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**The Impact of Customer Value and Technological
Options on Service Innovation Strategies in Knowledge-
Intensive Business Services**

Master's Thesis

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ABSTRACT

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In academia service innovation has gathered very contradicting viewpoints and still service innovation is loosely defined as a concept. Yet, many modern knowledge-intensive business service companies are seeking competitive advantage by service innovation through balancing between the technological opportunities brought by digitalization and the ever-evolving needs of their customers. Because of this mismatch between academia and business, this study aims to identify the impact of customer value and technological opportunities in the management of service innovation and additionally to evaluate service innovation theories in different levels in an organization.

The main methods utilized in this study are literature review and an explorative case study by semi-structured interviews in an insurance broking and risk management company in Finland. The respondents were employees of the company, ranging from the service delivery and customer facing employees to the top management. Additional data was collected by conducting an online survey on the biggest knowledge-intensive business service companies in Finland and also utilizing third party customer interview data. The results were analyzed by using qualitative content analysis and concepts found in the literature review.

According to this thesis many concepts in the literature depict correctly the customer co-creational nature of service innovation. Most importantly, it was observed that individuals play a great role in service innovation and companies should invest in structuring their service innovation management around idea collection and evaluation, customer knowledge collection and evaluation, monitoring technological opportunities to answer specific customer needs and understanding the business model level of developing new services. The greatest barrier in developing this was found to be the mismatch between the individual and organizational innovational capabilities.

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Kirjallisuudessa palveluinnovaatiota on määritelty hyvin ristiriitaisista näkökulmista ja yhä palveluinnovaatio on määritelty melko löyhästi konseptina. Silti monet osaamisintensiiviset yrityspalveluyritykset etsivät kilpailuetua kehittämällä palveluinnovaatioitaan tasapainottelemalla digitalisaation suomilla teknologisten mahdollisuuksien ja jatkuvasti muuttuvien asiakastarpeiden välillä. Tämän kirjallisuuden ja liike-elämän välisen epäsuhdan vuoksi tässä työssä pyritään tunnistamaan asiakasarvon ja teknologisten mahdollisuuksien roolit palveluinnovaatiostrategioissa. Lisäksi tarkoituksena on arvioida palveluinnovaation teorioita ja konsepteja organisaation eli tasoilla.

Käytetyt päättötutkimusmenetelmät tässä työssä ovat kirjallisuuskatsaus sekä eksploraatiivinen tapaustutkimus käyttäen puolistrukturoituja haastatteluita suomalaisessa vakuutusmeklari- ja riskienhallintayrityksessä. Haastateltavat olivat yrityksen työntekijöitä asiakasrajapinnan työntekijöistä ylimpään johtoon. Lisädataa kerättiin tekemällä online-kyselytutkimus suurimmille suomalaisille tietointensiivisille yrityspalveluyrityksille, sekä käyttämällä kolmannen osapuolen dataa asiakashaastatteluista. Tutkimuksen tuloksia analysoitiin käyttämällä laadullista sisältöanalyysiä ja kirjallisuustutkimuksesta löydettyjä konsepteja.

Tutkimuksen tulosten mukaan monet kirjallisuuden näkökulmista kuvailevat hyvin palveluinnovaation luonnetta konseptina, jossa arvo ja innovaatio luodaan asiakkaan kanssa. Huomioitavaa on, että yksittäisellä palveluntoimittajan työntekijällä on kriittinen rooli palveluinnovaatioissa ja yritysten täytyisi panostaa enemmän palveluinnovaation johtamisen strukturointiin ideoidenhallinnan ja – arvioinnin, asiakasymmärryksen keräyksen ja arvioinnin, teknologisten mahdollisuuksien tarkkailun ja uusien palveluiden kehittämisen liiketoimintamalli-tason ymmärtämisen ympärille. Tällaisen kehityksen suurimmaksi esteeksi tunnistettiin epäsuhde henkilökohtaisten ja organisatonaalisten innovaatiokykyjen välillä.

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Just thanks are not enough for the continuous support of my parents, but that is all I can give now. You have always fully supported whatever I have come up with and taught me that if one dares to dream about something, it will eventually become true.

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Now, great adventures await!

"Life is like riding a bicycle. To keep your balance you must keep moving."

- Albert Einstein

Atte Alanen

Espoo, July 31, 2018

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1 INTRODUCTION

Traditionally services have been researched based on the assumption that the initial role of the customer is to be in the center and there has to be face-to-face interaction between the service provider and the customer. (Lovelock & Gummesson, 2004, p. 21). Firstly, having the customer in the center of service delivery sets a good foundation for customer centric innovation models in services. Secondly, taking the face-to-face interaction between the service provider and customer for granted has outdated as a part of the official definition of a service, as digital and automated services are part of our everyday lives. Nevertheless, in knowledge-intensive business services (KIBS) it has been and can be argued that the digital services are not yet at the same level as in consumer services. The peculiarities of the definition of service also pose many challenges in developing the management of this specific kind of innovation.

Due to the intangible nature of services, very often a new service offering has a great impact also on the business model of the company, tying business model innovation and service innovation together. For example in service design business model innovation tools are frequently used to gain an overall view of the building blocks of the company to create the basis for delivering new services. This requires considering all the activities of the company in developing service innovation strategies and not just only the service delivery. In other words, also the revenue streams, customer channels, customer relationships, key technologies and partnerships and possible new customer segments should be considered with new value propositions brought by new service experiences.

Technological innovation in general is mentioned as one of the main drivers of continued economic growth in European Environment Agency's (EEA) "The European environment – state and outlook (SOER) 2015" -report of global megatrends. (EEA, 2015, p. 54). The report suggests that to sustain the economic growth in a long term, technological and social innovation play the key role in the

future developments. Big part of this technological innovation is digitalization, which means a comprehensive change of modes of practice in organizations, including introduction of new technologies in organizational activities. (Valtionkonttori, 2016). The innovational and organizational change digitalization offers to companies is considered to be analogous to the way electricity brought change to production industries around 100 years ago. The change makes its way to the core of the companies, revolutionizing business models and enhancing value chains and networks. (European Commission, 2015, p. 13).

Technological innovation is considered to be at the core of the structural change towards service-based economic structures in the future. (EEA, 2015, p. 54). Technology, including digital technologies, often has a great role in developing radical innovations. (Tidd, 2014, p. 4). Digital innovations already have great unused potential in changing and enhancing the value offering in B2B service business among others, as they allow the companies to maximize the economic returns on limited resources, bringing benefits in more efficient resource use. By digitalizing and automating processes, companies can track their performance in a comprehensive way, and the people working in the companies can focus on their core competencies, while leaving the repetitive and time consuming processes to be handled by results of digital innovations.

In service business, digital technologies in general can add value through the whole value chain, from totally new digital services to service delivery, while optimizing resource use and analyzing service production efficiency, thus innovation leading to potential growth in the business. Nevertheless, for service business the biggest change digitalization brings is the new way companies can interact with their stakeholders, especially changing the interaction with customers, suppliers and partners. (European Commission, 2015, p. 17; Tidd, 2014, p. 5).

To study the service innovation strategies in knowledge-intensive business services, a case company acting in risk management services and insurance broking industry has been selected to this study. Risk management (RM) and insurance broking as a service business is infamous for its “old-fashioned” service

delivery, meaning much of the sales, marketing and service delivery are done in face-to-face interactions or other ways of direct personal contact. As technological innovations are changing other industries to more streamlined services, insurance industry is facing pressures to change its value propositions. Due to these pressures, the role of an insurance broker is shifting towards to one of a risk management service provider. (Lynn, 2017). The servitization megatrend is also visible here, meaning that traditionally in insurance broking the customer value has been the cost benefits and customized insurances, but now customers require deeper level of service in managing risks in other ways than just insuring. The industry of risk management consultancy and insurance broking is facing the same pressure from the markets as many other B2B service provider companies; services that are faster, online and with added value. Thus, it is interesting to research how the role of the customer is perceived in the midst of utilizing technological innovations and opportunities aimed to answer the emerging needs of the markets.

The current traditional approach of delivering customer value in insurance business leaves space for market disruption by means of technological innovation, but only when also bearing the customer in mind. As IT-technologies are reshaping the ways in many other service industries, insurance and finance sectors are still lacking behind as traditional markets. For the current situation there are mainly two reasons:

1. Insurance industry is very highly regulated, so there is left very little space and consideration for radical innovations.
2. Traditionally, the companies that have succeeded and grown to be big players in the industry have depended on being extra cautious about everything. (Beattie, 2017).

The challenge in the digital transformation is choosing the way digitalization is implemented in the companies. The ranges of digital technologies and providers of these technologies are wide, so companies have difficulty in determining what is feasible and what brings value to the organization and to their customers. Many service companies battle with the decision of choosing the depth and breadth of

digitalization of their processes and services. European Commission considers in its report (p. 17, 2015) that the availability of comprehensive technological infrastructure and connectivity already exists, but up-take on digital management of business with customers and suppliers is still infrequent. So it can be assumed that there is a considerable gap for market disruption by taking technology in the company's vein, bringing much competitive advantage in any market or industry. To evaluate and bridge the gaps between customers' needs and the value propositions professional service companies have, innovation management practices and processes could provide tools and concepts as an answer.

This study aims to fulfill some of the research gaps in service innovation strategies and digitalization of business services, focusing on risk management service business model to some extent. The role of technology in service innovation has been lately researched by several researchers, furthest by Ryu & Lee (2018) recently, whose study sets the background for three different approaches in implementing technology in service innovation and draws from the service innovation framework developed by den Hertog et al (2010). The researchers describe in the limitations chapter of the research that their model was limited only on certain service sectors, with business consulting included, but the innovation was studied only in a general level. So, the comprehensive digitalization path of knowledge-intensive business services lacks previous research and for the generality of previous research the viability and feasibility of technologies has not been studied. This study aims to fulfill these gaps and to provide observations for building a framework for strategic management of customer centric service innovation and applying technological innovations into it.

The topic of this master's thesis derives from the case company acting in the insurance broking and risk management consulting industry. The root challenge the case company is facing is mainly two-sided:

1. The service production is not effective enough to achieve growth targets.
2. New customer segments are unaware of the benefits of the company's services.

This research brings service innovation management and digitalization to the table as a viable key to battle these challenges. As it was previously mentioned, digitalization enables more efficient resource use, thus possibly fulfilling the requirements challenge one. It also brings new ways of interacting with the stakeholders, potentially answering challenge two. The aim of the study derives from these initial research assumptions.

1.1. Objectives and Scope

The aim of this study is to research how service innovation is managed in knowledge-intensive business services, specifically from the viewpoints of the role of customer value and technological options.

The main objective of this research is to study the tools and theories of service innovation management and strategies to understand the customer-centric service innovation management in professional services. The second objective is to research the technological dimension and its effects on the business model, utilizing theories of business model innovation.

The main research question is as follows:

How service innovation strategies and customer value are linked in professional services?

To help structuring the research, the main research question is split into three sub-questions. The three research sub-questions are presented next in Table 1.

Table 1. Research sub-questions.

Research Question	Research Objectives
What theories of service innovation are applicable to a professional services company?	<ul style="list-style-type: none"> - To define the mechanism of input of customer value to service innovation process - To analyze innovation management in a service company
What is the customer value of professional services?	<ul style="list-style-type: none"> - To define the customer value types in professional services - To define the effect customer value has in service offerings
What additional customer value technological innovation creates?	<ul style="list-style-type: none"> - To analyze the points of development in the business model and value delivery - To analyze the barriers in technological dimension of service innovation

The theory framework is presented in Figure 1. The base of the framework is the service innovation theories, which is limited to studying the overview of the current perspectives in the literature. Then, the framework divides into market pull and technology push sides, as the topic of the study also consists of the roles of the customer value and technological options. The market pull side focuses on studying the service innovation capabilities model and perspectives on customer value in services. The technology push side is focused on the role of technology in service innovation dimensions. These perspectives are then compiled together by utilizing systems level innovation theories, limited to business model innovation. The business model innovation is utilized to provide a high-level managerial viewpoint in the study and a tool to evaluate the market pull and technology push sides of the study.

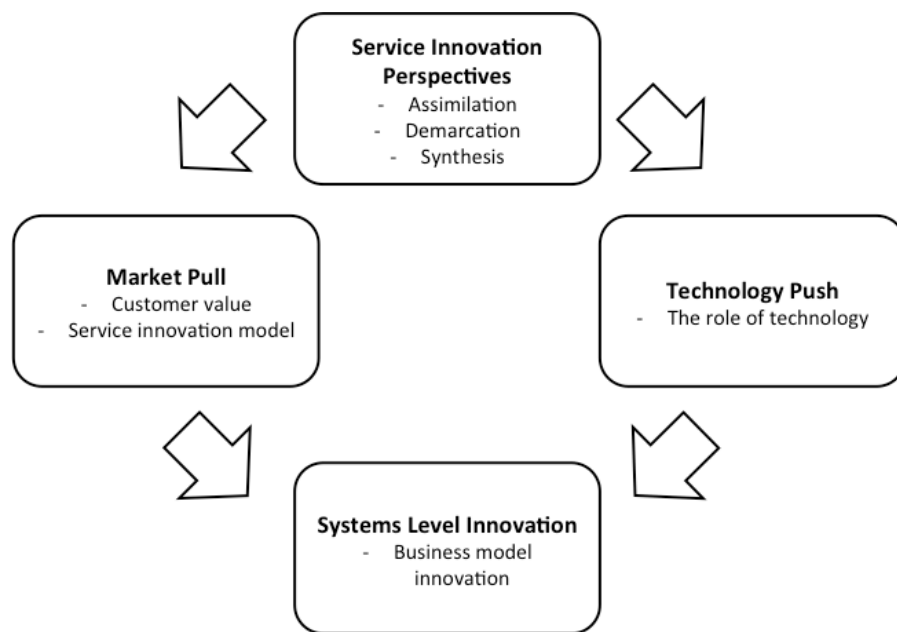


Figure 1. Theory framework.

1.2. Execution of the Study

The execution of the study consists of three phases. The execution process chart and timeline is presented in Figure 2. First phase is the literature review. This phase aims to build a basic knowledge of previous theories to conduct the study on. Literature review consists of three main parts. The first part studies the theory of service innovation to give an overview on the current research and perceptions on service innovation. The aim of the literature research is to identify the theories, models and concepts to use in the case study. The second part studies the service innovation capabilities in the dynamic capabilities view to provide a framework to understand the service innovation management in an organization. The third part in literature review studies business model theory and business model innovation to provide tools for further analysis on the effects technologies have in the business models.

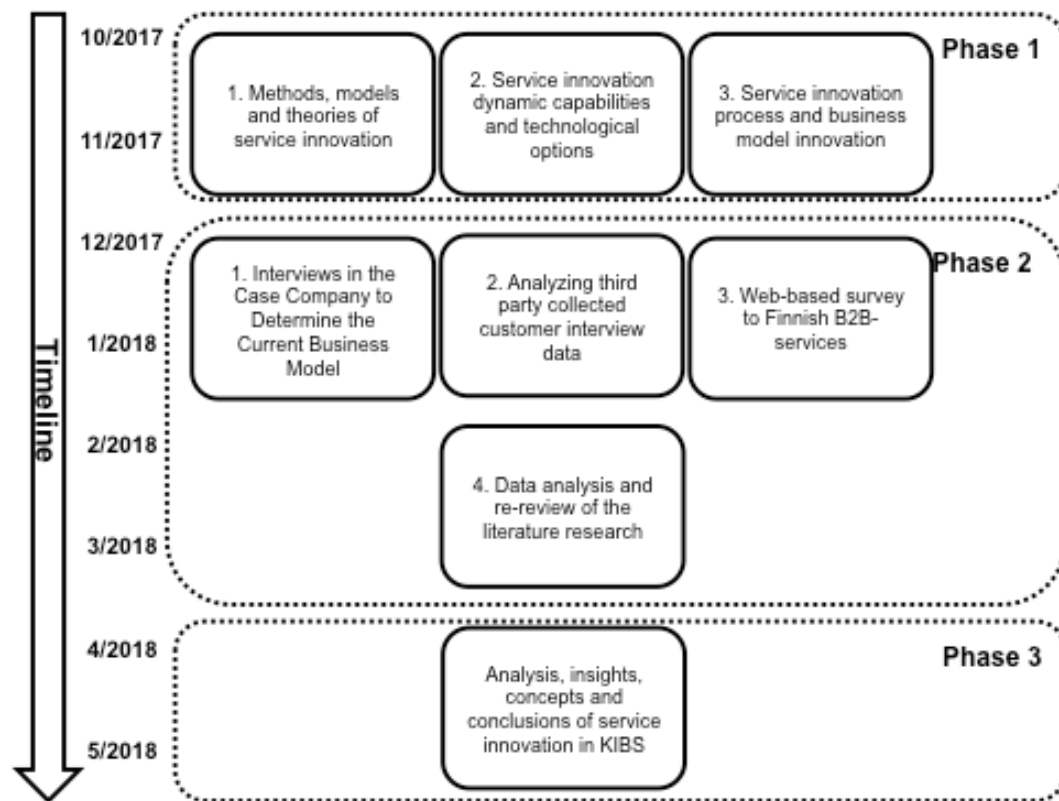


Figure 2. Execution Process Chart and Timeline of the Research.

The second phase of the study is the empirical research, consisting of four parts. This phase is conducted as a case study of a risk management and insurance broking company. Firstly, interviews in the case company are conducted based on the service innovation theories to collect data about current business model and service innovation model. The second part consists of analyzing third party collected customer data to understand the current situation in the market and the viewpoint of the customer. The third part parallel to the previous is a web-based survey conducted for other Finnish KIBS businesses to increase study validation and provide better context. The final part of the phase two is the analysis of the collected data from the previous three parts and also going back to the literature review to collect more knowledge to help in analyzing the data.

The third phase of the research builds analyses, insights, concepts and conclusions around the collected and analyzed data from the previous phases, while also comparing the case study data and literature research between each other.

1.3. Structure of the Report

The structure of this thesis is presented in Figure 3 as an input-output chart. The chart represents the research process sorted in chapters from one to seven. Each chapter has a specific input and output, of which the output is then utilized as the input of the chapter following. The first chapter, *Introduction*, describes the background, objectives, limitations and structure of the research. Chapter two, *Service Innovation*, collects the theories, frameworks and dimensions of service innovation in professional services' context to support the research. The output from this chapter is the overview on service innovation management and service innovation dimensions. With this overview on the theoretical background, chapter three, *Business Model Innovation*, focuses on researching the processes and tools of developing new services and business models in professional services. Business model innovation is also studied in this chapter to provide a tool for further evaluation in the empirical chapters.

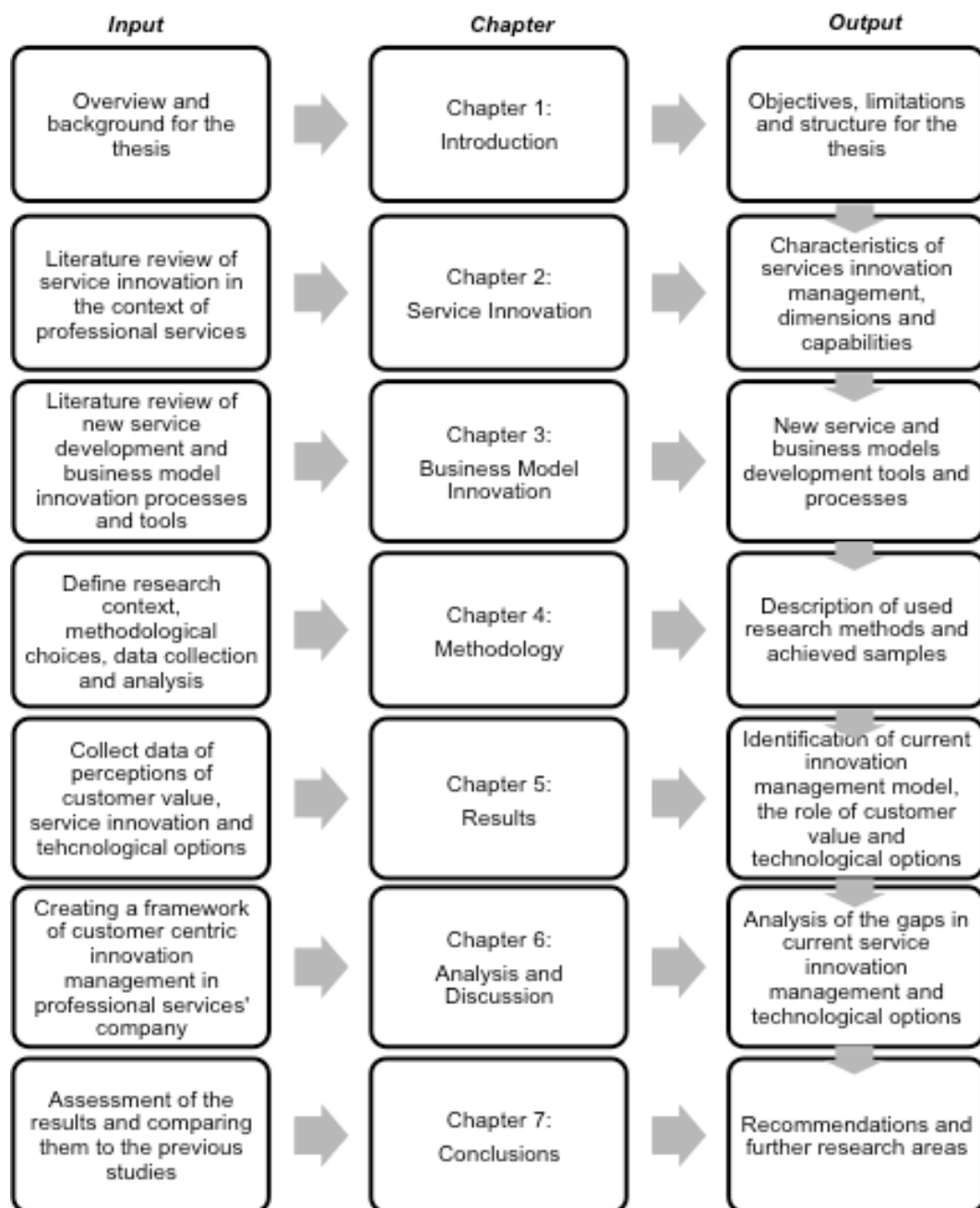


Figure 3. Input-Output Chart of the Research.

Chapter four, *Methodology*, introduces the empirical research context and methodological choices. Also, data collection and data analysis are legitimized. This chapter describes the achieved research samples in the respect to the selected methods. The research data is then analyzed as an input to chapter five, *Results*,

which aims to describe the achieved samples in the data collection. In chapter six, *Analysis and Discussion*, the execution of final analysis is presented. This includes identifying the role of the customer in service innovation, conceptual framework for customer centric service innovation and technological opportunities in the business model. This is done by finding the gaps between current service innovation management model and identified opportunities, examining closely the concept of customer value in this specific context and evaluating the perceived technological opportunities in the business model. The objective of chapter six is to give an answer to the main research question and sub-questions. Chapter seven, *Conclusions*, summarizes the theoretical implications and managerial implications. It also aims to give recommendations for further development and research.

2 SERVICE INNOVATION

This chapter starts the literature review part of the research. The aim of the literature review is to provide a frame for the research problem, identify facts and concepts in this frame and to position the study with previous research in the frame. (Ghauri & Gronhaug, 2005, p. 52). This chapter first describes the characteristics and current principle perspectives of service innovation in literature. Then the chapter focuses on service innovation capabilities view and describes this model in more depth. Lastly, the views and perspectives of the roles of technology and customer value are described more thoroughly in contrast to the service innovation management.

2.1. Characteristics of Service Innovation

Services have been described to have a very intangible and less centralized nature and they are much less standardized when compared to products (den Hertog et al., 2010, p. 492). Some of the elements of intangibility in services are interaction, practical experiences and continuous incremental improvements in the service process. (Boden & Miles, 2000; Metcalfe & Miles, 2000; Gallouj, 2002).

Nevertheless, the traditional view on innovation is still strongly linked to tangible products. This has led to having a lot of research on product and process innovation, leaving the service innovation without, for example, clear development stages and, most important of all in business-wise, without research and development departments in companies that purely produce services (Alam & Perry, 2002, p. 515; Salunke et al., 2011, p. 1251; Sundbo, 1997). The frameworks around service innovation management and service innovation activities are very loosely defined and so on many service companies struggle to structure their innovational activities.

The intangible nature also causes services to be also very prone to “hidden innovation”. Hidden innovation means innovation activities that cannot be

measured in R&D or patent expenses, which are the traditional measures of innovation. Hidden innovation has several types, but what is especially characteristic to hidden innovation in services is the innovation in organizational forms and especially business models, and also innovation that is created from the combination of existing processes and available technologies, like service digitalization. (Tidd, 2014, p. 7). The hidden characteristic of service innovation also contributes to the service innovations going under the radar and thus service innovation being a difficult research topic.

There have been debates about whether or not innovation-based strategies in services could be sustained, and especially if the benefits of these strategies could be sustained. The arguments in the debates have been backed by industry-specific knowledge, such as in financial services it has been noted that traditional innovation-based strategies don't bring value in the long term. Salunke et al. (2011, p. 1525) describe, that this debate shows that deep industry knowledge and long-term customer relationship settings are required to build a theoretical framework, which then could be evaluated in the service context. (Hertog et al., 2010, p. 491; Salunke et al., 2011, p. 1525).

Evangelista and Sirilli (1998) describe that the service innovation has four main features that set it apart from other innovation, like product innovation. These characteristics are:

- Co-terminality between production and consumption
- Information-intangible content
- Human resources as the key competitive factor and
- Organizational factors as the critical competitive advantage.

The factors presented by Evangelista and Sirilli also contribute to the idea of service innovations being somewhat hidden and very close to business model innovation, hence having organizational factors playing a critical role and human resources being the key factor. Traditionally in product innovation the organizational factors, and especially human resources, rarely have a direct effect on the competitive success of the product.

What also hinders the research of service innovation is that in some cases services are only regarded as the after-purchase services, not as a standalone commodity, thus causing confusion in the research (Alam & Perry, 2002, p. 515). The conceptual differences between after sales services and professional services are vast, but in general after sales services focus on the purchased commodity and increasing the value for the customer through that, when in professional services the service itself is the “commodity”.

In recent years there has been an increasing interest for service innovation in academic literature, as the increasing role of services in economic growth and wellbeing is being identified, as well as many companies shifting their strategic focus down the value stream. The greatest difficulty research-wise still is that the definition of “service innovation” lacks a common understanding. (Witell et al., 2016, p. 2863; den Hertog et al, 2010, p. 490). This also means that different types of services, for example previously mentioned after sales services and professional services, are loosely defined. Other challenges in researching service innovation include also that in literature service innovation is constantly mixed with new service development (Witell et al., 2016, p. 2863).

To clarify the definitions between service innovation and new service development, in this study “service innovation” is considered as the innovation management in service companies and “new service development” as the concrete tools of implementing service innovation activities in the way that new service solutions or experiences are created. Den Hertog et al. (2010, p. 494) for example, defines service innovation as “a new service experience or service solution that consists of one or several of the following dimensions: new service concept, new customer interaction, new value system/business partners, new revenue model, new organizational or technological service delivery system”. Den Hertog et al. definition clearly sees service innovation as organizational capabilities, thus being conceptually somewhat closer to innovation management than new service development.

2.2. Principle Perspectives of Service Innovation

To provide clarification around the definition of service innovation and the previous research on service innovation, it is beneficial to assess the viewpoints service innovation is currently being researched in. Service innovation is researched roughly from three different perspectives: assimilation, demarcation and synthesis, which are represented in Table 2. (Witell et al., 2016, p. 2863-2864; Metcalfe & Miles, 2000; Drejer, 2004) Of these, assimilation theory is the most widely researched.

Table 2. Comparison of service innovation perspectives (Witell et al., 2016, p. 2870).

	Assimilation	Demarcation	Synthesis
Perspective on service innovation	Knowledge and theories of product innovation are applicable also for service innovation	Service innovation is unique and cannot be compared or applied to product innovation theories and knowledge	Service innovation is the supreme innovation perspective and can be applied to product innovation also
Core concept	Innovation	Services innovation	Service innovation
Service innovation as	Outcome	Outcome	Process and outcome
Service innovation definition	Radical technical innovation	Small process adaptation	Skills in new service development

Assimilation perspective focuses on the impact of new technology, which is also considered as the main driver of service innovation, assuming that services are becoming more intensive on capital and technology. This perspective also approves the use and adaptation of the same tools as in traditional product innovation research. (Witell et al., 2016, p. 2863-2864). As assimilation perspective is very technology driven and views the innovation as a new-to-the-world outcome that should have economic consequences on the innovating company, it defines service innovation in a very high level (Witell et al., 2016, p. 2870). Assimilation perspective has its downside in regarding the tools of product innovation as applicable in service innovation, thus not regarding the specific peculiarities of the intangible nature of services.

Demarcation perspective on the contrary focuses on new service-specific concepts and theories for innovation analysis in services and it challenges the traditional view on innovation. This perspective argues that services have specific characteristics that set them apart from product innovation, including intangible nature of services, need for customer integration and the non-technological elements. (Witell et al., 2016, p. 2864). Demarcation perspective is focused on the interplay and value creation between the company and the customer, describing innovation as outcome that is new to the company (Witell et al., 2016, p. 2870; Salunke et al., 2011, p. 1251). Demarcation perspective clearly aims to challenge the traditional view on innovation management and has its advantages in defining the customer as the central piece. The downside is that demarcation increases the confusion in the research by declining the traditional and proven tools of innovation management.

The synthesis perspective criticizes both assimilation and demarcation theories and it argues that the idea of service innovation should be broad enough to include innovation in both services and products by being an integrative perspective not only limited to technological innovation. (Witell et al., 2016, p. 2864). Synthesis perspective focuses on the value proposition as the platform for value co-creation with the customer, while product and process can both be part of the value proposition considered as a service innovation. Synthesis view proposes that service innovation is not only the outcome, but also the process of development. (Witell et al., 2016, p. 2870). Synthesis clearly aims to collectively evaluate both the traditional and new tools of innovation management. The downside is that it can be questioned if the peculiarities of professional services are taken enough into account and the focus is not only in the product or commodity linked “after sales” services.

2.3. Dimensions of Service Innovation

As the co-terminality feature as well as hidden innovation characteristic of service innovation often make measuring, observing and most of all developing service

innovation management very difficult, it can be argued that service innovation requires a framework to, most of all, find the focus points and dimensions that then can be scrutinized. Innovation in services is very difficult to design and plan in advance, especially in knowledge-intensive service business where the customer centric innovations may happen throughout the service delivery process. Therefore a conceptual framework for capturing the innovations happening in the service process is needed, giving focus points and indicators to look out for in the managerial perspective.

Gallouj & Weinstein (1997) recognized that service innovation can happen in six separate dimensions, or models, as they described. These models are:

- Radical,
- Improvement,
- Incremental,
- Ad hoc,
- Recombinative, and
- Formalization.

The focus in the study of Gallouj & Weinstein (1997) was more in the contents than the results of innovation in services (Kuusisto & Päällysaho, 2008, p. 35). It can be argued that improvement and incremental have many similar characteristics, thus in some later studies they are used synonymously (deVries, 2006). This sets a base for understanding the underlying characteristics of service innovation in the assimilation theory, stating that service innovation usually is a combination of minor and major changes in the service. Den Hertog et al. (2010) take this theory further aiming to also understand the new service experiences and solutions that are the outputs of service innovation.

As one of the recognized frameworks on service innovation, the service innovation model by den Hertog et al. (2010) is based on the dynamic capabilities view of innovation. Shortly described, the dynamic capabilities view was built upon the resource based view, as the resource based view was described to be too static and not being able to describe how new resources are born as the result of

learning, recombination and new capabilities (Teece et al., 1997; Ambrosini & Bowman, 2009). Dynamic capabilities offer a framework to observe intangible dimensions in organizations.

Building on the dynamic capabilities view, Den Hertog et al. (2010, p. 492-493) proposed first a four dimensional model of service innovation, with Technology option in the middle. Later, they proposed an expanded six dimensional model to cover the capabilities of service innovation regarding to the dimensions of service innovation to develop new service experiences and solutions. Den Hertog et al. criticize the traditional view on innovation by Schumpeter (1934) that it was too limited and focusing only on technological innovation, thus rendering the use of it in service innovation somewhat pointless. The model of service innovation by Den Hertog et al. (2010) takes more of a demarcation perspective in service innovation.

Building on previous research on various angles of service innovation, den Hertog et al. (2010, p.492-493) constructed a six-dimension model of service innovation; dimensions meaning the areas in companies that service innovation can take place. The six dimensional model is presented in Figure 4. In the figure, numbers one to six represent these dimensions of service innovation. The different dimensions or their combinations lead to new or changed functions in services that are new to the company, that are marked with letters A to F in the figure. These new service functions then need new capabilities from inside the company, which can be new technological, human or organizational capabilities. The inner circle in the figure represents the internal capabilities and operational resources as the basic management areas of the company, from which the innovating company can draw the needed functions, which ties service innovation tightly with changes in the business model.

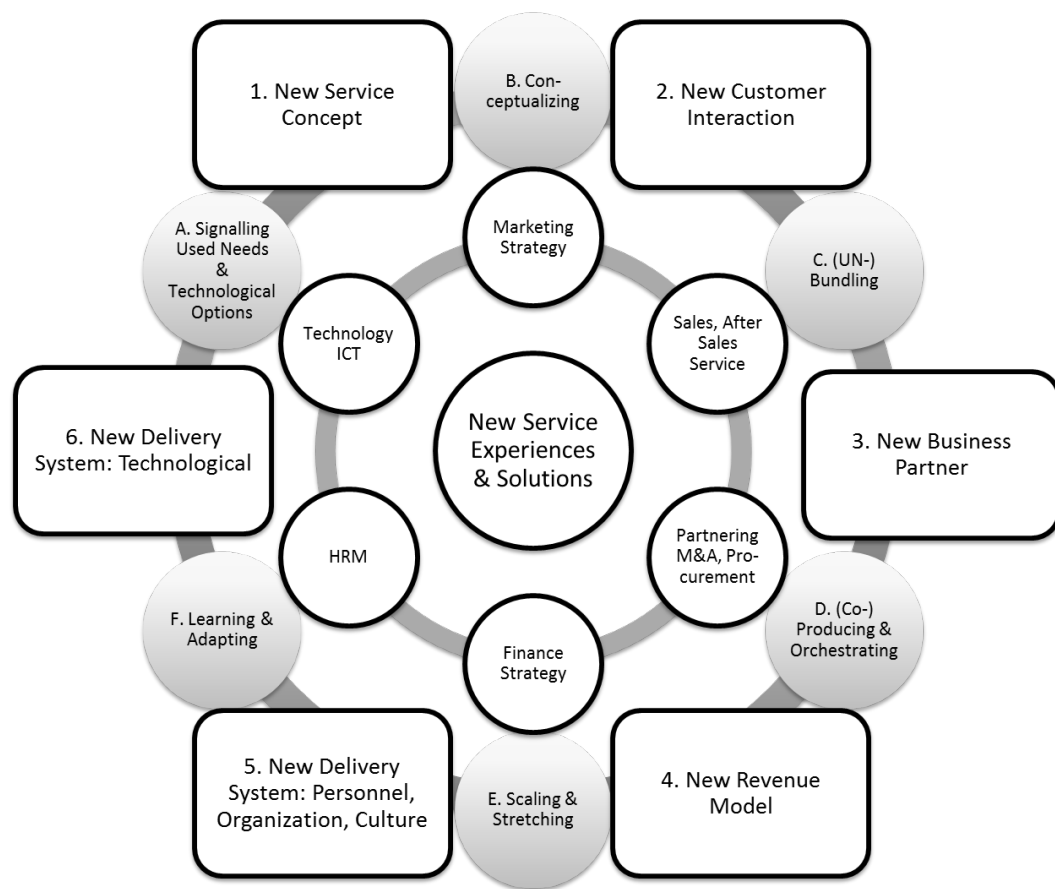


Figure 4. Model of service innovation and the capabilities for realizing new service experiences and solutions. (den Hertog et al., 2010, p. 493)

New service solution and new service experience in this context can consist of a new service, a new service portfolio and a new service process in combinations or individually. These define the new ways of creating value for the customer. To create these value propositions, different degrees of co-creation between service provider and customer are required. (den Hertog et al., 2010, p. 493). The model has its advantages in regarding service innovation as something totally different than product innovation, thus being beneficial in researching service innovation in professional services, where there are no tangible products.

The first dimension of six dimensional service innovation model is the service concept, which is also known as the service offering. This dimension describes the value that is created to the customer in collaboration with the company. The innovation here is the solution to a customer problem or to satisfy a customer

need. (den Hertog et al, 2010, p. 494). This is the traditional dimension of innovation.

The second dimension is the new customer interaction in value creation, which is a very strong source of innovation, for example in service design. From the service delivery viewpoint, many technological innovations come from introduction of self-service or automated services. (den Hertog et al, 2010, p. 494). This dimension is very important in defining technological options, as they bring value in new forms of communication. This also links service innovation with service design, which is strongly linked to business model innovation, as in many cases new customer interactions change the value delivery and customer relationship channels of companies.

The third dimension describes the new partners in innovation of services. This dimension, sometimes relating strongly to open innovation, describes the innovation realized through combinations of service functions by actors in value chains or value networks. These often end up being platforms or networks of partners innovating new services and business models. (den Hertog et al, 2010, p. 494).

The fourth dimension describes the new revenue models that in many cases are necessary for new innovations to become successful. Especially important is that when building the cost structure of a new service innovation, the revenue model should be built accordingly. (den Hertog et al, 2010, p. 495). This dimension clearly links to the design of revenue flows, which is very special to service innovation as the revenue models of tangible products are strongly tied to the nature of the product. Services have much more freedom in choosing the revenue model, which also affects the financial side of the business model.

The fifth dimension is the new delivery system from personnel, organizational and cultural viewpoint. To be delivered, new innovative services require changes and innovations within the company's internal organizational processes. The new services may require training, new organizational structures or new team skills.

(den Hertog et al., 2010, p. 495). In many cases service delivery changes require additional training to the service delivery personnel.

The sixth and the last dimension in the model is the technological delivery system. Many modern service innovations have emerged from the new technologies available, enabling mass-customization, multi-channel platforms, service automation and many others. (den Hertog et al., 2010, p. 495). Technologies seem to have value as specific technologies when applied, and not as technology in itself.

2.4. Service Innovation Capabilities

To make innovation happen in these dimensions, internal service innovation capabilities are required. Den Hertog et al. (2010, p. 498) propose six dynamic service innovation capabilities, but with warning that they are the untested part of the six dimensional framework. The six service innovation dynamic capabilities represent the ways to sustain service innovation in a company. These dynamic capabilities work in combinations and den Hertog et al. (2010, p. 490) hypothesize that for company to be a successful innovator it has to excel at least in some of these capabilities.

Capability A, “Signaling user needs and technological options” describes the way of answering unmet needs of customers and translating technological options to service propositions, in other words, the ability to see dominant trends in market and technology, find needs that have not been met and technological options for new services. The first priority is to understand the customers or users, and so on to understand what service configurations customer finds valuable. (den Hertog et al., 2010, p. 499). Again, when considering the role of technology, the technologies should be considered separately and linked to the customer needs.

The second capability, marked with B. as “Conceptualizing”, is the way in which the company has the ability to conceptualize, design, prototype and test new intangible ideas or combinations of ideas. This capability is somewhat special for

the services industry, because of the conceptual nature of services, and is a highly interactive process with customers, since a service cannot be customer quick-tested the same way as a physical product. (den Hertog, 2010, p. 500-501). This capability requires a certain degree of structured service innovation process in the company to succeed effectively.

The third capability is C. “(Un-)bundling capability”. This capability describes the way that companies can innovate new services by bundling or unbundling, enriching or stripping down or blending their current service offerings. Den Hertog et al. (2010, p. 501-502) present two basic types of this capability: first, making smart service combinations where the customer is offered an “all-inclusive” package, while still including some possibility for customization and second, stripping a service down to its bare essentials and creating a highly specialized service with some possibility for standardization.

The fourth capability is D. “Co-producing and orchestrating”. By understanding the value network and managing service innovation over the border of the individual company companies can co-design and co-produce service innovations. (den Hertog et al., 2010, p. 502). Nowadays, value networks have evolved into ecosystems with the help of ecosystem platforms, and companies co-innovate very freely in these to create additional value for customers.

The fifth capability is E. “Scaling and Stretching”. The scaling part of this capability links to the process of service innovation and taking hold of the diffusion. As services are more difficult to implement in large-scale than many products, mainly due to their intangible nature, human factor and cultural dependencies, the ability to scale is very important for companies’ service innovation. Stretching part of this capability describes the ability to use branding, marketing and communications in a way that customers value the brand and associate it with certain services or certain service quality. In many cases stretching balances between the consistency of the brand and the stretch of core service offering. (den Hertog et al., 2010, p. 503).

The sixth and last capability is F. “Learning and Adapting”. This capability is defined by den Hertog et al. (2010, p. 504) as the way to deliberately learn from the ways of managing service innovation and then adapting the overall service innovation process from what is learnt. The key ability here is to be able to track the fails and successes of the efforts towards service innovation and learn continuously.

The dimensional model of den Hertog et al. is a very ambitious attempt to build a comprehensive framework that is special for service innovation. The model covers a wide range of capabilities and activities in service organizations and thus provides a valuable insight into developing the innovation management practices in organizations. The downside of the model is the lack of a structured process in developing service innovations, although the model touches the subject in many dimensions and links it into business model innovation.

2.5. The Role of Technology

Traditionally the role of technology in services has been most easily seen in service areas that involve a great amount of personal contact between the customer and the supplier. However, technology is quickly changing the way services are created, developed and delivered, meaning that technology has an effect on the whole chain of service lifecycle. (Ryu & Lee, 2018, p. 294). Specific for service innovation is that technology can have multiple roles in innovation at the same time (Ryu & Lee, 2018, p. 305).

The role of technology in service innovation has lacked a theoretical framework, but Ryu & Lee (2018, p. 294) present that previous research has seen technology to have three theoretical and somewhat contradictory roles:

1. Technology acts as a trigger to service innovation,
2. Technology enables some aspects of service innovation, and
3. Technological innovation is separate from service innovation and has value as a standalone dimension.

The first role sees technology as something that can enhance the value of company's innovation activities, such as triggering an innovation process, enhancing implementation of new service innovations or increasing productivity and assisting in idea generation of service innovation process. The second role sees technology as facilitating service innovation, when utilized in a coordinated manner. The third role sees that particular technologies have strengthening roles to service innovation, in other words as essential parts of the service solution and experience. (Ryu & Lee, 2018, p. 296).

In practice, technology is often managerially infused into service innovation to create additional value. To successfully infuse technology in services, specific technologies need to be infused into specific services and technology as itself cannot be seen as something that increases service innovation performance. The greatest value technology has in service innovation is its capability to leverage the activities and resources. (Ryu & Lee, 2018). Although Ryu & Lee base their study on the previous framework of den Hertog (2000), which den Hertog et al. have revised in 2010, also present in this study, their results have significant value in understanding the managerial viewpoint of the role of technology in service innovation. Ryu & Lee (2018) use the company's performance as a measurement for service innovation success, which has its certain implications.

Technological options provide new opportunities to innovate services by new customer interaction capabilities and options, service production that is on demand or offering customized and automated service, which in turn enable higher level of self-service. It is crucial for service innovators to stay informed about the latest technological options in the industry and other related industries, from which the options can be adapted. Many times the responsibility of following promising technologies and technology partners is part of business development or ICT function of the company. (den Hertog et al., 2010, p. 499).

Recently, organizations have invested in infusing technologies in services, by acquiring new equipment and utilizing new technologies in the service innovation process. Technology can add value in creation of new service offerings, enhancing the scope of current services and improving the service delivery

process. (Ryu & Lee, 2018, p. 296). Still, in the midst of a technological hype, the other dimensions of service innovation are more important than the technological dimension in the success of service innovation. (Ryu & Lee, 2018, p. 304).

2.6. Customer Value in Service Innovation

The biggest difference between product and service innovation is the role of the customer. In services the customer commitment after purchase tends to be much longer and the customer is also involved in the delivery. This makes the customer relationship traditionally much more intimate in service-oriented business models than in product-oriented business models. Additionally, the involvement of the customer in innovation of a service is much more useful than in innovation of a product, while also research on service innovation stresses the co-creation between the customer and the service provider. (Alam & Perry, 2002, p. 515; Salunke et al., 2011, p. 1251). Salunke et al. (2011, p. 1251) also point out a very important difference about the role of customer value between products and services: traditionally in products, the value is created for the customer while in services, the value is created with the customer.

In knowledge-intensive business services, the interaction between service provider and customer is even tighter than in other services, as the customer and the service provider go through the activities of co-working to understand the situation and find out a solution to the identified problem. (Salter & Tether, 2006, p. 16). It can also be argued that the customer involvement in innovational activities in KIBS come naturally, as the interaction between the stakeholders is so intensive and B2B service companies are very willing to tailor their service delivery according to the customer (Sundbo, 2006, p. 128).

There is clear evidence that customer insight and taking customer value into account in service innovation brings great benefits to companies, and especially when involving customer in the service development process and taking their contributions into account. (Magnusson et al., 2003; Abramovici & Bacel-Charensol, 2004). Also, in business model design, the customer perspective is the

leading guiding principle. Customers should be listened to in designing value propositions, distribution channels, customer relationships and revenue streams. For innovation to be successful a deep and clear understanding of customers, customer environment and their aspirations, concerns and even daily routines should be established. Customer insights are not the only place to start innovating, but companies should be aware that customer perspective could lead to the identification of new opportunities. (Osterwalder et al., 2010, p. 128). Business model design is researched further in Chapter 3 *Service Development and Business Model Innovation*.

To understand the role of the customer in service innovation, it is of utmost importance to also understand the concept of customer value. In previous research the focus has been in the seller's perspective, defining customer value as something a product or service creates or offers to the customer. (Lusch et al., 2014, p. 184-185). Recently the viewpoint of customer being a co-producer of value has also arisen, defining that part of the value is the value of having the product or service in use. (Vargo & Lusch, 2006, p. 44).

The customer value of a product and the customer value of a service have their differences, again regarding the differences in their tangibility. Therefore, the customer value of a service can be defined as the meaning the customer has from the services, for example the effects the service has on the business objectives or goals of the customer. (Lusch et al., 2014). This of course makes it difficult to really measure the customer value of a service and even more difficult to predict it in advance.

In addition to the meaning the customer receives from the service, the experience customer perceives also plays an important role. This means that the customer value of a service has a certain degree of relativity based on the situation and the service delivery method. Customers constantly compare the similar experiences they have had previously. (Grönroos, 2000, p. 67). Thus, in addition to building customer relationships to provide greater value for the customers, companies also need to research the business environment constantly to keep up with the service

experiences customers have in their daily businesses. This could provide a clear competitive advantage in designing service delivery methods in companies.

In conclusion, recent studies have shown that service innovation brings companies several things: better competitive advantage, long-term survival and performance enhancement. To successfully manage service innovation, companies need to orientate their strategy towards service innovation in their management of innovation activities, in contrast to applying traditional innovation management strategies. (Ryu & Lee, 2018, p. 294). In literature, service innovation has contradicting definitions of its principles, but nevertheless studies show that the focus on customer value and correct understanding of the role of technology are crucial in creating a successfully innovational service organization.

3 SERVICE DEVELOPMENT AND BUSINESS MODEL INNOVATION

As it was previously described in Chapter 2, den Hertog et al. (2010) model on service innovation provides a great overview on the peculiarities of the management of innovation in services. To provide some hands-on tools for organizations to develop service innovation strategies, it is beneficial to define a service innovation process. One of the aims of service innovation management is to give input and support the new service development activities. Also, when approaching service innovation from the market pull perspective, it can be argued that if the company aims to fulfill new customer needs, the company has to look at all its activities, rather than just the service delivery itself to be able to produce the service, meaning for example new technologies.

3.1. Service Innovation Development Process

The value of having a defined process for innovation is to have a model to turn ideas into reality and of course to capture the value from the ideas (Tidd, 2014, p. 21). Alam & Perry (2002, p. 523) describe a new service development process that comprises of three main stages that can each contain parallel activities. The first stage is the strategic planning and idea generation, the second stage idea screening and business analysis and the third stage personnel training, service testing and piloting. These enable to speed up the service development process.

In literature, the whole new service development process is often divided into a number of stages, having between 7 and 16 stages. For this study the 10-stage process presented by Alam & Perry (2002, p. 524-525) was chosen, for it also presents some stages as parallel, it is built on managerial interviews and development process speed has been considered in the process model development. The process model is presented in Figure 5.

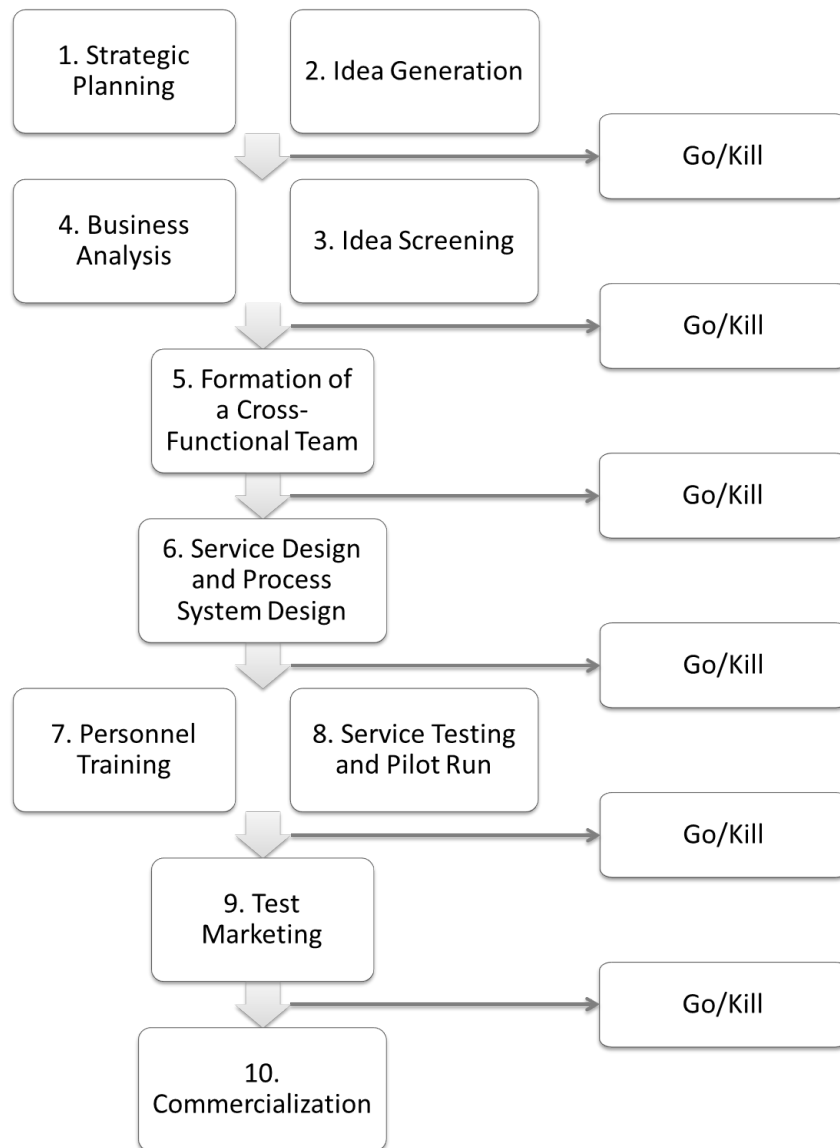


Figure 5. Parallel model of new service development process. (Alam & Perry, 2002, p. 525).

In new service development, speed is a major concern for companies. Many companies feel the urge to leave out some phases of the development to save time and resources. The phases that most frequently are dropped out from new service development are test marketing, strategic planning, business analysis and personnel training. Of these, managers consider test marketing, strategic planning and personnel training, joined by service testing and pilot run the least important. (Alam & Perry, 2002, p. 521-522).

Speed of developing new services is also important, because in the service industries new innovations are copied quickly. The development speed is required to stay ahead of the competition. (Alam & Perry, 2002, p. 528).

The most important phases of new service development considered by managers are idea generation, idea screening, formation of cross-functional team, service design and commercialization. (Alam & Perry, 2002, p. 522).

Tidd (2014) has presented a general innovation as a process to consist of four main stages: 1. Search, 2. Select, 3. Implement and 4. Capture. The model has similar characteristics as the model by Alam & Perry (2002), but adds the fourth phase of value capturing, which was only touched upon by Alam & Perry with the stage “Commercialization”. The comparison between these models is presented in Table 3.

Table 3. General comparison of the innovation processes by Tidd (2014) and Alam & Perry (2002).

Tidd, 2014, innovation process		Alam & Perry, 2002, service innovation process	
Search	Find opportunities for innovation	Phase 1	Strategic planning and idea generation
Select	Define actions and objectives	Phase 2	Idea screening and business analysis
Implement	Execute actions	Phase 3	Personnel training, service testing and pilot
Capture	Collect generated value	-	Commercialization

3.2. Customer Involvement in Service Development

Customer-oriented approach and obtaining customer input to new service development is the key to developing new successful services. The traditional market research tools like surveys and focus groups should be complemented with more advanced techniques like customer observation or partnering with key customers to innovation activities. This process should be formalized to develop a

long-term innovative relationship between customers and service innovators. This way the customer can be seen as a partner. (Alam & Perry, 2002, p. 528).

Customer input can be achieved to the service innovation process by numerous ways. There can be regular meetings between the new service development team and customers, customer observation and focused interviews in each stage of the new service development process. (Alam & Perry, 2002, p. 523-524). The challenge is in selecting the most feasible ways to co-create with the customers.

Signaling user needs is an important dynamic sub-capability in den Hertog et al. (2010, p. 499-500) six dimensional service innovation model. The capability gathers the ability to understand users and translate needs empathically in advance. This is done by having interaction with the customers through discussions with lead users, joint experimentation, co-operative prototyping, user panels, account management systems, client profiling, user analysis, market analysis and many other tools. Typically this activity is a part of marketing, new business development or innovation management department in companies. In the context of services, this capability often includes building and maintaining networks with lead users and opinion leaders, with consulting firms and with the broader scientific community.

Researchers as well as many managers consider customer involvement necessary in developing customer value that is superior and differentiated (Alam & Perry, 2002, p. 523; Sundbo, 2006; von Hippel, 2001). Not only this, customers also reduce development time significantly by making some market research unnecessary. To enable this, innovating firms need to be proactive in involving customers to their new service development process, going to the customer and asking for an input. (Alam & Perry, 2002, p. 523-524).

In addition to customer input, the customer perspective can be achieved in numerous ways. Some companies work with social scientists to develop their understanding, organize field trips to meet customers, talk to the sales teams or visit outlets. In some service sectors the customer is part of everyday routine. This way the customer input for new service development processes can be achieved

regularly from long-term relationships. Although the contact to the customer may be well established, the greatest difficulty is in establishing a deeper understanding of the customers, rather than just asking what they want. (Osterwalder et al., 2010, p. 128; Alam & Perry, 2002, p. 524).

Sometimes in developing customer understanding some customers need to be ignored. While these customers can also be the current cash cows, future growth segments may lie elsewhere, so innovators should focus on select customer segments. (Osterwalder et al., 2010, p. 128)

3.3. Business Model Innovation

In this chapter the theory behind business model innovation is presented. As previously mentioned, the intangible nature of services and hidden innovation causes effects in the whole business models when applying new value to services, thus linking service innovation and business model innovation together. Also, understanding the business model helps to evaluate the technological aspects in service innovation.

Companies can innovate their services in each dimension of the six dimensional model of den Hertog et al. (2010) or in combinations of several dimensions. The more dimensions are affected by the innovation, the more resources the company needs to draw from the internal resources, which then may lead in changes in parts of the whole business model. Business model innovation is perceived as a systems-level innovation of a service. Service innovation and business model innovation overlap quite a lot, most of all in companies that have several services in their portfolio. (den Hertog et al., 2010, p. 496). Business model innovation concepts could provide a better managerial viewpoint into service innovation.

In designing a new service and service business model, the current business environment should be understood. Understanding the environment helps to create and develop more competitive new business model. Technological innovations that enable new business models, like networks, and market disruptions make

understanding the current business environment more and more important. (Osterwalder et al., 2010, p. 200). Also, as in services customers compare constantly the service experiences they have, it is crucial for innovative companies to be aware of the experiences offered by other similar companies.

3.3.1. Business Model Canvas

The principle for the use of a business model is to create value for companies, customers and society (Osterwalder et al., 2010, p. 5). Den Hertog et al (2010, p. 493) also described the goal of the six dimensional service innovation model as to create new service experiences and new service solutions to customer problems, thus creating value for companies, customers and society. This aligns the goals for developing service innovation capabilities and business model design, enabling to design the value creation, which is the external component, and company service innovation capabilities, which is the internal component of service innovation.

Osterwalder et al. (2010, p. 14) describe the business model as “the rationale of how an organization creates, delivers, and captures value”. The business model canvas is constructed of 9 building blocks:

1. Customer Segments
2. Value Propositions
3. Channels
4. Customer Relationships
5. Revenue Streams
6. Key Resources
7. Key Activities
8. Key Partnerships
9. Cost Structure

Customer Segments represent the segments an organization serves. Value propositions seek to solve customer problems and satisfy customer needs. Channels are the communication, distribution and sales that deliver the value

propositions. Customer relationships are the ways of establishing and maintaining customers. Revenue streams picture the gain from successfully offered value propositions to the customers. Key resources are the most important assets to offer and deliver all the elements in the business model. Key activities are activities required to offer and deliver the elements. Key partnerships describe the activities that are performed and resources that are acquired outside the organization. Finally, cost structure is the result of all the elements in the business model. (Osterwalder et al., 2010, p. 17). All the elements of the business model canvas are presented below in Figure 6.

Key Partners	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Key Resources		Channels	
Cost Structure		Revenue Streams		

Figure 6. Business Model Canvas. (Osterwalder et al., 2010, p. 18-19)

3.3.2. Business Model Elements

Customer segmentation helps companies focus their efforts. After deciding the customer segments, the business model can be developed around those to ensure the customer driven value generation on the business. Segments are distinct if they have a need for distinct offers, different channels are utilized for reaching them, their type of relationship differs, their profitability differs or they need and are willing to pay for different parts of the value proposition. Customer segments can be different in type, for example mass or niche market, distinguished or diversified, or multi-sided platforms. (Osterwalder et al., 2010, p. 20-21).

Value propositions are the products and services that create value for the specific customer segment by solving a specific problem or satisfying a specific need.

Value proposition consists of a bundle of products, services and benefits that fulfills the requirements of the respective customer segments. Value propositions can be divided into two categories: innovative value propositions, which are new or disruptive offers, and added feature value propositions, which are similar to existing markets but with added attributes. (Osterwalder et al., 2010, p. 22). The value can be a mix of various elements.

Channels are the ways of communication, distribution and sales that represent the company's customer interface. Partner channels allow an organization to expand through partner strengths, while owned channels lead to higher margins. Channels can be distinguished into direct and indirect categories and the key is to find the right mix for them. Channels have five different phases:

1. Awareness
2. Evaluation
3. Purchase
4. Delivery
5. After sales (Osterwalder et al., 2010, p. 27)

While channels are the customer interface of the company, *customer relationships* describe the type of relationship the company has with the respective customer segment, with the motivation being customer acquisition and retention, and boosting sales with upselling. There are several distinguishable customer relationship types, which may be mixed in the company's business model, for example personal assistance, dedicated personal assistance, self-service, automated services, communities and co-creation. (Osterwalder et al., 2010, p. 29).

Revenue streams can be categorized into two types: transaction revenues and recurring revenues. Each revenue stream may have different pricing mechanism. (Osterwalder et al., 2010, p. 30) Revenue streams can be generated in numerous ways. The ways of generating revenue streams are: asset sale, usage fee, subscription fee, lending, renting or leasing, licensing, brokerage fee and advertising. (Osterwalder et al., 2010, p. 31-32).

Key resources are the assets that make the business model work, allowing the company to offer and create value propositions, reach markets, maintain customer relationships and earn revenues. These assets can be owned, leased or acquired from key partners. Key resources can be categorized into four categories. (Osterwalder et al., 2010, p. 34-36).

Similarly, *key activities* are the most important activities company must perform to create and offer value propositions, reach markets, maintain relationships with customers and earn revenues. Key activities can be categorized into 3 categories: production, problem solving, platform or network. (Osterwalder et al., 2010, p. 37).

Key partnerships are becoming more and more important in many business models. They can be divided into four distinguished categories: strategic alliances, co-opetition, joint ventures and buyer-supplier relationships. (Osterwalder et al., 2010, p. 38). The various reasons for partnering are presented in Table 4.

Table 4. Reasons for building partnerships. (Osterwalder et al., 2010, p. 39).

Optimization for economy of scale	Reduction of risk and uncertainty	Acquisition of particular resources and activities
The basic form of partnership and normally a buyer-supplier relationship. It is designed to optimize the allocation of activities and resources to reduce costs. Activities performed are often sharing infrastructures or outsourcing.	Reducing risk in a competitive environment, for example strategic alliances by competitors in one area while competing in another.	Partnerships with companies that perform key activities or have key resources for the company's business model, acquiring knowledge, licenses or access to customers.

Cost structure describes the costs of operating a business model, such as creating and delivering value, maintaining customer relationships and generating revenue. Costs are calculated according to the defined key resources, key activities and key partnerships. Cost structures have two extremes, where many companies fall in between: cost-driven, where minimizing costs is essential, and value-driven, where the focus is in value creation. Cost structures may have several

characteristics: fixed costs, variable costs, economies of scale and economies of scope. (Osterwalder et al., 2010, p. 40-41).

The business model canvas and the service innovation model by den Hertog et al. (2009) have many similar ingredients in the service innovation dimensions and the internal company activities. It can be said that the models complement each other quite a lot. As Osterwalder et al. (2010) describes that innovations should start from the customer segments and value propositions, den Hertog et al. (2010) describe that the innovations can also trigger from other dimensions as well. On the other hand, Osterwalder et al. describe that successful business models are often certain combinations of blocks in the business model canvas. Osterwalder et al. do not have the dynamic capabilities view in the business model canvas, but maybe combining the business model canvas and service innovation dynamic capabilities service innovation could be linked strongly to the theory of business model innovation. A comparison between the business model canvas and the service innovation dimensions and the service innovation company activities can be seen in Table 5.

Table 5. Comparison between the concepts by Osterwalder et al. (2010) and den Hertog et al. (2009).

Business model canvas by Osterwalder et al. (2010)	Service innovation dimensions by den Hertog et al. (2009)	Service innovation company activities by den Hertog et al. (2009)
Customer segments	-	Marketing strategy
Value propositions	1. New service concept	-
Channels	5. New delivery system: personnel, organization, culture 6. New delivery systems: technological	-
Customer relationships	2. New customer interaction	-
Revenue Streams	4. New revenue model	Sales
Key resources	-	Technology, ICT
Key activities	-	HRM
Key partnerships	3. New business partner	Partnering, M&A, procurement
Cost structure	-	Finance strategy

3.3.3. Multi-Sided Business Model

Specific for service businesses, and especially professional service businesses, is that very often the service offering is very multi-sided. In other words, the companies have several value propositions to several kinds of customer segments. As it was previously described by den Hertog et al. (2009), service value propositions can change in so many dimensions, that it causes the service to change according to the customer to whom the service is delivered. It is beneficial for this to understand the multi-sided business model presented by Osterwalder et al. (2010).

Multi-sided platform is a business model that serves several distinct and interdependent groups of customers, that each have their own value proposition and revenue stream attached to that value proposition. The value proposition has usually three areas: firstly, it has to attract the different segments, secondly, it has to make matches between the segments and thirdly, it has to reduce costs by channeling transactions. The difficulty in operating this business model is that the interdependency between customers means that value is created to a certain customer segment only if the other customer segments are present. Thus, value creation in the platform springs from facilitating interactions between the customer segments the platform provider acting as an intermediary. Therefore, the value growth in multi-sided business model is proportional to the amount of customers attracted. This is also known as the network effect. (Osterwalder et al., 2010, p. 77, 87)

To attract customers, multi-sided platforms need to subsidize a customer segment and attract it to the platform with inexpensive or free value proposition. This way the other customer segments start to get interested in joining the platform. The difficulty is in deciding which segment to subsidize and how to price correctly. As each segment has their own revenue stream, one or more segments may need to have free offers or reduced prices by subsidizing revenues from other segments.

(Osterwalder et al., 2010, p. 78-79, 87) The critical questions to ask by Osterwalder et al. (2010, p. 79) are:

- Can we attract sufficient numbers of customer for each side of the platform?
- Which side is more price-sensitive?
- Can that side be enticed by a subsidized offer?
- Will the other side of the platform generate sufficient revenues to cover the subsidies?

The key resource in the multi-sided business model is naturally the platform, which must be managed properly and the services need to be provisioned. Lastly, one of the key activities is to promote the platform to attract all the customer segments. (Osterwalder et al., 2010, p. 87)

In conclusion, service innovation can be evaluated as a defined process to develop new service concepts and experiences, where service innovation process resembles more the traditional product innovation process, as well as a systems level innovation as in business model innovation, which links to the same components as in den Hertog et al. (2010) service innovation capabilities model. Business model innovation can be seen as the managerial tool to evaluate service innovations in organization-wide context, which is necessary when taking into account the intangible characteristic of services.

4 METHODOLOGY

The aim of this chapter is to explain the research methods utilized in the study. The chosen methods are procedures and rules of proceeding to solve the research problem. Research methods are the ways of reasoning, rules of communication and rules on how outsiders can evaluate the findings of the research. (Ghauri & Gronhaug, 2005, p.40). This chapter presents the plan and the framework for data collection and analysis is presented, and thus the chapter is serves as an explanation of the research design. The research design should effectively produce the wanted information within the constraints described in the research context. (Ghauri & Gronhaug, 2005, p. 56).

4.1. Research Context

The aim of this study is to explore the role of customer value in innovation of services from the viewpoint of service innovation capabilities and business model, specifically in the case company Marsh Oy and its service portfolio. The aim of the thesis has been determined in cooperation with the management and service development project team of Marsh Oy. The aim of the thesis is loosely defined to be aligned on the strategic goals in small and middle market customer segment of Marsh Oy. The main objective of the study is to explore service innovation capabilities and their linkage to the business model and its innovation. Furthermore, the study attempts to also evaluate the role of technological innovations in service innovation and also evaluate the effect customer relationship and value has on the service innovation dimensions and business model. Because of the case company, the study builds upon the current business model of Marsh Oy and specifically focuses on risk consulting and insurance broking services, while also trying to openly include a general view of business services as an industry.

It is also beneficial to describe some of the restrictions in the conduction of the study. Very usually a student has a limited time to produce the research, according to Gauri & Gronhaug (2005, p. 56), which is also the case in this study. Other constraints often faced are the lack of monetary resources, lack of research competence and experience, all of which have an effect on the results of this study. Also in this study the limited amount of time has also been a constraint, as the researcher has also had other functions and responsibilities at the case company, which many times had to be prioritized over this master's thesis study, thus limiting the time.

4.2. Methodological Choices

The research methods should be chosen as the rules and procedures that support the solving of the research problem. (Ghauri & Gronhaug, 2005, p. 40). This study is a representative of the exploratory research design and qualitative methodologies. Ghauri & Gronhaug (2005, p. 58) explain exploratory study as the means of studying an unstructured and “badly understood” research problem. Here “badly understood” means that the research problem may not provide any understanding of the underlying reasons behind it. As the parts “customer value”, “business service” and “innovation” are all very intangible concepts in their nature, while also difficult to measure, the research design needs to have a certain degree of flexibility, which exploratory design and qualitative methodologies can provide.

In exploratory research design, the literature research provides hypotheses and suspects that have a big role in guiding direction of the research, thus previous information has a big role. Special attention is paid into observation, information gathering and explaining constructs. (Ghauri & Gronhaug, 2005, p. 58).

One way to present the methodological choices of a research is the so-called research onion by Saunders et al. (2009). The research onion describes the decisions about conducting the research by defining the research strategy in the

outer layer, time horizon in the middle layer and data collection methods in the core. The methodological choices are presented in the research onion in Figure 7.

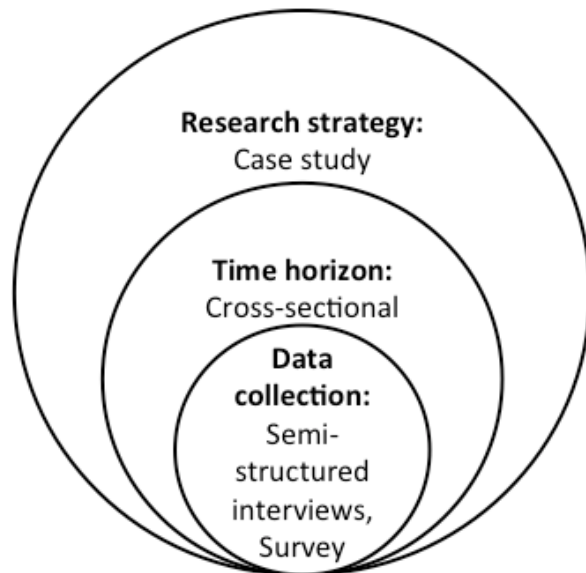


Figure 7. Research onion (Saunders et al., 2009, p. 108).

The research strategy for this study was chosen to be a case study. Case study is an empirical study, where a phenomenon is studied in a defined context. The aim of a case study is to deeply study one or several examples and to research the phenomenon through those examples. The aim is not to generalize findings, but to describe the phenomenon and make new observations in an empirical setting. Generally case studies are conducted as qualitative studies. (Syrjälä et al., 1994, p. 11; Yin, 2009).

The time horizon for this study was cross-sectional. The study has been conducted in a relatively short period of time and the phenomenon has been at a certain point of time, instead of having a dynamic point of view. (Saunders et al., 2009). The semi-structured interviews were conducted in January and February of 2018 and the survey was open during February and March of 2018. The third party data collection was conducted in January 2018. All of these data collections happened in a timeframe of 1 or 2 months and in total of 3 months.

4.3. Data Collection

The data collection methods for this study are semi-structured interviews and an online survey. As the diversity of research data and data sources are very important aspects in a case study, this has been ensured by interviewing people from different backgrounds in the case company and also providing a wider context by surveying somewhat similar knowledge-intensive business services companies.

The data collection in this study comprises of three separate methods: an online survey, semi-structured interviews in the case company and third party semi-structured interview data of customers. The semi-structured interviews were the primary data collection method, as they provide the deepest insight into the research problems. The online survey was conducted as a secondary data collection method to improve research sensitivity, validity and reliability. The survey also provides insight outside the case company for comparison in the bigger context. The additional secondary data collection method was third party semi-structured interview data from the potential customers of the case company. The third party collecting the data was a professional services company working on a parallel project for the case company. As the main research objective is around customer value, deep insight on the voice of the customers also provides more accurate results and enables the possibility to study the concrete link between customer value and service innovation. The data collection methods are further described in Table 6.

Table 6. Description of the data collection methods.

Method	Method target group	Sample size	Method Aim
Online survey	Biggest Finnish professional services companies	5 responses	Secondary method to provide data of the research context to ensure research validity and reliability
Semi-structured interviews	Case company	8 interviews	Primary method
Third party collected data	Target customers	6 interviews	Secondary method to provide data of customer needs and challenges

The primary data collection method is a semi-structured interview at the case company, which allows following the deeper lines of discussion while also ensuring the comparability of the data to a certain degree. The 8 interview participants were selected from the case company with the objective to include personnel from different departments and many management levels with different degrees of customer facing work to ensure the versatility of the answers and to get the big picture of the case company related to the research problem. The invitations to the interviews were given face to face with each participant. The interviews took place between 30th of January and 15th of February. The lengths of the interviews were between 36 minutes and 1 hour and 45 minutes. A summary of the interviews is presented in Table 7.

Table 7. Summary of the semi-structured individual interviews.

Interviewee	Date	Customer Relationship Type	Duration (min)	Specialty area
A	January 2018	Deep and direct customer relationship	71	Account Management
B	February 2018	Deep and direct customer relationship	36	Account Management
C	February 2018	Assisting customer relationship	39	Service Delivery
D	February 2018	Indirect customer relationship	44	Operations
E	February 2018	Deep and direct customer relationship	132	Account Management
F	February 2018	Indirect customer relationship	71	Finance
G	February 2018	Deep and prospective customer relationship	58	Top Management
H	February 2018	Deep and assisting customer relationship	49	Top Management
Total			500	

The interview agenda was structured around the questions listed in appendix 1. The interview started with collecting the information about the interviewees' background and work responsibilities. Also the most important technologies in their daily job were listed and discussed to provide insight into the current maturity level of using technologies. Also the role of the customer in the interviewees current work, the type of customer relationships he/she has and the amount of direct working with customers were discussed to evaluate the interviewees ability to provide insights into customer value and other heavily customer related topics, while also having the possibility to compare interviewees in questions that polarized them.

The interview was separated into two parts. The first part was service innovation and the role of the customer in it. This part started with a description of the basics of innovation theory, concepts and definitions to make sure the concept of innovation was understood the same way between the interviewees. This proved to be a very useful way of starting the formal part of the interview, because in many cases it lead to very fruitful discussions when entering the first question in

this part. The questions were formalized upon the theory part of this research, picking up from the service innovation capabilities theory by den Hertog et al. (2010) and business model theory by Osterwalder et al. (2010). Also questions about the interviewees' viewpoint on customer value, the link between customer and innovation and the current state of innovation in the case company were discussed.

The second part of the interview was centralized around technology, technology innovation and digitalization in the insurance industry. This part also started with a description of technology, digitalization and technological innovation. The past and current state of technological innovation in the case company was discussed and also insights on the current trends of technological innovations in the industry were discussed. Also the possibilities and requirements for technological innovations were discussed in the end, but this part proved to be quite difficult for the interviewees, probably due to the low technological maturity of the company and the industry.

The chosen research context for the online survey was Finnish professional services companies. The initial objective was to have at least ten responses to the online survey. The selection criteria was determined by using Standard Industrial Classification 2008 by Tilastokeskus (2010) and selecting categories for professional services:

- M Professional, scientific and technical activities and
- K Financial and insurance activities.

With these categories, companies were selected from the Largest Companies (2018) list. The 105 largest companies in these categories were chosen and the CEOs or Managing Directors were selected to be the target group for the survey. The invitation for the survey was sent through email, and the email addresses were collected by hand from the companies' websites. Reminders for the survey were sent a week before closing the survey and a day before closing the survey. The final respondent number was 5 respondents, which indicates a response rate of 4,8%, and somewhat disappointingly under the aim of 10 respondents. The low

number of respondents has a weakening effect on the survey reliability, but as the purpose of the survey was to be a secondary data source, it is acceptable.

Summary of the respondents:

- Total number of respondents: 5
- B2B-service companies: 5
- Managing directors: 5
- Industries: IT-services and consulting (2), advertising (1), accounting (1) and technical services (1)

The survey was created approximately when half of the semi-structured interviews were conducted. As an online survey cannot provide as deep insights into the phenomenon as semi-structured personal interviews, the survey aimed to have high-level questions mostly regarding the innovation process, innovation capabilities and certain aspects of business model related to service innovation. The survey can be found in Appendix 3. Most of the questions were based on Likert scale of the following: 1. Strongly disagree, 2. Disagree, 3. Neither agree nor disagree, 4. Agree and 5. Strongly agree. (Bowling, 1997).

The data about customer value of the services the case company offers was collected by a third party in a parallel process to this study. The data was collected utilizing semi-structured interviews as the method. The topics in the interviews were:

- Operating environment of the interviewees' company
- Strategic challenges
- Risks and opportunities in the business
- Courage and risk taking
- Growth networks
- Experience about risk management services
- Scenarios of the future

The interviewees were top management representatives of 6 companies. The summary of the interviewees is presented in Table 8.

Table 8. Summary of the customer interviewees.

	Industry	Company revenue (thousand €)	Company personnel
Interviewee 1	IT-services	2 300	14
Interviewee 2	Technical services	14 800	17
Interviewee 3	IT-software	2 000	19
Interviewee 4	Industrial machinery	155 200	180
Interviewee 5	Heavy industry	1 300	3
Interviewee 6	Office equipment	17 600	17

4.4. Data Analysis

As it was previously described, the collection of the primary data, the semi-structured interviews, was already categorized into several categories, but to further organize the data, a specific tool was built on Microsoft Excel to classify the collected data. The interviewees were classified by an id number chosen by the order they were interviewed in, working title and the type of relationship with customers, ranging from “indirect” to “medium deep” to “prospective” to “deep”. Also, the interview questions were classified by the category, main question and the sub questions. Then all the transcribed answers were collected into one pivot table and so the separate answers of each interviewee could be viewed side by side for each main question and each sub question.

The first secondary data set, the semi-structured interview data by a third party, was already classified into categories and main phenomenon, so the data analysis was based on those findings. The second secondary data set, the online survey, was analyzed directly from the report of the survey website Webropol, which shows basic data analysis tools, for example averages of the responses. Most of the questions in the survey were based on:

- Service innovation capabilities framework by den Hertog et al. (2010): questions 9, 10, 11, 12 and 16,
- Business model canvas by Osterwalder et al. (2009): questions 6 and 15, and
- Service innovation process by Alam & Perry (2002): question 13.

Questions from one to five were validation questions, questions 7 and 8 were questions considering the attitude towards service innovation and technology, and question 14 was a question considering a wide array of specific technologies and their strategic importance to the respondent. Last question was open ended for the respondent to give their free word on the subjects considered in the survey.

5 SERVICE INNOVATION IN KNOWLEDGE-INTENSIVE BUSINESS SERVICES, CASE MARSH OY

This chapter presents the results of the data collection of semi-structured interviews in the case company, web based survey to Finnish KIBS companies and the third party semi-structured interviews of customers. First, the case company is shortly described in the Chapter 5.1. Second, the semi-structured interview data in the case company is divided by the structure of the interview and presented Chapters from 5.2. to 5.4. The result presentation starts with the data considering the perceptions of customer value in Chapter 5.2., the perception of innovation in the case company in Chapter 5.3. and lastly the role of technology in Chapter 5.4. The secondary data source of web-based survey is presented question by question in the Chapter 5.5. Lastly, short summary of the results of the customer interviews is presented in the Chapter 5.6.

5.1. Case Company Description

Marsh Oy is an insurance broking and risk consulting company with around thirty employees in Finland. Marsh Oy is part of a global mother company Marsh and McLennan Companies, the largest insurance broking and risk management company in the world at the date, operating in 130 countries. The global offering of Marsh consists of “risk management, risk consulting, insurance broking, alternative risk financing and insurance program management services to businesses, government entities, organizations and individuals”. (Marsh.com, 2018a).

Marsh specifically follows a branded 3D approach to customers, consisting of three phases: 1. Define, 2. Design and 3. Deliver. First, risks and opportunities are defined, and customer risk tolerance is identified, quantified and gauged, which is then utilized to determine the risk management, mitigation and transfer options. The design phase includes designing solutions according to the define phase to support decision making by utilizing data analytics-driven approach. The deliver

phase represents the phase where the results of the designed solutions are delivered by utilizing internal capabilities and specific risk solutions. (Marsh.com, 2018b).

The term “Knowledge-intensive business services (KIBS)” has several definitions, but all in all it is meant to explain and categorize companies that heavily rely on professional knowledge, meaning mainly companies that offer B2B services. Insurance broking and risk consultancy, which is what Marsh Oy offers, falls under the category as a specific type of management consultancy. (Nählinder, 2005, p. 67).

5.2. Perceptions of Customer Value

The interviews started by discussing the perceptions of customer value of the service by the case company. When discussing about customer value in the interview, several topics were highlighted. The question was also mentioned to be very complex by interviewees C and E. The most common source of customer value was described to be “expertise”, which was mentioned by all interviewees except interviewee D. Another source of customer value was clearly “trust”, which was mentioned by interviewees A, B, G and H. Other sources of customer value mentioned were “conversation partner” by interviewees A, E and G, “sparring” by interviewee A and “solving running issues” by interviewees C, D and E. Definitely the customer value of professional services relies heavily on the personnel competence, like expertise, and to some degree in personal relationships, like trust. Interviewee A described the customer value as follows:

“[The most important customer value is] expertise, but a great amount of it is also being the conversational partner and sparring with the customer, while also solving current issues.”

The role of the customer was considered to be very strong in the daily work by all except interviewees D and F, who described that customer has an indirect role in their daily work due to their position in the company. By the directly customer

facing interviewees the role of the customer was described to be dominant and centric, as all the activities done at work should have ties into producing value to the customer. As the type of the services produced by the case company are far-tailored, it easily leads to tailoring all the services and thus giving a great power to the customer in the development of the service model, as described by interviewee E. Also, this might lead to uncontrolled changes in the service model. Interviewee B described the relationship of the customer and the current service model:

“All the work done is associated with what customer asks, wants or sees, and my duty is to carry it out, although more should be done proactively.”

Interviewee B further described that a lot of work is done reactively, although more should be done proactively. This seems to refer to the “getting-the-job-done” or problem solving type of service, where the value is in helping the daily challenges of the customer.

Interviewee D had an interesting definition for the role of the customer. The interviewee described that the role of the customer is to describe the problem that the case company has to solve. Further described, in an ideal case the customer describes the challenge, gives the necessary information and based on those the case company formulates a solution tailored for that problem. This type of service requires a deep relationship with the customer for the customer to provide the required information, which might even be highly confidential.

Customer Relationship Maturity

When asked if the customer value depends on the type and depth of the customer relationship, the answers varied: 6 interviewees answered that it has a great effect on the customer value and interviewees C and D answered that a uniform service value is delivered to all of the customers. These 2 interviewees were the back-office and service delivery personnel, thus they may not have as deep customer relationships as the rest of the interviewees. The reasoning for increased customer value in deeper customer relationship was that when the customer value is based

on expertise and trust, the better trust is established, the better services can be offered to the customer, also offering deeper and more on-point expertise. In other words, when a deeper relationship is established with the customer, also deeper discussions with the customer follow, described also as “risk dialog” by interviewee G. In these discussions, in many cases latent customer needs are found when the customer is willing to tell more about the problems and challenges they are facing in their business.

Also, the scope of the service delivery was mentioned by interviewee C, stating that in the early stages of customer relationship the contact points may be limited to one or two, but as the time goes on and more trust is established, the contact points may increase, referring to an expanded service portfolio and offering that can then be delivered to the customer.

Specifically, customer value of insurance brokers’ service was described by interviewee E to be the best-in-class service regarding insurance, powered by professionals making solutions that correspond the risks of the customer, thus also referring to the expertise and also flashing a side of high quality as customer value. Expertise also shows itself as the ability to offer implementable structures for customer’s risk management and as being the trusted advisor in acting with the insurance companies, making one side of customers’ businesses easier, as interviewee E continued:

“The greatest customer value is expertise and they can trust in our knowledge and they have to trust that we are on their side, a customer’s partner specifically, and we are making one side of their business easier with our expertise.”

Also, helping to reduce uncertainty in decision-making regarding insurance and increasing risk awareness is a source of customer value, described by interviewee D. As the trust in expertise increases, customers also value the ability to offer industry specific benchmarking information about risks and insurance.

As expertise is quite a vague explanation to customer value, it was also discussed more deeply with some interviewees. Expertise was described to consist of three main components:

1. Deep advisory, leading to being able to construct the risk control methods that correspond the risk profile of the customer, for example insurance coverage, deductibles, risk management support and other problem solving service,
2. Providing deep industry knowledge of customers industry for trust establishment and offering benchmarking knowledge and
3. Being able to offer quick wins for trending topics or on-demand challenges of the customer.

Being able to offer “quick wins” was described by interviewee G as the way of finding into the customer relationship and in many cases as one of the main competitive advantages in competition processes. All in all, the type of customer needs seem to change depending on the stage or maturity of the customer relationship. Interviewee A described:

“A long and deep personal relationship [with the customer] has great value.”

In contradiction, interviewees C and D described that when the service portfolio offered to the customers remains similar for each customer, the value customer receives stays the same regardless of the depth or maturity of the relationship.

Identification of Customer Needs

The biggest challenge in creating customer value was the difficulty in identification of the customer needs, especially latent needs. The ways of understanding customer needs varied by interviewee, but mostly the ways seem to go into three categories:

1. Direct request in tender, for example sometimes customers set *Key Performance Indicators*,
2. Customer requesting help in a challenge at-hand and
3. Long-term, deep and unstructured discussion with the customer.

The first category is the most straightforward way, described by interviewees A and B, and in many cases it is the first point in the early stages of a customer relationship. To establish the early stage customer relationship, it is important to answer the most obvious customer needs. The second category is already more complex than the first one, as a customer might be able to describe the challenge, but fail to put in words what the exact needed service is. This was described further by interviewee F: to answer these needs, a company must be able to have a broad service portfolio and be able to flexibly transform the services according to the customer challenge.

The third category is the one that requires the most trust and the most mature relationship with the customer. In many cases this situation was described by interviewees A, B, C, E, G and H as the ongoing discussion with the customer through daily or weekly communication in an unstructured way. In this case, the discovery of a customer need relies heavily on the person having the relationship with the customer. The skills needed to utilize this relationship are heavily linked on the previous list of components of expertise, mostly the deep industry knowledge that has to be reflected on the customer's business. Also, the person involved in this discussion has to be constantly aware of the situation to be able to collect the customer's latent needs and translate them into a service requests, as described by interviewee E. Interviewee E also hypothesized that this situation and this deep relationship with the customer leads to the greatest source of appraising customer latent needs.

The interviewees were also asked on how the customer's latent needs are taken into account at the moment. Interviewees A, B, D and E acknowledged the existence of the tacit knowledge in the case company of customers latent needs, but also admitted that little attention is paid into making use of it or even recording it for development purposes. Also, a lot of the expertise is condensed around individuals in the case company, thus the connection between expertise as customer value and utilization of knowledge is weak.

One problem in collecting the latent needs is that in many cases the trust partnership with customer is very heavily tied on specific persons, making the

company wide collection of knowledge challenging. As the case company's business was described to be heavily personal by interviewee B, the trust partnership between the service recipient and the service provider in many cases remains only personal and does not evolve to be a company-level relationship. On the other hand, it was previously discussed that evolving a partnership opens up new points-of-contact, thus decreasing this problem.

Relationship to Innovation

Furthermore, the effect customer has on the innovation process was also discussed with the interviewees. The question was separated into smaller pieces to aid the interviewee in answering the question, as it seemed that innovation as a topic proved to be too vague for many of the interviewees, thus also stressing the fact that no company-wide innovation definition was established in the case company. The question received polarized answers, as some interviewees saw the direct connection between the customer and innovation as weak or difficult to establish, for example interviewee C, and some interviewees saw the strong connection as somewhat obvious, for example interviewee G. The differences in the personal understanding of innovation might have caused the polarization, even though the problem was aimed to be eliminated in the description of the basics of the innovation at the start of the interview.

“[The customer needs] come in as some kind of a catalyst and we should react to them in the right way. Often this is difficult, because many of them come from a range of sources, so we should have something to collect them”

Customer was described to be a catalyst in starting a chain reaction of innovation process by interviewee C, but in many cases due to a great amount and wide range of communication sources the needs are difficult to collect and the process does not start at all. The greatest problem seems to be the intangible nature of customer needs collection and the volume and scale of communication. Also, as in professional services in many cases the service is tailored for each customer to some degree, described by interviewee D, many customers have a very different

viewpoint, different needs and different view on value, the difficulty is in understanding what is valuable for innovational purposes in managerial perspective. Interviewee C described the way in which customer should be seen in innovation:

“[Innovations] emerge when the customer is essentially considered as the starting point and the center piece.”

Customer was also described to have a great role in selecting partnerships, especially in selecting insurance companies, as interviewee B described it. Some customers have deep ties with certain insurance companies, especially in small and medium enterprise sectors, where some companies may receive other services from certain insurance companies or their sister companies. In some ways, this affects the supply of the case company, as insurance companies are the suppliers, even though the case company has the ability to tailor the supply, insurance policies, to some degree.

Customers also have great opinion and effect in selecting communication methods and it can also be argued that it affects the service delivery methods tremendously. This was described by interviewee E, that each customer may have different way of working and the servicing company sees their duty as to adjust in the customers' way of communication.

In many interviews, a discussion about the connection customer has on innovation was directed into a discussion about the vocal needs customers had had, but the case company had had no service to match the need, for example with interviewee C, G and H. The mentioned needs were cloud based services, enhanced reporting and new channels of communication, described by interviewee C. It was argued that technology should be seen as something to seize opportunities from to answer specific customer needs, not only as the ways of communication but also as the ways of delivering parts of the service, for example policies, documents and summaries. This was further discussed with interviewees E and G. Also, on the other hand innovations could increase the ability to proactively create customer value to the customers.

Perceptions of the Current Service Model

Interviewee E described that the current service model of the company is quite uniform regardless of the customer type or segment. This leads to conflicts between the delivered service and the revenue streams gathered from the services, meaning as some customers belong to a lower paying customer segment but receive the same basic service as customers belonging into the higher paying customer segment. The customers have the potential to receive the same customer value with differing prices, leading to unbalanced customer value delivery and revenue streams. This also causes problems in the customer-facing employees' time management, as they have promised similar service, but have to prioritize the time utilized for the higher paying customer segment. Interviewee E described:

“[With the current service model] the service description is similar between [different customer segments] to a certain degree, so [because of the prioritization] the understanding of the customer’s business may remain too little because of the missing resources.”

It was also mentioned by interviewee E that the current segmentation, which is heavily based on the yearly turnover of the customer, does not serve the amount of service put into each customer. In many cases, some customers require a lot more work because of the nature of their business, although belonging to the lower revenue stream segment. This causes conflicts between the amount of resources needed and actually used for serving the customer, thus unbalancing the revenue stream and customer value produced between customers.

Another difference between the customer segments is the type of customer value valued more by the customer, described by interviewee E. In the higher paying customer segment, the expertise and partnership is valued more and in lower paying customer segments clearly the ability to outsource handling of insurance policies to a trusted advisor is valued more. In other words, bigger customers require a deeper and more mature level of relationship, diving deep into the daily challenges the customer faces in their business and smaller customers require a

certain level of trust; maybe they have some kind of a trust threshold, and then they are happy to outsource something they only see as “getting the job done”.

With the current service model, the employee who is in a personal contact with the customer is required to have a good knowledge of the current service portfolio of the company. This helps the employee to grab on the things that the customer expresses and translate them into needs that can be fulfilled with the value propositions in the service portfolio of the case company. This also helps in bundling the service proposal to the customer, as many services in the service portfolio create additional value when bundled.

Interviewee E continued, that this also requires that the employee has the courage to discuss the challenges with the customer, as in many cases the customer is unable to clearly state the problem or challenge they are facing. This also refers to the state of the deep conversation mentioned previously. One interviewee also described that there is a limited amount of training for sustaining this type of conversation with the customer, and expressed that there might be a need for this to ensure that all customer-facing employees are able to recognize the needs of the customers and be able to transform them into value propositions of the current service portfolio.

5.3. Perceptions of Innovation

The discussion on innovation was opened by asking the interviewee on how innovation could be described to take place in the case company. The question proved to be difficult to answer at first, but enabled gathering a lot of information and long discussions in the end. Most of the interviewees started by saying either that it was nothing concrete in the case company and then going into how it could be developed. A few interviewees were able to describe how innovation is utilized in the case company, namely interviewees B, C, D, E and H.

Innovation was described as being more of a state of mind for some employees by interviewee A. Innovativeness was described as the defining key in developing

innovations in the case company. No concrete innovation management practices were in place in the case company, as described by interviewee E. The state of mind and talent required was described as:

- Being ready for new kind of thinking,
- Being open to new ideas,
- Being able to the outside-of-the-box thinking,
- Being able to grasp new opportunities,
- Having the courage to ask the customer about their needs,
- Developing one's own activities, and
- Having professional experience for benchmarking new ideas.

The personal innovation capabilities are described to vary a lot between employees as some are described to be further into innovational thinking, some are seen as indifferent towards innovation and some are seen resisting any changes happening in the company. All in all, interviewee A described that people in general in the company have a lot of good ideas.

By interviewee E it was described that many innovations are born inside the company, diffuse from the global network by interviewee G, or are born from internal needs to streamline processes by interviewee C and H. Interviewee C described:

“Concretely innovation is not very visible [in the case company], as the [insurance] industry is very conservative. Innovation is a very spoken subject and we are going towards that, but when looking at [possible] innovations emerging from the customers' [needs], we do not stand out from our competitors.”

The strengths in innovation of the case company described by interviewees were:

- A supportive and committed management,
- Encouragement to embracing new ideas,
- A supportive culture for idea generation,
- Diverse backgrounds of the employees and
- Little bureaucracy.

A supportive management for innovation was also seen as one of the biggest contributors to the successful innovations in the past, as interviewee B described that previously the case company had had a manager that was very keen on developing the processes and services in the company. This was also reflected by interviewee B in the current processes in the company, as many modes of operation that now are seen as bringing competitive advantage date back to the time when this particular manager was in the company.

Resources and Capabilities Needed for Innovation

The needs for resources and the organizational capabilities required for innovation in the case company were also discussed. Time was mentioned by several interviewees as the biggest resource needed for innovation. It was described by interviewee D that as in professional services most of the costs base on the time used by employees, time proves to be a valuable asset in any activity in the company. Time is also needed for the introduction of new ideas and ensuring the diffusion in the organization, as employees need to commit to bringing new ideas into fruition.

The lack of time also reflects as high workload. Interviewee C described that high workload prevents employees from idea generating or evaluating new ideas. Also, as the workload is high, all operative work needs to be prioritized, thus leaving little room for objective scrutiny over processes and activities. In a busy working environment the big picture gets easily dimmed and understanding the value of one's own activities might hinder.

Also setting up a channel for spreading ideas and innovations was discussed. At the present no channel has been determined as the channel for writing down ideas, let alone discussing or evaluating ideas. Interviewee E described that this causes many good ideas and potential innovations to die away before the value from them is captured.

One resource mentioned by interviewee G was talent. Obviously for innovation to take place it requires the right talent in the company. The perceived abilities of right kind of talent for innovativeness were described in the previous sections.

Also one aspect increasing uncertainty was the clarification of the service model. As the case company acts in a certain sector for certain clients, the current strategic objectives should be taken into account in an innovation process. This should be considered critically, as this can also limit the ability to innovate, but also acknowledging the strategic objectives of the company can give the right kind of alignment in the innovation process. Interviewee A described:

“We can’t just start selling whatever [we come up with], our services are what they are.”

Financial resources were also discussed with the interviewees. As employees and their time is a big part of the cost structure of the company, the time of the employees has its effect on financial resources. If a dedicated time for innovation would be implemented, it would have a definitive impact on financials. If innovation could be implemented as part of the daily routines, then the financial resources would have not been seen as something constricting by interviewee F.

Financial resources were also discussed in the viewpoint of implementing innovations. Interviewee D stated that it depends a lot on the scale of the innovation, so some kind of an activity to evaluate the financial needs of considerable innovation was also lacking. It was discussed with interviewee D that in their viewpoint the incremental innovations require more time as a resource and in radical innovations immediate financial resources come more into the play.

Also, interviewee F mentioned that the yearly budget normally offers very little room for maneuvers. It could be argued if financial resources needed for innovation should be budgeted to ensure the sufficient resources in implementing innovations. Interviewee F also explained that in many cases innovations only require some time from the employees and the return on investment might be immediate and then in radical innovations the return of investment should be

studied more specifically to evaluate the usage of financial resources for innovation.

Training was also one resource needed for implementing innovations by interviewee D. If innovation leads to greater changes in the internal activities or processes or in the external service portfolio, a comprehensive training program is needed. It was also discussed with interviewees D and F that for an effective implementation of innovation the training program should be designed carefully and just not to be a 2 or 3 hour quick training.

Also the current IT-systems were discussed with several interviewees. They were discussed to have two contrasting sides, firstly there is a lot of IT-systems already implemented in the company, but they are not used into their full potential, nor mapped what they could be potentially used for. On the other hand there is a great amount of restrictions and legacy systems constricting the implementation of new systems. These will be explained more thoroughly in the coming chapters regarding technology.

Barriers for Developing Innovation

In many cases innovation process also stops as only radical innovation is considered to be effective and little attention is paid to incremental innovations. Radical innovation is considered to be too difficult to carry out, often referring to technological constraints. This was described by interviewee A. Also, some interviewees, namely interviewees B and G, limited their viewpoint on innovation to technological innovation, thus giving quite limited views as the technological constraints are seen very challenging, referring to a great amount of legacy systems or non-existent systems in the company. According to the interviews, incremental innovations happen, but they are not effectively monitored or reviewed, so measuring the innovation capabilities in the case company is non-existent. Often incremental innovations also fail to diffuse in the company as they are left being silent knowledge, thus hindering the innovation development in the case company.

Silent knowledge is certainly a great barrier at the present in the company. Interviewee E explained, that if innovative persons make innovative ideas and implement them into the services they deliver, only the customers these persons interact with will receive the added value of these innovations. The problem is that knowledge is not systematically collected, leading to many barriers and problems. In addition to the limited utilization of innovations, the customer value of services may differ between customers in the long term depending on the employees serving these customers. Also, as the case company was described by interviewee D to have had a notable staff turnover, in many cases the benefits of innovation flow out of the company with the employees leaving the case company. Interviewee D described:

“People at different levels [should be] guided to the well-proven models that are simple enough to be effective. Some kind of tools for optimal model of communication with customers [would be good].”

One barrier for innovation was described by interviewee H to be the situation the organization has been in the previous years. After restructuring the organization, many service delivery processes had to be streamlined and thus no room was left for innovation in the organization. This leaves the company now in a state of expectation that innovation should play a bigger role in the future. Also, it was speculated that there has been a lot of unnoticeable innovation in the processes during the restructuring. Referring to this, interviewee E told that a lack of facilitation of new ideas hindered igniting an innovation process. Clearly a need for idea management and innovation management exists in the case company.

Also the lack of resources was seen as one of the greatest barriers by interviewee E. No allocated working time or workforce for innovation has been established, thus leaving innovation into a somewhat floating state and being dependable on each employee personally. This was also criticized by the same interviewee suggesting it, referring that innovation does not emerge from a structured environment. But then again, the same interviewee described that in addition to the lack of idea management and innovation facilitation, no real structure innovation process exists in the company, so many innovations and ideas may be

left unutilized. A possibility that two separate persons might be facing the same challenge, but no information or knowledge is communicated between them was also mentioned by interviewee E.

This can also be re-formalized as the lack of product development, as interviewee E described it. This interviewee described that there were a lot of new ideas even implemented on the go to the services offered and to processes in the company, but no structured way of keeping track on those exists, thus the innovations do not reach their full potential in many cases. In some cases, experimental ideas in service delivery are carried out in the next project, but in many cases the ideas do not become part of the renewed service.

A certain level of frustration in the current state of innovation can also be seen in the interviewees A, B, C, D and E. The culture in insurance industry itself was also seen by interviewee B as a great barrier as the interest in new ways of working or serving customers is very low. Interviewee B described:

“Typical for the insurance industry, we are 4 billion years behind [everything else], the same specs still hold their place that have been there from the beginning.”

The current situation of the business environment of the case company was also discussed. As insurance companies are very important external stakeholders in the business of the case company, they should also be taken into account in innovation. The role of insurance companies in the business of the case company is quite complex, but insurance companies can be described as suppliers, competitors and customers of the case company as follows:

- Suppliers, as insurance companies deliver the insurances, as described by interviewee A,
- Competitors, as insurance companies offer similar or additional services, as described by interviewee B,
- Customers, as the case company deliver buyers and data of the customers, as described by interviewee B.

Interviewee B also saw insurance companies as a slowing factor in innovation, as they are seen as very old-fashioned and not keen on new ideas. This affects the ability to tailor some insurance-based services or to introduce any new innovations directly regarding insurance. Also, the case company relies on the data of the customer provided by insurance companies and it was discussed with interviewees B and E that the data is very unstructured and not uniform between separate insurance companies. The whole chain between insurance companies, the case company and customer was discussed to be challenging in the terms of data and communications.

The current state of IT-systems was also considered a great barrier, but this also received polarized views. Interviewee A explained that in technological innovation this barrier is overemphasized and might cripple the innovation process. On the other hand, interviewees D and F explained that the case company has a great amount of legacy systems and constrictions in them. Also, the global policies set a certain amount of restrictions in IT-system usage and implementation, described by interviewee F. This also restricts the company's ability to test and try new systems, and in a way constricts the way of implementing *minimum valuable product* type of service innovation processes. Then, interviewee G explained that the required flexibility could be obtained by presenting a business case of new technological innovations.

Potential and Objectives of Innovation Management

Several interviewees see potential in innovation management. Interviewee D described what the innovation management in the case company could be in an ideal case. The great amount of manual work done by the employees was seen as one of the biggest opportunities for improvement. Technology was seen as a great opportunity to streamline the operations of the company as well as bringing new channels of communication between the case company and its customers.

Some concrete ideas included were:

- A dashboard for customers to see relevant documentation by interviewee B,
- A database of industry-specific or customer-specific knowledge for familiarization for customer facing employees by interviewee E.

Also interviewee G described the new services brought to the market as the results of innovation. Most of these services have been developed in the global organization and then brought to the Finnish market, global organization meaning the global parent corporation of Marsh Oy. This clearly shows that the case company is able to launch, market and sell new services, but on the contrary the ability and capabilities to innovate locally are not quite at the same level.

Also, referring to the customer key performance indicators described by interviewee A in the previous section, with innovation the case company could ensure the achievement of formal goals by customers and also to propose advanced objectives and thus achieve a competitive edge on competitors.

The sources of new ideas and innovation were also discussed with the interviewees. Interviewees A, B, E and G felt that customer needs were the obvious source of new ideas. There were several examples of this, interviewee B described that electronic billing for customers was implemented in the case company among the first in the local market. Also, readily tendered insurance packages for small and medium enterprises were implemented among the first in the industry, described by interviewee G. These had been proven to have measurable benefits, but also at the present these innovations were somewhat outdated. Another source mentioned by interviewee H was internal needs for process improvements, and also provided an example of the last improvement of developing the reporting and summarizing capabilities.

The objectives of innovation also varied between interviewees. Some interviewees, namely interviewees C and H, said that the most important objective in innovation in the case company was streamlining processes and increase efficiency. This was also described as one the “official” objective of innovation in

the case company, as aiming to simplify processes, increasing efficiency, automating manual work and creating scalability in the business.

On the contrary, some interviewees, namely A, B and G saw the objective of innovation to create more value to the customer. This was described as the ability to proactively find solutions to general problems of customer and also reducing the complexity of the communication environment. One objective for innovation described by interviewee G was also increasing employee satisfaction. As the routine and operational work was perceived that it reduces employee satisfaction, innovation could help reducing certain kind of routine work.

These objectives might not be contradictive and the objective for innovation should be adjusted to support both objectives. Interviewee F described that increasing the efficiency and streamlining the internal processes would bring value to the customer in terms of employees at the case company having more time to concentrate on more important things and to have more time for deep discussions with the customer about their challenges. The reduced time from administrative work could also be used for acquisition of new customers, as interviewee G described. Also, technological innovation could help reducing errors and improve quality of reports. This was also seen important, as the acting in the insurance industry has certain amount of liabilities.

5.4. The Role of Technology and Digitalization

The second part of the interview started with a discussion about the interviewees' viewpoint on digitalization and technological innovation, as well as the recent trends in the industry. All of the interviewees described to have a positive attitude towards technological innovations, but also admitted that they acknowledged having very little experience or knowledge on the current state of digital technologies. Interviewee B described:

“In this industry [digitalization] is in its infancy.”

The state of digitalization in the insurance industry was described to be at a very low maturity level by interviewee B. This also contributes to the viewpoint that the interviewees had quite little knowledge on the benefits of technological innovations. Related to this, digitalization was also seen somewhat confusing. Interviewee D described that their viewpoint on digitalization was “fragmentation”. The vast amount of different technologies and technology providers was seen very confusing.

The technological maturity of the case company is quite low and can be described as a very complex situation. Interviewee F described that the case company has received a vast amount of tools and technologies from the global organization and it can be argued that the usage of the possibilities of those technologies is low. The interviewees were also asked on what were the latest digital implementations in the company. A human resources application was implemented globally during the last 3 months, but this had received very little notification in the interviewees. Locally, the latest implementation was described to be the local document management application, which was described by interviewee B to be implemented at least 5 years ago. Clearly there has not been much technological or digital implementations happening lately in the case company. Interviewee D described that there have been many small-scale tools implemented in the company, but their utilization has remained low. The interviewee reasoned, that no ways to utilize them have been found.

As the case company is part of a large global corporation, there exists an extensive amount of already implemented technologies and applications. Some of these technologies have become redundant due to failed training or communication or technologies becoming legacy, as described by interviewee D. Also interviewee D explained, that as the insurance industry is very careful about new technologies and especially their security levels, many development and implementation projects take so long, that they are already out of date to a certain extent when they are rolled out. They might not even match the customer needs at the moment of roll out and only create extensive unnecessary costs.

Interviewee F described that in many cases the current applications are unknown to many of the local organizations of the global corporation, thus there might be unused technologies that could bring immediate customer value or other benefits to the case company.

The benefits from these digital implementations were also discussed. The previously implemented document and invoicing management application was described to have brought a significant competitive advantage previously by interviewee B. The human resources application was described by interviewee G to decrease the administrative workload, regarding for example hiring.

Also, the possibilities and opportunities of implementing new technological innovations were discussed. The opportunities described were:

- Increasing efficiency,
- Service delivery through digital channels and internet,
- Digital services,
- Reducing employee workload,
- Data mining,
- Coordination of information,
- Facilitating communication,
- Cloud services, mostly cloud access for customers,
- Increased employee satisfaction and
- Artificial Intelligence.

Interviewee E described, that the biggest opportunity of technological innovation was seen in the communication channels, both internal and external. Internally the company is still quite small at 30 employees, but already a great amount of communication goes through email, thus creating an overflow of email for no good reason.

External communication was described to be heavily relying on email and mobile phone. An opportunity was seen in enhancing external communications with additional channels, as well as reducing the information overflow on email and mobile phone, especially email. Interviewees C and E described, that a lot of

documentary was described to flow through email to the customers and this was described to be inefficient and endangering the quality of the service. Also, some customers were described to have asked for a cloud platform for documentary, so a customer need clearly exists for additional external communication and service delivery channels.

Also, the current way of communicating and delivering services was described by interviewee C to be difficult to scale. Technological innovation was seen to have the potential to pack the customer value offered by the case company into a scalable model. The problem in this was that the customer appreciates the dedicated personal service, but in contradiction this proves to be too expensive for smaller companies.

The role of technology in the activities of the case company was also discussed with the interviewees. To assess the maturity of technology usage and the main contact points the interviewees had on technology, interviewees were asked what technological tools are the most important to them at present. Most common ones are listed below in Table 9.

Table 9. Most often mentioned technological tools.

Technological tool	Interviewees	No. of interviewees regarded as one of the most important technological tools
Email	A, B,C, D, E, G and H	7
Lotus Notes based CRM	B and E	2
Salesforce	A, B, C, F and G	5

The most used technological tools were affiliated with ways of communication, for example email, mobile phone and video call software Zoom. Documentation management is scattered between 2 types of data storages: network drive and ad-hoc document management applications. In financial side, Oracle and Excel were the most utilized, described by interviewee F.

One problem in the current utilization of communicational technologies was discussed with several interviewees, more thoroughly with interviewees E and H.

As email is one of the most important channels of communication between the customer and the case company, in many cases it suffers from a certain degree of overburdening in messages. As email is also the most important channel for distributing and exchanging important documents and deliverables, they often get lost in the stream of emails.

The strengths of utilizing technological innovation were listed as:

- Reducing the amount of mistakes,
- Streamlining internal processes,
- More effective utilization of communication channels,
- Easy to use dashboards to the customer and
- Unifying practices inside the organization.

Impacts of Technology on Customer Value

The complex relationship of utilizing new technologies and increased customer value was discussed with the interviewees. The main points of the discussions revolved around collecting and utilizing data and utilizing new communication channels and methods.

Interviewees A and C described how technology could increase efficiency in the communication and document delivery with insurance companies. Interviewee A described that in many cases the case company is dependent on the insurance companies ability to deliver documents to the end customer through the case company. Technology could increase the efficiency in this process by decreasing the delivery time. This would be possible, if the technology brought benefits also to the insurance company and thus commit the insurance company to the new delivery method. Interviewee C further described, that this would streamline the whole value chain and bring benefits to all participants in the chain. Interviewee C had an idea that robotic process automation could be utilized in this.

New ways of communication could also bring benefits to the small and medium enterprise customer segment, described by interviewee C. Many smaller and more

agile competitors already have digital services, which are considered to be a competitive advantage with the small and medium enterprise customer segment. Interviewee C described:

“When we are going to small and medium enterprises [customer segment] we should have these “low touchpoint” contacts, because our current cost structure can’t sustain [serving small and medium enterprises].”

Also, the new ways of communication could bring value to the continuous customer relationship by facilitating the discussion between the case company and the customer, as explained by interviewee E:

“Maybe we could provide something to the customer, that they could answer our requests [for more information] in an easier way.”

Interviewee E explained that technology could solve problems with providing information both ways between the customer and the case company. In many cases direct discussion is the best and most efficient way to negotiate and provide expertise, but sometimes either of the discussion participants require more and advanced information from each other, which might be impossible to provide in the negotiation situation. Technology could work in the background by giving technical questions quick and correct answers and as such make the interaction easier and more efficient. Interviewee F also touched on this subject by saying that the internal information processes should be streamlined to facilitate deeper discussions with customers.

The definition and value of customer data was discussed with interviewee H. It was discussed that already a lot of data is collected, but it also should be remembered that not all data is allowed to be collected, probably referring to some personal information of customer’s representatives. Interviewee H divided customer data into basically two categories:

- Financial or formal information, like revenue and property value, and
- Informal information, like specific customer needs, customer’s ways of working and specific business risks they have.

The latter category was seen as the data that should be utilized much more and could provide competitive advantage through better value propositions. The latter category is also more difficult to utilize due to the unstructured form of the data.

The Resource Needs for Technology

Last questions in the interview discussed with the issue of resources needs in technological innovation and implementing technology in the case company. The greatest resource need was defined to be in the human resources, as described by interviewees C, D, E, F, H and G. The needs in employee resources were described to be:

- Time,
- Commitment,
- Technological know-how,
- Training and
- Incentive for development.

Interviewee D described that an incentive for developing new innovations and ideas for new technologies could boost the resource usage.

5.5. Service Innovation in Professional Services in Finland

This part describes the data gathered in the web based online survey to Finnish KIBS companies. The data analysis started by importing the data from the survey website Webropol to Excel. As the number of respondents was only five, the statistical methods used were mostly averages and percentages. More advanced statistical methods for data of this size are not very reasonable, as most of the underlying insights can be found with lighter methods.

In total, the survey got five responses and it was sent to 105 managing directors and CEOs in B2B-service companies in Finland, leaving the response rate to a low 4,8%, although the questionnaire was opened 17 times without leaving a

response, meaning many did not apparently have the interest or time to answer, even though the questionnaire was designed to be short and easy to answer. The low response rate can be also explained with two mutually reinforcing reasons: firstly, the survey invitation was sent by email and thus probably it can easily drown in the endless stream of emails and secondly, the survey was sent to the highest management in the companies, who can be arguably assumed to have many other priorities in their organizations.

The first question assured that the respondent was working for a B2B professional services company and it got the answer “Yes” from 100% of the respondents, meaning that all of the responses are valid in the context of this study. Also, 100% of the respondents were part of the top management of the organization, two being from a company sized more than 1000 employees, two from a company sized between 50 and 249 employees and one from a company sized between 10 and 49 employees. The companies the respondents were representing were from four different industries: one from architectural and technical services, one from accounting services, one from advertising services and two from IT-services and consulting.

The first actual question relevant for the data collection was around the type of customer relationship the respondents’ companies had. In this question the respondent was able to choose a maximum of five types, all picked from the business model theory by Osterwalder et al. (2009). All five respondents chose “Long term” as one of their answers, stressing the importance of long-term customer relationship in business services. Other selected choices were “Tailored”, “Dedicated personal”, “Personal” and “Transactional”, which all had one respondent.

The rest of the questions assessed selected strategic themes and asked the respondent to select those in Likert scale of “Strongly agree” being 5 and “Strongly disagree” being 1. The most notable result of this question was that all 100% answered that they strongly include customer focus in their strategy. Also, all the other themes were present in their companies’ strategies, but having a very

small dispersion in the answers. The average of these responses are presented in Figure 8.

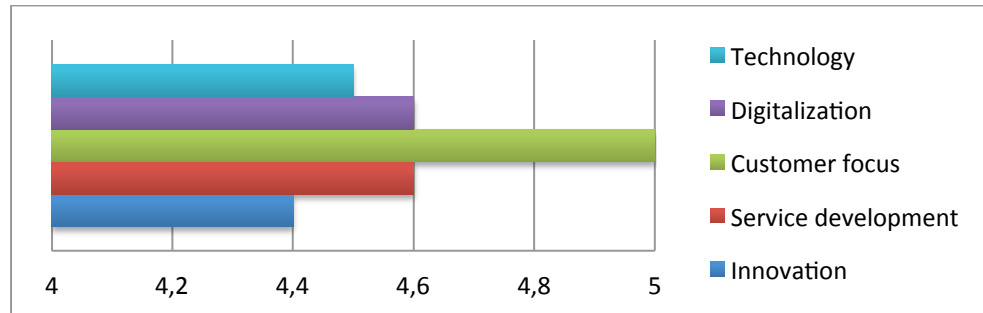


Figure 8. Themes the companies have included in their strategy (question 7).

The strategic importance of service development, innovation and technology was also tested in the question 8. Most of the companies had defined a service development process and an innovation process, but still the Key Performance Indicators (KPIs) were the least defined. This should be noted, as in the literature it was found that companies struggle to measure service innovation as opposed to measuring product innovation. The average of the responses is presented in Figure 9.

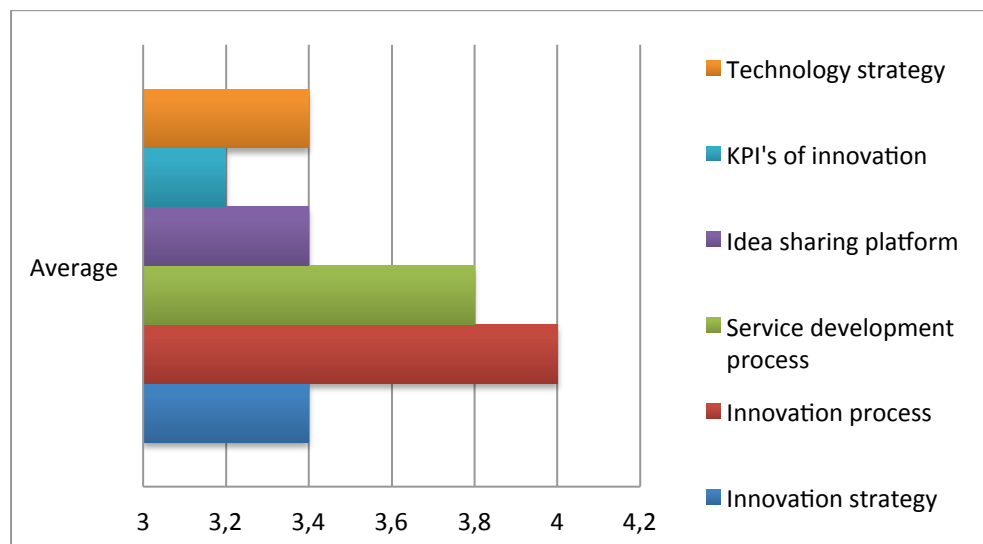


Figure 9. Different themes the companies have defined (question 8).

The capabilities of service innovation were questioned in the question number 9, based on the service innovation theory framework by den Hertog et al. (2010). This question received very dispersed answers, except the ability to signal user needs received most positive answers. Technological options received the most dispersed answers probably due to some of the companies acting in the IT industry and some in other B2B-service industries. The responses are presented in Figure 10.

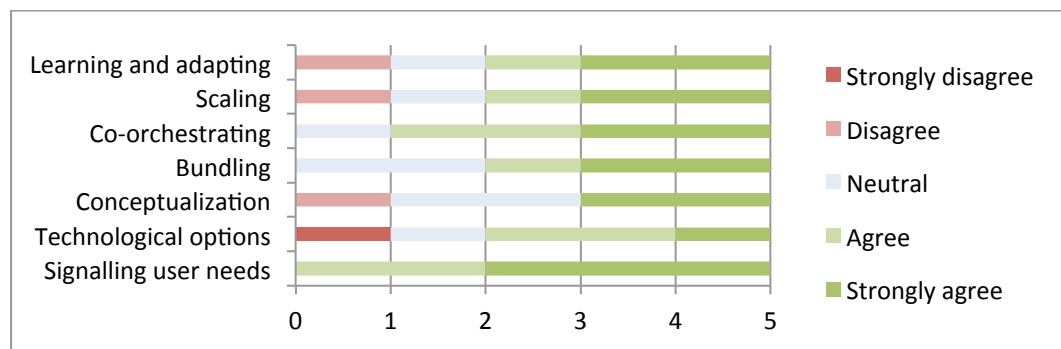


Figure 10. The most important capabilities in service innovation (question 9).

Next the most important results and outcomes of service innovation were questioned. This question also received quite dispersed responses, but the most important outcomes selected were new service concepts and new partnerships, while also new revenue models received three strongly agreeing answers but one disagreeing answer, as also new customer interaction channels and new service delivery models received one disagreeing response. The responses are presented in Figure 11.

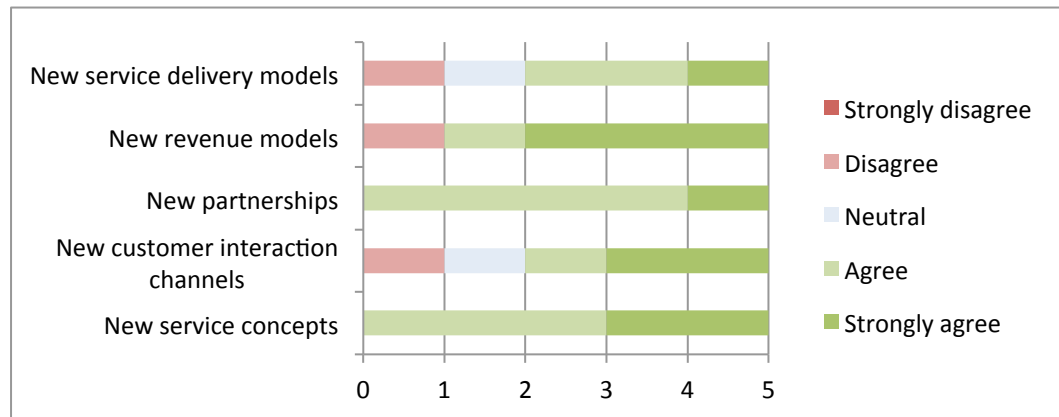


Figure 11. The most important outcomes of service innovation (question 10).

The question number 11 requested the respondents to answer where in the organization are the biggest resource needs considering service innovation. HR received the most polarized response, when sales and networks were seen the most important. Even though professional services rely highly on the expertise of the employees, human resources were not seen as important as other functions, when sales were stressed to be the most important resource. The results are presented in Figure 12.

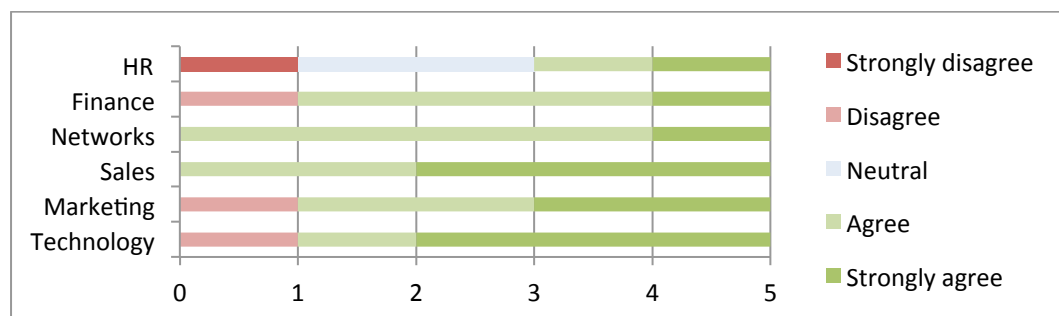


Figure 12. Company function, which is most needed in service innovation (question 11).

Then, what role customer value had in the service innovation dimensions was examined. As the companies had previously described that signaling user needs was the most important capability in service innovation, it can be assumed that the customer value has a great effect in the service innovation activities. The

responses show that customer value has an effect almost equally in all of the dimensions, only leaving the human resources on a little bit lower level. The dimension that is most affected by customer needs and value is new service concepts. The responses are presented in Figure 13.

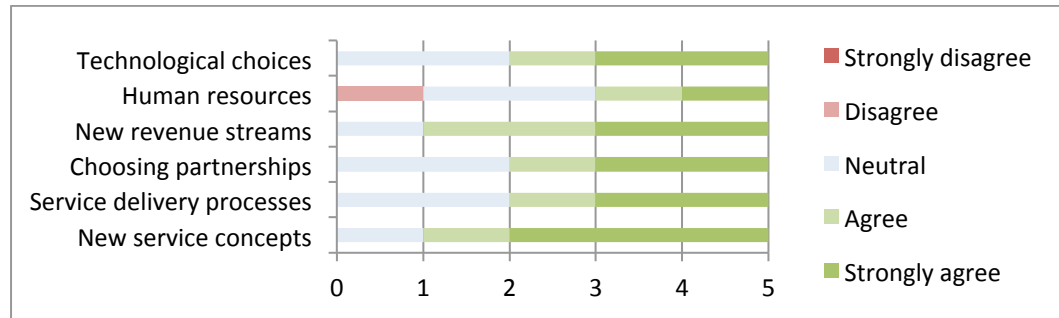


Figure 13. In which service innovation dimension customer needs have the greatest effect (question 12).

The next part was based on the service innovation process theory by Alam & Perry (2002). The respondents were asked what were the important phases in their service innovation process. This part would have benefitted from a larger number of respondents as it has many definitive phases, but it can be said that test marketing, strategic planning, service design and commercialization were seen as the most important phases of service innovation and service delivery design as the least important phase. The responses can be found in Figure 14.

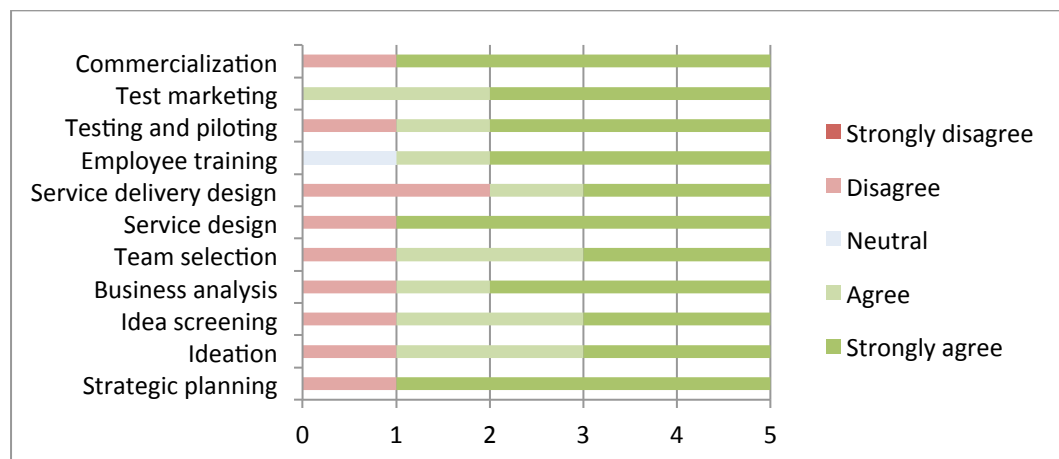


Figure 14. The most important phases of service innovation process (question 13).

Question 14 was based on some specific technologies that the researcher found interesting and relevant. The respondents were asked which technologies they saw as the most important in their operations. This received very polarized responses, although mostly positive. Only disagreeing answers received were CRM, marketing automation and blockchain, of which CRM and marketing automation is possibly widely in use already, and blockchain being a very immature technology and thus it is difficult to forecast its benefits in the future. Most positive answers receiving were big data, cloud computing, robotics process automation and artificial intelligence. The responses can be seen in Figure 15.

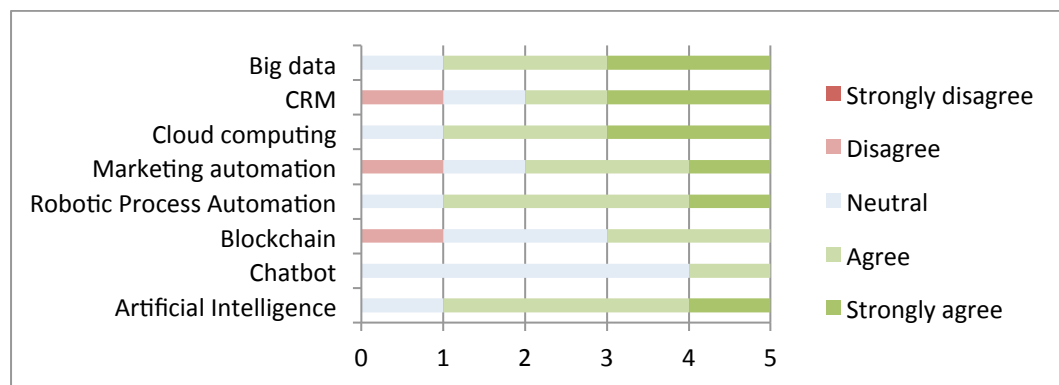


Figure 15. Most promising technologies (question 14).

Next, the role the technologies have strategically was examined. This question was loosely based on the theory of value proposition by Osterwalder et al. (2009). The results show that reducing the number of employees is almost most definitely the most important reason of utilizing new technologies. The most important values of new technologies can be assumed to be increasing service availability, branding, new revenue models, increasing sales, automation, efficient service delivery and employee satisfaction to some degree. The responses are presented in Figure 16.

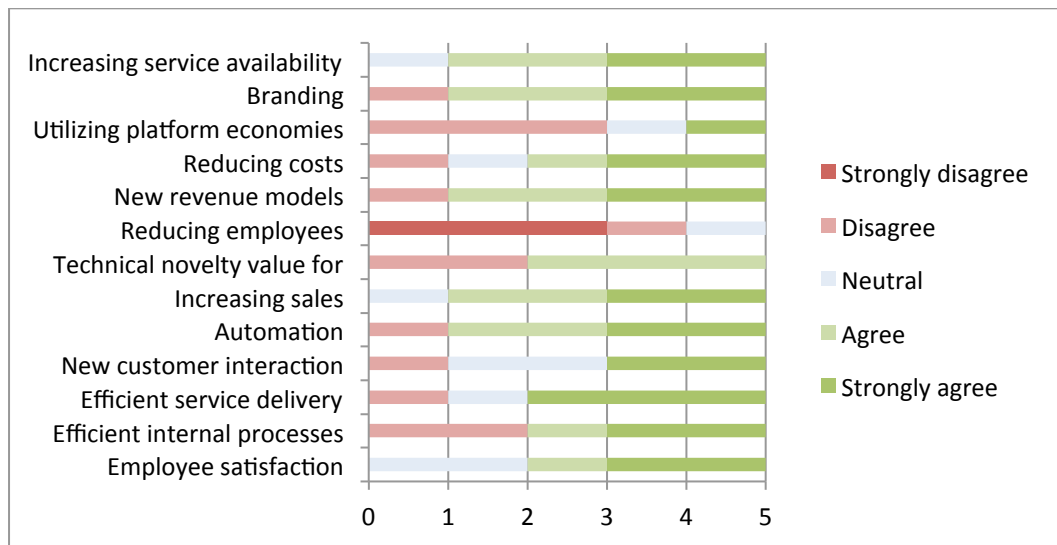


Figure 16. The most important value of utilizing new technologies (question 15).

Then, the barriers of utilizing new technologies were questioned. This also received quite polarized answers. Biggest barriers were definitely in the current IT-systems, so technological readiness was seen as one big barrier. Finance and human resources were not seen as great barriers for utilizing new technologies in the companies' services. The results are presented in Figure 17.

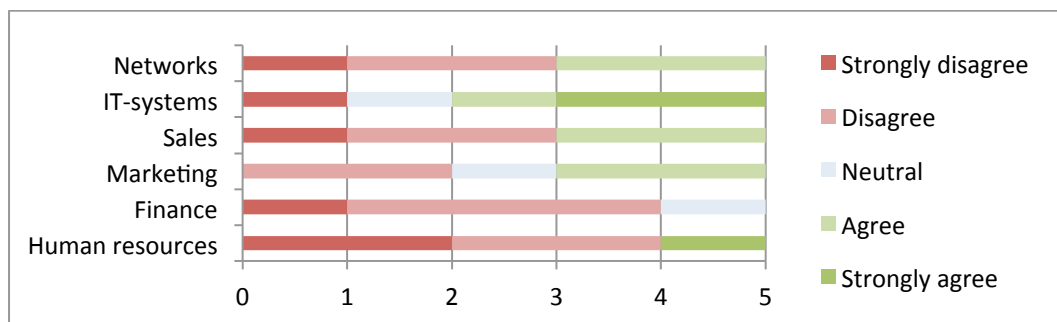


Figure 17. Greatest barriers in utilizing new technologies (question 16).

Lastly, the respondents were given a free space to describe anything related to the subjects considered in the questionnaire. 2 respondents left an answer there, both describing barriers in business model and technological innovations. First respondent described that the modern way of utilizing data had posed challenges

in the organization and that they had established a strategy to battle that. Also the respondent described that communication externally and internally about new capabilities has posed barriers and challenges. The second respondent described that the industry the organization was in has been slowly transferring into a new business model and that the speed of change has been increasing.

5.6. Customer Perceptions

This part describes the data received from a third party, which had conducted interviews with customers of the case company related to a new service design project. As this part of the study relies on third party data it has to be considered with a critical mindset. Nevertheless, the customer viewpoint is crucial for understanding the role of customer value in service innovation. Firstly, the interviewees described how they see the industry the case company is representing, meaning insurance broking. Half of the interviewees had a negative perception of the industry and part of these interviewees had never been acquainted with insurance broking, even though they had thought about it to chase cost reductions in insurance costs. The greatest barrier these interviewees had in working with an insurance broking company was that they did not believe that the company would have required knowledge of the business they are in, explaining this with stating that insurance broking cannot spend as much time with SME companies as with larger enterprises. They also expect an insurance broking partner to be proactive and customer focused. The benefits they saw in having an insurance broking partner was reducing the time, effort and costs used in working with insurance companies, mostly because they consider the offerings of insurance companies very complex.

Next, the challenges these companies faced in their business environment and networks regarding risks were discussed. These challenges can be roughly divided into 5 categories: risk management challenges, insurance challenges, networks challenges, growth challenges and internationalization challenges. These challenges are summarized in Table 10.

Table 10. Summary of customer challenges

Risk management	Customer risks are difficult to manage Risk management is not systematical Lack of internal risk management expertise Uncertainty over future
Insurance	Employee risks cannot be insured Lack of insurance expertise
Networks	Difficult to find retailers Insurance partners lack international expertise Lack of international contacts
Growth	Difficult to manage growth Fear of mistakes and failure Difficulties in transforming business Customers are not ready for new
Internationalization	Difficult to internationalize business IPR-contractual difficulties Marketing and pricing difficulties

Taking the challenge viewpoint in customer needs, some assumptions and conclusions can be drawn. Firstly, customers are in a need of building a structured risk management in the company, which could aid in reducing uncertainty over future and increase internal knowledge about risk management. This should lead into applying risk management expertise into many sides of the business, including customer interface. Customers clearly need help in increasing knowledge and defining structures of risk management.

Secondly, insurance is considered to be time consuming and complex. This means that the basic offering and expertise of the case company still holds its value, in other words the services should include offering insurance expertise. Thirdly, networks are seen as a great challenge in many perspectives, including customer contacts, insurance contacts and growth contacts. Customers face challenges in building a network around them that could support their international growth strategies, while taking the necessities into account. Fourthly, many challenges rise from their growth ambitions. Here clearly the uncertainty over strategic decisions, future opportunities and risks affect the company internally and externally. Reducing uncertainty and communicating the reduced uncertainty externally would help the companies to achieve their growth strategies. Lastly,

internationalization of the business poses many contractual challenges. Also, it can be argued that the challenges in the network and uncertainty mirror here.

6 ANALYSIS AND DISCUSSION

The aim of this study is to research how service innovation is managed in knowledge-intensive business services, specifically from the viewpoints of the role of customer value and technological options. The specific chapters that answer the research questions are presented in Table 11.

Table 11. Answers to the research questions.

Chapter	Research question
6.1 Insights into Service Innovation in Professional Services	RQ1.1: What theories of service innovation are applicable to professional services company?
6.2. Insights into Customer Value Effect on Innovation	RQ1: How service innovation and customer value are linked in professional services? RQ1.2: What is the customer value of professional services?
6.3 Insights into the Role of Technology	RQ1.3: What additional customer value technological innovation creates?

6.1. Insights into Service Innovation in Professional Services

Some of the findings in the empirical part support the findings in the literature research. In Table 12 the empirical findings on the main perceptions of service innovation have been linked with the service innovation model by den Hertog (2010).

Table 12. Empirical findings in service innovation linked with theoretical findings.

Empirical findings of examples of service innovations	Service innovation dimensions
New channels of communication with customers	New customer interaction New delivery system: technological
Customer dashboard	New customer interaction New delivery system: technological
New-to-the-market services	New service concept
Electronic invoicing	New delivery system: technological
Readily tendered insurances	New service concepts New revenue model

Clearly, the technological dimension is the most present in the perceptions of service innovation in the case company. This dimension seems to have a somewhat central role in service innovation, at least in the consideration of the interviewees. The only dimension that could not have been identified in the empirical part was the “New business partner”-dimension. When comparing to the results of the online survey, the results are somewhat contradicting as “New partnerships” was seen as one of the most important results of service innovation. To test the dimensional model of den Hertog a bigger and more comprehensive sample set would be needed, but it can be said, though, that services definitely have a very different nature in innovation than products, as it is also described in the literature. All in all, the dimensional model seems to depict the dimensions of service innovation quite well.

In addition to the service innovation dimensions, also process innovation dimensions were identified in the empirical research, mostly related to increasing efficiency in internal processes and decreasing manual labor done by employees. Of course this can have indirect implications into the effectiveness of service delivery, but cannot be considered as service innovation, at least according to the literature study. Service innovation seems to have ties into process innovation also, supporting the synthesis perspective of service innovation.

When assessing the process dimension of service innovation itself, very little evidence of a structured service innovation process could be found in the semi-structured interviews in the case company. Interviewees described that service innovation was nothing structured and it happens freely, some even emphasizing that it should not be structured, at least for the idea generation part. Innovation was also described to be more of a “state of mind”, maybe referring to cultural factors in the organization. Still, this does not prove that establishing a service innovation process would not be beneficial for the results of service innovation; on the contrary, establishing process would help in measuring performance of service innovation, which was lacking in the case company. It should be studied further, if on-demand flexible service innovation and process-oriented structured

innovation should be regarded as separate types of service innovation, for it seems that a KIBS organization needs both kinds to be successful.

As service innovation happens as a co-creation with the customer and customer relationships are very dedicated in KIBS-businesses, individual innovational capabilities have a larger value in the total innovational capabilities of an organization than in other types of services or products. The service innovation capabilities by den Hertog can be applied into individual personnel, as in value co-creation with the customer the individual employee or team needs to be able to signal the user needs, provide technological options on-demand, conceptualize to retain trust in the solution, bundle the service portfolio according to the customer needs, co-produce with the customer and learn and adapt for future assignments and additionally to keep a healthy relationship with the customer. The relationship between individual innovational capabilities and organizational innovational capabilities should be studied further, as it would provide valuable managerial insights into creating a culture that supports innovation in a service organization. In other words, individuals in an organization can produce a wide range of innovations, but the organization as a whole may not learn from those at all and the value cannot be transferred to future customers without these respective individuals.

Also, a lot of service innovation was described to diffuse from the global organization. This shows that the intangibility of services makes it easier for new solutions to be copied and learnt in the organization than with technical products, which in many cases need a range of technologies, processes and knowledge to be copied or diffused in an organization. This can be traced into few of den Hertog et al. service innovation capabilities, namely signaling technological options, bundling existing services with new offerings, scaling and adapting the existing innovations into new business environments.

6.2. Insights into Customer Value Effect on Innovation

The empirical study and literature research are in line with considering the customer relationships being long-term and committed in services and especially in KIBS. This raises the opportunity to utilize the customer needs even further and a substantial amount of service delivery done in the case company is already co-created with the customer. The emphasis on relationship also supports the statement by Salunke et al. that value is created with the customer and not for the customer.

Also, the perceptions about customer value in the case company and the customer interviews support each other in many ways and dimensions. Table 13 presents the summary of matched perceptions of customer value in customer interviews and in case company interviews.

Table 13. Summary of matching customer and case company viewpoints on customer value.

Customer Described Value	Case Company Described Customer Value
Understanding the business of the customer	Offering benchmarking information, deep industry knowledge
Proactivity	Lot of work is done reactively and more should be done proactively
Customer focus	All work done should produce value to the customer
Cutting cost of insurance	Corresponding insurance solutions
Reducing time and effort of insurance	Making one side of customer's business easier, corresponding insurance solutions
Reducing complexity of insurance	On-point expertise, being a trusted advisor
Aiding in structured risk management	Risk dialog, offering implementable structured to the customer's risk management
International partnership	Risk dialog, trust, sparring, on-point expertise
Reducing uncertainty	Risk dialog, trust, sparring, on-point expertise, reducing uncertainty in decision making, offering benchmarking information

One of the greatest barriers described in the empirical study was that the collection of tacit knowledge from the customer was difficult, although it was seen as one of the most important sources of innovation. Thus it can be assumed, that an innovation process can be reinforced by establishing a structured way to

collect knowledge, and most of all tacit knowledge. Knowledge from customer needs can be gathered in many ways, but one client-facing interviewee described that the tacit knowledge of the customer and its needs increases as the relationship matures and deeper trust is established in the case company's expertise. Thus, to win customers, to increase expertise and to be able to answer customer on-demand needs, innovation must happen in the company for the company to be able to answer new challenges. Here we come back to the start, so the process can be described as a self-reinforcing circle, described further in Figure 18. The figure can be seen as the guiding principle in reinforcing the innovation foundations in a service business.

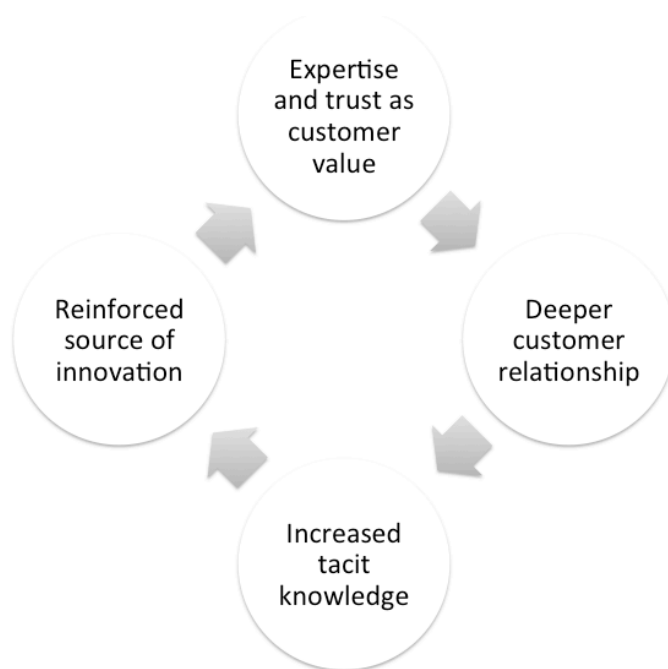


Figure 18. The cyclic process of reinforcing service innovation basis.

The previously depicted model puts emphasis also on creating long-term and mature customer relationships. Based on the interview data, the initial customer value is expertise, which can be utilized to co-create value with the customer, which then leads to establishing a conversational partnership through trust and then leading to increased scope of service offering. This process is described in Figure 19.

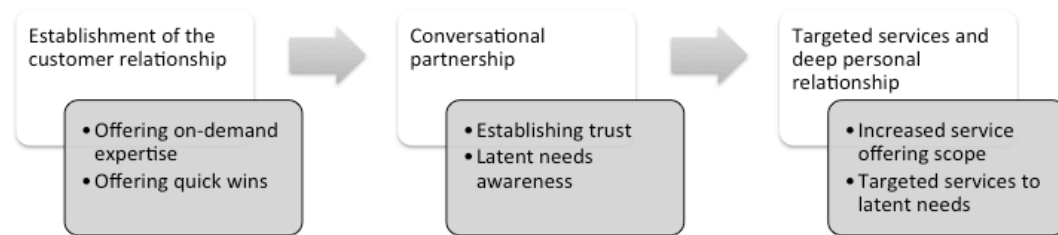


Figure 19. The evolution of customer value through the maturity of customer relationship.

Based on this it can be argued that the customer value, or a large fraction of it, evolves during the relationship the customer and the service provider have. In other words the things that provided value for the customer in the first place might not hold their value in the later stages of the relationship. This means that the customer value evolves with the customer relationship, also supporting the findings in the literature study. Based on the interview data, trust, expertise and partnership with the customer go all hand-in-hand, all contributing to each other, for example as customers receive high quality expertise services, trust increases between the service provider and the service recipient. This leads to a deeper partnership and increased dialogue, where new valuable customer needs come up, which can then again be answered with solutions built on expertise.

It can be argued that although the service portfolio and services offered might be similar, in many cases the customer perceives the value differently in less mature relationship than in a deep relationship. Also, as a great amount of the service is tailored, it is quite obvious that when in deeper relationship the common knowledge of the customer's challenges in the case company increases and vice-versa the common knowledge of the services, capabilities and expertise of the case company increases in the customer, the services can be tailored further and thus increasing the customer value.

As the value is co-created between the supplier and the customer, one of the most challenging points in the relationship is the initial establishment of the relationship. The literature study shows that customers are always comparing the

service experiences they have, so to win a customer and establish a co-creative relationship, a company has to present a service that has superior experience to other competitors, solve a specific need quickly with a service solution or offer a portfolio that can solve multiple needs.

Services also have very specific problems regarding innovation in comparison to product innovation. The scalability problem is very rarely found in tangible products, as the product requires the same amount of resources regardless of the customer it is sold to. This is also a very important link between service innovation and business model innovation, as the business model has a great impact into the required resources to scale the service. Often also if no information is collected from the solved problems, this might lead into great amounts of silent knowledge and hinder the innovation process and thus weaken the implementation of new value in the service portfolio of the company.

One problem in realizing customer value is the high level of personal linkage between the service recipient and service provider. A customer might go through the steps described above but in the end the trust partnership might be tied only between the person on the customer's side and the person in the case company's side and thus hindering the progress to establishing it company-wide. Interviewee A described this further that this leads to a lot of customer value being silent knowledge in the case company behind the customer contact persons and thus leading to weak basis for innovation process, unmet customer needs and lost opportunities on increasing the scope of the service.

It can be argued that when the relationship matures, it is highly important to involve more points-of-contact and personnel into the customer relationship to reduce the risk of the customer relationship remaining personal. This kind of service delivery strategy should be studied further and how it links to the service innovation through utilization of tacit knowledge.

6.3. Insights into the Role of Technology

The main perception on technology and utilizing technologies for service innovation in the case company was that it is confusing and the industry as a whole is in its infancy on digitalizing services. Therefore, it can be assumed that there are a lot of opportunities regarding technologies. This also supports the literature that technology as itself is not seen as something beneficial, but understanding specific technologies and their benefits brings more value in service innovation.

One way to study the infusion of technology into a service business is to utilize the business model canvas by Osterwalder et al. Collecting from technological opportunities from the empirical data, Table 14 presents some of the possible opportunities in the business model perspective. Of course it should be noted that utilizing specific technologies could have implications into several elements of the business model at once.

Table 14. Technological opportunities in the business model.

Business Model Canvas Element	Technological Opportunities
Customer segments	Making SME-market more feasible
Value propositions	Increased quality of service Newness
Channels	Service delivery through digital channels Cloud access for customers
Customer relationships	Facilitating communication New communication channels
Revenue streams	-
Key resources	Easier recruitment processes Increased employee satisfaction Unifying practices inside organization
Key activities	Increased efficiency Reduced human workload Coordination of information
Key partnerships	Efficient information flow through value chain
Cost structure	Shifting from economy of scope to economy of scale

Also, when creating new services the focus on key activities and key resources should remain. At the moment, many employees of the case company do a lot of

manual work in terms of document handling. A great portion of this manual work does not create additional value for the customers or the case company. Having better and streamlined business processes would also help in reducing the high employee turnover and thus aid in decreasing the outflow of silent knowledge from the case company.

The current way of communicating and delivering service was described to be difficult to scale by interviewee C. Technological innovation was seen to have the potential to pack the customer value offered by the case company into a scalable model. The problem in this was that the customer appreciates the dedicated personal service, but in contradiction this proves to be too expensive for smaller companies. This might require a full-scale innovation process to change the current service model of the business while still keeping the customer value in the center.

The whole value chain from insurance companies through insurance broking to the customer was seen as something that could benefit from new innovation in the empirical study. It could be studied further if the case company could start implementing some degree of standardization in the value chain to uniform the data, increase structure and then to implement new technological innovations to add customer value.

One part of the customer value produced by the company is the key performance indicators that are required from them by their larger customers. Some of these key performance indicators are related to response times, delivery of summary documents and other formal processes, which indeed could be optimized further with correct technology choices.

7 CONCLUSIONS

In academia, service innovation has gathered three contradicting perspectives. Based on the empirical results, some companies seem to have applied the structures of product innovation into service innovation, especially when there is technology involved, as in assimilation perspective. Secondly, some companies let service innovation flow freely through the culture of the company, leaning on the capabilities of the individuals in the company, as maybe in demarcation or synthesis perspectives. Lately the academia has been leaning more into the synthesis perspective. There is a certain gap between the business and the academia regarding the structured model of service innovation and components of successful service innovation management strategy.

7.1. Theoretical and Managerial Implications

Digitalizing services has gained a lot of hype in recent years and companies are rushing to modernize their customer paths with service design tools. Still, technology should be regarded as something that does not hold much value on its own and specific technologies must be evaluated in the context they are needed, keeping the customer value in the center. As KIBS businesses hold value in the expertise, trust and relationship-building skills of individuals and teams, technologies in this context should support delivering this value to the customers.

Customer centric service innovation is a very complex and interdependent concept. According to this study service innovation divides roughly into two categories in KIBS: on-demand innovation capabilities in the value co-creation with the customer and structured service innovation process, which is related more to the traditional definition of innovation. In both of these customer involvement is the key to success, but at the same time companies should be aware of the technology push side, being able to infuse technologies effectively into new innovations.

In the literature review mainly two different managerial viewpoints of service innovation were identified. First, customer centric service innovation in knowledge-intensive service business happens during the service delivery process as part of the co-terminality of the service production and consumption. There is a great need for a model to capture and apply these innovations in a structured manner, for which the service innovation capabilities view could provide the framework. Second, to create totally new service experiences the previously mentioned co-creation might not provide the aid as the innovations often have implications and effects on the business model of the company, which is then adapted along the way. To develop service innovations proactively, business model innovation may provide the concept to comprehensively design services for pre-determined customers.

Service innovation was identified to have a two-fold characteristic in relation to product innovation. To develop services in a structured process like product innovation process, the business model needs to be innovated. This contributes to the assimilation perspective of service innovation. Then again, for existing services that are being innovated while they are produced, the service innovation capabilities view provides the framework to capture the innovational value in a structured manner. This contributes to the demarcation and synthesis view of service innovation. In the bigger picture organizational capabilities play a great role in service innovation.

The biggest barrier in developing service innovations is capturing the value from day-to-day innovation in business. As in professional services normally a great amount of employees are customer-facing and service delivering, there are a lot of opportunities for collecting customer needs and innovating services on the go. The difficulty is in capturing the incremental innovations and potential ideas in day-to-day operations. Keeping track of the changes made in the service delivery and collecting all the ideas in a uniform way could help organizations to evaluate and accelerate the innovation process. A structured way to track the changes and ideas could also offer a way to evaluate the benefits and performance of service innovation, while also offering insight on how it could be developed further and

diffused in the organization between employees working on service delivery and service development. Utilizing theories and models of knowledge management could be beneficial.

As a lot of service innovation is visible in processes and business models and not in traditional innovation measurements like R&D expenditure, service innovation easily stays hidden. To follow the innovation in services, a set of measurable key indicators should be set in terms of processes and business model changes, as well as utilizing existing technologies to new service delivery models. This would give a much better view in the innovational capabilities and actions in the service companies and help to choose the successful ways of utilizing service innovation management.

7.2. Reliability and Validity of the Results

The three principles in a case study that ensure the reliability of the results are: utilizing diverse research material, setting up a database of collected material and creating a chain of evidence (Yin, 2009, p. 101). In this study the first principle has been fulfilled by utilizing literature research, semi-structured interviews, an online survey and additionally third party data collected with semi-structured interviews, meaning that a vast amount of different research methods and methodologies have been used. In the second principle Yin (2009) refers to publishing the research material for scrutiny. In this study the research material is not totally public, but it can be obtained from the researcher. Part of the material is of course public, mainly the literature research material. The third principle refers to describing the research process in detail, to ensure the reliability of the results in qualitative research. The research process has been closely described in Chapters 1 and 4.

Additionally, the context of the research has to be kept in mind, as the case of this study is a single company and the wider context covers B2B-service companies in Finland. This means that the results should not be generalized too far, as well as the aim of a case study is in general not to do so. In the semi-structured

interviews, many aspects can affect the data collected, mostly the expertise, skills and personal characteristics of the interviewees and the interviewer. Also, the data collected is the opinions of the people interviewed, highly relying on their expertise and knowledge about the case company and the subjects studied. The greater effect of having limited knowledge about the subjects studied was aimed to be reduced by educating the interviewee at the start of each interview chapter. The primary data can be considered valid in the context of the case company and to a certain degree in similar companies, as the interviewees were happy to answer and elaborate on the questions and further additional questions.

Also, the online survey relied on the reliability of the respondents, their skills and expertise. This was aimed to be limited by targeting the survey invitations to high level employees, who can be assumed to have better knowledge and view on the service innovation and strategic activities of their respective companies. Also the low response rate of the survey poses a great threat on the validity of the results. The effect of this has been limited by mainly utilizing the data only to provide viewpoints and perceptions for the primary data, as well as to avoid too much generalization.

Lastly, the third party provided data was the most difficult to validate. It has similar limitations as the primary data, but in addition the aim of those interviews was not totally aligned with this research. Thus, the data can provide viewpoints and perceptions with the primary data, but further generalizations should be avoided.

7.3. Limitations and Areas for Future Research

This study focused on examining service innovation in a knowledge-intensive business service through the models of service innovation capabilities and business model canvas. Even though this study offered insights into the systems level view of service innovation and provided some valuable points to focus in managing service innovation, the process-centric nature of new service development caught limited attention in this study.

This study also focused on the dimensions of technology push and market pull in service innovation management. Service innovation has also many other components and dimensions that affect the way companies can manage these and find a competitive advantage. The underlying interdependencies in the service innovation dimensions should be studied very closely and precisely as the intangible nature of services might pose very unexpected challenges depending on the specific organization, industry, context and service experience at hand caused by these interdependencies.

One of the main findings in this study considers the contradiction between the individual employees and the organization in regards to service innovation. Clearly service innovation can happen on the individual employee level of the company, but the value might not flow to the bigger organization because of the intangible nature of services and customer relationship-heavy service delivery. The underlying reasons for this misfit and also the tools and models of service innovation management to decrease the value disappearance of this phenomena should be studied further.

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APPENDICES

Appendix 1. Semi-structured interview structure (available in English on request)

TAUSTATIEDOT

Haastattelun aika ja paikka:

Haastateltavan nimi, työnimike ja osasto case-yrityksessä:

1) TYÖTEHTÄVÄ
a) Kuvaile työtehtävääsi? b) Mitkä ovat tärkeimmät teknologiat työssäsi nyt?
2) ASIAKASKONTAKTI
a) Millainen on asiakkaan rooli työssäsi? b) Kuinka suuren osuuden työajastasi olet asiakasrajapinnassa? c) Kuvaile asiakassuhteesi laatua?

ASIAKASLÄHTÖINEN INNOVAATIO PALVELUYRITYKSESSÄ

Innovaatiolla on useita määritelmiä, mutta yleisesti se voidaan määritellä uutena tai olennaisesti paranneltuna taloudellisesti hyödyllisenä tuotteena, prosessina, palveluna tai keksintönä. Innovaatio voidaan ymmärtää ideana, käytäntönä tai esineenä, joka on uusi yksilölle, yritykselle, markkinalle tai maailmalle.

Innovaatiot voidaan jakaa inkrementaaleihin (vähittäisiin) tai radikaaleihin (mullistaviin) innovaatioihin. Asiakaslähtöinen innovaatio tarkoittaa innovaatiota, jonka lähtökohtana ovat asiakkaan tarpeet tai asiakasarvon lisääminen olennaisesti.

3) INNOVAATIOT
a) Miten innovaatio näkyy Marsh Oyn toiminnassa?
<ul style="list-style-type: none"> i) Miten kuvailisit innovaatiota Marsh Oyssa? ii) Miten innovatiivisuus kuvataan Marsh Oyssa? iii) Mistä innovaatiot syntyvät Marshissa?
b) Mihin innovaatiolla on vaikutuksia Marsh Oyssa?
<ul style="list-style-type: none"> i) Mitä innovaation tuloksina syntyy? ii) Miten innovaatiot hyödyttävät Marshia? iii) Miten innovaatiot vaikuttavat palvelutarjoomaan? iv) Miten innovaatiot vaikuttavat asiakasrajapintaan?
c) Mitä kyvykkyyksiä innovaatioiden tekeminen vaatii?
<ul style="list-style-type: none"> i) Mitä resursseja innovaatioiden toteuttaminen tai hyödyntäminen vaatii? ii) Mitä innovaatioiden toteuttaminen vaatii henkilöstöltä? iii) Mitä innovaatioiden hyödyntäminen vaatii markkinoinnilta? iv) Mitä innovaatioiden toteuttaminen ja hyödyntäminen vaatii myynniltä? v) Mitä taloudellisia vaatimuksia ja rajoitteita innovaatioille on? vi) Mitä teknologisia tai IT-vaatimuksia innovaatioille on?
d) Mistä innovaatiot syntyvät Marsh Oyssa?
<ul style="list-style-type: none"> i) Kuinka suuri merkitys asiakkailla on innovaatioiden syntyyn? Entä hyödyntämiseen? ii) Tarvitsevatko innovaatiot usein uutta teknologiaa?
e) Miten innovatiivisuutta tuetaan Marsh Oyssa?
<ul style="list-style-type: none"> i) Mistä tuki tulee? ii) Mihin tuki kohdistuu?
4) ASIAKASARVO INNOVAATION LÄHTEENÄ
a) Mitä asiakasarvo merkitsee sinulle?
<ul style="list-style-type: none"> i) Mistä komponenteista asiakasarvo koostuu? ii) Mikä on tärkeintä arvoa, mitä asiakas saa Marshin palveluista? iii) Miten asiakassuhteen syvyys ja tyyppi vaikuttavat asiakasarvoon?
b) Miten asiakastarpeet tulevat ilmi?
<ul style="list-style-type: none"> i) Miten asiakas ilmaisee tarpeensa? ii) Kuinka tiedostamattomat tarpeet huomioidaan?
c) Miten asiakas vaikuttaa innovaatioiden syntyyn ja toteuttamiseen?
<ul style="list-style-type: none"> i) Miten asiakas vaikuttaa uusien palveluiden syntymiseen? ii) Miten asiakas vaikuttaa uusiin palveluntoimitusprosesseihin? iii) Miten asiakas vaikuttaa kumppanien valintaan? iv) Miten asiakas vaikuttaa uusiin tulovirtoihin? v) Miten asiakas vaikuttaa henkilöstöön? vi) Miten asiakas vaikuttaa teknologisiin valintoihin?

TEKNOLOGINEN INNOVAATIO/PALVELUN DIGITALISAATIO

Teknologia on suurin kilpailuedun lähde yrityksille (Porter, 1985). Palvelun digitalisoinnilla on kaksi merkittävää etua: 1. Digitalisaatio mahdollistaa uusia tapoja kommunikoida ja toimia asiakkaan kanssa ja 2. Digitalisaatiolla voidaan maksimoida taloudellinen tuotto rajoitetuilla resursseilla. Palvelun digitalisoinnin etu on siis kaksiteräinen: toisaalta asiakasarvoa voidaan lisätä monin keinoin ja toisaalta kustannuksia voidaan vähentää optimoimalla prosesseja. Yksi tärkeimpiä palveluinnovaation ulottuvuuksia on samanaikaisesti löytää asiakkaiden tyydyttymättömiä tarpeita ja havainnoida teknologisia trendejä. Tärkeintä on kuitenkin ensin ymmärtää asiakasta syvällisesti ja sen jälkeen pyrkiä kehittämään palvelua, joka vastaa tähän.

5) DIGITALISAATIO
a) Mitä digitalisaatio merkitsee sinulle?
b) Miten kuvailisit digitalisaatiota ja teknologiaa?
<ul style="list-style-type: none"> i) Mitä trendejä olet havainnoinut viimeaikoina? ii) Mitä teknologisia asiakastarpeita olet saanut asiakkailta? iii) Mitkä ovat tärkeimmät teknologiat mielestäsi Marsh Oyn kannalta? iv) Mitä teknologia voisi mahdollistaa?
c) Mitä digitalisaatiohankkeita Marsh Oyssa on ollut viimeaikoina?
<ul style="list-style-type: none"> i) Miten ne ovat lisänneet asiakasarvoa? ii) Mitä muuta hyötyä niistä on ollut? iii) Mikä linkki näillä on ollut innovaatioihin?
d) Millä tavoin teknologia lisää asiakasarvoa?
<ul style="list-style-type: none"> i) Mitä uusia palveluita teknologioilla voitaisiin saavuttaa? ii) Mitä muutoksia teknologia tuo asiakassuhteeseen? iii) Miten teknologinen innovaatio voisi vaikuttaa muihin sidosryhmiin (vakuutusyhtiöt, kilpailijat, muut maaorganisaatiot)? iv) Mitä uusia tulovirtoja teknologialla voidaan saavuttaa? v) Miten palvelun toimitusprosessi voisi muuttua?
e) Mitä resursseja teknologioiden hyödyntäminen vaatii?
<ul style="list-style-type: none"> i) Mitä teknologisen innovaation hyödyntäminen vaatii IT-puolelta? ii) Miten teknologian ja markkinoinnin suhde muuttuisi? iii) Mitä partnereita tarvitaan? iv) Mitä taloudellisia resursseja tarvitaan? v) Mitä henkilöstöresursseja tarvitaan? vi) Mitä uusia aktiviteetteja tarvitaan? vii) Mitä uusia kustannuksia tulee?