Chapter 2
Management Innovation and Business Performance in Services: Economic and Social Potential

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ABSTRACT

The concept of management innovation, the characteristics of the services, as well as the multiple ways in which innovation can occur in services make it difficult to measure the result of the influence of management innovation on performance. Based on the rational and institutional perspectives relevant in the study of the effects of management innovation, the objective of this chapter is to analyze how the introduction of this type of innovation determines the performance of service firms. Thorough analysis of the literature suggests that the innovative challenge of service firms focuses not only on technological innovation but also on management innovation focused on economic and/or social potential. The characteristics of management innovation as well as the ability of service firms to integrate different types of innovation enable them to achieve distinct competencies and high sustainable performance in the form of economic and social gains.

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INTRODUCTION

For experts, policy makers, business executives, innovation is crucial in organizational performance (Prange & Schlegelmilch, 2016), economic growth (Gunday, Ulusoy, Kilic & Alpkan, 2011), sectoral changes (Tidd & Thuriaux- 2016), competitive advantage (Tidd, 2001) and business competitiveness (Gallego, Rubalcaba, & Hipp, 2013).

Organizations innovate due to the competitive and/or institutional pressure from the external environment, or by adopting new services and practices attending to the internal organizational options (Damanpour, Walker, & Avellaneda, 2009). The innovative challenge of the firms is not only to offer new products or new forms of production, but also to change organizational practices, processes and structures (Birkinshaw, Hamel, & Mol, 2008, Hecker & Ganter, Jansen, Van Den Bosch, & Volberda, 2012), premeditated and focused on the economic or social potential of the firm (Drucker, 2002).

Organizations to achieve and/or to maintain distinctive competencies that allow them to function continuously (Damanpour et al., 2009) integrate technological and management innovation to create complex higher-level capabilities and positive complementarities that enhance performance (Hervas-Oliver, Boronat-Moll, & Sempere-Ripoll, 2016).

Historically, research about the types of innovation has followed a technological trend, focused on a stricter definition of product and process innovations associated with research and development in productive enterprises (Damanpour & Aravind, 2012), while management innovation studies have been scarce (Volberda, Van Den Bosch, & Heij, 2013), particularly in the services sector (Walker, Chen, & Aravind, 2015). In this sector, this shortage is even more evident, considering its role in the creation of new services that, in turn, affect the financial performance of firms (Nieves, 2016).

In the context of innovation, this work focuses on the debate about non-technological innovation and specifically on the integration of management innovation and technological innovation and business performance; contributing to the research of management innovation and its consequences, analyzing its interdependence with technological innovation and complementarity in organizational results (Damanpour, 2014).

This work articulates the relationship between technological and management innovation, through a theoretical framework that integrates two different but interrelated perspectives, relevant in the study of the additional and potential effects of the joint adoption of technological and management innovation. Based on these approaches, it is contributed by comparing the consequences of the performance of the innovation activity, in the firms that seek to balance different types of innovation.

The studies about the relation between management innovation and performance focused on the industrial sector (goods) (Walker et al., 2015), although researchers emphasized the importance of developing innovation models for services, suitable for both goods, as well as, to services, without neglecting the peculiarities of the services, taking into account technological and non-technological innovation (Gallouj & Weinstein, 1997; Vergori, 2014). In the service sector, the effective way to gain competitive advantage is to move away from the technology-based approach to innovation and adoption more complex strategies (Evangelista & Vezzani, 2010).

Management innovations are not associated to infrastructures, they are abstract and intangible. Which makes them potentially complex and ambiguous (Vaccaro et al., 2012) and often unique to the firms that adopt them, making it difficult to replicate (Birkinshaw, 2006). These characteristics make manage-
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