Research on Innovation Mechanism and Model of Logistics Enterprise: A Chinese Perspective

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ABSTRACT

As a new field in the service industry, logistics is growing rapidly and is regarded as a fundamental industry in a national economy. Its development is an important symbol of a country’s modernization and national strength. It also works as an accelerator in economic development. At the initial stage of transforming traditional logistics service to a modern logistics service in China, logistics enterprises have encountered many difficulties and problems including an imbalanced supply and demand, distempered industrial structure, faultiness of serving process and backwardness of logistics technology since 2005. Compared with developed countries, there is a great gap between Chinese logistics enterprises and advanced countries’ in the aspects of service concepts, model, and content and techniques. Therefore, based on the service innovation driving model theory, the authors analyze the integrated innovation model of logistics enterprises, logistics technology and network model, and the value-added service model. The authors select Shenzhen China Overseas Logistics Co. LTD (COL) as the empirical object to analyze its operation of technology and non-technology innovation and summarize its inner and outer driving force on promoting service innovation.

Keywords: China, Innovation Mechanism, Innovation Model, Logistics Enterprises, Service Innovation

INTRODUCTION

The focus of current enterprise competition is no more the competition of entity products, but the competition of service. So it urges enterprise to take customer and service as the guidance to gain competitiveness by service innovation. Peter F. Drucker (1985) thinks innovation is not a technology term but an economical and social word, and its judgment criteria is not science.
or technology but a reform of the economy and society, a value as well. Therefore, his definition of innovation is to reform output capacity of resource or change the value and satisfaction of clients gained from resource. He also pointed out that innovation is not something happened in organization, but a reform out of the organization. It should be measured by its impact on environment. So it is not necessarily to happen, and it is not totally accidental as well, people should actively seek the chance and try to realize innovation. Therefore, innovation is the cognitive response to outer environment, competitive situation and change of customer demand. It can be the innovation of product and service; it also can be their combination and innovation of process and method which include mentality innovation, technology innovation, organization innovation and market innovation etc.

Logistics service is an important element of customer service, and its value is realized by utility of time and space, 7R (Right time, place, commodity, quantity, quality, price, condition) is the concrete embodiment of its value realization. With the change of environment, the value based on logistics service features can no longer describe the nature of logistics service; it needs to extend many value-added activities, such as package, the third party logistics, distribution, circulation processing, barcode and information and so on. In other word, logistics service value refers to traditional time and space value; it also contains service-added value that provides competitive strength in the market. Traditional time and space value is the qualification element of market competition, while value-added logistics service is the dominant element of competition. In fierce market competition, people need to innovate logistics service in order to realize value-added logistics service.

Nowadays, domestic logistics enterprises can barely meet the need of logistics service and competition. The shortage of service type, poor service, absence of service mentality seriously impedes the development of logistics enterprise and industry. As the core of logistics industry, service is also the product offered by logistics enterprises. In terms of service, Chinese logistics enterprises should continuously innovate enterprise service model, improve service level and capacity and increase service competitiveness. As for Chinese logistics enterprises transferring from traditional storage, transportation industry, it is full of significance for enterprise development and industry growth to strengthen service innovative mentality and improve innovative competence. This article aims to study the mechanism and model of service innovation in Chinese logistics enterprises based on the analysis of drive element of logistics service innovation.

**1. REVIEW OF THE RESEARCH ON SERVICE INNOVATION AND LOGISTICS SERVICE INNOVATION**

The main difference between service economy and traditional economy is that service economy focuses more on dynamic resources such as process, knowledge and skill, and value creation is regarded as a collaborative process involving both service provider and customers. Some researchers call it as “service dominant logic”. The traditional economy, however, attaches more importance on product manufacturing, emphasizes on static resource (such as natural resource) and simply takes value creation process as the process of transforming the resource to the product and delivering them to the customers, which is called “goods dominant logic”.

**1.1 Reviews about the Service Innovation Research**

Western academia started systematic research about service innovation in 1980’s. Early research on service innovation focused on micro-level of enterprise with emphasizing service innovation concept, types and models. The researchers found universality of service innovation domain and diversity of service innovation type, they emphasized the special status of “organization innovation”, “unique