Managing Service Innovation in an Increasingly Digitalized World

- *"It's more than just picking the low hanging fruits"*

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MANAGING SERVICE INNOVATION IN AN INCREASINGLY DIGITALIZED WORLD
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Abstract

The ability to manage service innovation has become more important than ever for organizations in order to stay competitive. One of the prominent drivers for this increased focus on service innovation, is the digitalization phenomenon. Thus, the digitalization implies greater pressure on organizations to deliver more value adding and customized service offerings than ever before. Evidently, a major shift has occurred from a strict product innovation focus to a greater focus on service innovation, thus even products have started to be considered how they can be transformed into services in many industries. Decisively, organizations are talented in handling more incremental service innovation rather than innovations that are radical or disruptive in its nature, which in this paper will be referred to as more innovative service projects. However, due to the new challenges in line with the digitalization phenomenon, it is crucial to consider the more innovative services to be able to satisfy new customer needs and stay competitive in the future. Though, research has shown that how to manage more innovative service innovation is a common struggle among service organizations. Because of the importance for organizations to handle more innovative service innovation projects and be able to handle the pressure stemming from digitalization phenomenon, the main purpose of this thesis is to contribute with insights regarding how organizations in a successful way can manage and relate to more innovative service projects in an increasingly digitalized world. In order to contribute with this insight a specific focus has been on the three industries, banking, accounting/consulting and insurance industry. Even though these industries are in the spotlight for this thesis, no comparison will be made. Rather the service innovation concept will be investigated based on these three industries. Numerous of studies have been conducted regarding how to manage conventional service innovation. However, this study contributes with originality in terms of new insights, by combining a conventional approach for managing the concept "service innovation" with two highly up-to-date and related concepts, "more innovative service projects", and "the digitalization" phenomenon. Decisively, these three concepts in combination constitute the basis of this thesis.

The findings in turn are based on an extensive literature review and empirical findings with a case study design. The results presented in this study suggest that in order for a service organization within the banking, accounting/consulting and insurance industry to successfully manage and relate to more innovative service innovation to spur on digitalization trends, organizations need to overcome eight challenges. These challenges are possible to overcome by following eight solutions, which in extent are permeated by an agile mindset, and agile working method. Further, these eight challenges and solutions can be considered as managerial implications regarding how to manage more innovative service projects in an increasingly digitalized world.

Keywords: Service Innovation, Digitalization, More Innovative Service Projects, Service Development Process, Agile Working Method

Introductory remarks

We would like to express our sincere gratitude to the organization that requested this research, but which in this study wants to stay anonymous. Specifically would we like to thank you for providing this interesting topic and your support during the research process. In addition, would we like to thank and express our genuine gratitude to all of the other professional interviewees for sharing both your valuable time, and exciting insights to our empirical findings. We hope you will find the research findings interesting and valuable. Without your support this thesis would not have been as rewarding. Decisively, we would like to express our sincerest appreciation to our supervisor Daniel Ljungström at the Institute for Innovation and Entrepreneurship at the School of Business, Economics, and Law for your great support in terms of being accessible for meetings and providing valuable feedback, which have helped us to enhance our study.

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1. INTRODUCTION

1.1 Digitalization and its Extensive Effects

The world is perceived as getting smaller and smaller, and the time is perceived as going faster and faster. The prominent driver for this perception is the digitalization phenomenon (Gilan & Hammarberg, 2016). Regarding the concept digitalization, it is necessary to distinguish between digitization and digitalization. Digitization is a phenomenon that already has occurred within most industries, thus it regards a shift from analog to digital data (Kairos Future, 2013; Gilan & Hammarberg, 2016). On the other hand, the digitalization is a current phenomenon which has shown to have an intense impact on industries today, considering it regards how digital technologies are integrated into everyday life in the society (Brennen & Kreiss, 2014). Even though digitalization is not a new phenomenon as such, the speed of development is faster than ever (Kairos Future, 2013; Gilan & Hammarberg, 2016). Further, in line with the progress of the digitalization, there has been found three digital truths that companies need to consider regarding how to deal with these new competitive circumstances to be competitive. First, everything that can be digitized will be digitized. Second, everything that is digitized can be copied. Third, everything that is copied falls in value (Gilan & Hammarberg, 2016). Decisively, these truths about the digitization will have great implications for the digitalization phenomenon, which in extent as stated will affect companies' way to compete (Breman & Fällander, 2014; Kairos Future, 2013; McKinsey, 2014).

Nevertheless was the digitalization phenomenon early pinpointed by Bower and Christensen (1995), who emphasized the importance of being on top, and be able to quickly adapt and leverage on the opportunities introduced by digitalization. Thus according to the authors, one of the most reoccurring patterns for companies to lose their competitive position is when they do not manage to adapt to new digitalization trends (Bower & Christensen, 1995). Further, this could be related to the findings presented by Gilan and Hammarberg (2016) about the three digital truths. It has already been vital that existing companies increasingly face a growing pressure from that other actors has started to copy one's offers (Brynjolfsson & McAfee, 2014). This is a new pattern in the marketplace where disruptive startups has introduced new digital breakthrough technologies enabled by the digitalization (D'Emidio, Dorton & Duncan, 2015). In extent, the digitalization phenomenon has according to Gilan and Hammarberg (2016) affected organizations in two different and distinct ways. On the one hand, the digitalization phenomenon has resulted in an increased operational efficiency competition among companies, resulting in a price war that has been going on for a long time. On the other hand, what's happening now and what organizations put increased focus on is to offer unique value adding offerings to their customers, by bundling products and service offerings in new ways. Thus the digitalization phenomenon has resulted in increased customer demands and expectations (Gilan & Hammarberg, 2016). This is the argument for why services has received an increased interest both in the marketplace as well as in academia during recent years (Morrar, 2014; Nijssen, Hillebrand, Vermeulen & Kemp, 2006). Innovating services has shown to open up for unlimited opportunities for companies by trying to develop more unique value adding, and customer tailored offerings (Gilan & Hammarberg, 2016; Momparler, Carmona & Lassala, 2015).

1.2 The Increased Focus on Service Innovation & More Innovative Service Projects

Contemporarily, customer's changing preferences, needs, and behaviors are the driver for an increased focus on service innovation rather than product innovation (Christensen, Wang & Van Bever, 2013; Heiko, Vennemann & Darkow, 2010). It is argued that customers are becoming to a greater extent more demanding in terms of requiring novelty, higher speed, greater responsiveness, more customized offerings, enhanced quality, and better price if not for free from companies. More specifically do this shift stem from that customers can obtain more knowledge and comparison data than ever because of a greater transparency enabled by the digitalization phenomenon (Gilan & Hammarberg, 2016). Studies has shown that Swedish companies in general are talented in keeping up with the technological advancements and new trends within their industries that the digitalization phenomenon introduces. Though, Nilsson and Ritzén (2017) claim that in order to stay competitive in line with the digitalization, there still exists room for improvements regarding service projects which are more disruptive, or radical in its nature, rather than "picking the low hanging fruits" in terms of incremental improvements of already existing offerings. The survival of a company is highly threatened if it tends to only focus on incremental improvement rather than "more innovative projects". Though, this is exactly what recent studies has found, that service innovation projects are currently dominated to an unfavorable share in order to stay competitive, by incremental innovations rather than the more innovative service projects (Nilsson & Ritzén, 2017).

1.3 Industries in the Spotlight for Change

Sundbo and Gallouj (2000) claim that there are three traditional service industries which share many common characteristics due to the introduced pressure from the digitalization phenomenon, and the new competitive landscape. These industries are banking, insurance and accounting/consulting, which have shown to move towards a new competitive pattern, namely a service innovation pattern (Sundbo & Gallouj, 2000; Breman & Fällander, 2014). Additionally, Deloitte Digital (2015) claims that industries will face a transformative journey because of the digitalization phenomenon, but to what degree of impact the digitalization will have, and when the transformation will occur differs between different industries. As seen in figure 1.1, the industries banking, insurance, and professional services (where the accounting/consulting industry is included) are some of the industries that will face a high degree of impact of the digitalization in a very short time. In extent this implies that actors within these industries have a strong need for immediate action for their survival, thus major transformations of these industries are predicted. (Deloitte Digital, 2015)

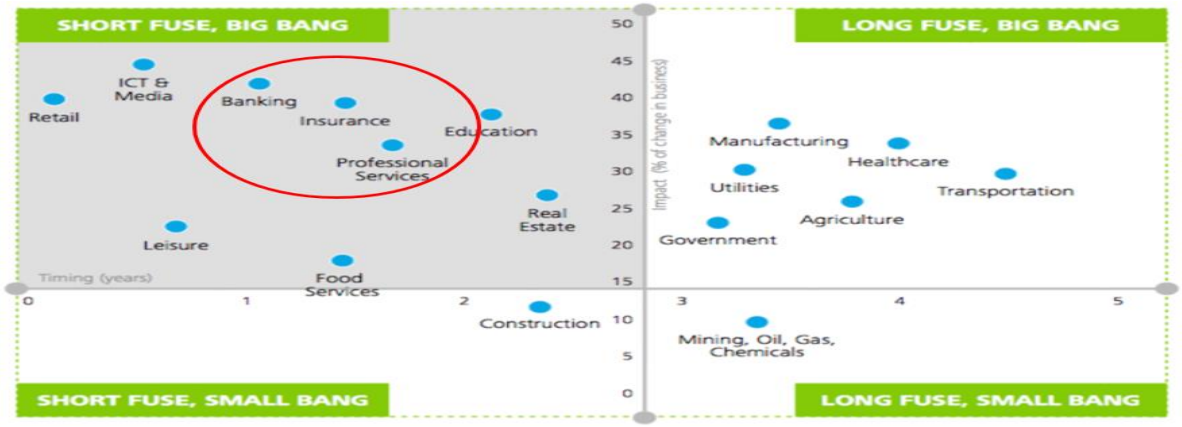


Figure 1.1, Global disruption map by industry, Deloitte Digital (2015)

Therefore this study will focus on three industries in the spotlight for change, namely the banking, insurance, and accounting/consulting industry, by investigating how the three concepts "service innovation", the "digitalization" phenomenon and how "more innovative service projects" can be managed in order to stay competitive.

1.5 Motivation

The initial motivation for conducting this thesis was based on a request from a major company from one of the three industries in spotlight for change. More specifically did the company express a need for both understanding how to successfully manage both more innovative service projects and incorporating digitalization trends in their highly competitive business environment. In addition did this topic caught our interest because it is a highly up-to-date challenge that many organizations face today. Decisively, the possibility to be able to contribute with new insight regarding how companies within the service sector both successfully can manage more innovative service projects rather than just incremental ones, and exploit the possibilities of digitization trends seemed like an important and interesting topic to investigate thoroughly. This study contributes with new insights to the service innovation field by suggesting incorporations of methods, concerns, and activities in a conventional framework for developing services, as a way for companies to manage more innovative service projects for their survival during the transformative journey. The contribution of this study is therefore a conceptual framework for managing more than "just picking the low hanging fruits", and could be referred to as managerial implications.

1.6 Research Purpose and Research Question

The main purpose of this paper was to support academic research by providing a conceptual framework for how organizations within the service industry can manage more innovative service innovation projects in an increasingly digitalized world. In addition, a specific focus has been dedicated to the banking, accounting/consulting and insurance industry. To do so, the three concepts "service innovation", "digitalization", and "more innovative service projects" has been investigated from a dual perspective by exploring if there exists gap between literature and empirical evidence. Decisively did following research question guide this research.

How can a service company within the banking, accounting/consulting, or insurance industry manage more innovative service projects rather than incremental improvements of existing offerings in an increasingly digitalized world?

In order to answer the research question, following two sub-questions will be answered:

- ***Sub-question 1:*** *How do companies in the banking, accounting/consulting, and insurance industry relate to, and manage service innovation?*
- ***Sub-question 2:*** *How can companies in the banking, accounting/consulting, and insurance industry relate to digitalization trends to spur service innovation?*

1.7 Limitations

A deliberate limitation of this study was to concentrate the research to the three service industries, banking, insurance and accounting/consulting. The reason for this limitation was that they as described previously share common characteristics. Another limitation of this research was the fact that this research's empirical investigation was based exclusively upon Swedish companies. The argument for this limitation was thus to avoid national, or cultural differences between the companies. Furthermore, another deliberate limitation was to only include highly qualified respondents in the empirical investigation, rather than including numerous of persons with less expertise about the concepts, since it could risk to lower the quality of the empirical findings. However considering these limitation aspects the possibility to generalize the findings could be somewhat questioned.

1.8 Disposition of the Thesis

To provide an overview of the structure of the study, the disposition of the thesis is accordingly to following sections.

Disposition of the Thesis
1. **Introduction-** Presentation and motivation of the research topic, research question, and the limitations which will be the foundation to guide the research
2. **Theoretical Background-** Clarifies the three main concept "service innovation", "the digitalization", and "more innovative service concepts". In addition a conventional service development framework is provided, supplemented with practical methods, concerns, and activities to build-in innovation
3. **Methodology-** Motivates how the research was conducted by describing the research-approach, design, method, data collection, and research criteria
4. **Empirical Findings-** Presentation of the empirical findings based on conducted qualitative interviews
5. **Analysis-** Summarizes and analyzes the findings from the empirical data collection in relation to the theoretical background
6. **Conclusion-** Concludes the findings of the research and emphasizes recommendations regarding future interesting research areas
The appendices will follow Section 6

Table 1.1 Disposition of the thesis

2. THEORETICAL BACKGROUND

For this research a narrative literature review was conducted in order to create a theoretical background for this thesis. The theoretical background is divided into following four sections.

Overview of the Theoretical Background
1. Service Innovation- Contributes with a theoretical understanding of two of the three main concepts, "service innovation" and "more innovative service projects"
2. Digitalization- Contributes with a theoretical understanding of the third main concept, the "digitalization phenomenon"
3. Conventional Service Development- Presents an established and well-known processual framework for how to develop services. However do this framework not incorporate how to manage and relate to two of the three main concepts, "more innovative service projects" and the "digitalization phenomenon"
4. New working methods, concerns & activities for managing service innovation- Supplement the conventional service development framework, with working method, activities and concerns, that are specifically suitable to use when it comes to the three main concepts

Table 2.1 Overview of the Theoretical Background

2.1 Service Innovation

2.1.1 Service

To be able to provide a fair meaning of the concept service innovation, it is necessary to present a meaning of services. During the past 30 years the definition of services in research has been widely discussed about the meaning of the concept (Kristensson, Gustafsson & Witell, 2014). When scrutinizing the research field in services it is evidently that it is sorely to find a unified definition of services. Even though, the most recent contribution to a definition that has been acknowledged in contemporary service research is the one provided by Grönroos (2015). More specifically the author states that "*a service is a process consisting of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems" (p. 48, 2015)*.

Further, in line with the service research field, a new emerging trend is the service dominant logic (SDL), which is a customer oriented concept which focuses ultimately on the customer's true benefits (Michel, Brown & Gallan, 2008; Ordanini & Parasuraman, 2010). The SDL builds on the belief that value is only created when a service is used or realized by a customer. In other words, value creation is a co-creating process between the customer and the service provider. This means that a service on its own is not capable of creating value. Michel et al. (2008) claim that it is necessary for firms to adapt to the SDL, especially in innovation processes, since it require a change in mindset. To fuel

service-logic innovations companies must constantly understand the services that customers demand, improve the integration process, fulfil customer expectations, and continually inventing new value proposition. In extent this will guide companies towards new opportunities for competitive advantages (Michel et al., 2008) and therefore the SDL will guide the formation of the service innovation process in this study.

2.1.2 More Innovative Service Offerings

In this study, a strong focus lies in the distinction between two innovation types. Depending on which type of innovation a company is focusing on, it will require different kinds of knowledge, and also affect organizations roles to its customers and competitors in the marketplace (Schilling, 2013). A prominent distinction of innovations is to consider to what extent the innovation differs from existing offerings by characterizing the types "incremental" versus "radical" innovation. Incremental innovations are concerned with minor adjustments based on an existing innovation, while radical innovations regards innovations that clearly differ from previously existing solutions. Even though radical innovation sometimes is being referred to as "new to the world", radical innovations is relative in its nature implying that what is being considered radical in one industry, company, or business unit could be considered incremental elsewhere. (Schilling, 2013) Considering the characteristics of radical innovation in terms of adding newness, it is sometimes confused with "disruptive" innovation. A type of innovation introduced by Bower and Christensen (1995). Disruptive innovation introduces changes which in turn damage established organizations' business models, or offerings. However, many organizations face challenges to manage these disruptive innovations, and therefore focus on more incremental innovations since these are based on already existing offers. This could be referred to as the disruption trap which many organizations encounter when disruptive innovations are introduced in the marketplace. Nevertheless, in comparison with disruptive innovations do radical innovations have two other characteristics. Firstly, radical innovations introduce another bundling of performance attributes which might not be appreciated by current customers. Secondly, radical innovations are evidently if the performance attributes that current customers appreciate are enhanced in such high speed that the introduced up-to-date service replace the existing market. (Bower and Christensen, 1995) Regarding these characteristics of incremental, radical, and disruptive innovation, it becomes obvious that these types of innovations imply different levels of risk, knowledge, procedures, investments, uncertainty, and different types of customers (Schilling, 2013). Though, it is claimed by Nilsson and Ritzén (2017) that in today's highly competitive landscape and ever changing customer needs, a company's survival depends on managing the more innovative service offerings, which can be described as more radical and disruptive in its nature.

2.1.3 Drivers for Service Innovation

Service innovation has conventionally been considered subordinate in comparison with product innovation in academia (Drejer, 2004; Toivonen & Tuominen, 2009; Sundbo & Gallouj, 2000; Coombs & Miles, 2000). Explanations for why service innovation has received less attention in comparison are given by Toivonen and Tuominen (2009), who state that service innovations generally are much less concrete in its nature, which makes such innovations hard to measure and recognize. As the challenge with finding a unified definition for services in literature, the same concerns the definition of service innovation. Though, common characteristics found in theory about the phenomenon is that it builds on internal and external interaction processes to the firm. More

specifically do research present that customer satisfaction is the most shared driver for stimulating service innovation. (Sundbo & Gallouj, 2000). The issue regarding how to analyze service innovation in research it is necessary to assess the drivers for the phenomenon. In extent these service innovation drivers are termed service innovation typologies (Drejer, 2004: Gallouj & Weinstein, 1997). The service innovation typologies found in literature are assimilation approach, synthesis approach, and demarcation approach. The assimilation approach has historically received most attention within academia, and implies that technology is considered the key driver for service innovation (Coombs and Miles, 2000). The demarcation approach is in opposite to the assimilation approach driven by non-tech drivers, such as customer requirements and employee demands. Compared to the assimilation typology, the demarcation typology is service oriented, by taking into consideration the specific characteristics of services in order to contribute with context-specific approaches tailored for service innovation. (Coombs & Miles, 2000) Decisively the synthesis approach is the combination of the demarcation and assimilation approach, where the technology and the service tailored approach are combined in the service innovation process. This is a newer field in academic research and is predicted to grow significantly. Additionally, the majority of the service innovation processes until today has tended to have been built on the synthesis typology (Coombs & Miles, 2000). The following Figure 2.1 illustrates the service innovation typologies as drivers for service innovation.

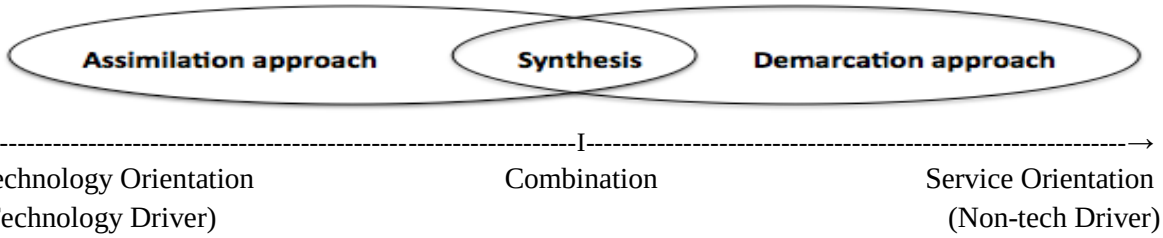


Figure 2.1 Service Innovation Typology (Coombs & Miles, 2000)

2.2 Digitalization

Gallouj and Sundbo (2000) claim that technological improvements can influence and affect the formation of services. Already in 1995, Gadrey, Gallouj and Weinstein predicted that IT would gain an enhanced role for service innovation. The prediction was found to be correct thus current insight reports published by Deloitte (2013), McKinsey (2014) McKinsey (2015) and Acando (2017) state that digitalization has introduced major changes regarding how companies can compete within the service sector. More specifically, the service sector is under a major structural transformation, from being characterized by low rate of change in comparison with the product innovation sector to become a sector characterized with major transformations. Decisively the prominent driver for this transformation is stated to be the digitalization phenomenon (Deloitte, 2013). Currently business insights regarding service innovation and digitalization has indicated three interlinked major trends regarding digitalization within services. These major trends present the capabilities that will be needed to overcome the challenges that the new trends opens up for, and take advantage of the opportunities for the digitalization trends for the service innovation process. The three major conceptual trends will be presented in three following sections.

2.2.1 Increased Use of Technology

What is happening due to the digitalization is that technology focused trends are being extensively used in an enhanced way by customers and companies in an ever accelerating phase in terms of the increased use of mobiles, analytics, cloud computing etc. (Deloitte, 2013). This implies a trend for companies where the firm can obtain enhanced interaction throughout every business transaction with its customers, suppliers as well as with their employees instantly. The ability to use different media tools, adapt messages, inform, and be socially connected, implies several advantages for the business world. Furthermore do digitalization enables to reach out to an indefinite customer base instantly and to a lower cost. (McKinsey, 2014; Deloitte, 2013)

One prominent advantage from using digitalization as an advantage for one's business is that companies can have service teams that analyze collected data to both detect new business opportunities, improvements, and possibilities to detect potential failures regarding existing services (Deloitte, 2013; McKinsey, 2014). This opportunity was stated by Deloitte (2013) to be utterly important to obtain an appropriate quality of a service (Deloitte, 2013), which is in line with Edvardsson's (1997) argument that building-in the right quality to the service is key in service innovation. In extent, this kind of data analytics, which can be conducted by algorithms and techniques, can further result in enhanced management decisions. For example, smart use of Big Data which implies being able to take care of relevant unstructured data generated among the massive amount of world data, and the ability to analyze it in a value providing manner is a great advantage for management decisions. More specifically do Gartner (2017) in their report about the most prominent trends for the year 2017 state that they expect the world's 200 biggest companies of 2017 to be able to leverage from greater use of analytical tools enabled by Big Data to improve offers as well as the customer's experience. In addition, Internet of things (IoT) is a trend that is being suggested to have great importance regarding being able to stay competitive in today's highly competitive business landscape. The IoT trend refers to a technological concept where devices are connected to Internet and thereby can monitor the customer in real-time, which in extent introduce organizations to a range of new business opportunities and service offerings (McKinsey, 2015; Gartner; 2017). Though, in response to the great opportunities from the use of Big Data and IoT, it will require organizations to build technological platforms for their digital businesses, which according to Gartner's insight trend report for 2017 stated that this is one of the top ten critical challenges for organizations in order to spur on the digitalization phenomenon. More specifically did the same author provide a note of caution that the evolution of using these technologies make the security architecture issue highly relevant in terms of being able to work adaptive and fluid with high security. Therefore, the author suggest that in order to handle both of these challenges it is important to build in security in the initial phase of the development and constantly improve it. Additional great business opportunities speculated both in in the report by Gartner (2017) and Acando (2017) regarded how advanced algorithms, Big Data and extensive processing power will facilitate the success of Artificial Intelligence (AI) and Machine Learning. AI and machine learning is technology built upon complex deep learning technology, which implies that it is able to learn and improve its own behavior. For organizations this technology implies that based upon great accessibility of data they can detect new patterns, classify data, and create forecasts which not have been possible to do before, and thereby is referred to as conversational computing. In extent, this enables a transition from manual work to

digital. One example of machine learning/conversational computing technology is Apple's software function "Siri". The trend for this concept is stated to become a powerful tool during 2017, thus the technology has contemporarily become more mature, and that the accumulated investments in these kinds of technology has until now been highly profitable. Further according to Acando (2017) it is speculated that many companies in the near future will most likely develop their own digital personality, which is in line with their company's profile and values. Decisively according to Acando (2017) AI and machine learning are speculated to be one of the top ten trends when it comes to digitalization this year.

2.2.2 Customers' New Behavior and Role

The most significant shift within service innovation driven by digitalization is the customer's new role (Lenka, Parida, Sjödin & Wincent, 2016). Thus, in this new business climate customers are in the center of attention constantly, considering their increasingly changing and high service expectations. In this shift, digitalization has been utterly important since customer's comfort to use and adopt technology have put increased pressure on companies to create and enhance their online channels and digital services to meet the customer requirements. (Deloitte, 2013) Furthermore, the previously mentioned digitalization trends from above section enable to a greater extent improved and more customer tailored offerings (McKinsey, 2014). In fact, the possibility to both customize offerings and enhance the customer experience, is emphasized as two of the most important aspects in order to create business value, when it comes to digitalization in combination with service innovation (Deloitte, 2014; McKinsey, 2015; McKinsey, 2014). In addition, the fact that it can be conducted to a low cost and instantly due to the analytics of the massive data inflow makes this very advantageous. This is a major transformation, even though companies historically have focused on being customer oriented in their offerings, it has only been possible to customize to the degree of customer segments, and not to an individual level as now because of high complexity and high costs (McKinsey, 2015). In addition, this new way of serving the customer results in a possibility to build greater customer loyalty (Deloitte, 2013), thus the digitalization introduces greater transparency in the customer interaction phase (McKinsey, 2014). In extent, this implies less service experience variation among customers, and the risks for ending up in disputes are decreased enabled by the transparency of information (McKinsey, 2014). Put it differently, whether customer experiences are good or bad, the digitalization opens up the opportunity to reach millions of potential customers within a few minutes. The stakes are high to create lasting relationships with customers and the initial contact tier of the service model is claimed to take a leading role. (Deloitte, 2013) Furthermore, based on the trend that an increasing population is using technology devices within services, it is important to consider the user experience in line with the individual customization. The online channels are argued to constitute a very important part of the customer experience journey because it enables both enhanced customer satisfaction and brand recognition. (Deloitte, 2013)

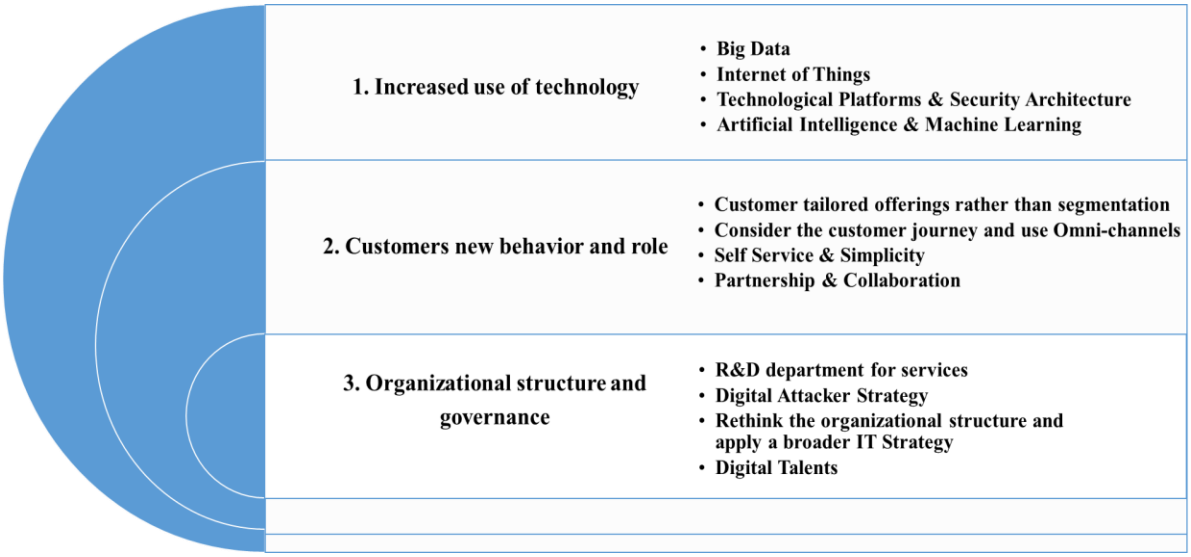
Considering the trends regarding increased use and comfort to use technology in combination with the customer in the center, it is important for companies to consider how to optimize the entire customer journey. To do so it is suggested to be advantageous to consider each of the customer contact points, which in turn can open up the possibility to offer better and more customized customer experiences, and improve customer loyalty and satisfaction (Deloitte, 2013). More specifically, Acando (2017) suggests that Omni-channels are a solution, which is a trend that implies that organizations through

different channels approach their customer, by making it possible for the customer to be in the center and using different channels simultaneously, which in turn enhance the customer experience. . Even though common Omni channels have been used for a while, it is of importance to become even more relevant, and do it in the right way so the customers appreciate it rather than gets annoyed. The words "surprising", "educating" and "enthusiasm" are three key success words suggested by Acando (2017) in order to succeed with offering successful Omni channels. Finally, as mentioned previously the digitalization trends introduce new possibilities within the service sector. Currently, organizations can leverage on the digitalization opportunities to improve their relationship with customers by considering them as a resource. More specifically, research has showed that customer communities are used to a larger extent in line with the progress of the digitalization. (McKinsey, 2014; Deloitte, 2013) Customer communities imply to enable customers to network with each other, in terms of giving each other self-help. It could also be used as a source to know what customer wants, and become a source of inspiration for new service innovations. In order to introduce customer communities, service teams have an important role within companies to stimulate the creation and development of customer satisfaction (Deloitte, 2013).

2.2.3 Organizational Structure and Governance

The digitalization within the service sector also introduces the trend that there is a big inflow of new competitors within businesses that challenge the incumbent organizations. The reason for this is because companies can leverage on lower entry barriers driven by globalization, deregulation and technology enhancements, but also that many new startups question the conventional business models by introducing new business models that disrupt the traditional markets (Deloitte, 2013). In order to stay competitive in this highly competitive business landscape as driven by new technology, low entry barriers for new competitors, and increasingly higher customer service expectations, the importance of constantly refresh, see new possibilities that technological advances brings is the winning concept. Decisively it is very important to allocate management attention to the task by refine and enhance the service offerings (McKinsey, 2015). More specifically is a mindset change needed in order to be successful within the service sector. Thus companies need to consider service innovation just as product innovation, in terms of that services also have a shelf life that needs to be refreshed over time. In addition, having a separate R&D function just as many product companies have could be considered a solution for service companies as well. (McKinsey, 2015) In order to handle the trend regarding new entrants, it could be advantageous for incumbent companies to emphasize the digital attacker's strategy. Thus a common pattern for incumbent companies is that they often have aged IT systems and processes, which tend to make things more complex than necessary. The new digital attackers however often embrace the same kind of strategic pattern by thriving on simplicity. In other words, they reconsider the entire service by excluding unnecessary steps in the process and merge it with new technology, which results in satisfying and simplified services. (McKinsey, 2015) In extent this implies that organizations need to consider their organizational structure and procedures. Thus what Acando (2017) suggests is that companies should abandon the common functional division internally, which will favor the organization to adapt to the customer. Instead organizations should do a transition from a "silos-mentality" to work cross-functionally to be able to share service development processes to optimize resources allocation.

Further, it is speculated that it is of great importance to have great digital competence on the management level in order to be competitive, considering that technology and digitalization implies an increasingly important part occurring within companies today (Acando, 2017). In order to manage high digital capacity which is being requested, the term "digital talent" is used. Digital talent refers to highly knowledgeable co-workers talented within the area of digitalization. More specifically is the request to attract and retain such digital talents high on the agenda, thus it has been stated to be a critical trend in order to be competitive. In order to succeed to attract digital talents, companies need to consider the work environment, personal incitement and intrapreneurship. Intrapreneurship in turn implies to create a culture, process, management style, or technical condition which enables employees to act like an independent entrepreneurs within the walls of a big company. (Acando, 2017) Finally, table 2.2 provides a summary of the three major conceptual digitalization trends which are argued to have great implications for the service sector.



1. Increased use of technology	• **Big Data** • **Internet of Things** • **Technological Platforms & Security Architecture** • **Artificial Intelligence & Machine Learning**
2. Customers new behavior and role	• **Customer tailored offerings rather than segmentation** • **Consider the customer journey and use Omni-channels** • **Self Service & Simplicity** • **Partnership & Collaboration**
3. Organizational structure and governance	• **R&D department for services** • **Digital Attacker Strategy** • **Rethink the organizational structure and apply a broader IT Strategy** • **Digital Talents**

Table 2.2 Summary of digitalization trends in the service sector

2.3 Conventional Service Development

According to Kristensson et al. (2014) the process for developing services should be less structured and based on a more iterative approach compared to product development processes. Also service development processes is suggested to be less systematic and instead build on interaction patterns both internally and externally (Sundbo & Gallouj, 2000). By scrutinizing the research field of service development and service innovation, one optimal frameworks for how to manage the service development process by Edvardsson (1997) was prominent based on the connection to the prior research paradigm of SDL in conceptualizing the framework.

Edvardsson's Strategic Frame of Reference

Already in 1997 Edvardsson contributed to the field of service development by the introduction of the strategic frame of reference for service development as a result from carrying through multiple studies, testing, and pilots. The strategic frame of reference has become one of the leading management models for service development in academia. The strategic frame is built on total quality management, which

implies a strict focus on obtaining total quality outcome for customers and employees in the entire process, from idea generation to service implementation in the market. This is achieved by building in quality in all activities when developing new services. According to the author, service quality is a multifaceted concept, but for the author the concept is a matter of satisfying customer needs and meeting the expectations of the customers and employees. Therefore service quality in this case is given the meaning as ”*the service should correspond to the customers' expectations and satisfy their needs and requirements”* (p.33, Edvardsson, 1997). The reason for the focus on quality stems from that quality shortages often becomes costly and reduce the customer experience. More specifically do Edvardsson use a prevention strategy, which implies building-in quality into the new services in the development process. Furthermore, Edvardsson (1997) explicitly stated that new technology and technological developments, contributes to an enhanced pressure on service providers to constantly improve and upgrade their services and offer completely new services. Overall Edvardsson’s (1997) strategic frame of reference considers the service development process by constituting three presumption phases, which is concept, process, and system. The phases will be further described below and is visualized in figure 2.2 which al combined represents the entire organization. In extent are these phases being referred to as prerequisites by the author, who claims that service quality can only be controlled by the company’s and the customer’s prerequisites.

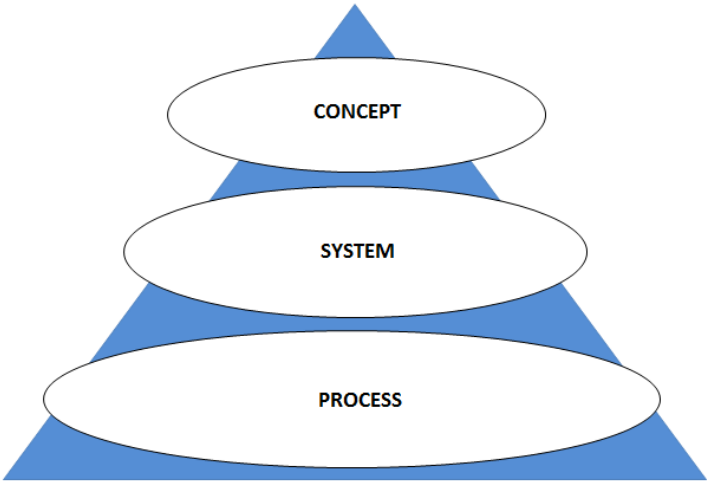


Figure 2.2 Strategic Frame of Reference, Edvardsson (1997)

2.3.1 Concept

The aim with the service concept is to prototype an appealing service to the customers, by considering customer requirements and value added characteristics of the service, which the service is intended to provide. More specifically do the service concept include two focus areas. The first focus area regards to consider the customer needs, which implies the needs that the company aims to satisfy. The second focus area deals with how these needs should be satisfied by considering the design of the service, the design of the service package, or the content of the service. In extent, the customer needs are further assessed by considering the customers primary needs of the service and thereafter the secondary needs, which implies that customer needs can be ranked in importance to create a focus for the company. In the same way the design of the offer is investigated by firstly consider the core service to satisfy the

needs, and thereafter the supporting services the offer will include, which also can be ranked in importance. Conclusively, the service concept can be understood as a detailed description of what the company needs to do to satisfy the customer needs and how this should be done, as illustrated in figure 2.3. Decisively, the service concept could be considered the starting point for the entire service development process, thus it specifically state the prerequisites in order to obtain the right level of quality for the service. Finally, when formulating the service concept it is also important to consider that a service can be a part of a system with other existing or new services, which implies that a system aspect should be considered in order to achieve high qualitative services. (Edvardsson, 1997)

Figure 2.3 The Service Concept, Edvardsson (1997)

2.3.2 System

The purpose of the service system is to deliver the required resources in order to support the service process. More specifically is the service system defined as the resources accessible in order to accomplish the service. In extent is the service system further divided into four sub-group, which is being referred to as resource structures.

1. Customers

The customer in the service system could either be a company or a private household. The customer is important to have in mind when developing services, and in order to succeed with including the customers in the service development, marketers plays a crucial part in terms of creating a trustful, long lasting and profitable customer relation. More specifically should the marketing activities go beyond advertising services. Instead should it be incorporated in all interaction patterns, such as layout of information pages, invoices or in client meetings etc. Thus the core of the marketing should be to make sure the customer is aware of his/her important role in the service development process as a co-producer.

2. Organization Structure and System

This subcategory includes several important aspects to have in mind. From considering the organizational structure in terms of defining responsibilities to make sure a good administrative support system is in place. Again, the interaction with customer is emphasized to be of great importance in terms of creating a supportive organizational structure to optimal the ability to handle customer feedback, and make sure marketing to customers is done in a good way.

3. Management and Staff

The employees are considered to be the core of a service company. Thus how customers perceive the outcome of a service is found to be based to a large extent on how the customer perceive the staff as such in terms of his/her commitment and expertise. More specifically is the employee's motivation and enjoyment crucial to deliver good service. In view of the importance of good employees, it is important to consider of employees as a central part of the service rather than as independent resources. Considering these aspects when developing a service it is important to provide and design attractive jobs, where sufficient motivation is possible in terms of interesting work tasks, good relations with coworkers, and a comfortable work environment. In addition, finding the "right" people in the recruitment process and offering education is very important in order to stimulate the service development process. In addition is it claimed that job design, tasks, and reward systems are often disregarded in service development. Though in fact, these concerns has a central part to succeed with the service development. (Edvardsson, 1997)

4. Physical/ Technical Resources

Physical/technical resources includes everything from technical systems and equipment. This category is suggested to be utterly important for the entire service business, thus constantly it occurs improvements within this area that enables further service innovation. (Edvardsson, 1997) According to theory it is argued that contemporarily society is influenced by an age where the development speed of technology has reached its peak, called an age of technology, and that companies today can be understood as a collection of technologies. This means that technology is embedded in a company's knowledge, and knowledge is a key resource that has potential to create value in the offer of a service. Thus, in line with the age of technology and in the discussion regarding a company's resources, the focus is argued to have shifted from natural resources (physical) to knowledge resources (mental). The most depending reason for this shift in paradigm is because of the high speed progress of IT. This progress of IT and other technologies are argued to have directly impacted the importance and growth of services, such as new service offerings, and as new components of service packages. (Kandampully, 2002)

The service system is further divided into two parts by the "line of visibility", by having one interactive part which is possible for the customers to see, and one part that is not visible for the customer which is being referred to as the back office. (Edvardsson, 1997) The 'line of visibility' distinguishes the line of interaction between the customer and service provider (Fließ & Kleinaltenkamp, 2004) According to Fließ and Kleinaltenkamp (2004) the process of delivering a service can never take place without the customer, where some service processes require more participation from the customer than others. The authors claim that from the service provider's point of view, an increased customer participation results in efficiency since less employee involvement from the supplier is needed. Changing the degree of customer participation is also suggested to increase efficiency to innovative services where none of the customer nor the service provider has sufficient knowledge to direct the service process without trial and error. Moving the 'line of visibility' is one way of increasing the efficiency in the service development process, which means that the service provider makes the organization, service operation, and the service process more transparent to the customer. (Fließ & Kleinaltenkamp, 2004)

Furthermore is the service system affected by different forces. First and foremost can it be affected by corporate strategy and goals, but it could also be affected by the internal and external infrastructure. Impact from internal infrastructure implies how the internal resources in terms of internal competence, strategic alliances and distribution channels affect the company, while external infrastructure regards how laws and regulations affect the company. The key is to have an adaptive internal force for the ever changing external forces (Edvardsson, 1997)

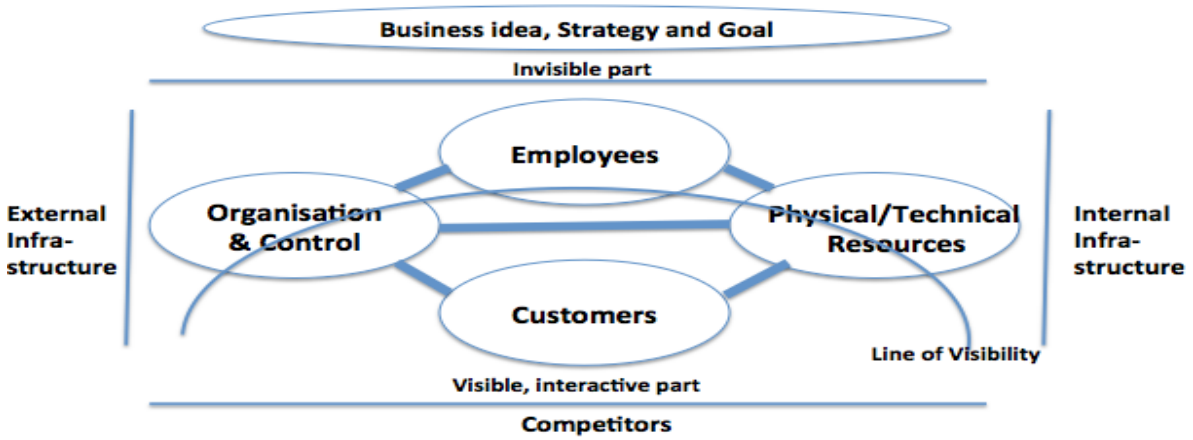


Figure 2.4 The Service System, Edvardsson (1997)

2.3.3 Process

The service process is according to Edvardsson (1997) referred to as the prototype or model for various customer processes. A customer process is defined as a process where the customer is the co-producer of the service in his or her partially unique manner. The service process enables the production and implementation of a new service, by being able to handle the different activities in parallel and sequentially as a chain. As the service process can be described as a model of different customer processes when developing a service, it is important that the company which develops the service is able to handle multiple customer-specific processes simultaneously. The service process is described by Edvardsson (1997) as consisting of a description of different standardized activities in the customer process, where the certain activities are prerequisites given by the customer for a specific service. The challenge with the service process is that a company cannot be in direct control of all the activities and steps, but still this concern is crucial to consider since a successful service company needs to be in control of the process as such in large. Nevertheless in order to succeed with the service development, it is essential to beforehand specify the process and the activities that need to be considered in detail. However, in this service process some steps are more essential than others, especially the customer process is emphasized as the most important process to be able to create a new service. Therefore, focus on how to obtain the sufficient quality depending on the customer prerequisites in comparison to the cost of a service should be a core focus in the process.

For the service process to function it claimed by the author that the system level, the second cornerstone in the strategic frame of reference framework, must be integral since parts of the service system are used in the process level. Further, the author states that the system is seen as a static process

with the aim to provide relevant and necessary resources, while the service process is more dynamic in the sense that resources and activities as linked together to shape micro processes as a chain of multiple processes which together constitute the service process. In order to manage this service process, a service company should design the service process in a way that it optimally can utilize the assets of the service system. This is because many new services are dependent on the conditions of the service system, such as the employee's knowledge and understanding of the opportunities and challenges of the service development. Therefore, it is crucial to involve these assets in the service development process as a support for the service process to function optimally. (Edvardsson, 1997)

Standardization/Customization of the Service Process

Concerning to what degree a service process should be standardized or customized is according to Bask, Lipponen, and Rajahonka (2011) a concern that has grown in interest by companies to achieve more cost-efficient and qualitative services. Customization is given the definition by the authors as the production process of a service, where the process begins with a value chain's downstream activities close to the customer. Standardization on the other hand is a production process, where the activities starts from upstream activities with a longer distance to the customer. Though, customization is not the same thing as offering a wide range of services for the customers. The key difference between customized services and a variety of services lies in the customer preferences, since customization is about offering the exact service that the customer wants. In extent, this can be measured in the degree of customer involvement in the production process of the service, and the profundity of the customization experience for the customer. Moreover, for service companies modularity is a strategy that has been acknowledged as a crucial factor for achieving customized services. Bask et al. (2011) argue that a modular value chains in the service process enable a company to customize its services, by creating value chain variations possible. A modular supply chain can be considered as a 'loosely coupled' architecture of the service process by allowing a division of labor across the entire organization, and outsourcing of different activities across the service company and other stakeholders that might be part of a service production process. Example of modularity in the service process for services are packaging of functionalities, standardization of interfaces, and reusability of modules. Finally, the authors claim that modularity has retained an increased interest for service companies in line with the digitalization due to automation of service processes, and the increased use of IT. (Bask et al., 2011)

Service Quality and Customer Satisfaction

As mentioned before, the strategic frame of reference by Edvardsson (1997) is based upon total quality management, where the outcome of the service development process is a qualitative service for the customer which satisfy a customer need. According to Prakash and Mohanty (2013) service quality can be defined as *"the customer's impression of the relative superiority/inferiority of a service provider and its services"* (p. 1052, 2013) and is often referred to as a customer's overall attitude towards a company. Though, the authors claim that service quality is not the same thing as customer satisfaction, thus even though they may be related they should be considered as two distinct concepts. Service quality is an attitude towards the excellence of a service, while customer satisfaction is more situation oriented related to a specific transaction. This means that service quality is more of a subjective judgement of a certain service based on facts, while customer satisfaction is based on human

emotions in the judgement how a specific service affects the customer emotionally. Both service quality and customer satisfaction as a company's key prediction indicator can be assessed through a gap approach. This implies that both concepts can be measured by comparing the difference between a customer's perception about a service and a customer's expectation of the service. Though, customer expectations for service quality and customer satisfaction differs. For service quality, a customer's expectation is measured in terms of customer 'wants', which means what customers feel a service provider should offer. Instead, customer satisfaction is assessed in the comparison between what happened in a service experience, and what did the customer predicted would happen in the same situation. (ibid) Decisively, research in service quality literature has found that customer satisfaction is a better predictor of customers' behavioral intentions, while service quality is more of an assessment tool for companies to address specific factor evaluations about a service. Therefore, the service quality concept as a measurement can be used by service companies in order to assess and diagnose how well the company performs, while customer satisfaction is a measurement for customer behaviors and how they feel. (Prakash & Mohanty, 2013)

Illustrating the Strategic Frame of Reference

Lastly, figure 2.5 illustrates a complete framework for how a service development process could be organized to be able to build in quality in the entire process, and thereby achieve optimal customer satisfaction. The illustrative framework is built on the strategic frame of reference by Edvardsson (1997) and puts together all the aspects of a conventional service development process. To summarize the illustrative framework, the service development process is a less structured process, which is managed iteratively, where the three phases can occur simultaneously. The concept phase aims to identify the customer need to be able to prototype and design a service solution. The system phase helps to deliver the required resources to be able to carry through the development process, which can consist of customers, employees, organizational structure, or physical/technical resources. The last phase is process, which aims to implement the new developed service. One important aspect regarding this level is to consider the balance between standardization and customization to keep down costs, and achieve higher customer satisfaction. Finally, the complete service development process builds on a solid customer focus that permeates the entire organization, to ensure for qualitative services. (ibid)

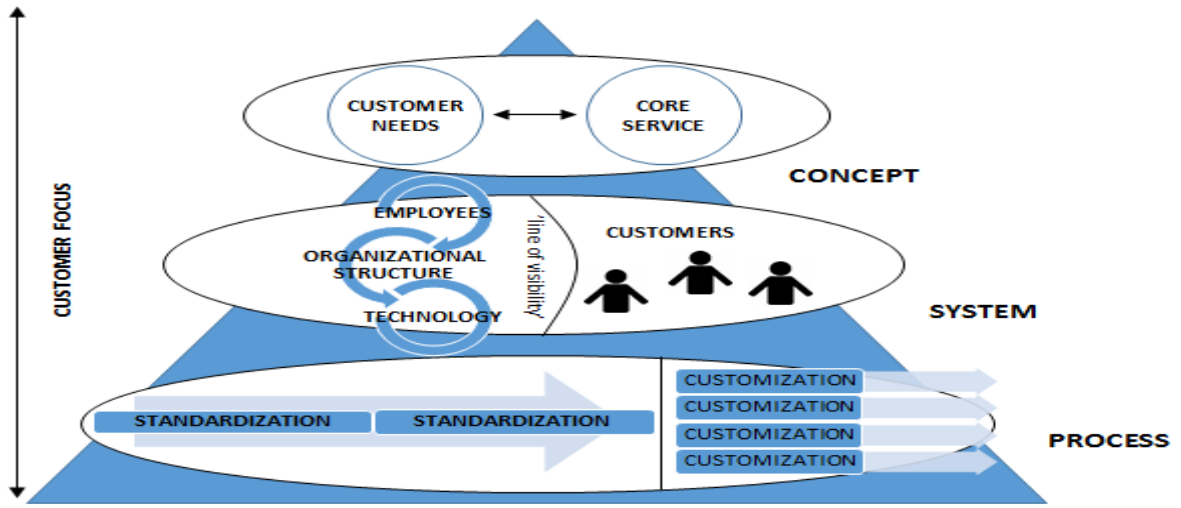


Figure 2.5 An illustrative framework for Service Development Process, Löfgren & Skoogh (2017)

2.4 New Working Methods, Concerns, and Activities for Managing Service Innovation

To manage "more innovative service projects" and adapt to the "digitalization phenomenon" the conventional service development framework by Edvardsson (1997) needs to be complemented with recent research regarding a working method, concerns, and activities for building in innovation, which will be presented in this chapter in three main sections.

2.4.1 Working Method for Building-in Innovation

When it comes to managing more innovative service projects and leverage on digitalization trends, organizations must consider which working method to apply. This is important thus organizations face greater uncertainty than ever in line with the digitalization phenomenon (Gilan & Hammarberg, 2016), and therefore must be able to adapt to these changes in a competitive way. One current and highly acknowledged working method emphasized in academia is the agile working method (Rigby, Sutherland & Takeuchi, 2016).

The agile working method is a method that during the last 25 to 30 years have been revolutionary in terms of increasing the success rate when handling service development, specifically regarding more radical projects and especially within the field of IT (Rigby, Sutherland & Takeuchi, 2016). In extent is the concept agile nowadays repeated several times, and could be found specifically within the fields of innovation, service development, more innovative projects and digitalization (Sørensen & Landau, 2015; Lankhorst, 2012; Harraf, 2012) which all are relevant fields for this paper. The reason for its great attention stems from that the concept is perceived as the winning strategy for organizations facing great uncertainty and unpredictability due to constantly changing customer requirements and market fluctuations (Tseng & Lin, 2011). More specifically is agility defined as "*agile methods replace high-level design with frequent redesign"* (Oxford Dictionary, 2017). In other words, agility can be described as a solution for organizations to organize and build in the ability to respond in a timely manner to constantly changing demands (Tseng & Lin, 2011). In extent, the agility method has evolved as a solution to the conventional method for handling service development, such as traditional plan-driven methodologies. Plan-driven methodologies suggest that projects should follow a specific procedures, with detailed timeline and schedules, followed by extensive documentation and close monitoring including verification and validation procedures (Nerur, Mahapatra & Manglaraj, 2005). One common plan-driven method is the "waterfall model", which is based on a sequential development model, where each sequence in the development phase should be finished before continuing to next phase without any overlapping (Balaji & Murugaiyan, 2012). However, these plan driven- methodologies has received criticism, considering that the method lacks the possibility to be flexible and adjust the assumptions which it builds upon, that all problems are specifiable, and have ideal and certain solutions. This might not be a proper mind-set considering the great need for flexibility and dynamic solutions in today's highly dynamic business environment (Dybå & Dingsøyr, 2008). Decisively, Tseng and Lin (2011) state that many organizations feel an urgency for pursuing agility in order to manage the great uncertainty. Thus, organizations require higher maneuverability than ever before which is suggested to be solved with an agile working method (Tseng and Lin, 2011; Nerur, Mahapatra & Manglaraj, 2005). In extent, an agile working method is stated to increase both resource use, team productivity, and employee satisfaction (Rigby, Sutherland & Takeuchi, 2016).

However, a major obstacle regarding the agile working method is that many executives state that they follow an agile working method, but from studying their actions it is apparent that they do not grasp the method. This is revealed because counterproductive actions are often identified among executives that undermine the advantages of an effective agile working method. Common examples of these counterproductive actions are e.g. presenting countless of initiatives in combination with tight deadlines instead of delegating the top two or three most urgent tasks. In addition, allocating "top employees" in too many projects and talking more than listening to the teams are common mistakes. Furthermore, another counterproductive action is that executives add control mechanisms even though this is against the agile principles.

Furthermore, there are numerous of different agile methods that has been developed during recent years. A few of them are scrum, lean development and Kanban (Tseng & Lin, 2011; Rigby, Sutherland & Takeuchi, 2016). However, according to Rigby, Sutherland & Takeuchi (2016) the scrum working method appears five times as often as the other methods. More specifically is the scrum concept built on an innovation process, where the core concept is based on that the organization empower a small self-managed team where none of the team members has the decision power. Instead tests are carried out to move the project forward. In addition, theory suggests that an optimal scrum team should consist of 3-9 people, which are dedicated either to work part or full-time, thus this is suggested to increase the productivity significantly. Preferable is also if the team has multidisciplinary skills and manage to work cross-functional. (Rigby, Sutherland & Takeuchi, 2016)

2.4.2 Concerns for Building-in Innovation

Further, when organizations develop service innovation processes, recent research presents common concerns for how to spur the innovation ability within organizations. Common concerns in a service development process are capitalizing on employees' ability to innovate, managing more than just incremental service innovation projects, and handling uncertainty in innovative service projects.

Creating Employee Motivation to Spur Innovation

In the strategic frame of reference by Edvardsson (1997) the author claimed that employees are considered as the crucial factor for delivering services in a service company, and therefore creating an organization where employees are satisfied and thrive is of importance. Connected to service innovation, the innovation ability in an organization depends on how well the company can capitalize on the employee's ability to innovate (de Jong & den Hartog, 2007) by organizing internally to create an ability to manage for today while simultaneously building an infrastructure for tomorrow. (Tushman & Nadler, 1986) Further, the authors claim that the most innovative organizations have created learning organizations in terms of effective learning systems managed by the employees, by maximizing the ability to collect external information to process it. To be able to create this, the authors state that companies must hire employees with diverse in-depth expertise and capabilities to build a capacity to innovate. Though, this is not enough. It is just as important to brace strong individual specialization in terms of skills for communication, problem solving, conflict resolution, and team building to spur a good teamwork and job motivation for innovation. (Tushman & Nadler, 1986)

In extent, according to de Jong and den Hartog (2007) the ultimate way to succeed with this is through leadership behavior, in terms of how leaders can influence innovation on individual employees.

According to the authors it is claimed that employees' innovation behavior depend on their interaction with others in the workplace. According to theory, employee innovation behavior in an innovation process consists of two dimensions that must be fulfilled. The first is the initiation where the innovation idea is shaped, and the second dimension is the implementation which regards the decision to implement an idea. To spur the individual employee innovation behavior, employees needs to be involved in exploring business opportunities, opportunities for improvements, and suggest solutions to problems. The opportunities are commonly found in incongruities, where things might not fit a pre decided pattern, such as a new trend in the market, new customer behavior, or problems in existing working pattern. (de Jong and den Hartog, 2007)

In extent based on research by de Jong and den Hartog (2007) it is shown that there are specific leadership behaviors that can influence employees' innovative behavior and ability to generate ideas. Behaviors such as consulting, delegating, and monitoring are necessary behaviors to spur innovation in an organization. This should be done by consulting employees more often, provide autonomy in the daily operation work, while also recognize employees' initiatives and efforts in organized feedback sessions. This in turn is suggested to create a more open and positive atmosphere, which can encourage idea generation and risk taking by the employees. (de Jong and den Hartog, 2007) Furthermore, based on research by Soken and Barnes (2014) additional leadership behaviors to build and sustain a culture for innovation is given, namely the ability to accept failure and communicate a clear purpose. In extent to be able to be innovate, one must tolerate risk, which is inherent in innovation. Therefore, it is suggested that successful leadership behavior for innovation is to create an open atmosphere for both taking risks, but also discussing failures. (Soken & Barnes, 2014) In extent, just as important as the leadership characteristics for creating an innovation culture and stimulating employee motivation is the group level influences from project teams in the innovation process, where Freidrich, Mumford, Vessey, Beeler and Eubanks (2010) claim that group diversity and functional diversity is essential for affecting the organizational innovative behavior. According to theory, creativity and innovation is enhanced by connecting a diverse set of skills, knowledge, and employees from different functions in the organization. Though, research has shown that a diverse group is not always beneficial for innovation since it might impede a shared group understanding of a complex problem. In some occasions it has resulted in lower levels of intragroup communication, which in turn has resulted in less group commitment and increased conflicts. Though, the authors state again that good leadership skills can contribute to overcome this obstacle by eliminating those barriers. (Freidrich et al., 2010)

Managing More Innovative Projects

Another contribution to the research field in service innovation with up to date research information provided by IMIT is the article by Nilsson and Ritzén (2017) who have done an investigation in how companies can leverage from management by objectives as a tool to become more efficient and innovative in the service development process. As stated previously do organizations commonly struggle to manage more innovative projects rather than handling incremental ones, even though these more radical projects are highly essential for companies' survival. In extent, according to the study by Nilsson and Ritzén (2017) there is a great incitement for organizations to work systematically with management by objectives and measurements in "the right way", in order for them to successfully handle the more innovative ideas presented, and thereby be able to realize them in practice. In order

to succeed with this process, Nilsson and Ritzén (2017) suggest three important parts.

1. The first success factor suggested by the authors for organizations is to first identify of which area/areas based on their business goals, which is in need of a greater extent of newness that innovative projects can bring.

2. The second success factor is for organizations to create innovation goals that are connected to the area/areas that are in need of greater novelty, in order to make it clear for the organization which areas that are prioritized when it comes to more innovative projects.

3. The third success factor regards the importance of having a process which enables prioritization of more innovative projects. In this process it is important to consider two aspects. The first aspect regards the importance to distinguish between individual and team prioritization. Thus, most often when prioritizing by discussing in groups investigations has shown that it is the incremental projects that are being favored, which is a result that tend to differ between if it was individual prioritization. The reason for this phenomenon is stated to be that it is challenging for an individual in a group discussion to defend and explain an innovative idea if it is not perfectly clear for the entire group how it could be operationalized and lead to an value adding service. The other reason for distinguishing between individual and group prioritization is that when there exists differences, a more innovative idea could potentially be found. The second aspect regards that the created innovation goals are used as a tool for prioritizing the initiatives. In extent, it is stated that use of this method will decrease the stress within the organization stemming from that often many initiatives are started but not finished. However, a clear connection between the innovative initiatives and the organizational strategy is suggested to result in that only relevant projects will be given resources. (Nilsson & Ritzén, 2017)

Moreover, do the authors state that management by objectives and measurements such as KPIs are common ways for most organizations to motivate an organization and implement different initiatives which are in accordance with the corporate strategy. However, when it comes to initiatives regarding more innovative projects, none of these are neither defined nor are managed further, which in turn stands in conflict to create an imbalance with numerous of goals regarding specific effectivity goals that generally are found among organizations. At the most, companies tend to state as a goal "we want to be more innovative", and this is often measured in terms of "number of ideas that follow that operationalizes" or number of patents. The reason for this strictly different and rigid focus is that more innovative projects are challenging due to its characteristics of being connected to great uncertainty, and most likely not in line with the current corporate strategies' boundaries. However, without good measurements and goals organizations risk that these more innovative projects lack support thus the organizations might feel puzzled regarding where and on what to focus on.

Managing Uncertainty in the Service Innovation Process

A further contribution to the research stream in service innovation and digitalization is the research by Wincent, Frishammar and Parida (2017) about the importance of a clear organization in the early phases of a service development for successful service innovation projects. In extent according to the authors, the issue of great uncertainty is specifically in the initial phases of innovation projects, and is

a common challenge among organizations. More specifically, it is during this step that the ideas are being tested for the first time. Therefore great uncertainty due to lack of information, knowledge and ambiguity among team members exists regarding how to interpret available information. Even though this step implies great challenges, it has been stated to be utterly critical for the success of the innovation project. Considering the importance of handling uncertainty in order to take the desired spot as an innovation leader, organizations need a solid method to tackle this. However, based on previous studies it has been possible to identify four success factors when handling innovation projects facing great uncertainty, which will be further described below.

1. The first success factor regards use of, to some extent, formalized roles implying that within the innovation project, people/organizational functions are given specific roles with clearly defined responsibilities and expectations. Though, the pitfall with this method is that it constrains flexibility and room for developing innovative ideas/concepts. In addition is the risk that too extensive formalization of roles prevent a dynamic collaboration, which is considered a key success factor for a successful innovation project. Decisively, Wincent, Frishammar, & Parida (2017) found that even though formalized roles and responsibilities are powerful tools in innovation projects, it should not be applied in the early phases, rather preferable in the later steps in the innovation process.

2. The second success factor regards use of formalized processes, though only to some extent. This is considered a success factor thus this assure that the project obtains sufficient attention. Formalized processes are characterized by pre-determined activities and measurable KPIs. Even though this kind of approach for handling uncertainty can create a sense of control, it is not recommended for all innovation projects thus the risk is too rigid, not value added, and specifically the risk of rejecting the more radical or disruptive innovations is major within a formalized business environment.

3. The third success factor is a proper mechanism for evaluating ideas, which regards the importance to evaluate if an idea is worthwhile to continue on developing or not. In cases with great uncertainty this is a huge challenge, however in order to manage this, it is important to make sure that critical dimensions of the idea is carefully considered before starting to develop and implement the idea.

4. The fourth success factor is to embrace external collaborations, which implies taking advantage of external collaborations in order to stimulate the innovation projects. This factor is suggested to some extent be important in all steps of the innovation projects considering that external collaborations with e.g. universities, customers and suppliers can enhance knowledge, reduce costs, time, and potentially lead to both greater return and enhanced offerings.

2.4.3 Activities for Building-in Innovation

Finally, as an extension to the conventional service development theory practical service innovation activities are found in latest service innovation research. More specifically are activities essential for building in innovation in the service development process presented by Kristensson et al. (2014) and Elerud-Tryde (2017) in the sections below.

Innovation Activities in a Service Innovation Process

In the practice of building in innovation in the service development process Kristensson et al. (2014) has done an extensive scrutiny of the academic field in service innovation and provides a managerial framework for how to manage the service innovation process by suggesting specific activities a company can implement. The framework builds on three main steps. The first step aims to create a focus in the innovation process, the second step regards the importance of understanding the customer, and the third regards creating a structure for customer value creation. In order to understand the necessary activities for a successful service innovation process, the two latter steps, understanding the customer, and creating a structure for customer value creation, are broken down into six distinct activities as different phases in the process, as illustrated in the figure below.

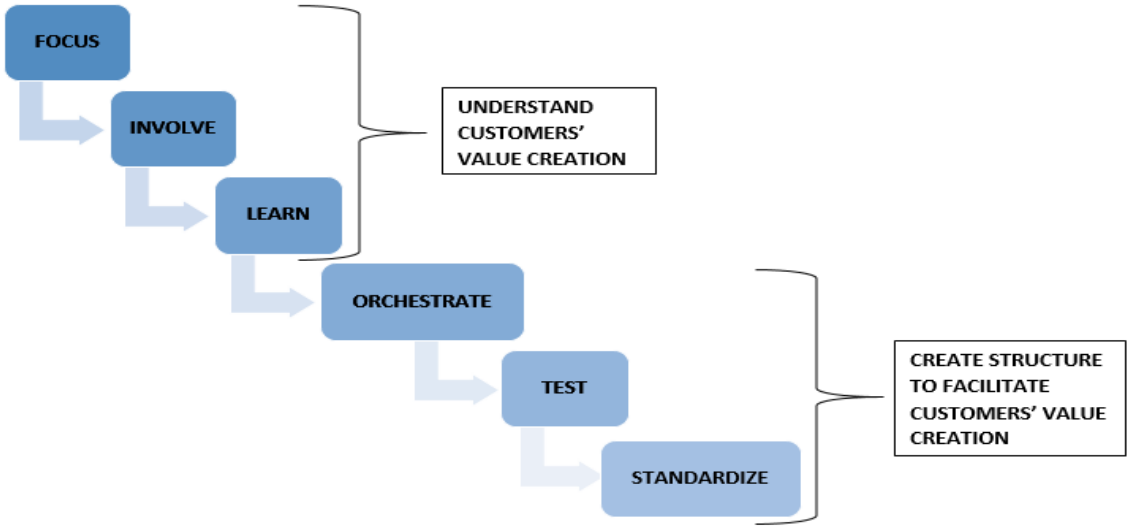


Figure 2.6 The Developmental Process for Service Innovation, Kristensson et al. (2014)

1. Creating Focus in the Innovation Process

Focus- The first activity in the service innovation process according to Kristensson et al. (2014) is to decide the focus by determining a goal with the process, and what customer value the company aims to develop. It is crucial that the company narrows down the focus in the innovation process since it is easier to understand what activities to continue with, and what resources to integrate to reach the goal. A commonly used method in order to find the focus area for the innovation process is to do a market analysis to find where other sectors has built innovation processes, or do long term trend analysis to be able to grasp how the industry or market is changing, or developing.

2. Understanding the Customer

Involve- The second activity in the service innovation process is to involve customers in the process and learn with customers, due to the fact that services is a value creation process together with customer. Decisively, research has shown that customer involvement in the service development process or ethnography by observing customers during a service testing are more successful activities than performing in depth interviews or focus groups in terms of learning from, and understanding

customer behavior. Therefore, the aim with the customer involvement in the service innovation process is to explore "new" customer experiences and reinforce these to be able to receive higher customer satisfaction.

Learn- One of the main obstacles in service innovation processes is to translate what the customer 'wants' into a profit value for the company to make sure that the 'want' is something that the company can profit from. This requires successful implementation of the 'want' internally to be able to deliver the service in a mass production approach. According to the authors the learning phase about customers is seen as a 'divergent' process where companies need to learn as much as possible by the customers. This phase can become a complex stage in the process since customers can sometime give misleading prognoses about their 'wants'. Customers may give indications about what they demand, but some indications are very difficult to predict, they are *"unthinkable in advance"* (p. 93, Kristensson et al., 2014). A possible method to use in this stage is a scenario analysis with a customer panel, to test a service in a reality approach which can provide indications if the service might become successful or not. Another method to learn from customers mentioned by Chesbrough (2010) is to create a visualization of the customer's experience. This is done by identifying "experience points" which are the moments when the customer comes in direct contact with the service. Experience points are opportunities to help customers frame their expectations of what they will experience. The experience points can be visualized with a process diagram, which shows the steps that customers go through in receiving a service. This method makes it much easier to spot new ways of improving services, or find root causes of problems. (Chesbrough, 2010)

3. Creating a Structure for Customer Value Creation

Orchestrate- The third activity is the orchestration phase, which implies the implementation phase in the service innovation process. In this specific phase it is crucial to reflect upon how realistic the service is to implement. There are many factors to take into account in the implementation process of a new service, i.e. strategy coherence, organizational culture, and a supportive network of partners. Though, the most complex factor in this phase is the organizational culture. The organizational culture is a phenomenon within companies that commonly has been shaped during a long time, where the core is a culture built around the traditional service offering. Organizational cultures contain certain norms and values based on aggregate habits which determine how employees behave within the company. Habits are difficult to break and therefore implementation of a new service require such habit breaking. (Kristensson et al., 2014)

Test- The next activity in the service innovation process is to test the service in a limited scale. The goal is to find a successful service concept, which create customer value. The optimal solution is to test the service in an interaction context with a group of customers. The risk of implementing and testing the service in the market directly can be devastating in terms of high costs and a harmed reputation if the service turns out to not become successful. This phase in the model is very valuable to the service developer company since it receives direct feedback from the service users. (Kristensson et al., 2014)

Standardize- Not until the last activity in the service innovation process the service is launched at the

market. Depending on the nature of the service that is developed through the process, one must consider to standardize the service to be able to provide it into larger batches. For other companies, it is more important to customize the service to receive a higher customer satisfaction. (Kristensson et al., 2014) Though, Chesbrough (2010) claims that to reach efficiency in the market, companies need to be able to manage both customization and standardization simultaneously in innovating services. This means that companies both can deliver the most desired outcome and treat each service transaction individually, while simultaneously reduce costs by aggregate these individual transactions in a homogenous way. To do that, companies need to rethink the service process structure. Some successful companies have developed new processual structures when developing new services to manage the tension between customization and standardization. These structures are split in two interlinked processes, which are customer-facing-front-end (flexible front end) and standardized back-end. The front-end process focus on satisfying the customers by delivering customized services solutions, which in turn generate profits and revenues. The back-end process focus on minimizing the cost by providing standardized or reconfigured solutions for each customer. As a solution, the back-end process mixes and match combinations of reusable elements provided to the front-end process. (Chesbrough, 2010)

Detecting Innovation Opportunities

Elerud-Tryde (2017) has contributed to the academic field of service innovation activities with support from the Institute for Management of Innovation and Technology (IMIT), and has done extensive investments in research about digitalization. One of the latest contributions in IMITs research area is Elerud-Tryde's (2017) research about innovation jams. Innovation jams can be considered an IT based tool for organizations to detect innovation opportunities during a limited time, by inviting different actors to a creative innovation session in order to enable collective idea creation. More specifically is the idea of these innovations jams that the invited participants can discuss and contribute with new insight regarding new ideas and business potentials, which can lead to new knowledge to the organizations. The current trend is to do this kind of sessions in a virtual platform, where the participants with no time delay can interact and share ideas, comment on ideas, discuss ideas, and vote for ides. Decisively, based on observations at some of the biggest companies in Sweden using innovation jams the following lesson was learned. The first insight was that innovation jams was a good tool for making the innovation challenges visible and communicated within the organization. In extent, it was found to enhance a positive engagement among the coworkers in order to try to find innovative solution, but on the other the issue stated with this approach is that only known innovation challenges such as incremental innovations receives most of the attention and that the more innovative ideas are overlooked. The reason for this imbalance of focus was given by that generally management expect measurable payoff from implemented initiatives, which in the case of innovation jam sessions is often measured by the number of ideas implemented. Though, this is according to Nilsson and Ritzén (2017) not the right way to go. Instead in order to successfully use innovation jams, it is of importance that the organizations have a clear strategy and organizational resources for handling the ideas properly. In extent, in order to succeed with investigating more new innovation challenges during these jams it is of importance that first of all an increased focus on incremental innovation most commonly exist and that the more radical and disruptive ideas need to get more attention. In order to do so the authors presents three key success factors.

1. Firstly, clarify the function of the specific innovation jam. For example in case the company wants to explore a new business opportunity could it be needed to create new processes to support this, in order to make sure not incremental ideas are given.

2. Secondly, create a strategy in order to make key persons involved. This is of importance thus it contributes with dual positive effects. First, it creates a sense of that ideas are taken care of in the organization. Secondly, the project will obtain greater support from the employees.

3. Thirdly, make the work with the ideas visible. It is of importance that the focus is not on informing the employees and participants in the jams regarding how many ideas that was created. Instead the focus in the communication should be on how the ideas are being handled and how they are progressing. A suggestion given for how to make this clear is to present and communicate KPIs, which take into consideration how difficult the ideas are to implement.

Table 2.3 provides a summary of the new method, concerns, and activities for building in innovation in the service innovation process, which are necessary to manage more innovative service projects in a service innovation process.

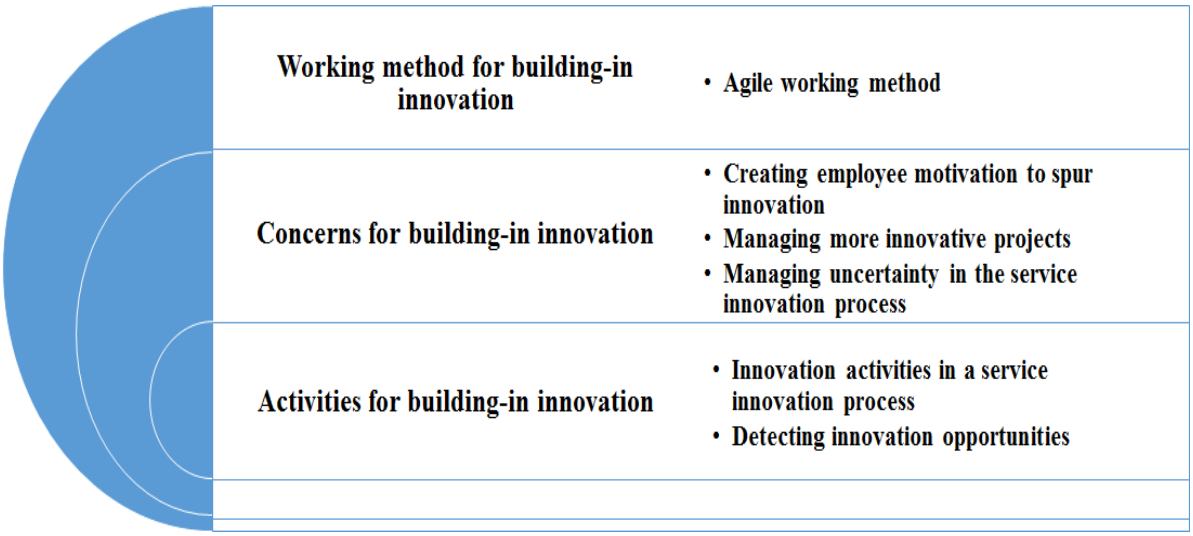


Table 2.3 Summary of method, concerns, and activities for building-in innovation

3. METHODOLOGY

3.1 Research Approach

As an initial step in the research process it is significant for the research outcome what characterizes the nature of the link between research and theory, whether what form of theory that is emphasized, and whether data is collected on the basis to test or to build a theory (Bryman & Bell, 2011).

3.1.1 Goal

The overall goal for the thesis was to explore the service innovation phenomenon in relation the the progress of the digitalization by identifying how companies within the banking, accounting/consulting, and insurance industry relate to the phenomenon. In extent, one goal was to contribute with new insights regarding service innovation processes based on evidence collected both from academia and empirical findings. Insight that presumably could support companies within the banking, accounting, and insurance industry, which face similar challenges in their approach to service innovation due to digitalization. More specifically was the aim to come up with a specific suggestion for how a company within the accounting/consulting, banking, and insurance industry can leverage on digitalization and manage the more innovative service projects to stay competitive in the future. To do so, the goal was to create a conceptual framework based on a conventional theory about a service development process. The contribution of this study was aimed to provide suggestions for certain innovation activities and tools that could be incorporated to the original model, as recommendations for how companies could manage more innovative service projects in an increasingly digitalized world.

3.1.2 Strategy

As described is the goal for this thesis to investigate the ‘how’ as a foundation for the research question. In fact, investigating ‘how’ is found to be one of the most crucial building blocks of developing a good theory (Whetten, 1989). However, in order to investigate ‘how’, a qualitative research strategy with a theory building approach needs to be used in order to describe the relationship between theory and research (Bryman & Bell, 2011). Therefore, the research strategy for this study was a qualitative research approach. More specifically was a case study design chosen, where the research instrument for data collection was qualitative interviews. The reason for choosing a qualitative research was based on multiple reasons. First of all did this research strategy enables a contextual understanding of a specific phenomenon by studying real life cases in depth. In extent, with regard to the goal this research motivates unstructured data in terms of words rather than numbers (Bryman & Bell, 2011). Further in line with this theory building approach, this indicates an inductive methodology where theory is viewed as the outcome of the executed research, and theory is grounded in empirical data (Bryman & Bell, 2011). Decisively, in line with the inductive approach, the study took the perspective of participants, and allowed for a flexible research process with a less limited structure. Additionally, further in line with the chosen inductive approach an iterative research strategy was used, which allowed the theory building process to go back and forth between empirical data and already existing theories, or research in the field. By executing an iterative research strategy and embrace a theory building approach, which starts from the general and go to the specific, allowed for a flexible research process and fulfilled the research objective by simultaneously scrutinize

acknowledged literature and perform in-depth interviews with key persons who had expertise insights relevant for the research topic. Due to the chosen qualitative research strategy for this study, this implied a perspective of an epistemological approach in line with an interpretivists view, and an ontological approach described as constructivist which will shape the qualitative research (Bryman & Bell, 2011). Even though considering the advantages of using a qualitative research strategy, a qualitative research might represent some shortcomings, which were taken into consideration during execution. Shortcomings such as a risk of being too impressionistic, subjective, difficulties of replication, lack of transparency, problems regarding generalization and non-neutral observations (Bryman & Bell, 2011).

3.2 Research Design

3.2.1 Case Study

A single case study was motivated for this research since it allowed for an in-depth examination of a certain contemporary phenomenon in a real-life context (Abercrombie, Hill & Turner, 1984; Yin, 2013). The determined case for the research was a certain phenomenon, namely how digitalization affects service innovation processes for companies within the three industries, bank, insurance and accounting/consulting. The main reason for choosing a single case study design was mainly chosen due to the procedural characteristics to include multiple sources of evidence, such as acknowledged theory to support and guide the key task of data collection, and data analysis. (Yin, 2013) In extent in order to gain a conceptual understanding of the case, the research process started with a narrative literature review to scrutinize earlier conducted research within the field as a support for continuing with the data collection. The reason for conducting a narrative literature review was in order enrich the authors' knowledge about the topic. Thus a narrative literature review provides the advantages, which allows for a more flexible and less focused approach to search for appropriate prior research as a support to gain an extensive understanding for the topic. (Bryman & Bell, 2011) After conducting the narrative literature review, qualitative interviews was motivated as research instrument for data collection in a semi-structured manner. Even though the shortcomings with a single case study design, such as it did not enable to provide dependable information about the entire population and contribute with generalized findings to scientific development, it was still advantageous to use this research design to gain a conceptual understanding about a specific phenomenon (Flyvbjerg, 2006). The type of case study chosen for this research was a representative case study type, which aimed to explore and collect data about a case that instantiates an everyday situation, and that the case is still under progress (Bryman & Bell, 2011). Further, to gain a conceptual understanding about the case for this study, the objective was to discover how companies was affected by the digitalization and how they could leverage from it in their service innovation processes, the main unit of analysis in this study was companies.

3.3 Research Method

3.3.1 Qualitative Interviews

Qualitative interviews was conducted in order to collect the primary data for this research. Qualitative interviews was motivated as a data collection method thus it enabled to obtain an in-depth understanding of relations and details by obtaining the interviewee's point of view (Marschan-Piekkari & Welch, 2004; Bryman & Bell, 2011).This was advantageous thus by interviewing selected

respondents enabled an extraction of knowledge regarding how companies in a real life context can manage more innovative service projects and leverage from digitalization. The structure of the qualitative interviews was semi-structured, which implied a list of questions which were carefully phrased before the interviews were used. The reason behind the choice of semi-structured interviews was because this type of method enables comparability between the interviews, which would not have been a possibility with unstructured interviews (Bryman & Bell, 2011). In addition, the opportunity to include aspects beyond of the interview format is another advantages with this semi-structured interviews. Thus this enabled insights into areas the interviewees considered extra interesting within the field, which would have been missed with a very strict and structured interview. In addition, were qualitative interviews motivated thus this enabled respondents to restate potentially unclear questions and be more flexible in how to answer the questions. (Bryman & Bell, 2011)

3.3.2 Interview Setup

Before conducting the interviews an interview guide was created (see Appendix A). The questions in the interview guide was designed after the theoretical background was conducted, implying that the interview guide brought up the three main concepts:, "services", "digitalization" and "managing service innovation" as included in the theoretical background section. Following these three main concepts when creating the questions was essential, thus it enabled a comparison between literature and empirical evidence in order to explore if there exist a gap. This was further in line with the research purpose, and would be assumed to mitigate the process of answering the research question. In addition, careful consideration of phrasing and use of the "right" wording was considered when the interview guide was created. This was in order not to use leading questions or unfamiliar wordings to avoid misunderstandings, and/or misinterpretations. In addition, the order of the questions in the interview guide was important in order to decrease confusion for the respondent and mitigate transcription and assessment of the interviews. Before the interviews was held, the selected respondents received the interview guide. The primary reason for sending out the questions before the interviews was because the respondents were given time to prepare for well-thought answers. In addition a deliberate choice was to conduct as many interviews as possible face-to-face, however this was not always possible considering a time and cost perspective. The reason for why face-to-face meetings where preferred was based on the argument by Bryman and Bell (2011) who claim it enhance trust between the interviewer and interviewee, which enable more open, and honest answers. However, in those cases face-to-face meetings where not possible the meetings were conducted in a virtual setting by using phone, Lync, or Skype. Further, was all of the interviews recorded thus this enabled a detailed word-by-word transcription of the interviews afterwards, which in extent was coded and could secure objectivity. During the interviews, both authors participated where one had an active role to lead the interview, while the other person had a more passive role by taking notes and be responsible for the recording.

3.4 Data Collection

3.4.3 Anonymity

Before describing how the data was collected it is worthwhile to emphasize that all of the respondents in this study will be anonymous. The fact that the respondents was anonymous was reached in agreements before each interview was conducted. In other words, the participants were aware of that

neither their identity nor organizations name would not be disclosed. The reason for this was in line with the argument by Bryman and Bell (2011) who claim that an advantage by keeping the respondents anonymous is that it allows for a more comfortable situation for the interviewee to be able to be more relaxed, and provide honest answers when speaking freely about a chosen topic.

3.4.1 Selection of Firms and Respondents

The selection of firms and specific respondents was carefully made in order to maximize in-depth information, which in extent mitigated obtaining a conceptual understanding of the digitalization and service innovation phenomenon. The main criteria for all respondents was to have experience in terms of accurate knowledge from either the banking, insurance, and accounting/consulting industry. The requirements for the respondents was to select key persons with as great insight as possible in question regarding service innovation and digitalization within a certain company or within the field. More precisely was the requirement to choose companies from the banking, insurance, and accounting industry, with representatives who strategically work with service innovation and the digitalization transformation on a daily basis. Two main categories of firms and respondents was used and divided into "companies" and "specialists with supportive insights". Within the first category "companies" the goal was to interview at least two prominent companies within each industry with great experience in service innovation and digitalization. The choice of these companies were done more or less in accordance with a stratified sample, which implies certain criteria for choosing the respondents (Bryman & Bell, 2011). The main criteria for sampling respondents from companies was the hierarchical position within the organization such as CIOs, innovation managers, or strategy managers. To find suitable companies that fulfilled the requirements, a background research was made on Internet to find which companies within the three industries expressed through their websites or web based news articles that they work with service innovation and digitalization challenges. Participants from each company was then randomly chosen in a snowball sampling approach depending on who had the most fulfilling position to provide accurate insights about the topic. Within the second category "specialists with supportive insights" were to some extent chosen based on a convenience sample. The first respondent in this category was conducted after one of the authors had obtained knowledge that the person had previously conducted lectures about how companies can leverage from digitalization. The second respondent was selected after lecturing about digitalization and strategy in the service sector which both the authors participated in. The category "specialists with supportive insights" will be renamed to "Experts" in the empirical finding section. The use of the term "experts" is done with the motivation that these persons have great experience of the subject but at the same time they do not represent a specific company, and therefore have an outside perspective. In order to mitigate the issue of attracting participants, the recommended approach by Healey and Rawlinson (1993) was utilized to as large extent as possible referred to as a "dual approach". In extent this dual approach implied that the authors tried to call the person in order to 'fish' for their attention to participate, and thereafter follow up the call by sending the person a presentation e-mail of the project and how this person in question could contribute to and leverage from the study.

3.4.2 Execution

Before conducting the interviews during the data collection period, the interview guide was tested in order to detect possible misinterpretations, wrong formulations, or too leading questions to secure for successful qualitative interviews. The interview guide was sent out both to the tutor of the study and

all respondents at least one week in advance before each interview was held. This gave the respondents an opportunity to provide feedback if some questions were e.g. unclear. The results from testing the interview guide was that both the tutor and some respondents suggested some rephrase of specific questions in order to avoid misinterpretations, and also suggestions to include a few additional questions to be able to reach a complete map of the selected topic for the interviews.

Table 3.1 on the next page shows the selected respondents for this study which disclose the title of each respondent, from which industry the respondent is selected, how and where the interview were set-up, which date it was conducted and how long the interview were. More specifically was the data collected for this study during a limited period (3rd of March and the 30th of March). The aim with the data collection period was to achieve as short time frame as possible to ensure for less variation affected by time, in order to allow for an as equal starting point as possible when extracting and comparing the empirical data in the data analysis. This was specifically important considering investigating the digitalization phenomenon which is constantly under great progress, and where there is a risk that answers would be different if asking with a wide time frame. In extent the criteria for the data collection was to limit the geographical area to Sweden and choose respondents which represented one of the top companies within chosen industry. The required respondent profiles was in preface chosen to exist of CIOs, Head of Innovation, or Strategy Management. In the beginning of the data collection process twelve enquires was sent out to different companies about participation for interviews, and eight of those agreed on participation. Therefore, this study received a successful response rate of 67%. The stated reason for why four respondents could not participate in this study was due to lack of time.

INDUSTRY	REFERRED TO AS	WORK TITLE	INTERVIEW SET-UP & LOCATION	DATE & LENGTH
Accounting/ Consulting	Accounting/ Consulting 1	CEO, IT manager, Market manager, Product owner, Business development manager	Face-to-face, Stockholm	03/03/2017 -80 min
Accounting/ Consulting	Accounting/ Consulting 2	Head of Digital Transformation and Innovation	Virtual Meeting	16/03/2017 -50 min
Insurance	Insurance 1	Head of Digital Strategy	Face-to-face, Stockholm	03/03/2017- 60 min
Insurance	Insurance 2	Requirement & Business Analyst	Virtual Meeting	08/03/2017 -55 min
Bank	Bank 1	Head of Digital Banking, Investment Director at Digital Banking	Virtual Meeting	16/03/2017 , 60 min
Bank	Bank 2	Chief Digital Officer	Virtual Meeting	30/03/2017- 60min
Docent	Expert 1	Associate Professor at the Institution of Applied IT at one of the major Technological Universities in Sweden	Face-to-face, Gothenburg	10/03/2017 -50 min
Consultant	Expert 2	Head of Market Area Management Consulting	Virtual Meeting	09/03/ 2017-60 min

Table 3.1 Selected respondents for interviews

3.4.4 Language

For the data collection, all interviews for this study were conducted in Swedish and then translated from source language into the target language English after the interviews had been transcribed. For this circumstance Xian (2008) state it is critical to the common view of perceiving the researcher as an objective and faithfully translator when translating collected data to another language. In extent according to Xian (2008) the data translation is highly problematic because the problem of linguistic differences between languages, which implies that for some source language words there are no equivalent words in the target language. Instead Xian (2008) claims that the researcher has the role of being an integral part of the knowledge producing system by acting simultaneously as an inter-cultural communicator and a data interpreter. Therefore, the authors in this study was carefully following the suggestions by Xian (2008) that data translation should not be perceived as value-free and that the authors as translators from source language to target language was perceived as co-producer of knowledge. Though, to be as objective as possible, the authors was extensively careful in the process of finding the most equivalent words in target language with correct grammatical structure and expressions.

3.4.2 Data Analysis

To analyze the data and answer the research question the grounded theory method was used in order to analyze the data. The reason for why the grounded theory method was chosen was due to the aim of the study to generate a theory derived from empirical data, where the methodology simplified to structurally and systematically gather and analyze the data. According to Allan (2003) a fundamental part of the data analysis lies in the origin of codes, concepts, and categories. The idea is that by emerging these codes new concepts can be founded, which is in line with grounded theory. In the process of breaking down the data to discover common patterns there are different tools specifically suitable when using grounded theory (Bryman & Bell, 2011). One of the most common tools are the coding method (Allan, 2003; Bryman & Bell, 2011) and was therefore chosen as the data analysis method for this study. Coding is a kind of a content analysis and was used in this study to find and conceptualize the defined case phenomenon, which in previously mentioned terms was the service innovation, and the digitalization.

More specifically for the data analysis, each interview was as previously stated recorded and transcribed word by word. When the data was transcribed each answer was structured according to the questions in the interview guide, and all interviews were written in a Word-file. The next step in the data analysis process, was to use the transcribed data by copying it into an Excel-file where each transcribed answer was structured in respective profile and interview question (see example of structure in Appendix B). Thereafter, each transcribed answer from respective respondent was compiled under respective interview question in a Word-file. This ensured that codes could be detected, which were analyzed to find common patterns or themes that could be grouped together. In extent this data analysis method is in accordance with a thematic analysis. The grouping of codes emerged into concepts, and further the authors grouped the concepts into different categories, which in the end resulted in the empirical findings. This method secured that the theory is truly grounded in the data. (Allan, 2003)

3.5 Research Criteria

In order to assess the quality of the research it is crucial to evaluate research criteria. According to Bryman & Bell (2011) the two most common research criteria are reliability and validity. For research to obtain high quality, the research criteria must be fulfilled.

3.5.1 Research Quality

In order to obtain high quality in a qualitative research it is crucial to achieve objectivity and to avoid subjective ideas impacted by the researcher, which can lead to misleading results and decrease the research quality (Bryman & Bell, 2011). The importance of keeping objectivity in order to contribute with valuable and accurate research regarding the topic was something the authors specifically stated to the company that requested this research in order to obtain high quality of the research. Overall an objective mindset permeated every step of this research, especially was this evidently during the empirical collection were recording and full transcription was conducted.

3.5.2 Reliability

In this study the reliability of the study was constantly in mind, even though challenges of obtaining a high reliability in a qualitative research can be challenging (Bryman & Bell, 2011). A distinction between external and internal reliability was also considered when conducting the research. The external reliability concerns if a researcher would be able to execute the same study and discover the same findings in a similar environment. Decisively obtaining a high external reliability is one of the challenges with using a qualitative research, thus the data used in this research is collected from a social setting not possible to reconstruct again considering that human behavior is never static, and therefore no study can be replicated exactly (LeCompte & Goetz, 1982). However when it comes to this research, the authors have considered the importance of enhancing this study's external reliability, by providing a clear structure, documentation, and specification of the different aspects in order to enable other researchers to replicate this study. In addition, the internal reliability which concerns the consistency of the data collection analysis and the interpretation of the data were considered in this research. Thus one way to increase the internal reliability according to LeCompte and Goetz (1982) is to include multiple researcher in the data collection process. Therefore during the empirical collection in terms of qualitative interviews both of the authors participated during all interviews. In addition, after the interviews the results from the interviews was discussed between the researchers in order to reach an agreement regarding how to interpret the results. In this process also the transcribed material and the recordings supported the interpreted findings, which in extent increased the internal reliability. As previously stated in Appendix A the interview guide is included, and in Appendix B an example of the structure for the transcribed material is provided, which could mitigate other researchers to assess the internal reliability of the study.

3.5.3 Validity

In extent in this thesis the validity criteria was considered in terms of focus on the integrity of the conclusions, which were drawn from the empirical collected data. The internal validity which could be considered a strength of qualitative research concerns the dependability of the findings in terms of how well the researchers' observations match the theoretical ideas they develop (Bryman & Bell, 2011; LeCompte & Goetz, 1982). Furthermore to strengthen the internal validity, the respondents were given the opportunity to give feedback after drawing the conclusions based on their answers. This was

done primarily in order to avoid misinterpretations, but also to decrease the subjectivity in the translation of the data from the sourcing language to the targeted language (Xian, 2008). Further, the internal validity was enhanced, due to that the researcher recorded the interviews as a proof in terms of that the generalized findings corresponds to the empirical data, which were analyzed and interpreted objectively. According to Bryman and Bell (2011) the external validity concerns the degree to which the findings are possible to generalize. The authors claim that there are difficulties in qualitative studies with drawing general conclusions based on particularistic features. Though, to strengthen the external validity the selection criteria in order to select respondents was crucial to be able to generalize at least to some extent the findings. Although, the external validity in this study could be considered low because there is always a limit in the amount of data that can be collected which general conclusions are drawn upon (Yin, 2010).

4. EMPIRICAL FINDINGS

This section presents the empirical data collected from the conducted interviews. The findings are presented in accordance with the three chapters used in the interview guide (found in Appendix A). This implies that the three main concept of this thesis, "Service innovation, "Digitalization" and "Managing more innovative service projects" receive its own chapter in this section.

4.1 Service Innovation

Definitions of Service Innovation

When asking about the concept service innovation no unified definition was found in neither of the interviews. However did all of the respondents emphasize and shared the mindset that the concept is highly connected with improvements, which enable new value in some kind of way for either the customer or the organization. Decisively, following the quote given by Expert 1 who summarized the definition of service innovation by focusing on the importance of thinking in new directions.

"Service innovation is about questioning one's current business models in order to detect further potential to work with. In other words it is about challenging one's own business proposal"

-Expert 1

On the other hand, one answer that differed from the other came from a representative from Bank 2 who claimed that a clear distinction between product and service innovation needs to be considered. The motivation for this was based on the motivation that the product innovation and service innovation concepts differ when it comes to how these are produced and consumed. Thus for services, the customers become a part of the service as a co-producer while consuming the service, which is not the case in product development in the same extent.

Additional input to the discussion regarding service innovation definitions was provided by Insurance 1 and Bank 1, who stated the importance of considering the concept service innovation in terms of different types of innovations, such as disruptive-, incremental- and radical innovation. Thus according to the respondents, the type of service innovation affects their working approach. Decisively, the reason for dividing innovation in categories became evidently in the respondents further discussion. Thus, both of them revealed that an extensive focus is given to the more incremental innovations even though working with more "innovative" projects are desired as a necessity for them in order to manage to stay competitive. However, Insurance 2 added that even though the company provoked bigger step in the service innovation, the way to manage this is to apply a stepwise, iterative mode inspired by the agile working method.

Driving Force for Service Innovation

When asking the organizations regarding the aim with developing new services and creating a service innovation process, the majority of the respondents had a unified motivation. The motivation was based on the possibility to contribute with a genuine customer focus that implies value adding services for their customers. More specifically, based on this motivation Bank 2 explained that focusing on customer value and the customer 'journey' by interacting with their customers, and considering each

of the contact points is the foundation for being competitive in their industry. In addition, other drivers was given why organizations focus on service innovation such as a way for increasing sales by taking over market shares, have a competitive offering, be environmentally friendly, be compliant with regulations, and to promote the company in order to attract competent employees. The importance of working with service innovation in order to survive when the competition is increasing, was another aspect that to some extent was discussed with several of the respondents. However, Insurance 1 pinpointed that even though they strive to be more innovative in comparison with competitors the respondents also stated,

"Within our industry all actors follow the same rule "we are keeping up with the Joneses"

-Insurance 1

The respondents further developed this by stating that they follow this saying thus they are cautious when it comes to challenging other actors or competitors in developing disruptive services since it might disturb the industry balance. This is why the Insurance 1 stated that small movements in the marketplace are more eligible than bigger and aggressive movements. In extent, this trend of taking small steps rather than bigger steps that question the industry standards was stated in several of the interviews, which in extent implies that industries from these three sectors focus more on incremental rather than disruptive, radical innovations.

Regarding the discussion if technology or if it is customer requirements/expectations that drive service innovation, a more or less common understanding was found. Thus, the respondents considered that the concepts technology and customer requirements/expectations are highly connected and cannot be considered as independent drivers. More specifically did one of the respondents bring up the discussion that sometimes it is technology that create customer needs. However, the common understanding was that technology should be considered as an enabler while it is the customer that should obtain intense focus when developing new services.

4.2 Digitalization

During the interviews it was evidently that the respondents had great knowledge regarding the latest digitalization trends, thus multiple trends and insights was shared. In addition, based on all of the interviews there was a shared understanding that there is no problem regarding obtaining information and be up to date about the latest trends. However, even though great knowledge existed regarding up to date trends, it was found that the organizations generally quite sparingly used the trends. A reason for this was given by one organization from each of the three industries, who stated that it might be the case that not all industries and organizations need to access and focus on the latest technology. Instead the respondents explained that more mature technology that are widely adopted technology might be more interesting. Although this aspect was stressed, the three main trends identified in the literature were found during the interviews. Therefore, the empirical findings will be presented accordingly.

1. Increased Use of Technology

Even though the three major digitalization trends were identified during all of the interviews, this concept with great technology focus was the one that received the greatest attention. Following technological concepts were discussed in terms of how organizations can use digitalization in order to spur service innovation.

Big Data

The majority of the respondents stated that use of Big Data has led to many opportunities for innovating new and exciting services. In extent, these respondents shared the understanding that this technique is still underutilized and that great potential exists in order to spur service innovation. Decisively Bank 2 summarized these findings.

"It's good with Big Data, and it is not a problem to produce the data. Though, it's a matter of handling the data, and therefore we must start with small data to make sure we can manage it."

-Bank 2

Conclusively, the challenge to manage the extensive amounts of data in an optimal was evidently a concern, however Expert 2 stated that the solution for handling this is to place great focus on developing complex models for analysis and execution, which in turn can transform the extensive data to useful data. In line with the discussion of the potentials from extracting and handling data, Expert 1 emphasized how collecting data could be considered as a great source for new service innovation, and therefore stressed the importance of not giving away valuable information for free.

IoT

The majority of the respondent raised the digitalization trend IoT, by describing how important it will be to enhance efficiency, and the opportunity to follow consumers in real-time. Furthermore were illustrative examples provided regarding how IoT can spur service innovation. For example, in the case of the insurance business, Insurance 2 provided the example regarding how IoT can make them offer new services but also how this technique can make them to go from being a reactive to a proactive service provider. More specifically did the respondent provide the example of how dish machine producers have started to include a sensor in the new machines connected to internet that will be able to detect, e.g. water leaks. This would imply great advantages for the insurance companies, thus in real-time in an early stage the owner's insurance company can be connected in order to react before the entire house is ruined by water. In other words, the insurance company becomes more proactive rather than reactive. Even though the respondent stated great advantages stemming from using IoT the same respondent stated a risk with this technology, namely 'will customers be willing to constantly be monitored to share all this information? '

Platforms and Security

To create great platforms to interact with customers in a good way was specifically stated by Accounting/Consulting 2 to be a success factor to spur service innovation by using a technological trend. More specifically is it the ability to access real-time data about customer behavior that will be highly advantageous. In addition, Bank 2 added another perspective and claimed that the development

of digitalization will lead to a new security issue. In such a way none will be harmed from companies' actions. Therefore, one possible future success factor was claimed to be to balance the data security issue with customer value creation. Decisively, based on the interviews it was no doubt that great knowledge existed regarding technological trends within the field of innovation. However, Bank 2 hand in hand with the big hype regarding extracting great amount of data led to the problematic integrity question "*how to handle the extensive data that exist in a good way?"* The success concept for doing this according to the respondent was to create a trustful relationship with their customers by being transparent, and constantly consider the security for their customers.

AI and Advanced Machine Learning

AI and advanced machine learning was a trend that was emphasized by two of the respondents. More specifically was robotics mentioned which builds on advanced machine learning as a technique that enables replacement of repetitive manual workforce with digital. In addition, Accounting/Consulting 2 stated that there is a major buzz among their customers and network to at least get started with this kind of technology. However, if the society is ready for this major transformation in terms of introducing robots as colleagues, is something the same respondent stated that will be up to a major society debate. In line with this argument Bank 2 provided to some extent a skeptical perception regarding AI applicability within their organization. Thus according to the respondent their company do not perceive the AI technology to be sufficiently mature to e.g. replace their personal service with a technological personal service solution. However did the respondents add that it most likely will only be a matter of time, before the technology is sufficiently mature to work in a good way. Decisively, Bank 2 ended the discussion that the consideration of an adoption of AI will be up to the customers by considering 'Do our customers want customer service from a machine or not?'

2. Customers' New Behavior and Role

Customization

Extensive customization through digitalization was a trend that was stressed by the majority of the respondents to be highly important in order to leverage on digitalization to spur more innovative service projects. More specifically was customers' increased use of technological tools in combination with the technological advancements described in the previous section given as the reasons for putting the customer first. In line with this statement did Expert 2 describe that he has detected from their clients that successful organizations more than ever before have a strong customer focus, and really strive to consider what is value adding for their customers implying a higher extent of customization. In order to succeed with this, Expert 2 claimed that trying to understand its customers genuinely by following the customer journey in real-time is a key to success. However, two of the respondents stated that customization is a great goal, but that the costs and benefits need to be carefully considered.

Self-service, Simplicity, and Partnership

Another major trend the respondents stressed was the importance of putting the customer in the center, by considering aspects such as how, when, where, and with whom do the customer wants to interact with the organization. In line with this, a trend emphasized by three of the eight respondents was the concept of self-service. More specifically did Insurance 2 state that a shift that currently has occurred regarding how customers wish to be served in terms of that customers do not any more want to wait

for someone to serve them. Instead the customer wants to have the possibility to in a larger extent modify their services themselves but at the same time be highly accessible in different channels for their customers. In addition, the importance of considering potential collaborations was stressed as a success factor according to Accounting/Consulting 2. More specifically, the respondent suggested organizations to consider where in the ecosystem they operate and who could be potential collaboration partners in order to leverage on the digitalization trends, and create customized solutions. In addition, in line with this partnership trend Accounting/Consulting 2 stressed an additional interesting trend shift, how also customers' customers becomes interesting to consider when developing new offerings.

3. Organizational Structure and Governance

During the interviews the majority of the respondents provoked a "broader" IT strategy, implying that technological advancements should not only be dedicated to "IT" traditional divisions such as marketing and sales. Instead these respondents stated that a broader focus exists where IT strategies include cross-functional collaborations rather than functional silos. The reason for this shift was stated by Expert 2 to be due to greater maturity among organizations regarding technological strategies. Additionally, Expert 2 summarized these findings regarding focusing on the overall business aims by stating,

"Companies has realized that it is no longer sustainable to only sub optimize and innovate within a limited area in the organization, instead one must see it in a bigger picture. This goes hand in hand with companies that starts to understand that they must focus on the overall business goals instead of a specific focus area"

-Expert 2

In order to succeed with this, Expert 2 and Accounting/Consulting 1 stressed that the success factor is to consider use of KPIs, and other control instruments. More specifically did they advocate that organizations should not follow up and measure the effects on specific digital initiative. On the contrary, this was according to them seen a trap. Instead the respondent suggested that initiatives are connected with proper KPIs that not consider digitalization initiatives as an autonomous little part, but the important thing is to see it as an important part of the whole. In line with this stated success factor, Expert 2 expressed that governance will be a future success factor with the digitalization, which means that organizations must provide space for good ideas. In addition, a supporting organizational culture was according to Accounting/Consulting 1 and Insurance 1 also an important part in order to be able to leverage on the digitalization trends. However, this was also something several of the organizations stated as a major but important current challenge. In line with this did Accounting/Consulting state,

"We must change our organization to reach a change in mindset from the employees, to dare to try new things, and change the way we work."

-Accounting/Consulting 1

Decisively, Insurance 1 quoted Peter Drucker's famous statement "*Culture eats strategy for breakfast"* from which the respondent further explained that a supporting culture is a requirement for

implementing new strategies in a company. In addition to this statement, the respondent stated that an agile working method will be a major success factor trend in response to the digitalization. In addition, one of the most prominent trends identified stated by the majority of the respondents on a wider organizational level is the importance of both attracting and retaining so called digital talents. In other words, digital talents are employees with the ability to understand the latest digitalization trends and how to adopt these in industry setting characterized by speed and uncertainty.

4.3 Managing More Innovative Service Projects

4.3.1 Concept

Prioritization for Service Innovation and how it is Managed

During the interviews it was evidently from all of the respondents that service innovation is an area that has received increased attention during the latest years in an accelerating pace. The urgency for organizations to handle among other service innovation is clear. For example did Accounting/Consulting 1 state that they have noticed an increased interest and request from companies to obtain support regarding these issues, which has resulted in that they previously started an own separate division focusing on specifically innovation and digital transformation. When it comes to how organizations work with service innovation, Accounting/Consulting 2 stated that one of the prominent challenges is that everything goes much faster today due to the digitalization phenomenon. However, the solution for this was stated by the majority of the respondents that an agile working method rather than a plan-driven structured working method should be used. Hand in hand with this argument for adapting an agile working that is permeated by constant learning, Bank 1 emphasized how they constantly in their day-to-day operations try to refine their offerings by searching for technology and customer shifts in their daily work. In addition Insurance 1 and Bank 1 brought up the aspect that was touched upon lightly previously, namely that deliberately or not, most attention is given to incremental adjustments of existing services while an unfair share of time and resources are spent on the more innovative ideas. The reason the respondent gave to this circumstance, was the challenge to convert abstract thinking into daily execution, in combination with that there is a great uncertainty and a lot of energy which is being put on ‘extinguish fire’ on a daily basis rather than focus on more innovative services.

Collaboration and Partnership

Use of collaboration and partnership was evidently a common way for organizations to try to develop new services, which also was stressed as an important trend when it comes to specifically digitalization trends (see section 4.3.2). More specifically was different levels and kinds of collaborations stressed, such as collaborations with organizations within and without the industry. Even though a consensus was reached that collaborations is of importance, there is a risk that extensive collaboration is difficult to pull it off in practice. In line with the stated importance of collaborations to spur service innovation Expert 2 also highlighted a warning to large and incumbent players who might feel secure in the market because of their size, and traditionally strong and stable position. Expert 2 stated that organizations should not take this for granted, considering that many industries are being broken down due to extensive competition into small pieces. In order to visualize the concept, the respondent gave the example of the newspaper industry, which dramatically has changed during the last 15 years due to the digitalization phenomenon. More specifically, around 15 years ago the newspaper industry was

quite stable and customers could find TV schedules, housing ads, job ads etc. in one magazine. Though, today consumers obtain this information in a better way from other organizations such as, tv.nu, Hemnet, and LinkedIn. In extent the respondent argued that this is a common tend undergoing in several industries, and that it is a trend which conventional organizations needs to consider.

Digitalization Effects and Identification of Customer Needs

All of the respondents agreed that customers are highly affected by the digitalization phenomenon. More specifically did Bank 1 pinpoint that the digitalization phenomenon has affected their customers' needs in terms of that they currently have greater expectations. In addition, customers higher requirements when it comes to service accessibility around the clock and more differentiated services, was something Accounting/Consulting 1 specified. Even though this trend is highly appreciated by other customers, Insurance 2 raised the dilemma that the fact not all customers are ready for complete transition to society permeated by the digitalization phenomenon. In extent what was emphasized when it comes to identifying customer needs, all of the respondents stated that they have some sort of collaboration with customers in order to receive indications of customer preferences, needs, and behavior as a starting point for service innovation projects. More specifically was interviewing customers directly a common approach for obtaining feedback of current and new services. In addition did Insurance 1 provide a concrete example of how they invite customers to test their services, namely by giving them a mission to change something in their services. The motivation given to do this, was thus that it enhances the understanding of the customer journey, which means that they can observe the customer in specific situations to detect enhancement possibilities and realize what is working well. A similar tool for identifying customer needs and refine the service was stated by Insurance 2, namely to listen to recorded customer service phone calls. One organization also exemplified how they have a specific IT system for inbound of customer claims, which collect customer dissatisfaction or suggestions for improvements. In line with this initiative, the same company explained that they had implemented operational processes at an office level in order to follow up and improve the customer satisfaction, and the specific customer experience based on face to face meetings with the employees at the company. However, when it came to develop more innovative service offerings Bank 1 and Bank 2 explained that their companies has started to invite their customers as participants throughout their entire development process. In this way the company can make sure that everything they develop to help their customers is based on their customer needs and preferences. Decisively this is exactly what Expert 1 and Expert 2 suggested, to involve customers directly in the service innovation process which becomes clear with Expert 2's statement,

"We have seen that many companies has opened up for open innovation platforms where customers and other stakeholders are allowed to participate and design their services, which has led to great success."

-Expert 2

4.3.2 System

A New Working Method

Throughout the interviews it became evidently that one major trend was the use of the iterative working method agility in order to manage both service innovation and the digitalization trend. Even though only three of the eight respondents brought up the trend specifically by name, it was evidently

that the respondents considered it to have great potential in order to be and stay competitive. More specifically was there a consensus among these three respondents that an agile working method is the solution for how to "keep track and be adaptive" to the quickly changing customer preferences, markets, demands, and expectations. One of the respondents even described that an agile working method should be considered a mindset change. This would imply to move away from a static plan-driven method where the steps in a process follow a predetermined sequential pattern, and where long term planning is common to instead approach the agile method characterized with an iterative, trial and error approach and constant learning working method. More specifically did Insurance 2 state,

"One must feel and detect the market because one cannot expect that we know everything, because we don't."

-Insurance 2

In addition did Insurance 2 provide an example of how advantageous the introduction of an agile working method has been for their company. Thus this enabled their organization to use early pilot projects and beta versions to test a new service concept before spending extensive resources. For example, in one situation the organization had considered to add a digital function to their services. However would this imply a major investment, and uncertainty existed if it would be fruitful or not. Therefore the organization, during a period of time, operationalized the function manually even though the customer perceived it as a digital function, and based on that experience it was possible to a relative low cost decide if it was a worthwhile investment. In line with the importance of testing projects rather than deciding based on guts did Expert 2 state that the best companies in class are very early with prototyping and testing. Worth emphasizing even though not all of the respondents stressed a specifically use of an agile working method, it was apparent based on their answers that they at least to some extent had started to apply this concept. For example did Bank 2 not specifically mention the trend, but still the respondent described how they have introduced beta projects before investing heavily in it to obtain customer input, which is in line with an agile working method. Furthermore, based on the interviews no specific agile working method type was stated as better than the other but concepts such as lean, sprints, was mentioned throughout the different interviews.

A Process for Managing and Relate to More Innovative Service Innovation?

During the interviews it became evidently that processes for developing services are used by organizations, but not processes that allows for more innovative service projects. A reason for this was given by several of the organizations, thus they stated they did not consider them as sufficiently mature for a pure service innovation process which incorporates the more innovative ideas. The reason for this immatureness, was stated to be due to lack of a supporting organizational culture. Even though no clear process for handling more innovative service innovations was suggested by the organizations representing the three industries, the two experts provided suggestions. More specifically did Expert 2 refer to the previously mentioned working method concept, agile. Thus according to the respondent, using a service innovation process where organizations dare to innovate and are early with prototyping and testing are success factors to manage more innovative service innovation projects. Further according to the experts, this shift to adopt a more agile working method also implies that the service innovation process must move away from the strict top-down-approach to a more transparent and

neutral one, where both internal and external ideas are being considered, and all levels of co-workers can contribute and impact. The reason for why this is important was explained in the following quotation,

"A common trap for many companies is the fact that numerous steps and gates needs to be accepted before launching the service, which implies that one have dedicated extensive resources in terms of time and money. Considering the great investments, many companies have a problem to reject and quit development projects, even though the service risk to be already out of fashion or not value added when it is implemented in the market."

-Expert 2

In response to this, both of the experts recommended organizations to adopt a parallel innovation process. The recommendation to apply a parallel innovation process suggests a dual/bimodal organizational design. In extent, this implies that the organizations should retain its departments with its regular activities, but also start a new function/part of the organization where the employees are allowed to work agile with innovation and data analysis. Within this new function, the employees should be able to work more freely and allow greater room for a service innovation process, where ideas are given a rightful chance before it is declined and disregarded. More specifically, in these new functions dedicated to handle more innovative service projects, cross-functional expertise was stated by Expert 2 to be advantageous to stimulate innovation, thus this can contribute and complement each other with new points of views of different matters. In this new function Expert 1 gave the suggestion to choose the members from different areas, suggestively from areas within the organization where the digitalization transformation creates the most opportunities, or from an area where the company face great risk and fierce competition. In addition, based on the argument that it is advantageous to include persons with a new perspective, Accounting/Consulting 2 claimed it can be fruitful to not only include employees in this service innovation process. Instead inclusion in the innovation function with an independent mind-set about the company, e.g. consultants, was recommended. Furthermore within this function Expert 1 stressed that it is important to not have a too structured innovation process. Even though the respondent stated the importance to control a process to some extent, it is important to still leave room for detecting and catching "shadow innovation". The advantageous stemming from this approach was further described, in terms of that organizations following this approach will minimize their financial and operational risk, which commonly are high in the conventional plan-driven approach. Another advantage was that this method might contribute to the organization with some self-confidence when it comes to the more innovative projects if starting in a small scale, thus projects that are proven in an early stage are "killed" early in comparison with the plan-drive methodology.

Balancing Investment Risks and Benefits

Based on the interviews, adapting to and investing in new technology and more innovative service innovation projects considers the uncertain payoff of the initiatives, which was evidently a common concern among organization within the three industries. The reason for why this is puzzling was thus that they stated a need to stay up to date where one are forced to take risk. Regarding this uncertainty and investment concern, Expert 1 provided an alternative solution by stating following.

"The simple answer to the dilemma is that if you do not take chances you will not obtain edge.
-Expert 1

In line with this argument Bank 2 explained that they are aware of that risk is not only about losing resources in terms of times and money spent, but also the risk about missing out opportunities to stay competitive if the company does not try. In line with this did Accounting/Consulting 2 state that the solution in order to take the chances is that it will require a strong support from the top management in terms of willingness to invest. In addition, what is important in these investments is that the investments are dedicated to the overall organization's good rather than a specific minor business function. However, in order to manage the balance between risk and uncertainty, it was clear that the three industries to some extent use an early follower strategy, rather than 'being first' in the market strategy. This in order to at a quite low cost offer quite competitive services. In addition, a stepwise agile working method was mentioned once again as a solution by several of the respondents. Namely, in an early stage iteratively test and evaluate quickly if the project is worthwhile to proceed with. This also implies a mindset change where one move away from considering only the end result as an important factor, to a mindset where one learn from one's "mistakes" to turn onto the right path to detect what produce value. Decisively, an incremental trial and error approach as a methodology approach to balance the risks and payoffs, was evidently described by Bank 1,

"We see this approach of working as a way to detect possibilities, and scale up what works."
-Bank 1

In line with this statement Expert 2 stated that it is a success factor to start with something small rather doing something in a large scale directly.

Attract and Retain the "Right" Competence

In order to manage both more innovative service innovation projects and to incorporate the digitalization trends, being able to attract and retain competence was evidently based on the interviews as a key concern for all of the organizations. In order to do so different aspects was emphasized as solutions. First of all, matching right competence for both the right service and customer is an area that is highly prioritized for all companies. More specifically, Accounting/Consulting 1 stressed their efforts during the latest years with an internal education for all employees to achieve an increase in the competence level for all their employees. However, the respondent stated that contemporarily it is possible to detect a trend shift where more efforts are given to differentiating the education in different business areas in order to solve varying problems. This was now the ultimate goal for the company, to match the "right employee" with "right competence" for the "right customer". In addition, providing an attractive workplace and supporting culture was something the majority of the respondents stated as crucial. This was something they had worked actively with during a longer period of time to become an attractive employer, and thereby both attract and retain competence. Several concrete and subjective suggestions of how to do this was given, such as Bank 1 stated that they have applied an agile working method with its more free boundaries as a way to attract and retain employees. In line with this approach the respondent also shared that they focus on communication both externally and internally so that their employees are given many opportunities to develop in the organization. At the same time,

Insurance 2 provided following example,

"We offer modern offices to our employees and have started to embrace an 'activity workplace'. This means that we have no fixed workplaces, we have the opportunity to work from home since we can get all information we need for our work through our mobile phones.
The key for us today is to offer a workplace where our employees can balance between work and leisure time."

-Insurance 2

Decisively regarding the ability to leverage on the digitalization trends in order to spur service innovation, the majority of the organizations pinpointed the essence of having personnel with great technological knowledge. These persons was referred to as digital talents, which in turn is a trend that was further explained in section 4.3.3. However in the discussion of the importance of retaining and attracting the digital talents, the concern of losing these digital talent due to insufficient space to operate was presented. The solution however to this concern was given by Expert 2.

"It is crucial to place the digital talents in a context outside the daily operation in an organization, and give them space to work freely without any limitations in order to increase the innovation ability"

-Expert 2

4.4.3 Process

Customization of Services

As brought up earlier, a major trend within service development and service innovation is a greater extent of customization. In fact did Bank 1 specifically state that their company has made a major transition in the journey to offer more customized services.

"We are matured when it comes to customization. As a starting point for service innovation, we have left segmentation to instead approach real and individual customer values"

-Bank 1

Even though customization evidently is speculated as a major trend, a discussion regarding to what extent services should be customized versus standardized was brought up. More specifically did Insurance 2 state that it is not even a goal for them to customize completely, considering the cost and the complexity as they serve almost half of the Swedish population. Instead the respondent advocated their approach where they considered the cost versus the benefits, by providing the example that it might be more worthwhile to customize 90% rather than 100%. For the customization, the previously presented trends regarding the advantage of analyzing data in a structured way comes in handy, thus a common trend detected from the interviews was how organizations use data to proactively contact their customers, and offering customized services based on their customers' specific behavior.

Launch of a New Service and the Quality Issue

First the respondents was asked about how to optimally launch a new service. Based on the answers it was evidently that the most common approach was to use test groups. This implied that customers could volunteer to test new products before launching. In line with this this approach did Insurance 2

provide an example of how they invite customers to a "test environment" where customers are asked to act upon different scenarios while their actions are recorded. The record is then used to assess the customer journey in terms of how well the service work and if it needs further rework.

Secondly, when asking about how to relate to the quality issue when launching a new service it was no doubt that working with an innovative service' quality was a prioritized issue according to the representatives from the three industries. In line with this concern did Expert 2 emphasize,

"*Focusing on obtaining "high" quality is a classical trap for organizations when developing new services. Instead a company should focus on obtaining the "right" quality.*

-Expert 2

The respondent further developed this argument by describing that the ultimate goal should not always be to achieve as high quality as possible, thus sometimes a lower quality is more worthwhile for the customer and therefore motivated, such as e.g. faster service deliver, or lower price. Decisively the respondent concluded that thinking about the "right/sufficient" level of quality rather than "high" quality is more important than ever. However, in order to prioritize the quality question common quality activities was given by the respondents, such as conducting customer surveys, offering education to employees, recruit competent employees, act according to industry standards, and use supportive systems such as analytical programs.

Conclusively did a common understanding among the organizations exist that it is important to have someone responsible for the quality of the product. In line with this did Accounting/Consulting 2 provide a description of how they always appoint a person responsible for the quality in each project, to make sure that the customer requirements are fulfilled.

5. ANALYSIS

This section provides an analysis based on a comparison of the empirical and theoretical findings, which constitutes a foundation to draw conclusions and answer the research question. The chapters are presented in accordance with the same structure used in the empirical findings.

5.1 Service Innovation

As a starting point for the analysis, the definition of a service was provided. Interestingly the definition provided by Grönroos (2015) to consider a service as an interaction process between the service provider and the customer, with the aim to solve customer problems, was very much in line with the definition provided by the respondents. Thus based on the interviews with the respondent, it became vital that the aim to develop and sell services was to create some kind value that is beneficial for customers. Thus all of the respondents from respective industry claimed in one way or another that the driving force for developing services was to create value for customers based on a genuine customer focus. In extent the empirical findings was in accordance with Michel et al (2008), who stated that a service dominant logic with a distinct customer focus considered as an interaction process, where both the customer and the company are seen as co-creators should be emphasized. In extent adapting to a SDL can be understood as a point of departure for a company's ability to innovate since it requires a change in a company's mindset, participation, and interaction with customers. Therefore, it was suggested in theory that companies must constantly understand the market, and understand what customers demand in order to fulfill customer expectations (Michel et al., 2008; Kristensson et al., 2014). With this theory at hand and based on the empirical results, it was evidently that all respondents has based on their value proposition shaped a mindset to realize that the customer is the most crucial stakeholder for their business to be able to create beneficial value to survive in current competitive landscape. Therefore, it can be claimed that all six companies from the banking, insurance, and accounting/consulting industry has adapted to a SDL, and therefore has potential for creating innovation processes in their respective organization.

As a starting point for each interview, every respondent got the opportunity to explain the company's perspective on service innovation, and what the concept represent for the firm. As found in literature there are some concerns regarding finding a unified definition for what service innovation means, due to the complexity that the definition can contain so many different characteristics, and exists in different innovation types. This insight was also reflected in the definitions given by the respondents, with a shift in the meaning according to the respondents. As presented in the empirical findings, some respondents perceived service innovations as "something new" to the customer that could contribute to a better value creation for customers. "Something new" to the customers could be a new service, new way of delivering a service, new ways of paying for a service, or delivering the same service but with improvements in the service process.

Connected to theory, a common characteristics for service innovation is that it includes some kind of interaction process, which can happen both internally and externally, and that it differs in how to organize for innovation in a service company compare to a product based company (Sundbo & Gallouj, 2000). As referring back to "something new" to customers presented by the respondents, this could be fit under the external interaction process for the concept about service innovation due to the fact that innovation aims for and happens based on customer interaction. Moreover, one company stated that service innovation for them is also about doing improvements in some kind of way that can be seen as input of new knowledge for a learning innovative organization. This statement could be drawn in line with an internal interaction process, because employees together interact in some kind of way to find improvements, and thereby contribute to a company's ability to innovate. In extent two of the respondents defined service innovation as making a distinction between different innovation, such as incremental innovation and disruptive innovation, and that the type of innovation answer to how the company works with innovation. Another company claimed that they work with service innovation in two distinct ways, one way in an incremental approach, while the other through a radical approach where the two different types determines what to innovate, how to innovate, and for whom to innovate. As presented in literature, depending on which innovation type a company choose to focus on, there are different levels of risk, knowledge, investments, and uncertainty (Schilling, 2013).

Decisively in the empirical findings, data about how companies view technology and service related offerings as drivers for service innovation, namely which service typology companies approached, was presented. It was shown that five of six companies claimed that technology as a driver and solving a customer problem as a driver are highly connected. A common understanding was that technology should only be seen as an enabler for solving customer problems because a technology on its own is not capable to create customer value. Therefore, the customer should always obtain the concentrated focus while technology is used as an enabler for service innovation. The companies' perspective on service innovation drivers can be connected to the synthesis typology, which according to theory is a mix of the assimilation approach and demarcation approach, and is the most common approach contemporarily (Coombs & Miles, 2000). Only one company claimed that customers' problems are the key driver for innovation at their company, which instead is in line with a demarcation typology.

Important Takeaways:

- As literature presented, it is not straightforward to find a unified definition of service innovation. Thus neither of the respondent provided the same definition even though the definitions shared common characteristics.
- Important learning is that service innovation can be seen as two distinct interaction processes, both in an internal interaction process between employees, and though an external interaction process with customers
- The majority of the companies had a synthesis approach as a driver for service innovation

5.2 Digitalization

In theory it was claimed that there are certain forces that drives service innovation in the service sector, and could be described in terms of trajectories. As indicated by Gallouj and Sundbo (2000) the technological trajectory can be seen as a major reason for why service innovation has proved to

become an important phenomenon. Decisively when talking with the respondents regarding digitalization trends where all of the three major conceptual trends possible to identify, suggesting a shared understanding between academia and empirical findings. The three conceptual main digitalization trends will be further described in the sections below:

1. Increased Use of Technology

Regarding the "increased use of technology" trend it was apparent great knowledge regarding the latest technological trends existed among all of the respondents, thus all of the respondents name dropped and speculated about several current digitalization trends. As presented in the empirical findings, all respondents agreed that there is an increased technological focus permeating companies more than ever today, which tends to occur in an accelerating phase. The possibility to leverage on this opportunity which stems from this constantly evolving technology and high connectivity considering all smart devices by the latest techniques was also something all of the respondents to some extent emphasized. The technology focused trends that was discussed and speculated among the respondents was the following current trends.

Big Data

In line with the theoretical findings, the empirical findings suggested that Big Data is a phenomenon that has generally led to new business opportunities by enhancing the service offerings for companies in terms of analyzing, structuring, and proactively use massive amount of data. However, even though the companies seemed fully aware of the benefits from having sufficient Big Data analytics capabilities in place, almost half of the respondents stated that they struggle to leverage on the trend, and use it optimally. In extent this is in line with Gartner (2017) top ten trends, namely that even though Big Data is a highly known trend it is still to some extent underutilized due to the complexity of structuring the data, suggesting great potential for organizations.

IoT

Evidently IoT was speculated an important digitalization trend by both literature and the empirical findings. Thus, in line with Gartner (2017) and McKinsey (2015) did all of the respondents emphasize how IoT is a digitalization trend to count on when it comes to leverage on digitalization. In extent the respondents seemed to be very aware of that IoT can uncover great undetected business opportunities. Thus according to the empirical findings, none of the respondents emphasized the operational issue to be able to build a sufficient technological platform suitable for handling IoT, which according to Gartner (2017) should be a top concern for organizations during 2017 and forward to overcome. This indicate that perhaps a discrepancy between knowledge about the trend and the capability to actually use it in practice is wide. However, did at least a minority of the respondents throughout the interviews emphasize the challenge with what information the users are willing to share information and being monitored, which is in line with the challenge to achieve sufficient security. Therefore considering the recommendation given in the empirical findings, which also is in line with Edvardsson (1997) is to consider the quality and security requirements by building it in directly in the process. To carefully consider how to handle the data in order to create trust, transparency, and security for the customer is something that was stated several times in the literature as a key to success with service innovation.

Platforms and Security

Further, a trend suggested to obtain enhanced focus both according to the empirical and theoretical findings in the future is the importance of prioritizing security and investing in platforms, since theory suggests that everything that will be digitized can be copied, which in turn suggested implications for the digitalization phenomenon. In addition, when pinpointing the success factors for this specific trend, the importance of investing in technical platforms was stressed by one respondent as a success factor for service innovation but it was not discussed to be seen as a success factor for the digitalization trends in large. However, the importance of focusing on investing in digital platforms is completely in line with Gartner's (2017) prediction of success factors for 2017.

AI and Advanced Machine Learning

Other digitalization trends that the respondents emphasized was AI and advanced machine learning. However, as stated by Gartner (2017) and Acando (2017) these technological trends are built on complex technology that also could be advantageous for service companies. It could be advantageous in terms of being able to both analyze and learn new things but also possible to exchange their manual working force with machines, which would imply that companies can offer more efficiency and service to the customers, with less resources used. However, even though the upside of the trend was presented both by academia and empirically, a downside was also introduced in terms of that the trend could be a great buzz but not so extensively used. The respondents gave two possible reasons for why the technology is not already adopted in addition to what theory suggested. Both of the reasons regarded how customers will perceive the experience of being served by a robot, and how the society in large will consider the replacement of human workforce with robots. The first concern was something that one of the respondents from the banking sector stated will be an issue, by providing the speculative solution that it most likely can be solved if the technology becomes more mature. Considering the somewhat consensus that the companies shared the opinion that this is a highly up-to-date trend but that the technology is not mature enough to leverage properly from it. This is very much in line with Gartner's (2017) statement that AI and machine learning will become more mature and highly adopted by companies in future. As a take away from the undetected potential regarding is that AI and advanced machine learnings progress should be closely monitored this year considering the stated potential. In extent might also Acando's (2017) prediction that a major trend for organizations this year is to invest in an own digital personality be relevant, thus both the empirical and theoretical findings states that as the technology advances, the technology becomes more mature and will obtain greater social acceptance, which is a must for this kind of technology.

2. Customers' New Behavior and Role

Customization

Throughout the interviews with the respondents it became clear about the shift that was presented in literature (Lenka, Parida, Sjödin & Wincent, 2016), to leave a very technological centered approach as a driving force for service innovation to adapt to an approach where customers obtain the greatest attention in order to innovate new services. Specifically interesting was the fact that one of the respondents with a long history of work experience in the field emphasized the shift moving away from high tech solution focus in their services to consider technology as only a support/enabler for the service offerings. Once again this makes it clear that a synthesis approach is being used as a driver for

service innovation in practice today which is in line with Coombs and Miles (2000) concepts. However, even though a greater extent of customization focus was suggested by McKinsey (2014), McKinsey (2015) and Deloitte (2014) as a result from the progress of the digitalization, the respondents indicated that this is more complex to achieve in the daily operations. Thus, even though customization was suggested by McKinsey (2015) to be used as moving away from conventional bigger segments to customization on an individual level, there was a dispute from an empirical standpoint. The reason for this was firstly, complete customization did not exist at neither of the respondent's companies. Secondly, the empirical findings stated that companies need to consider to what extent customization should be carried out, which proves that complete customization might be suggested but not economically justifiable in the reality today.

Self-service, Simplicity, and Partnership

Both by considering the academic and empirical findings, it is evidently that one of the biggest trends within digitalization is that the customer has gained a new role to be in the center, and by considering how to optimize the entire customer journey has become central in order to fully leverage on the digitalization. To do so did Deloitte (2014) and Acando (2017) contribute with hands on suggestions of activities to improve the customer experience. The suggestion was to consider each contact point during the entire customer journey and use Omni-channels. Thus, in this way organizations will succeed to improve the customer experience. In addition, this will enable greater extent of transparency to the customer, and in line with the theoretical findings regarding 'moving the line of visibility' presented by Edvardsson (1997). In line with the practical but to some extent general suggestions presented in the empirical findings, it is possible to conclude that the questions such as how, when, with whom, and how many times do the customer want to interact with the organization. It was suggested that these questions should be central when considering how a service could be packaged to the customer. Ultimately, these questions according to respondents both representing banking, insurance and the "expert" field, suggested that customers want to be able to serve themselves whenever they want. In line with this suggestion of self-service do Deloitte (2013) suggests an even broader self-service concept in line with the progress of the digitalization. Namely starting up customer communities where customer can network, communicate, and help each other, which both will decrease the service burden for the service provider, but also be a great source of inspiration for new service innovations. Decisively it is possible based on both the empirical and theoretical findings to detect that the ultimate challenge for organizations will be to use these Omni-channels in a way that really improve the customer experience of a service or of a company. Therefore, one must questions in what way to "surprise, educate, and enthusiasm" the customers, to optimize the entire customer journey since offering sufficient quality in the technological channels was stated as a success factor by the empirical findings. Finally, the shift to a solid focus on customers means that customers has gained a completely new role for companies. Therefore, it is vital to consider customers as potential new partnerships, and strive to create an ecosystem with the aim of being a 'hub' (Wincent, Frishammar and Parida, 2017). An example given by one of the respondents was to do an extension in the mindset, to start consider one's customers' customer's demands as a business opportunity, and a way to create added value.

3. Organizational Structure and Governance

Considering the highly competitive business environment that digitalization has enabled, it is possible to extract that organizations need to closely consider their organizational mind-set and prioritization when stimulating more innovative service projects. More specifically, to constantly refresh and see the possibilities in every step in the service process and even in things that might initially are seen as limitations was emphasized both by academia and empirical findings as success factors in line with the digitalization. Decisively both theory and the empirical findings suggested that it is on a strategic management level it must be decided how service companies can handle the digitalization phenomenon. More specifically was the "digital attackers strategy" suggested by McKinsey (2015) and to some extent also emphasized indirectly by the empirical findings, thus both suggested that a broader IT strategy is needed and that simplifying, detection synergies and potential in all functions is necessary when developing their service offerings. In line with this finding both the theoretical and empirical findings stated that, companies should consider the organization's goal as more holistic, by using cross-functional projects and focus on the overall organization's aims rather than working in silos. Another interesting aspect to manage this due to the digitalization trends was given by empirical findings, which pinpointed that a major organizational reorganization might be needed, in terms of organizing after customers rather than organizing functionally. However, how to organize the organization will be further analyzed in 5.3.2 System section. In addition when it comes to the "Organizational structure and governance" trend it is advantageous to identify an area where the organization needs to become more innovative in specific, rather than only stating that "we want to be more innovative" was an aspect that Nilsson and Ritzén (2017) claimed as in line with a success factor according to the empirical findings. More specifically, this empirical finding was also in line with one of the success factors suggested by Elerud-Tryde (2017) that more nuanced KPIs of identifying the progress of more innovative projects will be an important trend. Decisively one important trend for the executive and HR team was to consider the importance of attracting and retaining digital competence, specifically on the management team level. This was just what both the empirical findings and the trend report by Acando (2017) stressed, which suggested offering a nice working environment. In line with this, the trend of having a supporting organizational culture and strategy, it was found that the key to leverage on digitalization in the service innovation process is to have an innovative mindset, which means to dare to try new things. In other words, the powerful statement "culture eats strategy for breakfast" can be speculated as an important building block to overcome. Furthermore, in order to know if an organization is on the "right" path, determining specific KPIs was stressed to be of importance worthy for companies to consider to really leverage on the digitalization investments.

Important Takeaways:

- There is consensus among theoretical and empirical findings that three major trends exists regarding the digitalization, namely increased use of IT, customers' new behavior and role, and organizational structure and governance
- The trend regarding the increased use of IT detected important trends which are stated to have great potential to leverage on, such as Big Data, IoT, AI Robotics, Machine Learning, platforms and enhanced security
- The trend about the customers' new behavior and role emphasized an increased shift to focus on

the customer rather than technology as a driver for service innovation. However, to what extent should be weighed with the costs

- The organizational structure and governance trend presents the important mindset, such as focusing on simplifying and see synergies in the entire organization, and attract/retain the right people when working with digitalization trends are crucial

5.3 Managing More Innovative Service Projects

In theory, it was introduced by Kristensson et al. (2014) that the service innovation process can be understood as a less structured managerial process compared to the product innovation processes. Continuously, each phase of the service development process found in the theoretical background will be analyzed in terms of how to build in innovation to the service development process.

5.3.1 Concept

The concept phase in the service development process is the starting point for the whole process to detect and evaluate customers' needs, and thereby prototype the solution in terms of an innovative service (Edvardsson, 1997). This is in line with Kristensson et al. (2014) who claim that the starting point for a service innovation process is to create focus for the entire process. According to the respondents from the empirical section, it was evidently that service innovation has become a more prioritized area to focus on today. One reason for that was claimed to be the progress of digitalization due to its transformative effects on customer behaviors, needs, and preferences. It was stated that the digitalization has affected the customers' needs in terms of higher expectations of services, and how they are delivered. Further, it was claimed by the respondents that customers require to a larger extent more accessibility to the service, and more differentiated services. This shift in customer demands and needs due to the digitalization in terms of new technologies and technological improvements was the key motivation for why companies in the service sector must improve their service offerings by upgrading them and ensure for better quality, according to Edvardsson (1997) and Kristensson et al. (2014). This proves that the digitalization is a major driving force for service innovation, and a reason for why companies currently has started to prioritized to innovate new services.

Identifying Customer Needs

In the empirical findings several companies emphasized how their employees constantly tried to identify new customer needs and technological shifts on a daily basis as an idea generation process for developing new innovative ways to solve customer problems. This was done in several different ways at different companies. The most common methodology to identify customer needs as a way to learn from customers was to perform in depth interviews. This methodology, according to Kristensson et al. (2014), was not the most optimal way to learn from and understand customer behavior. Other activities mentioned by Kristensson et al. (2014) as a starting point in order to create a focus in the service innovation process was to do market analyses and long term trend analyses. Activities mentioned by the respondents as a way of learning from customers was to take advantage of certain IT systems for inbound of customer claims, face to face meetings between service providers and customers, and phone listening. Another common activity mentioned by the respondents as a way to learn customer behavior and detect customer needs was to collaborate directly with customers in the service innovation process as a way to explore "new" customer needs. This corresponds to the third activity of involvement emphasized in the framework by Kristensson et al. (2014). Decisively all respondents

who represented a company claimed that they had some sort of collaboration with their customers with the motivation to receive indications as a starting point for the developmental projects to understand changing customer preferences, needs, and behaviors. Both respondents from the banking industry claimed that they had invited their customers directly to their service innovation process, by involving customers in the ideation phase, construction phase, and feedback phase to make sure that everything they developed was based on their customer needs and preferences. This was exactly what the experts and theory about the digitalization trends were advising. Together the experts stated that since customers want more today, companies must collaborate with customers in a co-creating setting. One way to do this was suggested by one of the experts and by theory to open up for open innovation platforms where customers and even other actors or stakeholders can participate to design their own services, as a way to ensure that a specific customer need is satisfied. This suggestion is further in line with the second digitalization trend, where customers has gained a new role in relation to companies, and could become an advantageous business partner. Further, one expert explained that the digitalization has been an important factor to ensure such collaboration with customers, since it enables new ways to communicate and interact more efficiently with customers. Another way to collaborate with customers suggested by one expert was to provide multi sided business platforms, as a way to increase the transparency both internally and externally, and invite customers but also other stakeholders to participate in an open innovation, where all parties can interact and co-create value in the ideation, or design phase of new services. Additionally, when inviting other actors to an open innovation platform, one expert claimed that multisided business platforms might mitigate for the end customer in terms of having several services connected to one complete system, as an ecosystem, which makes it simpler for the customer. This is in line with the second digitalization trend about customers' new role and behavior, and the theory by Edvardsson (1997) who stated that companies must realize that services can be part of bigger systems with other existing services, and also from other service providers. Further, this concern is important to have in mind so it does not interfere the quality of an individual service.

All above suggestions together presented by the respondents are concrete activities that are performed with the aim to learn and understand the customer, and corresponds to the innovation activities in an initial phase of a service innovation process presented by Kristensson et al. (2014) regarding creating focus, involve, and learn from customers. It further corresponds to what Michel et al. (2008) claimed, that in order for a company to fuel the service-logic innovation, and as a starting point for the service innovation process (Edvardsson, 1997) one must constantly understand the customer, as a way to find new unexplored opportunities to gain a competitive edge.

Formulate an Innovative Core Service

Another cornerstone in the concept level according to theory is to design and formulate the core service as a solution to the identified customer need, or problem. As described by the respondents in the empirical findings the problem is not to identify customer needs which can be proved by the several stated activities that are done in order to learn from customer. Rather the challenge it is to find a solution to the customer need/problem in a more innovative way rather than ending up only working with incremental adjustments of existing offerings. As presented in theory by Elerud-Tryde (2017) who claimed that innovation jam is an effective IT tool/virtual platform for companies in the design

phase of a service in order to create new knowledge based on collected ideas. According to Elerud-Tryde (2017) innovation jams has proved as an efficient tool for companies to detect new innovation opportunities by visualizing and communicating the innovation process in the organization. Different actors or stakeholders are invited to participate, there is no time delay in the interaction between participants ensured by an IT platform, and it has showed to result in an increased engagement among employees. The challenge in innovation jams is though that it often generates more incremental improvements to existing services rather than more innovative solutions. To overcome this obstacles theory suggests that the service company should clearly specify the function of the innovation jam. Connected to Edvardsson (1997) and the empirical findings, the specified function of the innovation jam should correlate with the identified customer problem that needs to be solved in a more innovative way. Moreover, it is suggested that a strategy or plan for the process needs to be formulated where key persons are involved. Finally, Elerud-Tryde (2017) claim that it is important for the process to visualize it in the innovation jam, which means to communicate in the organization how ideas are developed and managed. In extent relating back to the strategic frame of reference by Edvardsson (1997), one can conclude that services are seen as interaction processes between the service provider and the customers, and a co-creating process between the two parties. For service innovation to happen companies therefore must create multiple ways to interact with its customer in order to learn and understand.

Since the concept level is the starting point for the entire service innovation process, it is utterly important to ensure multiple interaction patterns with customers in the organization in order to detect the customer needs, gain new insights about customer preferences, and understand different customer behaviors. Next step is to formulate the solution to an identified customer problem in a new way in order to generate more innovative services rather than just incremental improvements to existing services. This is suggested to be realized by creating innovation jams in an organization in terms of an IT based tool. Figure 5.1 is an illustration of how the concept phase in the service innovation process could be managed, where innovation activities such as focus, learn, and involve from Kristensson et al. (2014), and the innovation jam tool by Elerud-Tryde (2017) are incorporated.

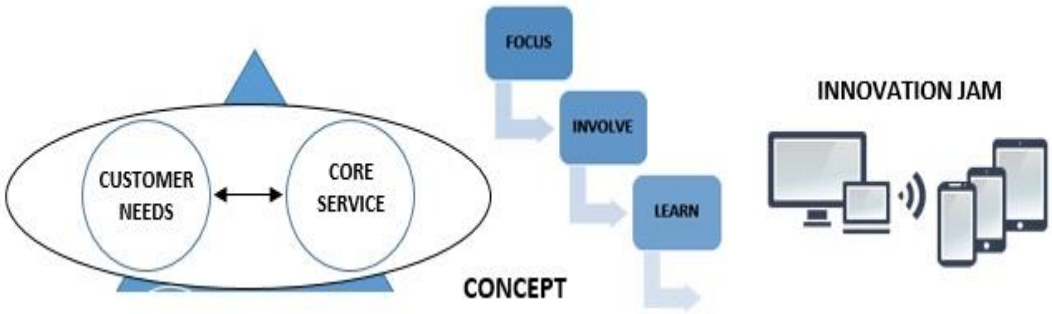


Figure 5.1 The Service Concept, Löfgren & Skoogh (2017)

Important Takeaways:

- The digitalization has affected customer behaviors in terms of changing customer preferences, and needs which is a driving force for companies to constantly detect those changing needs
- As a part of the solution for organizations lack to manage more innovative service projects, innovation jams could be detected as a way of handling this challenge
- The key in the concept level in the service innovation process is to ensure multiple interaction patterns between the customer and the service provider in order to detect needs, learn from, and collaborate with customer

5.3.2 System

1. Customers

Continuing on the customer focus by Edvardsson (1997), who claims that the customer should have the most central part when delivering the required resources in order to support the service process. However, there should not be any confusion considering the presented theory and empirical findings and the previous analyze that the customers has an utterly important role in designing the services. Even though, no specific suggestion of distinction regarding how to consider the interaction with customers regarding incremental or more innovative projects was given by either the theory nor the empirical findings. This might suggest that it does not matter which kind of innovation project type it matters, still the customer should always be central. Furthermore even though great consensus existed from both the empirical and theoretical findings of having the customer in mind when developing a service, the question regarding how to manage and sense the customer became very central. However, the agile working method was presented by Tseng and Lin (2011) and Nerur, Mahapatra & Manglaraj (2005) as a solution to the problem. Interestingly, almost half of the respondents in the empirical findings also considered this as a solution, considering that the agile working approach advocates constant sensing of customer demands and value adding possibilities. However, the work method agile as such will be further analyzed in the next section.

Important Takeaways:

- Both theory and empirical findings corresponds to that the customer is the core when designing new services, no matter what type of innovation project
- Theory and some of the respondents claimed that an agile working method is the way to manage and sense the customer in the service innovation process

2. Organizational Structure and System

Just as Edvardsson (1997) stated, it is utterly important to consider the organizational structure and the allocation of responsibilities in order to make sure an organization has the resources in place to be able to support the service process in a successful way.

Organizational Structure and Process for Service Innovation

According to theory it is important to be clear about how the process for service development should be handled before deciding how to organize and structure the organization (Edvardsson, 1997). Interestingly, based on the empirical findings it was evidently that companies had no bigger problems regarding developing existing processes, but when it regarded more innovative service projects no

specific process could be advocated.
However, a mindset for how to approach the more innovative service innovation projects existed and was evidently a major trend among the respondents. More specifically, it became apparent that an agile working method is the current trend for the more innovative service projects, both by considering the theoretical and empirical findings. In extent, this trend is suggested to influence how organizations optimally should organize themselves. Even if only three of eight respondents in the empirical findings pinpointed the agile working method, it was possible to indirectly detect from the other five respondent that they advocated an agile working method thus they mentioned agile approaches such as iteration and trial and error. Even though as stated by Rigby, Sutherland & Takeuchi (2016) the agile working method is not a new concept per se it was evidently both from an empirical and theoretical perspective that the method have started to obtain enhanced focus and adoption in practice. More specifically did the three respondents emphasized the fruitfulness of an agile working method which agree upon that the agile working method is a winning strategy. In turn, this is further in line with Tseng and Lin (2011) to be a winning concept for companies facing great uncertainty. Thus, in order to be competitive and handle the ever changing demands, high and quick maneuverability and the ability to sense the customers is key to success according to both the three respondents in the empirical findings, and the theoretical findings based on the theory by Tseng and Lin (2011) as well as Nerur, Mahapatra, and Manglaraj (2005).

Decisively, both the empirical and theoretical findings claim that the agile working method stands in complete opposite to the plan-driven methodology, and clearly emphasize that the agile working method is a great tool in order to overcome the disadvantages presented stemming from the plan-driven approach. Thus, the agile working method discussed with its practical tools characterized by iteration, testing, and early prototypes throughout the entire service development before fully implementing and investing in a project, was confirmed by the empirical findings. One key aspect with the agile working method identified by Rigby, Sutherland & Takeuchi (2016) was the shift to go away from extensive argumentations and discussion regarding the success rate of an idea of an investment/project, to an approach where testing the idea in an early stage to see how the market react before fully investing in the project. In line with this argument when applying an agile working method is the importance to have specific innovative aims supported by the corporate strategy and connectable KPIs as discussed by Nilsson and Ritzén (2017). In extent, this agile method help companies to avoid the disadvantageous characteristics of the plan-driven approach where one risk to invest extensive resources over a long time with low payback, outdated services, and the risk to only innovate within the boundaries of already existing development processes. Considering these aspects the agile approach could therefore be interpreted as a solution to the common problems which was found in the empirical findings.

However no specific agile working method was specified by the empirical findings as especially advantageous to use, but according to Rigby, Sutherland & Takeuchi (2016) “the scum concept” is the most popular which contributes with an approach for more specifically work agile.. Even though the scrum specifically was pinpointed in theory, the concept was to some extent mentioned by the empirical suggestion in terms of using a smaller “idea board”. This shared the characteristics with the scrum concept in terms of use of a parallel innovation process with smaller independent innovation

groups where the members should represent different disciplines where no direct functional belonging is given to the innovation project. In extent, a cross-functional organizational structure was suggested both by Rigby, Sutherland and Takeuchi (2016), Bask et al., (2011), and the empirical findings by emphasizing creation of new knowledge and synergies as a way to approach service innovation.

Defining Responsibilities

Concerning the issue of defining responsibilities to make sure a good administrative support system is in place, which according to Edvardsson (1997) was important when it comes to organizational structure and system. This was evidently both based on the empirical and the theoretical findings because there has been a shift in mindset from a plan-driven approach to an agile working method, which in turn also has affected the way of dividing responsibilities, implying a shift from a top-down to a bottom-up decision making. Thus, according to the agile principles presented in theory, the management teams should not have the same power to dismiss projects they do not believe in. Instead organizations need to shift towards empowering the employees involved in the more innovative projects. In line with this shift, a positive aspect to consider brought up by Rigby, Sutherland and Takeuchi (2016) regarding allocating responsibilities to employees was that applying an agile working method which is characterized with more flexibility and possibility to influence could imply greater employee satisfaction. However, this was not stressed by the empirical findings as a specific benefit from using an agile working method, but potentially an aspect motivating managers to use this method in real life.

In addition, in line with this presented mindset shift regarding how to allocate responsibilities in accordance to Rigby, Sutherland & Takeuchi (2016) and the empirical findings was the importance of giving the teams space in terms of responsibilities and power to express ideas without managerial intervention. Otherwise both the more innovative projects and innovations created in the shadow of a process tend to risk to be undetected. However, some distinction existed regarding how decisions should be made. Thus, the expert suggested voting regarding the ideas that are taking forward in these groups, while Nilsson and Ritzén (2017) in theory stated a word of caution with this approach. Thus, from their theoretical research it became clear that it is utterly important to also consider individuals' opinions and comparing these within the groups, thus the dispersion of initiatives often indicate more innovative ideas that collectively can be hard to detect. Additionally, in line with the discussion of allocating responsibilities the importance to use specific KPIs and prioritization was stressed by in the empirical findings and by Nilsson and Ritzén (2017). The theoretical findings also agreed on and added that it is important to connect these tools to innovative aims, and that once again the group should be given responsibility to do this. Otherwise, as the theoretical findings presented by Elerud-Tryde (2017) suggest it is easy that the organizations end up with numerous of ideas and initiatives that are not giving the resources to follow through because they are not in a corporate priority, and therefore employees are not able to work on them.

Managing Uncertainty and Risk in More Innovative Service Projects

The empirical findings once again stated that an agile way of working is the key to success when it comes to handle the uncertainty. Thus, what was clearly emphasized was the dual advantages that the agile working methods implies, where only small steps are taken and thereby not too major risks are

counted for. Simultaneously, it enables taking chances and not risk to miss opportunities, due to its iterative and testing working method.

However, what the empirical findings emphasized is the importance of creating self confidence in the projects in order to decrease uncertainty, with can be mitigated by an agile working method. More specifically should the hands on recommendation "start small and scale up with what works" be considered in order to decrease the risks. Even though formalized roles and formalized processes have been considered as success factors in larger organizations when doing innovative projects, Wincent et al. (2017) still give a word of caution about applying this very strictly in the beginning of the project due to the risk that the process gets too rigid and inflexible which are characteristics which according to the theoretical findings are not suitable for the more innovative projects. Finally, considering organizations struggle to manage uncertainty another success factor for managing this was given by Wincent et al. (2017), in terms of being good at prioritizing ideas by following their advices.

Important Takeaways:

- Focusing on the customer to be able to understand certain behavior by using an iterative and testing agile approach, co-create, and include the customer in the creation of more innovative projects receives clear support from both empirical and theoretical findings
- An agile mindset rather than a specific process is advocated both by the theoretical and empirical findings for the more innovative service projects regarding how to organize for, divide responsibilities, and handle uncertainty

3. Management and Staff

The third cornerstone in the service system was management and staff which according to Edvardsson (1997) could be considered as the core of a service company. The key for succeeding with delivering a service that create customer value lies in the employee motivation and enjoyment, since an employee who is not satisfied at work might have devastating implications for how the customer perceives the company and the service. Therefore based on the theoretical findings it is essential to consider the employees as a central part of a service rather than an independent resource for the company. This corresponds to the empirical findings, where the respondents claimed that employee motivation is the foundation for a good business. Additionally, the respondents mentioned several activities that they do to become an attractive employer, and thereby retain competence, and motivate their employees.

Moreover, the majority of the respondents stated that they try to involve the entire organization for collaborations in the service innovation process. Though, no specific activities to succeed with employee involvement was never explained. Therefore, theory complements the empirical findings by suggesting specific activities a service company can do to succeed with service innovation and capitalize on employee's abilities to innovate. This was that the service company should create a learning organization, where employees contribute to effective learning by maximizing their ability to collect and process external information. In line with this did one of the experts in the empirical findings suggest that a success factor for companies in line with attracting the right competence was to hire digital talents. According to the expert, digital talents are crucial for service innovation. Digital talents should be placed in the organization outside the daily operation activities, and be given the

space to work freely in order to increase the ability to innovate. The other suggestion based on theory was the importance to brace strong individual specialization in terms of skills for communication, problem solving, conflict resolution, and team building to spur a good teamwork and job motivation for innovation (Tushman & Nadler, 1986). As explained in theory, successful teams tend to be much more productive and responsive if working in a stable group working either part or fulltime. But for teamwork for service innovation to function appropriate leadership skills are required. This is exactly what empirical findings indicated to make innovation happen.

Finally, another complement based on theory to succeed with delivering an appropriate service system in the service innovation process was to achieve successful teams in terms of cross-functionality. This was evidently in the empirical findings that this is something many companies has started to realize, the importance of cross-functional teams to spur service innovation.

Important Takeaways:

- Both theory and empirical findings suggest that employees are the core in the service system and are the key for succeeding with creating and delivering an innovative service that create customer value
- Companies has started to realize that employee involvement is important to spur service innovation
- In line with the digitalization, digital talents is a coveted competence for service innovation

4. Physical/Technical Resources

The last cornerstone in the service system is physical/technical resources, e.g. technical systems, data analyzing tools, and other equipment. Edvardsson (1997) emphasizes that this category is very important in order to detect new business opportunities and innovate. This argument reinforces the importance for companies to stay up-to-date regarding new digitalization trends because according to the respondents in the empirical findings, the development speed of new technologies is expected to continue to increase. Though, as learnt both in the empirical findings and in theory technology should only be seen as an enabler for service innovation, and can therefore never on its own create customer value. Moreover, in line with the high speed progress of IT theory suggested that technology has become embedded in companies' intangible resources, in terms of knowledge rather than classified as a physical resource. As presented in the empirical findings, none of the respondents from banking, insurance, nor the accounting/consulting industry can related to "high tech" industries with a history of developing new technologies. Instead these industries has been associated as traditional industries, impervious for change during a very long time period. Therefore, it could be very advantageous for companies in these industries to build larger technological knowledge as key resources in order to stay competitive in the digitalization era. Another aspect in the service system was the "line of visibility". Once again, the aspect regarding customer involvement in the service innovation process discussed by Kristensson et al. (2014) and Edvardsson (1997) is emphasized, which is also in line with what the experts recommended service companies to do. This means that companies should move the "line of visibility" by involving the customer, make the service innovation process more transparent to the customer since it is suggested to increase the efficiency in the service innovation process as a step towards achieving customer value.

Finally, Edvardsson (1997) claimed in his strategic frame of reference that the service system might be affected by different factors, such as internal and external forces. Regarding the internal forces, theory suggested that management by objectives as an enabler for service innovation, where the goal for the service innovation process must be in accordance with the corporate strategy for the innovation to happen. This is also in line with the theory about innovation jams by Elerud-Tryde (2017) because if the internal forces are not aligned, none in the organization will have an engagement or motivation to work with service innovation. Additionally, regarding the external forces that can affect and limit service innovation was emphasized by the experts in the empirical findings that strict laws and regulations, which are very common in the three chosen industries, are something that might hinder the ability to innovate. This was explained by the experts that many companies tend to focus too narrowly on compliance, instead of focus on finding the gaps in laws and regulations in terms of business opportunities for service innovation. This indicates that companies must change their mindset to focus on the opportunities rather than focusing too narrowly on the limitations for service innovation to happen. This could once again be referred back to the theory about SDL, in how companies must change their mindset when innovating services Michel et al. (2008).

To summarize the findings based on the theoretical and empirical findings, the system phase of the service innovation process could be illustrated according to figure 5.2. The four building blocks of the service system are included. To incorporate innovation to this phase an agile working method is added, where the aspects of how to organize, and motivate employees are included.

Figure 5.2 The Service System, Löfgren & Skoogh (2017)

Important Takeaways:

- To stay competitive in line with the digitalization it is advantageous to create technological knowledge because technology has become embedded in company's intangible resources
- A key success factor is to move the "line of visibility" as a step towards achieving customer value
- Companies must overcome limitations for the service innovation by managing the internal and external forces which can affect the service system. This can be done simply by changing the mindset in the organization

5.3.3 Process

Customization and Customer Processes

As found in the theory, the service process can be seen as the model for various customer processes performed simultaneously in terms of certain activities where customers are involved in the service production (Edvardsson, 1997), which also is in line with the SDL. Based on the theoretical findings, the service process is a dynamic process where assets from the service system are linked together in a flexible way to shape smaller customer processes in the service production system. Seeing the service process as a dynamic process can be correlated to the customization aspect, which regards how a value chain process can be structured in order to be able to deliver customized services. As found in the empirical findings, customization of services is a trend that has increased during recent years, and it was evidently that the companies have done a journey from segmenting customers to offer more customized services. Moreover, the empirical findings showed that the goal for the companies is to customize the service process as much as possible, though due to the number of customers it is almost impossible to customize completely because it would then cost a fortune and lead to very complex service processes for the company. This corresponds to theory, that it is still important to balance standardization with customization in the service process. As theory suggested, building an internal service process where a service company maintains both standardization and customization by developing back-end processes and front-end processes, to mix and match these in different combinations in order to shape satisfying services to the customer is utterly important. Both theory and empirical data suggested that this can also be seen as a modular service process as a way to both manage customized services and reduce costs by standardizing some processes with a longer distance to the customer in the value chain.

Moreover, as found in the empirical findings, customization is a growing trend that has become an issue that is managed on a daily basis, though the respondents seemed to have different motivations for why they wanted to customize their services. The most emphasized motivation for customization was to get closer to the customer and understand certain customer behavior. As connected to theory, this motivation for customization of services can be understood as achieving customer satisfaction rather than service quality. In extent this was exactly what was discussed in theory that there is a difference between service quality and customer satisfaction. It was suggested that for a company to understand if a service is successful or not, it is important to be able to evaluate and measure its success in a chosen KPI. Though, service quality was a KPI for an attitude towards the excellence of a service, while customer satisfaction is more situation oriented and is a KPI for a specific transaction. This corresponds to the empirical findings which showed that the aim for new services in a service process is more of achieving customer satisfaction rather than service quality. Additionally did one of the experts explain that focusing on service quality is a common trap when trying to innovate and implement new services. This is further in line with theory, where the key is to close the gap between customer perception and customer expectation as the truly outcome of a new service. Moreover, regarding launching a new service both theoretical and empirical findings suggest that a way to ensure a successful implementation is to test the new service with customers in smaller test groups before the service is implemented to the market. Empirical findings indicated that in this way companies can create a close contact with the customer in the service process during the whole service development project as a way to carefully monitor if the service achieve customer satisfaction and there though

create value. This corresponds to theory where Kristensson et al. (2014) claim that testing a new service together with the customer in an interaction process is the way to find out if a service create customer value.

Orchestration and Management by Objectives

One of the last suggested innovation activities in the service innovation process by Kristensson et al. (2014) was orchestration. Theory put emphasis on the organizational culture around an existing service offering portfolio, which corresponds to what was presented in the empirical findings. Companies claimed that their organizations belong to traditional industries without a history of many radical changes, new services, or radically changing customer preferences. As a solution, theory supplements with suggestions to create an open mindset in the organization to allow for 'habit breakings' in the culture if a new service is to become implemented by the service company. However a practical tool to overcome this obstacle for succeeding with an innovative service could be found both in the theoretical findings and the empirical findings. The suggestions was to embrace management by objectives and use KPIs as a growing trend in line with the digitalization to ensure that service innovation is realized. This required to find appropriate KPIs in the management by objectives to create focus for the service processes, motivate the organization, and that the KPIs should be in line with the corporate strategy. In extent both theory and the empirics indicated that the ultimate goal for the innovation is to increase the customer satisfaction rather than the service quality. Theory suggested that the company should make a process for prioritization of the more innovative projects to decrease the stress within the organization that many initiatives are started but not finished, thus only relevant projects will be started. Important to emphasize is that it became evidently based on the empirical findings that voting for development projects rather than prioritizing in the service innovation process is still seen as an important factor in their current process. Though, to overcome the challenge to not only focus on incremental projects of existing services, it is more appropriate to do a prioritization of innovation projects by making sure none of the ideas are killed and maintain a sense of participation and self confidence among the participants.

Finally, the last activity in the service process by making sure a successful implementation of a service innovation was to standardize the process as suggested by Kristensson et al. (2014). This was an activity that none of the respondents emphasized in the empirical findings in their process for service innovation. A speculative reason for that could be the fact that since the companies claimed that they are not yet mature for developing a clear service innovation process, the activities for the process have not yet been developed.

Important Takeaways:

- In line with the digitalization customization in the service process is a growing trend for service companies, which require a change in the delivery system of a new service
- Companies must simultaneously balance between standardization and customization in accordance with the costs and benefits A modular service process is the key for achieving customization, and is based on customer involvement in the service process
- To succeed with implementation of a new innovative service companies can use appropriate KPIs in the management by objectives which also results in realization of more innovative services rather than realization of incremental improvements of existing services

Figure 5.3 illustrates the final phase of the service innovation process, where companies must balance between the standardization and customization, consider the innovation activities to orchestrate, test and standardize. Finally, the ultimate tool to incorporate innovation in this phase is to use management by objectives to succeed with the implementation of the more innovative services.

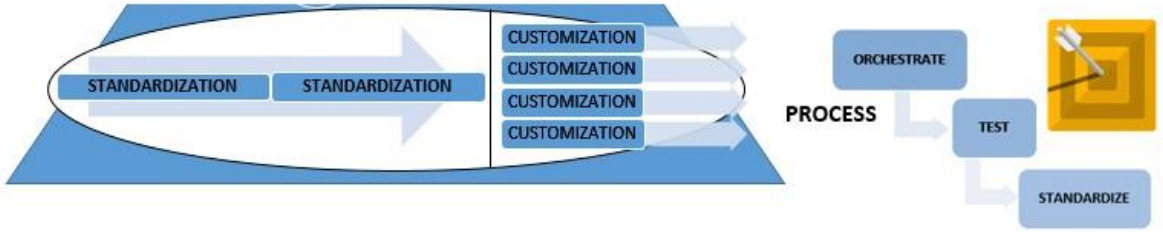


Figure 5.3 The Service Process, Löfgren & Skoogh (2017)

Decisively, this analysis has compared the empirical findings with the theoretical findings, where gaps in how companies relates to and manage service innovation, more innovative service projects and the digitalization phenomenon. Further, the suggestions has been provided with the aim to succeed with the more innovative service projects, rather than just focusing on "picking the low hanging fruits", in terms of incremental innovations. By putting the pieces together, the complete service innovation process for more innovative service projects could be illustrated according to figure 5.4, where the concept, system, and process phase has been connected. Finally, the framework could be seen as an extension of the strategic frame of reference by Edvardsson (1997), thus innovation activities has been incorporated. Therefore, the framework builds on a solid customer focus which permeates the entire organization, and the driving force for service innovation is based on a synthesis typology.

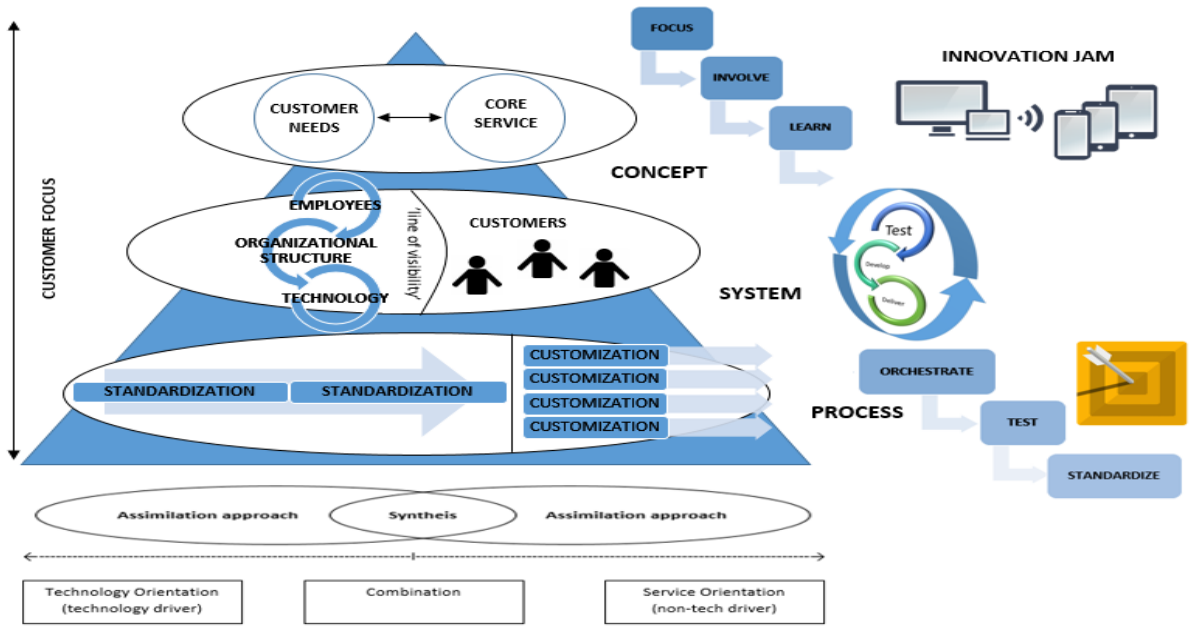


Figure 5.4 The Service Innovation Process, Löfgren & Skoogh (2017)

6. CONCLUSION

This section provides conclusions based on this research to answer the research questions. In order to do so, the two sub- research questions will be answered first, which constitutes the foundation for answering the main research question. In extent, the answer to the main research question could be considered also as managerial implications. The section ends with specific suggestions of future research.

6.1 Sub-question 1: How Do Companies in the Banking, Accounting/Consulting, and Insurance Industry Relate to and Manage Service Innovation?

This study showed that service innovation is a highly prioritized area for all of the companies from the three industries such as banking, insurance, and accounting/consulting. The findings showed that there is a difficulty of finding a unified definition of the service innovation concept, however the findings suggest that a precise definition may not be that crucial. Though, what is more important is to have a unified aim with the service innovation where creating value to the customer as the outcome of the service innovation. The reason for why the customer has become such an important role for service innovation was found to be the progress of the digitalization, due to changing customer preferences, and increased competition in the marketplace. Regarding how companies manage and relate to service innovation was found to differ. More specifically did the findings show that how to relate and manage service innovation differed between the incremental and the more innovative service innovation projects. Thus when it came to more innovative service projects no clear process was found at none of the organizations, while when it came to incremental innovation projects processes existed. It was not only found that organizations lacked a process for how to manage more innovative service projects, but also it was detected that they struggle to manage these kinds of projects at all. However what was brought forward as the reasons for the challenges to manage these more innovative service projects could be summarized by eight reasons. Firstly, a lack of supporting KPIs and governance of more innovative service projects. Secondly, insufficient ability to leverage on more innovative ideas. Thirdly, a lack of a supporting organizational culture for implementing more innovative projects. Fourthly, innovative ideas are overlooked because of a "silo mentality". Fifthly, lack of time and allocation of responsibilities. Sixthly, an inflexible plan-driven methodology with exhaustive steps in the service innovation process. Seventhly, high risk and uncertainty in innovative service projects. Eighth and finally, a lack of creating a "sense of urgency" in service innovation projects. Decisively, the study showed that organizations from the banking, insurance, and accounting/consulting industry to some extent feels '"fat and happy" considering their talents of "picking the low hanging fruits", which implies that they are currently successful in managing incremental service innovations. In extent, this is in line with the theoretical findings which refers to this as a disruption trap.

6.2 Sub-question 2: How Can Companies in the Banking, Accounting/Consulting, and Insurance Industry Relate to Digitalization Trends to Spur Service Innovation?

This study has presented a range of digitalization trends and the findings present that there exists great potential and opportunities for organizations to leverage on digitalization to spur service innovation and more innovative projects. However, the study showed that there is a wide gap in knowledge regarding the latest technology trends, and which of those trends that are actually operationalized in the organizations. In extent based on the study, it is possible to conclude that even though the findings suggests that technology should be an enabler for service innovation, organizations indicate to not fully enable the digitalization potential to spur service innovation. In addition, an essential finding is the importance for companies to also consider the digitalization trends as possibilities rather than intimidating threats because they have all the opportunities to take the command and leverage on the opportunities that the digitalization brings. The study suggests that organizations should work with digitalization trends in a proactive way rather than just adopt necessary technology to "extinguish fire" by dedicating all resources to just keep up with the latest regulations and standards which does neither add further value to the customers nor spur service innovation. Moreover, did this study show that it is crucial to put the customer in center when innovating services, but also in accordance to the digitalization trends, by consider how to optimally integrate the customer journey with different digitalization trends. Though, the findings advocate that the customer should always be in center when trying to spur service innovation, the findings also state that to what extent the customization and consideration of individual customer needs should be weighed carefully. Additionally, this study suggests regarding the third major digitalization trend "organizational structure and governance" that organizations need to have a specific organizational mindset to constantly refresh, see the possibilities, consider the organization's holistic goals, and have a culture that ensures for attracting and retaining digital talents. A common characteristics for the three speculated digitalization trends found in this study was the importance of being proactive regarding the digitalization trends, to dare to question one's business model or service offering by thinking of the powerful statement "if we don't cannibalize on our own service offerings, someone else will". More specifically do the findings suggest that traditional organizations should more careful consider how to leverage on their prominent current positions within the marketplace while there still is time to explore opportunities in how to use digitalization trends to spur service innovation.

6.3 Research Question: How Can a Service Company Within the Banking, Accounting/Consulting, or Insurance Industry Manage More Innovative Service Innovation Projects Rather Than Incremental Improvements of Existing Offerings in an Increasingly Digitalized World?

During the research process in this study it became evidently that how to manage the more innovative service projects to create added value to customers in a service innovation process is a very up to date topic for service companies. The findings suggest that a conventional process for service development is not sufficient to manage more innovative service innovation projects to incorporate and leverage on digitalization trends. Instead this study suggests another working method, concerns and activities for managing service innovation. Therefore the complete framework for how to manage more innovative service projects in a digitalized era is illustrated according to Figure 6.1, which indicates how a service

innovation process could be conceptualized. In extent, this framework helps to untangle the eight common challenges to succeed with the more innovative service projects, which was identified in sub-question 1.

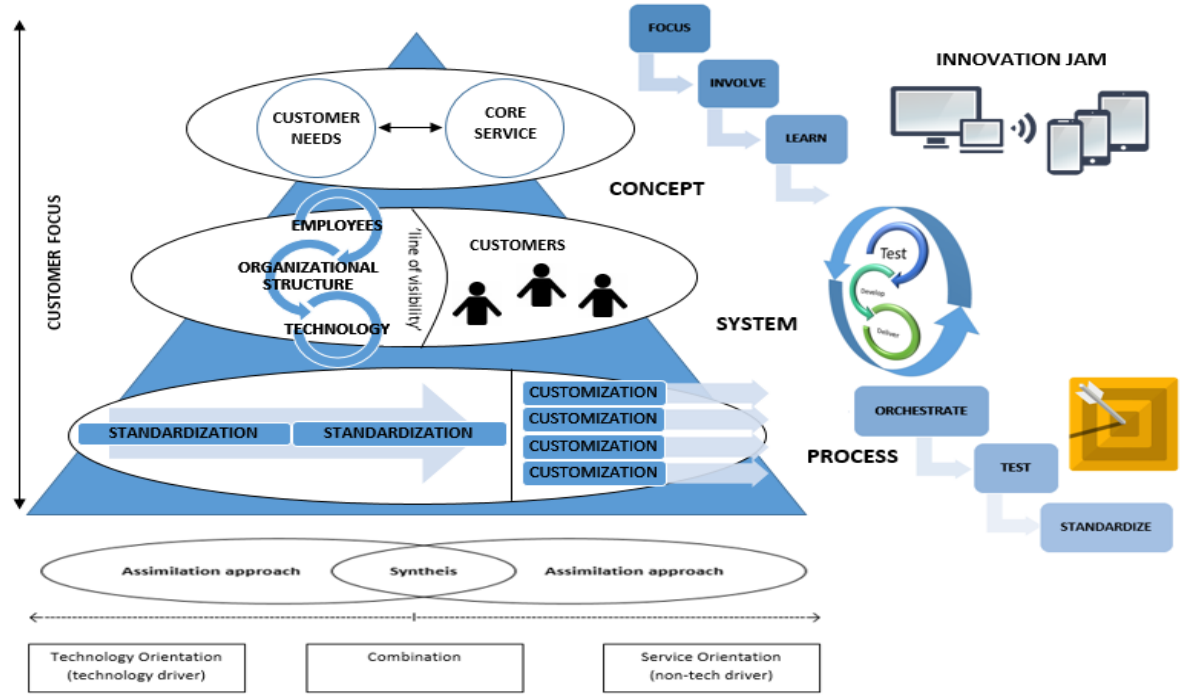


Figure 6.1 The Service Innovation Process, Löfgren & Skoogh (2017)

Conclusively, the framework illustrated above is based on a synthesis typology which balance the customer orientation with technology as an enabler for service innovation. The service innovation process is permeated with a solid customer focus, which is the foundation of the entire process. This framework for managing more innovative services should follow a less structured and iterative approach, which is in line with an agile working method. This means that all three levels can be managed simultaneously. Finally, the study suggests that each challenge for managing more innovative services can be overcome by specific activities and tools in different phases of the service innovation process.

6.3.1 Concept

The First Challenge: Lack of Supporting KPIs and Governance of More Innovative Service Projects

Lack of supporting KPIs and governance could be concluded a challenge for organizations. Thus proper use of supporting KPIs and clear measurements mitigate creation of focus and assess the success factor when managing more innovative service projects. As a solution to overcome this challenge, using management by objectives and suitable KPIs are concluded to be the solution. More specifically are three steps concluded to be crucial in order to manage this. Firstly identify of which area to innovate**,** secondly create innovation goals connected to the chosen area, and thirdly considering how to prioritize the more innovative service innovation projects. In this step it is possible to conclude it is advantageous to clearly specify one or two priorities rather than numerous of projects,

which could lead to confusion. In addition, considering both the groups collective prioritization of ideas and the individuals is concluded to be advantageous in order to detect the more innovative ideas.

The Second Challenge: Insufficient Ability to Leverage on More Innovative Ideas
Lack of an ability for taking care and leverage from the more abstract and pioneering service innovation ideas can be concluded a challenge for organizations. This is problematic thus a good ability of taking care of these more innovative ideas, constitute the foundation for both leveraging on technological trends and more innovative service projects. As a solution to this dilemma, the idea gathering IT tool innovation jam could be used to overcome this challenge. In order for innovation jams to function companies must create a focus for the jam session, create a strategy to make key persons involved, and finally visualize the service innovation process to make the progress from an idea to implementation visualized to the participants in the jam.

6.3.2 System

The Third Challenge: Lack of a Supporting Organizational Culture for Implementing More Innovative Projects
Lack of a supporting organizational culture for implementing more innovative projects was concluded a challenge for organization, thus it is possible to conclude that organizations perceived an immatureness that hindered them to work with digitalization trends and more innovative service projects. In order to overcome this it is being concluded that creating employee motivation by involving them in the innovation process and introducing appropriate leadership characteristics to capitalize on the employee's' ability to innovate is essential. In order to achieve this, introducing an effective learning system where employees can collect and process external information on a daily basis, and share this information by effective communication systems is a part of the solution. In addition, creating an attractive work environment was concluded to be important by striving to create an environment to spur intrepreneurship.

The Fourth Challenge: Innovative Ideas are Overlooked Because of a "Silos Mentality"
A silos mentality refers to that organization's work in functional silos rather than working cross-functionally, which could be considered as the best for the entire organization when working with innovation projects. This way of organizing is concluded a major concern thus organizations which work in this way miss innovative digitalization and service project ideas. However, it is possible to conclude that this concern can be mitigated by introducing cross-functional collaborations. More specifically was a bimodal organizational structure suggested based upon this research, by introducing a small cross-functional self-managed team. Considering that this approach enables organizations to adapt to thrive on simplicity and detect synergies suggested by the digital attackers strategy, it is well suited with the how to spur service innovation by using digitalization trends.

The Fifth Challenge: Lack of Time and Allocation of Responsibilities
A lack of resources in terms of time and employees given the responsibility to undertake an innovation project was found in the study. However, the findings suggest that the management team have an important role in terms of creating stable teams to work with the more innovative projects with dedicated time. The study suggests that innovation project should not be strictly monitored by a person with major decision power, but instead should beta testing and prototypes which are in line with the

digitalization trend be used in order to decide if one should move on with the project or not.

The Sixth Challenge: An Inflexible Plan-driven Methodology with Exhaustive Steps
Working according to a conventional plan-driven method characterized by inflexibility, and exhaustive predetermined steps is concluded based upon this research to not be suitable when handling digitalization trends and more innovative service projects. The reason for the mismatch is due to increasingly changing customer and market demands and expectations, prominently driven by the digitalization phenomenon. Instead is an agile working method concluded to provide the solution for managing this great uncertainty. Thus an agile approach advocates no predetermined steps, no internal persuasion but instead bases decisions on real testing and prototypes. This in extent enables more space for more innovative ideas. Decisively it is possible to conclude that organizations should not apply predetermined planned steps, but instead follow the agile approach by constantly consider how to relate and adapt to their consumers new behavior and role.

6.3.3 Process

The Seventh Challenge: Risk and Uncertainty in an Innovative Service Project
The study showed that there exists a great consensus among the companies regarding how to handle risk and uncertainty in the more innovative service projects. Additionally, it could be concluded that there are many up-to-date digitalization trends that companies can leverage on which, however, also implies great uncertainty. As a solution, this study suggests an agile working method approach, implying as previously stated that new initiatives and trends will be tested early before even fully finishing new services. This enables to decrease the risk in terms of quickly adapt the service to new trends, interact with customers to efficiently detect what is appreciated. The findings could therefore conclude that organizations should not be afraid of adopting new trends suggested by this report, thus an agile working method enables organizations to not take large risks before making sure investments in innovative service projects are worthwhile.

The Eighth Challenge: Lack of Creating a "Sense of Urgency" in Service Innovation Projects
A final identified challenge among the companies was a lack of creating a "sense of urgency", as a way to create a sense among employees that things actually happens in organizations, in terms of keeping up with the pace of the digitalization. As a solution, this study suggests that companies should increase the transparency in organization, both in large and small scale. This indicates that employees should to a higher extent be involved in the more innovative service projects on a daily basis, while a "sense of urgency" can be created by leveraging on the digitalization trends. Thus, companies should create external platforms where customers can interact and contribute with ideas, and use internal platforms such as innovation jams where employees can contribute, vote, discuss and follow the progress of the innovative service projects, from idea to finished projects.

6.4 Future Research

Even though extensive amount of studies have been carried out within the field of finding a process for handling service innovation per se, there is evidently based on the great interest in the aforementioned field of research from the participants a great room for future studies within this field, regarding how to manage more innovative service projects in this more digitalized work. Based on this research additional interesting fields was identified, which would contribute to academia within this research field. First of all would an interesting future research to be to follow up on this study.

Considering that this research aimed to build a theory about how to manage more innovative service projects, it would be interesting in a forthcoming study to apply the theory on a case company. In that way, the research could provide evidence for the effects of adopting the service innovation process suggested in this study. In addition, in order to contribute with more generalizable findings one suggestion could be to carry out a multiple case study, where the service innovation phenomenon is observed in different industries, with organizations originating from different countries, and also including a wider scope of organizations such as startups. This would be interesting thus this would enable a major benchmark with more industries in order to detect potential additional trends, synergies and differences regarding how the industries relates to the concepts service innovation, more innovative projects, and the phenomenon digitalization.

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7. APPENDICES

Appendix A: Interview Guide

Definitioner använda i intervjuer:
Digitalisering- *”att integrera digitala teknologier i vardagslivet i samhället”*
Innovation- *”en ny kundupplevelse, vilken kan inkludera exempelvis ett nytt- tjänstekoncept, affärssystem, prismodell, organisation eller ett nytt sätt att interagera med kunder”*
Mer innovativa tjänsteprojekt- *“tjänsteutvecklingsprojekt som inte baseras på förbättringar av befintliga tjänster, utan istället handlar om att skapa lösningar som är värdeskapande på ett helt nytt sätt för företag eller kund”*

Del 1- Tjänsteinnovation

1. Hur skulle ni definiera en ny tjänst/ tjänsteinnovation?
2. Generellt sätt när ni utvecklar nya tjänster på ert företag, vad är målet med tjänsten?
3. Vad är drivkraften när ni arbetar med tjänsteinnovation/utvecklar en tjänst?
4. Vart ligger fokus, erbjuda helt nya tjänster eller handlar det om att förbättra nuvarande tjänster?
5. Ny teknologi och kundspecifika lösningar är enligt teori två stora drivkrafter till tjänsteinnovation. Till vilken grad anser du att er tjänsteutveckling drivs av kundspecifika önskemål/krav? Till vilken grad anser du att er tjänsteutveckling drivs av lösningar som kommer ifrån teknologiska framsteg?

Del 2- Digitalisering

1. Vad är de mest framträdande trenderna enligt er angående digitaliseringen som ni jobbar med nu? (Med digitaliseringen menar vi integration av digitala teknologier i kunders vardagsliv)
2. Hur håller ni er uppdaterade angående de senaste IT trenderna?
3. Påverkar digitaliseringen ert sätt att jobba med tjänsteutveckling? I så fall hur?
4. Har digitaliseringen påverkat er kundservice för era tjänster? I så fall, på vilket sätt?
5. För att nå framgång med hjälpt av digitaliseringen i er tjänsteutveckling, vad tror ni kommer vara viktigt att lägga fokus på idag? /de närmsta 5 åren?

Del 3- Hantering av mer innovativa tjänsteprojekt
3.1 Koncept för tjänsteutveckling

1. Är tjänsteinnovation/tjänsteutveckling ett prioriterat område hos er idag? Varför/ Varför inte?
2. Har ni ett samarbete med för att utveckla era tjänster? I så fall, varför och hur?
3. Hur har digitaliseringen påverkat/ändrat era kunders behov?
4. Hur får ni indikationer/tar ni tillvara på dessa angående era kunders behov/förväntningar/krav på en tjänst?
5. Vad skapar digitaliseringen för möjligheter för er specifika tjänsteutveckling?

3.2 System för tjänsteutveckling

6. Hur jobbar ni med tjänsteutveckling idag? Finns det en process för att stödja mer innovativa tjänsteprojekt? Finns det någon konkret process ni arbetar utifrån?
7. Hur tar ni tillvara på alla goda idéer och omsätter dem i praktiken? (vart som helst i

organisationen kan det hända)

8. Har ni tydligt definierade roller vid utvecklingen av tjänster i er organisation? Är vissa funktioner ansvariga för vissa delar?
9. Hur satsar ni/ser till att ni har rätt kompetens för att ha konkurrenskraftiga tjänster och hänga med i digitaliseringen?
10. Hur tycker ni att företag ska jobba för att se till att ha rätt kompetens samt attrahera talang för att erbjuda konkurrenskraftiga tjänster i och med digitaliseringen?
11. De som arbetar mot kund men även internt med tjänsteutveckling, hur ser ni till att behålla en hög kvalité?
12. Hur balanseras risktagande och payoff i helt nya tjänsteinnovationsprojekt?

3.3 Process för tjänsteutveckling

13. Hur balanserar ni standardiserade processer/tjänster mot skräddarsydda/individanpassade processer/tjänster?
14. Har era tjänster blivit mer kundanpassade i takt med digitaliseringen? I så fall, hur då?
15. Vid en nyutvecklad/uppdaterad tjänst, hur säkerställer ni en framgångsrik kund lansering? (Bygger man in kvalité?)
16. Hur påverkar er företagsstrategi tjänsteutvecklingen?

Appendix B: Structure to Code the Data Analysis

Del 1- Tjänster							
Fråga 1.- Hur skulle ni definiera en ny tjänst/ tjänsteinnovation?							
Accounting/Consulting 1	Accounting/Consulting 2	Insurance 1	Insurance 2	Bank 1	Bank 2	Expert 1	Expert 2
2 -Generellt sätt när ni utvecklar nya tjänster på ert företag, vad är målet med tjänsten ?							
Accounting/Consulting 1	Accounting/Consulting 2	Insurance 1	Insurance 2	Bank 1	Bank 2	Expert 1	Expert 2
3- Är tjänsteinnovation/tjänsteutveckling ett prioriterat område hos er idag? Varför/ Varför inte?							
Accounting/Consulting 1	Accounting/Consulting 2	Insurance 1	Insurance 2	Bank 1	Bank 2	Expert 1	Expert 2
4- Vad är drivkraften när ni arbetar med tjänsteinnovation/utvecklar en tjänst?							
Accounting/Consulting 1	Accounting/Consulting 2	Insurance 1	Insurance 2	Bank 1	Bank 2	Expert 1	Expert 2
5- Vart ligger fokus, erbjuda helt nya tjänster eller handlar det om att förbättra nuvarande tjänster?							
Accounting/Consulting 1	Accounting/Consulting 2	Insurance 1	Insurance 2	Bank 1	Bank 2	Expert 1	Expert 2