

ABSTRACT

Service organisations face the challenge of offering their customers continuously improved or completely new services. They need service innovations to stand up to superior competitive service offerings, respond to changing customer needs and expectations, to experience sustained growth and raise the quality and productivity levels of services. Service innovations are new experiences or new value propositions not previously available to the customers and result from changes made to the service concept and the delivery process. Researching R13; the ways in which companies are innovating services R14; is considered to be a top priority for the science of services. The recent extension of the resource-based view into the dynamic capability view provides a fresh perspective for analyzing how firms develop new services to cope with shifting markets. The dynamic capability to innovate is the ability of the organisation to sense customer expectations and technological changes, conceptualizing new ideas and adopt or implement these new ideas successfully. Organisations possessing these dynamic service innovation capabilities have the ability to integrate key capabilities and resources of their firm to successfully stimulate innovation. Antecedents to these dynamic service innovation capabilities can be found at individual, top management team (TMT), firm and contextual levels. Existing theories converge around organisational and individual level antecedents for innovation capabilities and the TMT role in building dynamic service innovation capabilities have been rarely probed into and analysed. Consequently, the purpose of this study was to identify top management team (TMT) level antecedents affecting dynamic service innovation capabilities (DSIC) and service innovativeness of service - dominant business organisations. Theoretical foundations are basically drawn from the dynamic capability view of the organisation, Upper Echelons, Social Capital and Human Capital theories to design a research framework for a quantitative investigation. Researches on upper echelons and strategic decision making have considered TMT human capital and TMT advice-seeking behaviour as important top management team attributes that influence organisational outcomes. Yet, the understanding about how top management teams utilize their knowledge, experience and advice to develop and modify dynamic service innovation capabilities and pursue service innovation is still unclear. Thus, the researcher proposed that the education and the experience of the top xxiv management team play very important role in building dynamic innovation capabilities for service - dominant business organisations. Further, to uncover the importance of advice seeking, the researcher delineates between external and internal advice seeking and investigate their impact on dynamic service innovation capabilities and service innovativeness. The researcher also argues that top management team heterogeneity and organisational level internal and external connectedness moderates the impact of advice seeking and human capital on dynamic service innovation capabilities. A non-experimental correlational survey research method was employed to test empirically the hypotheses developed in this model. It was carried out over six different service sectors of the Sri Lankan economy with top management team of each organisation as the unit of analysis. Primary data was collected from 260 service - dominant business organisations. Overall response rate was 66.4%. Hypothetical relationships were examined using Structural Equation Modeling (SEM) with Analysis of Moment Structures (AMOS). The effects of moderators were examined using the interaction method. The effect of the mediator has been tested with the Bootstrapping method. The analysis suggests that the top managers' external advice seeking behaviour play a very important role in building dynamic innovation capabilities for innovations of service - dominant business organisations. The researcher also found that TMT human capital which is defined as the degree of education and experience of top managers enhances both dynamic innovation capabilities and service innovativeness directly and indirectly. However, findings did not support the direct relationship between internal advice seeking and service innovativeness. But it found strong support for the relationship between internal advice seeking and dynamic innovation capabilities which shows the indirect impact of internal advice seeking

on service innovativeness. The findings of moderating factors revealed that TMT heterogeneity and internal connectedness did not produce any moderation effect. Interestingly, heterogeneous top management teams appeared to be less effective to leverage TMT external advice and human capital to pursue dynamic innovation capabilities. However, the researcher found that external connectedness facilitates top managers to act upon external advice by combining different perspectives from different external parties. Finally it was found that DSIC mediate all the relationships between TMT factors and the service innovativeness fully and partially. Accordingly, it can be concluded that organisations which are highly connected with external parties and which have highly educated and well experienced top management teams who seeks more advice from internal and external parties likely to develop more dynamic service innovation capabilities resulting a greater quantity of service innovations. The demographic information suggested that women remain significantly underrepresented at the corporate hierarchy both in the board and the top management team. Further, these results indicate poor representation of top managers in the area of research and development. However it was found that 63.8% of top managers are highly educated with at least first degree qualifications. In addition, findings revealed that size of the top management team and the environmental dynamics which were taken as control variables have significant impact on dynamic service innovation capabilities and align with the findings of the previous research. Even though the strategic management scholars associated path dependency and size of the organisation with dynamic service innovation capabilities, this research revealed that the impact of age of the organisation and size of the organisation are not statistically significant. Both were considered as control variables for the study. Descriptive data analysis of the constructs revealed that top managers are reluctant to seek advice from external parties, particularly from external unrelated parties such as universities and research and development organisations. Analyses of innovation related data indicated that nearly 60% of Sri Lankan service - dominant business organisations are less innovative and they had only 0.07% of innovations which are in the R13;new to the worldR14; category. Further, the results revealed that selected organisations lack R13;learning and adaptiveR14; capability which is essential for service innovation. The research made contributions in dynamic service innovation capability, service innovation, upper echelons and social capital research in a number of ways. First, the results suggest that contemplated, enmeshed TMT determinants are no doubt important to enhance dynamic service innovation capabilities and service innovativeness. Hence, the main contributions of this study is, it extends the dynamic service innovation capability theory (Hertog et al., 2010) and open the R13;black boxR14; of determinants of dynamic service innovation capabilities. Further, it provides empirical evidence of dynamic service innovation capabilities in practice, especially in different service industrial settings. Second, by combining both the upper echelons and dynamic capabilities together, it clearly define the role of top management teams in building dynamic service innovation capabilities for service - dominant business organisations. xxvi This study significantly contributes to the social capital literature by providing important evidence for answering previous calls for multi-firm and multi-industry research that increases the understanding of organisational outcomes of managerial information search both within (bonding) and across (bridging) organisational boundaries. It was found that, in conjunction with composition and process approaches of the upper echelons theory, the social capital perspective offers great promise for studying all of the ways in which the TMTs matter in service innovation. This thesis probe beyond the individual top managers and the group and develops propositions with regard to the interactions beyond the team – internally within the organisation or externally with other parties. With this it contributes to the social capital theory by studding the effect of internal advice seeking (bonding) and external advice seeking (bridging) together in the same context. In addition, it significantly contributes to both theories (DCV and RBV) by providing evidence to confirm that both resources and dynamic capabilities are important to organisational performance and resources such as TMT social and human capital play a paramount role in building dynamic capabilities for organisations. The findings of

this study are extremely useful to CEOs and other top managers as they confirm the importance of TMT human capital and strategic advice seeking behaviour in building dynamic service innovation capabilities to stimulate service innovations. Thus, managerial implications were discussed in detail. Some of the main limitations of this study include the use of single respondents to represent TMTs, its focus on only six industry sectors, sole dependence of survey data and lack of holistic view. These limitations were discussed in this thesis. Key Words: Service Innovation, Dynamic Service Innovation Capabilities, Upper Echelons, TMT Advice Seeking Behaviour, TMT Human Capital