



ANNUAL REPORT 2012

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Service is the rent we pay for being. It is the very purpose of life, and not something you do in your spare time.

Marian Wright Edelman

INTRODUCTION

FACTS

The Center for Service Innovation (CSI) is a coordinated effort by the Norwegian School of Economics (NHH) to focus on the innovation challenges facing the service sector. It is one of the 21 Norwegian Centers for Research-based innovation (SFI), funded by the Research Council of Norway (RCN). The total CSI budget is 164 million NOK over 8 years, with 80 million of this granted by RCN. NHH is the host and administrative institution for the center, in collaboration with its contract research unit, Institute for Research in Economics and Business Administration (SNF). The additional research partners are SINTEF and The Oslo School of Architecture and Design (AHO). Two international institutions participate as cooperating partners: Karlstad University (KAU) and Copenhagen Business School (CBS). Five of the Norwegian business partners involved in the center; Telenor, DNB, Posten, Storebrand and Tryg, are all leading communication, financial, and logistics service providing partners in Norway, with international expansion through service innovation as a strategic priority. EVRY, PwC,

inFuture, BEKK, Induct, Norsk Designråd and Argentum participate as business knowledge partners specializing in innovation process management and ICT-supported service innovation. Virke and Abelia participate as bridging partners.

AIMS AND RESEARCH

CSI aims to increase the quality, efficiency, and commercial success of innovation activities at leading Norwegian service providers and enhance the innovation capabilities of its business and academic partners. The main activities contributing to CSI's reaching this aim are research, education and partner networking. CSI research is organized along four themes: Innovations in customer and brand experiences; Co-creation and open innovation processes; Business model innovations; and Regulatory and structural innovations. CSI contributes to education through master and doctoral courses at NHH, and master courses at AHO and the University of Oslo (UiO) through SINTEF. Finally, partner networking activities are perhaps the most important tool for disseminating knowledge among CSI

partners and the rest of the service innovation community and includes a number of activities that will be further presented throughout this report.

THE YEAR 2012

2012 has been a year in transition for CSI. Established in 2011, 2012 was the first full year in regular operations for CSI with our 6 PhD students and 4 postdoctoral researchers. The number of senior researchers involved in CSI research has been increased throughout 2012 and counted 22 people in our yearly report to RCN. In the "Innovations in customer and brand experiences" theme, service design workshops have been finalized, service concepts have been tested and a number of experimental studies have been designed. The most important event in 2012 for the researchers and partners on this theme was the granting by RCN of the CC2015 spinoff project involving Telenor, Posten and DNB. In the "Co-creation and open innovation processes" theme, Induct implementations have been made by CSI partners and accompanied by CSI-researcher follow-up studies. A comprehensive study of CSI-service provider innovation practices has been conducted and the results have been well received by both CSI-partners and the Editorial boards of high quality academic journals. In the "Business model innovations" theme a more academic approach to the understanding of what business model

innovation is has been combined with more applied research on the issue of sustainable business models. Among the efforts are two book projects expected to contribute significantly to the dissemination of CSI research in both academic and practitioner audiences. While the "Regulatory and structural innovations" theme is still under development in CSI, an important literature review has been conducted identifying severe research gaps in the literature on innovation systems for services. A CSI spinoff research project termed "MISSING - Measuring Innovation in Service Systems; Indicators on New Grounds" has also been granted by RCN in 2012.

2012 has also been the first year of regular master and doctoral courses on service innovation at NHH, AHO and UiO. All master courses have been well received by our master students and a workshop involving AHO students visiting Bergen and NHH students residing in Bergen to develop new ski service concepts for the Norwegian ski producer Madshus was particularly popular. We were also proud that professors Steve Vargo, Bo Edvardsson, Keld Laursen and Bruce Tether were able to give our first PhD course on service innovation with participating PhD-students from NHH, AHO and a number of other Norwegian universities.

2012 has also been a transition year for

CSI management. As of August 2012, CSI is headed by Associate Professor Tor Fredriksen who also is the Head of the Department of Strategy and Management at NHH. He is assisted by former Head of CSI, Professor Per Egil Pedersen, and by Program Director Annita Fjuk of Telenor. Fjuk now holds an adjunct professor position at NHH and is particularly responsible for partner networking in CSI. Among the partner networking activities in CSI that has been particularly important are workshops on business model design and service design, but we also see that more of the partner networking now takes place through direct interaction on specific issues between individual CSI business partners as well as between individual CSI-researchers and business partners. This is a development that shows that CSI has contributed to the establishment of a network of service innovation researchers and practitioners that did not previously exist and was hindered by systemic or market failures. As such it is one of the first results of CSI directly contributing to innovation policy.

THE OUTLINE OF THE REPORT

This year's annual report is devoted to CSI research partners AHO and SINTEF. With NHH as the host institution, formal reports tend to lean towards host institution activities, but a large and important part of CSI-activities are conducted by or in collaboration with the other CSI research partners. This year's annual report gives the reader an opportunity to get full insight into the activities of these partners. In addition, the report also documents some of the less known research activities of CSI, such as innovation practice studies and studies of the service innovation system. In addition, the annual report also covers the broader perspective of the researchers involved, our publications, master students and other key performance indications that show how we progress in our general aims.



VISION & OBJECTIVES

The Center for Service Innovation aims to increase the quality, efficiency, and commercial success of innovation activities at leading Norwegian service providers and enhance the innovation capabilities of its business and academic partners. CSI will identify service innovation challenges and opportunities, transform them into relevant research themes, and implement best practices in collaboration with KIBS partners working as innovation enablers. Through its dissemination activities with KIBS-bridging- and academic partners, CSI aims to increase the service innovation capabilities of the wider innovation community including SMEs, SME-networks, entrepreneurship- and innovation system stakeholders. Ultimately, CSI's goal is to establish itself as a nationally and internationally recognized research center, noted for its collaborative innovation projects and its academic originality.



Photo | Maria Prestmo

To dare is to lose one's footing momentarily. Not to dare is to lose oneself.

Søren Kierkegaard



RESEARCH PLAN & STRATEGY

CSI is unique in its inclusion of large service providers, business knowledge partners, research institutions, and bridging partners into its research environment. This allows for deeper studies of innovation in the service sector. Based on the innovation challenges presented in the introduction, CSI is focusing research within four main research themes:

INNOVATIONS IN CUSTOMER AND BRAND EXPERIENCES

The intangible and heterogeneous character of services makes the creation of customer experiences challenging. CSI will integrate perspectives of innovation, design and marketing through projects that are truly cross-disciplinary. The consequences of a customer experience approach on organizations will be explored and formalized in a list of best practices and organizational guidelines.

CO-CREATION AND OPEN INNOVATION PROCESSES

Research will focus on performance effects of co-creation and open innovation under various conditions. Furthermore, CSI will focus on managing open innovation activities and establishing a platform for open innovation and co-creation.

BUSINESS MODEL INNOVATIONS

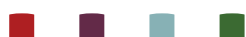
CSI will develop smart, service oriented business models to solve problems related to energy waste, pollution, inefficiency and social responsibility. CSI will also study empirical antecedents of business model choices, the interrelationships of business model dimensions and how business model choices affect performance under various contingencies, including contingencies of service specific elements.

REGULATORY AND STRUCTURAL INNOVATIONS

CSI will conduct empirical studies of the firm-level interactions of the innovation system. We also investigate regulation as a source of service innovation and how the innovation system interacts with infrastructural elements that may influence the potential for innovation, such as transport, communication, and ICT services.

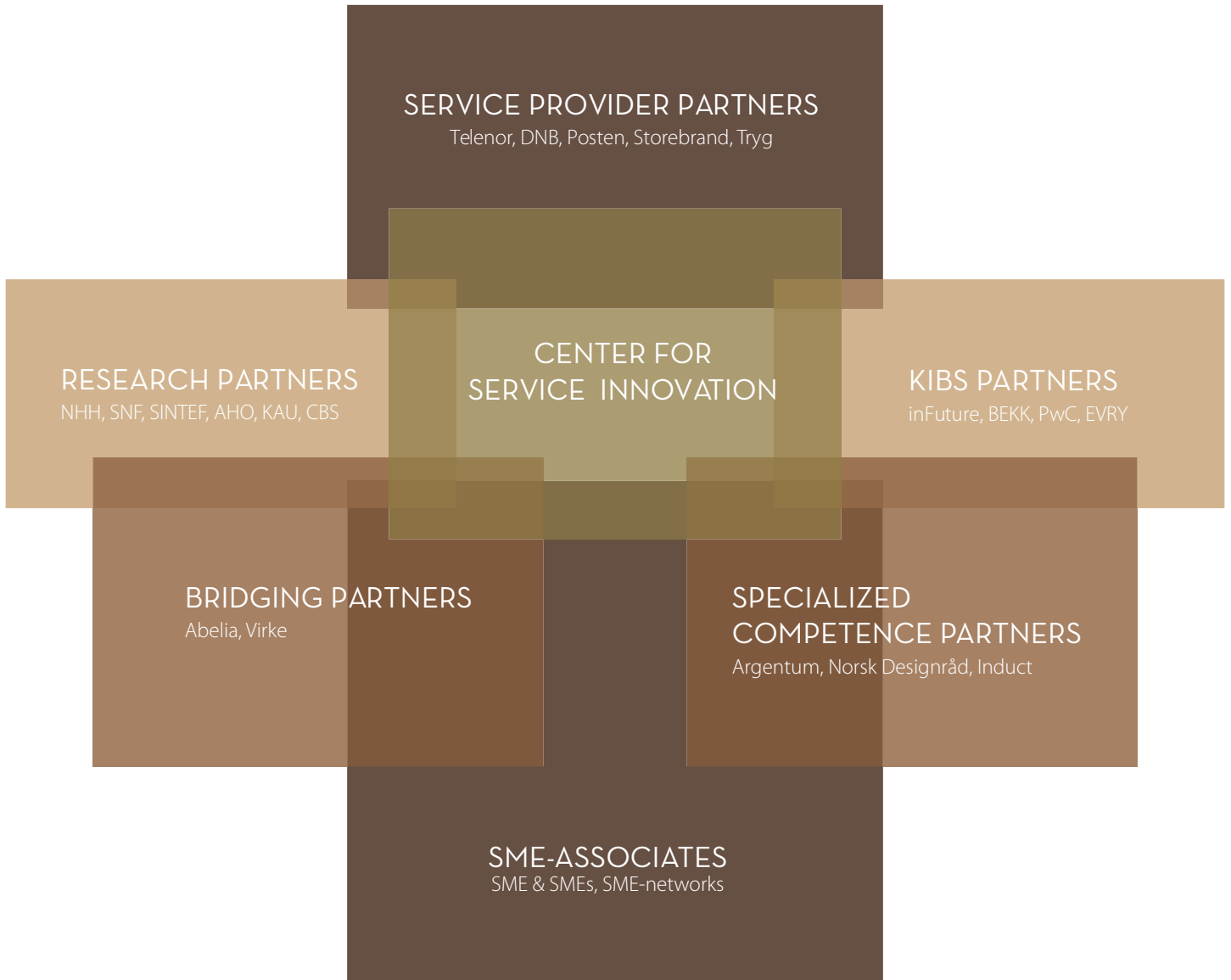
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Within these four research themes, CSI research tasks were originally organized in 11 work packages (WPs). However, in 2012, they were reduced to 10, as WP3 and WP6 merged (into WP3). The WPs are mainly associated with each research theme and organized accordingly, but some WPs cover more than one research theme. All of the WPs are organized with a project leader who is chosen from one of the research partners. Each WP involves personnel from a number of business and research partners. Activities in the different WP's are closely integrated.



ORGANIZATION

CSI is established by a consortium of 4 national research partners, 2 international research partners and 14 user partners. Partner categories and partner interactions are shown in the figure below.



MANAGEMENT

Associate Professor Tor Fredriksen is Managing Director of CSI and Maria Prestmo is Center Coordinator. They have the responsibility for the daily operation of the center. Professor Per Egil Pedersen is Director of Research and Associate Professor Il Annita Fjuk is Director of Partner Relationships.

THE BOARD

The CSI-board is responsible for developing and adjusting research themes and new innovation projects (WPs) over time. User partners hold the majority positions on the CSI board, on which the research partners are also represented. The board consists of nine members with representatives from the host institution, user partners, KIBS-partners and research partners. All user partners are either directly or indirectly represented in the CSI board.

In 2012 the board consisted of the following members:

PARTNER

NAME

NHH	Jan Ingvald Meidell Haaland
NHH	Ole Hope
Telenor	Bjørn Taale Sandberg
DNB	Preben Lybekk
Storebrand	Jostein Dalland
BEKK Consulting	Harald Krogh
inFuture	Nikolai Stefanovic
SINTEF	Bjørn Skjellaug
AHO	Simon Clatworthy

PARTNER RELATIONS

CSI is a venue for increasing awareness and competence as well as for experience sharing in strategic key business areas. The Norwegian service providers participating in CSI have customer-orientation as a common and strategic ambition which is clearly manifested in the service providers' strategies and vision statements, e. g: The art of serving the customer (DNB), Be preferred by the customer (Telenor), Recommended by our customers (Storebrand), The world's most future-oriented mail and logistics group (Norway Post), It's all about creating peace of mind (Tryg).

Common challenges and future growth based on true customer-orientation have developed into spin-off activities.

EXPERIENCE SHARING ACROSS INDUSTRIES

"In addition to specific projects CSI has also created a strong network of companies and individuals who are passionate about service innovation. Through this network Storebrand has been able to participate in experience sharing across industries and has gained valuable insight into how others are dealing with the common themes within customer service innovation."

Bradley Johansson | Storebrand



Particularly, strategic and systematic integration of the customer's voice into organizational value chains and service development activities have been an increasingly vital theme during 2012. Several of the service providers' implementation of Net Promoter System has resulted in regular meetings for experience sharing and for defining CSI-research topics (e.g. master thesis level) related to loyalty economics. Furthermore, sharing of initiatives on customer co-production (e.g. DNB's co-creation lab) has been successfully conducted.

COMMON PROJECT FOR DRIVING CUSTOMER-ORIENTED TRANSFORMATIONS

Customer Care 2015 is a multiyear, cross-industrial and highly interdisciplinary project funded by RCN. The CSI partners are Telenor (head), Norway Post, DNB, Norwegian Design Council, BEKK Consulting, AHO, NHH, CBS and Sintef. The objective of the project is: Efficient and seamless delivery of experiences across manual and digital touch-points truly aligned with what the customer truly values.

Regarding customer-oriented focus, it is fundamental to understand customer behavior and customer value for better delivering upon the expectations across touch-points. Ironically though, most of the currently employed research on customer behavior and customer experience is relying on empirical data that deliver insights that are, at best, valid only for the past or the present. However, if service providers intend to differentiate on customer-orientation we must arguably also address and incorporate a leap into the future customer behavior and desires. Such a long-term perspective is essential for designing for the competitive landscape yet to come. Thus, the first deliverable from the projects is scenarios on future customer contexts:

“In times where the future holds a great deal of uncertainty and old models of the business are challenged, managers look for new to stay innovative. Adding scenario thinking to service innovation initiatives gives us cognitive tools for increased, and shared, preparedness and enables us to prototype customer oriented solutions for increased competitiveness in terms of both resilience and flexibility.”

Daniel Grönquist | BEKK Management Consulting



Scenarios have shown to be powerful for understanding factors that can transform the business or for appreciating the conditions for success in innovation. Scenarios are not predictions, trends or forecasts, but credible, consistent and challenging stories that can help to focus on critical uncertainties related to futures of customer contexts, and to understand the balance of organizational and strategic forces that will shape the future. The project's contribution to the area of service innovation is the transition capabilities developed across the industries of telecom, banking and insurance and postal services and logistics, a set of capabilities that rests on innovations in organizational capabilities and delivery processes.

Written by

Annita Fjuk

Director of Partner Relationships CSI



PRESENTING CSI RESEARCH PARTNERS

AHO: Up and coming :

Experience-centric

Experience-centric. Note the word. It is high on the agenda of PhD candidates Ted Matthews and Mauricy Alves Da Motta-Filho at The Oslo School of Architecture and Design (AHO). In close collaboration with CSI, their goal is to find out how companies can leverage their brands to provide better service experiences.

Text and photo by

Rune Solheim

During the last few years, The Oslo School of Architecture and Design (AHO) has expanded its study-program in service innovation. From representing only part of a semester, AHO now offers a master degree in the field.

“We do not have the great resources that can be used on this subject such as at NHH, but what we represent as yet is an important part. We now have two doctoral theses in progress on the issue,” says Professor Simon Clatworthy. Clatworthy is an internationally recognized speaker on the topic and points out that Norway is about to become a leader in service innovation.

“The work of the Centre for Service Innovation (CSI) helps us to be in front in this field. We are now getting more attention from other countries and shortly, I am going to Taiwan to give lectures for a large IT manufacturer. But what I really

want is that Norwegian businesses take the increased knowledge on the subject into use,” says Clatworthy.

TUNED ON EXPERIENCE

The professor says that over the last decade, we, as consumers have become more and more attached to the experience of a product or service, than the product or service itself. As an example, he mentions that consumers are often willing to pay 200,000 NOK more to buy a BMW rather than a Ford to achieve a true driving experience. The reason is that the driving experience is in focus; people love driving BMWs and the feeling it gives, not only that they can express their identity through the car and show their status. The same is happening in the service sector. But the awareness of the subject is far behind in this industry,” says Clatworthy.

He points out that even when we look at



The PhD candidates Ted Matthews and Mauricy Alves Da Motta-Filho at The Oslo School of Architecture and Design (AHO), are in close collaboration with CSI. With different approaches, both want to help companies leverage their brands through the innovation of service experiences.

the relatively advanced services, such as banking, insurance and telecom services; it is still functionality that is in the forefront. "Suppliers of services have a long way to go to differentiate themselves as much as luxury brands do from more ordinary car brands. There is no great difference, for example, in online banking between one bank and another. But it is on the way. Also within the services, we will see, through experience, a greater differentiation in the market," he says.

Clatworthy reminds us of a saying widely used in design and branding: Only one brand can be cheapest. The others must compete on something else. And today that is through experience and design. In other words, experience centric.

"The phrase "customer experience journey" is about to become established as a concept among the companies we work with. The term embraces all the content and execution of the service. When traveling with an airline, for example, there is great value in the stories that customers tell from travel experience, to their friends and their families. Design work is an essential part of this. It's a subject that's about emotions and experience, with the aesthetics in the front seat," says Clatworthy.



Ted Matthews and Mauricy Alves Da Motta-Filho at The Oslo School of Architecture and Design (AHO) study how companies can develop their services through better customer experience journeys.

EXPERIENCE MANUAL

Mauricy Alves Da Motta-Filho from Brazil and Ted Matthews from England are two PhD Candidates at AHO who have set out to achieve new knowledge on service innovation and design.

Motta-Filho will develop a brand experience manual, or at least a tool that businesses can use to improve their services. He has established a partnership with Posten and Telenor. The students have collected various user experiences related to these two businesses and systematized them.

"I think that design manuals in companies has been over focused. The visual brand, in the sense of logos, fonts and colours, has been given too much space in the awareness of what a brand needs. Firms need to work with the other values they want to associate themselves with the brand; the values that greatly affect the experience customers have or the services they offer. They must ask themselves questions like: What characterizes our behaviour in this company? How do we sound when we answer the phone (tone

of voice)? At which contact points shall we meet the customer? How many steps must the customer take to achieve what he/she wants? How available do we wish to be? On which platforms or channels? Motta-Filho points out that large firms often have many different consultancies to help them to design services. "It goes without saying that it gives too much room for interpretation when many service designers are going into corporations and understanding the brand from their perspectives, decoding the brand from their interactions with the company's services, and from this understanding they are re-coding into new services. For the company, this often ends up being schizophrenic in expression. Several consultancies create slightly different representations of the brand values. The companies need a tool to identify and systematize their values and their transmission to their partners in an understandable way. This is what I would like to give them as part of my PhD," says Motta-Filho.

RITUAL EXPERIENCES

Ted Matthews has partnered with Telenor, referring to an upcoming service called Tap to Pay. The service will allow users to pay directly with a mobile phone in the store, without a credit card. In this context, Matthews is studying how to use myths, rituals, and ritual structures when building new services in an attempt to create 'sacred' experiences.

Apple arguably has managed this, by creating an almost religious group of fans, with the late Steve Jobs as a guru in the middle. The big question is whether there are any measures or tools any business can use to create or use myths, rituals, identity and mystique associated with a service.

"In particular, rituals represent something very positive. It would be valuable for companies to utilize this. There are religious rituals, but there are also the totally secular rituals such as birthday parties. You dress up in your best clothes, there are secret presents, blowing out the candles and making a wish etc.

People are put in a completely different ambience through rituals. Rituals also represent a transformation from one state to another. This might be a social or even an emotional transformation. Rituals are a performative expression of those things that give meaning to our lives and through their enactment we strengthen these convictions.

"Can a service provider use this for better

experiences for both customer and employee alike?" Matthews asks. He points out that there is little a provider can do about people being in a bad mood before using a service.

"However, if we can connect to people's values through rituals, well that's a different matter. Then, maybe we can actually bypass their temporal mood, and connect them to a deeper, more stable, value emotional place," he says.

"Let's say you use Tap to Pay. Which performative ritual actions at payment might tap into larger ritual structures that can connect to customer values? How could these actions work as communicative expressions of these values, to symbolically express what is happening virtually and to alleviate anxiety that a payment has worked through ritual feedback? How can understanding a payment as a ritual allow service developers to connect to larger ritual structures for the development of further services?"

"If we can crack this code, we have come very far. Ritual theory offers new rich textures for service design," says Matthews. Professor Clatworthy totally agrees. Ted Matthews is already in demand as a speaker and he will give a presentation on the impending Nordes conference, a design research conference in Malmö. He will also attend a conference on religion and leadership in France this summer.



Mysticism and rituals or experience handbook? Both can be important in future service innovation. Students help Ted and Mauricy with doctoral degrees, represented here by Christina Iversen at AHO and Une Nordli visiting from NTNU.

SINTEF:

Open innovation - a “quick fix”?

Chief Scientist Arne-Jørgen Berre and Research Scientist Marika Lüders, employed by SINTEF in Oslo, are associated with CSI. Among other things, their research investigates whether it is possible to use software for an open innovation process in a service business. Could this be a “quick fix” to bring about new and profitable services?

Text and photo by

Rune Solheim

Berre and Lüders belong to The Department for Networked Systems and Services at SINTEF, where 30 researchers work. About 5-10 of these have been involved in projects related to CSI. Researchers examine the issues and challenges related to the strong growth in networked systems and services. The assignments come from collaborators in most areas and sectors of society and from projects with funding from the EU and the Norwegian Research Council. When it comes to innovation and design of new services, the two researchers believe that in the future, users and customers will be more involved in the development of services. Even now, many service providers are in direct contact with customers and invite them to give advice when developing their own service programs. The bank DNB’s DNB Labs is an example of this. “We will get more exposure on the use of open innovation processes and innovation based on studies of the underlying user needs,” says Lüders.

INSIGHT INTO USER EXPERIENCES

Researchers detect a strong eagerness among enterprises to understand customer service experiences. Specific insight into the experience is a difficult issue when it comes to services, because service experience cannot be defined once and for all.

“A service experience will always be dependent on time and place and who the people involved are. Within the service design, we therefore attempt to make the service experience more concrete. That’s why we see increasing use of visualization on customer sites which divides customer experience into separate steps, and where one also thinks carefully about which areas of contact between the service provider and customer are relevant and how they should be designed,” says Berre. Another challenge is that it is particularly time-consuming to collect and document the customer experience in service innovation.

“This is why companies consider social media important. It’s an easy way to get in touch with the customer; either by monitoring what customers are saying about the company or a certain type of service or by being very goal-oriented and creating dedicated Facebook pages or using other types of social media. Some also create an open innovation solution where one responds to customer requests or invites customers to give input to service innovation, as in the case of DNB Labs,” says Lüders.

A recent development trend they point out is that service innovation is becoming increasingly important to businesses that in essence, deliver products.

“Product suppliers tailor services to their products, or may even find that products can be digitized to services. The latter applies particularly to the media, and the music and book industries,” says Berre.



Research Scientist Marika Lüders and Chief Scientist Arne-Jørgen Berre points out that SINTEF’s group for user experiences and The University of Oslo have established The Geminisenteret UX, Center for User Experiences.

BETTER DIALOGUE

“CSI focuses strongly on how best to involve users in service innovation. This includes studies of how social media and various forms of IT support can be used to gain a better dialogue with users,” says Lüders.

“One of the great strengths of CSI is exactly how the centre has identified key trends in service innovation. These are trends that are important for both industrial and research partners. We talk about customer experience, customer site contact points; open innovation and the use of social media in innovation, and business model innovation,” says Berre.

Marika Lüders belongs to a research group working on the interaction between humans and computers. This is an interdisciplinary group with expertise in information technology, media studies, cognitive psychology, social psychology and the natural sciences / physics.

OPEN INNOVATION PROCESS

Her 2012 research project was to find out how an IT-support tool for open innovation processes works in a service business. The Norwegian company Induct launched this early on the world market and has gained international attention for its innovation support program, called Innovation Community. The program was tested in the large IT service company EVRY.

Within the concept of open innovation process, new service ideas are captured from many groups, both internally from within companies, from customers, suppliers and from cooperative partners, for example. The program makes it easy to record ideas, is designed to give all ideas serious evaluation and makes it possible for the best suggestions to be put into practice from the corporate side.

“A major challenge for both service providers and other businesses is that good suggestions often stop on the way to realization, perhaps without even being considered. It may be enough that immediate superiors dismiss an idea out of hand,” says Lüders.



SINTEF and CSI have tested how a support program for innovation works at a service provider in the IT industry. In the picture: Research Scientist Marika Lüders and Chief Scientist Arne-Jørgen Berre at one of SINTEF's large monitors.

LESS BUREAUCRACY, BUT ...

The IT tool should ensure less bureaucracy around good suggestions and that they are put into a model for further development of services.

From an interview survey among pilot users, managers and leaders in business, she wanted, among other things, to find out what it required of the organization to adopt such a system.

“EVERY gained much knowledge about user experiences through this system and the distance between the idea maker and receiver is shorter this way. But there’s no doubt that it is difficult to generate organization around the systematization of ideas. There is a need for instrumental people who take ideas further up in the system. Executives and middle managers have their daily tasks beside the innovation process, and it is difficult to find enough time. There are also issues of who has ownership of the ideas and how ideas should be rewarded. The conclusion is that the IT tool Open Communication is no “quick fix”. One is still dependent on having dedicated human resources available,” says Lüders.

COLLABORATING WITH THE UNIVERSITY

SINTEF’s group for user experiences and the University of Oslo have established the Geminiseret UX, Center for User Experiences. These research environments work together on how to understand, design, and improve user experience. “We also place particular emphasis on understanding the context and the organizations that implement new solutions,” says Berre.

The centre gathers Norwegian researchers on design and usability in information technology in a strategic collaboration between SINTEF and the University. The goal is to get better at creating good user experiences.

“We live in an increasingly experience or experience driven economy. The good user experience is often crucial when we buy new products and services. Therefore it is important that Norway keeps abreast and is competitive on usability and design,” says Chief Scientist Arne-Jørgen Berre.

SINTEF’s Department for Networked Systems and Services have about 5-10 researchers who have been involved in projects related to CSI, among them Research Scientist Marika Lüders and Chief Scientist Arne-Jørgen Berre.





HIGHLIGHTS FROM 2012



CSI was established on May 5 2011, and 2012 was the first active year. Work on most WP's are progressing, and resulting in a number of publications, working papers and presentations on academic conferences, as well as dissemination of results through presentations, workshops and other forms of cooperation between researchers and industry partners.

Here are some highlights from 2012.

INNOVATION PRACTICES IN LARGE PRODUCTION-INTENSIVE SERVICE PROVIDERS

Written by

Tor Helge Aas
Postdoctoral Research Fellow



Photo | Maria Prestmo

Studies of innovation management practices have focused predominantly on product innovation. However, researchers are increasingly studying innovation management practices for services. Recent contributions for example explore the development practices of new experiential services and non-profit services.

The service innovation practices study conducted as a part of WP4 in CSI continues this research stream and examines service innovation management practices in a distinctive set of services: namely, production-intensive services, which are standardized services that are produced at a large scale. The development of new production-intensive services is particularly relevant because knowledge from this context is applicable to firms in various sectors, including manufacturing firms that follow a service transition strategy and service firms that follow a standardization strategy. Thus, by studying the development of new production-intensive services, we may advance knowledge on the wider area of service innovation management.

CSI's service innovation practices study enriches service innovation management theory through a qualitative inquiry of the dimensions of the Product Development and Management Association (PDMA) framework (i.e., strategy, culture, front end of innovation, portfolio management, new service development processes, tools and techniques, metrics and measures, intellectual resources, and organizational resources) for the development of new production-intensive services. By using the in-depth case-study methodology,

empirical data on the nine dimensions of the PDMA framework were collected in five large Scandinavian production-intensive service firms.

The results suggest that some service innovation management practices related to the development of production-intensive services are similar to general service innovation management practices, whereas other practices are more distinctive to the nature of production-intensive services.

These findings provide useful lessons and implications for managers in all sectors who seek to develop new production-intensive services. For example: 1) the role of an explicit innovation strategy is suggested to be particularly important when firms aim to develop radically new production-intensive services; 2) the implementation of portfolio methods focused on idea selection with well-defined rules aligned with business strategies is suggested to be associated with a valuable portfolio of production-intensive service innovation projects; 3) the implementation of an innovation process with a balance between predefined and contextual gate criteria is suggested to be associated with the successful development of production-intensive services; and 4) the existence of managers of the innovation process that are allowed to put together cross-functional teams is associated with the successful development of production-intensive services.

INNOVATION SYSTEMS IN SERVICES

The idea of the genius inventor or sole scientist as the key to innovation is long gone. Particularly in services we know that the customers are of profound importance for innovation. We also know that most innovations are nurtured in collaboration with external partners or in dynamic networks of participants conceptualized as “open innovation”.

These observations tell us that innovations are consistently supported by networks of external and internal actors of the firm. We know that the relations between these actors are important channels for sharing information and for learning and development of new knowledge as part of an innovation process. To cultivate such processes it is also essential to develop specific social and economic incentives to efficiently encourage and govern the process. Put together, these elements give us a systemic view of innovation.

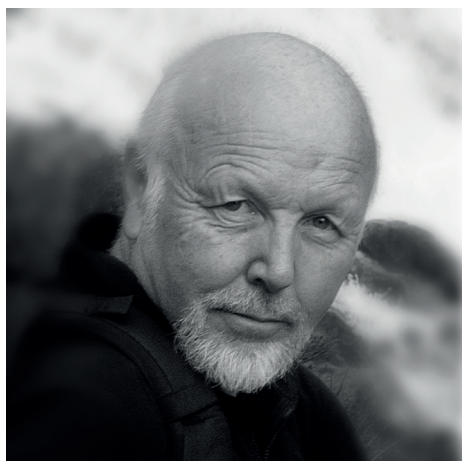
The concept of innovation systems understands innovation as a set of more or less coordinated activities that often include; development of networks and collaboration, coproduction of knowledge and sharing of competence, interaction with users, advancement of new product markets, new social institutions and regulations, formation and alteration of behavioral systems and incentives for innovation, and supporting activities in educational and financial institutions. In sum it views innovation as an evolutionary and interactive learning process, including private as well as public agents. We know quite a lot about the existence

and functioning of innovation systems in the manufacturing and technological sector, but little about innovation systems in services. The intention of WP10 is to contribute to the development of a systemic view of innovation in services. In 2012 we have been working on two projects.

The first project summarizes and explains for non academics, the understanding of innovation systems in general, the particularities of service innovation, and how these influence the formation of innovation systems in different parts of the service industry. This literature review is reported in SNF-rapport nr. 12/12 – “Innovasjonssystemer i servicenæringer. Hva vet vi om disse?”

The second project in progress utilizes a database of CSI partner Argentum including data on portfolio companies backed by Norwegian private equity funds. The intention is to investigate the non-financial contribution of the PE agent in the development of a portfolio company and its innovative behavior. Further, how and if external partners and collaboration take part in learning processes important for the innovative behavior of the firm and the PE agent’s involvement in accessing external knowledge resources.

Written by
Eirik Vatne
Professor NHH



SERVICE DESIGN LEADERSHIP

Shaping service innovations at the intersection of design and strategic management.

Recently Judith Gloppen at the Norwegian Design Council, one of the CSI knowledge partners, was awarded her PhD within the fields of Design Management and Service Design.

The PhD research makes a contribution to the field of Design Management in the intersecting areas of service design and strategic management. The research includes how to better understand how and why service design and design thinking can make a contribution at the front end of an innovation process in service organizations. In particular focus is how service design thinking may add value for future leaders who recognize how a design approach complements their existing approach to innovation and development of future strategies.

Service design is an emerging, multicompetence design specialization, and the design of services may include all design disciplines in order to create services that are perceived as valuable by the user, service provider, and other stakeholders. Service design is human centred, meaning that the needs of the user are placed at the centre of the design process. The design of services requires close cooperation with a number of internal and external stakeholders, multidisciplinary cooperation, and necessitates linkage to business strategies.

Service design includes the design of a system of touchpoints. Design of services requires one to both zoom in on each of these touchpoints during a service journey and to zoom out to see the whole interrelated system from an overall perspective. The process of designing services demands an integrated leadership approach to get the touchpoints and their orchestrating 'right' in order for the service offering to be perceived as a desirable user experience.

Developing innovative and competitive service offerings does not materialize by simply adding design proficiency knowledge to the organizational knowledge; rather, it is the result of a strategically managed process of integrating these diverse knowledge sets.

Given the novelty in using professional design disciplines for developing innovative services and the complexity of the issues involved, this thesis proposes a conceptual framework for service design

leadership focusing on the front end of the service innovation process. On a strategic level, a service design leadership approach involves moving between exploitation and exploration modes in the development process as well as to connect the different internal organizational silos in order to create an overall experience that customers value.

The purpose of the framework for service design leadership illustrated in Figure 1 is to design service innovations by applying theories of creativity at the individual and organizational level, apply design thinking based on T-shaped knowledge and integrative thinking, and utilize knowledge and approaches used by service designers and service providers. The service design leadership approach connects the service development to the established vision and strategy in service organizations. Using design strategically in design of services means making conscious use of designers' methods, skills, and approaches to create service offerings and experiences that customers value, and thereby affecting the competitive position of the organization and its profitability.

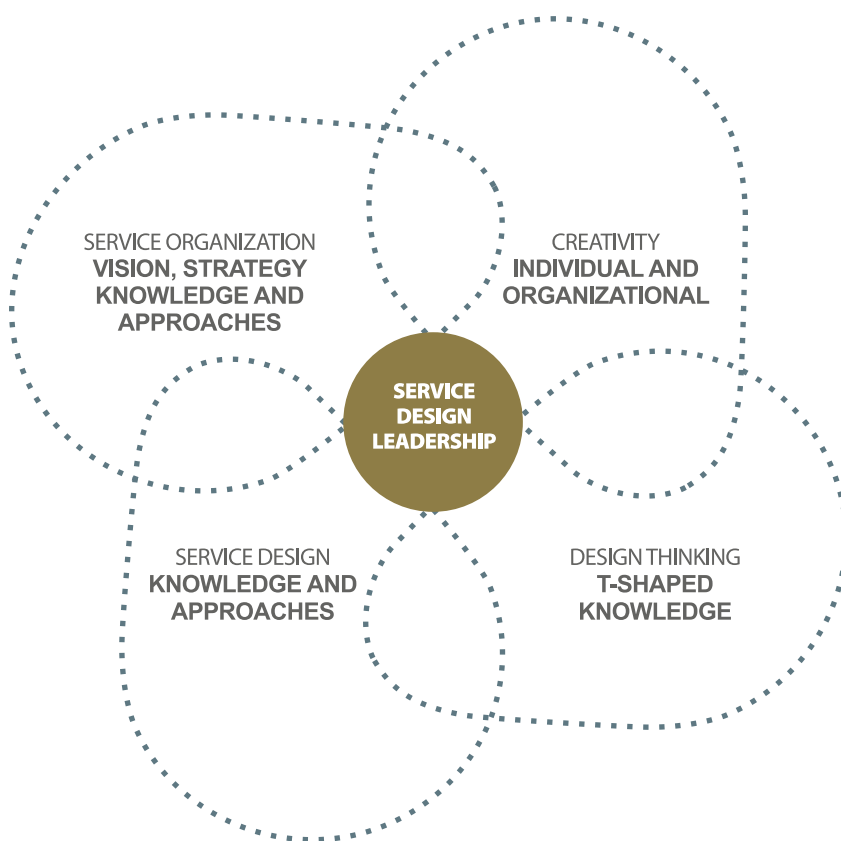


Figure 1. Service Design Leadership.

The framework combines theories, concepts, and perspectives that are interconnected and share some aspects with the others. It is the combination and synthesis of these different knowledge areas that form the basis for a service design leadership approach at the front end of a service innovation process.

Written by

Judith Gløppen

Business Advisor, PhD,

The Norwegian Design Council



Photo | Maria Prestmo

COMMUNICATION



Ingis and Maria at Ingis Design Studio giving the finishing touch to the annual report.

Photo | Marie Storaas

The Center for Service Innovation (CSI) recently launched its new website and new profile with the aim of strengthening its identity as a unifying national center for service innovation.

‘Until the launch of the new profile and new website, CSI was primarily associated with NHH. Efforts to develop a visual identity for the center sprung from a need and the desire to create a CSI identity that partners are better able to identify with and that will also lead to CSI appearing clearly and uniformly,’ says center coordinator Maria Prestmo.

At the same time, the site will become a place where everyone can stay up-to-date on the latest research in the field and increase understanding of the concept of service innovation.

‘We wanted to streamline the dissemination of activities at the center to both partners and the outside world in general to contribute to wider knowledge in this field. To improve communication with the outside world, it was necessary to improve the information and website design,’ says the center coordinator. ‘Students are also an important audience for CSI and information to students and about students is now readily available on the site,’ she continued.

EASILY AVAILABLE

The new site is more dynamic and is built up in a way that content is readily available to the average user.

‘With continuously updated news on the front page, as well as embedded video clips, people can enter and keep up-to-date and also get a better understanding of what the concept of service innovation involves. Instead of long explanations of what it is, it can often be good to read about specific service innovations,’ says Prestmo.

This, combined with easy-to-follow publication and documentation archives, as well as new information pages will help promote the center’s goals.

‘An important part of the work with the website has been to make reporting to the Research Council more efficient. We have therefore also tried to build a small documentation center into the website,’ says Prestmo, and continues:

‘The new website will provide a good basis for further work on communication both internally and externally. It has been a challenge to create a neat and orderly impression on the front page, but I think and hope we have succeeded.’

RECOGNIZABLE

Prestmo has worked closely with a local designer and a programmer in the development. There has also been dialogue with those responsible for NHH's new visual identity, and the CSI profile has several recognizable elements of the new NHH profile and NHH's new building colors.

The feedback so far has been very good, and the partners seem satisfied.

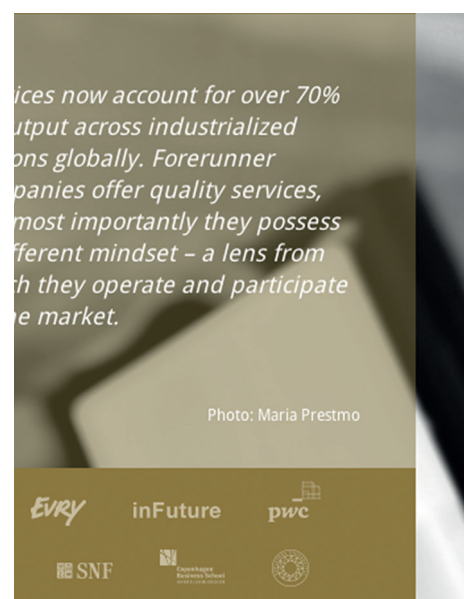
“This is brilliant; a clear and fine information structure. The choice of fonts, colors and images are extraordinarily attractive”

Lise Våland Sund | The Research Council of Norway

“A really good website is dependent on contributions. Good design and structure will make it more attractive to contribute to,”

Harald Krogh | BEKK Management Consulting

This text is based on an interview made by Tobias Wichstrøm Munter | Paraplyen



RECRUITMENT & GENDER EQUALITY

RECRUITMENT

The research in CSI is carried out in cooperation between master students, PhD candidates, post docs and professors. A total of 28 master students have been connected to CSI in 2012, of them 19 from NHH, 2 from UiO (Sintef) and 7 from AHO. In the start-up year 2011, three post docs and two PhD students were recruited to CSI with funding from the Research Council of Norway, two PhD students were recruited with funding from NHH and AHO, and one PhD student was recruited with external funding. In 2012, one PhD student was recruited with funding from NHH.

GENDER EQUALITY

Women represent a majority of employees in many service sectors and in many corporate service activity functions. This is also reflected in the number of research hours in CSI. The number of research hours worked in CSI, including partner research hours, is almost equally distributed between genders. In recruiting post docs and PhD students, CSI has been able to maintain a good gender balance, as two of four post docs, and two of six PhD students are female. One of CSI's spin-off projects has also recruited a female PhD candidate, with start-up in 2012/2013. There is a challenge in managerial positions, as most of the theme leaders and workpackage leaders are males. In 2012, Annita Fjuk was appointed Director of Partner Relationships, and post doc Siv Skar WP leader (WP3). The CSI Board is up for election in 2013, and female representation will be an issue.

DISSEMINATION & NETWORKING

Research dissemination is conducted as a crucial part of CSI's activities. Within the workpackages, CSI organizes networking activities among its partners, with other service industry firms and policy makers.



Photo | Maria Prestmo

A number of workshops with both researchers and business partners were organized in 2012. In 2011, an open event was started at NHH to facilitate exchange of research results. In 2012, the SOL seminar held at the Department of Strategy and Management at NHH also included CSI-seminars where the department researchers as well as CSI research partners and invited guest professors all set focus on Service Innovation in their presentations. In 2012, the CSI management have presented Service Innovation at national conferences, seminars and workshops, including presentations for the Ministry of Trade and Industry (NHD), The Research Council of Norway (RCN), Innovation Norway, the Board and Management at Abelia and the Board at NHH, as well as presentations at The Norwegian Design Council, EVRY and Grow 2012. Presentations given by other CSI researchers and industry partners include Telenor's NFC Conference, Telenor Expo, Posten, Innovation Forum Norway and the Research Council of Norway

(RCN). Research results from CSI were also presented at a number of national and international conferences, including I-ESA, Valencia 2012, The 2012 International Design Management Research Conference in Boston, FIBE XXIX, NHH, Bergen, UK-IRC Early Career Researcher Conference, UoC, Cambridge, DRUID 2012, Copenhagen, The Johan Arndt Conference 2012, Oslo, EMAC, Lisbon, ICORIA, The 11-th International Conference in Research in Advertising, Stockholm, and the Novac Druce Annual Conference on Professional Service Firms, Lüneberg.

In June 2012, the first PhD course on service innovation from CSI was given at NHH with the internationally recognized professors Bo Edvardsson, Steve Vargo, Keld Laursen and Bruce Tether. As in 2011, service innovation was taught at NHH and AHO as separate, specialized service innovation master courses, and at UiO (by Sintef researchers) as part of a master course.

INTERNATIONAL CO-OPERATIONS

TWO INTERNATIONAL INSTITUTIONS PARTICIPATE AS COOPERATING PARTNERS IN CSI:

Karlstad University (KAU) and Copenhagen Business School (CBS). CSI supports CSI-scholars staying at KAU, CBS and other international research partners during their engagement and offer visiting positions to relevant researchers from these partner institutions. In addition, the CSI-scholarship will be used to attract

internationally renowned researchers and to generate public attention to service innovation research. Later, CSI will expand its international networking activities by establishing the CSI Advisory Board consisting of internationally recognized professors and scholars on service innovation.

*How you innovate decides
what you innovate.*

Per Kristensson | Professor CTF, KAU



ATTACHMENT TO THE REPORT

KEY RESEARCHERS

NAME	INSTITUTION	MAIN RESEARCH AREA	GENDER
Helge Thorbjørnsen	NHH	Innovations in customer and brand experiences	M
Herbjørn Nysveen	NHH	Innovations in customer and brand experiences	M
Magne Supphellen	SNF	Innovations in customer and brand experiences	M
Alexander Jacubanecs	SNF	Innovations in customer and brand experiences	M
Simon Clatworthy	AHO	Innovations in customer and brand experiences	M
Judith Gloppen	AHO	Innovations in customer and brand experiences	F
Amela Karahasanovic	SINTEF	Innovations in customer and brand experiences	F
Asbjørn Følstad	SINTEF	Innovations in customer and brand experiences	M
Kirsten Foss	NHH	Co-creation and open innovation process	F
Per Egil Pedersen	NHH	Co-creation and open innovation process	M
Katja Hydle	SINTEF	Co-creation and open innovation process	F
Karl Joachim Breunig	SINTEF	Co-creation and open innovation process	M
Marika Lüders	SINTEF	Co-creation and open innovation process	F
Arne-Jørgen Berre	SINTEF	Co-creation and open innovation process	M
Nicolai J Foss	NHH	Business model innovation	M
Lars Jacob Tynes Pedersen	NHH	Business model innovation	M
Eirik Vatne	NHH	Infrastructure and structural innovations	M
Jon Iden	NHH	Foresight/insight project	M
Tor Fredriksen	NHH	Foresight/insight project	M

ADJUNCT PROFESSORS

NAME	AFFILIATION	NATIONALITY	GENDER	DURATION	TOPIC
Keld Laursen	CBS Professor II NHH	Danish	M	01.09.11-30.08.13	Co-creation and innovation process
Per Kristensson	CTF Karlstad Professor II NHH	Swedish	M	01.11.11-31.10.13	Innovations in customer and brand experiences
Bo Edvardsson	CTF Karlstad Professor II NHH	Swedish	M	01.09.11-30.08.13	Innovations in customer and brand experiences

POSTDOCTORAL RESEARCHERS

with financial support from RCN and NHH

NAME	INSTITUTION	PERIOD	GENDER	TOPIC
Siv Skard	NHH	01.07.11-30.06.15	F	Innovations in customer and brand experiences
Tor Helge Aas	NHH	01.11.11-31.10.14	M	Co-creation and open innovation process
Tina Saebi	NHH	01.01.12-31.12.14	F	Business model innovation

POSTDOCTORAL RESEARCHERS

working on projects in the centre with financial support from NHH

NAME	INSTITUTION	PERIOD	GENDER	TOPIC
Lars Jacob Tynes Pedersen	NHH	01.11.09-31.12.12	M	Business model innovation

PHD STUDENTS

with financial support from RCN

NAME	INSTITUTION	PERIOD	GENDER	TOPIC
Seidali Kurtmollaiev	NHH	01.10.11-30.09.14	M	Co-creation and open innovation process
Mauricy Filho	AHO	01.09.11-31.08.14	M	Innovations in customer and brand experiences

PHD STUDENTS

working on projects in the center with financial support from NHH and partners

NAME	INSTITUTION	PERIOD	GENDER	TOPIC
Birgit Solem	HiVe/NHH	01.08.11-31.07.14	F	Innovations in customer and brand experiences
Touhid Houssain	NHH	01.08.11-31.07.14	M	Innovations in customer and brand experiences
Ted Matthews	AHO	01.09.11-31.08.15	M	Innovations in customer and brand experiences
Jie Zhang	NHH	15.08.12-14.08.16	F	Innovations in customer and brand experiences

MASTER STUDENTS

NAME	GENDER	TOPIC
Alice Margrethe Norlie	F	Design Thinking
Anette Nordvik	F	Design Thinking
Sara Marie Eilertsen	F	Eksperimenter i tjenesteinnovasjon
Eirik Bø Bakke	M	Effects of App-service on brand loyalty for TV 2 Sumo
Tor-Erik Røynesdal	M	Hva kjennetegner prosjekter som lanserer sine tjenester for tidlig eller for sent?
Alexander Gustafsson	M	Hva kjennetegner prosjekter som lanserer sine tjenester for tidlig eller for sent?
Mari Lindahl Kårhus	F	Using sponsorship to create brand experiences
Andreas Dale	M	Using sponsorship to create brand experiences
Dennis Heltne Hou	M	CSR as source to innovations in brand and customer experiences
Astri Fotland	F	Adopsjon av rfid tjenester
Michael Johansen	M	How does customer engagement on Facebook impact brand experience
Andre Pereira	M	FC mobile betalingstjenester
Andreas Hennie	M	Entreprenørskap
Stina Nysæther	F	Entreprenørskap

MASTER STUDENTS

NAME	GENDER	TOPIC
Michael Hellerslien	M	Åpen innovasjon
Iva Germanova	F	Greening the supply chain
Eivind Berglund	M	CSR-relaterte KPler i finanstjenestesektoren
Sigrid Berglund	F	CSR-relaterte KPler i finanstjenestesektoren
Benjamin Brue	M	Social Value Creation in Business Models of Social Entrepreneurship: A case study of two B1G1 organizations
Manuela Aguirre	F	Designing for dignity in a sexual violence response system
Jan Kristian Strømsnes	M	Designing for dignity in a sexual violence response system
Kaipei Feng	F	AUDI (confidential project)
Anne-Lene Hårstad	F	Min Medisin
Rebecca Riordan Larsen	F	Designing an e-book experience
Ulrikke Pedersen	F	Designing an e-book experience
Christian von Hanno	M	Nordic Choice Hotels, for alle
Wenbo Sun	M	Design and Implementation of Customer Journey Mapping with Model-Driven Engineering Technology
Anna Dahl	F	Agile/UX Integration: how user experience-related practices and processes are integrated with Agile development processes in real-world projects

PUBLICATIONS 2012

JOURNAL PUBLICATIONS

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Nysveen, H., Pedersen, P. E. and Skard, S. (forthcoming): Brand Experiences in Service Organizations: Looking into the Individual Effects of Brand Experience Dimensions, Accepted for publication in *Journal of Brand Management*.

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Berre, A.J. (2012): An Agile Model-based Framework for Service Innovation for the Future Internet, in Grossniklaus, M. & Wimmer, M. (eds): ICWE 2012 International Workshops. MDWE Berlin, Germany. July 2012. Springer.

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Aas, T. H. (2012): Open Service Innovation in Experimental Tourism Firms: An Explorative Study, in Huizingh, K.R.E., Conn, S. Torkkeli, M. & Bitran, I.: Proceedings of the 5th ISPIIM Innovation Symposium, Seoul, Korea, 9-12 December.

STATEMENT OF ACCOUNTS 2012

FUNDING	2012
The Research Council of Norway	8 748 000
NHH	3 143 980
SINTEF, AHO	3 141 607
BEKK Consulting, Posten Norge, DNB, Virke, Induct Software, Storebrand ASA, Telenor, PwC, InFuture, EVRY, Tryg, Abelia	7 199 250
Argentum, The Norwegian Design Council	169 111
SUM	22 401 948

COSTS	
NHH	8 901 942
SINTEF, AHO	6 131 645
BEKK Consulting, Posten Norge, DNB, Virke, Induct Software, Storebrand ASA, Telenor, PwC, InFuture, EVRY, Tryg, Abelia	7 199 250
Argentum, The Norwegian Design Council Equipment	169 111 0
SUM	22 401 948

 **INNOVATE OR DIE!**
