Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

Organising (for) service innovation: formalisation versus creativity

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Abstract

In this paper we present and compare two studies on challenges with organising (for) innovation in service-intensive companies. One of the studies reviews the contribution of previous studies to the understanding of managing and organising innovation in service companies. The other is an explorative interview study focusing on how people working in service-intensive organisation in Sweden reason about innovation and the role of co-workers in the innovation process. In both these studies a common and important theme is the potential tension between formalisation and room for creativity. The purpose of this paper is to problematise and discuss this tension between formalised processes and creativity in the context of service-intensive companies. We identify four aspects worth attention in further studies: 1) How can service-intensive companies find a balance between formalisation and room for creativity when organising for innovation?, 2) How does the manufacturing industry influence the service industry in terms of processes, methods and vocabulary related to organising (for) innovation?, 3) How is individual and collective creativity conceptualised and what difference does this have for the organisation (for) innovation in service-intensive firms? and 4) What happens with innovation when the service delivery process is being formalised?

1 Introduction

During the latest half-century we have witnessed a dramatic growth in business activities related to services and service production and organisations involved in organising and producing services are an increasingly important part of the labour market. Also in the traditional manufacturing industries there is a move toward integrating a service logic in their business and operations, a development which has been recognized as a service dominant logic (e.g. Lusch, Vargo, & O'Brian, 2007). Additionally the promotion and management of business innovation has been a prioritized area both for governments and researchers with the overarching objective to stimulate the development and competitiveness of firm and hence economic growth. However, attention has mainly been given to innovation processes in manufacturing firms and less to innovation in service-intensive companies, though a field of research is emerging around these issues. In this paper we want to contribute to the understanding of service production and particularly the organisation of innovation in service-intensive companies.

Services are often described in terms of their intangibility, heterogeneity, inseparability and perishability (Johne & Storey, 1998). This means that the "pure" service, unlike physical goods, is a fluid and evasive phenomenon and that the content and character of one specific service delivered

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

can be influenced by a number of factors. For example, as advocates of the service dominant logic have emphasized, services and their value are co-created in cooperation between service provider and the customer (Vargo & Lusch, 2004). Also the individual employees who interact with the customer may be assumed to influence the service since their relation to the customer is part of the service.

These characteristics of services can further be assumed to permeate the organisation of service-intensive operations and, hence, innovation and innovation efforts. We argue for specifically two consequences. First of all we need to take into consideration that the service delivery process is *interaction intensive*. This means that the service not only are co-produced in collaboration between the service provider and the customer, but also that the quality and character of this interaction is a part of the service. Secondly it is important to consider that services are *inseparable from service production and delivery process*. The perishability of services means that they can not be stored separately from the production process but are by nature consumed as they are produced. For the organisation analysis this means that the service delivery process and the surrounding organisation can not easily be separated from the service itself.

These specific characteristics of services and the service delivery process will also have consequences on innovation in service-intensive companies. One is that it becomes even more important to look at innovations not only as occurring in the service per se, but also in the processes and organisation supporting the production and delivery of the service. According to previous literature on innovation in service-intensive organisations innovation could be of three types (Hipp, Thether, & Miles, 2000). First, *service innovation*, which includes innovation in the service offer *per se* in the form of introductions of new or significantly improved services. Second, *process innovation*, which include new and improved work methods in the process by which a specific service is produced. And third, *organisational innovation*, which is not limited to the individual service production process but includes significant improvements in wider organisational structures or processes. Moreover the logic of services makes these three types of innovation more integrated and it is a relevant question whether they at all can or should be analyzed as separate.

In this paper we are interested in the organising (for) innovation in the specific context of service-intensive companies. We define organising innovation as those efforts directed to the concrete work with service development in practice, while when we write organizing *for* innovation we think of those initiatives that creates the premises for an innovative climate, as for example organisational structure and processes. Both these aspects are important to consider when an organisation wants to make the best use of co-workers' potential for innovation. Of course, this is also more an analytical than an empirical division: the two aspects are intertwined in practice.

The paper is based on two studies conducted on behalf of The Swedish Governmental Agency for Innovation System (VINNOVA) - a literature review and an interview study conducted within the research field of organisation theory - and focuses on the organisational challenges associated with organising (for) innovation in service-intensive companies. When comparing the insights gained in

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

these studies, one theme emerged as central and unresolved, the potential tension between formalising the innovation process versus allowing room for creativity and emergent innovation. The purpose of this paper is thus *to problematise and discuss one aspect of organising (for) innovation – the tension between formalised processes and creativity in the specific context of service-intensive companies.*

2 Method

As previously mentioned, this paper is based on both a literature review (Schilling & Werr, 2009) and an empirical explorative study (Crevani, Palm, Sköld, & Engwall, 2009), which were conducted separately and then compared. Both studies focused on how management practices and organisation can contribute to the utilization of the innovative potential of employees in service-intensive companies. In both the review of the theoretical discussion on service innovation processes and the analyses of the empirical material questions of formalisation and creativity emerged as central.

The literature review looks at previous research in the time span between 1998 and 2008 focusing on managing and organising service innovation and new service development. The specific focus of the review was to map out what previous research has to say about the role of service workers in the innovation process and the organisation and management practices by which their knowledge may be exploited in the development of new services.

The review consisted of an initial search for articles in the EBSCO database and a subsequent review of relevant articles in 10 journals chosen to represent a wide area of research fields in witch this question may have been under investigation. The review process identified 74 articles as relevant given the scope of the review (see chart 1 below). These articles where subsequently read, summarised and synthesised into a report (Schilling & Werr, 2009). A representative sample of these articles is included in this paper.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

Chart 1: Reviewed journals and number of articles

Journal	Research field	Number of articles
Service Industries Journal	Service management and marketing	15
International Journal of Innovation Management	Innovation management	11
Journal of Product Innovation Management	Innovation management	10
Journal of Service Research	Service management and marketing	6
International Journal of Service Industries Management	Service management and marketing	6
Human Relations	Human Resource Management/Organizational behaviour	4
Journal of Management Studies	General management	2
Research in Organizational Behavior	Human Resource Management/Organizational behaviour	1
Journal of Occupational and Organizational Psychology	Human Resource Management/Organizational behavior	1
Human Resource Management Journal	Human Resource Management/Organizational behavior	0
Other[1]		18

The empirical material is constituted by an explorative interview study of innovation in service-intensive organisations in Sweden. This study comprises ten interviews with people from seven different service-intensive companies. Our aim was to investigate which challenges and needs practitioners experience connected to innovation in service organisations. In particular, we were interested in their reasoning concerning the role of co-workers in service innovation, concerning the companies' efforts to organise (for) innovation, and concerning the needs for research on the service innovation process.

The interviews were semi-structured and lasted between half an hour and three hours. Most of the interviewees were working in a managerial position, but in order to get a more complete picture of the situation we have also talked to some co-workers involved in the operative part of service delivery process. The interviews were mainly focused on how co-workers ideas and new ways of working were made visible and exploited in the organisation, including the possibility for employees to implement ideas generated in the encounter with customers. The interviews also focused on possible needs for knowledge and research as help for improving innovation processes.

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[1] Academy of Management Journal (1), Creativity and Innovation Management (2), Economy, Innovations and New Technology (1), European Journal of Marketing (1), Industry and Innovation (1), Industrial Marketing Management (1), International Journal of Operations & Production Management (1), International Marketing Review (1), Journal of Service Marketing (1), Management Decision (1), Personnel Review (1), Production & Operations Management (2), Research Policy (3) and Scandinavian Journal of Management (1).

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

Chart 2: Review of the companies within the empirical study

Organisation	Description	Numbers of employees	Interviews
Logistic company	Nordic actor and challenger within the industry of mail and logistics	Approx. 6 000 in the Nordic region	Person responsible for product development
Private health care provider	A Swedish care provider that also exists in five European countries	Approx. 1 600 in Stockholm, Sweden	Manager of business development
Company of education	An educational institute with own education	Twelve whole-timers and approx. 50 consultants in Sweden	CEO
Business development- and IT consultant company	International IT-company	Approx. 5 500 in Sweden and approx. 39 000 in the world	Two directors of department
Public utility with labour intensive service	Public utility with orientation on labour intense job assignments	Approx. 22 000 in Sweden	CEO
Consultant within the development of society	A global company that offers consultant services within building, industry, logistics, infrastructure and environment	Approx. 2 000 in Sweden and approx. 10 000 in the world	Executive vice president and a researcher/business developer
Private school	Offer a personal designed education for students from age 12 to 18.	Approx. 750 in Sweden	CEO and a school manager

We decided to include companies working in different areas and we chose to see them as examples of how the organising (for) innovation is discussed, problematised, implemented (or not) in service-intensive organisations. This paper does not claim to be representative for all those service-intensive companies to be found in Sweden, but should through the extensive literature review and diversity of service-intensive companies included give interesting insights into the issue of organizing (for) innovation in service-intensive companies from both a theoretical and practitioner focused point of view. In this paper we will focus on how innovation, formalisation, creativity and thereto related concepts are constructed both by practitioners and in previous research. This means that quotes from the empirical material will be considered as examples of how practitioners think and talk about innovation and its challenges and problems instead of as reproductions of an objective truth.

In the empirical discussion we will make use of short quotes. These are not intended to be generalised to other contexts than the one in which they are placed. Instead, they are significant as illustrations of how talk about a certain theme takes form. The quotes are translated from Swedish to English.

3 The literature review - managing the innovation process in service firms

In this section, we present findings from the literature review. The focus has been to examine existing knowledge about how to manage and organise innovation in service-intensive companies. The review resulted in the identification of a number of themes related to managing the service innovation process.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

3.1 Managing knowledge and the need for formalisation

One issue that has been discussed in previous research is how to manage knowledge toward innovation in service-intensive companies. A central part of being innovative is to be able to manage and create knowledge that results in new ideas for services or organisational practices. One common issue is how to balance the management of knowledge held by individuals with managing the knowledge on a collective level in a project or an organisation (Leiponen, 2006, Leiponen, 2005, Mascitelli, 2000). Leiponen emphasises the importance of collective knowledge (Leiponen, 2006, Leiponen, 2005), and shows that collective application of knowledge is more likely to lead to innovation than individual application of knowledge. Furthermore the collective processes have a central role in creating both knowledge and innovation. Therefore, relying solely on knowledgeable and creative individuals to come up with innovative ideas might hamper innovation, she argues.

On the other hand, Leiponen also argue that it is important to acquire knowledge from the external environment and that one way of doing this is to hire particular individuals who possess the right knowledge and innovative skills (Leiponen, 2005). There is thus a tension between managing innovation on a collective versus an individual level. The idea of actively managing knowledge on a collective level could further be linked to the idea of a formalized innovation processes.

3.2 Formalising the service innovation process

A number of studies have focused on the need for formalisation of the innovation process in service-intensive companies. Formalisation can here be understood as the presence of a "formal and reproducible process for developing new or enhancing existing services" (Froehle, Roth, Chase, & Voss, 2000). This may include formal written plans for developing new services as well as a control structure which supports a specific service innovation process. One benefit of a formalized innovation process is claimed to be that it becomes more predictable and manageable. Some studies claim to have proven the benefits of formalisation in these contexts (de Brentani, 2001, Froehle & Roth, 2007, Froehle, Roth, Chase, & Voss, 2000). Foehle et al (2000), for example, have shown that a more formalized innovation process can contribute to increased speed of new service development and that formalized cross-functional innovation teams in particular positively influence the effectiveness of service-intensive companies new service development efforts.

Only a few studies have specified what formalized innovation processes look like and in these cases not in very much detail. Hull (2004) stresses the importance of a system that organises people from diverse functions, a defined common process and available tools for them to use. For Froehle et al (2000) a formalized innovation process should include identifying and investing in the intellectual, organisational and physical resources necessary for all the different phases of the innovation process. Oke (2007) includes routines for creativity and idea management is a requested feature of formal innovation management practices, alongside an innovative strategy, appropriate performance management and incentive systems (HRM) as important for supporting innovation.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

Previous studies have also shown that ideas for innovation in service firms could come from a number of actors in the service-intensive organisation's external and internal network. It has thus been emphasised that service firms that want to be innovative need to think of themselves as part of *innovation networks* in which interact and exchange resources, knowledge and ideas with actors in their environment, such as customers/clients, suppliers or other innovative partners (den Hertog, 2000). Numerous studies have for example studied how actively involving customers can be a part of the innovation strategy in service firms (Gustafsson, Ekdahl, & Edvardsson, 1999, Kristensson, Matthing, & Johansson, 2008, Magnusson, Matthing, & Kristensson, 2003, Matthing, Sandén, & Edvardsson, 2004). As co-producers of the services consumed, customers also take part in co-producing innovation in the service and/or the service delivery process. Furthermore, the customers can provide ideas for new services or service improvements. Also employees at different levels, and especially front line, customer focused personnel, could be a potential source for new ideas (de Brentani, 2001, Ramirez, 2004). In line with the reasoning in these studies finding ways to formalise the involvement of customers and employees in the service development process would expose the company for a greater number and more creative innovative ideas.

However, none of these studies investigates the contextual prerequisite for implementing formalised systems in actual organisational situations, they all take on the problem on an aggregated level in the industry or through theoretical discussions. The question than still remains: do formalized practices for innovation really work in service-intensive organisations?

Even if researchers on creativity in service-intensive organisations advocates formalisation, studies have shown that formalisation of the innovation process is *relatively rare* in service firms, specifically in comparison with manufacturing firms. Kelly & Storey (2000) have investigated whether service-intensive companies use systematic procedures to generate and screen ideas for new services. They found that only half of the sample of firms in different service sectors in the UK has a formal new service development strategy. Chan et al (1998) come to similar results in a study of service firms in Hong Kong when they found that the majority of firms do not have an established system to control the innovation process. Instead of formalized processes to support innovation the service development attempts are often ad hoc and integrated in the everyday operations (Dolfsma, 2004, Kelly & Storey, 2000).

So, why don't service-intensive companies formalize their innovation processes as much as manufacturing firms? It might have something to do with the specific characteristics of the service production and delivery process. But, because of the lack of contextualized studies of formalized or non-formalized innovation processes, we still do not know. The question can also be framed as: why do some service firms formalize their innovation processes like the manufacturing industry? Is it because it is the best way to organise (for) innovation, or because there is a lack of best practice from the service-intense industry?

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

3.3 Supporting a creative climate

As an alternative or complement to formalised innovation patterns some studies have argued for the importance of the organisational climate for achieving innovation in service firms. Here it is presupposed that the "right" climate could support and foster creativity, idea generation and knowledge sharing. Mascitelli (2000) specifies an appropriate atmosphere in which divergent thinking, improvisation and artistic creativity can merge with the practical demands of the service development process. He points toward face-to-face interaction as particularly beneficial for an atmosphere where people can share knowledge. Further requested characteristics of a creative climate are: market orientation, as it tends to favour information sharing and intelligence gathering in relation to the customer (van Riel, Lemmink, & Ouwersloot, 2004); a general organisational commitment to the practice of managing service innovation (Chan, Go, & Pine, 1998); and the appropriate socialization of professional service providers (Anand, Gardner, & Morris, 2007).

However, not everyone agrees on the importance of a climate for innovation. When investigating drivers for innovative behaviour of individual co-workers in knowledge-intensive firms de Jong & Kemp (2003) found no support for the hypothesis that a supportive climate is a determinant of individual innovative behaviour. Instead the work conditions for the co-workers, and the strategy and market position of the company were found to be stronger drivers for the individual's innovative behaviour. A conclusion from de Jong & Kemp's study is that the organisational climate may primarily be important when innovations are produced collaboratively and hence demand knowledge sharing and collective learning. For individuals to behave innovatively it seemed to be of less importance.

To summarise, most studies stress a need for more formalised innovation processes which should or could include the use of common formal service development processes, appropriate control tools such as cross-functional teams and HRM systems, routines for creativity and idea management and taking stock of and investing in both personal and organisational resources needed for facilitating innovation. Also formalising the involvement of both customers and front-line employees may improve the efficiency of the innovation process. However, not everyone agrees that increased formalisation of the innovation process is necessarily beneficial.

Also, previous research has pointed to the need for a creative climate in the organisation of innovation. Important dimensions for a creative climate are the possibility to improvise and express divergent thinking, commitment to the practice of managing innovation. This climate should be supported by an appropriate socialization of the service providers so that they feel motivated to contribute to the innovativeness of the company.

Both these aspects, formalisation and a creative climate, are regarded as important for service innovation, but they also present potential contradictions, for example the need for formalised processes may conflict with the need for improvisation. Moreover, formalisation can be implemented to different degrees and in different ways. For example, creating conditions for cross-functional teamwork could be part of the formalisation of the innovation process, but it doesn't

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

necessarily mean that the work process is strictly formalised. Even creating a special climate can in some way be seen as a formalisation of the organisation, i.e. managing towards common values and norms, although it can also be achieved by working on "informal" aspects.

4 The empirical study - organizing (for) innovation in Swedish service-intensive companies

In this section, we present findings from the interview study. The interviews focused on how a number of service-intensive organisations in Sweden work, or told us they work, with organizing innovation and organizing *for* innovation.

4.1 Innovation by low formalisation and free creativity

An interesting, even if not surprising, aspect emerging from several interviews is that organisations working with services consider their activities to be different from more traditional industrial companies in how their work is carried out and which premises it is based on. Still, many examples in the (popular) literature on innovation come from industrial activities where manufacturing or process industries are dominant, and not from service-intense companies.

Even more surprising was that many of the people interviewed only could give fragmented pictures on how innovation takes place in their organisations. Our questions were often centred around the role of co-workers when innovating and we were told that co-workers are important "carriers" of a potential for innovation. One difficulty seems to reside in how to "exploit" such potential in an efficient way.

> *There is a large unused potential within the organisation when it comes to taking care of development ideas.* (Consultant within the development of society)

> *How do we put the co-worker's ideas into the business development process, and to what extent? What do we know about that? Hardly anything.* (Public utility with labour intensive service)

Even if the quotes above tell us about the lack of ideas about how to really take care of people's ideas and potential, the examined organisations are, of course, organised in a certain way in order to develop or innovate. The following quotes in this section gives example of low levels of formalisation.

To spread one's ideas to the organisation can be a real challenge. In some of the organisations there where no dedicated R&D department, and often not even specific projects and budgets for research or for development of the offered services. Innovating and developing services is not formulated in terms of a specific task. Instead it is seen as part of everyday work which happens continuously, in the projects and deliveries at hand. In other words, the formalisation of the organisation for innovation is low.

Service organisations are special, relative to the manufacturing industry, in their lack of research budgets, clear research and development organisations with their central and prominent role in the company. (Consultant within the development of society)

We work with a "just-do-it"-mentality, that is loose structures, ample mandate to act and make reasonable decisions on one's own and with closeness to the customer. (Logistic company)

To summarise, innovation is here described as happening in everyday work activities and interactions and formal structures and budgets are mostly absent. It is often difficult to give a more detailed description of how innovation happens. Co-workers participation in innovating is therefore deemed necessary and critical. Extreme cases of low formalisation of innovation can lead to quite diversified ideas, which have to, in the end, be managed, as in the example with the Logistic organisation. Co-workers have been allowed to develop services or create new ones, leading to a quite variegated flora of services offered today, which means that the organisation has decided to form a team in order to reduce such variety.

4.2 Innovation through efficient processes

Even if the general impression is that people are not really aware of how to take care of the co-workers' ideas, a number of companies have started working in a very structured way. The following quotes gives examples of how this has been done.

To take care of ideas the company has regular and structured meetings with the employees, both in larger and smaller groups. There have been a number of meetings over professional boundaries, working with creating and developing ideas. The problem than was that the professional groups work with very different things and it was difficult to motivate people. In order to change that we now work functionally divided. (Company of education)

One story we were told several times had to do with the change in how innovation is conceptualized and how organizing innovation is implemented. Common for different organisations is that they have moved their focus from individuals to processes. While at the beginning (or in traditional organisations of that kind) the organisation was centred on the single worker's knowledge, experience, sensibility and creativity, nowadays much talk is focused on how to implement the most efficient processes. Innovation means to rationalise and formalise the way service is delivered. At times, such effort means trying to design processes totally independent of those co-workers who are actually working in the organisation. In other words, the ambition is to find a formal and "disconnected" way of organizing innovation.

Ten years ago we delivered consultant profiles such as Kalle and Pelle, we sold CVs. Today we mostly deliver projects or commitments. The existing entrepreneurship morale and the creativity are incredible important, at the same time you can't be too creative, everyone has to work in a similar way and document and follow our routines. But at the same time we want all our co-workers to work as creatively as possible. It is important that we do that, even if our

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

routines may counteract it, but both things can probably be done, otherwise we wouldn't be attractive to our customers. (Business development- and IT consultant company)

Not only creativity, but also the possibility for co-workers to develop ideas into new or improved services can suffer from formalisation and standardisation at an organisational level. On the other hand, those who succeed in implementing something new will have a much greater impact, since the novelty is spread through the organisation in a more systematic way.

It has been harder to reach out with new ideas, but the company gets a totally different exchange on the good ideas. It is much more arduous, and even if the companies' entrepreneurial background is noticed; it is not as easy to enthuse with new ideas. (Business development- and IT consultant company)

The quote above is a typical example of those companies that have directed their efforts towards systematizing and making more efficient those processes in which service is delivered. They also have professionalized service "production" and delivery, by creating "specialists" who are professional in certain areas. One important aspect is, for example, what this means in terms of room for creativity. We can see an example of this in the next quote.

The company is organised in functions, with region managers that each have ten subordinated school managers. The schools are organised in working teams, most often divided into grades. There is also a headquarter and likewise an educational department, which stand for ideas and methods. The educational department designs the subject and its educational material. The room for creativity in the education is there too small, which is troubling when the teachers want to do their own material in order to be more secure in their teaching, but also because they believe it is a part of the teacher's role. This development started out with a quality ambition, but is now more of a systemizing and efficiency process. (Private school)

There is also an increased influence of the so called lean-philosophy, a standardized way of working in service-intense organisations, both in the public and the private sector. The only common formalised work processes mentioned in the interviews are lean production and management tools produced by the Project Management Institute. Both these methods are taken from industrial activities and are applied - with more or less adaptations - to the context of service-intensive organisations.

We have been working with the lean-concept during a longer period of time, but it took on real speed the last two years. (Private health care provider)

What *lean* means in this case is that this company has started working in a systematic way in order to make co-workers participate by taking initiatives for continuous improvements – something resembling a combination of streamlined organisation and empowerment efforts. And this is accompanied by an increased trust in quantitative measures as an instrument to evaluate and improve working procedures.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

In other words, in some companies, the attempt to systematize incremental innovations seems to have resulted into acceptance for formalising approaches, where routines and processes are central, to the expenses of the single co-worker's creativity and possibility for action, which becomes more or less strongly limited. Such a development can also be related to the maturity of these organisations. Put differently, we see that initiatives to formalise activities are going on in service-intensive organisations in general, in which service delivery is subjected to rationalisation and formalisation. Formalisation of organising (for) innovation is mostly done in terms of process innovation. But formalisation also constrains possibilities to service innovation initiatives coming from co-workers. On the other hand, formalisation can help spread those service innovations that succeed in attracting attention. What becomes limited is the creativity of the single co-worker, if creativity is conceptualised as freedom of action and of doing something different, outside the framework of the formalised processes.

Something to be noticed is that even in those organisations where processes are being formalised, the management considered co-workers' participation and commitment to be of outmost importance. Even if they do not emphasize individual creative performances, they are still convinced of the need for change, innovation and improvement initiatives to happen in a bottom-up manner. They should start within the organisation, from those co-workers participating on a daily basis in the operative activities in the organisation. A top-down approach, as well as the attempt to implement a successful solution in a new context, is seen as deemed to fail – or at least the risk is quite high.

> *It is central that the initiatives to improvement projects come from the lower levels of the organisation and that it becomes natural or routine to work with continuous improvements. It's about getting the whole chain of activities to function better. Moreover it is more fun when it works like this. When the suggestions come from those concerned it is often possible to implement quite unexpected things. However, if a hospital manager had suggested that the emergency ward should quit meet patients with physician students and replace them with senior physicians, it would never have worked. There would anyway have been a strong resistance within the senior physicians, they maybe even have 'thrown in the towel' as a senior physician at the emergency ward. However, when the co-workers themselves come up with a special way of working that is better than another one, it works differently.* (Private health care provider)

A common trait for these examples is a clear focus on higher efficiency: organizing (for) innovation has been translated to working for making operations more efficient. They have, in other words, focused on *process innovation*. Moreover, some organisations have professionalized both the sales and purchasing of services. This development has meant that the relation between, for example, an IT consultant and the IT system user is no longer "direct". Instead, there are a sales professional and a purchaser "between" them, which also means that the dialogue and interactions that were an important part of service delivery are now more limited.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

As a contrast to the example of the non-formalised innovation process of the Logistic company, the education company has developed some standard modules even though the consultants are free to organise and further develop their courses as they prefer. How services are delivered depends on the interaction with customers and on how it develops. It has the character of "here and now", in other words. This means that both quality of the delivered service and service innovation is something that may be constructed in those interactions.

4.3 Striving for creativity

So far we have shown how formalisation both can limit and increase creativity, but how do the people interviewed talk about creativity? There are examples of reasoning on the possibility of organising for creativity. For example, the idea of creating room for creativity came up during an interview. The example of Google is described as tempting: to give co-workers time which they can dedicate to own "free" projects. Lack of resources, however, makes such initiatives not possible.

> *But it is an interesting question, if it is possible to organise in a way that you can systematically allocate time for free development, as Google does. We would like to reach that point where you realize that it gives so much back in form of ideas and maybe profitability. And it should be valuable to the company, when the business is about selling knowledge, ideas and power of innovation. But to succeed with that, people need time. The company is not mature enough to charge in another way than being paid by customers.* (Business development- and IT consultant company)

A lean philosophy itself implies trying to make creativity part of everyone's work tasks, even though within a specific framework: sort of a bounded creativity. It is, in a way, an attempt to involve co-workers in the innovative work and at the same time to disconnect innovation from single co-workers.

Another example of how creativity is "organised" is the Consultant organisation within the development of society. One senior manager describes innovation and new ideas as something taking place in meetings where different experiences, knowledge and areas of expertise come in contact with each other. It is seldom one single individual who invents a new service or who implements it. Instead there is a process where people meet and ideas take form and develop, sometimes also thanks to the involvement of external people. Such a process can be initiated and supported by the management, as well as it can be born out of an interesting delivery project. Coincidences and co-workers' agendas also play a role. It is a long process that takes time and is only partially possible to control.

Moreover, some people emphasize the importance of being able to communicate and understand each other in order to be innovative. A formal process cannot solve such interactional aspects. This aspect is evident when people discuss different cultures, both national cultures and professional cultures.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

Finally, some of the interviewed people also spoke of the entrepreneur as the kind of person needed, both as manager and co-worker, in order to create an innovative climate. We could interpret such an ideal in relation to other discourses in society, but it is still interesting how this view moves the focus back on the single individual. It is important to be able to be seen and to make one's own ideas heard within the organisation.

> *We try to change the attitude so that you can allow people to be entrepreneurs, to be heard and become visible in the organisation, partly learn from seniors, and learn to share one's knowledge.* (Consultant within the development of society)

To conclude, we have given some examples of how companies try (or would like to try) to organise for creativity. Also in this respect we could speak of a process of formalisation, which is implemented in different ways and to different levels. What we have seen is examples of organising (for) service innovation ranging from low formalisation, sometimes people do not even grasp how innovation takes place, to higher formalisation and search for efficiency. The focus of efficiency seems also to be one of the reasons for introducing bureaucratic elements, as for example routines, rules, specialists, and standardisation. When speaking more explicitly about creativity, we are given both examples of more or less formalised (possible) ways of organising for creativity and examples of focus on single individuals as the carrier of ideas and responsible for innovation, the belief in the "entrepreneur".

5 Discussion

Comparing how the theme of service innovation has been constructed by previous studies and by the people interviewed results in a number of questions that we think are relevant to further investigate if we want to understand innovativeness in service-intensive companies.

5.1 How to balance formalisation and room for creativity?

We have seen both in the literature and in the empirical material that the tension between formalising (for) innovation and creating room for creativity is an important and debated one. In our interviews, we have also noted that formalisation processes have in some cases assumed the character of bureaucratisation processes. In particular, not only formal work procedures have been introduced, but also standardisation, routinisation and specialisation have become central in order to increase efficiency.

Figure 1 illustrates two extreme situations, complete chaos and an ideal bureaucracy, and how formalisation and potential room for creativity may increase or decrease when moving from the one extreme to the other. An ideal bureaucracy is rational and designed in order to bring order, keep control, guarantee predictability, not in order to experiment and innovate. The effects of a bureaucratic structure on innovation have been discussed in the literature since at least the 1960s. Thompson (1965) studied the relationship between bureaucracy and innovation and found that the conditions within a bureaucracy are inappropriate for creativity, but being determined by a drive for productivity and control. Thompson suggested that organisations should, in order to be more innovative, have a looser and untidier structure, decentralize, and have a greater reliance on group

14

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

processes and freer communication. Also Ekvall (1983, Ekvall, 1996) has found that formalisation harmed innovativeness. However, such conclusions have been questioned, for example recently by Styhre (2007). Also, these studies were carried out in more traditional industrial organisation. The question is how things work in a service-intensive context. As we have seen in the empirical material, some people claim that individual creativity has been constrained.

TAKE IN FIGURE NO. 1

Figure 1. Where is the balance between formalisation and room for creativity?

On the other hand, if the bureaucracy has mostly been criticised when discussing innovation, pure chaos should not offer the premises for innovation either. Even if there potentially is room for unlimited creativity, there might be a lack of premises to use such room for innovating. For example, the literature recommends focusing on a proper climate in order to foster creativity, which could be created by formalising in certain ways.

Therefore, the question seems to be where to find the balance between formalising and keeping enough room for individual creativity in order to be innovative. Formalisation per se may not be a problem; rather the question is: formalisation how? There is clearly a need for more studies. And we do think that "thick descriptions" of innovation processes in service contexts are particularly welcome in order to increase the understanding of the "how". The first question we want to raise is: *How can service-intensive companies find a balance between formalisation and room for creativity when organising for innovation?*

5.2 Why all the talk about formalisation – imitation of the manufacturing industry?
Formalisation seems still to be rare so why do service-intensive companies not formalize if everyone says it is so important? There is some consensus in the literature on the benefit of formalising (for) innovation, but little on how. In our interviews we find that formalisation is not that common either as only about half of the interviewed could give examples of formalisation taking place. As we have seen, innovation is often conceptualised as taking place in the everyday service delivery.

This question might be even more important considering that it appears as if service-intensive organisations are adopting industrial models of working in a systematic way with innovation, for example by implementing the lean philosophy. Such models have been developed in a different context and might not be the most suitable for service innovation. While it could be interesting to study the diffusion of these models to different kinds of organisation from an institutional perspective (DiMaggio & Powell, 1983), what we want to underline here is the risk for lack of innovativeness that such isomorfism could cause. Moreover, there is also a risk of missing the possibility of studying how innovation has been achieved in service contexts and to develop models based on service own premises, logics, etc. This warning should also go to the research community as we researcher ourselves often using language and concepts derived from the industrial world and

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

"imposing" them phenomena in service settings. It would be of interest to study the language and concepts people working with services actually use to see if they too have adopted industrial terms. How could we interpret that? Or do they develop own concepts and terms? Consequently, the second question we want to raise is: *How does the manufacturing industry influence the service industry in terms of processes, methods and vocabulary related to organising (for) innovation?*

5.3 Organizing for individual or collective creativity?

When discussing the tension between formalisation and creativity when organising (for) innovation the question of the nature of creativity is relevant. Both in previous literature and in the interviews creativity tends to be an individual characteristic rather than an organisational process. This becomes specifically clear when talking about the need for innovative and creative "entrepreneurs". In the literature there were at the most discussions how organisations could support a creative climate, i.e. an organisational climate in which there is openness for the creative ideas of individuals.

However, studies of creativity in organisation increasingly argue for viewing creativity in terms of collective group processes rather than individual traits. For example Björkman (2004) has shown the relevance of such a perspective. Creative actions and results are to a high extent dependent on the design and control of the creative process. Factors relevant for the creative process are, according to Björkman's study: the composition of the group (size, sex and age etc.), the design of the work procedures, and the skills of a group activity moderator. Additionally creativity may be hampered by negative group dynamics or inappropriate work styles.

With this background we want to the raise the question of how service-intensive companies can organise for creativity on a collective level. Considering creativity as a collective achievement means that formalisation has consequences on creativity. While the examples of high formalisation given by the interviewees showed instances of bureaucratisation and, therefore, of decreased room for individual creativity, the relation might be not so simple as regards formalisation and collective creativity. Room for collective creativity might be created by formalising. Therefore, it would be of interest to learn more about both individual and collective creativity in service-intensive companies, and how these aspects are related to innovativeness and formalisation. Should we see creativity in service innovation processes as an individual or a collective matter? The third question we want to raise is therefore: *How is individual and collective creativity conceptualised and what difference does this have for the organisation (for) innovation in service-intensive firms?*

5.4 What about the formalisation of service delivery process?

Previous research has discussed formalisation of the innovation process. Based on these two studies we want to argue for looking also at the formalisation of the organisation of the entire service-intensive company as a relevant variable for understanding the possibility to organise (for) innovation. This is especially important if we want to further understand how room for creativity can be organised.

Paper accepted for presentation at *The 2009 Naples Forum on Services: Service-Dominant Logic, Service Science, and Network Theory*

Crevani, Palm & Schilling

In the empirical material we have seen that innovation often is related to process and, sometimes, with organisational innovation. It is also mostly translated into making the delivery process more efficient and standardised. Taking into consideration that a service is an interaction and that the interaction itself depends on the people involved, formalised processes may mean risking loosing opportunities for developing something new in the particular interaction. This leads to possible problems with formalising, at least certain ways of formalising the service delivery process. Problems can arise if formalisation makes the delivery of the service itself standardised in an inflexible way, or if a formal process does not allow for going outside the prescribed framework when new ideas come up. Based on these reflections, the forth question we want to raise is: *What happens with innovation when the service delivery process is being formalised?*

6 Conclusions

In this paper we have presented and compared two studies on challenges with organising (for) innovation in service-intensive companies, a literature review and an explorative interview study in Sweden. In both these studies a common and important theme was the potential tension between formalisation and room for creativity. The purpose of this paper has therefore been to problematise and discuss this tension between formalised processes and creativity in the context of service-intensive companies.

By reviewing what has been written on formalisation and creative climate in service companies and juxtaposing it to detailed concrete examples of working with innovation, we have tried to problematise this possible tension. As we discussed, we see four main aspects as worth attention and further studies in the context of service-intensive organisations.

1) How can service-intensive companies find a balance between formalisation and room for creativity when organising for innovation?
2) How does the manufacturing industry influence the service industry in terms of processes, methods and vocabulary related to organising (for) innovation?
3) How is individual and collective creativity conceptualised and what difference does this have for the organisation (for) innovation in service-intensive firms?
4) What happens with innovation when the service delivery process is being formalised?

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Crevani, Palm & Schilling

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