

New service development through the lens of organisational learning: evidence from longitudinal case studies

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Abstract

The paper examines the interest and limits of an organisational learning (OL) model for better understanding the new service development process. Based on the literature linking new service development and OL, the opportunity to use Crossan et al.'s [Acad. Manage. Rev. 24 (1999) 3.] 4I multilevel learning model in studying new service development process is discussed. In order to test the interest and limits of the model, a longitudinal and comparative case study methodology is described, using two cases of new service development process, the restructuring of the nonfood department of a supermarket and the launch of a new retail bank service package. The empirical findings support the overall interest of the 4I OL model, since several actions and loops of learning were observed, such as intuition, interpretation, integration and institutionalisation. These exploratory results encourage further research to study new service development through an OL lens and provide managers with insights for facilitating learning during the new service development process.

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1. Introduction

The growing service economy, accounting for more than 70% of the GNP and of the employment in most developed countries, places service activities in the first place of growth drivers and makes new service development a critical issue for firms' success. Yet, although the new product development (NPD) has very early attracted the attention of researchers, the development of new services remains a much less investigated research field. This seems even more surprising considering that from the early 1980s it has been underlined that services are fundamentally different from products (Berry, 1980; Shostack, 1984) and that their study requires specific frames of analysis—particularly systemic frameworks (Fitzsimmons and Fitzsimmons, 2001; Langeard and Eiglier, 1987; De Bandt, 1994).

The literature on new services is scarce, mainly marketing-driven and mostly focused on the financial sector. Empirical

findings do not result in a theoretical framework that could support the understanding of the phenomenon (Johns and Storey, 1998; Johnson et al., 1999). Moreover, some authors suggested that empirical findings are more or less contradictory (De Brentani, 1989, 1991, 1993; Sundbo, 1997). Given the lack of consistency in empirical results, this article attempts to introduce an organisational learning (OL) approach in new service development research. It investigates the relevance of the 4I OL model (Crossan et al., 1999) in describing and understanding the new service development process.

The article is organised as follows. The Background section reviews previous theory and empirical evidence on new service development and organisation learning and concludes with the research propositions. The Methodology section presents the longitudinal case study research design and the two projects studied. The Results section describes the new service development process and the learning activities that took place during it. The Discussion section elaborates on the usefulness and limits of the tested model and draws implications of these preliminary results. The paper concludes on key findings and their contribution to existing knowledge.

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2. New service development background

As services are generally defined as deeds, acts or performances that may be tangible or intangible (Berry, 1980; Gronroos, 1990; Gupta and Vajic, 2000), it is widely accepted that the very nature of a service leads to studying service production and delivery in a systemic approach. This approach has also been described as the “service concept” and formalized through blueprints by which service providers design the way the service offering is to be delivered (Shostack, 1984; Edwardsson et al., 2000; Fitzsimmons and Fitzsimmons, 2001). The transformation of any service offering—what the customer receives—either incremental or radical, will require the transformation of some elements of the service concept.

In line with the recommendations of Menor et al. (2002) about the potential fields of investigation, the present article adopts a managerial perspective and focuses on the development of new services that affects in some way the interaction process with the customer. It aims at understanding how the service organisation develops or redefines its service concept—not how the outcome of this process, the new service offering, performs on the market. Given this focus, the following sections review research on organisational issues of new service development, present the OL model that has been used in our field study and set the research propositions.

2.1. Organisational issues in new service development

There is a lot of evidence on how new service development (hereafter abridged NSD) involves organisational issues and on how the organisation itself transforms during or after an NSD process. Thwaites (1992) and Edgett (1996) stated that the NSD process is based on multifunctional teams, specifically created for this task and that new services seem to be the result of this cooperation. Several authors mentioned that the level of personal contact maintained by the product manager, the commitment of the senior managers, the cross-functional team and the interaction process established all along the NSD influence the speed and effectiveness of the NSD (Edgett and Jones, 1991; Lievens et al., 2000; Froehle et al., 2001). Similarly, Hart and Service (1993) established that efficient NSD required a “functional integrative perspective,” setting up less formal organisation, more communication, shared information and decision making.

Moreover, empirical evidence provided by Edgett and Jones (1991), Hart and Service (1993), Raesfeld Meijer et al. (1996), Jallat (1992) highlighted that the successful development of a new service entails changing the organisation itself, such as the creation of a new department or the restructuring of the distribution network.

Summarizing this body of literature it seems that (a) the NSD process appears as a cooperative, interactive, not very formalized process, involving actors from different depart-

ments of the company and (b) the organisational structure, the communication networks and the working processes are transformed by the NSD process. It may thus be argued that OL approaches can be useful in understanding the NSD process, as it has already been done to a certain extent for products by Van de Ven and Polley (1992).

2.2. New service development and OL

Initial statements that linked innovation to knowledge were made at a macroeconomic level and can be found in Nelson and Winter’s (1982) evolutionist theory. At a micro level, Olson et al. (1995) investigated the links between NPD and learning. Maidique and Zirger (1990) revealed, through the analysis of 158 new products, that successes led to the creation of new knowledge while failures resulted in the unlearning of the processes which lead to success. Similarly, Simon (1991, p. 183) considers innovation as a classical OL process. The research of Van de Ven and Polley (1992), and Van de Ven and Chen (1996) find no support for a model of trial-and-error learning during the initial period of innovation development, but strong support for such model during the ending development period when innovations were being introduced to the market. More explicitly, Madhavan and Grover (1998) stated that development teams are engaged in a knowledge-producing activity that will be embodied in the new products.

Further on, innovation has been described as a process of reduction of uncertainty, anchored within groups and social networks (Pearson, 1991; Akrich et al., 1998). The research on interfunctional communication flows (Lievens and Moenaert, 2000; Lievens et al., 2000) demonstrated that the codification of knowledge, as well as the nature of the established network, will determine the communication among the members of a development team. Moorman and Miner (1997) argued that the organisational memory affects the NPD by influencing the interpretations of the incoming information and the development procedures.

Finally, Nonaka (1994) demonstrated the existence of links between NPD and a learning process. According to his research, it is because teams produce new inferences that they are able to create new products. It is through the production and testing of inferences and through mutual adjustment of representations that the development team is able to design a result in accordance with its expectations.

This important stream of research pointing that OL can be an important component of NPD or NSD justifies the empirical test of a formal but theoretical OL model as suggested by Brown and Eisenhardt (1995) and Trott (1998).

2.3. The OL model

The literature on OL is flourishing due to the complexity of a concept that links individual learning with organisational behaviour and organisational change. Koenig (1994) has defined OL “as a collective process of acquisition and

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