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**Service Innovation Triangle:
the building blocks
for innovation**

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& Dr Richard Cuthbertson

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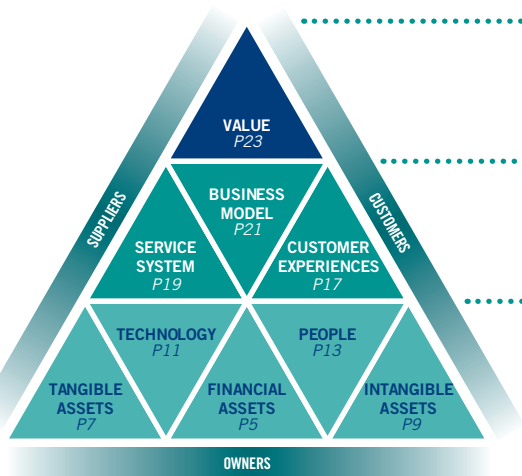
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**Service Innovation Triangle:
the building blocks
for innovation**

Dr Peder Inge Furseth
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Service Innovation Triangle (SIT)



SIT METHODOLOGY P25:

Innovation can start anywhere:
3 actors, 3 layers, 9 elements

VALUE:
innovation outcomes
P23

WILL YOUR COMPANY CREATE
ENOUGH VALUE FOR STAKEHOLDERS
IN THE FUTURE?

MANAGEMENT:
innovation ability
P15

DOES YOUR COMPANY HAVE
ENOUGH INNOVATION ABILITY?

RESOURCES:
innovation capacity
P3

DOES YOUR COMPANY HAVE
ENOUGH INNOVATION CAPACITY?

SIT CHECKLIST P27:

1. Identify the elements of SIT where you need to focus your innovation management.
2. Consider the likely impact on the other elements of SIT.

Service Innovation Triangle



The outcome of any innovation is dependent on the value created, for all involved: the firm, the firm's customers, and the firm's suppliers.

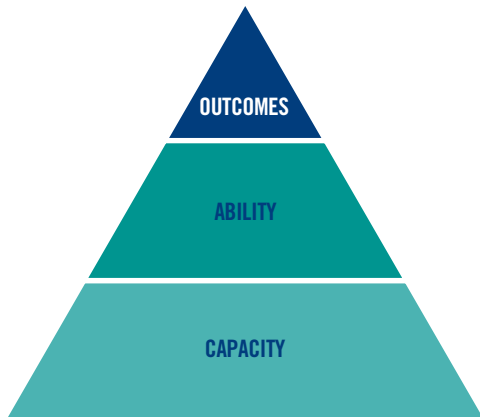
Any sustainable innovation should create value for all these parties over the long term.

However, this value is only realized if the firm has the ability to deliver the required service in the appropriate way at an acceptable price for all the parties concerned: firm, customers, and suppliers.

Moreover, this ability is only relevant if the firm has a sufficient capacity of resources to succeed.

Thus, any service innovation comprises of three simple levels, driven by the value created:

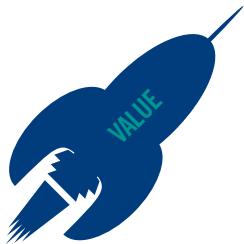
1



- Innovation capacity: the potential for innovation
- Innovation ability: the practice of innovation
- Innovation outcomes: the result of innovation

2

Innovation capacity

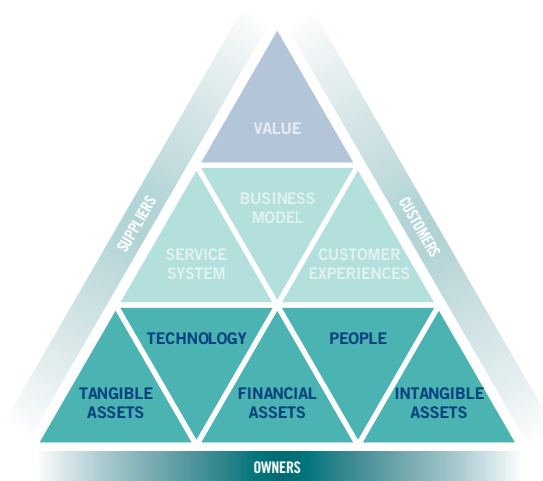


To deliver the relevant value, an organization must have the resources necessary for successful innovation in the form of tangible, financial and intangible assets, as well as people and technology.

Within innovation capacity lies the foundations of service innovation success, and hence these are positioned at the base of the SIT model.

These financial, tangible and intangible assets are difficult to change in the short-term, while people and technology may provide more flexible resources, being capable of changing more easily.

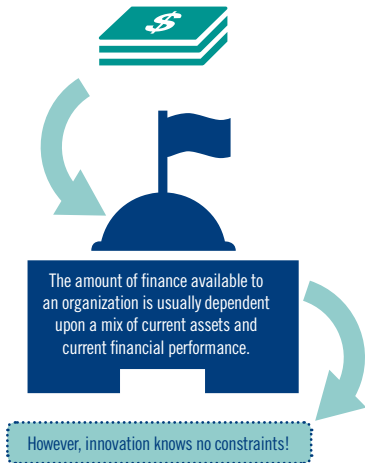
It is worth noting that larger assets, while providing greater potential for innovation and hence greater innovation capacity do not equate to greater innovation ability. For example, the small, local organization is often more able to innovate than the large multi-national.



Innovation capacity

Financial assets

Financial assets include all forms of cash and credit.



Innovative ideas and practices attract the availability of finance. This is the basis of entrepreneurial start-up companies.

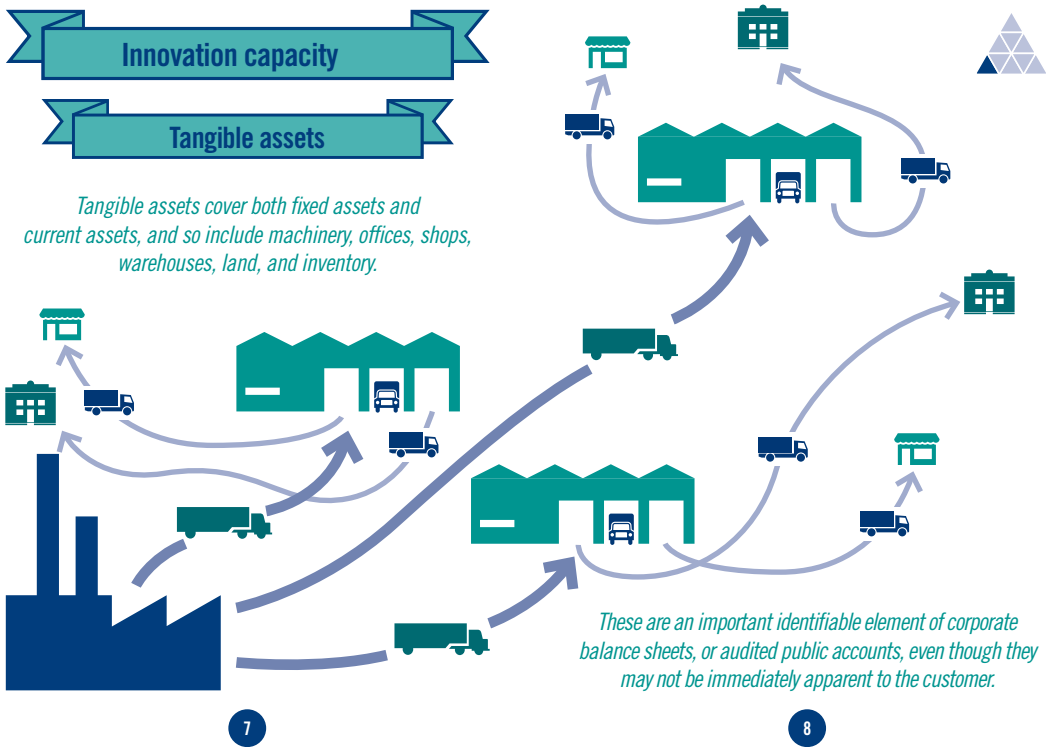
Hence, successful innovation is not usually thwarted by a lack of cash.

Indeed, a lack of cash can be a generator of innovation rather than an inhibitor by encouraging people to think about doing things in different ways using the same resources.

Innovation capacity

Tangible assets

Tangible assets cover both fixed assets and current assets, and so include machinery, offices, shops, warehouses, land, and inventory.



These are an important identifiable element of corporate balance sheets, or audited public accounts, even though they may not be immediately apparent to the customer.


Innovation capacity

Intangible assets

Intangible assets cover a wide variety of difficult to value assets, such as patents, trademarks, copyrights, goodwill and brand recognition, as well as potentially including customer contact details, and even unique process design within the firm.



The only protection for a service company is to keep on moving, to embed innovation as an integral part of the management process.



It is important to note that in service environments, there is often a lack of Intellectual Property Rights, which are the mainstay of the manufacturing firm.



BRAND


Like all assets, brand may enable and constrain innovation capacity. Brand assets may enable innovation capacity by providing trust, and therefore a willingness for the customer to experiment with new services with the knowledge that the brand is behind them. On the other hand, brand assets may constrain innovation capacity through the limits of brand stretch. For example, would a discount retail company be trusted to provide high quality legal services?



Innovation capacity



Technology



Technology includes the automation, information systems and data of the firm. Technology enables the management of quality and performance, as well as providing a mechanism for service delivery.



Innovation capacity

People



People are a hugely important resource in any firm but their contribution to innovation capacity may vary enormously.

Though generally more flexible than technology, there are still aspects of people that are more difficult to change.

INNOVATION



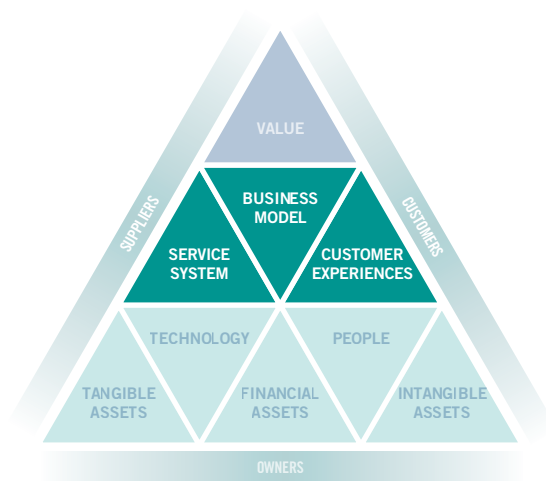
Some people are great enablers of innovation, while others may be more constraining. This variety of contribution not only reflects individual personalities but also reflects roles and responsibilities within the organization. For example, the role of the quality control clerk is focused on consistency rather than change.



Innovation ability

Management require the ability to deliver services through relevant customer experiences delivered by the relevant service system, united by a relevant business model.

These elements lie at the very heart of the SIT model, and reflect the differences between sustainable innovative management and poor management.



The ability layer consists of customer experiences, service system and the business model

Innovation ability

Customer Experiences

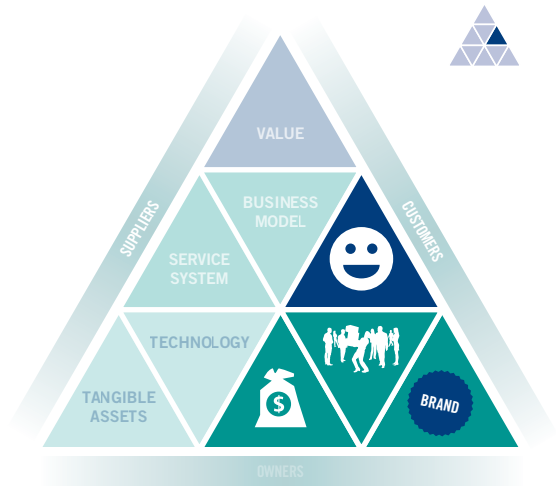


Successful innovation depends upon the ability to provide added value through a relevant customer experience.

A customer experience represents all of the outcomes necessary for customers to “feel” the desired effects of innovation.

The focus is on the development of the branded experience to build current and future demand.

However, in mass markets, different customer segments will have different requirements, expectations and desires.



Thus, potential customer experiences need to be plural to accommodate such differences and so tend to be built around the innovation capabilities of people, finance and intangible assets, forming an innovation demand sub-triangle. However, this still requires the right mix of technology and tangible assets to support this activity.

Innovation ability

Service system

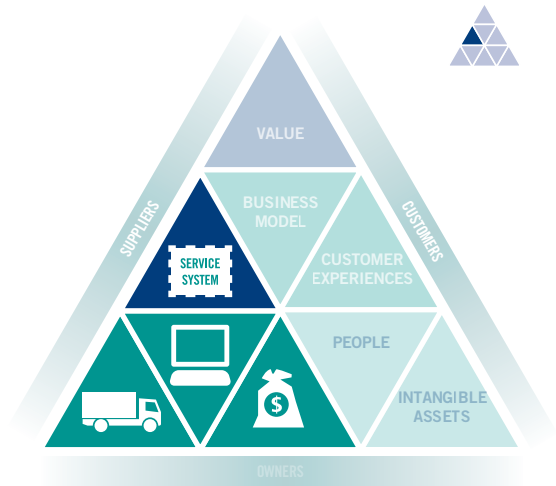


The service system represents all the activities necessary to deliver an innovation.

This will typically include existing as well as new activities.

The initial focus of the service system is in making sure that the innovation is delivered as expected.

Over time, the management of the service system will tend towards a focus on productivity, cost and consistency.



Thus, the service system tends to be built around the innovation capabilities of technology, tangible and financial assets, forming an innovation supply sub-triangle. However, this still requires the right mix of people and intangible assets to be successful.

Innovation ability

Business model

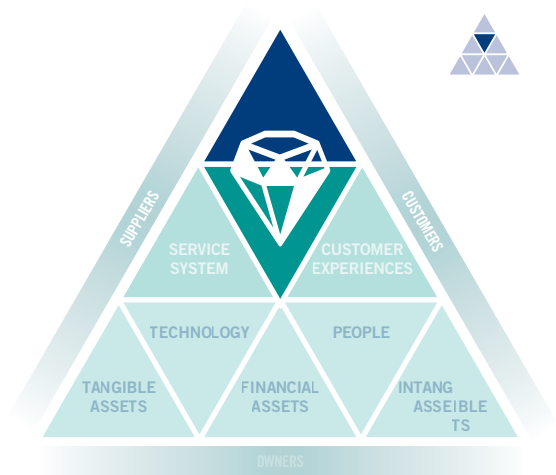


Ultimately, value is wholly dependent upon the perspective of each actor involved.

Suppliers may value entry into new markets, the service firm may value revenue generation, one customer may value the speed of service, and another customer may value the minimal environmental impact of the service.

So, a wide range of potentially disconnected values may exist.

It is the business model that attempts to align these potentially disparate values to create the overall value proposition.



The business model provides the exchange framework for all parties to give and receive value in all its forms, whether it is economic value, social value, or any other form of value that is important to any of the parties involved: a customer, the firm, a supplier, or any other stakeholder.

This can be described as the value diamond within the Service Innovation Triangle, combining value with the business model.

Value: innovation outcomes

The value of any innovation lies in the value driven by the service firm and created for all involved: the firm, the firm's customers, and the firm's suppliers.

This value is the result of all the other activities and hence is situated **at the top** of the SIT model.

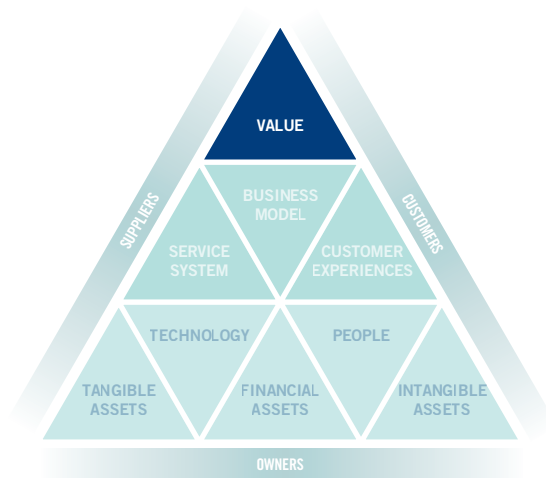
Value creation is the ultimate goal of the firm, but sustainable value creation requires that value is created for everyone involved: the customer, the service provider, the supplier, all the stakeholders.

The customer tends to be the initial focal point for driving value, but everyone needs to gain over the long term for the interrelationships to be sustainable.

The same model can be used in the commercial and public sectors.

Value is a complex issue. However, it is important to note that even in considering solely economic value in a private sector organisation, values may still vary. For some organisations the value is in market share, for other organisations the value is in profit, for others turnover is the key metric and so on.

The successful service firm delivers the relevant value.



SIT methodology

Positioning the firm

- What is the value created by your firm?
 - What are your plausible futures?

Designing the future

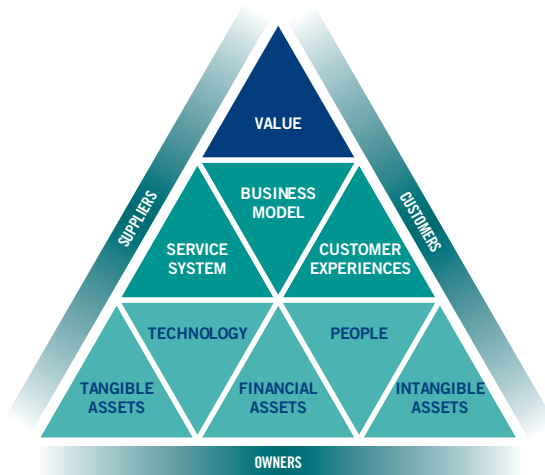
- Who are your future customers?
- What future customer experiences do you want to provide?
 - How can you provide the necessary service operations?
 - How can you ensure the new business model creates value for all parties?

Planning the changes

- Do you have the financial assets to fund the new service?
- Do you have the tangible assets to support the new service?
 - Have you developed the technology to deliver the new service?
- Have you developed the people to deliver the new service?
 - Have you created the intangible resources to protect the new service?

Making the changes

- Test and revise
- Decide and review
- Scale and revive



SIT checklist

Value

What in our value proposition makes our company stand out?

How may an increase in services create more value for our customers, our firm, and suppliers?

How may we create a new or improved value proposition?



Customer experiences

How may we serve our customers better to reach our value proposition?

To what extent are our customers satisfied and loyal?

To what extent do we involve customers in the development of our services?

Do we make relevant prototypes or representations of our customer experiences?



Service system

To what extent does our company have systems that support our customer experiences?

How can our service system deliver better customer experiences?

What social networks are useful in understanding how to improve our customer experiences?



Business model

How well do our employees understand the business model of the firm?

How can our firm create, capture, and deliver more value to our customers, our firm and suppliers?

What are the commercial implications of improving customer experiences?



Technology

Do we have the right technology in place to improve our service system?

Do we have the right technology in place to improve our customer experiences?

How integrated is our strategy across digital and physical channels?



People

Do we have the right individuals to improve our customer experiences?

How many people are involved in developing new services?

How relevant is the competence of our employees in delivering better customer experiences?



Financial assets

Can we afford to create the customer experiences that we aim to deliver?

How much of our financial resources are spent on innovation?

What service innovations might create the greatest value?



Tangible assets

Does our company have sufficient physical resources to deliver more value to our customers, our firm and suppliers?

Do we have the right physical and online channels for valued communications and transactions with our customers and suppliers?

How important is it to increase the tangible assets to create more value?



Intangible assets

Do we have the right intangible assets to support our customer experiences?

Does our firm deliver on our brand promises?

Does our firm have a relevant system for capturing ideas from customers, employees, and suppliers?



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www.bi.edu/serviceinnovation