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Capabilities For Service Innovation: A Qualitative Case Study In The Consulting Industry

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CAPABILITIES FOR SERVICE INNOVATION: A QUALITATIVE CASE STUDY IN THE CONSULTING INDUSTRY

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Abstract

In today’s dynamic market environments, service organizations face the need to improve existing and create new services. While practice and research acknowledge the importance of this phenomenon, it is yet understudied with regard to understanding relevant resources for service innovation. Based on the resource-based view and dynamic capability theory, we develop a theoretical understanding of service innovation. In order to identify relevant resources, here: capabilities and assets, we conduct a qualitative case study at IT-CONSULT, a Germany-based IT consultancy. Results suggest that the current understanding of dynamic capabilities is unable to explain the occurrences at IT-CONSULT. Thus, we discuss the extension of the dynamic capability framework with a new class of capabilities – systemic capabilities – that function to mobilize operational capabilities and assets. Implications of this research for both theory and practice are discussed.

Keywords: Dynamic Capabilities, Resource-Based View, Service Innovation, Qualitative Research.
1 INTRODUCTION

Today, the demand of consumers is rapidly changing and services become increasingly important. This results in a structural change of economics from industry and production to services. One example of this is the consulting, especially information technology (IT) consulting market: the volume of the European consulting market tripled between 1998 and 2008 (FEACO, 2010). However, this growth in the service sector can also be transferred to the organizations originating in the industrial sector with producers offering value-added services to their goods. Due to this dynamic market environment, service organizations try to create new services and, thus, need service innovation capabilities.

In this article, we take a resource-based view (RBV) on service innovation. The RBV argues that organizations can be seen as collections of distinct resources (Wade & Hulland, 2004; Wernerfelt, 1984). These resources cover anything that is a strength or weakness of a particular organization (Wernerfelt, 1984). For better analysis, resources can be differentiated into capabilities and assets. A capability is a coordinated set of tasks which is conducted to achieve a particular end result (Helfat & Peteraf, 2003). Operational capabilities are a special class of capabilities needed for performing the basic functional activities of an organization (Winter, 2003). In this notion, a service (process) can be understood as an operational capability. Moreover, operational capabilities make use of tangible or intangible assets (Wade & Hulland, 2004), e.g. machines, production plants, brands, or patents. The RBV in the classical notion argues that the organization’s set of operational capabilities and assets is related to the competitive advantage of the organization. Several authors argue that this is true for stable market environments only. In contrast, in dynamic markets organizations have to adapt their operational capabilities which is done using dynamic capabilities (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003; Teece, Pisano, & Shuen, 1997; Winter, 2003; Zollo & Winter, 2002). Dynamic capabilities are another class of capabilities. They are used to build, integrate, and reconfigure operational capabilities and, thus, contribute only indirectly to the output of the organization (Helfat & Peteraf, 2003). Moreover, dynamic capabilities make use of (human, technological, financial, or other) assets, too. Hence, we see service innovation as a dynamic capability building, integrating, and reconfiguring services using specific assets. As such, it refers to both improvement and creation of services.

Dynamic capabilities focusing on physical products, e.g. new product development (Eisenhardt & Martin, 2000), are quite well understood. In contrast, a thorough understanding of the capabilities and assets for service innovation is yet missing. Service innovation is about the successful creation of new services offered by an organization. It mirrors new product development in the service sector. With this paper we answer the following research question: What are capabilities and assets needed for successful service innovation?

In answering this question we concentrate specifically on the technological assets in terms of IT used for service innovation. Therefore, we conduct a qualitative case study in an organization offering IT-consulting services (named IT-CONSULT for anonymity). In the time between 2010 and 2011 we conducted ten interviews with employees from all hierarchical levels and collected additional data, e.g. reactions to public tenders, on service innovation at IT-CONSULT.

The remainder of this paper is structured as follows. In the next section we present our understanding of service innovation theoretically founded in the RBV. Then, we show the framework used to understand the case data. In section four we describe our research methodology in terms of case selection and description, data collection, and data analysis. Section five is dedicated to our results. In section six the results are discussed. The paper closes with a short conclusion.

1 It is noteworthy that the terms assets and resources are sometimes used synonymously in the literature. However, we will stick to the terms assets and capabilities. When we use the term resource we mean it in the “umbrella”-notion covering both.
2 CONCEPTUAL BACKGROUND AND RESEARCH FRAMEWORK

Services are commonly defined using the following five key characteristics: Intangibility, perishability, inseparability, simultaneity, and variability (Alam & Perry, 2002; Das & Canel, 2006; Katzan, 2008). As such, services in contrast to goods cannot be touched, they cannot be stored, their production and consumption cannot be separated and happen at the same point of time, and they are always different from one another due to different service providers (employees) and customer demand and input. However, these characteristics are not able to grasp the full complexity of services. Sometimes, goods and services are not mutually exclusive but can be arranged on a continuum (Vargo & Lusch, 2008). However, scholars agree on the notion of services as processes (Bitner, Ostrom, & Morgan, 2008; Katzan, 2008).

In terms of the RBV, one can understand the delivery of services as a capability. The RBV defines organizations as collections of distinct resources (Wade & Hulland, 2004; Wernerfelt, 1984). In this specific terminology, resources are anything that can be seen as a strength or weakness of an organization (Wernerfelt, 1984). For a resource to be a strength and, thus, contribute to the competitive advantage of the organization, it has to feature all VRIN-attributes, i.e. it has to be valuable, rare, inimitable, and non-substitutable (Barney, 1991). To allow a better analysis, scholars differentiate two classes of resources: (operational) capabilities and assets. Capabilities can be defined as coordinated sets of tasks which are conducted to achieve a particular goal (Helfat & Peteraf, 2003). In short, capabilities can be understood as processes. In contrast, assets are everything tangible or intangible used in or by these (operational) capabilities (Wade & Hulland, 2004). Examples for assets include production facilities, access to natural resources, patents, or brands. Following this argumentation, each service (understood as a process), or at least its delivery, can be understood as an operational capability.

Although service innovation is closely related to new product development (Alam & Perry, 2002; Menor, Tatikonda, & Sampson, 2002; Shulver, 2005; Stevens & Dimitriadis, 2005), differences, e.g. in complexity, are evident, too (Bitran & Pedrosa, 1998; Den Hertog, Van Der Aa, & De Jong, 2010; Johne & Storey, 1998; Stevens & Dimitriadis, 2005). In this article, the term service innovation refers to both the improvement of existing services and the creation of radical new services and may be driven by a multitude of different causes, including environmental change, new market opportunities, and internal capability development (Shulver, 2005).

From a theoretical perspective, service innovation can be understood as a set of specific dynamic capabilities (Den Hertog et al., 2010; Pöppelbuß et al., 2011). Dynamic capabilities are a theoretical concept introduced to overcome shortcomings of the classical RBV, most importantly the under-emphasis of market dynamics (Collis, 1994). The competitive advantage generated by a specific configuration of assets and capabilities with the mentioned VRIN-attributes may diminish over time as the environment of the organization changes. Thus, the organization has to adapt. This is done with the help of dynamic capabilities (Eisenhardt & Martin, 2000; Teece et al., 1997). Dynamic capabilities are institutionalized capabilities for integrating, building, and reconfiguring operational capabilities (here: services) in order to achieve a fit with the market environment (Zollo & Winter, 2002). Typically, they require long-term investments and commitments of specialized assets (Helfat & Peteraf, 2003; Winter, 2003). Often these assets are human or technological. Dynamic capabilities contain sensing, seizing, and transformation activities (Teece et al., 1997). In our context of service innovation, sensing is about the recognition of needs and opportunities for the change of services. These needs or opportunities cover, e.g., technological changes (e.g. new possibilities due to new IT) or new competitors in the market. Seizing activities refer to the creation of a solution, e.g. through the calculation of a business case for a specific new service and the corresponding modelling of the new service processes. Last, transformation refers to the organizational and technological implementation of the new service processes. Here, both the IT and the organizational structure have to be adapted to make the new processes possible.
However, change can also be achieved without dynamic capabilities. Winter (2003) argues that change is often related to an external event and that organizations may react onto this event by going into “firefighting” mode. In this mode, they will rely on event-dependent capabilities and assets and solve the problems through spontaneous acts of creativity (Zollo & Winter, 2002). Scholars argue that this reliance on ad-hoc change will mostly occur in organizations situated in non-dynamic market environments as change happens less often and specific investments in event-independent capabilities and assets would not pay off (Winter, 2003; Zollo & Winter, 2002).

Thus, organizations, especially in the highly dynamic IT-consulting business, need human resources, methods, and IT to perform service innovation. Our research question is strongly related to these assets and capabilities.

Based on the presented theoretical understanding of service innovation we develop our research framework used to give answers to our research question (Figure 1). Service organizations in a dynamic market environment will conduct service innovation. According to dynamic capability theory, they will rely on both dedicated resources for service innovation (event-independent, e.g. the ability to constantly monitor the market for important developments) and ad-hoc capabilities and assets in case of “fire-fighting” (event-dependent, e.g. the sporadic inclusion of temporary workers). Here, service innovation makes use of capabilities which in turn make use of assets. Moreover, event-independent capabilities may use event-dependent assets and vice versa. These capabilities and assets can be located in at least one of the three classes of activities (sensing, seizing, and transformation). Capabilities for sensing will deal with problem or need recognition and their first evaluation. Capabilities for seizing are responsible for the engineering of service processes and planning of the corresponding infrastructure. Transformation capabilities deal with the implementation and communication of new services in the organization.

![Figure 1. Research Framework: Service Innovation in terms of the Dynamic Capability Theory.](image)

### 3 METHODOLOGY

In order to answer our research question we conduct a qualitative case study. Qualitative research has not only a rich tradition in the IS field (Bharadwaj, Saxena, & Halemane, 2010; Mingers, 2003; Silverman, 1998) but is also very suitable for the exploratory character of our research (Benbasat, Goldstein, & Mead, 1987; Yin, 2003).

#### 3.1 Case Selection and Description

The organization studied is a German company offering IT-consulting services (named IT-CONSULT for anonymity). With about 50 employees and an annual turn-over of less than 50 million Euros IT-CONSULT belongs to the class of small and medium sized enterprises (European Commission, 2003). The company was founded in the 1990s by a group of experienced consultants. These founders still own most of the company. IT-CONSULT concentrates on three different sectors: public administrations, financial institutions, and utilities and disposal organizations. These sectors impact the organizational structure. IT-CONSULT has three corresponding divisions and each employee is assigned to one. However, the assignment is neither formal nor sustained. Instead, the employees can switch divisions and teams quite easily.
When selecting our case-organization we took several aspects into consideration. First, acknowledging that service innovation can also occur in other sectors, the organization should nevertheless be in the service sector so we can be sure that services are improved or created. Second, the organization should be situated in a dynamic market environment, as a dynamic market environment is typically linked to the existence of dynamic capabilities. These two aspects led us to the consulting sector. Third, the case organization should have enough employees that are able to describe the capabilities and assets used in detail. This meant that the organization must not be too small. Moreover, it helped that the organization is situated in the IT-consulting business as the employees were suspected to be able to describe the technology used in a sufficient way. Furthermore, we had two last issues: availability and affiliation. IT-CONSULT was available to our study and none of the authors is affiliated with the organization. Moreover, it became clear quite quickly that IT-CONSULT fares quite well in terms of service innovation.

3.2 Data Collection

We collected the data between November 2010 and July 2011. Here, we tried to gather as much data as possible using different data sources. With this strategy we want to make use of the synergetic effects of triangulation (Jick, 1979; Yin, 2003). Our primary data source was semi-structured interviews with employees of IT-CONSULT. In two periods of intense data collection (fourth quarter of 2010 and second quarter of 2011) we interviewed 10 people from all levels of hierarchy (i.e. top management, project manager, team member). The interviewees were selected in close cooperation with the top management of IT-CONSULT. Each of these interviews was scheduled for one hour, the average interview lasted a bit less, as especially lower level employees could not say much on service innovation. The interviews were recorded and transcribed. The interviews were conducted in German or English, depending on the preference of the interviewee. Moreover, we had three official meetings with IT-CONSULT officials in 2011 where we discussed our findings. One of these meetings was in the first quarter of 2011 and, thus, between the two phases of interviews. The meetings took between four and six hours and were not recorded. Furthermore, we received additional documentary information, e.g. on public tenders, on examples of service creation, and on the organizational structure.

3.3 Data Analysis

All available data was imported into the qualitative data analysis software package NVivo 8. We created a coding scheme based on the research framework presented above. However, there was room for open coding, too. The first author used this scheme to code the data. In case of any difficulties with the coding both authors discussed the corresponding passage. Examples of the coded data are listed in table 1.

2 For this paper, some of the following quotes are in fact translations from German.
### Table 1. Examples of Codes and corresponding Quotes.

<table>
<thead>
<tr>
<th>Code</th>
<th>Interviewee</th>
<th>#</th>
<th>Quote</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sensing</td>
<td>Top Manager</td>
<td>Q1</td>
<td>“Most impulses for service innovation come from our customers and clients. Maybe we should work more with our own knowledge and ideas, in order to create or improve services. In my opinion we rely too much on the ideas of our customers.”</td>
</tr>
<tr>
<td></td>
<td>Project Manager</td>
<td>Q2</td>
<td>“In the past a lot of service innovations were triggered by changes in the law. Our customers were forced to implement certain things and we had to react on these changes and introduce corresponding services.”</td>
</tr>
<tr>
<td>Seizing</td>
<td>Top Manager</td>
<td>Q3</td>
<td>“Most of our services are developed in workshop structures. We divide the development of services in sub-tasks and prepare those tasks in workshops.”</td>
</tr>
<tr>
<td></td>
<td>Top Manager</td>
<td>Q4</td>
<td>“We do not use any process modelling methods as EPC [Event-Driven Process Chains] or BPMN [Business Process Modelling Notation].”</td>
</tr>
<tr>
<td>Transformation</td>
<td>Top Manager</td>
<td>Q5</td>
<td>“When we have a new service we try to store all knowledge needed for it in a Wiki. However, the Wiki is almost unstructured and I doubt that one can find a lot in there.”</td>
</tr>
<tr>
<td></td>
<td>Project Manager</td>
<td>Q6</td>
<td>“We have a yearly meeting right before Christmas where we discuss our new services in the whole company.”</td>
</tr>
<tr>
<td>Technological Assets</td>
<td>Top Manager</td>
<td>Q7</td>
<td>“We mostly rely on our Office suite when creating new services.”</td>
</tr>
<tr>
<td></td>
<td>Top Manager</td>
<td>Q8</td>
<td>“For the management of new service knowledge we employ a Google-Site based Wiki were our employees can subscribe to a newsletter, but I do not rely very much on this system.”</td>
</tr>
</tbody>
</table>

### 4 RESULTS

IT-CONSULT creates new services on a regular basis. Interviewers explained that consulting services are individual for each customer. However, we could observe a lot of repetition in IT-consulting. To give two examples: (A) IT-CONSULT provided multiple instances of similar services in the SAP accounting environment for governmental agencies and (B) IT-CONSULT could sell their consulting service of implementing web portals for their corresponding private customers to several utility companies. Thus, the consulting services of IT-CONSULT are often not customer-individual but rather customized. By definition, this is typical for services in general.

The market environment of IT-CONSULT is highly dynamic. Interviewees agree that competition is high, little entry barriers exist, and prices are constantly under pressure. Moreover, with both the public and the financial sector being tackled by the financial and economical crisis, the market gets narrower. However, IT-CONSULT is able to position itself in this dynamic market environment by improving their service portfolio on a regular basis, either through relatively small improvements of existing services or through the development of new ones.

The case organization is able to sense opportunities or needs for service innovation. Sometimes existing services can be improved, e.g. by including more technological options for the customer. Sometimes there is a direct trigger from the organizational environment as changing laws or collaboration partners who come up with ideas. However, IT-CONSULT does not have an organizational unit responsible for research and development. “We do not have a dedicated department for scanning and evaluating problems or ideas,” argued one of the top managers in the interviews. Instead, we can observe different capabilities for sensing. First, at least in the public sector a lot of clients use public tenders to identify their supplier for consulting services. Here, IT-CONSULT has a structured and repeatable approach. One top manager described it as follows: “We use a service which scans all published tenders in Germany on a daily basis. This service scans for certain keywords identified by us. We [the top management] receive this list of potentially interesting tenders and have to evaluate them. But that is a thing of five to ten minutes every day.” Thus, IT-CONSULT has the event-independent capability to scan for new tenders. In this regard, a top manager showed us the description of such a tender and noted the importance of contact before the tender is
issued: “In this case we had prior contact to the customer and, thus, had a good impression of what the customer wanted. I assume our offer was simply more qualified so that we won in the end.” Second, as the organization does a lot of consulting services in the SAP environment, irregularly there is service innovation driven by SAP. A middle manager described that every now and then they are informed by SAP about new technologies and have to decide whether to introduce a corresponding service to their portfolio. As such, there are no event-independent assets and capabilities for this second option. Third, there are changes in the law that drive the typical clients of IT-CONSULT. One example given by a project manager was that with the liberalization of the German energy market almost all utility companies had to change their processes for allowing customers to seamlessly switch their supplier. Here, IT-CONSULT quickly saw a market opportunity and created a corresponding service. However, there is no structured approach to identify and evaluate legal changes and, hence, only event-dependent capabilities and assets in use. Fourth, whenever an employee has an idea for a new consulting service, she should put it into “a tool implemented in plain excel” (quote from a team member). However, according to IT-CONSULT officials this happens far too little at the moment (see table 1, #Q1) and is not institutionalized. Thus, excel is the only asset used for seizing by the case organization. Additionally, IT-CONSULT is open for external ideas. Whenever an existing or new customer requests a special consulting service or a potential collaboration partner wants to include the services of IT-CONSULT in their own portfolio, these requests are evaluated and eventually fulfilled in terms of service innovation. However, this fifth approach cannot be considered a capability on its own as the organization only reacts on direct requests and does not employ own resources for sensing.

Once an idea or a problem is recognized and evaluated by IT-CONSULT, two different possibilities for seizing exist. On the one hand, the development of new services is often very intertwined with the application in a client organization. Thus, the main capability used is the conducting of joint workshops with the customer in which the service is developed or improved en passant. On the other hand, there are service innovation projects that are conducted pro-actively in the boundaries of the organization. Here, one of the capabilities of IT-CONSULT is to be able to identify and evaluate potential partners for projects. “Sometimes there are topics that are quite interesting for us although we do not have the resources for these services. In such cases we have to take a look whether the collaboration with other partners is beneficial. However, we do not have a dedicated department for the identification and selection of partners,” argued one of the top managers. Interestingly, IT-CONSULT works closely together with a university computer science group. In the development of new services they apply these in a prototypical manner and test, e.g. the applicability in SAP systems. The organization also involves student assistant and bachelor or master candidates in this process. All these capabilities mentioned are not institutionalized but rather event-dependent.

From an asset perspective, IT-CONSULT does not make use of dedicated tools for service innovation in the seizing phase. Examples mentioned in the interview are process modelling methods and corresponding systems (see table 1, #Q4). However, the organization relies on standard office tools as word processors or presentation software.

With the use of event-dependent capabilities and assets, IT-CONSULT is able to create new or improve existing services. When it comes to the transformation of the organization and the introduction of these services into the portfolio of the organization, mainly two capabilities are used. First, as already mentioned above, the development of new services is often intertwined with the application at a client. Thus, new services are lived at the moment they are created and the knowledge about the service is spread, at least in the project team. Thus, this capability is used event-dependent. Second, IT-CONSULT has regular (event-independent) team meetings. The number of these meetings differs a lot in the three divisions and range from “every month” (top manager, public sector) to “a yearly meeting right before Christmas” (project manager, utilities).

Moreover, IT-CONSULT employs a wiki for their knowledge management. This wiki is clearly an asset that exists independently of a current event. However, due to the poor structure and the few contents (see Table 1, #Q5, #Q8), the wiki is scarcely used. According to the interviewees, a guideline for using the wiki is in place but it is followed only by some people and controlled by virtually none.
All event-independent and event-dependent capabilities and assets are summarized in the following table 2.

<table>
<thead>
<tr>
<th>Event-independent</th>
<th>Sensing</th>
<th>Seizing</th>
<th>Transformation</th>
</tr>
</thead>
<tbody>
<tr>
<td>capabilities</td>
<td>• Scanning for new public tenders</td>
<td>• Knowledge transfer in regular team meetings</td>
<td></td>
</tr>
<tr>
<td>assets</td>
<td></td>
<td>• Wiki for knowledge management</td>
<td></td>
</tr>
<tr>
<td>Event-dependent</td>
<td>capabilities</td>
<td>Seizing</td>
<td>Transformation</td>
</tr>
<tr>
<td></td>
<td>• Scanning for new technologies (esp. Innovations in SAP)</td>
<td>• Conducting joint workshops</td>
<td>• Introduction of new services through direct application at client</td>
</tr>
<tr>
<td></td>
<td>• Scanning for legal changes</td>
<td>• Selecting appropriate partners</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Scanning for own ideas</td>
<td>• Inclusion of universities and student assistant in new service development</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>assets</td>
<td>• Excel</td>
<td>• Office tools</td>
</tr>
</tbody>
</table>

Table 2. Capabilities and Assets for Service Innovation at IT-CONSULT.

5 DISCUSSION

The results of our case study show clearly that IT-CONSULT operates in a highly dynamic market environment of competition and price pressure. Moreover, it is fact that a lot of services are either changed or created from scratch. IT-CONSULT manages to adapt to the environmental changes and the varying customer demands. Using the presented theoretical understanding of service innovation as a dynamic capability we would thus assume that IT-CONSULT has a variety of event-independent capabilities and assets in term of dedicated resources for change.

In contrast to this theoretical understanding, IT-CONSULT has only two event-independent capabilities (scanning for tenders in sensing and communication and knowledge transfer through regular meetings in transformation) and only one event-independent asset (the wiki which is rarely used) dedicated to service innovation. In addition, the organization makes extensive use of event-dependent capabilities and assets. With this help IT-CONSULT is able to introduce new services when needed.

The explanation dynamic capability theory can offer for this phenomenon is that the organization does not rely on dynamic capabilities but mostly on measures of ad-hoc change, the so-called sporadic acts of creativity. However, the described acts are definitely not sporadic but follow a well-organized manner structured by basic rules and the organizational culture of low hierarchies. Thus, the contemporary understanding of dynamic capabilities is only partially useful for explaining service innovation at IT-CONSULT.

As dynamic capability theory in the classical understanding is limited in explaining the presented results, we have to review these results and make sense out of them. One of the main findings was that in the case of a change event resources from the operational level were used for service innovation. The organization was able to pull employees out of their current consulting service projects into consulting service innovation projects. By this, their tacit knowledge on both the consulting business and the industry respectively (public sector, finance, or utilities) could be used in a very good way. This is not the same as the sporadic acts of creativity understood as ad-hoc change. Instead, this “pulling” can be conceptualized in form of a new event-independent capability of IT-CONSULT: the ability to involve operational resources into dynamic capability projects. This capability is systemic as it does not rely on specific human or technological assets but is rather based on the organizational culture of open doors and minds, low hierarchies, basic rules, small teams, etc. The operational capabilities of IT-CONSULT are change-related and may thus be transferred to change in the
organization itself. Moreover, the human assets generate knowledge on the specifics of service innovation and use this knowledge event-dependent when needed.

Hence, the case of IT-CONSULT does not fit in the presented theoretical understanding. One solution to overcome this gap is presented in Figure 2. In a dynamic market environment it is rationale for organizations to build certain dynamic capabilities. These dynamic capabilities will either rely heavily on even-independent capabilities or on the event-independent systemic capabilities to involve operational capabilities and assets. In both cases, they will potentially be supported by event-dependent capabilities.

![Figure 2. Extended Research Framework.](image)

6 CONCLUSION

In this paper we set out to identify capabilities and assets used for service innovation. Therefore, we conceptualized service innovation in the dynamic capability framework. As such, such, service innovation can be achieved using event-independent capabilities and assets dedicated for change and event-dependent (ad-hoc) capabilities and assets that come up for a specific change event. Theory suggests that organizations situated in dynamic market environments will rely more heavily on event-independent capabilities and assets.

With the help of this understanding we conducted an exploratory case study in an IT consultancy. Here, we tried to identify specific capabilities and assets used for service innovation and classified them in the three classes sensing, seizing, and transformation.

However, our case study results suggested that the current theoretical understanding is limited in its explanatory power. At IT-CONSULT we were able to identify only three distinct event-independent capabilities for service innovation. Two of these capabilities are situated in sensing, one is useful for transformation, and none for seizing. Moreover, the organization relies heavily on event-dependent capabilities and assets. As we could show that the market environment of IT-CONSULT is quite dynamic, theory would, in contrast to the findings, suggest the existence of several event-independent dynamic capabilities. Moreover, the theoretical understanding assumes that the use of event-dependent capabilities and assets can be considered as sporadic and ad-hoc. Thus, theory neglects that this usage follows some rules. Hence, the developed theoretical understanding is limited at explaining the low level of event-independent resources.

Based on this limitation we conceptualized a new class of capabilities: the systemic capabilities to involve operational capabilities and assets. These systemic capabilities are based on attributes typically considered “soft”, for example the organizational culture of open doors and minds, the existing basic rules and small teams, and the low hierarchies. They enable the organization to employ capabilities and assets from an operational level into service innovation. Hence, this paper contributes the following to dynamic capability theory: Event-independent capabilities and assets in the classical sense are not necessary for dynamic capabilities. At least for the case of service-innovation in the
consulting sector organizations can rely on the systemic capabilities to involve capabilities and assets from an operational level.

Next to the presented potential contributions to theory, this paper also makes useful suggestions to the practice. Although contemporary research, e.g. on maturity models, suggests that organizations should invest in building capabilities for change (here: service innovation), practitioners should evaluate whether the operational capabilities and assets of the organization can be used to execute this dynamic capability. If so, they can work on building the systemic capabilities identified in this research. This is done by, e.g. building the right culture and governance structure. If possible, they can thus save serious investments to build the event-independent capabilities and assets.

This paper opens some areas for future research. First, scholars could work on the existing limitations and search for the systemic capabilities in other areas, e.g. other countries, cultures, and, most important, sectors. It is possible that the systemic capabilities exist only in those sectors where the business itself (the operational capabilities and assets) is dealing with change. In our case study IT-CONSULT's employees were consulting other organizations how to change their business and IT and thus gave advice on specific service innovations, too. Second, research can focus on identifying possibilities for creating the systemic capabilities. Up to now, we propose that culture and governance structure are important factors for their existence. However, a clear understanding is yet missing, especially as additional factors might exist. Third, a close understanding of the causalities for service innovation is yet missing. Authors could go for a quantitative study of service innovation capabilities and the corresponding assets to determine effective measures.

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