EXAMINING THE BARRIERS OF SERVICE INNOVATION IN MOTOR VEHICLE RETAILERS

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ABSTRACT

Motor vehicle retailers in South Africa, as in many countries worldwide, are faced with fierce competition and resort to innovative strategies to sustain their competitive position. Previous studies focused on benefits such as profit maximisation and competitive advantage derived from the effective implementation of service innovations. The purpose of this paper is to address the gap in literature by examining the barriers that impede the implementation of service innovations by motor vehicle retailers. The contingency theory served as the underlying conceptual lens that enabled this research to answer the research question and attain the research objective. A qualitative research method was followed to realise the research objective. Content analysis method was used to analyse the primary data of this research paper with the aid of Atlas.ti version 8 software. The results of this paper adds contribution to academic literature by indicating that service organisations, specifically, motor vehicle retailers experience both internal and external barriers in implementing service innovations. This paper provides recommendations to service managers in service organisations and directions for future research.

Keywords: Content Analysis, Business Performance, Motor Vehicle Retailers, Service Innovations.

INTRODUCTION

Due to the competitive nature of the business environment in the 21st century, organisations such as motor vehicle retailers have recognised the need to frequently innovate and provide new processes and better services to customers. Organisations can achieve a competitive advantage by sessing competencies, resources and capabilities that are unique, valuable, and difficult to imitate by other organisations (Bellini et al., 2016). However, the realisation of a competitive advantage depends on the organisation's innovative capabilities and resources (Yanadori & Cui, 2013). Developing and implementing innovation strategies is believed to assist in improving organisations' business performance by increasing market share and providing the organisation with competitive advantage (Prajogo, 2016a). Therefore, innovation, including service innovation, is important to drive a market-driven approach that contributes towards achieving a competitive advantage over competitors and business growth in organisations.

Van Tonder et al. (2017) maintain that the level of competition between service organisations is increasing in South Africa and in other parts of the world, as these organisations operate in a dynamic and competitive business environment. Again, the critical point in service innovation research is the question whether service innovation within service organisations differs from innovations in manufacturing organisations. This paper aims to fill

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thegap in literature by focusing on the barriers to service innovation in service organisations, as mostprevious studies have focused on benefits such as improved business performance which are derived from innovations. In addition, most previous studies have focused on product innovationsin the manufacturing organisations rather than on service innovations.

THEORETICAL BACKGROUND ANDLITERATURE REVIEW

This section provides definitions of key concepts to make this research understandable and reviews previous studies to illustrate the gap to be filled by this research.

DEFINING SERVICE INNOVATION

According to Durst et al. (2014) service innovation is an ambiguous termin literature and understanding of the concept and its impact on business performance is fragmented. According to Kindström et al. (2013), organisations that aim to manage the complexities associated with service innovation and take full advantage of the service innovation benefits must address that wide range of components related to service delivery.

This implies that service innovation be perceived as multidimensional, taking into account serviceinnovation design and implementation. On the other hand, Brown and Osborne (2013) as cited by Makgopa (2021) define innovation as “the intentional introduction and application within a role, group or organisation of ideas, processes, products or procedures, new to the relevant unit of adoption, designed to meaningfully benefit the individual, the group, organisation or widersociety”. Considering these definitions, in this study, service innovation will be defined as follows: Service innovation refers to new idea generation and the implementation of intentional incrementalinnovations that are new to the market, including new processes, new products or services and new procedures that are designed to benefit the customers, the organisation, and other stakeholders.

PERSPECTIVES OF SERVICE INNOVATION

Service innovation in service organisations has become an increasingly important concern for creating innovative service activities and implementing the market concept in their business activities. Chen et al. (2015) point out that service innovation is a critical factor for organisations in maintaining and sustaining a competitive advantage in an increasingly service organisation context. The service sector is viewed as important to the global economic activity, and considered a primary source of value creation (Zhang et al., 2016), which is derived from innovation and thus increases organisational business performance. Service innovations provides an opportunity to introduce new services or that are significantly improvedin terms of attributes or intended uses including significant improvements in technical specifications, components and materials, incorporated software, user friendliness or other functional characteristics (Oke, 2015). According to Zhang et al. (2016) service innovation requires that customers, employees and suppliers be integrated in developing service innovation that will satisfy customers’ needs and serve as a solution. This implies that service innovation should aim to offer new solutions to customers’ needs.

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BARRIERS TO INNOVATION

The term "barriers" refers to the obstacles or challenges that organisations encounter while developing and implementing innovation activities (Tehseen & Sajilan, 2016). Tehseen and Sajilan (2016) posit that high innovation costs, lack of qualified employees, lack of sufficient financial budget, lack of or insufficient market information, insufficient technological information, huge market share, macro-environmental factors and extreme perceived economic risks are the main barriers to innovation in a retail context. Furthermore, they are of the opinion that organisations would find it difficult to implement effective innovative strategies if they have no qualified employees who are equipped with the relevant information regarding existing and new market trends and technologies. In addition, a study by Sundbo et al. (2015) found that several layers of management can serve as a barrier to innovation in organisations.

CONTINGENCY THEORY

According to Donald (2001), the contingency theory suggests that "organisational effectiveness results from fitting characteristics of the organisation to contingencies that reflect the situation of the organisation" (McAdam et al., 2016). According to McAdam et al. (2016), classical contingencies or contingency variables include, for example, organisational strategy or competitive strategy, and from this perspective organisations seek to improve their business performance by ensuring the match of strategies and activities in line with a defined set of contingency variables in the changing external environment. Havemann and Wetts (2019) argue that the contingency theory is based on the premise that organisational strategies and activities are contingent on the environmental conditions in which the organisation operates. The theory acknowledges the interaction between the business environment and organisations. Moreover, it argues that the business environment is characterised by complexity and uncertainty resulting from a number of environmental factors. Popa et al. (2017) state that organisations' innovations are driven by a confluence of social, economic and technological changes. According to Pérez-Luño et al. (2019) a contingency is based on the principle that there is no single way to structure a strategy for all organisations, but everything depends on the alignment among a number of internal and external environmental factors. This implies that the use of innovation is contingent on environmental factors, such as changes in consumer needs, economical changes and technological changes. These environmental changes require organisations to maintain a strategic fit between organisational strategies and the environment. If the organisation fails to maintain a strategic fit between organisational strategies and the environment, this can lead to ineffective implementation of formulated strategies. In this study, the author argues that internal and external environmental factors, if not adequately matched with appropriate service innovation activities, these environmental factors can serve as barriers to effective implementation of service innovations in service organisations. In addition, this study aims to examine both internal and external factors that serve as barriers for effective implementation of service innovations in motor vehicle retailing, and provide recommendations on how to mitigate them.

REVIEW OF PREVIOUS STUDIES

Previous studies focused on the relationship between innovation and business

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performance (Yen, 2013; Al-Ansari et al., 2014; Bigliardi, 2013; Cheng et al., 2014; Mafini, 2015; Prajogo, 2016b). However, some studies revealed mixed or contrasting results in terms of the link between research and development (R&D) investments and innovation, for example, some studies found that R&D does not influence production-oriented innovative performance (Hervas-Oliver et al., 2014; De Carvalho et al., 2016). According to Al-Ansari et al. (2013), business performance determines how well an organisation manages its internal resources and adapts to its external environment. In this context, business performance (profit, brand image, growth and competitive advantage) refers to the performances that result from organisations' abilities to create new businesses within their existing service, or the renewal of an existing business that has reached a stagnation point. Tsai and Yang (2013) pointout that the business environment in which the organisation operates, can influence the effectiveness of innovation as a competitive strategy in terms of business performance. Prajogo (2016b) argues that this can be attributed to the fact that effective innovation activities that increasebusiness performance in a particular environment, may not necessarily be as effective in other environments. As a result, this requires managers to match their organisations' innovation activities to the business environment in which they operate, as these conditions can moderate the relationship between the organisation's innovation activities and business performance.

Prajogo and Oke (2016) add that managers of service organisations should identify and swiftly capitalise on external business opportunities in highly dynamic environmental conditions. The above-mentioned scholars also state that these organisations should offer appropriate and superior new services to capture niche markets and to satisfy changing customer needs in those environments, and they should further create proper innovation capabilities in order to address thequick changes in customer needs and preferences (Prajogo & Oke, 2016). Al-Ansari et al. (2013) explored the innovative characteristics of organisations and the link between innovations and business performance. The results of the preceding study uncovered that managers have different perceptions of innovative characteristics and innovation has a moderate impact on business performance. Pantano and Viassone (2014) investigated the technology-based innovations in a retail setting and how these are linked to internal characteristics of organisations, and the results of this study confirm the limited diffusion of new technologies applied to points of sale. However, retailers show interest in the adoption of technology-based innovations. This study further uncovered that the adoption of innovation in a retail setting is solicitated by organisational innovativeness (ability to innovate, and it is linked to the capacity to adopt an innovation before the competitors), human capital (employees and managers, in terms of openness to novelty, willingness to be the first adopters in a specific domain and propensity to engage new ideas for improving organisational processes.), progresses in technology, organisational characteristics (financial resources, organisational size, and age) and market orientation (market intelligence, customer orientation, and inter-functional coordination). In another study, Sundbo et al. (2015) examined the factors affecting the innovativeness of service encounters – either as drivers or as barriers of organisations – and the results uncover that service innovation requires mutual empathybetween employees and customers, and that if employees invest in wilfulness and time, these canserve as drivers for innovation. Ferreira (2015) investigated the determinants of innovation management and the implications of these determinants on business performance. The results of this study identify innovation capabilities such as technologies, networks, learning, process, strategy and culture as key determinants of innovation, and reveal conflicting results regarding the relationship between these determinants and businessperformance in different sectors.

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Mennens et al. (2018) explored on the antecedents of service innovation performance in manufacturing Small Micro Enterprises. Mennens et al. (2018) identified different factors than enable organisations to attain a competitive advantage based on service innovation and improved business performance. Mennens et al. (2018) identified absorptive capacity and employee collaboration in an organisation as critical factors towards service innovation, and the organisation's search breadth. The findings of this study confirm that employee collaboration and search breadth have positive effects on an organisation's potential absorptive capacity, whereas employee collaboration reinforces its realised absorptive capacity. In another study, Bustinza et al. (2017) explored empirically whether external collaborative service development and provision and industrial R&D intensity help to unpack the complex relation between product–service innovation (servitisation) and performance. Parris et al. (2016) investigated the barriers of service innovation during the implementation phase, and revealed that organisations experienced the following challenges in implementing service innovation: coordinating adoption; obtaining commitment (buy-in); developing competency; estimating costs; and developing content. Considering these previous studies, it is clear that service innovation is crucial to improve business performance; however, this topic is not widely addressed or researched in other parts of the world, particularly not in developing countries such as South Africa.

In addition, much less research is done in service organisations as compared to product innovations in manufacturing organisations focusing on the barriers to be overcome to achieve effective implementation of service innovations. This study responds to the research call by Witell, Anderson, Brodie, Colurcio, Edvardsson, Kristensson and Wallin Andreassen, (2016), that new research needs to move beyond organisational perspective and study service innovation from broader perspective dimensions (individual, organisational, society, success and failures). Szambelan et al. (2020) investigated how organisations overcome market-based innovation barriers and achieve higher innovation performance and uncovered that effectual contingency and effectual means orientation are negatively associated with market-based innovation barriers, which are in turn negatively associated with a organisations innovation performance. Szambelan et al. (2020) focused only on market-based barriers of innovation which created a gap to be filled by the current study. Therefore, the problem statement is summarised as follows: limited research on both internal and external barriers that impede the implementation of service innovations, specifically, in the case of motor vehicle retailers in South African context.

THE PURPOSE OF THE RESEARCH

The purpose of this research is to examine the barriers that impede the implementation of service innovations service by motor vehicle retailers (MVRs).

CONTRIBUTIONS OF THE STUDY

Reviewing the secondary research available, it is clear that service innovation is not widely addressed, either elsewhere in the world or in the South African context, specifically in service organisations as compared to product innovations. Most innovation studies focus on the impact of innovation on business performance, such as profit maximisation, revenue growth and competitiveadvantage. This study contributes to literature on the topic by focusing on the barriers that impede the effective implementation of service innovations in service organisations. This study contributes to literature on the topic by focusing on the barriers that can impede the

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effective implementation of service innovations in service organisations using a case study on motor vehicle retailers (MVRs) in a South African context. In addition, this research contributes to the contingency theory by considering dynamic internal and external (the micro-, market and macro-environmental) factors as potential barriers to effective implementation of service innovations in service organisations when strategic fit is not maintained. Furthermore, this study contributes to service organisations by providing recommendations that will assist marketers and managers to make better decisions associated with planning and implementation of service innovations that could benefit customers, the organisation, and other stakeholders from a broader perspective. Lastly, this paper provides directions for future research on the topic.

RESEARCH METHODOLOGY

This section explains the research methodology adopted in this study to realise the research objectives.

Research Design and Method

In this study, the barriers to service innovation of service organisations, particularly MVRs, were explored to generate an in-depth understanding. An exploratory qualitative approach was followed in order to address the research objective. Malhotra(2010) points out that an exploratory research design is useful when the researcher requires more information about a specific problem, an opportunity or a phenomenon. More specifically, the aim of using a qualitative approach is to collect data more effectively and to gain richer information byenabling participants to also express their opinions, and share their experiences with regard to thebarriers of service innovations in service organisations in a case of MVRs.

Data Collection

In-depth interviews were conducted with marketing personnel staff involved in the planning and implementation of service innovation activities of MVRs. In-depth interviews in qualitative research entail a discussion between the researcher and the participant, using an interview guide or interview schedule with open-ended questions (Malhotra, 2010). During the interviews with participants, the researcher used a research guide containing research questions regarding both internal and external barriers that can impede the implementation of service innovation activities. After the data collection period, the audio recordings were transcribed for data analysis to take place through content analysis.

Sampling

A purposive sampling method was used in this study. Purposive sampling means that participants are selected because of some defining characteristics that make them the holders of the data needed for the study (Tustin et al., 2005). Twenty participants from different MVRs were targeted; however, ten participants from twenty different MVRs selling both new and used vehicles participated in this study. The target population of interest for the current study was the MVRs operating in Gauteng, South Africa. Managers of MVRs were chosen as the unit of analysis since they were holders of the data needed to answer the research questions of this research. Ten participants participated in this study, of which eight were managers of MVRs and two were senior sales executives involved in sales and financing of motor vehicles in their

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respective MVRs. This was sufficient to generate finding, as the researcher in a qualitative study is permitted to use a small sample (Brynard & Hanekom, 2006). The MVRs operating within the borders of Gauteng were contacted. The researcher used the internet to search for a list of MVRs in South Africa from the RMI database organisation's website. The RMI member list contains the contact details of registered accredited MVRs operating in South Africa (Retail Motor Industry, 2018). In-depth semi-structured interviews conducted to collect the primary data in this study.

Data Analysis

In this study, the responses of participants were transcribed in order to convert the raw data into a meaningful form for the subsequent interpretation of the data. Qualitative content analysis was used, as it was ideally suitable for the purpose of this study, which aimed to understand the complex contemporary phenomenon of the actual implementation of service innovation activities of MVRs. Leedy and Ormrod (2014) explain that content analysis involves a detailed and systematic examination of contents for the purpose of identifying patterns and themes. In addition, Atlas.ti version 8 software is used to generate themes during the data analysis of qualitative data.

Ethical Considerations

The researcher adhered to the principles of ethical research conduct in terms of transparency, confidentiality, credibility and trustworthiness during the data collection analysis, interpretation and reporting, as advised by Yin (2011) with regard to consent, objectivity, honesty and integrity credibility, reliability and truthfulness in reporting and interpretation of data. In all cases, the participation was voluntary and no incentive was offered to participants. The trustworthiness or validity of the qualitative data was exercised in data analysis to avoid bias in interpreting the data.

FINDINGS AND INTERPRETATION

To realise the secondary research objective, the participants were asked the following question: "What are the barriers that hinder the implementation of MVRs' service innovations?" The participants identified the following barriers in the implementation of service innovations: lack of buy-in in relation to the new idea by internal sales consultants, resistance to change, and internal staff resistance, competition standards set by other regulatory bodies, limited budget linked to profits generated, franchise and franchisee agreements, difficulty to sell new ideas to customers, poor internal communication, impatience, not holding with a new idea long enough, personal bias, competition, government legislation, staff cultural background, and age of the staff. The verbatim quotes of participants that justify the preceding findings of this study are attached in Appendix A.

CONCLUSION AND DISCUSSIONS

The findings support the argument by Witell et al. (2016) that researchers and managers need to examine both negative and positive issues related to service innovations. The above-

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mentionedauthors identified the following barriers that impede service innovations: frustration of adoption, time wasting, competitive advantage loss, (lack of) resources, and lack of economic growth. Furthermore, Parris et al. (2016) revealed that organisations experienced the following challenges in implementing service innovation: coordinating adoption; obtaining commitment (buy-in); developing competency; estimating costs; and developing content. For their part, Tehseen et al. (2017) found that high innovation costs, lack of sufficient finance, insufficient market information, insufficient technological information, shortage of qualified personnel, and high economic risks are the major barriers to effective innovation activities in a retail context. They added that organisations with unqualified employees that have no information on market trends and technologies serve as barriers to the implementation of effective innovative activities or strategies.The findings of the current study concur with the findings of a study by Parris et al. (2016) that identified limited budget, lack of buy-in and non-adoption of service innovation ideas as barriers to the effective implementation of service innovation. In addition, the results of this study concurwith the findings of Baporikar (2015) that non-adoption of innovations is one of the primary reasons for service innovation failure. Moreover, the current study contributes significantly to academic literature by revealing that franchise and franchisee agreements, competition, government legislation, competition standards set by other regulatory bodies such as the Competition Commission, the difficulty of selling new ideas to customers, lack of perseverance, resistance to change, internal staff resistance, cultural background, age, and personal bias are barriers to the implementation of service innovations.

MANAGERIAL IMPLICATIONS

Managers of motor vehicle retailers should encourage and motivate internal employees to be creative and generate service innovation ideas. Sufficient resources should be allocated to support brainstorming sessions to stimulate new service innovation ideas that could contribute towards innovation. In addition, managers of motor vehicle retailers should aim to create a conducive working environment that allows employees to feel free to voice new service innovation ideas that can improve organisations' business performance. Lastly, this study recommends that managers should monitor internal activities to ensure that all new service innovations comply with competition rules, franchisee and franchisor agreements, and government regulations, and are carried out within the allocated budget.

FUTURE RESEARCH DIRECTIONS

This study examined the barriers to service innovation in service organisations using motor vehicle retailers operating in one province in South Africa and following a qualitative research approach. Therefore, future research can be carried out in other industries, other provinces and other parts of the world, using a mixed method research approach in order to quantify the results. The generalisability of the findings of the study is also limited given the nature of the sample usedin this study, and it remains for future studies to determine whether these results will hold for a larger cross-section of organisations, and whether a similar research approach can be followed in other countries. Finally, future studies can focus on the diversity of staff in the motor retail sector and other service organisations to determine any relationship between the variables of diversity ofstaff and service innovations.

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APPENDIX A	
TYPE OF CHALLENGE	**VERBATIM/QUOTES**
Lack of buy-in in relation to the new idea by internal sales consultants	"Internal consultant may not buying into the new idea, they may say I don't believe in the idea." (#Participant 1)
Resistance to change	"Is fear of change, attitude of people have towards that, if the management is willing to take the idea, it depends, if the new idea is from bottom it would be whether the management supports the idea, human beings are creatures of habit, human beings like their comfort zone and they fear change." (#Participant 2)
Internal staff resistance due to personal bias and cultural background	"With new ideas because when you're brainstorming and bringing new ideas, not all the people will take it." (#Participant 8) "As part of the cultural of staff, age is a factor as well. Youthful people tend to have a different mindset to more mature people. That also sometimes plays a role. It's again down to personal bias. Those are the things really that I can point out." (#Participant 9) "If you look at it from the perspective, yes. However, from your own perspective you still feel that it's

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	something that should be done but you understand why someone does not, they don't see it the same way." (#Participant 9)
Competition standards set by other regulatory bodies	"Competition standards, are strategies, are with the standards, will it be accepted by government, competition commission, those are the things that you should look at." (#Participant 2)
Limited budget linked to profits generated	"The budget, it all depends on how much profit we made per month. The management we check on how much they can work on the idea." (#Participant 1) "The challenge of implementation will be the budget, if you want the dealership to run with the idea, you need to guarantee that the idea will bring results." (#Participant 3) "You know, at dealership level it's much smaller than what it would be at manufacturer's level but, we are bound to strict budgets. I can tell you that we do not have to go over those budgets so we have to keep a sharp eye on it." (#Participant 5) "You know, it depends, as long as it falls within budget and as long as there's been a bit of study or a SWOT analysis beforehand that, you know, that they can present. It doesn't have to be professional, you know the SWOT analysis but as long as they have gone back and thought about it and come up with an idea." (#Participant 5)
Franchise and franchisee agreements	"Franchise and franchisee agreements can serve as a barrier, they describe how they dealership should look and how the vehicles outlay should look, we cannot though with idea that is below the organisation's standards (mentioned brand)." (#Participant 3)
Difficulty to sell new ideas to customers	"One of the biggest challenges is if you've got a new idea, selling it to the public, getting the word out. If you start the project and almost 99% it doesn't work within a short period of time you have to stick by your plan even though the results doesn't show it, to get the plan gaining momentum and I think people giving up on a plan too early that is one of the biggest challenges as well." (#Participant 6)
Poor internal communication	"Internally there is --- there could be communication that all staff is not informed about after-hour services, or it is not sold as a benefit to the customer when he brings his car in for service. They could be a possible barrier, but our people in the two departments are very well aware. It's advertised inside our building where customers can see it." (#Participant 10)

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