Innovation of service system by human-centered design and effectual evolution: Hypothesis development and case verification

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Purpose – In order to realize service innovation, it is very important to understand how new value is created in a company's innovation mechanism and how internal and external corporate resources are combined. This research focuses on human-centered design thinking and effectuation and forms hypotheses about value creation and execution of service innovation. Then, in the service innovation creation project, we will examine how the problem definition is made and how the configured project is evolving toward problem-solving.

Design/Methodology/approach – The case study method is chosen for this study.

Findings – In order to create new service innovations, a mechanism to connect actors (Actor Involvement), a mechanism to form a new team (Teaming), a mechanism to encourage new problems to be discovered (Problem DIscovery), and a mechanism to support the service system integrating social capital brought by evolving team members (Resource Integration) are effective.

Originality/value – These findings have two important implications. First of all, the design activity that enhances interactions both inside and outside the company seems to have an impact on the radical innovative capability. Innovation is basically a collaborative effort and successful incorporation of diversity plays a central role in creating radical innovation. Diversity, communication, fluid diffusion of information, sharing and assimilation of knowledge is an important element of innovative capabilities regardless of its kind. It is unlikely that radical innovation will be created only by processing route-dependent information in a way that is routinized in the enterprise. Investment in design activities that encourage interaction and co-creation of value inside and outside the company enables problem setting by a new perspective from various actors, encourages internal and external interactions and new associations of organizational capital and can be the basis for selectively using these capabilities to gain the flexibility to respond to market or competitive emergencies. Therefore, design activities open to the inside and outside of companies can be key to developing "dynamic ability" that is not only to create ideas from the discovery of new perspectives but also to enable organizations to change the focus of competition and achieve a new form of competitive advantage.
Secondly, in order to create discontinuous ideas from internal and external interactions, it is essential to invest continuously in design activities to encourage setting new problems, not only for the organizational capital to solve the given problem. However, it is suggested insufficient for radical innovation if the firm is biased toward strengthening only design activities or only organizational capital. In order to enhance the radical innovative capability of the organization, it is important to enhance the ability to realize potential enhancement obtained by interaction with the inside and outside of the company through the introduction of design thinking, without conflicting with the fundamental aspect of corporate organizational capital and intellectual capital for individual skill improvement.

Key words (max 5) Service Innovation, Service Design, Design Thinking, Resource Integration

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