TOWARD THE DEVELOPMENT OF A FIRM INNOVATION CAPABILITY SCALE FOR THE SERVICES SECTOR: A GROUNDED APPROACH (SUMMARY)

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SUMMARY

TOWARD THE DEVELOPMENT OF A FIRM INNOVATION CAPABILITY SCALE
FOR THE SERVICES SECTOR: A GROUNDED APPROACH

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Principal Topic
Innovation is a complex phenomenon that has been linked to higher performing entrepreneurial firms. Innovation capability (IC) is defined as the set of capabilities that a firm needs to support innovation across all areas of its activities. Studies in this field have focused on the manufacturing sector. Innovation capability within the services sector remains an under-examined area, yet this is the largest of all the industry sectors globally and warrants greater attention.

This research contributes toward a better understanding of the set of capabilities that a service-based firm needs in order to facilitate and support its innovation activities.

Method
This research focuses on the hotel sector - excluding the four and five-star hotel chains, and uses a two stage research approach.

Phase 1 consists of depth interviews with 51 hotel owner/managers across Australia. Participants were asked about innovation activities in their hotels and to what extent particular attributes of the business contributed to or hindered innovation. Interview data was coded and analysed using nVivo using a grounded theory approach to identify 39 distinct categories of statements relating to innovation activity, and seven categories of statements relating to innovation barriers. These 46 categories were grouped into nine dimensions. A questionnaire item to be assessed using a Likert scale was developed for each category.

In Phase 2, a questionnaire containing the 46 items was mailed to 426 hotel managers in South Australia. 164 useful responses were obtained, representing a 38.5% response rate.

Structural equation modelling using Amos was used to identify the underlying innovation capability factor structures. Of nine initial dimensions, we derived a two factor structure solution that underpins hotel services innovation capability.

Results and Implications
This exploratory research identified IC factors not previously identified in IC scales developed for other industry sectors. The IC dimensions identified are largely operational, and suggest that what is important in innovating in small service enterprises is to have a smoothly running business with adequate management, trained staff and up-to-date systems. These capabilities are consistent with the incremental and continuous innovations to “mainstream” business identified in the first stage of the study. This finding suggests that innovation capability as a construct needs to be specified in relation to the nature of innovation (incremental or disruptive) in the businesses being studied.

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