The Path Travelled from Thinking to Perception: A Comparative Analysis of New Service’s Success Drivers Considering the Nature of the KPI

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ABSTRACT

Both academics and practitioners recognize the importance of certain variables such as organizational culture, a company’s size and age or the entrepreneur’s profile in explaining the success of a new company’s service. However, it remains unclear if there is a direct and significant relationship, especially when the entrepreneur uses different indicators for measuring the performance of a new released service. (1) objective indicators, such as financial-, or (2) subjective indicators, based on entrepreneur’s judgements, preferences and expectations. The analysis of a sample of 354 Spanish SMEs belonging to the service sector that have developed new services in the last two years confirms that the importance and significance of these variables vary according to the type of indicator used.

Keywords: Indicators, New Released Service, Objective, Performance, Subjective, Success, Variables

1. INTRODUCTION

Getting a huge net income is possibly one of the main objectives of any firm that develops and launches new products and services. Hence, identifying the drivers of success is key to the company.

Business practice demonstrates that business culture and manners as well as manager characteristics help new released products to succeed reaching good targets. In particular, their effects on the financial results and the acceptance of new products in the market have led some authors to point to these factors as the

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actual drivers of manager’s perception of successful innovation (Sánchez-González, 2008). Acting as driving forces of the processes of entrepreneurial innovation and transformation, those factors provide the company with the capacity to confront strategic challenges in an environment characterised by continuous and fast changes (Sarin & McDermott, 2003).

However, this statement remains still empirically unsolved. It must be considered that results stem from the measures that have been used in the analysis. Typically, companies use indicators based on financials and market or customer (consumer) acceptance (Molina-Castillo & Munuera-Alemán, 2009). Despite this kind of indicators are influenced by the own perception of those in charge of conducting the analysis and interpreting its results—usually managers—, it uses to show a close sketch to the real picture. Thus, it usually gives a fair valuation of the achievement of targeted objectives.

However, managers’ judgements, beliefs and perceptions may have higher importance that the “objective” or performance-based indicators used to measure a particular result. As it has been pointed out by Fiegenbaum et al. (1996), the measurement of a company’s achievement of its targeted objectives goes beyond the financial and market performance, as it is. (a) the result of the manager’s valuation, and (b) it is highly influenced by manager’s perceptions, beliefs and judgements, as well as by the context and circumstances surrounding the valuation process.

Therefore, it may be that variables explaining the achievement of a particular result can be affected by the performance measures. This effect can be particularly important in the service industry, as services are intangible goods and, thus, the return of innovation policies depends, at a large extent, on consumers and managers perceptions.

Following this framework, in this paper we analyse how some traits of a company do affect its net income, but considering that it can be measured. (a) through financial (“objective”) indicators; and (b) according to a manager’s or entrepreneur’s perception.

With this aim in mind, we have divided the paper into two parts. The first one, containing sections 1 and 2, is devoted to describe how a company’s or an entrepreneur’s profile affect the outcomes of the innovation process and to identify the best indicators to measure it. The second part of this work, through sections 4 and 5, relies on the analysis of a sample of 354 Spanish SME’s belonging to the service sector that have developed new services during the last two years. Our results show how the significance of the variables considered as success determinants depend on the type of indicator used. The paper concludes with a discussion of the empirical evidences found and some recommendations for companies to improve their innovation management processes.

2. SUCCESS DRIVERS IN SERVICE SECTOR

2.1. Cultural Orientation of the Organization

Several recent studies indicate that certain aspects, characteristics, and behaviors lead firms to innovate (Faems et al., 2005). The identified factors vary from study to study and may relate to a specific sector, situation, or productive capability, but overall, they suggest two fundamental characteristics. They are determined by the firm’s culture orientation, and they are determinant factors for a new product’s market success (Johne & Storey, 1998; Lytras & Ordóñez de Pablos, 2008, 2009).

Atuahene-Gima et al. (2005) show that the main traits of firms that are proactively oriented to market are. 1) the customer is the centre of the business strategy; 2) the final objective is the satisfaction of customer needs (manifest and latent) through a continuous bid of higher value, superior to that of competitors’; and 3) the commitment of all their resources and abilities to carrying out actions that make it possible to achieve the final objectives.

Two elements are key in this process. a consumer orientation and innovation orientation. Customer orientation is defined as an active
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