A STUDY ON INNOVATIVE PERFORMANCES AND PRACTICES IN SERVICE INDUSTRIES

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ABSTRACT

Innovation is reshaping the corporate culture of organizations in this present age of competency and service legacy. Innovation in services is getting recognition from the top executives due to its strategic importance and global competition, which has increased the demand of better change and adoption of best practices through change in processes. This research is based on innovation management in service industry of India according to the prevailing corporate environment and strategies to sustain or have potential competitiveness to meet the standards of the ever changing market. Organizations are considering innovative ideas as their potential informational resource along with financial and non-financial resources. Almost 80% of the IT sector and 60%of the banking sector has embedded the innovation concepts in their organizational hierarchy to get optimum utilization of resources and benefits through market and organizational performance. Innovation is the core competency factor for every market oriented approach.

1.1 INTRODUCTION

There has been a growth in the service sector input to the GNP of the developed world in the last decade. Economic activity has experienced the greatest heights of growth and development by the incorporation of innovation in service sector. A considerable part of the foreign investments is injected in the service sector in India due to its profitable market, secure future and vast opportunities of growth and development. This is the reason why the service sector of India is growing with a flashing pace when compared with the economies of the region. The economists are working to divert the basis of economy from agricultural to industrial and service oriented to be at par with the developed world.

Innovations are important for sustainable growth of all economic sectors and specially service sector which has the most dynamic and challenging market with less barriers and product service legacy. Organizations in the country are facing environmental, policy, structural, institutional and cultural weaknesses, which have constrained their ability to take full advantage of the rapidly advancing process of globalization and from innovation practices, but professionally and non-professionally these practices are in action in organizations especially in the service sector, this research will be an attempt to explore the actual innovation types, the degree of innovative practices in different organizations and their contributions towards growth and development.

1.2 OBJECTIVE OF THE STUDY

The main aim of this study is to examine the different types of innovation that are applicable in companies in the India services sector, the degree of innovativeness, the practices and barriers, associated to the pursuit of innovation and their relationship with company performance.

Therefore, to explore innovative practices and their contribution towards organizational performance. Although in most of the developing countries the main obstacle of organizational profitability is the lack of professional use of innovative practices in product service development but struggle is, however, going on to find out best ways to utilize them.To identify and evaluate different models of the innovation process .To identify those factors that play a significant role in implementing service innovations.

1.3INCREMENTAL INNOVATION

The future of culture of innovation on corporate level is based on the provision of conducive environment, contribution of the individuals in the growth of innovative ideas and self-development which gives birth to a set of innovations which are radical, incremental and learnt from the competitors through proper manner recognized in the corporate world. These set of innovations (ideas, methodologies) become the value of the organization by supporting the corporate strategy. The source of pressure to innovate is the increase in complexity in the processes and global competition. Organizational excellence is born form the continuous improvement in processes, develop and maintain competitiveness in the ever changing environment. Innovations on the basis of science have contributed to the global society for the past centuries. Research on innovation has three aspects like experimental observation of innovation processes and systems, critical analyses of the innovation theory, decision making skills based on innovation. Innovation is in its developmental stage and new types and forms of innovation disciplines are emerging as research on innovation is contributing to the knowledge of theory and operational processes.

1.4 INNOVATION MANAGEMENT

Different Types of Innovation

Innovation Management is the economic implementation and exploitation of new ideas and discoveries. Innovation management also covers the implementation of an innovation culture in an organization and helps to promote the development of new ideas and business opportunities. The management of innovation should be treated as a part of business strategy. In addition to the improvement of and development of new products and processes, innovation management is also concerned with the structure of an organization, the internal processes and the management techniques used.

"In general, technological innovation involves the solution of problems". There are many different ways to classify and categorize innovation, and many definitions. It is important to establish what innovation is not. While innovations are concerned with the launch or introduction of new products, services and processes, inventions are not necessarily introduced into the market. The majority of patented inventions are never used in a way that brings economic value.

Thomas Edison is an outstanding example of the difference between invention and innovation. While he was arguably one of the greatest inventors of all time, Edison was among the worst innovators. He was so incompetent at innovating – successfully commercializing his developments, that his financial backers were forced to remove him from every business venture he started. In contrast, a McDonald's Hamburger is an innovation. Ray Kroc, the company founder, certainly did not invent the hamburger, French fries or even the drive through pickup window.

There are also two major categories of innovation: sustaining and disruptive. These can occur under both types of innovation (product and process). Sustaining innovations are those which improve an already existing product or process. Disruptive innovations are those which are radically different from any previously existing process or product or service on the market. Examples of sustaining innovations include: improved versions of software products, more efficient auto motors, and waste reduction measures in the manufacturing process. Examples of disruptive innovations include: interchangeable parts, assembly line production, container shipping, the affordable automobile, personal computers, mobile phones, CNC machining, and genetically engineered crops.

Four different types of product innovation can be best shown in a matrix

(1) Incremental innovation is a form of sustaining innovation, in which existing technology is used to improve products or services that are already established in the marketplace. This can include altering the packaging, offering the product in different flavors, sizes or colors, or improving the quality of the customers' experience.

(2) Technological innovation substitution involves using new technology developments to create new products that fill existing market categories. Examples include power tools or cordless telephones.

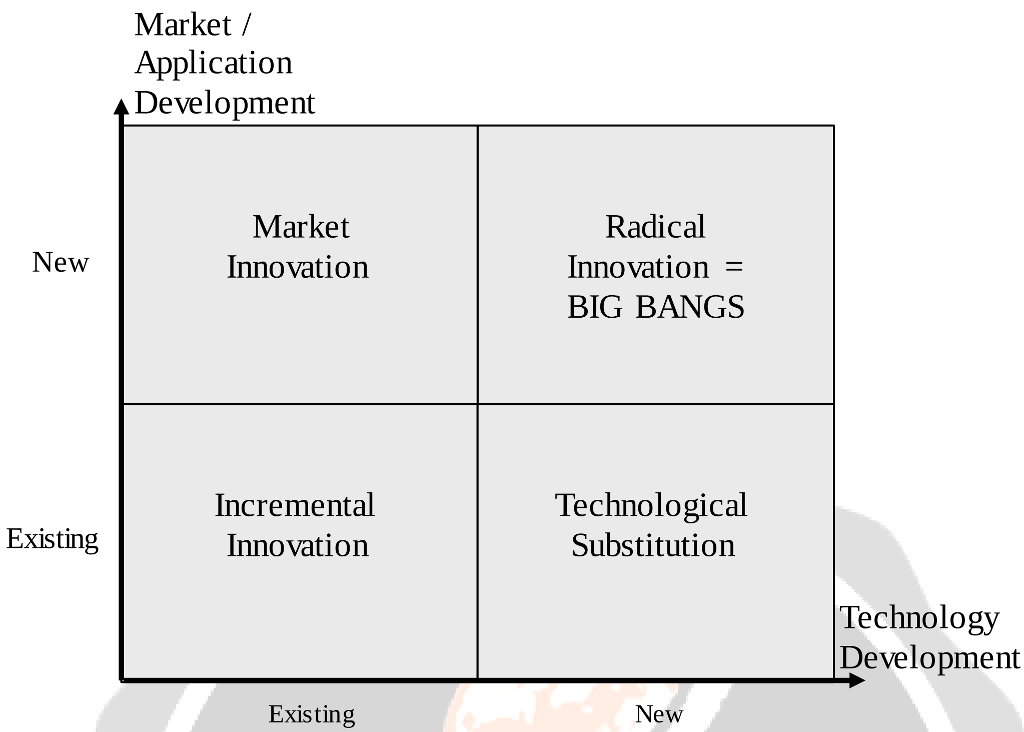
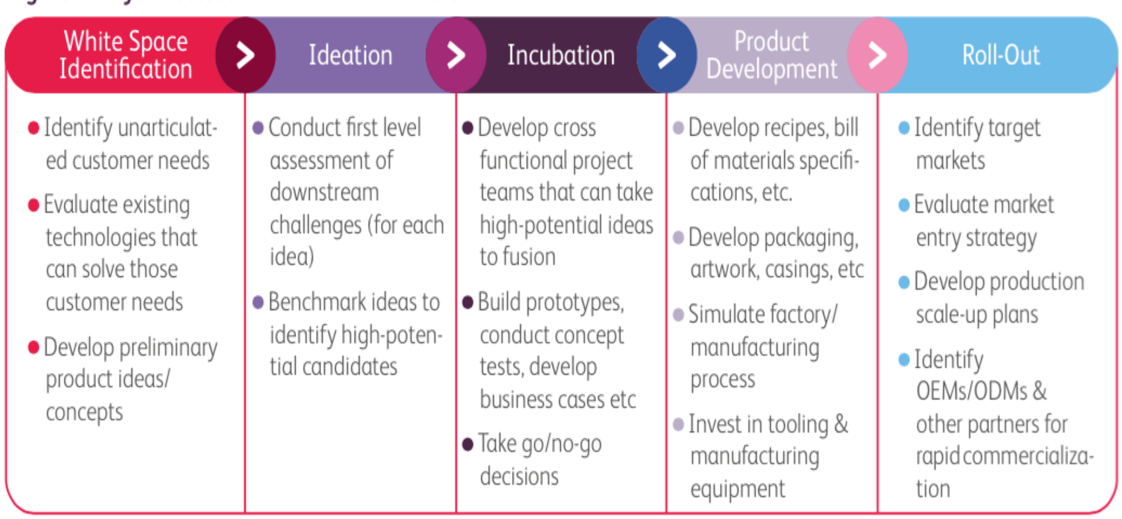


Figure 1: Different types of product innovation.

(3) Market innovation is combining and presenting existing technologies in a way that is new to the market, thus creating a new market segment. The classic example of this is the Sony Walkman. It was a combination of two existing technologies (head phones and a portable cassette player) that created a completely new market segment. The original Walkman is a market innovation because the "portable personal music device" segment did not previously exist.

Figure 1: Key Processes in Innovation Value Chain



(4) Radical innovation is a type of disruptive innovation. It is a technologically advanced product or service that creates an entirely new market segment. Radical innovations are the rarest type of product innovation with the highest risks, but due to temporary monopolies they also offer the highest potential rewards. Very few products or services fit easily into this category, because technologies generally build upon existing technologies. Examples could include: mobile phones with text messaging, the personal computer and the automobile.

Innovation Strategy

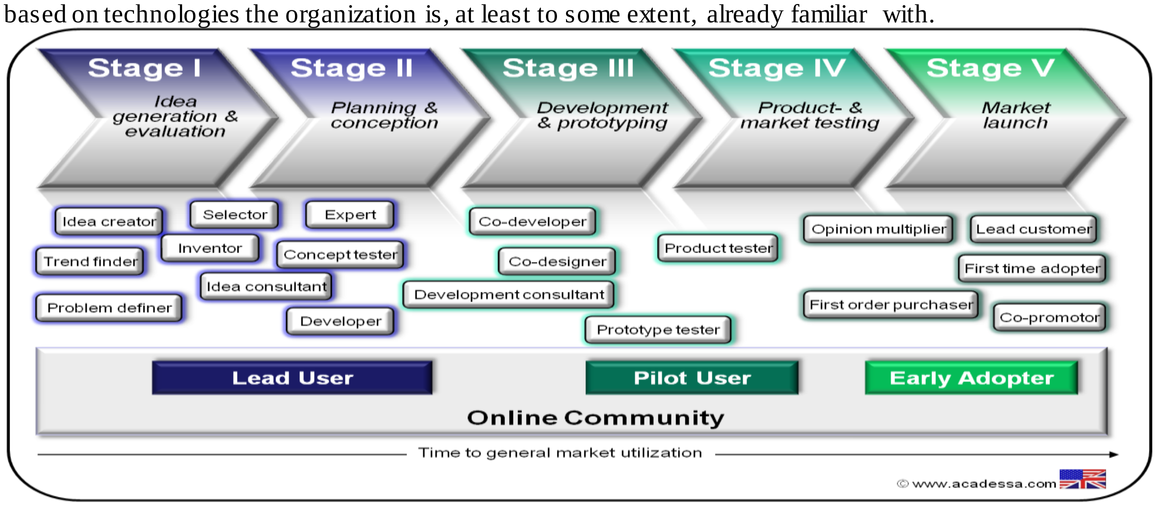
The first step to successful innovation management is for the top managers of an organization to choose a strategy. In order to develop an innovation strategy it is to determine if a need to innovate exists, to what degree and in what areas. Successful innovation requires a strategy that is clearly understood by all in an organization – from the CEO to the Receptionist.

One of the functions of an innovation strategy is choosing what type of innovations to pursue. The pursuit of sustaining innovations - making small improvements, minor adaptations, developing new uses for products, using less expensive materials or processes in manufacture, delivering higher quality faster, etc., is generally more profitable and safer in the long term than pursuing disruptive or radical innovation. The irony is that officials, academics and entrepreneurs usually give more attention to the riskiest form of innovation than they do to the easiest, fastest and cheapest type of innovation – sustaining innovations. There is a blinding appeal of disruptive innovation that comes from the glamour of research and development.

Innovation Processes

In order to achieve revenue growth through new products and services, and improve their response to customer demands, organizations must innovate. To innovate successfully and efficiently, the process of innovation must be managed.

The process of innovation begins with the initialization of innovation, with the overall strategy of how the organization will pursue innovation. This includes selecting the core competency of the organization and determining the direction the company should innovate in, as well as the boundaries. As a general principle, it can be stated that the learning process of an organization is cumulative and local. In other words, the organization's innovation process is heavily affected by experiences with past innovations and based on technologies the organization is, at least to some extent, already familiar with.



Ideas for innovative products or services are thus needed to follow the innovation strategy. Innovative companies often employ an idea management system. Idea management is the practice of handling ideas in a structured fashion. It is the aim to select the best ideas with the most potential for further development and implementation. If ideas are the raw material for innovation, then idea management is the core of innovation management. The idea management process is not merely the generation of new ideas. The process encompasses the generation, collection, development, evaluation and selection of business ideas.
Obviously the innovation process comprises more than just the creation and management of new ideas. Comparing new product successes with failures, a standardized procedure concerning innovative projects was identified as a critical success factor.
Figure 2: Typical "Stage-Gate" product process.

Stage Gate	Activities & Decisions
Gate 1	Idea screening and commitment of resources
Stage 1	Preliminary market and technical assessment of the project
Gate 2	More rigorous screening concerning market attractiveness, technical advantages of the product, competitive situation
Stage 2	Development of the business case (incl. legal & financial analysis)
Gate 3	Yield a "sign-off" on the product definition
Stage 3	Technical development; deliverable: lab-tested prototype of the product
Gate 4	Check attractiveness and quality of the product
Stage 4	Testing & validation of the entire project concerning all dimensions (marketing, engineering, accounting)
Gate 5	Appropriateness of production, launch and finance plans
Stage 5	Market launch

It has to be pointed out that the "stage gate process" only applies for new *product* development. Due to the specific characteristics of services and the lack of standardization, the modeling of innovation processes of *services*. Table 2: Important Activities throughout the Stage Gate Process.

2. CONCLUSION

It has been concluded that the most influential impact on organizational performance and market performance is made by the variables named as innovation management practices and radical innovation in innovation types having the highest values in tables of mean, coefficients and regression. Radical innovation has the greatest level of recognition among the individuals and executives who are aware of the prevailing concept and operational forms and level of intensity of innovation in the local market. The relationship between innovation types, degree of innovativeness and innovation management practices reveals that radical innovation and innovation management practices have a major role in the changes in organizational as well as market performance. The interviews taken from the executives reveled that much has to be done in India. The positive impacts of innovation are proved through survey and extensive literature review. Innovation management and degree of innovativeness also have an influential impact as they characterize the intensity, direction, Risk-management and strategic as well as market value of the idea and change in process.
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