foundation. The interviewees belong to different institutions: ITM foundation, a founding body of ITM concept, such as Board Directors, Partners and Project Manager; administrative bodies such as participating countries Trade Councils and IATTO (The International Association of Trade Training Organisations); educational bodies such as Business Schools and Universities; and participating

countries' SMEs. All interviewees are directly involved in a service innovation process. Several interviewees are associated with different institutions simultaneously, making them very knowledgeable of business network dynamics.

Fig 6 presents the summary of participants:

Interviewee	Phase 1	Phase 2	Phase 3	Phase 4
ITM President	Involved	Involved	Involved	Involved
ITM Board Director 1	Involved	Involved	Involved	Involved
ITM Board Director 2	Involved	Involved	Involved	Involved
ITM Board Director 3	Involved	Involved	Involved	Involved
ITM Senior Partner	Involved	Involved	Involved	Involved
ITM Senior Partner South East Europe	Involved	Involved	Involved	Involved
ITM Project Manager			Involved	Involved
Content Provider 1 (Professor)	Involved	Involved	Involved	Involved
Content Provider 2 (Trade Expert)	Involved	Involved	Involved	Involved
Content Provider 3 (Professor)	Involved	Involved	Involved	Involved
Content Provider 4 (Professor)	Involved	Involved	Involved	Involved
Representative of Trade Council Sweden	Involved			
Representative of Trade Council Estonia		Involved		
Representative of Trade Council Slovenia			Involved	
Representative of Trade Council Greece				Involved
SMEs Sweden (focus group)	Involved			
SMEs Estonia (focus group)		Involved		
SMEs Slovenia (focus group)			Involved	
SMEs Greece (focus group)				Involved
President of IATTO (The International Association of Trade Training Organizations)	Involved	Involved	Involved	Involved

Fig 6: Interview participants

The observation of service delivery contributes to understanding of service innovation implementation stage. Gathered documentation including articles, formal reports and other documentation related to the case, helps in shape the idea about forming structure of innovation process and serves triangulation purposes.

5 Case analysis: service innovation

To enhance the knowledge of the researcher about the case, to pre-test feasibility of the research questions and chosen research method and techniques, a small-scale empirical study was piloted in the period of June 3013 - September 2013. The pilot project captured the insights on emergence and nature of service innovation in issue-based net concerned with internationalization of Swedish SMEs and contributed to

data collection of Phase 1 (Fig 6) of the present research design. As part of the study, the semi-structures interviews were conducted with founders of ITM Foundation, Board Director and Content Provider. The collected primary data was supplemented by Swedish SME service evaluation reports and press coverage. The outcome of the pilot project supports the assertion that business networks do support service innovations.

Template Analysis

Template analysis has a growing interest amongst scholars in business and management studies (King et al., 2004). At the heart of template analysis is the researcher's creation of a list of codes also known as a templates. Each code represents a theme identified within the data that is relevant to the research question. The codes in a template are usually organised in relation to one another using a hierarchical ("tree") structure (Miles and Huberman, 1994).

Codes can consist of words, sentences, or whole paragraphs. They can be connected or unconnected to a specific topic (Miles and Huberman, 1994). A single template may contain anywhere from a dozen to 60 codes (Miles and Huberman, 1994, King and Horrocks, 2010) describe three types of codes: descriptive, interpretive, and pattern codes. Each of these types of codes corresponds to a progressively increasing depth of understanding on the researcher's part of the phenomenon under investigation.

The data analysis allows for the formation of an understanding about how service innovation is developed and implemented. All interviews will be taped and transcribed for analysis. Then the data for the transcripts will be organised according to concept categories derived from conceptual developments, allowing researcher to relate the empirical data to the theory used in this project (Piekkari et al., 2010). Other sources information such as company documentation and relevant press articles will be also used for data triangulation. In order to manage, organise, and analyse the large amount of data in this study, qualitative software – NVivo, is to be utilised.

Coding

In the present study's coding template, descriptive codes represent a first-level codes, interpretative codes represent a second-level codes, and pattern codes represent a third- level codes. Paying attention to these different levels of codes is especially helpful to first-time qualitative researchers, because it discourages jumping to premature conclusions at early stages of data analysis (King, 2004b).

Descriptive codes (e.g. "Service Innovation") will be used as first level codes and tend to come from the extant literature. They are used to signal a connection between a particular set of text and a broader theme. Interpretive codes (e.g. "Service Innovation Source– Resource Ties") will be used to analyze interviewees' motives for relating as they do in relation to the phenomenon under investigation. These codes provide greater analytical detail than the first level codes. Pattern codes (e.g. "Effect of intentional access of resources through activities – Network Structure") describe a pattern or possible causal relationship between factors under investigation. Finally, if contradictory findings are to take place, a fourth level codes (relevant /not relevant) will be enabled.

6 Preliminary Findings and Implications

The empirical results of a small-scale empirical study provide insights on the emergence and the nature of service innovation in issue-based net concerned with internationalization of SMEs. At the same time, it explores roles and purposes of interactions associated with service innovation activities.

1. Why service companies develop collaborative relationships with other business partners in the context of service innovations?
2. What is the role and purpose of interaction in facilitation of a service innovation process?
3. How development of mutually beneficial relationships of network actors leads to a successful service innovation outcome?

Our data supports the assertion that business networks do support service innovations. The following themes emerged as the preliminary findings.

Customer Focus Intentions

According to Sundbo (Sundbo, 1997) innovations in services seldom follow a technological trajectory, but rather "service-professional" trajectories. Instead of a techno-economic paradigm, services can be understood on the basis of a strategically determined innovation paradigm. Our data confirms that the ITM concept in essence is a refinement of the existing service to find a new ways of solving the same problem:

> *...we wanted to be different, to be able to offer a solution to the same problem in a different way...*
>
> *(Professor, Content Provider)*

Consequently, the market situation – the consideration that is essential to market innovations in any setting – is the point to departure for innovation in services:

> *...much of the trade training on offer today is within a single country, and such a national offering limits the possibility of creating an international network. There was a call for a different approach.*
>
> *(ITM Customer)*

In many cases service innovations are not the deliberate results of innovation activities (Toivonen and Tuominen, 2009), rather they immerge in the process of service provision on the basis of client's needs. Thus, relatively few businesses have formal processes for service innovation (Bitner and Brown, 2008). However, if innovation in services is perceived as a strategically determined process, there should be a clear strategy and a set of tactics, joining and leveraging networks. Essentially, the strategy is an inspiration for innovation (Sundbo, 1996) in terms of delineating what the customer wants and what the firm's particularly resources are.

There is considerable evidence that businesses incorporating customer's points of view into service development processes are more successful (Edvardsson et al.,

2006). Our data confirms that understanding of customer needs comes as an essential aspect in service development process:

> *He [Trade Council BD Manager] told me he had a problem, young talents left Lidköping to study at Universities in Sweden and abroad and they never returned back. At the same time there was a need for young university graduates with good languages skills and experiences from abroad to make it possible for small and medium companies (SMEs) to grow internationally.*
>
> *(Founder)*

Another aspect of service innovations success is the availability of resources to fit customer needs. In complex environments of modern business-to-business markets, innovation invariably is a "team game" Trott (Hoecht and Trott, 2006). In the context of the ITM concept, our empirical outcomes bring to the fore the evidence that an innovation game extends well beyond the single firm. Relationships that ITM foundation has with the customers, suppliers, competitors and other agencies (universities, governmental or non-governmental institutions, etc) is of a market value:

> *... we developed ITM Worldwide Concept in association with seven trade councils and SME organizations sponsored by the EU, and is a blend of trade training seminars, export coaching, international networking and visiting potential customer abroad.*
>
> *(Founder)*

Yet, resonating with Cameron (2006) bringing innovation to a market is heavily reliant upon the ability to mobilize and manage productive relationships.

Lateral Relationships

Moller and Wilson (1995) suggest that the motivation for relationships in a network include: the need for economic gain; a quest for stability and predictability; the search for reciprocity, the quest for efficient and effective operations; to establish legitimacy or because the firm lack recourses. The study of relationships has been largely confined into the context of stability, producing resource discourses, relating to "trust,

stability predictability and reliability". Developing lateral relational resources in an environment highly fragmented, yet competitive, raise the question of how relationship resources are best mobilized for innovation success. For the ITM innovation concept developer, there was a clear strategy of aggregating disconnected network players to mobilize capabilities of a variety of actors beyond the existing supply chain. The strategy described as:

> *.... an analogy, if we were in transportation business, we would employ other people's trucks before expanding our own fleet.*
>
> *(Professor, content provider)*

Or specifically:

> *... the whole service concept is built on partnerships and independent content providers (business professors and trade experts) that update themselves in their own professional networks.*
>
> *(Founder)*

These empirical findings demonstrate the importance of relational resource mobilisation and bring to attention the power of lateral relationships of a network. Loosely viewed as a type of network configurations, this alignment of network actors, resources and activities cuts across networks structures and allows delivering a better solution to a problem. In a sense, this reflects the essence of a service network (Morgan and Tax, 2004) defined as "two or more entities connected formally or informally which directly provide a range of resources and activities that create value and help customers solve short- or long-term problems".

Creative Interactions

As discussed in previous sections, for a service company to be innovative does not necessary mean that the organization invents something totally new; perhaps what they do to compete is new to their industry (Bitner and Brown, 2008). It has been also emphasized that redefining the existing services is a new ways of solving the same customer problems.

Common classification into product, process and organizational innovations was difficult to apply in the context of the ITM concept. Commonly, innovations characterized by some king of change in a service or good (Gallouj, 2002, p70; Tidd et al., 2005; Toivonen & Tuomimen, 2009). Yet, the "fuzzy" nature of service output made it difficult to detect a change or improvement in a service, commonly it is expressed as customer satisfaction, quality improvements:

> *....the satisfaction survey that the training programme was up to their expectations, or even that it has exceeded their expectations. In 2012, as many as 50% of the participants said that the course exceeded their expectations.*
>
> *(Customer Report, Slovenia)*

And economic gains:

> *.... sales revenues [ITM concept users] in international markets have in average yearly increased by 44 % which is beyond our expectations.*
>
> *(Customer Report, Slovenia)*

As such, we resonate with researchers who argue that services are simultaneously both products and processes (Gallouj, 2002, Sundbo, 1997, Toivonen and Tuominen, 2009). At the same time following definition of service innovations by Toivonen and Tuominen (2009), service innovations manifest themselves as new services as well as renewal of existing services. However, in a light of discussion on service innovations the process trough which renewal is achieved is of utmost interest.

In the discourse of "replicable elements" of service innovations (Gallouj, 2002, p70; Tidd et al., 2005; Toivonen & Tuomimen, 2009) addressed purely in a context of services, it opens avenues of exploring an implementation phase of service innovations or, in other words, the actual service delivery process. Alternatively, viewed from the lenses of business-to-business marketer, the same result can be achieved by an intentional assess of relational resources within their networks including those outside the traditional supply chain:

> *... the objective of the partner project VITTI, in which as a reference there is also SPIRIT Slovenia, the Slovenian Public Agency for Entrepreneurship, Innovation, Development, Investment and Tourism,*

is the implementation of the ITM Programme in Croatia, in Romania, Bulgaria and in Greece.

(Founder)

At this stage, we would like to term this understanding of service networks particularity as creative interactions. Consequently, in the course of research development, this concept will be further explored and advanced.

7 Research Implications and Limitations

The implication of this research is seen as two-dimensional. From theoretical perspective it aims to extend the theoretical base on service networks research in order to increase an understanding of relationships in service innovation process particularly if innovations are outcomes of non-technological nature. From managerial point of view, it assists managers at better understanding of business network support mechanisms towards service innovation and presents with decision-making tool of facilitating service innovation activities in complex competitive settings.

The main limitation of this project lies in the use of a single case study in the empirical analysis. However, the richness of the selected case and the depth of analysis as well as combination of theories and strategies in use (Langley, 1999) make it valuable on its own for this qualitative research.

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