

# Exploring the Roles of Front-Line Employees in the Service Innovation Process: A Service-Dominant Logic Perspective

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## Introduction

Strategic management literature (Teece, 2007; Zhou & Li, 2012) emphasises the importance of knowledge resources for maximising innovation performance and for gaining competitive advantage in the ever-changing business environment. Customer sovereignty (Grönroos, 2007) puts pressure on firms to constantly renew and improve their ways to create customer value. Regardless if firms' focus lies with technological advancements and patents, or with the creation of new customer service experiences, they are aiming to create something different from what the customers have encountered before.

Skåln et al. (2015) state that there has been a shift in the way scientists and practitioners observe economic exchange and the business environment. The traditional view focusing on the firm and transactions of manufactured outputs, have been challenged by a view emphasising firm-customer relationships and the creation of customer value (Lusch & Vargo, 2014). Researchers (Kindström et al., 2013; Santos-Vijande et al., 2015) argue that this shift of focus is necessary for firms to remain competitive. Researchers (Grönroos, 2007; Lusch & Vargo, 2014) underscore the important role of front-line employees (FLEs) for establishing and sustaining firm-customer relationships. FLEs are considered to be the faces of their firms (Ordanini & Parasuraman, 2011), as well as holders of knowledge about customers, products and practices associated to the service encounter (Karlsson & Skåln, 2015).

The importance of customer participation in the innovation process is stressed within both traditional goods-based innovation literature (Chatterji & Fabrizio, 2014) and in service innovation (SI) research (Witell et al, 2015). Although the FLE is known to be the link enabling the firm-customer relationship (Grönroos, 2007; Lush & Vargo, 2014), and important for new strategy development (Baumann & Stieglits, 2014), there is a lack of research about their contributions to the innovation process. FLEs co-creation in all stages of the innovation SI process has been shown to have a positive impact on innovation performance (Santos-Vijande et al., 2015). Studies (Karlsson & Skåln, 2015; Ordanini & Parasuraman, 2011) on this under-researched topic focuses on how and with what FLEs can contribute to SI. So far, no attention has been paid to the strategic roles FLEs can be assigned to play out in the SI process, and why. The aim of the current review is to fill this gap by identifying FLE roles for SI and how these roles can be traced back to institutional logics and perceptions about SI as a concept. A service-dominant logic (SDL) lens is used to understand the different directions within the SI literature as well as how these research streams could explain FLE roles in the SI process. The research questions are:

- What roles can front-line employees play in the service innovation process?
- How can the service-dominant logic and different perspectives within the service innovation research, explain the assignation of these roles?

By overviewing the existing literature concerning FLE contributions to SI, three key streams in the research were identified. FLEs are seen as facilitators that provide important information about customers to their innovating firm, creative idea generators or co-creators of SI. The current review will conclude with presenting a conceptual framework explained by a proposed, but not empirically tested, model.

### **The Goods-Dominant and Service-Dominant Logic**

Lusch and Vargo (2014) suggest that the business environment can be understood in different ways, and that there are two institutional logics suggesting how to make sense of our world economy: a goods-dominant logic (GDL) and a service-dominant logic (SDL). According to Skålén et al. (2015), the GDL considers the customer value to be embedded in manufactured outputs made out of tangible resources. Firms create value offerings, based on market research identifying customers' needs, and deliver these to the customers (Skålén et al., 2015). The GDL focus on goods and view the firm as central to economic exchange (Lusch & Vargo (2014). In contrast to the GDL, and its clear manufacturing focus, the SDL addresses the intangible and heterogeneous nature of services, that encompass both manufacturing and service facets of a customer value proposition (Skålén et al., 2015).

The service-dominant logic (SDL) emphasises service as the "central mechanism of any economic exchange" (Ordanini & Parasuraman, 2011, p. 4) and offers a view on resource integration that differs from the GDL. The SDL also challenges the assumption that service can be delivered to the customer (Skålén et al., 2015). Vargo and Lusch (2014, p. 12) define service as "the application of competences (knowledge and skills) for the benefit of another entity or the entity itself", which implies that one actor does something for another with the purpose of providing them with some kind of value. Grönroos (2007) suggests that a service is a value-creating process aimed to solve a customer problem. The service process can consist of one or more activities and feature both tangible and intangible elements.

Furthermore, Grönroos (2007) puts emphasis on the customer as a co-producer of service and that the production and consumption of service is, at least to some extent, conducted simultaneously.

Skålén et al. (2015) suggest that the SDL characterise value as being co-created and evaluated by the actors participating in the service process, as well as the outcome of interactive activities utilising integrated tangible and intangible resources. Furthermore, they argue that firms create value propositions and offer them to their customers, who decide whether to approve of the offer and enable the co-creation of value. Thus there are three fundamental differences between the GDL and the SDL (see Table 1) (Skålén et al., 2015). First, the two logics have promoted different views on service as a concept. Second, the SDL conclude that a service cannot be delivered

(Skålén et al., 2015) because it is not fully produced until the customer participates in the co-creative service encounter (Grönroos, 2007). From a SDL view, the value is embedded in the process of creating the service, which differs from the GDL where the value is embedded in a tangible output, produced and delivered to the customer by the firm (Lusch & Vargo, 2014). Third, the GDL and SDL have different views on resources supporting the value offering/proposition. Skålén et al. (2015) suggest that a GDL value offering is built on the integration of tangible resources, while the SDL value proposition integrate intangible and tangible resources.

**Table 1. The Goods-Dominant and Service-Dominant Logic**

	Goods-dominant logic	Service-dominant logic
View on service	Intangible goods	Value creating process
Value creation	Created by the firm	Co-created
Resources	Tangible & Intangible	Integrated

## Service Innovation

Researchers approach to the concept of SI is likely to be influenced by the institutional logic (GDL or SDL) they agree with. The shift from a generally accepted GDL to the contrasting SDL (Skålén et al., 2015) can be seen in the SI literature as well, where there have been some major changes during the past decades (Witell et al., 2015). The traditional goods-based innovation focuses majorly on technological innovations of products and production processes, and is driven by R&D investment and patents (Ordanini & Parasuraman, 2011). One perspective on SI, referred to in the literature as the assimilation perspective, suggests that services can be explained by the same theories and instruments used to study goods-based innovation (Witell et al., 2015). However, service management and marketing researchers (Lusch & Vargo, 2014; Ordanini & Parasuraman, 2011; Skålén et al. 2015) generally agrees upon, that the traditional approach has some major shortcomings in the application on services (Ordanini & Parasuraman, 2011).

Some of the researchers abandoned the assimilation perspective by shifting the focus from products, production processes and the value creation for the firm, to services, intangibility and customer value co-created by firms and customers (Witell et al, 2015). The demarcation perspective highlights the special characteristics of services that make them fundamentally different from products (Ordanini & Parasuraman, 2011), and are concerned with the development of services or offerings that meet the customer needs in a new way (Witell et al., 2015). New concepts and theories were developed to study SI with regard to the intangible and heterogeneous nature of services. However, the demarcation perspective and the frameworks within that field are not applicable to both products and services (Ordanini & Parasuraman, 2011; Skålén et al., 2015), which led to the development of the synthesis perspective (Witell et al., 2015).

As stated by Witell et al. (2015), the synthesis perspective offers a solution-based view on SI that integrates tangible and intangible resources rather than distinguish between them. This perspective emphasises the co-creation of customer value (Witell et al., 2015) and that SI means the creation of new value propositions (Skålén et al., 2015). Skålén et al. (2015,

p. 137) define SI as “the creation of new value propositions by means of developing existing or creating new practices and resources in new ways, or by means of integrating practices and resources in new ways”. This implies that SI is perceived to concern the firms’ side of the service encounter and the shaping of new proposals for how to co-create customer value.

Ordanini and Parasuraman (2011) suggest that both the assimilation and demarcation perspectives are rooted in a GBL because of the differentiation between tangible and intangible resources, and the firm centricity. Furthermore it is argued that the synthesis perspective is based on the SDL (Ordanini & Parasuraman, 2011). Researchers (Ordanini & Parasuraman, 2011; Skålén et al., 2015) emphasises a SDL and the synthesis perspective as the most appropriate approach to use when studying SI. However, research by Witell et al. (2015) show that the three perspectives are all still regularly used in the SI literature.

## **The Roles of Front-Line Employees**

The SI process can be defined as structured, totally unsystematic or something in between (Skålén et al. 2015). However there are four phases that are gone through, no matter if it is linear or not, and these are: knowledge sourcing, idea generation, SI development and implementation (Karlsson & Skålén, 2015). Researchers (Ordanini & Parasuraman, 2011, Karlsson & Skålén, 2015) agree on the importance of FLEs for SI. Karlsson and Skålén (2015) argue that FLEs acquire knowledge and expertise within the service encounter, not only about customers, but also about products, processes and procedures related to the service encounter. Therefore the FLEs can be considered an important source of the type of knowledge needed to innovate service.

Regardless if a service is defined as entirely or partly intangible, researchers (Grönroos, 2007; Lusch & Vargo, 2014; Skålén et al. 2015) agree that the service is co-created and impossible to separate from the service encounter. Hence, the actual implementation of a SI has to be conducted by the front-line employee. Both the knowledge sourcing and the implementation of the new SI are conducted within, and impossible to separate from, the service encounter. Hence, the FLE are bound to take part in these two facets of the SI process. The FLE participation in the idea creation and innovation development phases, however, is not determined by the nature of service (see figure 1).

Karlsson and Skålén (2015) argue that FLEs have the ability to contribute to SI throughout the whole process and with both knowledge and ideas. Hence, it is not a question about whether FLEs are capable to contribute in the SI process, but rather a question about what roles they are given and how these roles can be traced back to the intuitional logics and SI perspectives. Looking to the relationship between the front-line employee and the firm in this process, different FLE roles have been identified by analysing the FLE participation in the idea generation and SI development phases. Researchers tend to describe FLEs as facilitators, idea generators or co-creators.

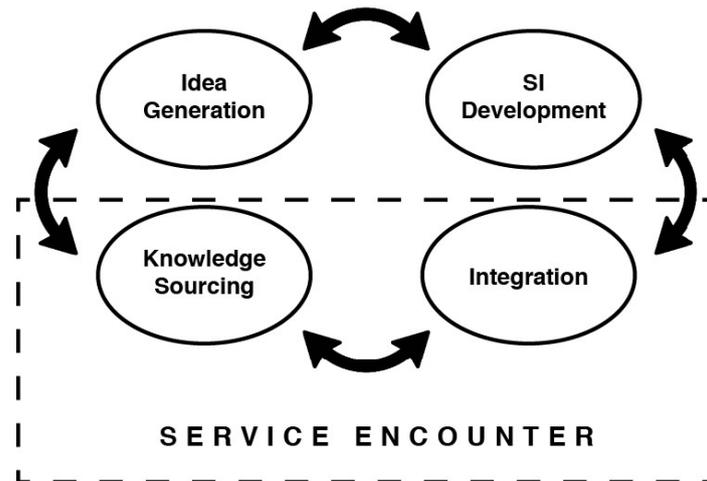


Figure 1. The Service Innovation Process

### Front-Line Employees as Facilitators

FLEs in the role of facilitators mediate important insights about the customer to the firm, which use that knowledge to generate ideas and develop them into new SIs. These innovations are implemented by the FLE, which makes them facilitators of knowledge as well as of the new service/value proposition. The focus is on the important source of knowledge that FLEs are. Melton and Hartline (2015, p. 113) describe FLEs as "important to SI due to their roles in capturing and integrating information from the external environment, a benefit that ultimately improves the marketability of the new service" Ordanini and Parasuraman (2011, p. 7) highlights FLEs as important knowledge interfaces, which they describe as a function that "facilitates the transference of knowledge within and among organisations". The FLEs are portrayed as effective tools for transferring knowledge about customers to the firm and that the knowledge are crucial for creating new service that are aligned with customer needs.

### Front-Line Employees as Idea Generators

In the role as idea generators, the front-line employees come up with ideas by drawing on their own knowledge about customers, products and practice. The firm capture these ideas and develop them ideas into new service/value propositions that the FLEs implement. This view can be identified in the literature by the emphasis on FLEs being creative resources for the firm. In their paper, Axtell et al. (2000) puts an emphasis on FLEs as participating in the SI process by suggesting ideas and implementing ideas. Lages and Piercy (2012, pp. 215–230) argue that "The link between frontline employee generation of ideas and successful innovation is exemplified in several service businesses. Increasingly, companies embark on new service development programs using service delivery teams to contribute new ideas". Engen and Magnusson (2012, p. 303) share these views and portray the FLE as creative firm assets by stating that: "as individual creativity provides the foundation for organizational creativity and innovation, employees represent a valuable asset for the firm". This implies that FLEs are assets rather than just holders

of knowledge resources. However, there is a distinction between FLE creativity and organisational innovation, which puts the firm in a superior position in the innovation process. The FLEs are assigned the role as idea generators but not as participators in the idea development, and their ideas and creativity is seen as a resource that is acquired and shaped by the firm.

### **Front-Line Employees as Co-Creators**

FLEs can act like co-creators and take part throughout the whole SI process. By using their knowledge obtained from the service encounter, they generate and further develop ideas in the interaction with the firm. Researchers using the term co-creation and highlighting the FLE as an important participator in the innovation process tend to promote this role. Sundbo et al. (2015, p. 269) argue that: "employees must be involved in the idea and the development phase". In line with this, Karlsson and Skålen (2015, p. 1359) argue that it allows the FLEs to "contribute to re-integrate existing links between resources, building up value propositions; to add new resources to the existing value propositions; to add new resources to the existing value propositions; and to come up with completely new value propositions". This view gives the FLEs an important and influencing role throughout the whole SI process. The focus is not on how FLEs enable SI but on how they innovate together with the firm. The FLEs are seen as entrepreneurs with expert knowledge, exclusively held by them, that they contribute with to an interactive co-creation of new value propositions together with the firm.

### **Discussion**

It is likely that firms' perceptions of the service concept and SI is reflected in what roles the FLEs are given in the SI process. The GDL and the SDL are two ends of a spectrum of how to view the business environment. The more a firm tend to view their service organisation from a GDL perspective, the more it focuses on the firms' capability to innovate based on knowledge resources held by different actors. It seems likely that the more a firm believes in traditional innovation strategies and a GDL, the less influence they will give the FLEs.

FLEs have not yet received much attention in the SI literature. Generally, researchers acknowledging the FLEs in a SI context, conform to a SDL and views FLEs as co-creators. The reason for this could be that researchers emphasising the importance of FLEs tend to do that because they agree with the SDL. The assimilation approach does not recognise the co-creative nature of the service encounter, and does not give the FLE any specific attention in the innovation context. Contrary to this, the demarcation approach acknowledges the specific characteristics of service and imposes a facilitator role for FLEs, because of their role in the service encounter. Therefore, researchers with a GDL view often take a demarcation approach to SI, and assign FLEs the role as facilitators. This is likely to be grounded in a more traditional hierarchal and firm-centric view, where the firm collect resources and integrate them into a value offering. The FLEs are seen more as important contributors than as participators, and the emphasis is on the innovating firm.

The idea generator role is not as common in the research, which is likely to have to do with that the role is not fully conforming to either a GDL or a SDL, which researchers often do. However, researchers claiming to assume a SDL can show tendencies of a demarcation perspective by not recognising the FLEs throughout the whole SI process. It seems reasonable to believe that the idea generator role is more common among practitioners, since they do not always put consideration into institutional logics and their view on service and SI. This can lead to an in-between approach acknowledging the importance of FLEs for SI without seeing them as fully equal to the firm and as co-innovators. Also, firms with the intentions to give FLEs a fully participating role can fail to implement the processes and practices necessary to enable it.

The role as co-creator fully acknowledges the subjective nature of the service encounter as well as the contextual aspect of the FLEs' customer knowledge. It implies that the FLE is seen as experts on the customer relationship and the service encounter and as innovators on equal terms with the firm, which contributes with the expert knowledge that it holds. The SI process is about cooperation and integration of expert knowledge, which is aligned with a synthesis perspective on SI and a SDL. Based on the analysis of previous literature, a model is proposed but not tested (see Model 1).

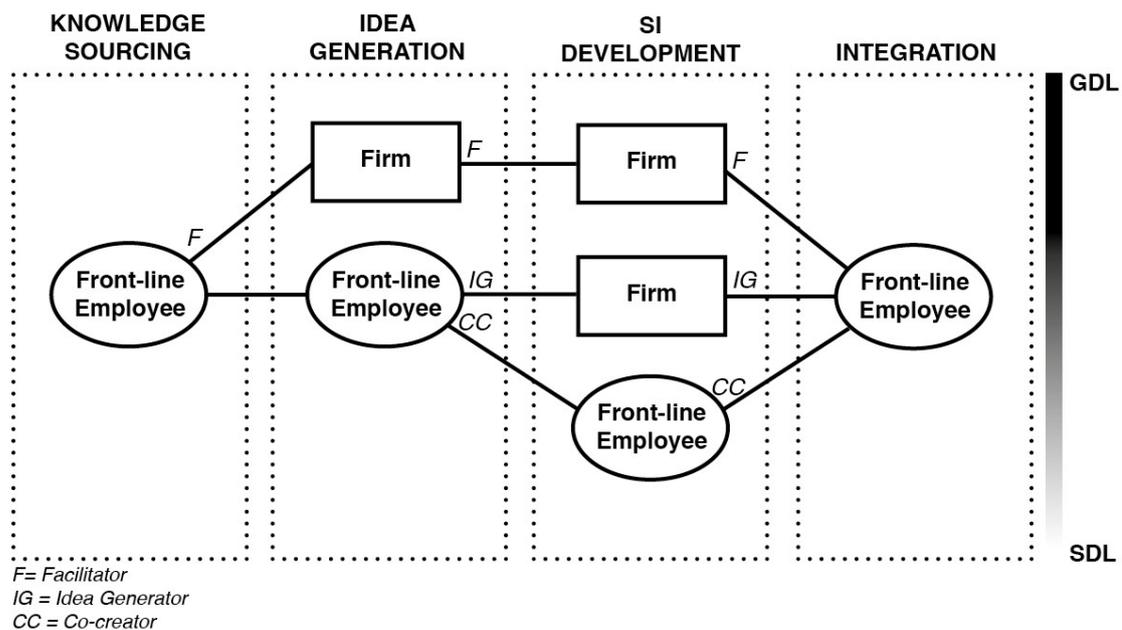


Figure 2: The Roles of the Front-Line Employee for Service Innovation

### Conclusion

The strategic management research is concerned with firms' ability to reconfigure resources, with a current interest in the knowledge-based view of the firm and knowledge resources. The FLEs are known to hold crucial knowledge about not only customers and their needs, but also about products and procedures related to the service encounter. If firms' main goal is to create new value propositions aimed to establish and/or sustain a competitive advantage, the focus should be on the customers' value creation, since it

determines firm success. Yet, only little attention is paid to FLEs in the strategic innovation management literature.

This review contributes with a conceptual framework focusing on the roles FLEs can play in the SI process, and suggest how these assigned roles can be related to perceptions about service and SI. FLEs can play the role of a facilitator, idea generator or a co-creator. The facilitator role can be tied back to a GDL and the co-creator role seems to be grounded in a SDL. The idea generator role does not fit fully into either a GDL or a SDL, but is rather a combination of both. For researchers, the proposed model contributes by putting firm innovation strategy and practices in relation to the values and beliefs that are used to understand and explain the world of economic exchange. It shifts the focus from what the FLEs can do to what they are assigned to do and why. The potential of FLE participation in the SI process is only relevant if it is realised by researchers and practitioners. The model should be tested in order to fully understand the dynamics between firms' institutional logics and the extent to which they assign FLEs participating roles in the SI process. For practitioners, the model raises awareness about different institutional logics and how these can affect firm innovation strategy development and practices. The lack of studies concerning FLEs in a SI context makes it a very important subject for future research.

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